

Avanza

Interim Report

January – September 2014

- Net inflow totalled SEK 14,100 million (SEK 8,410 m), corresponding to 13 (10 %) per cent of the total savings capital at the beginning of the year
- The number of customers increased by 12 (8 %) per cent to 355,300 (316,500 as of 31 December 2013)
- The total savings capital increased by 18 (22 %) per cent to SEK 133,400 million (SEK 112,600 m as of 31 December 2013)
- Operating income increased by 16 (1 %) per cent to SEK 503 million (SEK 435 m)
- Operating margin was 43 (37 %) per cent
- The profit after tax increased by 30 (7 %) per cent to SEK 181 million (SEK 139 m)
- Earnings per share increased by 30 (6 %) per cent to SEK 6.28 (SEK 4.82)

Third Quarter

- Avanza Pension will continue its expansion and open an office in Malmö in early 2015
- Operating income increased by 12 percent (18 %) to SEK 166 million (SEK 148 m)
- The profit after tax decreased by 3 percent (+94 %) to SEK 60 million (SEK 62 m)
- Earnings per share decreased by 2 percent (+94 %) to SEK 2.10 (SEK 2.15)
- Pre-tax profit was burdened by provisions of SEK 8 million concerning VAT referring to the years 2010–2012. The effect on profit after tax was SEK –6 million

This is Avanza

- Sweden's leading internet bank for savings and investments, with Sweden's most satisfied savings customers four years in a row*
- Largest on the Stockholm Stock Exchange**
- Low risk profile; no trading on its own behalf, self-financed via equity and customer deposits
- Avanza falls under the supervision of the Swedish Financial Supervisory Authority and is covered by the state-provided deposit insurance guarantee
- Best internet broker in Sweden***
- Primary focused on private savers in Sweden
- No fixed account charges, yearly fees or depositing fees
- Brokerage fees from SEK 7
- The widest range of savings products and pension solutions on the market
- Trading in over 1,200 funds in 130 fund companies
- Trading on all the Nordic stock exchanges, as well as those of the United States and Canada via the internet and on other exchanges via telephone
- Tools, analyses, news and software to support you in all of your decisions
- Topical news and impartial advice from the independent online magazine Placera and the weekly financial magazine Börsveckan
- Selection of products:
 - Avanza Zero – Sweden's first free-of-charge fund
 - Super Loan – the lowest interest rates on the market, with the customers' securities as collateral.
 - Super Mortgage – the lowest mortgage interest rates on the Swedish market, linked to the repo rate and with unique flexibility
 - Sparkonto+ – better interest rates and up to five times the state-provided deposit insurance guarantee
 - FX Trading – currency positions quickly and easily
- One million SEK more pension****



Quarterly Summary

Avanza	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Operating income, SEK m	166	164	173	162	148	137	150	131
Operating profit, SEK m	71 ¹⁾	67	76	64	73	35	54	38
Operating margin, %	43 ¹⁾	41	44	40	49	26	36	29
Earnings per share, SEK	2.10	1.92	2.26	1.85	2.15	1.11	1.55	1.04
Return on shareholders' equity, %	9	7	8	7	9	4	5	4
Net inflow, SEK m	4,560	4,040	5,520	2,490	2,260	2,860	3,290	1,420
Savings capital at the end of the period, SEK m	133,400	130,100	121,800	112,600	105,000	94,600	93,400	85,800
No. customers at the end of the period	355,300	342,500	331,000	316,500	306,900	298,300	292,200	283,300
No. accounts at the end of the period	623,100	597,900	573,600	544,900	524,000	507,200	492,200	471,600

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

* Source: Swedish Quality Index (SKI)

** Measured as number of transaction on NASDAQ OMX Stockholm incl First North, October 2013 – September 2014

*** Source: Aktiespararen magazine, February 2013

**** We can show that an average 30-year-old can gain up to one million SEK by moving his/her occupational pension to us

Comments from the CEO

Net inflow doubled

"Net inflow continued to be strong in this quarter with SEK 4.6 billion, a doubling compared with the same period last year, and implying a total inflow of SEK 14.1 billion since the beginning of the year. Behind this strong net inflow each quarter compared with the previous year, is found a number of activities and initiatives which are beginning to bear fruit. These include our new website, the investment in CRM and a more customer-driven communication, a new trading room and successful product launches. For example, the Super Mortgage is not only generating many new customers but also new savings capital from existing customers. Everything taken together, these activities resulted in 12,800 new active customers during the quarter, an increase of 49 percent compared with last year, and we acquired 38,800 new customers since the beginning of 2014.

At the end of June, we could calculate our share of the total growth in the savings market at 8.0 percent during the past 12 months. This exceeds our long-term goal to achieve at least 7 percent.

Repo rate decreases press net interest items – scalability produces positive results

The dramatic repo rate decrease at the beginning of the quarter negatively impacted our quarterly results by SEK 8 million, something which our increased volumes cannot compensate for in just one quarter. With that in mind, we are satisfied that our focus on cost efficiency now begins to give results, which is of major importance if we are going to be able to deliver high margins regardless of the interest rate situation. We have decreased the cost to savings capital ratio by 18 percent to 31 basis points during the last twelve months, which is clear evidence of the scalability of the operations.

The earlier than planned investment in mobile services and VAT impact results

During the summer months, we experienced explosive growth in the demand for our mobile services. In July more than 50 percent of all logins were from mobile units. Consequently, we have determined to move forward development of our mobile platform to have it in place no later than next summer.

We have also reported a one-off item of SEK 8 million concerning VAT referring to the period 2010 to 2012, as we indicated in our second quarter report.

The investment in mobile services, together with the one-off cost for the VAT, is the reason that cost increases are estimated at 7 percent for 2014, slightly higher than the 6 percent forecasted in our second quarter report. However, the planned cost increase rate of 6–8 percent for 2015 remains, as does the growth target I mentioned in the interim report for the second quarter of 30,000–40,000 new customers per year and

a minimum share of 7 percent of the net inflow to the Swedish savings market.

Continued expansion within pensions

Our pension operations continue to be successful. Since the beginning of the year, we have doubled our sales personnel through new recruitment in Stockholm and through the opening of an office in Gothenburg, which has seen a flying start with a strong inflow of occupational pension customers. As a result of this success, we will also open an office in Malmö, a strategically important location for us, in early 2015. We thus continue, as planned, to successively build the pension area as one of our stable revenue streams to counteract our sensitivity towards market volatility. Within the private pension and insurance savings area we have during the past 12 months achieved a 4.5 percent share of the total premium inflow in the market.

Focus in the near future

In forthcoming quarters we will strengthen our leadership within savings and investments. In addition to improved functions on the website and further improvements of efficiency in various back office and administrative functions, we will start managing our surplus liquidity more actively to improve capital efficiency and create capacity to expand the Super Mortgage.

The focus will also be placed on recruitment for and the completion of our new office in Malmö, while at the same time we will continue to work with our user-friendly and mobile solutions."

Stockholm, 16 October 2014



Martin Tivéus, CEO Avanza



Market and sales

The Stockholm Stock Exchange developed somewhat tentatively during the third quarter. The SIX Return Index saw a marginal decrease and the total yield during the first nine months of the year reached 9 percent. Turnover declined during the third quarter compared with the previous one, which can partially be explained by the fact that trading activity is usually lower during the summer months. Total turnover during the period January–September was 6 percent higher than in the previous year.

The trend towards customers choosing mutual funds as their savings form continued during the first nine months of the year. At the end of the period, 29 percent of Avanza's customers' capital was invested in funds, which was 5 percentage points higher than one year before. The interest in fixed income funds continued to be high but savers were also interested in Swedish small-cap funds and US funds.

The investment savings account (ISK) continued to be popular during the period. Nearly half of Avanza's net inflow went into ISK and the number of accounts increased by 78 percent.

The net inflow into Avanza's Occupational Pension products continued to be strong during the first nine months of the year in terms of both capital and new accounts. The inflow of capital amounted to SEK 1,310 million which was 30 percent higher than in the corresponding period during 2013. Avanza Pension has slightly more than 2 percent of the premium inflow to the occupational pension market for employees not under collective agreements and is steadily increasing its share. During the first nine months, more than 1,700 companies chose Avanza as their supplier of occupational pensions. Avanza's customers

transferred SEK 430 million in occupational pension capital from other insurance companies during the period, an increase of 45 percent compared to the corresponding period last year.

During the first quarter, Avanza Pension doubled its sales organisation in the occupational pension market by increasing its sales force in Stockholm and establishing a new office in Gothenburg. The expansion has been successful and Avanza will consequently go on by also opening a sales office in Malmö in early 2015.

At the end of March, Avanza decreased its brokerage fees on trading in American shares. After the decrease, the customer interest increased and the number of customers trading in American shares was 73 percent higher during the second quarter of 2014 than during the corresponding period last year.

At the beginning of the third quarter, the Swedish Central Bank decreased the repo rate by 0.50 percentage points. Avanza chose to match the Central Bank's decrease and lowered the interest on its mortgage product, Super Mortgage, to 1.24 percent. At the same time, the ceiling on the lending volume was expanded by a further SEK 1 billion to SEK 2.5 billion in order to meet the demand from customers.

As of 30 June 2014, Avanza had 2.4 (1.9) percent of the total savings market in Sweden. During the second quarter, Avanza's share of the total net inflow into the Swedish savings market amounted to 5.3 (3.5) percent. During the 12 month-period July 2013 – June 2014, Avanza's market share of the total net inflow amounted to 8.0 percent, which was well in excess of Avanza's goal to achieve a minimum of 7 percent of the net inflow.

Activity	2014	2013	Change	2014	2013	Change	2013–2014	2013
	Jul–Sep	Jul–Sep	%	Jan–Sep	Jan–Sep	%	Oct–Sep	Jan–Dec
Net inflow, equity & investment fund accounts, SEK m	3,120	1,580	97	9,140	5,140	78	11,520	7,510
of which, investment savings accounts, SEK m	2,280	1,410	62	6,780	4,340	56	7,950	5,520
Net inflow, savings accounts, SEK m	200	-270	-	760	380	100	840	460
of which, external deposit accounts, SEK m	300	-250	-	930	480	94	960	520
Net inflow, pension- & insurance-based accounts, SEK m	1,240	950	31	4,200	2,890	45	4,240	2,930
of which, endowment insurance, SEK m	860	620	39	2,740	1,780	54	2,370	1,400
of which, occupational pensions, SEK m	340	280	21	1,310	1,010	30	1,630	1,330
Net inflow, SEK m	4,560	2,260	102	14,100	8,410	68	16,600	10,900
Net inflow, Bas & Premium, SEK m	3,820	1,580	142	11,250	6,400	76	13,200	8,330
Net inflow, Mini, SEK m	20	10	100	40	60	-33	40	70
Net inflow Private Banking, SEK m	610	630	-3	2,700	1,870	44	3,140	2,310
Net inflow, Pro, SEK m	110	40	175	110	80	38	220	190
Net inflow, SEK m	4,560	2,260	102	14,100	8,410	68	16,600	10,900
Net inflow/Savings capital, %	14	10	4	17	13	4	16	13
No. commission notes per customer & month	2.1	2.1	0	2.2	2.1	5	2.2	2.1
No. transactions per commission note	1.5	1.6	-6	1.6	1.6	0	1.6	1.7
Brokerage per commission note, SEK	70	73	-4	70	72	-3	70	71
Market shares								
NASDAQ OMX Stockholm and First North								
No. transactions, %	8.0	8.0	0.0	7.6	7.2	0.4	7.7	7.3
Turnover, %	4.3	4.6	-0.3	4.2	4.0	0.2	4.2	4.1

For definitions see page 18.

The net inflow during the third quarter continued to be very strong. In total during the nine-month period, the net inflow amounted to SEK 14.1 billion, which was 68 percent more than in the equivalent period in 2013. A majority of the inflow continued to go into investment savings accounts but endowment insurance also continues to see large inflows.

During the period January–September, the customers' trading activity increased and the number of transactions per

customer and month was 5 percent higher than in the equivalent period last year. However, the activity is still somewhat restricted and a major portion of the new net inflow is invested in funds.

Avanza's share of the total number of trades on the Stockholm stock exchange increased and amounted to 7.6 (7.2) percent. Brokerage per commission note was 3 (-5) percent lower than in the same period last year.

Savings Capital	30-09-2014	30-06-2014	Change		Change		Change	
			%	31-12-2013	%	30-09-2013	%	
Savings capital, equity & investment fund accounts, SEK m	73,670	71,490	3	61,680	19	56,180	31	
of which, investment savings accounts, SEK m	20,600	18,200	13	11,700	76	9,570	115	
Savings capital, savings accounts, SEK m	6,330	6,110	4	5,520	15	5,420	17	
of which, external deposit accounts, SEK m	5,670	5,360	6	4,690	21	4,640	22	
Savings capital, pension- & insurance-based accounts, SEK m	53,400	52,500	2	45,400	18	43,400	23	
of which, endowment insurance, SEK m	39,800	39,300	1	34,200	16	33,100	20	
of which, occupational pensions, SEK m	6,920	6,510	6	5,150	34	4,610	50	
Savings capital, SEK m	133,400	130,100	3	112,600	18	105,000	27	
Equities, bonds, derivatives, etc. SEK m	80,820	79,600	2	70,390	15	65,530	23	
Investment funds, SEK m	38,400	35,900	7	27,900	38	25,600	50	
Deposits, SEK m	19,100	19,100	0	17,600	9	17,000	12	
of which, external deposits, SEK m	5,670	5,360	6	4,690	21	4,640	22	
Lending, SEK m	-4,920	-4,500	9	-3,290	50	-3,130	57	
of which, mortgage loans, SEK m	-1,490	-1,200	24	-90	1,556	-	-	
Savings capital, SEK m	133,400	130,100	3	112,600	18	105,000	27	
Deposits/Lending, %	388	424	-36	535	-147	543	-155	
Net deposits/Savings capital, %	11	11	0	13	-2	13	-2	
Bas & Premium, SEK m	74,600	71,930	4	61,900	21	58,530	27	
Mini, SEK m	1,850	1,860	-1	1,780	4	1,690	9	
Private Banking, SEK m	53,500	53,000	1	46,100	16	42,200	27	
Pro, SEK m	3,450	3,310	4	2,820	22	2,580	34	
Savings capital, SEK m	133,400	130,100	3	112,600	18	105,000	27	
Return, average account since Jan 1 st, %	6	7	-1	17	-11	12	-6	
SIX Return Index since Jan 1 st, %	9	9	0	28	-19	20	-11	

For definitions see page 18.

Savings capital grew significantly during the first nine months of 2014, driven by the high customer and net inflows, in combination with the positive stock market development. The

customers' savings capital in Avanza at the end of the period amounted to SEK 133 billion which was an increase of 18 percent compared with year-end.

Customers and Accounts	30-09-2014	30-06-2014	Change		Change		Change	
			%	31-12-2013	%	30-09-2013	%	
Bas & Premium, no. customers	321,460	309,310	4	284,490	13	275,840	17	
Mini, no. customers	21,200	21,000	1	20,800	2	20,500	3	
Private Banking, no. customers	11,500	11,100	4	10,200	13	9,600	20	
Pro, no. customers	1,140	1,090	5	1,010	13	960	19	
No. customers	355,300	342,500	4	316,500	12	306,900	16	
No. accounts per customer	1.75	1.75	0	1.72	2	1.71	3	
No. equity & investment fund accounts	326,500	309,500	5	277,600	18	266,100	23	
of which, no. investment savings accounts	65,300	55,300	18	36,600	78	30,800	112	
No. savings accounts	86,100	83,200	3	76,900	12	73,500	17	
of which, no. external deposit accounts	56,400	52,900	7	47,200	19	44,200	28	
No. pension- & insurance-based accounts	210,500	205,200	3	190,400	11	184,400	14	
of which, no. endowment insurance	109,000	106,200	3	100,800	8	98,700	10	
of which, no. occupational pensions	56,400	54,800	3	47,600	18	45,600	24	
No. accounts	623,100	597,900	4	544,900	14	524,000	19	

For definitions see page 18.

Growth in the number of customers continued to be strong during the third quarter. The total number of customers at the end of the period was 355,300, which represented an increase of 12,800 during the third quarter and an increase of 38,800 compared with the beginning of 2013. The number of accounts increased during the first nine months of the year by 78,200.

The number of accounts per customer is a good measure of the savers' involvement in Avanza and, thereby, also of the share of customers' savings. The number of accounts per customer increased during the period and now amounts to 1.75 (1.71).

The number of new occupational pension accounts during the nine-month period totalled 8,800 (7,200) which is equivalent to 11 (14) percent of the total number of new accounts.

Development

During the period January–September, development work was focused on the fine-tuning and further development of Avanza's new website which was launched during 2013. A number of measures aimed at increasing efficiency and increased stability were taken, for example, enhanced efficiency in the administration of client companies within Occupational Pension.

A large number of smaller functions were introduced, mainly based on customer feedback.

In June, Avanza launched, as the first Swedish bank, foreign exchange trading for all customers. This product makes it possible to quickly and easily take foreign exchange positions in the currencies that are most in demand.

Financial overview

	2014 Jul-Sep	2013 Jul-Sep	Change %	2014 Jan-Sep	2013 Jan-Sep	Change %	2013-2014 Oct-Sep	2013 Jan-Dec
Income Statement, SEK m								
Brokerage income	67	63	6	205	178	15	272	245
Fund commissions	31	22	41	82	60	37	104	82
Net interest items	48	51	-6	156	151	3	210	205
Other income, net	20	12	67	60	46	30	79	65
Operating income	166	148	12	503	435	16	665	597
Personnel	-51	-43	19	-167	-154	8	-223	-210
Marketing	-5	-1	400	-16	-14	14	-25	-23
Depreciation	-2	-2	0	-6	-8	-25	-8	-10
Other expenses	-29	-29	0	-92	-97	-5	-122	-127
Operating expenses before credit losses and provisions of VAT	-87	-75	16	-281	-273	3	-378	-370
Profit before credit losses and provisions of VAT	79	73	8	222	162	37	287	227
Credit losses, net	0	0	-	0	0	-	-1	-1
Provision of VAT *	-8	-	-	-8	-	-	-8	-
Operating profit	71	73	-3	214	162	32	278	226
Operating margin, %	43	49	-6	43	37	6	42	38
Profit margin, %	36	42	-6	36	32	4	35	32
Cost/income ratio, %	52	51	1	56	63	-7	57	62
Earnings per share, SEK	2.10	2.15	-2	6.28	4.82	30	8.13	6.67
Earnings per share after dilution, SEK	2.08	2.15	-3	6.22	4.82	29	8.07	6.67
Return on shareholders' equity, %	9	9	0	23	18	5	31	25
Investments, SEK m	3	0	-	8	3	167	9	4
Brokerage income/Operating income, %	40	43	-3	41	41	0	41	41
Non-brokerage income/Operating income, %	60	57	3	59	59	0	59	59
of which, Fund commissions/Operating income, %	19	15	4	16	14	2	16	14
of which, Net interest items/Operating income, %	29	34	-5	31	35	-4	31	34
of which, Other income/Operating income, %	12	8	4	12	10	2	12	11
Non-brokerage income/Operating expenses, %	114	113	1	106	94	12	104	95
of which, Net interest items/Operating expenses, %	55	68	-13	56	55	1	56	55
Operating income/Savings capital, %	0.13	0.15	-0.02	0.35	0.46	-0.11	0.55	0.61
of which, Net interest items/Savings capital, %	0.04	0.05	-0.01	0.13	0.16	-0.03	0.17	0.21
Average no. employees	286	266	8	279	269	4	277	269
No. trading days	66.0	66.0	0	185.5	186.5	-1	247.0	248.0
Web service operational availability, %	99.9	99.6	0.3	99.7	99.8	-0.1	99.8	99.9

* Provision of VAT during the third quarter 2014 refers to the years 2010-2012

	30-09-2014	30-06-2014	Change %	31-12-2013	Change %	30-09-2013	Change %
Shareholders' equity per share, SEK	25.85	23.67	9	27.49	-6	25.64	1
Capital base/Capital requirement	1.35	1.59	-15	1.82	-26	2.22	-39
No. employees	290	281	3	264	10	266	9
Market value, SEK	243.50	280.00	-13	209.00	17	193.00	26
Market capitalisation, SEK m	7,030	8,080	-13	6,030	17	5,570	26

For definitions see page 18.

Avanza also publishes an Excel document containing financial history. The information is presented in English and can be viewed at avanza.se/keydata.

Operating income increased during the first nine months of 2014 by 16 (1) percent compared with the equivalent period last year. Income during the third quarter increased by 12 (18) percent compared with the third quarter of 2013. Brokerage income increased as a result of the larger customer base, which was counter-acted somewhat by a decrease in brokerage per

commission note. Fund commissions increased primarily due to increased interest in investing in mutual funds and the resulting increase in fund capital. Net interest income decreased slightly due to lower base lending rates and market interest rates, although these were in part offset by a higher level of lending, which was partly a result of the introduction of Super Mortgage.

The base lending interest rate during the period January–September was, on average, 0.40 percentage points lower than during the corresponding period in 2013.

Expenses before credit losses and provision of VAT increased during the nine-month period by 3 (3) percent compared with the previous year, primarily as a result of increased personnel costs. These increased by 8 percent, partly due to the increased investment in Occupational Pensions and the associated sales organisation as well as expanded capacity within IT development.

In the third quarter, the costs before credit losses and provision of VAT were SEK 12 million higher than in the previous year. This was primarily due to the costs during the corresponding quarter of the previous year being lower than usual. This was a result partly of the conclusion of the site project and consequent major decrease in consulting costs, and

partly of the fact that we did not recruit replacements during the project's final phase and, thereby, incurred unusually low personnel costs during the quarter.

During the spring, Avanza received an enquiry from the Swedish Tax Agency concerning VAT for the period 2010–2012, and an investigation was initiated. Consequently, Avanza has reported a provision of SEK 8 million during the third quarter. This was in line with the estimated SEK 4–8 million stated in the interim report for the second quarter. The effect on profit after tax was SEK –6 million.

During the first nine months of the year, non-brokerage income was equivalent to 106 (94) percent of total costs. Non-brokerage income is comprised primarily of net interest, mutual funds commission and net exchange rate differences. The long-term goal is that total non-brokerage income shall be in excess of 100 percent of total costs.

Capital surplus

	30-09-2014	31-12-2013
Shareholders' equity, the Group	747	794
Intangible fixed assets and deferred tax receivables, SEK m	–26	–24
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	–413	–318
Total capital surplus before dividend, SEK m	308	452
Capital surplus per share, SEK	10.65	15.67

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 4, Page 15.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 308 million as of 30 September 2014.

As a result of new rules concerning equity within the financial sector, the capital requirement for the Group increased from August 2014. The capital requirement as per 30 September was SEK 64 m higher than the requirement as per 30 June, which is well in line with the estimate previously communicated. From September 2015 additional equity requirements of some SEK 30 m are expected. These increased capital requirements is covered by the capital surplus available already today.

Financial position

All of Avanza'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 2014 total credit losses amounted to SEK 9 million, which is the equivalent, on average, to less than 0.03 percent per year. Avanza 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 in the same manner as applying to other Swedish banks and insurance

companies. Additional information on Avanza and security matters can be found on avanza.se.

The Parent Company Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company in the Avanza Group. The operating result for the period January to September 2014 was SEK –4 (–5) million. The Parent Company does not report any sales. A dividend payment of SEK 231 million (SEK 231 m) has been made to the shareholders.

Outlook for the future

Growth possibilities on the Swedish savings market are deemed to be positive. In order to generate long-term value for our shareholders, Avanza's activities are concentrated on those areas we can impact and which drive the underlying growth of the company, in combination with the thorough monitoring of expenses – good scalability in the operations, strong net inflow, good growth in customers and customer satisfaction.

Factors impacting Avanza's possibilities for future growth include:

Growth of the savings market

We estimate that the Swedish savings market will grow by 6–8 per cent per year in the long-term, which is in line with the growth experienced over the last ten years. Normally, pension and insurance savings account for half of that growth. Increased demands for repayment and worries about falling housing prices, in combination with uncertainty regarding the stock market, may imply that more Swedes will choose to save by paying off their mortgages, which may have a negative impact on the growth of the Swedish savings market.

Avanza's growth opportunities are not, however, limited to the growth of the Swedish savings market. This is because Avanza currently has a market share of only 2.4 per cent of the Swedish savings market, and is also due to the fact that capital transferred from other savings institutions to Avanza is not included in the net inflow to the Swedish savings market.

Net inflow and growth in value

An important factor generating long-term growth in savings capital is the net inflow.

The growth in net inflow is explained by increased savings on behalf of existing customers and deposits from new customers. We believe the increased rate of growth during 2014 to be partially structural as a result of the launching of a new website, a strengthening of the customer offering, increased brand awareness and improved capabilities for targeted customer communication. Consequently, Avanza has decided to raise its long-term growth target to 30,000–40,000 net new customers a year (previously 20,000–30,000). We also believe that Avanza will increase its total share of customer's savings over time by utilising our competitive advantages in terms of offering the market's widest range of savings products, best tools and lowest fees. We estimate that our customers have, today, approximately fifty per cent of their transferrable savings in Avanza. In addition to the net inflow, the value increase also generates growth in customers' savings capital.

As a result of the new target regarding customer growth, Avanza has also decided to increase the annual target of attracting at least 5 per cent of the net inflow into the savings market to a minimum of 7 per cent. This is in line with Avanza's share of the net inflow to the Swedish savings market during the last 12 months which was 8.0 percent.

Relationship between growth in savings capital and growth in operating income

From a long-term perspective, there is a clear correlation 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 trading in securities, net interest income from borrowing and lending activities, from fund commission and in the form of other compensation from suppliers of savings products. The income to savings capital ratio has fallen by 10 per cent per year over the last five years due to falling short-term interest rates, price pressure, combined with the effects of the product mix of savings and fluctuations in trading activity on the stock market. Our assessment is that the income to savings capital ratio, with an unchanged repo rate, will fall from its current level at a lower rate than the historical rate. This assessment is based on our forecast of the continued effects of the product mix of savings capital, as we believe that fund savings will increase in the future, in conjunction with an increase in pension capital. Price pressure due to competition is, however, deemed to be limited.

Outlook for 3–5 years

The savings behaviour we have observed during the previous two years has mainly been characterized by a lower risk appetite than has historically been the case. We have also seen a gradual shift in savings in funds towards funds with lower fees, partly as a consequence of an increasing cost consciousness amongst customers. We see no reason to expect any structural change for the foreseeable future even if risk aversion will appear cyclically. We, therefore, do not expect, and do not plan for, a return to the same level of income to savings capital ratio as the industry was used to experiencing a few years ago. However, we believe that a continued focus on low fees and innovative products is well suited to such an environment and that Avanza remains well positioned for growth in savings from both new and existing customers. Our assessment is that the price pressure in coming years may continue, to a limited extent, from the current income to savings capital ratio of 55 basis points, if the current low interest rates and stock market activity remain.

To ensure competitiveness and profitability by reducing the cost to savings capital ratio will, therefore, be a challenge for the industry as a whole, not least in light of the upward cost pressure due to statutory and regulatory compliance requirements in the wake of the financial crisis and due to increased accessibility requirements on behalf of customers, through various channels and mobile devices. Avanza is well equipped to meet this future with the significant scalability of its IT systems, IT development and continued efficiency enhancement measures.

An increased growth rate places high demands on both the organisation and its processes and systems. In order to ensure the highest possible quality of service to our customers while raising our growth ambitions, we intend, during the forthcoming year, to expand our IT development capacity to more quickly undertake possible improvements of efficiency and quality, as well as continue to further develop our customer offering and customer interface. As a result, we presume that cost increases of 6–8 per cent per year will apply during forthcoming years, an increase from the previously communicated 3–5 per cent. This can change and be reassessed if the growth premises are changed. Given a continued growth in customers and savings capital, we see that costs per unit during the next 3–5 years could decline below 25

basis points as a direct effect of continued growth in customers and savings capital.

The pension and insurance market is almost twice the size of the market for direct savings in shares and funds. Today's transfer rights only cover pensions which have been subscribed to after 2007, and transferable capital today is, thus, limited to only a fraction of the total pension and insurance market, although this fraction will gradually increase with time. During the spring and summer of 2014, the political debate regarding the right of transfer of pension savings took off and the government expressed a clear ambition to achieve a less

restrictive right of transfer within, primarily, fund and deposit insurance, as well as achieving increased transparency as regards the mediation of insurance products. In case of an extended right to transfer pension funds, customers would have the ability to transfer all or part of their savings to Avanza and, thus, receive a larger pension on retirement, as we offer the lowest fees and the widest range of products for retirement savings. A Parliamentary decision in favour of an extended transfer right would, therefore, have a positive effect on Avanza's growth prospects.

Other corporate events

Significant risks and uncertainly 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 2013, Note 34 and pages 30–32. 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's transactions with associated parties are presented in the Annual Report for 2013, Note 35. No significant changes have taken place since the publication of the Annual Report.

Executive Management

Peter Strömberg assumed the role of CIO at Avanza on 1 September. He replaces Ronnie Bodinger and will also be a member of Avanza's group management. Peter's most recent position was Head of IT Service Management at RSA Insurance Group. Prior to this, Peter worked for a total of 12 years at Nasdaq OMX, where his roles included, amongst others, Head of Development.

Annika Saramies, formerly Director of Sales at Avanza Pension, assumed the role of Managing Director at Avanza Pension on 1 September. She will also be a member of Avanza's group management. Annika replaces Henrik Källén who will take on the new role of Deputy CEO and COO of the Avanza Group.

Gustav Berggren, Head of the new "Private Bank" comprising Private Banking, PRO and Corporate Finance, will also become a member of Avanza's group management.

In conjunction with these developments, David Craelius has relinquished his role as Head of Banking and Investments. Accordingly, David will no longer be a member of Avanza's group management, although he will continue in his role as a Board Member of Avanza Pension.

Incentive program

The Extraordinary General Meeting on June 13, 2014 resolved, deviating from the shareholders' preferential rights, to issue a total maximum number of 1,470,000 warrants. These warrants will be distributed among three different programs (Sub-program 1–3) comprising a maximum of 490,000 warrants each. The three sub-programs are part of the same incentive program for the Group's employees.

Upon full exercise of all of the warrants included in the Board's proposal (1,470,000 warrants), the company's share capital will increase by a maximum of SEK 3,675,000 distributed on 1,470,000 shares, each with a quotient value of SEK 2.5, corresponding to a dilution effect of maximum 5.1 percent (1.7 percent per sub-program).

The first of the three sub-programs was implemented during the third quarter. The program comprises warrants corresponding to the entitlement to subscribe for 490,000 new shares, and the redemption price is SEK 316.76 per share. The term expires on 1 September 2017. The stock option program has been implemented on market terms.

Subsidiary program 1 of the 2011–2014 stock option program had redemption period from 2 May to 30 May 2014. The redemption price was SEK 265.16 per share. No shares were subscribed for in respect of this subsidiary program.

Repurchase of the company's own shares

On 29 April 2014, 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 first nine months of 2014 and the company holds no repurchased shares as of 30 September 2014.

Financial calendar

Preliminary Financial Statement 2014	21 January 2015
Annual Report, 2014	February 2015
Annual General Meeting	18 March 2015
Interim Report, January – March 2015	20 April 2015
Interim Report, January – June 2015	July 2015

Consolidated Income Statements *

SEK m	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep	2013-2014 Oct-Sep	2013 Jan-Dec
Operating income						
Commission income	137	115	407	337	535	465
Commission expenses	-19	-18	-60	-54	-80	-74
Interest income	58	64	190	187	256	253
Interest expenses	-10	-13	-34	-36	-46	-48
Net result of financial transactions	0	0	0	1	0	1
Other operating income	0	0	0	0	0	0
Total operating income	166	148	503	435	665	597
Operating expenses						
General administrative costs	-74	-67	-240	-236	-322	-318
Depreciation of tangible and intangible fixed assets	-2	-2	-6	-8	-8	-10
Other operating expenses **	-19	-6	-43	-29	-56	-42
Total operating expenses before credit losses	-95	-75	-289	-273	-386	-370
Operating profit before credit losses	71	73	214	162	279	227
Credit losses, net	0	0	0	0	-1	-1
Operating profit	71	73	214	162	278	226
Tax on profit for the period	-11	-11	-33	-23	-43	-33
Net profit/loss for the period ***	60	62	181	139	235	193
Earnings per share, SEK	2.10	2.15	6.28	4.82	8.13	6.67
Earnings per share after dilution, SEK	2.08	2.15	6.22	4.82	8.07	6.67
Average no. shares before dilution, thousand	28,874	28,874	28,874	28,874	28,874	28,874
Average no. shares after dilution, thousand	29,159	28,874	29,148	28,874	29,116	28,874
Outstanding no. shares before dilution, thousand	28,874	28,874	28,874	28,874	28,874	28,874
Outstanding no. shares after dilution, thousand	29,129	28,874	29,129	28,874	29,129	29,009
No. shares upon full dilution, thousand	30,344	30,344	30,344	30,344	30,344	30,344

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

** Other operating expenses during the third quarter 2014 include by provisions of SEK 8 m concerning VAT referring to the years 2010-2012.

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

Consolidated Balance Sheet

SEK m		30-09-2014	31-12-2013
Assets			
Treasury bills eligible for refinancing		210	165
Loans to credit institutions		8,389	9,078
Loans to the public	Note 1	6,158	4,188
Shares and participations		0	0
Assets in insurance operations		50,193	42,573
Intangible fixed assets		24	23
Tangible assets		11	11
Other assets		186	509
Prepaid costs and accrued income		53	88
Total assets		65,224	56,635
Liabilities and shareholders' equity			
Deposits by the public	Note 2	13,810	12,987
Liabilities in insurance operations		50,193	42,573
Other liabilities		381	186
Accrued costs and prepaid income		76	78
Provisions		17	17
Shareholders' equity		747	794
Total liabilities and shareholders' equity		65,224	56,635

Changes in the Group's shareholders' equity

SEK m	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Shareholders' equity at the beginning of the period	794	828	828
Dividend	-231	-231	-231
Warrants issue	2	4	4
Net profit/loss for the period (also total comprehensive income)	181	139	193
Shareholders' equity at the end of the period	747	740	794

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

Consolidated Cash Flow Statements

SEK m	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep
Cash flow from operating activities	86	51	191	93
Cash flow from operating activities' assets and liabilities	-639	530	-598	1,019
Cash flow from investment operations	-2	0	-8	-3
Cash flow from financial operations	-48	0	-274	-227
Cash flow for the period	-603	581	-689	882
Liquid assets at the beginning of the period *	8,992	8,290	9,078	7,989
Liquid assets at the end of the period *	8,389	8,871	8,389	8,871

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 657 million (SEK 609 m) of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements

SEK m	2014 Jan-Sep	2013 Jan-Sep
Operating expenses		
Administration expenses	-2	-3
Other operating expenses	-2	-2
Operating profit/loss	-4	-5
Profit/loss from financial investments		
Profit/loss from participations in Group companies	4	-1
Interest income and similar items	0	1
Profit/loss before tax	0	-5
Tax on profit for the period	0	1
Net profit/loss for the period	0	-4

Parent Company Balance sheets

SEK m	30-09-2014	31-12-2013
Assets		
Financial fixed assets	408	408
Current receivables *	1	234
Liquid assets	0	0
Total assets	409	642
Shareholders' equity and liabilities		
Shareholders' equity	408	639
Current liabilities	1	3
Total shareholders' equity and liabilities	409	642

* Of which receivables from subsidiaries SEK 1 million (SEK 234 m).

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 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 2013 Annual Report.

Notes

Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. SEK 1,234 million (SEK 902 m as of 31 December 2013) of loans to the public as of 30 September 2014, 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. SEK 1,486 million (94 as of 31 December 2013) of loans to the public are mortgage loans. Collateral for the remainder of the loans to the public is in the form of securities.

Note 2 – Funds managed on behalf of third parties

In addition to the deposits reported in the Balance Sheet, Avanza also has, as of 30 September 2014, deposits by third parties in client fund accounts totalling SEK 821 million (SEK 813 m as of 31 December 2013).

Note 3 – Financial instruments

Classification of financial information

SEK m, 30-09-2014	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
Assets						
Treasury bills eligible for refinancing	–	210	–	–	–	210
Lending to credit institutions	–	–	8,389	–	–	8,389
Lending to the public	–	–	6,158	–	–	6,158
Shares and participations	0	–	–	–	–	0
Assets in insurance operations	50,193	–	–	–	–	50,193
Intangible assets	–	–	–	–	24	24
Tangible assets	–	–	–	–	11	11
Other assets	–	–	143	–	43	186
Prepaid costs and accrued income	–	–	36	–	17	53
Total assets	50,193	210	14,726	–	95	65,224
Liabilities						
Deposits by the public	–	–	–	13,810	–	13,810
Insurance operations liabilities	50,193	–	–	–	–	50,193
Other liabilities	–	–	–	381 *	–	381
Accrued costs and prepaid income	–	–	–	59	17	76
Provisions	–	–	–	–	17	17
Total liabilities	50,193	–	–	14,250	34	64,477

* Net payment of SEK 10 m to clearing house for derivatives trading included.

Financial instruments valued at fair value

SEK m, 30-09-2014	Level 1	Level 2	Level 3	Total
Assets				
Equities	25,435	0	0	25,435
Fund units	1,559	16,032	–	17,591
Bonds and other interest-bearing securities	716	426	–	1,142
Other securities	140	225	–	365
Liquid assets	–	–	–	5,660
Total assets	27,850	16,683	0	50,193
Liabilities				
Liabilities in insurance operations (investment agreements)	–	50,193	–	50,193
Total liabilities	–	50,193	–	50,193

Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the reported value and fair value are equal.

The fair value of those financial instruments reported at fair value through profit and loss 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, investment funds or securities on unlisted securities markets managed electronically by Avanza.

Financial assets valued at fair value via the Income Statement

The majority of the securities in this category, primarily comprising assets within the insurance operations, comprise listed securities and the fair value is determined by using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the net asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

Changes in the value of assets in the insurance operations correspond to changes in the value of liabilities in the insurance operations and the net result is, therefore, zero.

Financial assets valued at fair value are classified through the use of a hierarchy for fair value that reflects the significance of the input data used in the valuations. The hierarchy contains the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not traded on a stock exchange) are included in this category. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.
- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair values where the valuation at fair value is categorised 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. To this end, the assessment of the significance of the input data is conducted with regard to the valuation at fair value in its entirety.

Note 4 – Capital requirement for the financial conglomerate

SEK m	30-09-2014	31-12-2013
Capital base		
Shareholders' equity, the Group	747	794
Assumed/Proposed dividend	-173	-231
Shareholders' equity, financial conglomerate	574	563
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-26	-24
Capital base	548	539
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	369	260
Capital requirement for regulated units in the insurance sector	33	33
Theoretical capital requirements for non-regulated units	4	3
Capital requirement	404	296
Capital surplus	142	243
Capital base/Capital requirement	1.35	1.82

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 dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

Avanza has applied for pre-authorisation from the Swedish Financial Supervisory Authority to include profits from the ongoing year in the calculation of the capital base. If profits from the ongoing year, adjusted for dividend, are not included in the calculation, the capital base amounts to SEK 540 million.

Information about capital adequacy for Avanza's consolidated situation will be available on the website avanza.se.

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, 16 October 2014



Martin Tivéus
Chief Executive Officer

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Review report

Introduction

We have reviewed this report for the period 1 January 2014 to 30 September 2014 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.

Scope of Review

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

Conclusion

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, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 16 October 2014

Öhrlings PricewaterhouseCoopers

Catarina Ericsson
Authorized Public Accountant

The information contained in this report comprises information that Avanza Bank Holding AB (publ.) is obliged to provide as well as that which 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 16 October 2014.

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

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

Definitions

Account	An account opened with holdings.
Brokerage income	Brokerage income less direct costs.
Brokerage per commission note	Gross brokerage income for account customers in relation to the number of commission notes excluding investment fund commission notes.
Capital base	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.
Commission note	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.
Commission notes per account	Commission notes per account excluding savings accounts.
Cost/income ratio	Costs before credit losses in relation to income.
Deposits	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.
Earnings per share	Profit/loss after tax in relation to the average number of shares during the period.
Equity per share	Shareholders' equity in relation to the number of outstanding ordinary shares before dilution at the end of the period.
External deposits	Savings accounts in external banks and credit market companies, Sparkonto+, opened and managed by customers via Avanza's website.
Lending	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.
Net deposits/Savings capital	Deposits, including client accounts and external deposits, minus lending, in relation to the savings capital at the end of the period.
Net interest items/Savings capital	Net interest items in relation to average savings capital during the period.
Net inflow	Deposits, less withdrawals, of liquid assets and securities.
Net inflow/Savings capital	The period's net inflow on an annual basis in relation to savings capital at the beginning of the period.
Non-brokerage income	Income excluding brokerage income less direct costs.
Operating expenses	Operating expenses before credit losses.
Operating income/Savings capital	Operating income in relation to average savings capital during the period.
Operating margin	Operating profit/loss in relation to operating income.
Profit margin	Profit/loss after tax in relation to operating income.
Savings capital	The combined value of accounts held with Avanza.
Return on equity	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.
Stock market	Refers to the SIX Return Index share index, which shows the average development on the Stockholm Stock Exchange, including dividends.
Transactions	Buying and selling transactions completed in different markets and involving different securities.



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