

Avanza

Preliminary Financial Statement 2014

- Net inflow totalled SEK 20,100 million (SEK 10,900 m), corresponding to 18 (13 %) per cent of the total savings capital at the beginning of the year
- The number of customers increased by 17 (12 %) per cent to 371,200 (316,500 as of 31 December 2013)
- The total savings capital increased by 26 (31 %) per cent to SEK 141,900 million (SEK 112,600 m as of 31 December 2013)
- Operating income increased by 17 (6 %) per cent to SEK 696 million (SEK 597 m)
- Operating margin was 43 (38 %) per cent
- The profit after tax increased by 30 (21 %) per cent to SEK 250 million (SEK 193 m)
- Earnings per share increased by 30 (20 %) per cent to SEK 8.64 (SEK 6.67)
- 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
- The Board proposes that a dividend of SEK 7.00 (8.00) per share be paid

Fourth Quarter

- In October, Avanza launched a new price list for trading on the Stockholm Exchange and became the first bank in Sweden to offer stock trading with the minimum charge starting at SEK 1
- Operating income increased by 19 percent (24 %) to SEK 193 million (SEK 162 m)
- The profit after tax increased by 28 percent (80 %) to SEK 69 million (SEK 54 m)
- Earnings per share increased by 28 percent (78 %) to SEK 2.36 (SEK 1.85)

This is Avanza

- Sweden's leading internet bank for savings and investments, with Sweden's most satisfied savings customers five 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 1
- 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
- Pension products which give more pension to you and less to the bank



Quarterly Summary

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Avanza								
Operating income, SEK m	193	166	164	173	162	148	137	150
Operating profit, SEK m	82	71 ¹⁾	67	76	64	73	35	54
Operating margin, %	42	43 ¹⁾	41	44	40	49	26	36
Earnings per share, SEK	2.36	2.10	1.92	2.26	1.85	2.15	1.11	1.55
Return on shareholders' equity, %	9	8	7	8	7	9	4	5
Net inflow, SEK m	5,940	4,560	4,040	5,520	2,490	2,260	2,860	3,290
Savings capital at the end of the period, SEK m	141,900	133,400	130,100	121,800	112,600	105,000	94,600	93,400
No. customers at the end of the period	371,200	355,300	342,500	331,000	316,500	306,900	298,300	292,200
No. accounts at the end of the period	658,300	623,100	597,900	573,600	544,900	524,000	507,200	492,200

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

Comments from the CEO

All time high in customer growth and net inflow of capital

The fourth quarter was a worthy end to a fantastic year in terms of growth. With 16,000 new customers and net inflow of capital of SEK 5,900 m, this is the strongest growth we have ever achieved in any one quarter. Furthermore, new highs have been achieved in both customer inflow, with 55,000 new customers (33,200), and in net inflow of capital, by SEK 20,100 (10,900) m, for the whole of 2014. The 8.9 per cent of net inflow of capital into the Swedish savings market means that after the third quarter we have significantly exceeded our long-term goal to achieve a minimum 7 per cent.

The strong growth is also apparent, despite falling market interest rates, in the operating profit where SEK 82 m for the quarter represents an increase of 28 per cent compared with the previous year. The primary reason for this is increased trading activity, as due to prevailing low interest rates our customers looked for returns on the Stockholm Stock Exchange; a market place which has acted as a good harbour for investment during 2014 with a total return of 16 per cent. The strong stock climate is also reflected in an exceptionally strong quarter for our Corporate Finance Department, which more than tripled its income compared with the previous year. An important reason for this is our much stronger position in the retail market and our much greater savings capital, which makes us more attractive for future share issues and other commissions.

2014 operating profit increases by 34 per cent despite pressure on net interest income

With the strong net inflow of capital behind us, we managed to achieve an increase in savings capital of 26 per cent for the year, which together with increased trading activity contributed to an increase in operating incomes of 17 per cent, despite slightly declining net interest income in the slipstream of the falling repo rate. We thereby strengthened the operating profit for the year, before provisions for VAT, by 34 per cent to SEK 304 m. A continued focus on cost control and ongoing efficiency improvements also mean that the cost to savings capital ratio during the year reduced by 18 per cent from 38 to 31 basis points and the operating margin thereby increased from 38 to 43 per cent.

Sweden's most satisfied savers for the fifth year in a row

In the previous quarter I wrote that we should continue to strengthen our leadership within savings and investments; which we did with the launch of our new price plan during the fourth quarter. We are now the only Swedish bank that offers share trading with a minimum one krona brokerage, which has led to an increased customer inflow at the end of the year and the receipt of Privata Affärer's award of "Price Presser of the Year". Our most gratifying achievement, however, was winning the Swedish Quality Index's (SKI) award for "Sweden's most satisfied customers within savings" for the fifth year in a row in December. For the first time we also won all seven sub-categories, including loyalty, product quality and service. Customer satisfaction is, and

will continue to be, our most important focus and the SKI award is the ultimate evidence that our work to create a better alternative for the country's savers is bearing fruit.

Increased capital requirement taken into account

The new Basel III and Solvency II regulations entail increased capital requirements in the years ahead for both the bank and the insurance company. An almost doubled growth rate during 2014, combined with continued favourable growth conditions for 2015, is expected to increase capital needs still further. This means that for 2014 we are choosing not to retain the high dividend payout rate we have had in recent years. The Board's dividend proposal for 2014 is therefore 7 SEK per share, equivalent to 81 per cent of the annual profit, in accordance with our aim to distribute a minimum of 70 per cent of profits to the shareholders.

During the fourth quarter, we started to more actively handle our excess liquidity in order to achieve better capital efficiency than in the past.

Focus in 2015

In 2015 the focus of our operations will be on three main areas: maintaining the company's strong rate of growth, developing our mobile presence (this should be ready by the summer) and continuing to achieve further efficiencies to improve scalability and quality. As part of this, we are opening a new sales office in Malmö, specialising in pensions and private banking in January, as planned. We are also continuously initiating and evaluating new innovations. However, sound cost control continues to be critical in enabling us to get on and remain competitive moving forwards. We are clearly on the right path in this area.

The strong finish to 2014 in terms of trading activity and net inflow has continued during the beginning of 2015. So, another exciting year ahead.

Stockholm, 21 January 2015



Martin Tivéus, CEO Avanza



Operations

Market and sales

The Stockholm Stock Exchange moved in a positive direction in the fourth quarter. The SIX Return Index rose by 6 per cent making for a total return of 16 per cent in 2014. Turnover increased in the quarter and was 21 per cent higher than the corresponding period last year. Total turnover for 2014 was 10 per cent higher than the previous year.

The trend for customers to choose funds as a way of saving continued in 2014. At the end of the year, 28 per cent of Avanza customers' capital was invested in funds, which was 3 percentage points higher than 12 months earlier. The interest in fixed interest funds continued to be high, while Swedish small company funds and US funds also attracted customers.

Investment Savings Accounts (ISK) continued to be popular throughout 2014. Around half of Avanza's net inflow was deposited in ISK and the number of accounts more than doubled.

The net inflow into Avanza occupational pension products continued to be strong during the year, in terms of both capital and new accounts. The inflow of capital amounted to SEK 1,760 m, which was 32 per cent higher than 2013. Avanza Pension had just over 2 per cent of premium inflow to the non-collectively agreed occupational pension market and is gradually gaining market share. Over 2,500 companies chose Avanza as their occupational pension provider in 2014. During the year, Avanza customers transferred SEK 600 m of occupational pension capital from other insurance companies, a 47 per cent increase compared to the previous year.

During the first quarter, Avanza Pension doubled its sales organisation, serving the occupational pension market, by increasing its sales force in Stockholm and opening a new office in Gothenburg. This investment proved successful and Avanza has therefore resolved to continue this development by opening a sales office in Malmö in early 2015.

At the end of March, Avanza reduced its brokerage fees on trading in US shares. Following this reduction, interest in US

shares increased and the number of customers trading in US shares was 73 per cent higher in the second quarter of 2014 compared with the same period in the previous year.

In October, Avanza launched a new price list for trading on the Stockholm Exchange and became the first bank in Sweden to offer stock trading with the minimum charge starting at SEK 1. The aim was to consolidate the bank's position as the price leader and to offer more savers the opportunity to trade shares. The price change led to increased trading with more commission notes per customer and more customers than ever trading on the Stock Exchange. In addition, the inflow of new customers rose substantially. In December, Avanza was named "Price Cutter of the Year" by the publication *Privata Affärer* on account of its new tariffs.

The Swedish Riksbank reduced the repo rate on two occasions during the year, by a combined total of 0.75 percentage points. On both occasions, Avanza decided to match the Riksbank cut and reduced the rate on its mortgage product, Superbolånet, to 0.99 per cent. In association with the first cut, the lending volume ceiling was increased by a further SEK one billion to SEK 2.5 billion in order to meet customer demand. At year-end, almost all of the lending volume had been approved and SEK 2.0 billion had been paid out.

In the fourth quarter Avanza, for the fifth year in a row, was the winner of the category Sweden's most satisfied saver in the annual survey *Svenskt Kvalitetsindex* (SKI – Swedish Quality Index).

Of the total savings market in Sweden, Avanza had 2.3 (2.1) per cent as of 30 September 2014. During the third quarter, Avanza's share of the total net inflow to the Swedish savings market amounted to 13.2 (8.9) per cent. During the 12-month period October 2013 to September 2014, Avanza's market share amounted to 8.9 per cent, which was significantly higher than the goal of taking at least 7 per cent of the total net inflow.

Activity	2014 Oct-Dec	2013 Oct-Dec	Change %	2014 Jan-Dec	2013 Jan-Dec	Change %
Net inflow, SEK m						
Equity & investment fund accounts,	3,970	2,370	68	13,170	7,510	75
of which, investment savings accounts	2,100	1,170	79	8,890	5,520	61
Savings accounts	1,060	80	1,225	1,820	460	296
of which, external deposit accounts	1,020	30	3,300	1,940	520	273
Pension- & insurance-based accounts	910	40	2,175	5,110	2,930	74
of which, endowment insurance	350	-370	-	3,090	1,400	121
of which, occupational pensions	450	320	41	1,760	1,330	32
Net inflow	5,940	2,490	139	20,100	10,900	84
Standard	4,850	1,930	151	16,200	8,400	93
Private Banking	990	450	120	3,690	2,310	60
Pro	100	110	-9	210	190	11
Net inflow	5,940	2,490	139	20,100	10,900	84
Net inflow/Savings capital, %	18	9	9	18	13	5
No. commission notes per customer & month	2.4	2.0	20	2.3	2.1	10
No. transactions per commission note	1.5	1.7	-12	1.6	1.7	-6
Brokerage per commission note, SEK	63	71	-11	68	71	-4
Market shares						
NASDAQ OMX Stockholm and First North						
No. transactions, %	7.5	7.7	-0.2	7.6	7.3	0.3
Turnover, %	4.3	4.3	0.0	4.2	4.1	0.1

For definitions see page 18.

The net inflow during the fourth quarter amounted to SEK 5.9 billion, which was the highest quarterly inflow ever for Avanza. Total net inflow during the year amounted to SEK 20.1 billion, which was 84 per cent higher than 2013, and thus far the highest annual inflow ever. The major portion of the inflow continued to go into investment savings accounts but endowment insurance still remained an account type with large inflows.

During the year customers' trading activity increased and the number of commission notes per customer and month was

10 per cent higher than the previous year. The new price list introduced in October helped to increase the number of notes per customer. Activity is, however, still somewhat hesitant and much of the new net inflow is placed in funds.

Avanza's market share of the number of transactions on the Stockholm Stock Exchange increased and amounted to 7.6 (7.3) per cent. Brokerage fees per transaction was 4 (-5) per cent lower than the previous year.

Savings Capital, SEK m	31-12-2014	30-09-2014	Change %	31-12-2013	Change %
Equity & investment fund accounts	80,200	73,670	9	61,680	30
of which, investment savings accounts	23,500	20,600	14	11,700	101
Savings accounts	7,400	6,330	17	5,520	34
of which, external deposit accounts	6,700	5,670	18	4,690	43
Pension- & insurance-based accounts	54,300	53,400	2	45,400	20
of which, endowment insurance	39,700	39,800	0	34,200	16
of which, occupational pensions	7,640	6,920	10	5,150	48
Savings capital	141,900	133,400	6	112,600	26
Equities, bonds, derivatives, etc.	84,350	80,820	4	70,390	20
Investment funds	40,300	38,400	5	27,900	44
Deposits	22,600	19,100	18	17,600	28
of which, external deposits	6,700	5,670	18	4,690	43
Lending	-5,350	-4,920	9	-3,290	63
of which, mortgage loans	-2,010	-1,490	35	-90	2,133
Savings capital	141,900	133,400	6	112,600	26
Deposits/Lending, %	422	388	34	535	-113
Net deposits/Savings capital, %	12	11	1	13	-1
Standard	81,200	76,450	6	63,680	28
Private Banking	56,800	53,500	6	46,100	23
Pro	3,900	3,450	13	2,820	38
Savings capital	141,900	133,400	6	112,600	26
Return, average account since Jan 1 st, %	8	6	2	17	-9
SIX Return Index since Jan 1 st, %	16	9	7	28	-12

For definitions see page 18.

Savings capital grew sharply in 2014, driven by the strong customer inflow and the net inflow, coupled with positive stock exchange developments. Customer savings capital at Avanza at

the end of the period amounted to SEK 142 billion, which was an increase of 26 per cent compared with the beginning of the year.

Customers and Accounts	31-12-2014	30-09-2014	Change %	31-12-2013	Change %
Standard, no. customers	357,520	342,660	4	305,290	17
Private Banking, no. customers	12,000	11,500	4	10,200	18
Pro, no. customers	1,680	1,140	47	1,010	66
No. customers	371,200	355,300	4	316,500	17
No. accounts per customer	1.77	1.75	1	1.72	3
No. equity & investment fund accounts	350,000	326,500	7	277,600	26
of which, no. investment savings accounts	80,600	65,300	23	36,600	120
No. savings accounts	90,900	86,100	6	76,900	18
of which, no. external deposit accounts	61,500	56,400	9	47,200	30
No. pension- & insurance-based accounts	217,400	210,500	3	190,400	14
of which, no. endowment insurance	112,100	109,000	3	100,800	11
of which, no. occupational pensions	59,000	56,400	5	47,600	24
No. accounts	658,300	623,100	6	544,900	21

For definitions see page 18.

Customer growth was strong throughout the year. The number of customers at the end of the period amounted to 371,200 which was an increase of 15,900 in the fourth quarter, and an increase of 54,700 compared with the beginning of 2014. The number of accounts increased by 113,400 during the year.

The number of accounts per customer is a good measure of the savers' level of engagement with Avanza and is, thereby,

also a good measure of the portion of the customers' total savings with Avanza. The number of accounts per customer increased during the year and now totals 1.77 (1.72).

The number of new occupational pension accounts during the year amounted to 11,400 (9,200) which is equivalent to 10 (13) per cent of the total number of new accounts.

Development

In 2014, development work focused on fine-tuning and the further development of Avanza's new website which was launched in 2013. A number of measures were taken to increase efficiency and stability, for example, more effective administration for client companies in occupational pensions. Over 800 improvements

and minor functions were introduced, largely based on feedback from customers.

In June, Avanza as the first Swedish bank, launched currency trading for all customers. The product makes it possible to quickly and easily take currency positions in the most popular currencies.

Financial overview

	2014 Oct–Dec	2013 Oct–Dec	Change %	2014 Jan–Dec	2013 Jan–Dec	Change %
Income Statement, SEK m						
Brokerage income	81	67	21	286	245	17
Fund commissions	31	22	41	113	82	38
Net interest items	48	54	-11	204	205	0
Other income, net	33	19	74	93	65	43
Operating income	193	162	19	696	597	17
Personnel	-67	-56	20	-234	-210	11
Marketing	-9	-9	0	-25	-23	9
Depreciation	-1	-2	-50	-7	-10	-30
Other expenses	-34	-30	13	-126	-127	-1
Operating expenses before credit losses and provisions of VAT	-111	-97	14	-392	-370	6
Profit before credit losses and provisions of VAT	82	65	26	304	227	34
Credit losses, net	0	-1	-100	0	-1	-100
Provision of VAT *	-	-	-	-8	-	-
Operating profit	82	64	28	296	226	31
Operating margin, %	42	40	2	43	38	5
Profit margin, %	36	33	3	36	32	4
Cost/income ratio, %	58	60	-2	56	62	-6
Earnings per share, SEK	2.36	1.85	28	8.64	6.67	30
Earnings per share after dilution, SEK	2.34	1.85	26	8.56	6.67	28
Return on shareholders' equity, %	9	7	2	32	25	7
Investments, SEK m	4	1	300	12	4	200
Brokerage income/Operating income, %	42	41	1	41	41	0
Non-brokerage income/Operating income, %	58	59	-1	59	59	0
of which, Fund commissions/Operating income, %	16	14	2	16	14	2
of which, Net interest items/Operating income, %	25	33	-8	29	34	-5
of which, Other income/Operating income, %	17	12	5	13	11	2
Non-brokerage income/Operating expenses, %	101	98	3	105	95	10
of which, Net interest items/Operating expenses, %	43	56	-13	52	55	-3
Operating income/Savings capital, %	0.14	0.15	-0.01	0.54	0.61	-0.07
of which, Net interest items/Savings capital, %	0.03	0.05	-0.02	0.16	0.21	-0.05
Operating expenses/Savings capital, %	0.08	0.09	-0.01	0.31	0.38	-0.07
Average no. employees	293	265	11	283	269	5
No. trading days	61.5	61.5	0	247.0	248.0	0
Web service operational availability, %	99.8	100.0	-0.2	99.7	99.9	-0.2

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

	31-12-2014	30-09-2014	Change %	31-12-2013	Change %
Shareholders' equity per share, SEK	28.22	25.85	9	27.49	3
Capital base/Capital requirement	1.72	1.35	27	1.82	-5
No. employees	296	290	2	264	12
Market value, SEK	258.00	243.50	6	209.00	23
Market capitalisation, SEK m	7,450	7,030	6	6,030	23

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 in 2014 by 17 (6) per cent compared with the previous year. Fourth-quarter revenues increased by 19 per cent (24) compared with the same period in 2013. Brokerage income increased as a result of a larger customer base and more transactions per customer which was partially offset by reduced brokerage fees per transaction. Fund commissions increased, mainly due to a growing interest in

investing in funds and thereby increased fund capital. Net interest income decreased slightly compared with the previous year due to a lower base lending rate and lower market interest rates which was, largely, offset by higher lending, mainly due to the introduction of the Superbolånet (Super mortgage). On average the base lending rate in 2014 was 0.53 percentage points lower than the previous year. Other revenues increased considerably

compared with 2013, primarily due to higher revenues from currency exchange and Corporate Finance services.

Expenses before credit losses and provisions for VAT increased by 6 (3) per cent during the year compared with the previous year, mainly due to higher personnel costs. These increased by 11 per cent, partly as a result of the increased investment in occupational pensions and the subsequent larger sales organization, as well as enhanced capacity in IT development. As a result of the company exceeding all targets for 2014, the cost of performance-related pay to employees for 2014 exceeded the normal provisions, which was charged to the fourth quarter, amounting to SEK 4 m.

During the spring, Avanza received a request from Skatteverket (the Swedish Tax Agency) regarding VAT for the period 2010–2012 and an investigation was initiated. Consequently, Avanza reported a provision of SEK 8 m during the third quarter. The impact on the profit after tax amounted to SEK 6 m.

During the year non-brokerage revenues amounted to 105 (95) per cent of costs. Non-brokerage revenues are comprised primarily of net interest items, fund commissions and net income from currency fluctuations.

Capital surplus

SEK m	31-12-2014	31-12-2013
Shareholders' equity, the Group	815	794
Intangible fixed assets and deferred tax receivables	-28	-24
Capital requirement with reference to Pillar I	-340	-296
Total capital surplus before dividend	447	474
Capital surplus per share, SEK	15.49	18.08

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 447 million as of 31 December 2014.

The new Basel III and Solvency II regulations entail increased capital requirements in the years ahead for both the bank and the insurance company. An almost doubled growth rate during 2014, combined with continued favourable growth conditions for 2015, increases capital needs still further.

Dividend

The Board of Directors proposes that a dividend of SEK 7.00 (SEK 8.00) per share be paid, or 81 per cent (120 %) of the profit for the year. It is estimated that in the long-term, Avanza will be able to distribute a minimum of 70 per cent of its profits to the shareholders.

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.

Financial position

All of Avanza's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within a couple of days. The assets are deemed to be secure. Between 2001 and 2014 total credit losses amounted to SEK 9 million, which is the equivalent, on average, to less than 0.03 per cent per year. Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf.

The Parent Company Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company in the Avanza Group. The operating result for was SEK -6 (-6) million. The Parent Company does not report any sales. Anticipated dividends from subsidiary companies totalling SEK 160 million (SEK 208 m) have been reported. 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 4–8 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 2.3 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. Avanza's long-term growth target is to grow with 30,000–40,000 net new customers per year and, by offering the market's widest range of savings products and lowest fees, increase Avanza's total share of customer's savings over time. 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.

Avanza also has an annual target of attracting at least 7 percent of the net inflow into the savings market. This is in line with Avanza's share of the net inflow to the Swedish savings market during the last 12 months which was 8.9 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 9 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 the current low market interest rates, 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 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 54 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 digital customer interface. As a result, we presume that cost increases of 6–8 percent per year will apply during forthcoming years. This can change and be reassessed if the growth premises are changed. Given a continued growth in customers and savings capital, we see that cost to savings capital ratio 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 replaced Ronnie Bodinger and also became 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 also became a member of Avanza's group management. Annika replaced Henrik Källén who took 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, also became a member of Avanza's group management.

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

Annual General Meeting

The Annual General Meeting of the company's shareholders will be held on Wednesday 18th March 2015 at 14.00 (CET) at IVA conference centre, Grev Turegatan 16, Stockholm. The Annual Report is scheduled to be available at the company's offices and on the company's website at www.avanza.com, as of week 8 2015.

Nominating Committee

The Nominating Committee comprises the Chairman of the Board Sven Hagströmer, Erik Törnberg representing Creades AB, Henrik Schmidt representing Montanaro Asset Management and Sten Dybeck representing the Dybeck family and companies. Erik Törnberg has been appointed chairman of the Nominating Committee. For further information about the Nominating Committee, please visit Avanza's website at www.avanza.com.

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 approximately five (5) 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 31 December 2014.

Financial calendar

Annual Report, 2014	February 2015
Annual General Meeting	18 March 2015
Interim Report, January – March 2015	20 April 2015
Interim Report, January – June 2015	14 July 2015
Interim Report, January – September 2015	20 October 2015

Consolidated Income Statements *

SEK m	2014 Oct–Dec	2013 Oct–Dec	2014 Jan–Dec	2013 Jan–Dec
Operating income				
Commission income	170	128	577	465
Commission expenses	–25	–20	–85	–74
Interest income	57	66	247	253
Interest expenses	–9	–12	–43	–48
Net result of financial transactions	0	0	0	1
Other operating income	0	0	0	0
Total operating income	193	162	696	597
Operating expenses				
General administrative costs	–94	–82	–334	–318
Depreciation of tangible and intangible fixed assets	–1	–2	–7	–10
Other operating expenses **	–16	–13	–59	–42
Total operating expenses before credit losses	–111	–97	–400	–370
Operating profit before credit losses	82	65	296	227
Credit losses, net	0	–1	0	–1
Operating profit	82	64	296	226
Tax on profit for the period	–13	–10	–46	–33
Net profit/loss for the period ***	69	54	250	193
Earnings per share, SEK	2.36	1.85	8.64	6.67
Earnings per share after dilution, SEK	2.34	1.85	8.56	6.67
Average no. shares before dilution, thousand	28,874	28,874	28,874	28,874
Average no. shares after dilution, thousand	29,113	29,000	29,139	28,874
Outstanding no. shares before dilution, thousand	28,874	28,874	28,874	28,874
Outstanding no. shares after dilution, thousand	29,170	29,009	29,170	29,009
No. shares upon full dilution, thousand	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		31-12-2014	31-12-2013
Assets			
Treasury bills eligible for refinancing		–	165
Loans to credit institutions		4,535	9,078
Loans to the public	Note 1	5,349	4,188
Bonds		6,070	–
Shares and participations		34	0
Assets in insurance operations		50,898	42,573
Intangible fixed assets		26	23
Tangible assets		12	11
Other assets		207	509
Prepaid costs and accrued income		165	88
Total assets		67,296	56,635
Liabilities and shareholders' equity			
Deposits by the public	Note 2	15,038	12,987
Liabilities in insurance operations		50,898	42,573
Other liabilities		454	186
Accrued costs and prepaid income		91	78
Provisions		–	17
Shareholders' equity		815	794
Total liabilities and shareholders' equity		67,296	56,635

Changes in the Group's shareholders' equity

SEK m	2014 Jan-Dec	2013 Jan-Dec
Shareholders' equity at the beginning of the period	794	828
Dividend	-231	-231
Warrants issue	2	4
Net profit/loss for the period (also total comprehensive income)	250	193
Shareholders' equity at the end of the period	815	794

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

Consolidated Cash Flow Statements

SEK m	2014 Oct-Dec	2013 Oct-Dec	2014 Jan-Dec	2013 Jan-Dec
Cash flow from operating activities	226	111	417	204
Cash flow from operating activities' assets and liabilities	1,784	97	1,186	1,281
Cash flow from investment operations	-6,074	-1	-6,082	-4
Cash flow from financial operations	210	-	-64	-392
Cash flow for the period	-3,854	207	-4,543	1,089
Liquid assets at the beginning of the period *	8,389	8,871	9,078	7,989
Liquid assets at the end of the period *	4,535	9,078	4,535	9,078

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 752 million (SEK 609 m) of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements

SEK m	2014 Jan-Dec	2013 Jan-Dec
Operating expenses		
Administration expenses	-4	-3
Other operating expenses	-2	-3
Operating profit/loss	-6	-6
Profit/loss from financial investments		
Profit/loss from participations in Group companies	169	213
Interest income and similar items	0	1
Profit/loss before tax	163	208
Tax on profit for the period	-1	0
Net profit/loss for the period	162	208

Parent Company Balance sheets

SEK m	31-12-2014	31-12-2013
Assets		
Financial fixed assets	408	408
Current receivables *	166	234
Liquid assets	0	0
Total assets	574	642
Shareholders' equity and liabilities		
Shareholders' equity	571	639
Current liabilities	3	3
Total shareholders' equity and liabilities	574	642

* Of which receivables from subsidiaries SEK 166 million (SEK 234 m).

Accounting principles

The Preliminary Financial Statement 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 Preliminary Financial Statement 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 0 million (SEK 902 m as of 31 December 2013) of loans to the public as of 31 December 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 2,004 million (94 m 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 31 December 2014, deposits by third parties in client fund accounts totalling SEK 894 million (SEK 813 m as of 31 December 2013).

Note 3 – Financial instruments

Classification of financial information

SEK m, 31-12-2014	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						
Lending to credit institutions	–	–	4,535	–	–	4,535
Lending to the public	–	–	5,349	–	–	5,349
Bonds	–	6,070	–	–	–	6,070
Shares and participations	34	–	–	–	–	34
Assets in insurance operations	50,898	–	–	–	–	50,898
Intangible assets	–	–	–	–	26	26
Tangible assets	–	–	–	–	12	12
Other assets	–	–	206	–	1	207
Prepaid costs and accrued income	–	41	106	–	18	165
Total assets	50,932	6,111	10,196	–	57	67,296
Liabilities						
Deposits by the public	–	–	–	15,038	–	15,038
Insurance operations liabilities	50,898	–	–	–	–	50,898
Other liabilities	–	–	–	340	114	454
Accrued costs and prepaid income	–	–	–	72	19	91
Total liabilities	50,898	–	–	15,450	133	66,481

Financial instruments valued at fair value

SEK m, 31-12-2014	Level 1	Level 2	Level 3	Total
Assets				
Equities	26,256	0	0	26,256
Fund units	1,550	16,838	–	18,388
Bonds and other interest-bearing securities	842	331	–	1,173
Other securities	134	212	–	346
Liquid assets	–	–	–	4,769
Total assets	28,782	17,381	0	50,932
Liabilities				
Liabilities in insurance operations (investment agreements)	–	50,898	–	50,898
Total liabilities	–	50,898	–	50,898

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	31-12-2014	31-12-2013
Capital base		
Shareholders' equity, the Group	815	794
Assumed/Proposed dividend	-202	-231
Shareholders' equity, financial conglomerate	613	563
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-28	-24
Capital base	585	539
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	306	260
Capital requirement for regulated units in the insurance sector	34	33
Theoretical capital requirements for non-regulated units	0	3
Capital requirement	340	296
Capital surplus	245	243
Capital base/Capital requirement	1.72	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 obtained pre-authorisation from the Swedish Financial Supervisory Authority to include profits from the ongoing year in the calculation of the capital base.

In addition to this there are buffer requirements for regulated units within the banking and securities sector (the consolidated situation) which are reported in note 5.

Note 5 – Capital base and capital requirements in the consolidated situation

Figures reported in this section refer to the minimum capital requirements under Pillar 1, according to the capital adequacy regulations applying from time to time. On 1 January 2014, the European Capital Requirements Regulation (CRR) came into force. The capital base and capital requirement as of 2014 are calculated in accordance with the new EU regulations.

The consolidated situation includes Avanza Bank Holding AB and the subsidiaries Avanza Bank AB and Avanza Fonder AB.

Capital base

SEK m	31-12-2014	31-12-2013
Tier 1 capital		
Shareholders' equity, the Group	815	794
Assumed/Proposed dividend	-202	-231
Equity not part of the consolidated situation	-112	-89
Equity, consolidated situation	501	474
Deducted items:		
Intangible assets and deferred taxes	-28	-24
Common equity tier 1 capital	473	450
Total own funds	473	450

Capital requirement

SEK m	31-12-2014	31-12-2013
Credit risk according to standardised approach	233	191
Market risks	6	0
Settlement risk	0	0
Operational risk	69	70
Total capital requirement	308	261

Risk exposure amount

SEK m	31-12-2014	31-12-2013
Credit risk according to standardised approach	2,915	2,393
of which Institutions	906	1,816
of which Corporates	70	63
of which Households	346	224
of which Collateral in real estate	702	33
of which Covered bonds	611	-
of which Other items	280	257
Market risks	69	0
Settlement risk	0	0
Operational risk	862	873
Total risk exposure amount	3,846	3,266

Capital ratios and buffers

	31-12-2014	31-12-2013
Common equity tier 1 ratio, %	12.3	13.8
Tier 1 ratio, %	12.3	13.8
Total capital ratio, %	12.3	13.8
Capital base in relation to capital requirement	1.54	1.72
Institution-specific buffer requirement, %	2.5	0.0
of which capital conservation buffer requirement, %	2.5	0.0
Total capital requirement including buffer requirement, %	10.5	8.0
Common equity tier 1 capital available for use as a buffer, %	7.8	9.3

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

The Board of Directors and the CEO ensures that the preliminary financial statement 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, 21 January 2015

Sven Hagströmer
Chairman of the Board

Andreas Rosenlew
Board Member

Lisa Lindström
Board Member

Mattias Miksche
Board Member

Birgitta Klasén
Board Member

Martin Tivéus
Chief Executive Officer

Jacqueline Winberg
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This report has not been subject to review by the company's auditors.

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 21 January 2015.

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 Preliminary Financial Statement 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 customer and month	Commission notes per customer and month, average during the period.
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 and provisions of VAT.
Operating expenses/Savings capital	Operating expenses in relation to average savings capital during the period.
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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