

# Avanza Bank

## Preliminary Financial Statement 2013

- Net inflow totaled SEK 10,900 million (SEK 5,380 m), corresponding to 13 (7 %) per cent of the total savings capital at the beginning of the year
- The number of customers increased by 12 (8 %) per cent to 316,500 (283,300 as of 31 December 2012)
- The total savings capital increased by 31 (16 %) per cent to SEK 112,600 million (SEK 85,800 m as of 31 December 2012)
- Operating income increased by 6 (–19 %) per cent to SEK 597 million (SEK 562 m)
- Operating margin was 38 (36 %) per cent
- The profit after tax increased by 21 (–45 %) per cent to SEK 193 million (SEK 160 m)
- Earnings per share increased by 20 (–46 %) per cent to SEK 6.67 (SEK 5.58)
- The Board proposes that a dividend of SEK 8.00 (8.00) per share be paid

### Fourth Quarter

- Net inflow totaled SEK 2,490 million (SEK 1,420 m)
- Operating income increased by 24 percent (–17 %) to SEK 162 million (SEK 131 m)
- The profit after tax increased by 80 percent (–45 %) to SEK 54 million (SEK 30 m)
- Earnings per share increased by 78 percent (–46 %) to SEK 1.85 (SEK 1.04)

## This is Avanza Bank

- Sweden's leading internet bank for saving and investments, with Sweden's most satisfied savings customers for four years in a row\*
- Largest on the Stockholm Stock Exchange\*\*
- Low risk profile; no trading on its own behalf, self-sufficient financing via equity and customer deposits
- Avanza Bank 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 focus 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
- Trade in over 1,200 funds from 130 fund companies
- Trade on all of the Nordic Stock Exchanges, as well as in the USA and Canada via internet and on other Stock 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.nu
- Selection of products:
  - Avanza Zero – Sweden's first free-of-charge fund
  - Superlånet – the lowest interest on the market, with the customers' securities as collateral
  - Superbolånet – the lowest mortgage interest on the market, linked to the repo rate and with a unique flexibility
  - Sparkonto+ – with better interest rates and up to five times the state-provided deposit insurance guarantee
- Double pension\*\*\*\*



### Quarterly Summary

Avanza Bank	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Operating income, SEK m	162	148	137	150	131	125	141	164
Operating profit, SEK m	64	73	35	54	38	42	48	72
Operating margin, %	40	49	26	36	29	34	34	44
Earnings per share, SEK	1.85	2.15	1.11	1.55	1.04	1.11	1.34	2.11
Return on shareholders' equity, %	7	9	4	5	4	4	5	7
Net inflow, SEK m	2,490	2,260	2,860	3,290	1,420	970	1,080	1,910
Savings capital at the end of the period, SEK m	112,600	105,000	94,600	93,400	85,800	82,200	78,700	82,000
No. accounts at the end of the period	544,900	524,000	507,200	492,200	471,600	458,800	447,900	436,500
No. customers at the end of the period	316,500	306,900	298,300	292,200	283,300	278,900	274,740	270,100

\* Source: Svenskt Kvalitetsindex (SKI)

\*\* In terms of the number of transactions on NASDAQ OMX Stockholm, including First North and Burgundy, January-December 2013

\*\*\* Source: "Aktiespararen" magazine, February 2013

\*\*\*\* We can prove that a 30 year-old can earn twice as much pension with us than with the largest pension company in Sweden

## Comments from the Managing Director

"In December Avanza won the award for having Sweden's most satisfied savers in the annual survey executed by Svenskt Kvalitetsindex. We have now received this award for the fourth year in a row, something which makes us particularly pleased as during 2013 we launched an entirely new banking site for our customers. This is a project which occupied a significant part of our staff during large parts of the year, and has given our customers many new things to become familiar with. During December, we also received Privata Affärer's prize for the "Year's Innovation within Banking/Finance" for our Mortgage Loan, which we launched during the final quarter.

Our activities in the occupational pension market, the new banking site, more modern IT systems and changes in our client communication, in combination with a positive stock exchange development, resulted in a historical year from a growth perspective. During the fourth quarter, we succeeded in further increasing the pace of our expansion and we welcomed 33,000 new customers, an increase of 64 percent from 2012 and well in excess of our long-term goal of 20,000-30,000 new customers per year. On the back of this robust customer growth we could, with a net inflow of SEK 10.9 billion, report the strongest net inflow in the company's history, more than double the inflow in 2012. Consequently, during 2013 we surpassed our long-term goal of capturing at least 5 percent of the net inflow into the Swedish savings market and we increased our total market share from 1.8 to 2.1 percent of the Swedish savings market. We also increased our market share of trading on the Stockholm Stock Exchange and in 2013 we became the largest Swedish bank on the Stockholm Stock Exchange in terms of total number of transactions.

With an increase in savings capital of 31 percent and a nearly unchanged cost level, operating income increased by 12 percent. A low interest rate level during the entire year, in combination with weak trading activities during the first six months, negatively impacted income in spite of a strong underlying growth in the number of customers and in savings capital. During the second half of the year, operating income turned upwards as customer activity increased on the stock exchange and operating expenses decreased to a normal level after the completion of the IT project. This trend has continued in

the new year and even if it appears that the low interest rates will continue, the premises for continued profit growth look good for 2014.

During the coming year we will focus the development of the operations on three primary areas: the further advancement of our position within occupational pensions, the continued broadening and development of our offering, and continued cost control.

In conclusion, I wish to extend a big "thank you" to all of the fantastic personnel who successively steered the new site project into the harbour, and also to all of the shareholders and customers who have had patience in conjunction with this project. With the new site now in place, we have the premises to ensure that Avanza can continue to be a leading player in the Swedish savings market and can generate growth through new innovations and an improved customer experience. All of this will hopefully lead to Avanza being chosen as the bank with Sweden's most satisfied customers again next year."

Stockholm, 16 January 2014



Martin Tivéus, Managing Director Avanza Bank



## Operations

### Market and sales

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The yield on the Stockholm Stock Exchange was good during the fourth quarter and the SIX Return Index rose by 10 percent. Total yield for the year was 28 percent. The level of activity continued to recover and turnover during the fourth quarter was 17 percent higher than during the equivalent period in the previous year.

The trend of customers choosing funds as a savings form continued during the entire year. Mutual funds dominated, primarily Swedish and global funds, while the growth market funds developed more weakly.

The Investment Savings Account (ISK) has been very popular during the year. Slightly more than fifty percent of Avanza's net inflow went into ISK and the number of accounts increased by 156 percent.

During the fourth quarter, the Avanza Mortgage Loan was launched, aimed at Private Banking customers and capped at SEK 1.5 billion. The interest in this product has been significant and approximately SEK 530 million in credits has been granted, implying that one third of the total loan amount has been utilised. However, at the end of the year, only SEK 90 million of the granted loans had been paid out.

The net inflow of occupational pensions continued to be strong during 2013 in terms of both capital and new accounts. The inflow of capital, amounting to SEK 1,330 million, increased by 32 percent compared with the previous year which, in turn, was an increase of 44 percent compared with the year before that. The total amount of savings capital in the occupational pension accounts has, consequently, doubled during the last two years from SEK 2,040 million to SEK 5,150 million. Avanza Pension has slightly more than 1 percent of the premium inflow to the occupational pension market and is steadily increasing its share. During the year, more than 1,300 companies chose Avanza as supplier of occupational pensions.

During the fourth quarter, Avanza Pension decided to double its sales organisation working in the occupational pension market and to establish an office in Gothenburg, which was accomplished during January 2014. These investments are expected to imply an increase in costs of three percent compared with the current cost level of the Group.

In autumn 2012, the results of the review regarding life insurance were announced, proposing the extension of the statutory right to transfer pensions. Avanza provided comments on the exposure draft during the first quarter of 2013, proposing several refinements to specific areas. The introduction of the right of unrestricted transfer benefits consumers and will lead to increased competition and mobility within the life insurance industry. Extended transfer rights would also mean that Avanza would be well-positioned to increase its market shares in the pensions market and in the Swedish savings market. However, it is still uncertain how possible extended transfer rights would be implemented and when they would be introduced. Preparatory work for the extension of transfer rights is underway both internally within Avanza and externally in the form of intensive lobbying.

During the fourth quarter, Avanza received, for the fourth year in a row, the award for Sweden's most satisfied savers in the annual survey undertaken by Svenskt Kvalitetsindex (SKI).

In December 2013, the Central Bank reduced the key interest rate by 0.25 percentage points to 0.75 percent. The lower rate negatively impacts Avanza's net interest items.

The growth in the Swedish savings market slowed according to SCB during the third quarter 2013 and total net inflow amounted to SEK 28 billion, to be compared with SEK 76 billion during the second quarter. Avanza's share of the net inflow increased, however, to 8.9 (2.0) percent. Of the total savings market in Sweden, Avanza had 2.1 (1.7) percent as at 30 September 2013.

Activity	2013 Oct-Dec	2012 Oct-Dec	Change %	2013 Jan-Dec	2012 Jan-Dec	Change %
Net inflow, equity & investment fund accounts, SEK m	2,370	950	149	7,510	3,500	115
of which, investment savings accounts, SEK m	1,170	670	75	5,520	3,520	57
Net inflow, savings accounts, SEK m	80	480	-83	460	370	24
of which, external deposit accounts, SEK m	30	500	-94	520	750	-31
Net inflow, pension- & insurance-based accounts, SEK m	40	-10	-	2,930	1,510	94
of which, endowment insurance, SEK m	-370	-350	-	1,400	350	300
of which, occupational pensions, SEK m	320	250	28	1,330	1,010	32
<b>Net inflow, SEK m</b>	<b>2,490</b>	<b>1,420</b>	<b>75</b>	<b>10,900</b>	<b>5,380</b>	<b>103</b>
Net inflow/Savings capital, %	9	7	2	13	7	6
No. commission notes per account & month	1.4	1.2	17	1.4	1.4	0
No. transactions per commission note	1.7	1.7	0	1.7	1.6	6
Brokerage per commission note, SEK	71	73	-3	71	75	-5
<b>Market shares</b>						
NASDAQ OMX Stockholm and First North						
No. transactions, %	7.7	6.9	0.8	7.3	6.4	0.9
Turnover, %	4.3	4.1	0.2	4.1	4.1	0.0

For definitions, see page 17.

The net inflow during the fourth quarter continued to be high and the total net inflow during the year was more than double that of the previous year. The largest portion of the inflow went into investment savings accounts.

During the fourth quarter, Avanza's share of the number of transactions completed on the Stockholm stock exchange

amounted to 7.7 (6.9) percent. Brokerage per commission note was 3 (-5) percent lower during the fourth quarter compared with the same period last year and 5 (-4) percent lower during the full year compared with the previous year.

Savings capital	31-12-2013	30-09-2013	Change %	31-12-2012	Change %
Savings capital, equity & investment fund accounts, SEK m	61,680	56,180	10	45,510	36
of which, investment savings accounts, SEK m	11,700	9,570	22	3,960	195
Savings capital, savings accounts, SEK m	5,520	5,420	2	4,990	11
of which, external deposit accounts, SEK m	4,690	4,640	1	4,110	14
Savings capital, pension- & insurance-based accounts, SEK m	45,400	43,400	5	35,300	29
of which, endowment insurance, SEK m	34,200	33,100	3	27,000	27
of which, occupational pensions, SEK m	5,150	4,610	12	3,250	58
<b>Savings capital, SEK m</b>	<b>112,600</b>	<b>105,000</b>	<b>7</b>	<b>85,800</b>	<b>31</b>
Equities, bonds, derivatives, etc. SEK m	70,390	65,530	7	54,560	29
Investment funds, SEK m	27,900	25,600	9	18,900	48
Deposits, SEK m	17,600	17,000	4	15,200	16
of which, external deposits, SEK m	4,690	4,640	1	4,110	14
Lending, SEK m	-3,290	-3,130	5	-2,860	15
of which, mortgage loans, SEK m	-90	-	-	-	-
<b>Savings capital, SEK m</b>	<b>112,600</b>	<b>105,000</b>	<b>7</b>	<b>85,800</b>	<b>31</b>
Deposits/Lending, %	535	543	-8	531	4
Net deposits/Savings capital, %	13	13	0	14	-1
Avanza Bank, SEK m	61,900	58,530	6	47,780	30
Mini, SEK m	1,780	1,690	5	1,470	21
Private Banking, SEK m	46,100	42,200	9	34,100	35
Pro, SEK m	2,820	2,580	9	2,450	15
<b>Savings capital, SEK m</b>	<b>112,600</b>	<b>105,000</b>	<b>7</b>	<b>85,800</b>	<b>31</b>
Return, average account since Jan 1 st, %	17	12	5	8	9
SIX Return Index since Jan 1 st, %	28	20	8	16	12

For definitions, see page 17.

Savings capital grew very notably during 2013, driven by the strong client and net inflow, in combination with the positive stock exchange development. At the end of the year, savings

capital totalled SEK 113 billion which is an increase by 31 percent compared with the previous year.

Accounts	31-12-2013	30-09-2013	Change %	31-12-2012	Change %
No. equity & investment fund accounts	277,600	266,100	4	239,000	16
of which, no. investment savings accounts	36,600	30,800	19	14,300	156
No. savings accounts	76,900	73,500	5	63,300	21
of which, no. external deposit accounts	47,200	44,200	7	35,200	34
No. pension- & insurance-based accounts	190,400	184,400	3	169,300	12
of which, no. endowment insurance	100,800	98,700	2	93,600	8
of which, no. occupational pensions	47,600	45,600	4	38,400	24
<b>No. accounts</b>	<b>544,900</b>	<b>524,000</b>	<b>4</b>	<b>471,600</b>	<b>16</b>
Avanza Bank, no. accounts	499,090	480,560	4	431,890	16
Mini, no. accounts	21,200	21,000	1	20,100	5
Private Banking, no. accounts	20,900	19,300	8	17,200	22
Pro, no. accounts	3,710	3,140	18	2,410	54
<b>No. accounts</b>	<b>544,900</b>	<b>524,000</b>	<b>4</b>	<b>471,600</b>	<b>16</b>
No. customers	316,500	306,900	3	283,300	12
No. accounts per customer	1.72	1.71	1	1.66	3

For definitions, see page 17.

Avanza continues to attract new customers and during the fourth quarter the number of customers grew by 9,600. During the year the total number of customer surpassed the 300,000 mark and at the end of the year amounted to 316,500 (283,300). The number of accounts increased during the fourth quarter by 20,900 and in total during 2013 by 73,300.

The number of accounts per customer is a good measure of the savers' degree of involvement in Avanza and

### Development

During the fourth quarter 2013, Avanza Mortgage Loan was launched, which is a mortgage loan with a low interest rate aimed at Private Banking clients. The loan has a three month interest rate pegged to the repo rate. The loan is granted for up to 50 percent of the value of the property and between SEK 1 million and SEK 10 million. Avanza has chosen to limit the total amount of loans which can be granted to SEK 1.5 billion.

During the quarter the Sparkonto+ savings accounts were also expanded with a fifth cooperation partner when Resurs Bank was launched.

During the year's first three quarters the development work was focused on Avanza's new Internet presence and on modernising the underlying system. This work had been initiated in 2011 with the aim of creating Sweden's best banking experience on the Internet. By creating the new site parallel with the old one and by successively adding content to the new site, the customer's impressions and ideas have been able to be identified and compiled already during the construction process. With ongoing launches, the changes have been presented in a beta version of the new site where the functions have

Avanza's services and is, thereby, also a measure of the share of the customers' total savings. During the year, the number of accounts per customer increased and now amounts to 1.72 (1.66) accounts.

The number of new occupational pension accounts was 9,200 (8,300) during the year, which is equivalent to 13 (15) percent of the total number of new accounts.

maintained the same standard as in the old site, and both sites have been able to be used at the same time.

A flexible and modern IT platform enables automated processes, easier-to-use solutions and a better customer experience. With improved scalability and cost efficiency, the premises are created to continue to offer the market's lowest fees combined with the highest level of service, and to ensure that the Bank can develop and offer new services and functions which were not possible to offer with the previous technology.

Many improvements in user experience and functionality have also been undertaken. For example, real-time push notified share prices are now offered to all customers, as well as a better overview of previous transactions and an improved market overview.

In June, all functions were migrated and the new site was launched on a broad basis towards all customers. During the third quarter, the work was focused on making corrections and improvements, largely based on the responses from customers. At the beginning of the fourth quarter, the stability and functionality of the new site was deemed to be satisfactory and the old site could, consequently, be shut down.

## Financial overview

	2013 Oct-Dec	2012 Oct-Dec	Change %	2013 Jan-Dec	2012 Jan-Dec	Change %
<b>Income Statement, SEK m</b>						
Brokerage income	67	46	46	245	216	13
Fund commissions	22	17	29	82	64	28
Net interest items	54	52	4	205	235	-13
Other income, net *	19	16	19	65	47	38
<b>Operating income</b>	<b>162</b>	<b>131</b>	<b>24</b>	<b>597</b>	<b>562</b>	<b>6</b>
Personnel **	-56	-53	6	-210	-207	1
Marketing	-9	-6	50	-23	-21	10
Depreciation	-2	-3	-33	-10	-13	-23
Other expenses	-30	-31	-3	-127	-119	7
<b>Operating expenses before credit losses</b>	<b>-97</b>	<b>-93</b>	<b>4</b>	<b>-370</b>	<b>-360</b>	<b>3</b>
<b>Profit before credit losses</b>	<b>65</b>	<b>38</b>	<b>71</b>	<b>227</b>	<b>202</b>	<b>12</b>
Credit losses, net	-1	0	-	-1	-1	0
<b>Operating profit</b>	<b>64</b>	<b>38</b>	<b>68</b>	<b>226</b>	<b>201</b>	<b>12</b>
Operating margin, %	40	29	11	38	36	2
Profit margin, %	33	23	10	32	28	4
Cost/income ratio, %	60	71	-11	62	64	-2
Earnings per share, SEK	1.85	1.04	78	6.67	5.58	20
Earnings per share after dilution, SEK	1.85	1.04	78	6.67	5.58	20
Return on shareholders' equity, %	7	4	3	25	19	6
Investments, SEK m	1	0	-	4	3	33
Brokerage income/Operating income, %	41	35	6	41	38	3
Non-brokerage income/Operating income, %	59	65	-6	59	62	-3
of which, Fund commissions/Operating income, %	14	13	1	14	11	3
of which, Net interest items/Operating income, %	33	40	-7	34	42	-8
of which, Other income/Operating income, %	12	12	0	11	8	3
Non-brokerage income/Operating expenses, %	98	91	7	95	96	-1
of which, Net interest items/Operating expenses, %	56	56	0	55	65	-10
Operating income/Savings capital, %	0.15	0.16	-0.01	0.61	0.70	-0.09
of which, Net interest items/Savings capital, %	0.05	0.06	-0.01	0.21	0.29	-0.08
Average no. employees	265	276	-4	268	269	0
No. trading days	61.5	61.5	0	248.0	247.5	0
Web service operational availability, %	100.0	98.4	1.6	99.9	99.6	0.3

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

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

	31-12-2013	30-09-2013	Change %	31-12-2012	Change %
Shareholders' equity per share, SEK	27.49	25.64	7	28.68	-4
Capital base/Capital requirement	1.96	2.22	-12	2.21	-11
No. employees	264	266	-1	262	1
Market value, SEK	209.00	193.00	8	131.50	59
Market capitalisation, SEK m	6,030	5,570	8	3,800	59

For definitions, see page 17.

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

Operating income increased during 2013 by 6 (-19) percent compared with the previous year. Brokerage income increased

primarily as a result of the larger customer base which was counteracted by a low level of trading activity during the first half

of the year and a lower level of brokerage per commission note. Fund commission increased, primarily thanks to an increased interest in investing in funds and the consequent increase in fund capital. The base lending interest rate was on average 0.46 percentage points lower than during the previous year which negatively impacted net interest items. Other income during the previous year was negatively impacted by a value adjustment of SEK 9 million referring to the holding on the Burgundy Stock Exchange.

The fourth quarter's income increased by 24 (-17) percent compared with the previous year, primarily thanks to higher brokerage income and increased fund commission.

Expenses before credit losses increased during the year by 3 (3) percent compared with the previous year, largely as a result of the continued investment in the new Internet bank, an investment which was expensed directly through the income statement. The investment in the new Internet bank was initiated in 2011 and the results of this project were launched on a broad base at the end of the second quarter.

During 2013, non-brokerage income amounted to the equivalent to 95 (96) percent of total expenses. Non-brokerage income is primarily comprised of net interest items, fund brokerage and net currency effect. The long-term goal is that total non-brokerage income shall be in excess of 100 percent of total expenses.

### Capital surplus

	31-12-2013	31-12-2012
Shareholders' equity, the Group	794	828
Intangible fixed assets and deferred tax receivables, SEK m	-24	-24
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	-302	-298
<b>Total capital surplus before dividend, SEK m</b>	<b>468</b>	<b>507</b>
Capital surplus per share, SEK	16.22	17.54

*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 468 million as of 31 December 2013.

### Dividend

The Board of Directors proposes that a dividend of SEK 8.00 (SEK 8.00) per share be paid, or 120 per cent (145 %) of the profit for the year. It is estimated that in the long-term, Avanza Bank 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 Bank in the same manner as applying to other Swedish banks and insurance companies. Additional information on Avanza Bank and security matters can be found on [avanzabank.se](http://avanzabank.se).

### Financial position

All of Avanza Bank's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within one day. The assets are deemed to be secure. Between 2001 and 2013 total credit losses amounted to SEK 9 million, which is the equivalent, on average, to less than 0.03 percent per year. Avanza Bank does not conduct, and has not previously conducted, trading in securities on its own behalf.

### The Parent Company Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company in the Avanza Bank Group. The operating result for the year was SEK -6 million (SEK -7 m). The Parent Company does not report any sales. Anticipated dividends from subsidiary companies totalling SEK 208 million (SEK 149 m) have been reported. A dividend payment of SEK 231 million (SEK 283 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

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Our assessment is 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. However, there is a risk that concerns regarding the housing market might spread to the savings market. Worries about falling housing prices, in combination with uncertainty regarding the stock market, may imply that more Swedes will choose to save by paying off their mortgages, which, in the short-term, 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 2.1 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

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

Growth in net inflow is achieved through increased savings from new and existing customers. Avanza aims to attract 20,000-30,000 new customers per year, in addition to utilising its advantages in terms of offering the market's widest range of savings products, and its lowest prices, enabling Avanza's total share of customers' savings to increase over time. Our assessment is 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 has a goal to annually attract a total of at least 5 per cent of the net inflow in the Swedish savings market.

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

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From a long-term perspective, there is a clear relationship between the growth in savings capital and the 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 price pressure, combined with the effects of the product mix of savings, a lower short-term interest rate level and fluctuations in trading activity on the stock market. Our assessment is that the income to savings capital ratio 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 and interest rate products will increase in the future, to the detriment of trading in shares, in conjunction with an increase in pension capital. Price pressure due to competition is, however, deemed to be limited.

### Outlook for 3-5 years

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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, as well as by decreasing actual and expected returns. 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 an unchanged 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 60 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 and IT development and continued efficiency enhancement measures. As a consequence of the recent efforts to modernize the internet bank and underlying IT systems, we anticipate cost increases of 3-5 per cent per year over the next few years, which creates the conditions for increased operating margins given the continued strong growth in savings and customers. This means that we expect that the cost to savings capital ratio over the next 3-5 years may decline to 25-30 basis points, from the current 40 basis points, as a direct result of continued growth in customers and savings.

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. In autumn 2012, the review regarding life insurance announced a proposal for enhanced transferability of pension savings. 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. However, we consider it unlikely that such a decision would come before the 2014 election.

## Other corporate events

### Significant risks and uncertainly factors

Avanza Bank's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, acted upon, in order to protect the Company's capital and reputation. The manner in which Avanza Bank identifies, follows up and manages these risks has a bearing on the soundness of the business and on the Company's long-term profitability. A detailed description of the Group's risk exposure and risk management is provided in Avanza Bank's Annual Report for 2012, Note 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 Bank's transactions with associated parties are presented in the Annual Report for 2012, Note 33. No significant changes have taken place since the publication of the Annual Report.

### Executive Management

In August, David Craelius, formerly CTO at Klarna, assumed the position of Head of Bank & Investment Products in Avanza Bank's Group management. David has extensive experience from the bank business in that he worked for Nordnet in several positions from the company's infancy 1998, latest in the position of CIO with responsibility for brokerage, the pension business and business development.

### Annual General Meeting

The Annual General Meeting of the company's shareholders will be held on Tuesday 29th April 2014 at 15.00 (CET) at Nalen in Stockholm. The Annual Report is scheduled to be available at the company's offices and on the company's website at [www.avanza.com](http://www.avanza.com), as of week 11 2013.

### Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Sven Hagströmer, Erik Törnberg, who represents Creades AB, Henrik Schmidt, who represents Montanaro Asset

Management, and Sven Dybeck, who represents the Dybeck family and companies. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza Bank's website at [www.avanza.com](http://www.avanza.com).

### Incentives programme

Avanza Bank implemented an incentives programme for the Group's employees in the spring in accordance with a resolution passed by the Annual General Meeting held on 14th April 2011. The stock option programme is the third of a total of three stock option programmes approved for implementation between 2011 and 2013. This year's programme comprises warrants corresponding to the entitlement to subscribe for 490,000 new shares, and the redemption price is SEK 170.06. The term expires on 27 May 2016. The stock option programme has been implemented on market terms.

The redemption period of subsidiary programme 3 of the previous 2008–2010 stock option programme had redemption period from 2 May to 24 May 2013. The redemption price was SEK 268.46 per share. No shares were subscribed for in respect of this subsidiary programme.

### Repurchase of the company's own shares

On 17 April 2013, 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 the year and the company holds no repurchased shares as of 31 December 2013.

### Financial calendar

Annual Report, 2013	March 2014
Interim Report, January – March 2014	15 April 2014
Annual General Meeting	23 April 2014
Interim Report, January – June 2014	11 July 2014
Interim Report, January – September 2014	16 October 2014

## Consolidated Income Statements \*

SEK m	2013 Oct–Dec	2012 Oct–Dec	2013 Jan–Dec	2012 Jan–Dec
<b>Operating income</b>				
Commission income	128	95	465	400
Commission expenses	-20	-16	-74	-67
Interest income	66	68	253	307
Interest expenses	-12	-16	-48	-72
Net result of financial transactions	0	0	1	-7
Other operating income	0	0	0	1
<b>Total operating income</b>	<b>162</b>	<b>131</b>	<b>597</b>	<b>562</b>
<b>Operating expenses</b>				
General administrative costs	-82	-79	-318	-306
Depreciation of tangible and intangible fixed assets	-2	-3	-10	-13
Other operating expenses	-13	-11	-42	-41
<b>Total operating expenses before credit losses</b>	<b>-97</b>	<b>-93</b>	<b>-370</b>	<b>-360</b>
<b>Operating profit before credit losses</b>	<b>65</b>	<b>38</b>	<b>227</b>	<b>202</b>
Credit losses, net	-1	0	-1	-1
<b>Operating profit</b>	<b>64</b>	<b>38</b>	<b>226</b>	<b>201</b>
Tax on profit for the period	-10	-8	-33	-41
<b>Net profit/loss for the period **</b>	<b>54</b>	<b>30</b>	<b>193</b>	<b>160</b>
Earnings per share, SEK	1.85	1.04	6.67	5.58
Earnings per share after dilution, SEK	1.85	1.04	6.67	5.58
Average no. shares before dilution, thousand	28,874	28,874	28,874	28,665
Average no. shares after dilution, thousand	29,000	28,874	28,874	28,665
Outstanding no. shares before dilution, thousand	28,874	28,874	28,874	28,874
Outstanding no. shares after dilution, thousand	29,009	28,874	29,009	28,874
No. shares upon full dilution, thousand	30,344	30,431	30,344	30,431

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

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

## Consolidated Balance Sheet

SEK m		31–12–2013	31–12–2012
<b>Assets</b>			
Treasury bills eligible for refinancing		165	-
Loans to credit institutions		9,078	7,989
Loans to the public	Note 1	4,188	3,710
Shares and participations		0	0
Assets in insurance operations		42,573	33,067
Intangible fixed assets		23	23
Tangible assets		11	17
Other assets		509	316
Prepaid costs and accrued income		88	84
<b>Total assets</b>		<b>56,635</b>	<b>45,206</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public	Note 2	12,987	11,116
Liabilities in insurance operations		42,573	33,067
Other liabilities		186	115
Accrued costs and prepaid income		78	71
Provisions		17	9
Shareholders' equity		794	828
<b>Total liabilities and shareholders' equity</b>		<b>56,635</b>	<b>45,206</b>

## Changes in the Group's shareholders' equity

SEK m	2013 Jan-Dec	2012 Jan-Dec
<b>Shareholders' equity at the beginning of the period</b>	<b>828</b>	<b>875</b>
Dividend	-231	-283
Warrants issue	4	3
Exercise of share warrants	-	72
Net profit/loss for the period	193	160
<b>Shareholders' equity at the end of the period</b>	<b>794</b>	<b>828</b>

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

## Consolidated Cash Flow Statements

SEK m	2013 Oct-Dec	2012 Oct-Dec	2013 Jan-Dec	2012 Jan-Dec
Cash flow from operating activities	111	63	204	116
Cash flow from operating activities' assets and liabilities	98	-1,024	1,282	-589
Cash flow from investment operations	-1	-1	-4	-3
Cash flow from financial operations	-	-	-392	-207
<b>Cash flow for the period</b>	<b>208</b>	<b>-962</b>	<b>1,090</b>	<b>-683</b>
<b>Liquid assets at the beginning of the period *</b>	<b>8,871</b>	<b>8,951</b>	<b>7,989</b>	<b>8,672</b>
<b>Liquid assets at the end of the period *</b>	<b>9,079</b>	<b>7,989</b>	<b>9,079</b>	<b>7,989</b>

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

At the end of the period SEK 617 million (SEK 711 m) of consolidated liquid assets are pledged as collateral.

## Parent Company Income Statements

SEK m	2013 Jan-Dec	2012 Jan-Dec
<b>Operating expenses</b>		
Administration expenses	-3	-4
Other operating expenses	-3	-3
<b>Operating profit/loss</b>	<b>-6</b>	<b>-7</b>
<b>Profit/loss from financial investments</b>		
Profit/loss from shares in group companies	213	155
Profit/loss from other securities	-	-9
Interest income and similar items	1	1
<b>Profit/loss before tax</b>	<b>208</b>	<b>140</b>
Tax on profit for the period	0	0
<b>Net profit/loss for the period</b>	<b>208</b>	<b>140</b>

## Parent Company Balance sheets

SEK m	31-12-2013	31-12-2012
<b>Assets</b>		
Financial fixed assets	408	408
Current receivables *	234	256
Liquid assets	0	0
<b>Total assets</b>	<b>642</b>	<b>664</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	639	663
Current liabilities	3	1
<b>Total shareholders' equity and liabilities</b>	<b>642</b>	<b>664</b>

\* Of which receivables from subsidiaries SEK 234 million (SEK 256 m).

## Accounting principles

The Preliminary Financial Statement 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 2012 Annual Report.

## Notes

### Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. SEK 902 million (SEK 849 m as of 31 December 2012) of loans to the public as of 31 December 2013, 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 94 million (– as of 31 December 2012) 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 Bank also has, as of 31 December 2013, deposits by third parties in client fund accounts totalling SEK 813 million (SEK 847 m as of 31 December 2012).

### Note 3 – Financial instruments

#### Classification of financial information

SEK m, 31-12-2013	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
<b>Assets</b>						
Treasury bills eligible for refinancing	–	165	–	–	–	165
Lending to credit institutions	–	–	9,078	–	–	9,078
Lending to the public	–	–	4,188	–	–	4,188
Shares and participations	0	–	–	–	–	0
Assets in insurance operations	42,573	–	–	–	–	42,573
Intangible assets	–	–	–	–	23	23
Tangible assets	–	–	–	–	11	11
Other assets	–	–	442	–	67	509
Prepaid costs and accrued income	–	–	67	–	21	88
<b>Total assets</b>	<b>42,573</b>	<b>165</b>	<b>13,775</b>	<b>–</b>	<b>122</b>	<b>56,635</b>
<b>Liabilities</b>						
Deposits by the public	–	–	–	12,987	–	12,987
Insurance operations liabilities	42,573	–	–	–	–	42,573
Other liabilities	–	–	–	186	–	186
Accrued costs and prepaid income	–	–	–	59	19	78
Provisions	–	–	–	–	17	17
<b>Total liabilities</b>	<b>42,573</b>	<b>–</b>	<b>–</b>	<b>13,232</b>	<b>36</b>	<b>55,841</b>

**Financial instruments valued at fair value**

SEK m, 31-12-2013	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	22,833	0	–	22,833
Fund units	1,350	12,158	–	13,508
Bonds and other interest-bearing securities	673	299	–	972
Other securities	133	197	–	330
Liquid assets	–	–	–	4,930
<b>Total assets</b>	<b>24,989</b>	<b>12,654</b>	<b>–</b>	<b>42,573</b>
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	42,573	–	42,573
<b>Total liabilities</b>	<b>–</b>	<b>42,573</b>	<b>–</b>	<b>42,573</b>

**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 Bank.

*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	31-12-2013	31-12-2012
<b>Capital base</b>		
Shareholders' equity, the Group	794	828
Proposed dividend 8.00 (8.00) SEK per share	-231	-231
<b>Shareholders' equity, financial conglomerate</b>	<b>563</b>	<b>597</b>
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-24	-24
<b>Capital base</b>	<b>539</b>	<b>573</b>
<b>Capital requirement</b>		
Capital requirement for regulated units within the banking and securities sector	240	226
Capital requirement for regulated units in the insurance sector	31	30
Theoretical capital requirements for non-regulated units	4	3
<b>Capital requirement</b>	<b>275</b>	<b>259</b>
<b>Capital surplus</b>	<b>264</b>	<b>314</b>
<b>Capital base/Capital requirement</b>	<b>1.96</b>	<b>2.21</b>

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

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

The Board of Directors and the Managing Director ensures that the interim report gives a fair overview of the company and group activities, balance and results, and describes the material risks and uncertainties that the company and the companies of the group is facing.

Stockholm, 16 January 2014

Sven Hagströmer  
Chairman of the Board

Andreas Rosenlew  
Board Member

Lisa Lindström  
Board Member

Mattias Miksche  
Board Member

Martin Tivéus  
Managing Director

Jacqueline Winberg  
Board Member

**For additional information:**



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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 16 January 2014.

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

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



## 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 Bank'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 Bank.
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.

