

2012

Avanza Bank

Interim report January – June 2012

- Operating income decreased by 14 percent (+13 %) to SEK 305 million (SEK 356 m)
- The profit after tax decreased by 33 percent (+4 %) to SEK 98 million (SEK 147 m)
- Earnings per share decreased by 34 percent (+2 %) to SEK 3.44 (5.24)
- Net inflow totalled SEK 2,990 million (SEK 4,790 m), corresponding to 4 percent (6 %) of the total savings capital at the beginning of the year
- The number of accounts increased by 7 percent (10 %) to 447,900 (417,200 as of 31st December 2011), and the total savings capital increased by 6 percent (3 %) to SEK 78,700 million (SEK 74,200 m as of 31st December 2011)

Second quarter

- Operating income decreased by 18 percent (+7 %) to SEK 141 million (SEK 172 m)
- The profit after tax decreased by 33 percent (16 %) to SEK 38 million (SEK 57 m)
- Earnings per share decreased by 33 percent (19 %) to SEK 1.34 (2.01)

Interim Report January – June 2012

Half-time comments from the Managing Director

Stable growth despite uncertainty in the stock market

The macroeconomic uncertainty is still hovering over the Eurozone like a dark cloud, and the markets display a large amount of nervousness at the slightest hint of any signal which can be seen to be negative. This uncertainty has directly affected savings, with a reduction in trading activity of 16 percent compared with the same period during the previous year, while our savers have shown a clear shift from trading in shares towards interest saving. In order to meet the growing demand for interest saving, we launched the exchange-traded credit-linked note during the spring, which quickly grew in popularity, evinced by the more than SEK 250 million made by savers in these products. We are the only bank that offers brokerage-free trading in exchange-traded credit-linked notes, which is a result of our stated ambition to ensure that our customers will always have more funds available for themselves than they would have with any other bank on the Swedish market. We will continue to develop our offering within interest saving during the year and intend to present several new products after the summer period.

Another silver lining to the cloud is that Avanza Bank continues to display stable growth in terms of both customers and savings capital. The net inflow during the second quarter was 48 percent higher than in the same period during the previous year.

We are investing to meet future customer requirements

Despite the reduction in income resulting from the uncertainty on the stock exchange, we have chosen to keep expenses more or less unchanged compared with the previous year. The reason behind the unchanged level of expenses is that we consider it an absolute necessity to continue investments in our new internet bank, a project which we initiated in 2011. We believe that the modernization of our internet bank and its underlying systems is critical to our operations, in that it will allow us to properly appeal to a broader target market, while simultaneously satisfying the future demands of our savers. New IT systems will also facilitate, from a broader perspective, a higher level of cost efficiency. This is an important aspect of our long-term ambition to combine the industry's lowest charges with Sweden's most satisfied savings customers, and continued growth while we provide a good return for our shareholders. The work is expected to be completed during the second quarter of 2013.

Pension issues hotter than ever

On 30 September after several suspensions, the results of the investigation, regarding life insurance are expected, whereby a proposal will be presented as to whether it should be possible for savers to transfer their pension savings freely between companies. This is an issue we have actively driven and which we assess as having a positive impact on our growth. Regardless of the outcome of the investigation, we will focus on gaining further market shares by providing the market's best offering within pension savings. Evidence of this can be seen in our occupational pension savings, in which new savings increased by 34 percent during the first half of the year compared with the same period in the previous year.

Avanza Bank has also digitalised and thereby simplified its new customer process through implementing electronic identification (e-legitimation) during the month of June, which we believe will have a positive impact on the inflow of new customers during the second half of the year, as new customers are now able to sign agreements directly via the site. This development is consistent with our strategy to have a fully Internet-based business model.

We eagerly look forward to the autumn, and will continue to focus on maintaining Sweden's most satisfied savings customers.

Martin Tivéus, Managing Director of Avanza Bank

Operations

Market and sales

During the first half of the year, the market has been characterised by political unrest in Europe and a stock market which has been hard to predict. During the first half-year, the Swedish stock market increased by 3 percent overall, but this increase was unstable – during the first quarter, there was an increase of 10 percent, while a downturn of 7 percent was seen in the second quarter. Larger companies have experienced weak development, which has entailed that the volume of trade in smaller companies has been increased. In total trading activity has remained at a low level, especially during the second quarter.

The new product for interest saving, the exchange-traded credit-linked note, which was launched at the end of the first quarter, met with a very positive response by Avanza Bank's customers. Interest on the exchange-traded credit-linked notes is paid out four times per year. This savings product is an interesting alternative to deposits or traditional interest funds, while being exposed to lower risk than with individual shares. During the period, Avanza Bank's customers have invested over SEK 250 million in exchange-traded credit-linked note.

The new investment savings account (ISA) continues to grow in terms of new accounts as well as savings capital. During the first half of the year, Avanza Bank's customers deposited SEK 2,530 million in 10,000 ISA accounts. Many savers interested in saving with easy tax-rules have already chosen endowment insurance, and see no reason to change to the new ISA-account.

Avanza Bank had a 1.9 percent share of the total savings market in Sweden as of 31 March 2012. During the first quarter of 2012, Avanza Bank had 5.4 percent of the total net inflow to the Swedish savings market, which means that Avanza Bank continues to gain market shares.

The net inflow in occupational pension savings showed continued strong growth during the second quarter of 2012, in terms of capital and new accounts. The interest in Avanza Bank's occupational pension schemes has increased amongst larger companies. The publication of the results of the governmental investigation into transfer rights, which is assessed to have a positive impact on Avanza Bank and which were due to be presented in June, has been delayed until the end of September.

	2012	2011	Change	2012	2011	Change	2011–2012	2011
	Apr–Jun	Apr–Jun	%	Jan–Jun	Jan–Jun	%	Jul–Jun	Jan–Dec
Activity								
Net inflow, equity & investment fund accounts, SEK m	950	-900	-	2,320	-1,960	-	2,480	-1,800
of which, investment savings accounts, SEK m	710	-	-	2,530	-	-	2,530	-
Net inflow, savings accounts, SEK m	20	490	-96	-480	-460	4	2,070	2,090
of which, external deposit accounts, SEK m	50	500	-90	-150	300	-	2,020	2,470
Net inflow, pension- & insurance-based accounts, SEK m	110	1,140	-90	1,150	7,210	-84	110	6,170
of which, endowment insurance, SEK m	-200	940	-	540	6,750	-92	-860	5,350
of which, occupational pensions, SEK m	270	190	42	550	410	34	840	700
Net inflow, SEK m	1,080	730	48	2,990	4,790	-38	4,660	6,460
Net inflow/Savings capital, %	5	3	2	8	12	-4	6	8
No. commission notes per account & month	1.3	1.6	-19	1.6	1.9	-16	1.6	1.7
No. transactions per commission note	1.6	1.6	0	1.6	1.6	0	1.7	1.7
Brokerage per commission note, SEK	75	75	0	76	77	-1	77	78
Market shares								
NASDAQ OMX Stockholm, First North and Burgundy								
No. transactions, %	5.6	7.4	-1.8	6.1	8.0	-1.9	6.2	7.1
Turnover, %	3.7	4.3	-0.6	4.0	4.7	-0.7	4.2	4.6

For definitions, see page 10.

Due to the macroeconomic uncertainty in Europe, trading activity on the stock market has been 16 percent lower during the first half of the year than in the corresponding period during the previous year. Brokerage income per transaction remains unchanged during the second quarter compared with the corresponding period during the previous year and was, largely unchanged during the entire first half of the year compared with the previous year. This supports our assessment that price pressure will decrease.

	30-06-2012	31-03-2012	Change %	31-12-2011	Change %	30-06-2011	Change %
Savings capital							
Savings capital, equity & investment fund accounts, SEK m	42,200	43,830	-4	39,550	7	45,320	-7
of which, investment savings accounts, SEK m	2,580	1,930	34	-	-	-	-
Savings capital, savings accounts, SEK m	4,100	4,070	1	4,550	-10	1,980	107
of which, external deposit accounts, SEK m	3,180	3,120	2	3,300	-4	1,110	186
Savings capital, pension- & insurance-based accounts	32,400	34,100	-5	30,100	8	36,900	-12
of which, endowment insurance, SEK m	25,100	26,700	-6	23,500	7	30,000	-16
of which, occupational pensions, SEK m	2,650	2,460	8	2,040	30	1,910	39
Savings capital, SEK m	78,700	82,000	-4	74,200	6	84,200	-7
Equities, bonds, derivatives, etc. SEK m	50,000	54,350	-8	46,860	7	57,590	-13
Investment funds, SEK m	16,800	17,400	-3	15,200	11	18,900	-11
Deposits, SEK m	14,600	13,500	8	14,700	-1	11,760	24
of which, external deposits, SEK m	3,180	3,120	2	3,300	-4	1,110	186
Lending, SEK m	-2,700	-3,250	-17	-2,560	5	-4,050	-33
Savings capital, SEK m	78,700	82,000	-4	74,200	6	84,200	-7
Deposits/Lending, %	541	415	126	574	-33	290	251
Net deposits/Savings capital, %	15	13	2	16	-1	9	6
Avanza Bank, SEK m	43,860	45,470	-4	41,550	6	46,990	-7
Mini, SEK m	1,440	1,530	-6	1,410	2	1,550	-7
Private Banking, SEK m	31,100	32,600	-5	29,100	7	33,000	-6
Pro, SEK m	2,300	2,400	-4	2,140	7	2,660	-14
Savings capital, SEK m	78,700	82,000	-4	74,200	6	84,200	-7
Return, average account since Jan 1 st, %	2	8	-6	-16	-	-3	-
OMX Stockholm Price Index since Jan 1 st, %	3	10	-7	-17	-	-4	-

For definitions, see page 10.

	30-06-2012	31-03-2012	Change %	31-12-2011	Change %	30-06-2011	Change %
Accounts							
No. equity & investment fund accounts	230,300	225,500	2	214,800	7	208,500	10
of which, no. investment savings accounts	10,000	7,220	39	-	-	-	-
No. savings accounts	54,600	52,700	4	49,300	11	34,100	60
of which, no. external deposit accounts	27,400	25,700	7	23,000	19	10,100	171
No. pension- & insurance-based accounts	163,000	158,300	3	153,100	6	144,900	12
of which, no. endowment insurance	92,300	91,200	1	89,400	3	85,000	9
of which, no. occupational pensions	35,500	32,600	9	30,100	18	27,800	28
No. accounts	447,900	436,500	3	417,200	7	387,500	16
Avanza Bank, no. accounts	410,370	399,460	3	381,430	8	353,420	16
Mini, no. accounts	19,700	19,600	1	19,200	3	18,000	9
Private Banking, no. accounts	15,600	15,300	2	14,500	8	13,900	12
Pro, konton, no. accounts	2,230	2,140	4	2,070	8	2,180	2
No. accounts	447,900	436,500	3	417,200	7	387,500	16
No. accounts per customer	1.63	1.62	1	1.59	3	1.53	7

For definitions, see page 10.

Avanza Bank continues to gain new customers. The number of customers amounted to 274,740 (252,700) as per 30 June 2012. The number of accounts per customer represents a measure of savers' customer loyalty to Avanza Bank and, thereby, also a measure of our share of the customers' savings. The number of accounts per customer has increased during the period and now amounts to 1.63 (1.53) accounts.

The number of new occupational pension accounts was 5,400 (5,400) during the first half of the year, which corresponds to 18 (15) percent of the total number of new accounts.

IT-development

Work on developing Avanza Bank's new internet presence and modernising the underlying systems has continued. At the end of June, we presented a number of changes to the beta version of the new site. These changes were made as a result of the opinions and suggestions we received from our customers via Avanza Lab during the spring. The changes include improving the navigation to make it simpler and more logical. This work is expected to continue until spring 2013, with the goal of creating Sweden's best internet banking experience. New IT-systems also leads to a high cost efficiency which is important in order to offer the industry's lowest fees and also a good return for our shareholders.

At the beginning of June, we connected Avanza Bank to Min Pension, a website which is operated as a collaboration between the Government and pension companies. Our customers are now able to log in to Min Pension, obtain an overview of their earned pensions and simply conduct a pension forecast. Preparations are already underway for the deregulation of the pensions market, whereby transfer rights for pensions may be increased.

At the end of June, we introduced electronic identification (e-legitimation) as an alternative method for logging in to the site. Customers wishing to continue logging in as before with a username and password are able to do so. The advantage for all new customers is that they can electronically identify themselves when registering, so that their personal details will automatically be entered, and can, therefore, become customers directly via the site without filling in any paper forms. We believe that this will have a positive impact on the inflow of new customers.

Financial overview

	2012	2011	Change	2012	2011	Change	2011-2012	2011
	Apr-Jun	Apr-Jun	%	Jan-Jun	Jan-Jun	%	Jul-Jun	Jan-Dec
Income Statement, SEK m								
Brokerage income	53	64	-17	123	152	-19	276	305
Fund commissions	15	19	-21	32	41	-22	61	70
Net interest items	61	65	-6	124	126	-2	256	258
Other income, net	12	24	-50	26	37	-30	51	62
Operating income	141	172	-18	305	356	-14	644	695
Personnel	-55	-51	8	-106	-96	10	-199	-189
Marketing	-4	-5	-20	-13	-11	18	-25	-23
Depreciation	-4	-3	33	-6	-5	20	-12	-11
Other expenses	-30	-39	-23	-59	-63	-6	-121	-125
Operating expenses before credit losses	-93	-98	-5	-184	-175	5	-357	-348
Profit before credit losses	48	74	-35	121	181	-33	287	347
Credit losses, net	0	-6	-100	0	-6	-100	0	-6
Operating profit	48	68	-29	121	175	-31	287	341
Operating margin, %	34	40	-6	40	49	-9	45	49
Profit margin, %	27	33	-6	32	41	-9	38	42
Cost/income ratio, %	66	57	9	60	49	11	55	50
Earnings per share, SEK	1.34	2.01	-33	3.44	5.24	-34	8.48	10.28
Earnings per share after dilution, SEK	1.34	2.00	-33	3.44	5.19	-34	8.48	10.21
Return on shareholders' equity, %	5	7	-2	11	18	-7	29	35
Investments, SEK m	2	6	-67	2	7	-71	16	21
Brokerage income/Operating income, %	38	37	1	40	43	-3	43	44
Non-brokerage income/Operating income, %	62	63	-1	60	57	3	57	56
of which, Fund commissions/Operating income, %	11	11	0	10	12	-2	9	10
of which, Net interest items/Operating income, %	43	38	5	41	35	6	40	37
of which, Other income/Operating income, %	8	14	-6	9	10	-1	8	9
Non-brokerage income/Operating expenses, %	95	110	-15	99	117	-18	103	112
of which, Net interest items/Operating expenses, %	66	66	0	67	72	-5	72	74
Operating income/Savings capital, %	0.18	0.20	-0.02	0.39	0.42	-0.03	0.83	0.88
of which, Net interest items/Savings capital, %	0.08	0.08	0.00	0.16	0.15	0.01	0.33	0.33
Average no. employees	267	254	5	265	251	6	264	256
No. trading days	57.5	59.0	-3	121.0	121.5	0	250.5	251.0
Web service operational availability, %	100.0	100.0	0	100.0	99.9	0.1	100.0	99.9

	Change		Change		Change	
	30-06-2012	31-03-2012	%	31-12-2011	%	30-06-2011
Shareholders' equity per share, SEK	26.53	33.08	-20	30.97	-14	27.26
Capital base/Capital requirement	2.34	2.22	5	2.06	14	2.34
No. employees	269	265	2	260	3	259
Market value, SEK	142.00	186.00	-24	164.50	-14	193.50
Market capitalisation, SEK m	4,100	5,260	-22	4,650	-12	5,520

For definitions, see page 10.

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

Operating income decreased by 18 (+7) percent in the second quarter compared with the corresponding period during the previous year. The most significant reason for this decrease is the lower level of trading activity, which is a consequence of the political unrest in Europe, which has now prevailed for over a year. As a result, customers have chosen interest saving to a larger extent, which, for Avanza Bank, implies a reduction in brokerage income compared with the same period during the previous year.

Lending, which, together with the prime lending rate, has a major impact on net interest items, continued to decrease during the second quarter, due to a reduced risk appetite among savers. Lending was 33 percent lower than at the same time during 2011, while the prime lending rate was also lower. In spite of this net interest income decreased by only 2 percent during the first half compared with the corresponding period during the previous year, attributable to the higher amount of deposits from the public and, thereby, higher lending to credit institutions.

Expenses before credit losses decreased during the second quarter by 5 (+26) percent compared with the corresponding period of the previous year. Last year was charged with a one-time fee of investor compensation scheme for SEK 9 million. Our aim is to keep costs in 2012 more or less unchanged against 2011.

During the second quarter of 2012, non-brokerage income amounted to 95 (110) percent of expenses. Non-brokerage income is comprised primarily of net interest items, fund commissions, net foreign exchange income, and fees from corporate finance. Our objective is that this item should exceed 100 percent.

Capital surplus

	30-06-2012	31-12-2011
Shareholders' equity, the Group	766	875
Intangible fixed assets and deferred tax receivables, SEK m	-58	-25
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	-293	-292
Total capital surplus before dividend, SEK m	415	558
Capital surplus per share, SEK	14.38	19.75

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

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 415 million as of 30 June 2012.

Financial position

All of Avanza Bank's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within one day. The assets are deemed to be secure. Avanza Bank has had no credit losses during the first half of 2012. Between 2001 and the second quarter of 2012 total credit losses amounted to SEK 7 million, which is the equivalent, on average, to less than 0.03 percent per year. Avanza Bank does not conduct, and has not previously conducted, trading in securities on its own behalf.

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

The Parent Company, Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company in the Avanza Bank Group. The operating result for the first half of 2012 was SEK -3 (-3) million. The Parent Company does not report any sales. A dividend payment of SEK 283 million (SEK 266 m) has been made to the shareholders.

Future outlook

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

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

Growth of the savings market

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

Possible deregulation of transfer market for pension savings

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

Net inflow and growth in value

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

Link between growth in savings capital and growth in operating income

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

Rate of increase of expenses

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

Future profit growth

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

Other corporate events

Significant risks and uncertainly factors

Avanza Bank's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, acted upon, in order to protect the Company's capital and reputation. The manner in which Avanza Bank identifies, follows up and manages these risks has a bearing on the soundness of the business and on the Company's long-term profitability. A detailed description of the Group's risk exposure and risk management is provided in Avanza Bank's Annual Report for 2011, Note 31. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this interim report.

Transactions with associated parties

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

Incitamentsprogram

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

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

Buy-back of the company's own shares

On 19 April 2012, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 percent of the shares in Avanza Bank Holding AB. Due to the current market uncertainty, no shares were repurchased during the first half of 2012. During 2011, Avanza Bank acquired 275,524 own shares, which were in the custody of the company as per 30 June 2012. The Annual General Meeting held on 19 April 2012 decided to reduce the share capital through the calling-in of these 275,524 shares. This reduction has been registered with the Swedish Companies Registration Office in July 2012.

Financial calendar

Interim Report, January – September 2012	11 October 2012
Preliminary Financial Statement, 2012	January 2013

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 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, 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 OMXSPI share index, which comprises all shares listed on the Stockholm Stock Exchange.
Transactions:	Buying and selling transactions completed in different markets and involving different securities.

Consolidated Income Statements (SEK m) *

	2012	2011	2012	2011	2011-2012	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jul-Jun	Jan-Dec
Operating income						
Commission income	97	122	216	262	458	504
Commission expenses	-18	-17	-36	-34	-74	-72
Interest income	79	84	161	158	346	343
Interest expenses	-18	-19	-37	-32	-90	-85
Net result of financial transactions***	0	0	0	0	1	1
Other operating income	1	2	1	2	3	4
Total operating income	141	172	305	356	644	695
Operating expenses						
General administrative costs	-80	-75	-155	-139	-296	-280
Depreciation of tangible and intangible fixed assets	-4	-3	-6	-5	-12	-11
Other operating expenses	-9	-20	-23	-31	-49	-57
Total operating expenses before credit losses	-93	-98	-184	-175	-357	-348
Operating profit before credit losses	48	74	121	181	287	347
Credit losses, net	0	-6	0	-6	0	-6
Operating profit	48	68	121	175	287	341
Tax on profit for the period	-10	-11	-23	-28	-45	-50
Net profit/loss for the period **	38	57	98	147	242	291
Earnings per share, SEK	1.34	2.01	3.44	5.24	8.48	10.28
Earnings per share after dilution, SEK	1.34	2.00	3.44	5.19	8.48	10.21
Average no. shares before dilution, thousand	28,647	28,262	28,455	28,111	28,434	28,263
Average no. shares after dilution, thousand	28,647	28,500	28,455	28,367	28,434	28,473
Outstanding no. shares before dilution, thousand	28,874	28,538	28,874	28,538	28,874	28,263
Outstanding no. shares after dilution, thousand	28,874	28,742	28,874	28,742	28,874	28,401
No. shares upon full dilution, thousand	30,431	30,182	30,431	30,182	30,431	29,907

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

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

Consolidated Balance Sheet (SEK m)

	30-06-2012	31-12-2011
Assets		
Loans to credit institutions	8,343	8,672
Loans to the public	Note 1	3,663
Shares and participations	21	10
Assets in insurance operations	30,192	27,990
Intangible fixed assets	24	24
Tangible assets	21	26
Other assets	709	407
Prepaid costs and accrued income	54	40
Total assets	43,027	39,726
Liabilities and shareholders' equity		
Deposits by the public	Note 2	11,616
Liabilities in insurance operations	30,192	27,990
Other liabilities	386	243
Accrued costs and prepaid income	67	57
Shareholders' equity	766	875
Total liabilities and shareholders' equity	43,027	39,726

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

	2012	2011	2011
	Jan-Jun	Jan-Jun	Jan-Dec
Shareholders' equity at the beginning of the period	875	813	813
Dividend	-283	-266	-266
Warrants issue	3	5	5
Exercise of share warrants	72	79	79
Buyback of own shares	-	-	-46
Net profit/loss for the period	98	147	291
Shareholders' equity at the end of the period	766	778	875

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

Consolidated Cash Flow Statements (SEK m)

	2012	2011	2012	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
Cash flow from operating activities	18	-4	38	250
Cash flow from operating activities' assets and liabilities	1,255	1,236	-158	169
Cash flow from investment operations	-2	-6	-2	-7
Cash flow from financial operations	-207	-182	-207	-182
Cash flow for the period	1,064	1,044	-329	230
Liquid assets at the beginning of the period *	7,279	5,520	8,672	6,334
Liquid assets at the end of the period *	8,343	6,564	8,343	6,564

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 611 (688) million of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements (SEK m)

	2012	2011
	Jan-Jun	Jan-Jun
Operating income	1	0
Operating expenses	-4	-3
Operating profit/loss	-3	-3
Profit/loss from financial investments	0	0
Tax on profit/loss for the period	1	1
Net profit/loss for the period	-2	-2

Parent Company Balance sheets (SEK m)

	30-06-2012	31-12-2011
Assets		
Financial fixed assets	417	417
Current receivables *	104	321
Liquid assets	0	0
Total assets	521	738
Shareholders' equity and liabilities		
Shareholders' equity	520	733
Current liabilities	1	5
Total shareholders' equity and liabilities	521	738

* Of which receivables from subsidiaries 103 (320).

Accounting principles

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

Notes

Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. SEK 968 million of loans to the public as of 30 June 2012, so-called account credits, are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. This portion of the lending does not impact the net interest items, as the interest on deposits is the same as the lending rate. Collateral for the remainder of the loans to the public is in the form of securities, the basis for which is equivalent to loans to the public which was reported in previous quarters. This change is the result of a new solution for pledging endowment insurance from the 1 January 2012.

Note 2 – Funds managed on behalf of third parties

In addition to the deposits reported in the Balance Sheet, Avanza Bank also has, as of 30 June 2012, deposits by third parties in client fund accounts totalling SEK 800 (823 as of 31st December 2011) million.

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

	30-06-2012	31-12-2011
Capital base		
Shareholders' equity, the Group	766	875
Less, unaudited profits	-98	-
Assumed/Proposed dividend	-	-283
Shareholders' equity, financial conglomerate	668	592
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-58	-25
Capital base	610	567
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	225	240
Capital requirement for regulated units in the insurance sector	32	31
Theoretical capital requirements for non-regulated units	4	4
Capital requirement	261	275
Capital surplus	349	292
Capital base/Capital requirement	2.34	2.06

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

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

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

Stockholm, 11 July 2012

Sven Hagströmer
Chairman of the Board

Anders Ellsell
Board Member

Lisa Lindström
Board Member

Mattias Miksche
Board Member

Andreas Rosenlew
Board Member

Martin Tivéus
Managing Director

Jacqueline Winberg
Board Member

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

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

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

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

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