

Avanza Bank

Interim report January – June 2013

- Net inflow totaled SEK 6,150 million (SEK 2,990 m), corresponding to 7 (4 %) per cent of the total savings capital at the beginning of the year
- The number of accounts increased by 8 (7 %) per cent to 507,200 (471,600 as of 31 December 2012)
- The total savings capital increased by 10 (6 %) per cent to SEK 94,600 million (SEK 85,800 m as of 31 December 2012)
- Operating income decreased by 6 (–14 %) per cent to SEK 287 million (SEK 305 m)
- Operating margin was 31 (40 %) per cent
- The profit after tax decreased by 21 (–33 %) per cent to SEK 77 million (SEK 98 m)
- Earnings per share decreased by 22 (–34 %) per cent to SEK 2.67 (SEK 3.44)

Second Quarter

- Operating income decreased by 3 percent (–18 %) to SEK 137 million (SEK 141 m)
- The profit after tax decreased by 16 percent (–33 %) to SEK 32 million (SEK 38 m)
- Earnings per share decreased by 17 percent (–33 %) to SEK 1.11 (1.34)

This is Avanza Bank

Welcome to banking as it should be

Fourteen years ago, we started Avanza on the basis of a simple concept: We wanted to build a company that we, ourselves, would like to be customers of. A company that does not look at the world the way it is, but the way it should be.

For this reason, we make sure to always charge our customers as little as possible, while still offering better products and better service than any other bank. Of course, we also want it to be easy and fun for our customers to see growth in their funds. As it always should be.

We want to be the alternative for those who really care about their money. Those who don't want to follow the crowd but would rather do things their own way. Those who think that progress is more important than tradition and who would rather talk about tomorrow than yesterday. It is for these people that we do everything we do. This way of thinking has resulted in us having, today, the lowest fees on the market, as well as the widest range of shares, funds and securities. To cap it all off, measurements from the Svenskt Kvalitetsindex show that

Avanza Bank has Sweden's most satisfied savers for the third year in a row.

If you ask us, this is just the beginning. We firmly believe that the most important thing for you to consider when investing your money is not what has happened in the past, but what is going to happen in the future. That's why we will always continue to develop. And we think that the best way to do that is to stick to what we promised from the very start: with us, you should get more from your investments and savings than you would anywhere else. Today and tomorrow. Just as it should be.

Årets
nöjdaste
sparkunder
2010



Årets
nöjdaste
sparkunder
2011



Årets
nöjdaste
sparkunder
2012



Quarterly Summary

Avanza Bank	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Operating income, SEK m	137	150	131	125	141	164	157	182
Operating profit, SEK m	35	54	38	42	48	72	62	103
Operating margin, %	26	36	29	34	34	44	39	57
Earnings per share, SEK	1.11	1.55	1.04	1.11	1.34	2.11	1.94	3.10
Return on shareholders' equity, %	4	5	4	4	5	7	6	11
Net inflow, SEK m	2,860	3,290	1,420	970	1,080	1,910	120	1,550
Savings capital at the end of the period, SEK m	94,600	93,400	85,800	82,200	78,700	82,000	74,200	70,300
No. accounts at the end of the period	507,200	492,200	471,600	458,800	447,900	436,500	417,200	403,500
No. customers at the end of the period	298,300	292,200	283,300	278,900	274,740	270,100	263,000	258,600

Comments from the Managing Director

Successful launch of our new website and IT platform

"In the middle of June we achieved an important milestone in Avanza's development when we launched our new bank website and underlying platform, a project, which has lasted for more than two years and had the goal of being completed by the end of the second quarter 2013. I am incredibly proud of the team spirit and the focus which have been clear prerequisite in implementing this project according to the established time schedule, and the customers' reactions have been, to a major degree, very positive. Already on the day after the launch, a third of the customer traffic was taking place via the new website. This implies, among other things, that we are the first bank in Sweden to provide real-time push notified share prices as a standard service, something that many customers have been waiting for. The new underlying platform and technology affords us with both the competitive advantage of strengthened scalability, as well as cost efficiencies which will be evidenced in a decreasing per-unit costs in forthcoming years, in pace with the continuous growth in customers and, thus, in savings capital. This also provides us with the premises for developing new services for our customers at a lower cost, as well as more quickly than before, and in this manner we will be able to offer our customers with the market's lowest fees, in combination with the best service.

High costs due to the upgrading of the IT system

The project has absorbed a large amount of resources during the first half of 2013 and this has negatively impacted results for the period in terms of increased costs for both personnel and externally contracted services, which expenses are now expected to revert to normal levels. It has also been of major importance to complete our new bank website and the underlying platform before the summer to be able to shift the focus towards the development of new products and services, something that has been put aside during recent quarters due to the website project.

Increased saving in funds

The level of trading activity in the stock market has continued to be low and customers have, instead, increased their savings in funds and interest rate products. This situation has implied a decrease in net commission during the first six months, which has been compensated by increased income from fund commissions. However, the low interest rate level continues to press net interest by 19 per cent to SEK 100 million (SEK 124 m) in comparison with the same period last year. Given

continued low interest rates during this year, it will be even more important to ensure a further decline in per-unit costs, in combination with a strong growth in savings capital.

An expanding customer base with a strong net inflow

After weak growth at the end of 2012, the growth of the Swedish savings market improved during the first quarter of 2013. At the same time, we expanded our communication to existing customers regarding new forms of saving and investment alternatives as they have been reluctant to invest in shares, and this enhanced customer communication resulted in a positive effect. This is evidenced in the strong net inflow of over SEK 6 billion during the first six months, an increase of 106 per cent in comparison with the same period last year. During the first quarter we out-performed our long-term target of achieving a 5 per cent share of the total net inflow to the Swedish savings market as our share was 6.7 per cent. Our total market share increased to 1.9 per cent. Savings capital increased by 10 per cent during the first six months.

The inflow of 6,100 new customers during the second quarter implies an increase of 31 per cent in relation to the same period last year. After the first six months of 2013, the number of new customers is 15,000 (11,700) which is in line with our long-term target of gaining 20,000-30,000 customers per year."

Stockholm, 10 July 2013



Martin Tivéus, Managing Director Avanza Bank



Operations

Market and sales

Activity on the Stockholm Stock Exchange continued to recover during the second quarter. Turnover was 5 per cent higher than in the first quarter and 2 per cent higher than in the corresponding period last year. The return was poor in the second quarter and the SIX Return Index dropped 1 percent. However, due to strong performance in the first quarter, the total return in the first half of 2013 was 9 per cent.

The interest in the savings account Sparkonto+ has remained strong. Net inflows in the first half of the year amounted to SEK 730 million and savings capital was SEK 4,880 million at the end of the period. Furthermore, exchange-traded credit linked notes continue to develop positively.

The Investment Savings Account (ISA) remained popular during the period. Nearly fifty per cent of Avanza's net inflow was into ISK, and the number of accounts increased by 76 per cent.

The net inflow in occupational pensions has remained strong during the first half of 2013 in terms of both capital and new accounts. The capital inflow which was SEK 550 million during the first half of the year has increased by 33 per cent compared to the corresponding period last year, which in turn was an increase of 42 per cent from the preceding year. Savings capital in occupational pension accounts has consequently more than doubled in two years, from SEK 1,910 million to SEK 4,110 million. Avanza Pension has more than 1 per cent of the premium inflow in the occupational pension

market and is steadily increasing its share. More than 500 companies have chosen Avanza as their provider of occupational pensions during the first six months.

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. Once the extended transfer rights enter into force, Avanza will be well-positioned to increase its market shares in the pensions market and in the Swedish savings market. Preparatory work for the extension of transfer rights is underway both internally within Avanza and externally in the form of intensive lobbying.

According to Statistics Sweden (SCB), the Swedish savings market grew by SEK 53 billion in the first quarter of 2013, compared with SEK 19 billion in the fourth quarter of 2012. SCB's statistics also indicate a shift in savings behaviour from bank deposits and, to some extent, from shares, to fund investments.

Avanza had a 1.9 (1.9) per cent share of the total savings market in Sweden as of 31 March 2013. During the first quarter 2013, Avanza's share of the total net inflow to the Swedish savings market was 6.7 (5.4) per cent.

Activity	2013 Apr-Jun	2012 Apr-Jun	Change %	2013 Jan-Jun	2012 Jan-Jun	Change %	2012-2013 Jul-Jun	2012 Jan-Dec
Net inflow, equity & investment fund accounts, SEK m	1,690	930	82	3,560	2,290	55	4,760	3,500
of which, investment savings accounts, SEK m	1,140	710	61	2,940	2,530	16	3,930	3,520
Net inflow, savings accounts, SEK m	410	20	1,950	640	-480	-	1,500	370
of which, external deposit accounts, SEK m	390	50	680	730	-150	-	1,630	750
Net inflow, pension- & insurance-based accounts, SEK m	760	130	485	1,950	1,180	65	2,280	1,510
of which, endowment insurance, SEK m	320	-180	-	1,160	580	100	930	350
of which, occupational pensions, SEK m	380	270	41	730	550	33	1,190	1,010
Net inflow, SEK m	2,860	1,080	165	6,150	2,990	106	8,540	5,380
Net inflow/Savings capital, %	12	5	7	14	8	6	11	7
No. commission notes per account & month	1.3	1.3	0	1.4	1.6	-13	1.3	1.4
No. transactions per commission note	1.6	1.6	0	1.6	1.6	0	1.7	1.6
Brokerage per commission note, SEK	70	75	-7	71	76	-7	72	75

Market shares

NASDAQ OMX Stockholm, First North and Burgundy

No. transactions, %	6.2	5.6	0.6	6.8	6.1	0.7	6.7	6.4
Turnover, %	3.3	3.7	-0.4	3.7	4.0	-0.3	3.9	4.1

For definitions, see page 17.

Net inflow during the second quarter remained high and the total net inflow during the first half of the year was greater than

the net inflow for the full year 2012. The largest portion of this inflow was attributable to the Investment Savings Account.

Activity among Avanza's customers during the second quarter, measured in terms of the number of transactions per account, was at the same level as in the corresponding period last year. At the same time, Avanza has increased its market share of the number of completed deals on the Stockholm Stock Exchange

to 6.2 (5.6) per cent during the second quarter. Brokerage fees per transaction during the second quarter of the year were 7 (-3) per cent lower than in the corresponding period during the previous year.

Scavings capital	30-06-2013	31-03-2013	Change %	31-12-2012	Change %	30-06-2012	Change %
Savings capital, equity & investment fund accounts, SEK m	49,930	49,560	1	45,510	10	41,500	20
of which, investment savings accounts, SEK m	7,340	6,120	20	3,960	85	2,580	184
Savings capital, savings accounts, SEK m	5,670	5,240	8	4,990	14	4,100	38
of which, external deposit accounts, SEK m	4,880	4,470	9	4,110	19	3,180	53
Savings capital, pension- & insurance-based accounts, SEK m	39,000	38,600	1	35,300	10	33,100	18
of which, endowment insurance, SEK m	29,600	29,600	0	27,000	10	25,700	15
of which, occupational pensions, SEK m	4,110	3,740	10	3,250	26	2,650	55
Savings capital, SEK m	94,600	93,400	1	85,800	10	78,700	20
Equities, bonds, derivatives, etc. SEK m	58,510	59,770	-2	54,560	7	50,000	17
Investment funds, SEK m	22,600	21,700	4	18,900	20	16,800	35
Deposits, SEK m	16,400	15,000	9	15,200	8	14,600	12
of which, external deposits, SEK m	4,880	4,470	9	4,110	19	3,180	53
Lending, SEK m	-2,910	-3,070	-5	-2,860	2	-2,700	8
Savings capital, SEK m	94,600	93,400	1	85,800	10	78,700	20
Deposits/Lending, %	564	489	75	531	33	541	23
Net deposits/Savings capital, %	14	13	1	14	0	15	-1
Avanza Bank, SEK m	53,120	52,110	2	47,780	11	43,860	21
Mini, SEK m	1,570	1,590	-1	1,470	7	1,440	9
Private Banking, SEK m	37,600	37,200	1	34,100	10	31,100	21
Pro, SEK m	2,310	2,500	-8	2,450	-6	2,300	0
Savings capital, SEK m	94,600	93,400	1	85,800	10	78,700	20
Return, average account since Jan 1 st, %	3	5	-2	8	-5	2	1
SIX Return Index since Jan 1 st, %	9	10	-1	16	-7	7	2

For definitions, see page 17.

Accounts	30-06-2013	31-03-2013	Change %	31-12-2012	Change %	30-06-2012	Change %
No. equity & investment fund accounts	255,900	250,200	2	239,000	7	230,800	11
of which, no. investment savings accounts	25,200	20,700	22	14,300	76	10,000	152
No. savings accounts	71,700	67,200	7	63,300	13	54,600	31
of which, no. external deposit accounts	42,800	38,800	10	35,200	22	27,400	56
No. pension- & insurance-based accounts	179,600	174,800	3	169,300	6	162,500	11
of which, no. endowment insurance	96,900	95,700	1	93,600	4	91,700	6
of which, no. occupational pensions	43,400	40,700	7	38,400	13	35,500	22
No. accounts	507,200	492,200	3	471,600	8	447,900	13
Avanza Bank, no. accounts	464,780	450,630	3	431,890	8	410,370	13
Mini, no. accounts	20,800	20,700	0	20,100	3	19,700	6
Private Banking, no. accounts	18,700	18,100	3	17,200	9	15,600	20
Pro, no. accounts	2,920	2,770	5	2,410	21	2,230	31
No. accounts	507,200	492,200	3	471,600	8	447,900	13
No. accounts per customer	1.70	1.68	1	1.66	2	1.63	4

For definitions, see page 17.

Avanza continues to gain new customers. The number of customers at the end of the quarter totalled 298,300 (274,700).

During the second quarter the number of accounts increased by 15,000 and amounted to more than half a million. The number of

accounts has increased by 35,600 since the beginning of the year.

The number of accounts per customer represents a measure of savers' customer loyalty to Avanza and, thereby, also a measure of the share of customers' savings. The number of

accounts per customer has increased during the period and now totals 1.70 (1.63) accounts.

The number of new occupational pension accounts was 5,000 (5,400) during the first half of the year, which corresponds to 14 (18) per cent of the total number of new accounts.

Development

Efforts to develop Avanza's new internet presence and the modernizing of the underlying platform began in 2011, with the objective of creating Sweden's best internet banking experience. By creating the new site parallel with the old one and gradually adding new content, customers' impressions, ideas and input have been compiled and considered during the development process. With ongoing launches, changes have been presented in a beta version of the new site where the various functions have maintained the same standard as on the old site, and customers have been able to use both sites in parallel. In June, all functions were migrated and the new site was launched on a broad scale to all customers.

A flexible and modern IT platform enables automated processes, simpler solutions and a better customer experience. With enhanced scalability and cost efficiency, the premises are created to continue to offer the lowest fees combined with excellent service, as well as to develop and provide new services and features not possible with the old technology.

Numerous improvements to the user experience and functionality have also been undertaken. For example, Avanza now offers real-time push notified share prices to all customers, better overview of past transactions and an enhanced market overview function.

Financial overview

	2013 Apr-Jun	2012 Apr-Jun	Change %	2013 Jan-Jun	2012 Jan-Jun	Change %	2012-2013 Jul-Jun	2012 Jan-Dec
Income Statement, SEK m								
Brokerage income	51	53	-4	115	123	-7	208	216
Fund commissions	20	15	33	38	32	19	71	64
Net interest items	50	61	-18	100	124	-19	212	235
Other income, net *	16	12	33	34	26	31	53	47
Operating income	137	141	-3	287	305	-6	544	562
Personnel **	-58	-55	5	-110	-106	4	-211	-207
Marketing	-7	-4	75	-13	-13	0	-21	-21
Depreciation	-3	-4	-25	-6	-6	0	-12	-13
Other expenses	-34	-30	13	-69	-59	17	-129	-119
Operating expenses before credit losses	-102	-93	10	-198	-184	8	-373	-360
Profit before credit losses	35	48	-27	89	121	-26	171	202
Credit losses, net	0	0	-	0	0	-	-1	-1
Operating profit	35	48	-27	89	121	-26	170	201
Operating margin, %	26	34	-8	31	40	-9	31	36
Profit margin, %	23	27	-4	27	32	-5	26	28
Cost/income ratio, %	74	66	8	69	60	9	69	64
Earnings per share, SEK	1.11	1.34	-17	2.67	3.44	-22	4.81	5.58
Earnings per share after dilution, SEK	1.11	1.34	-17	2.67	3.44	-22	4.81	5.58
Return on shareholders' equity, %	4	5	-1	10	11	-1	18	19
Investments, SEK m	2	2	0	3	2	50	4	3
Brokerage income/Operating income, %	37	38	-1	40	40	0	38	38
Non-brokerage income/Operating income, %	63	62	1	60	60	0	62	62
of which, Fund commissions/Operating income, %	15	11	4	13	10	3	13	11
of which, Net interest items/Operating income, %	36	43	-7	35	41	-6	39	42
of which, Other income/Operating income, %	12	8	4	12	9	3	10	8
Non-brokerage income/Operating expenses, %	84	95	-11	87	99	-12	90	96
of which, Net interest items/Operating expenses, %	49	66	-17	51	67	-16	57	65
Operating income/Savings capital, %	0.15	0.18	-0.03	0.31	0.39	-0.08	0.63	0.70
of which, Net interest items/Savings capital, %	0.05	0.08	-0.03	0.11	0.16	-0.05	0.24	0.29
Average no. employees	271	267	1	270	265	2	273	269
No. trading days	59.0	57.5	3	120.5	121.0	0	247.0	247.5
Web service operational availability, %	99.9	100.0	-0.1	99.9	100.0	-0.1	99.6	99.6

* 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.

	30-06-2013	31-03-2013	Change %	31-12-2012	Change %	30-06-2012	Change %
Shareholders' equity per share, SEK	23.49	30.23	-22	28.68	-18	26.53	-11
Capital base/Capital requirement	2.21	2.28	-3	2.21	0	2.34	-6
No. employees	265	276	-4	262	1	269	-1
Market value, SEK	137.00	175.00	-22	131.50	4	142.00	-4
Market capitalisation, SEK m	3,960	5,050	-22	3,800	4	4,100	-4

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.

Operational income decreased by -6 (-14) per cent during the first half of the year compared with the corresponding period

last year, mainly as a result of decreases in brokerage income and net interest items. The prime lending rate was, on average,

0.57 percentage points lower than in the corresponding period during the last year, which negatively affected net interest income. Brokerage income decreased slightly mainly due to Avanza's customers undertaking 13 per cent fewer number of securities transactions per account during the first half of 2013, compared with the corresponding period in 2012. In addition, brokerage income per transaction dropped slightly. Fund commissions increased due to increased investment fund capital.

Income for the second quarter decreased by -3 (-18) per cent compared with the corresponding period during the previous year, primarily due to a lower net interest income.

Expenses before credit losses increased by 8 (5) per cent during the first half of the year compared with the previous

year. This was mainly due to the continued investments in the new internet bank, which have been reported as expenses directly in the income statement. Investments in the new internet bank were initiated in 2011 and the new website was launched on a broad scale during the second quarter of 2013. The work with modernising the underlying systems is expected to continue through 2013.

During the first half of the year, non-brokerage income amounted to 87 (99) per cent of expenses. Non-brokerage income is comprised primarily of net interest items, fund commission and net foreign exchange income. Our objective is that the ratio should, in the long-term, exceed 100 per cent.

Capital surplus

	30-06-2013	31-12-2012
Shareholders' equity, the Group	678	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	-287	-298
Total capital surplus before dividend, SEK m	367	507
Capital surplus per share, SEK	12.70	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 367 million as of 30 June 2013.

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 second quarter of 2013 total credit losses amounted to SEK 8 million, which is the equivalent, on average, to less than 0.03 percent per year. Avanza Bank does not conduct, and has not previously conducted, trading in securities on its own behalf.

The statutory protection and guarantees (such as the state deposit guarantee) apply to customers in Avanza Bank in the same manner as applying to other Swedish banks and

insurance companies. Additional information on Avanza Bank and security matters can be found on avanzabank.se.

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 2013 was SEK -3 million (SEK -4 m). The Parent Company does not report any sales. 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 Bank'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 Bank's possibilities for future growth include:

Growth of the savings market

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 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 only 1.9 per cent of the Swedish savings market, and is also due to the fact that capital transferred from other savings institutions to Avanza Bank is not included in the net inflow to the Swedish savings market.

Net inflow and growth in value

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

Growth in net inflow is achieved through increased savings from new and existing customers. Avanza Bank 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 the Bank'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 Bank. 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

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 13 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, with an unchanged repo rate, will fall from its current level to 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

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 behalf of the Bank on low fees and innovative products is well suited to such an environment and that Avanza remains positively 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 a more or less unchanged level of costs over the next 3-5 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 2-5 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. The investigation has proposed that the extended transfer rights apply from 1 January 2015. 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 2014 in favour of an extended transfer right would, therefore, have a positive effect on Avanza Bank's growth prospects.

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.

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 first half of 2013 and the company holds no repurchased shares as of 30 June 2013.

Financial calendar

Interim Report, January – September 2013	16 October 2013
Preliminary Financial Statement 2013	January 2014

Consolidated Income Statements *

SEK m	2013 Apr–Jun	2012 Apr–Jun	2013 Jan–Jun	2012 Jan–Jun	2012-2013 Jul–Jun	2012 Jan–Dec
Operating income						
Commission income	104	97	222	216	406	400
Commission expenses	-18	-18	-36	-36	-67	-67
Interest income	62	79	123	161	270	307
Interest expenses	-12	-18	-23	-37	-58	-72
Net result of financial transactions	1	0	1	0	-7	-7
Other operating income	0	1	0	1	0	1
Total operating income	137	141	287	305	544	562
Operating expenses						
General administrative costs	-88	-80	-169	-155	-320	-306
Depreciation of tangible and intangible fixed assets	-3	-4	-6	-6	-12	-13
Other operating expenses	-11	-9	-23	-23	-41	-41
Total operating expenses before credit losses	-102	-93	-198	-184	-373	-360
Operating profit before credit losses	35	48	89	121	171	202
Credit losses, net	0	0	0	0	-1	-1
Operating profit	35	48	89	121	170	201
Tax on profit for the period **	-3	-10	-12	-23	-31	-41
Net profit/loss for the period ***	32	38	77	98	139	160
Earnings per share, SEK	1.11	1.34	2.67	3.44	4.81	5.58
Earnings per share after dilution, SEK	1.11	1.34	2.67	3.44	4.81	5.58
Average no. shares before dilution, thousand	28,874	28,647	28,874	28,455	28,874	28,665
Average no. shares after dilution, thousand	28,874	28,647	28,874	28,455	28,874	28,665
Outstanding no. shares before dilution, thousand	28,874	28,874	28,874	28,874	28,874	28,874
Outstanding no. shares after dilution, thousand	28,874	28,874	28,874	28,874	28,874	28,874
No. shares upon full dilution, thousand	30,344	30,431	30,344	30,431	30,344	30,431

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

** Tax expenses for the second quarter 2013 were lower than for the first quarter due to an adjustment of taxable income. The tax rate for the full year 2013 is expected to be at the same level as for the first half of the year.

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

Consolidated Balance Sheet

SEK m		30-06-2013	31-12-2012
Assets			
Treasury bills eligible for refinancing		169	-
Loans to credit institutions		8,290	7,989
Loans to the public	Note 1	4,077	3,710
Shares and participations		0	0
Assets in insurance operations		36,603	33,067
Intangible fixed assets		23	23
Tangible assets		14	17
Other assets		287	316
Prepaid costs and accrued income		50	84
Total assets		49,513	45,206
Liabilities and shareholders' equity			
Deposits by the public	Note 2	11,867	11,116
Liabilities in insurance operations		36,603	33,067
Other liabilities		279	115
Accrued costs and prepaid income		77	71
Provisions		9	9
Shareholders' equity		678	828
Total liabilities and shareholders' equity		49,513	45,206

Changes in the Group's shareholders' equity

SEK m	2013 Jan–Jun	2012 Jan–Jun	2012 Jan–Dec
Shareholders' equity at the beginning of the period	828	875	875
Dividend	-231	-283	-283
Warrants issue	4	3	3
Exercise of share warrants	-	72	72
Repurchase of own shares	-	-	-
Net profit/loss for the period	77	98	160
Shareholders' equity at the end of the period	678	766	828

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

Consolidated Cash Flow Statements

SEK m	2013 Apr–Jun	2012 Apr–Jun	2013 Jan–Jun	2012 Jan–Jun
Cash flow from operating activities	37	18	42	38
Cash flow from operating activities' assets and liabilities	883	1,255	489	-158
Cash flow from investment operations	-2	-2	-3	-2
Cash flow from financial operations	-227	-207	-227	-207
Cash flow for the period	691	1,064	301	-329
Liquid assets at the beginning of the period *	7,599	7,279	7,989	8,672
Liquid assets at the end of the period *	8,290	8,343	8,290	8,343

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 574 million (SEK 611 m) of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements

SEK m	2013 Jan–Jun	2012 Jan–Jun
Operating expenses		
Administration expenses	-2	-2
Other operating income	-	-
Other operating expenses	-1	-2
Operating profit/loss	-3	-4
Profit/loss from financial investments		
Profit/loss from shares in group companies	-	-
Profit/loss from other securities	-	-
Interest income and similar items	0	1
Interest expenses and similar items	-	-
Profit/loss before tax	-3	-3
Tax on profit for the period	1	1
Net profit/loss for the period	-2	-2

Parent Company Balance sheets

SEK m	30-06-2013	31-12-2012
Assets		
Financial fixed assets	408	408
Current receivables *	22	256
Liquid assets	0	0
Total assets	430	664
Shareholders' equity and liabilities		
Shareholders' equity	429	663
Current liabilities	1	1
Total shareholders' equity and liabilities	430	664

* Of which receivables from subsidiaries SEK 22 million (SEK 256 m).

Accounting principles

The Interim Report has been prepared in accordance with IAS 34, Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the supplementary accounting rules for legal entities (RFR 2) issued by the Swedish Financial Reporting Board. Accounting principles and calculation methods remain unchanged from those applied in the 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 1,165 million (SEK 849 m as of 31 December 2012) of loans to the public as of 30 June 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. 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 30 June 2013, deposits by third parties in client fund accounts totalling SEK 822 million (SEK 847 m as of 31 December 2012).

Note 3 – Financial instruments

Classification of financial information

SEK m, 30-06-2013	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
Assets						
Treasury bills eligible for refinancing	–	169	–	–	–	169
Lending to credit institutions	–	–	8,290	–	–	8,290
Lending to the public	–	–	4,077	–	–	4,077
Shares and participations	0	–	–	–	–	0
Assets in insurance operations	36,603	–	–	–	–	36,603
Intangible assets	–	–	–	–	23	23
Tangible assets	–	–	–	–	14	14
Other assets	–	–	197	–	90	287
Prepaid costs and accrued income	–	–	26	–	24	50
Total assets	36,603	169	12,590	–	151	49,513
Liabilities						
Deposits by the public	–	–	–	11,867	–	11,867
Insurance operations liabilities	36,603	–	–	–	–	36,603
Other liabilities	–	–	–	279	–	279
Accrued costs and prepaid income	–	–	–	55	22	77
Provisions	–	–	–	–	9	9
Total liabilities	36,603	–	–	12,201	31	48,835

Financial instruments valued at fair value

SEK m, 30-06-2013	Level 1	Level 2	Level 3	Total
Assets				
Equities	18,915	0	–	18,915
Fund units	1,199	10,056	–	11,255
Bonds and other interest-bearing securities	571	364	–	935
Other securities	135	178	–	313
Liquid assets	–	–	–	5,185
Total assets	20,820	10,598	–	36,303
Liabilities				
Liabilities in insurance operations (investment agreements)	–	36,303	–	36,303
Total liabilities	–	36,303	–	36,303

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	30-06-2013	31-12-2012
Capital base		
Shareholders' equity, the Group	678	828
Less, unaudited profits	-77	-
Assumed/Proposed dividend	-	-231
Shareholders' equity, financial conglomerate	601	597
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-24	-24
Capital base	577	573
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	228	226
Capital requirement for regulated units in the insurance sector	30	30
Theoretical capital requirements for non-regulated units	3	3
Capital requirement	261	259
Capital surplus	316	314
Capital base/Capital requirement	2.21	2.21

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, 10 July 2013

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

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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 10 July 2013.

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.

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.

