

Avanza Bank

Interim report

January – September 2013

- Net inflow totaled SEK 8,410 million (SEK 3,960 m), corresponding to 10 (5 %) per cent of the total savings capital at the beginning of the year
- The number of accounts increased by 11 (10 %) per cent to 524,000 (471,600 as of 31 December 2012)
- The total savings capital increased by 22 (11 %) per cent to SEK 105,000 million (SEK 85,800 m as of 31 December 2012)
- Operating income increased by 1 (–20 %) per cent to SEK 435 million (SEK 430 m)
- Operating margin was 37 (38 %) per cent
- The profit after tax increased by 7 (–45 %) per cent to SEK 139 million (SEK 130 m)
- Earnings per share increased by 6 (–46 %) per cent to SEK 4,82 (SEK 4.54)

Third Quarter

- Operating income increased by 18 percent (–31 %) to SEK 148 million (SEK 125 m)
- The profit after tax increased by 94 percent (–64 %) to SEK 62 million (SEK 32 m)
- Earnings per share increased by 94 percent (–64 %) to SEK 2,15 (1.11)

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	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Operating income, SEK m	148	137	150	131	125	141	164	157
Operating profit, SEK m	73	35	54	38	42	48	72	62
Operating margin, %	49	26	36	29	34	34	44	39
Earnings per share, SEK	2.15	1.11	1.55	1.04	1.11	1.34	2.11	1.94
Return on shareholders' equity, %	9	4	5	4	4	5	7	6
Net inflow, SEK m	2,260	2,860	3,290	1,420	970	1,080	1,910	120
Savings capital at the end of the period, SEK m	105,000	94,600	93,400	85,800	82,200	78,700	82,000	74,200
No. accounts at the end of the period	524,000	507,200	492,200	471,600	458,800	447,900	436,500	417,200
No. customers at the end of the period	306,900	298,300	292,200	283,300	278,900	274,740	270,100	263,000

Comments from the Managing Director

Growing customer base and strong net inflow

"We experience the strong growth in savings capital of 22 percent since the beginning of the year as something which is especially positive, not the least as there is a long term relationship between growth in savings capital and growth in operating income. We have continued to strengthen our communication to existing customers regarding new savings forms and investment alternatives, which has resulted in increased deposits and a broader involvement with our existing customers. This is a major contributing factor to the increase in net inflow, in combination with a continued solid growth in new customers.

The inflow of 8,600 new customers during the third quarter is twice as large compared with the same period last year. In 2013, we have expanded with 23,600 new customers, and with a strong end to the year we have a good possibility to exceed our long-term goal of growing by 20,000–30,000 customers per year. We see the results of this strong customer inflow, as well as increased deposits from existing customers, in the net inflow, which has increased by 112 percent compared with the same period last year.

Increased customer activity and good cost control behind the improved results

During the third quarter, profit before taxes grew by MSEK 73, compared with MSEK 55 in the same period last year (excluding items affecting comparability), or an increase of 33 percent. This implies that during the third quarter, we rebounded from the dip in earnings during the first half of the year, primarily due to increased customer activity, in combination with a growing customer base and strong cost control.

If 2012 was a wait-and-watch year in terms of savings behaviour due to the continued uncertainty in Europe, China and the US, with more secure investments in fixed interest funds, exchange-traded credit-linked notes and saving accounts, 2013 has proven to show an increased risk appetite amongst savers. This is seen, not the least, in a notable move towards mutual funds since the beginning of the year. The total inflow in funds has been four times as high this quarter as in the same period last year. Trading in shares has also increased gradually during the third quarter, which is a sign that the savers dare to believe, once again, in the stock exchange; a stock exchange which has shown a positive development during the last year, in spite of macro political worries. But, still, there remain a number of uncertainties. The market is still vulnerable to negative news and

can swing again. Many questions continue to be unanswered: Will the US succeed in agreeing on an increase in the debt ceiling and how will Europe solve its growth problems with continued turbulence in, amongst other economies, Italy and Greece. We have, already in the beginning of October, seen, again, some degree of movement from stocks towards fixed income, at the same time, the trading activity on the stock exchange has declined a bit compared with September.

After launching the new site and underlying systems at the end of the second quarter, we can already see positive effects on the cost side. Costs during the third quarter should, however, be seen in light of the necessary breathing space we experienced during the summer, during which we consumed fewer resources than normal in the follow-up to the site launch. We are now up to full speed again and expect to maintain cost level during the second half of the year, more or less, unchanged compared with the previous year. With our new site in place, we will now focus our energy on creating Sweden's best consumer site for savings and investments. Our savers can look forward to a number of new products already within the next two quarters.

We look forward to an exciting end to the year!"

Stockholm, 16 October 2013



Martin Tivéus, Managing Director Avanza Bank



Operations

Market and sales

The return on the Stockholm Stock Exchange was good during the third quarter and the SIX Return Index increased by 10 percent. Totally during the year's first nine months, the return was 20 percent. The activity level continued to recover and turnover during the third quarter was 10 percent higher than during the equivalent period in the previous year.

The trend implying that customers choose funds as a savings form continued during the third quarter. Mutual funds dominated, primarily Swedish funds, while growth market funds developed less strongly.

The major demand for mutual funds resulted in the interest in fixed income products decreasing during the quarter. Sparkonto+ showed a negative net inflow primarily as a result of low interest rates. Avanza is now reviewing its offering of Sparkonto+ accounts in order to be able to offer higher interest rates.

Investment Savings Accounts (ISK) continued to be popular during the nine month period. More than fifty percent of Avanza's net inflow was into ISK, and the number of accounts increased by 115 percent.

The net inflow in occupational pensions during the first nine months of 2013 has continued to be strong in terms of both capital and new accounts. The inflow in capital, amounting to MSEK 1,010, has increased by 33 percent compared with the same period last year which, in turn, had increased with the prior year by 36 percent. The savings capital in occupational

pension accounts has, consequently, more than doubled from MSEK 1,830 to MSEK 4,610. Avanza Pension has slightly more than 1 percent of the premium inflow to the occupational pension market and is steadily increasing its share. More than 900 companies have chosen Avanza as supplier of occupational pensions during the first nine months of the year.

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 76 billion during the second quarter 2013, compared with SEK 53 billion during the first quarter. Of the total savings market in Sweden, Avanza had 1.9 (1.8) percent as at 30 June 2013. During the second quarter 2013, Avanza's share of the total net inflow into the Swedish savings market amounted to 3.5 (0.6) percent.

Activity	2013 Jul-Sep	2012 Jul-Sep	Change %	2013 Jan-Sep	2012 Jan-Sep	Change %	2012-2013 Oct-Sep	2012 Jan-Dec
Net inflow, equity & investment fund accounts, SEK m	1,580	250	532	5,140	2,550	102	6,090	3,500
of which, investment savings accounts, SEK m	1,410	330	327	4,340	2,860	52	5,010	3,520
Net inflow, savings accounts, SEK m	-270	380	-	380	-110	-	860	370
of which, external deposit accounts, SEK m	-250	400	-	480	260	85	980	750
Net inflow, pension- & insurance-based accounts, SEK m	950	340	179	2,890	1,520	90	2,880	1,510
of which, endowment insurance, SEK m	620	120	417	1,780	700	154	1,430	350
of which, occupational pensions, SEK m	280	210	33	1,010	760	33	1,260	1,010
Net inflow, SEK m	2,260	970	133	8,410	3,960	112	9,830	5,380
Net inflow/Savings capital, %	10	5	5	13	7	6	12	7
No. commission notes per account & month	1.4	1.1	27	1.4	1.4	0	1.4	1.4
No. transactions per commission note	1.6	1.8	-11	1.6	1.6	0	1.6	1.6
Brokerage per commission note, SEK	73	75	-3	72	76	-5	72	75
Market shares								
NASDAQ OMX Stockholm and First North								
No. transactions, %	8.0	6.3	1.7	7.2	6.2	1.0	7.1	6.4
Turnover, %	4.6	4.3	0.3	4.0	4.1	-0.1	4.0	4.1

For definitions, see page 17.

The net inflow during the third quarter continued to be high and the total net inflow during the year's first nine months was more than twice as high as during the equivalent period last year. The

major portion of the inflow was into Investment savings accounts.

During the third quarter Avanza increased its market share of the number of completed deals on the Stockholm Stock Exchange to 8.0 (6.3) per cent thanks to the larger customer base. Brokerage fees per transaction during the third quarter were 3

(–6) per cent lower than in the corresponding period during the previous year and 5 (–3) lower during the period January to September compared to last year.

Savings capital	30-09-2013	30-06-2013	Change %	31-12-2012	Change %	30-09-2012	Change %
Savings capital, equity & investment fund accounts, SEK m	56,180	49,930	13	45,510	23	43,010	31
of which, investment savings accounts, SEK m	9,570	7,340	30	3,960	142	3,140	205
Savings capital, savings accounts, SEK m	5,420	5,670	–4	4,990	9	4,490	21
of which, external deposit accounts, SEK m	4,640	4,880	–5	4,110	13	3,600	29
Savings capital, pension- & insurance-based accounts, SEK m	43,400	39,000	11	35,300	23	34,700	25
of which, endowment insurance, SEK m	33,100	29,600	12	27,000	23	26,900	23
of which, occupational pensions, SEK m	4,610	4,110	12	3,250	42	2,940	57
Savings capital, SEK m	105,000	94,600	11	85,800	22	82,200	28
Equities, bonds, derivatives, etc. SEK m	65,530	58,510	12	54,560	20	52,080	26
Investment funds, SEK m	25,600	22,600	13	18,900	35	17,900	43
Deposits, SEK m	17,000	16,400	4	15,200	12	15,000	13
of which, external deposits, SEK m	4,640	4,880	–5	4,110	13	3,600	29
Lending, SEK m	–3,130	–2,910	8	–2,860	9	–2,780	13
Savings capital, SEK m	105,000	94,600	11	85,800	22	82,200	28
Deposits/Lending, %	543	564	–21	531	12	540	3
Net deposits/Savings capital, %	13	14	–1	14	–1	15	–2
Avanza Bank, SEK m	58,530	53,120	10	47,780	22	45,810	28
Mini, SEK m	1,690	1,570	8	1,470	15	1,430	18
Private Banking, SEK m	42,200	37,600	12	34,100	24	32,500	30
Pro, SEK m	2,580	2,310	12	2,450	5	2,460	5
Savings capital, SEK m	105,000	94,600	11	85,800	22	82,200	28
Return, average account since Jan 1 st, %	12	3	9	8	4	6	6
SIX Return Index since Jan 1 st, %	20	9	11	16	4	12	8

For definitions, see page 17.

Savings capital grew very notably during the period, driven by the strong increase in customers and net inflow, in combination with positive stock exchange developments. During the third quarter, savings capital exceeded SEK 100 billion for the first

time. At the end of the quarter, savings capital amounted to SEK 105 billion, which is an increase of 28 percent compared with last year.

Accounts	30-09-2013	30-06-2013	Change %	31-12-2012	Change %	30-09-2012	Change %
No. equity & investment fund accounts	266,100	255,900	4	239,000	11	234,500	13
of which, no. investment savings accounts	30,800	25,200	22	14,300	115	12,000	157
No. savings accounts	73,500	71,700	3	63,300	16	59,000	25
of which, no. external deposit accounts	44,200	42,800	3	35,200	26	31,200	42
No. pension- & insurance-based accounts	184,400	179,600	3	169,300	9	165,300	12
of which, no. endowment insurance	98,700	96,900	2	93,600	5	92,700	6
of which, no. occupational pensions	45,600	43,400	5	38,400	19	36,800	24
No. accounts	524,000	507,200	3	471,600	11	458,800	14
Avanza Bank, no. accounts	480,560	464,780	3	431,890	11	420,520	14
Mini, no. accounts	21,000	20,800	1	20,100	4	19,900	6
Private Banking, no. accounts	19,300	18,700	3	17,200	12	16,100	20
Pro, no. accounts	3,140	2,920	8	2,410	30	2,280	38
No. accounts	524,000	507,200	3	471,600	11	458,800	14
No. customers	306,900	298,300	3	283,300	8	278,900	10
No. accounts per customer	1.71	1.70	0	1.66	3	1.65	4

For definitions, see page 17.

Avanza continues to win new customers. The number of customers passed the 300,000 mark in the third quarter and amounted at the end of the quarter to 306,900 (278,900). During the third quarter, the number of accounts increased by 16,800. Since the beginning of the year, the number of accounts has increased by 52,400.

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

is, thereby, also a good measure of the portion of the customers' total savings with Avanza. The number of accounts per customer increased during the period and now totals 1.71 (1.65).

The number of new occupational pension accounts amounted to 7,200 (6,700) during the period January to September, which is equivalent to 14 (16) percent 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.

During the third quarter, the work has been focused on adjustments and improvements, to a large degree, based on the

responses from the customers. The goal is to be able to shut down the old site in the near future.

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 Jul-Sep	2012 Jul-Sep	Change %	2013 Jan-Sep	2012 Jan-Sep	Change %	2012-2013 Oct-Sep	2012 Jan-Dec
Income Statement, SEK m								
Brokerage income	63	47	34	178	170	5	224	216
Fund commissions	22	16	38	60	47	28	77	64
Net interest items	51	59	-14	151	183	-17	203	235
Other income, net *	12	3	300	46	30	53	63	47
Operating income	148	125	18	435	430	1	567	562
Personnel **	-43	-48	-10	-154	-154	0	-207	-207
Marketing	-1	-2	-50	-14	-15	-7	-20	-21
Depreciation	-2	-3	-33	-8	-10	-20	-11	-13
Other expenses	-29	-29	-0	-97	-87	11	-129	-119
Operating expenses before credit losses	-75	-82	-9	-273	-266	3	-367	-360
Profit before credit losses	73	43	70	162	164	-1	200	202
Credit losses, net	0	-1	-100	0	-1	-100	0	-1
Operating profit	73	42	74	162	163	-1	200	201
Operating margin, %	49	34	15	37	38	-1	35	36
Profit margin, %	42	26	16	32	30	2	30	28
Cost/income ratio, %	51	66	-15	63	62	1	65	64
Earnings per share, SEK	2.15	1.11	94	4.82	4.54	6	5.86	5.58
Earnings per share after dilution, SEK	2.15	1.11	94	4.82	4.54	6	5.86	5.58
Return on shareholders' equity, %	9	4	5	18	15	3	22	19
Investments, SEK m	0	0	-	3	2	50	4	3
Brokerage income/Operating income, %	43	38	5	41	40	1	40	38
Non-brokerage income/Operating income, %	57	62	-5	59	60	-1	60	62
of which, Fund commissions/Operating income, %	15	13	2	14	11	3	13	11
of which, Net interest items/Operating income, %	34	47	-13	35	42	-7	36	42
of which, Other income/Operating income, %	8	2	6	11	7	4	11	8
Non-brokerage income/Operating expenses, %	113	95	18	94	98	-4	93	96
of which, Net interest items/Operating expenses, %	68	72	-4	55	69	-14	55	65
Operating income/Savings capital, %	0.15	0.16	-0.01	0.46	0.54	-0.08	0.61	0.70
of which, Net interest items/Savings capital, %	0.05	0.07	-0.02	0.16	0.23	-0.07	0.22	0.29
Average no. employees	266	275	-3	269	269	0	271	269
No. trading days	66.0	65.0	2	186.5	186.0	0	248.0	247.5
Web service operational availability, %	99.6	100.0	-0.4	99.8	100.0	-0.2	99.5	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.

	30-09-2013	30-06-2013	Change %	31-12-2012	Change %	30-09-2012	Change %
Shareholders' equity per share, SEK	25.64	23.49	9	28.68	-11	27.64	-7
Capital base/Capital requirement	2.22	2.21	0	2.21	0	2.41	-8
No. employees	266	265	0	262	2	281	-5
Market value, SEK	193.00	137.00	41	131.50	47	144.75	33
Market capitalisation, SEK m	5,570	3,960	41	3,800	47	4,180	33

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.

Operating income increased by 1 (-20) percent during the first nine months of the year compared with the equivalent period last year. Brokerage income increased somewhat, primarily, as a result of the larger customer base, something that was

somewhat counter-balanced by a decline in commission per transaction. Fund commission increased thanks to increased fund capital. The base lending rate was, on average, 0.53 percentage points lower than during the equivalent period last year, which negatively impacted net interest income.

In the third quarter, expenses before credit losses increased by 18 (-31) percent compared with the previous year, thanks to higher brokerage income and a higher fund commission, which was partly counter-acted by lower net financial interest/expenses. Revenue during the third quarter last year was negatively impacted by a value adjustment of MSEK 9 regarding the holding in the stock exchange, Burgundy.

Costs before credit losses increased during the nine month period by 3 (5) percent compared with the previous year, primarily as a result of continued investments in the new internet

bank, an investment which will be capitalised directly in the income statement. This investment in the new internet bank was initiated during 2011 and result was launched on a broad basis at the end of the second quarter 2013.

More than 50 percent of operating costs are comprised of personnel costs which implies that the operating costs are, seasonally, lower in the third quarter compared with the other quarters, due to decreased holiday pay liabilities.

During the nine month period, January-September, non-brokerage revenues amounted to 94 (98) percent of costs. Non-brokerage revenues are comprised, primarily, of net interest items, fund commissions and net income from currency fluctuations. The goal is that this portion shall exceed, in the long term, 100 percent.

Capital surplus

	30-09-2013	31-12-2012
Shareholders' equity, the Group	740	828
Intangible fixed assets and deferred tax receivables, SEK m	-25	-24
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	-304	-298
Total capital surplus before dividend, SEK m	411	507
Capital surplus per share, SEK	14.25	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 411 million as of 30 September 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 the third 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 period January to September 2013 was SEK -5 million (SEK -5 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'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

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 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 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 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

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, 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 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 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. 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'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.

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.

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 period January to September 2013 and the company holds no repurchased shares as of 30 September 2013.

Financial calendar

Preliminary Financial Statement, 2013	16 January 2014
Annual Report, 2013	March 2014
Interim Report, January – March 2014	15 April 2014
Annual General Meeting	23 April 2014
Interim Report, January – June 2014	July 2014

Consolidated Income Statements *

SEK m	2013 Jul-Sep	2012 Jul-Sep	2013 Jan-Sep	2012 Jan-Sep	2012-2013 Oct-Sep	2012 Jan-Dec
Operating income						
Commission income	115	89	337	305	432	400
Commission expenses	-18	-15	-54	-51	-70	-67
Interest income	64	78	187	239	255	307
Interest expenses	-13	-19	-36	-56	-52	-72
Net result of financial transactions	0	-8	1	-8	2	-7
Other operating income	0	0	0	1	0	1
Total operating income	148	125	435	430	567	562
Operating expenses						
General administrative costs	-67	-72	-236	-226	-316	-306
Depreciation of tangible and intangible fixed assets	-2	-3	-8	-10	-11	-13
Other operating expenses	-6	-7	-29	-30	-40	-41
Total operating expenses before credit losses	-75	-82	-273	-266	-367	-360
Operating profit before credit losses	73	43	162	164	200	202
Credit losses, net	0	-1	0	-1	0	-1
Operating profit	73	42	162	163	200	201
Tax on profit for the period	-11	-10	-23	-33	-31	-41
Net profit/loss for the period **	62	32	139	130	169	160
Earnings per share, SEK	2.15	1.11	4.82	4.54	5.86	5.58
Earnings per share after dilution, SEK	2.15	1.11	4.82	4.54	5.86	5.58
Average no. shares before dilution, thousand	28,874	28,874	28,874	28,595	28,874	28,665
Average no. shares after dilution, thousand	28,874	28,874	28,874	28,595	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.

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

Consolidated Balance Sheet

SEK m		30-09-2013	31-12-2012
Assets			
Treasury bills eligible for refinancing		165	-
Loans to credit institutions		8,871	7,989
Loans to the public	Note 1	4,271	3,710
Shares and participations		0	0
Assets in insurance operations		40,786	33,067
Intangible fixed assets		23	23
Tangible assets		12	17
Other assets		362	316
Prepaid costs and accrued income		50	84
Total assets		54,540	45,206
Liabilities and shareholders' equity			
Deposits by the public	Note 2	12,667	11,116
Liabilities in insurance operations		40,786	33,067
Other liabilities		262	115
Accrued costs and prepaid income		76	71
Provisions		9	9
Shareholders' equity		740	828
Total liabilities and shareholders' equity		54,540	45,206

Changes in the Group's shareholders' equity

SEK m	2013 Jan-Sep	2012 Jan-Sep	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
Net profit/loss for the period	139	130	160
Shareholders' equity at the end of the period	740	798	828

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

Consolidated Cash Flow Statements

SEK m	2013 Jul-Sep	2012 Jul-Sep	2013 Jan-Sep	2012 Jan-Sep
Cash flow from operating activities	51	15	93	53
Cash flow from operating activities' assets and liabilities	530	593	1,019	435
Cash flow from investment operations	0	0	-3	-2
Cash flow from financial operations	0	0	-227	-207
Cash flow for the period	581	608	882	279
Liquid assets at the beginning of the period *	8,290	8,343	7,989	8,672
Liquid assets at the end of the period *	8,871	8,951	8,871	8,951

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 609 million (SEK 592 m) of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements

SEK m	2013 Jan-Sep	2012 Jan-Sep
Operating expenses		
Administration expenses	-3	-3
Other operating expenses	-2	-2
Operating profit/loss	-5	-5
Profit/loss from financial investments		
Profit/loss from shares in group companies	-1	-
Profit/loss from other securities	-	-9
Interest income and similar items	1	1
Profit/loss before tax	-5	-13
Tax on profit for the period	1	1
Net profit/loss for the period	-4	-12

Parent Company Balance sheets

SEK m	30-09-2013	31-12-2012
Assets		
Financial fixed assets	408	408
Current receivables *	21	256
Liquid assets	0	0
Total assets	429	664
Shareholders' equity and liabilities		
Shareholders' equity	428	663
Current liabilities	1	1
Total shareholders' equity and liabilities	429	664

* Of which receivables from subsidiaries SEK 20 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 1,141 million (SEK 849 m as of 31 December 2012) of loans to the public as of 30 September 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 September 2013, deposits by third parties in client fund accounts totalling SEK 783 million (SEK 847 m as of 31 December 2012).

Note 3 – Financial instruments

Classification of financial information

SEK m, 30-09-2013	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	–	165	–	–	–	165
Lending to credit institutions	–	–	8,871	–	–	8,871
Lending to the public	–	–	4,271	–	–	4,271
Shares and participations	0	–	–	–	–	0
Assets in insurance operations	40,786	–	–	–	–	40,786
Intangible assets	–	–	–	–	23	23
Tangible assets	–	–	–	–	12	12
Other assets	–	–	260	–	102	362
Prepaid costs and accrued income	–	–	29	–	21	50
Total assets	40,786	165	13,431	–	158	54,540
Liabilities						
Deposits by the public	–	–	–	12,667	–	12,667
Insurance operations liabilities	40,786	–	–	–	–	40,786
Other liabilities	–	–	–	262	–	262
Accrued costs and prepaid income	–	–	–	62	14	76
Provisions	–	–	–	–	9	9
Total liabilities	40,786	–	–	12,991	23	53,800

Financial instruments valued at fair value

SEK m, 30-09-2013	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	21,450	0	–	21,450
Fund units	1,259	11,339	–	12,598
Bonds and other interest-bearing securities	554	396	–	950
Other securities	145	183	–	328
Liquid assets	–	–	–	5,460
Total assets	23,408	11,918	–	40,786
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	40,786	–	40,786
Total liabilities	–	40,786	–	40,786

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	30-09-2013	31-12-2012
Capital base		
Shareholders' equity, the Group	740	828
Assumed/Proposed dividend	-130	-231
Shareholders' equity, financial conglomerate	610	597
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-25	-24
Capital base	585	573
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	230	226
Capital requirement for regulated units in the insurance sector	30	30
Theoretical capital requirements for non-regulated units	3	3
Capital requirement	263	259
Capital surplus	322	314
Capital base/Capital requirement	2.22	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, 16 October 2013



Martin Tivés
Managing Director

For additional information:



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Review report

We have reviewed this interim report for the period 1 January to 30 September 2013 for Avanza Bank Holding AB. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Annual Accounts Acts. Our responsibility is to express a conclusion on this interim report based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 16 October 2013

Öhrlings PricewaterhouseCoopers

Catarina Ericsson
Authorized Public Accountant

The information contained in this report comprises information that Avanza Bank Holding AB (publ.) is obliged to provide as well as that which it has chosen to provide in accordance with the provisions of the Swedish Securities Market Act and the Swedish Financial Instruments Trading Act. The information has been released to the market for publication at 08.15 (CET) on 16 October 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.

