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Avanza Bank

Interim report January – June 2011

- Operating income increased by 13 per cent (31 %) to SEK 356 million (SEK 316 m)
- The profit after tax increased by 4 per cent (35 %) to SEK 147 million (SEK 142 m)
- Earnings per share increased by 2 per cent (35 %) to SEK 5.24 (5.13)
- Net savings totalled SEK 4,790 million (SEK 7,060 m), corresponding to 6 per cent (12 %) of the total savings capital at the beginning of the year
- The number of accounts increased by 10 per cent (16 %) to 387,500 (352,200 as of 31st December 2010), and the total savings capital increased by 3 per cent (13 %) to SEK 84,200 million (SEK 82,000 m as of 31st December 2010)

Second quarter

- Operating income increased by 7 per cent (21 %) to SEK 172 million (SEK 161 m)
- The profit after tax decreased by 16 per cent (+11 %) to SEK 57 million (SEK 68 m)
- Earnings per share decreased by 19 per cent (+12 %) to SEK 2.01 (2.47)
- Non-recurring costs of SEK 12 million and credit losses totalling SEK 6 million have been charged to the quarter's results. Measures have been taken to ensure that credit losses in conjunction with similar events in the future will be of only a marginal nature
- Martin Tiveus takes over as the new Managing Director not later than October 15, 2011



Interim report January – June 2011

Comments from the Managing Director

"We can do considerably better, profit-wise, than we did during the second quarter. A number of negative factors coincided. Stock market gloom meant that trading activity was down 25 per cent on the corresponding period in 2010, and non-recurring costs of SEK 12 million and credit losses of SEK 6 million were charged to the quarter. Avanza Bank aims to ensure that a credit loss on this scale is a one-off event and we are consequently taking steps to ensure that any credit losses in conjunction with similar events in the future will be of only a marginal nature", says Nicklas Storåkers, Managing Director of Avanza Bank.

"The preconditions for a substantially better result in the coming quarters are good, and we are, therefore, still of the opinion that Avanza Bank will achieve its long-term goal of the 15–20 per cent annual growth in profits before non-recurring costs in 2011."

"The net inflow across the entire savings market was weak during the first half of 2011 which is believed to be due to higher interest rates as resulted in more people to save by amortising their housing loans. This negative effect has lasted between 3 and 6 months in conjunction with previous interest rate rises. Avanza Bank continues, however, quickly to take market shares. This is visible especially for savings accounts and pension- and insurance savings, where savings capital increased by 154 respective 27 per cent in the past year. We have also improved the long-term growth opportunities this past spring with Sparkonto+ by offering both better variable and fixed term interest rates on savings than any of the major banks, and the net inflow overall is expected to improve in relative terms during the latter half of the year."

For additional information:

Nicklas Storåkers, Managing Director of Avanza Bank, tel: +46 (0)70 861 80 01

Birgitta Hagenfeldt, CFO of Avanza Bank, tel: +46 (0)73 661 80 04

Operations

Market and sales

The stock market fell by 4 per cent during the first half of the year as a whole. The market was actually down by 9 per cent up until one week before the end of June, but recovered strongly during the final days of the month when the new support package for Greece was presented.

The weak stock market resulted in low levels of activity by savers during the second quarter. Rising housing loan interest rates mean that many people are believed to have increased the rate at which they amortise their housing loans. This resulted, among other things, in the net inflow during the first half of the year being 32 per cent down on the corresponding period last year. Weak net inflow trends have lasted for between 3 and 6 months in conjunction with previous extended periods when interest rates rose, but then normalised once again.

Avanza Bank held 2.1 per cent (2.0 %) of the total savings market in Sweden, as of 31st March 2011. During the period from April 2010 to March 2011, Avanza Bank held 6.6 per cent (7.6 %) of the total net inflow into the Swedish savings market.

On 9th May, the price of the Diamyd Medical share fell by 85 per cent. The share was popular among Avanza Bank's customers and a small group of these customers had borrowed, using the Diamyd Medical share as collateral and some of these customers found that the value of their collateral was less than their liability. SEK 6 million in credit losses – a figure estimated most likely outcome – has been charged to the second quarter 2011. The total credit losses for the period from 2001 to 2010 total SEK 1 million and Avanza Bank will continue to work towards its goal of zero credit losses in future and takes a number of steps to ensure that any credit losses in conjunction with similar future events will be of a marginal nature.

On 22nd May, Avanza Zero celebrated its fifth anniversary. Avanza Zero is Sweden's only zero-fee investment fund. The fund is an index fund whose goal is to generate the same value performance as the most heavily traded shares on the Stockholm Stock Exchange. Avanza Bank's strategy is for Avanza Zero to act as a loss leader that demonstrates the advantages of saving through Avanza Bank and helps persuade more people to become customers of the bank. Avanza Zero now represents 4 per cent of Avanza Bank's savings capital. The maximum daily deposit in Avanza Zero will be reduced this autumn from SEK 200 thousand to SEK 25 thousand per customer.

	2011	2010	change	2011	2010	change	2010-2011	2010
	Apr-Jun	Apr-Jun	%	Jan-Jun	Jan-Jun	%	Jul-Jun	Jan-Dec
Activity								
Net inflow, equity & investment fund accounts, SEK m	-900	500	-280	-1,960	-670	193	720	2,010
Net inflow, savings accounts, SEK m	490	-160	-406	-460	-420	10	1,170	1,210
of which, external deposit accounts, SEK m	500	-	-	300	-	-	1,110	810
Net inflow, pension- & insurance-based accounts, SEK m	1,140	2,320	-51	7,210	8,150	-12	5,410	6,350
of which, endowment insurance, SEK m	940	2,080	-55	6,750	7,690	-12	4,680	5,620
of which, occupational pensions, SEK m	190	220	-14	410	430	-5	650	670
Net inflow, SEK m	730	2,640	-72	4,790	7,060	-32	7,300	9,570
Net inflow/Savings capital, %	3	15	-12	12	23	-11	11	16
No. commission notes per account & month	1.5	2.0	-25	1.7	2.1	-19	1.7	1.9
No. transactions per commission note	1.6	1.6	0	1.6	1.7	-6	1.7	1.7
Brokerage per commission note, SEK	75	82	-9	77	83	-7	79	82
Market shares								
NASDAQ OMX Stockholm, First North and Burgundy								
No. transactions, %	7.4	8.7	-1.3	8.0	9.3	-1.3	8.5	9.1
Turnover, %	4.3	5.3	-1.0	4.7	5.5	-0.8	5.1	5.5

For definitions, see page 8.

Trading activity levels decreased as a result of a declining stock market and rising interest rates. Lower levels of trading activity have also resulted in a fall in brokerage per commission note as high level activity customers who pay lower brokerage fees trade more, in relative terms, in a subdued market. Avanza Bank believes that the pricing pressure will decline if levels of trading activity normalise. Stock market shares have declined as a result of the increase in algorithmic trading.

The net inflow during the second quarter was down by 72 per cent in comparison with the corresponding quarter last year. The previous calculation, that the total market for new savings would be affected by rising interest rates for housing loans, is clearly shown in the latest Statistics Sweden savings barometer for the first quarter. In previous long periods of rate increases, net inflows have been low and have then returned to normal after 3-6 months. The net inflow into occupational pensions corresponds to 26 per cent (8 %) of Avanza Bank's total net inflow during the second quarter of 2011.

	30-06-2011	31-03-2011	change	31-12-2010	change	30-06-2010	change
			%		%		%
Savings capital							
Savings capital, equity & investment fund accounts, SEK m	45,320	46,940	-3	48,190	-6	39,220	16
Savings capital, savings accounts, SEK m	1,980	1,460	36	2,410	-18	780	154
of which, external deposit accounts, SEK m	1,110	610	82	810	37	-	-
Savings capital, pension- & insurance-based accounts	36,900	37,700	-2	31,400	18	29,000	27
of which, endowment insurance, SEK m	30,000	30,900	-3	24,700	21	23,300	29
of which, occupational pensions, SEK m	1,910	1,760	9	1,560	22	1,200	59
Savings capital, SEK m	84,200	86,100	-2	82,000	3	69,000	22
Equities, bonds, derivatives, etc. SEK m	57,590	62,000	-7	56,420	2	47,180	22
Investment funds, SEK m	18,900	18,500	2	17,700	7	15,700	20
Deposits, SEK m	11,760	10,270	15	11,740	0	9,960	18
of which, external deposits, SEK m	1,110	610	82	810	37	-	-
Lending, SEK m	-4,050	-4,670	-13	-3,860	5	-3,840	5
Savings capital, SEK m	84,200	86,100	-2	82,000	3	69,000	22
Deposits/Lending, %	290	220	70	304	-14	259	31
Net deposits/Savings capital, %	9	7	2	10	-1	9	0
Avanza Bank, SEK m	46,990	47,720	-2	46,380	1	42,520	11
Mini, SEK m	1,550	1,590	-3	1,560	-1	1,320	17
Private Banking, SEK m	33,000	33,800	-2	31,300	5	23,400	41
Pro, SEK m	2,660	2,990	-11	2,760	-4	1,760	51
Savings capital, SEK m	84,200	86,100	-2	82,000	3	69,000	22
Return, average account since Jan 1 st, %	-3	0	-3	16	-	4	-
OMX Stockholm Price Index since Jan 1 st, %	-4	-1	-3	23	-	4	-

For definitions, see page 8.

	30-06-2011	31-03-2011	change %	31-12-2010	change %	30-06-2010	change %
Accounts							
No. accounts	387,500	372,500	4	352,200	10	322,700	20
No. management services	7,640	7,900	-3	8,020	-5	8,100	-6
No. accounts & management services	395,140	380,400	4	360,220	10	330,800	19
No. equity & investment fund accounts	208,500	205,000	2	199,800	4	192,500	8
No. savings accounts	34,100	29,800	14	27,500	24	19,700	73
of which, no. external deposit accounts	10,100	6,450	57	4,950	104	-	-
No. pension- & insurance-based accounts	144,900	137,700	5	124,900	16	110,500	31
of which, no. endowment insurance	85,000	81,400	4	72,100	18	62,700	36
of which, no. occupational pensions	27,800	24,800	12	22,400	24	20,100	38
No. accounts	387,500	372,500	4	352,200	10	322,700	20
Avanza Bank, no. accounts	353,420	339,370	4	321,320	10	295,100	20
Mini, no. accounts	18,000	17,500	3	16,500	9	15,600	15
Private Banking, no. accounts	13,900	13,300	5	12,100	15	10,100	38
Pro, konton, no. accounts	2,180	2,330	-6	2,280	-4	1,900	15
No. accounts	387,500	372,500	4	352,200	10	322,700	20
No. accounts per customer	1.53	1.51	1	1.49	3	1.43	7

For definitions, see page 8.

The number of customers with at least one account totalled 252,700 (225,200) on 30th June 2011, which means that the average customer has 1.53 (1.43) accounts with Avanza Bank.

External deposit accounts had a strong growth with 3,650 new Sparkonto+ savings accounts opened during the second quarter. The deposit volume in Sparkonto+ increased by 82 per cent during the second quarter.

22 per cent (19 %) of Avanza Bank's accounts at the end of the quarter were endowment insurance accounts.

A total of 3,000 (4,800) new occupational accounts were opened during the second quarter of 2011, corresponding to 20 per cent (26 %) of the total number of new accounts

Development

The Sparkonto+ savings product expanded during the second quarter to include two new players, GE Money Bank and Collector, and savers can now, therefore, invest liquid funds with four savings institutions via Avanza Bank. The state deposit guarantee corresponding to EUR 100,000 for each savings institution applies. The option of investing liquid funds at a fixed rate of interest for a fixed term was added during the second quarter – an option currently being offered via Klarna that already offers deposits at a variable rate for a non-fixed term. Overall, this means that Avanza Bank can offer better variable and fixed term savings rates than any of the major banks and that customers can invest four times as much liquid funds with a state deposit guarantee via Avanza Bank than via any other bank.

Work on developing Avanza Bank's new online presence continued during the second quarter. Avanza Bank is working in partnership with its customers to build the bank of the future in Avanza Labs, which is the first stage in the development of a new website. The work has entered an intensive phase and the goal is to present a beta version of the new site towards the end of the year.

Financial overview

	2011	2010	change	2011	2010	change	2010-2011	2010
	Apr-Jun	Apr-Jun	%	Jan-Jun	Jan-Jun	%	Jul-Jun	Jan-Dec
Income Statement, SEK m								
Brokerage income	64	87	-26	152	174	-13	307	329
Fund commissions	19	22	-14	41	42	-2	80	81
Net interest items	65	35	86	126	67	88	216	157
Other income, net	24	17	41	37	33	12	58	54
Operating income	172	161	7	356	316	13	661	621
Personnel	-51	-45	13	-96	-83	16	-178	-165
Marketing	-5	-6	-17	-11	-11	0	-23	-23
Depreciation	-3	-3	0	-5	-5	0	-11	-11
Other expenses	-39	-24	63	-63	-44	43	-110	-91
Operating expenses before credit losses	-98	-78	26	-175	-143	22	-322	-290
Profit before credit losses	74	83	-10	181	173	5	339	331
Credit losses, net	-6	0	-	-6	0	-	-6	0
Profit before tax	68	83	-18	175	173	1	333	331
Operating margin, %	40	52	-12	49	55	-6	50	53
Profit margin, %	33	42	-9	41	45	-4	42	44
Cost/income ratio, %	57	48	9	49	45	4	49	47
Earnings per share, SEK	2.01	2.47	-19	5.24	5.13	2	9.87	9.77
Earnings per share after dilution, SEK	2.00	2.45	-18	5.19	5.08	2	9.78	9.62
Return on shareholders' equity, %	7	10	-3	18	20	-2	36	37
Investments, SEK m	6	5	20	7	12	-42	15	20
Brokerage income/Operating income, %	37	54	-17	43	55	-12	46	53
Non-brokerage income/Operating income, %	63	46	17	57	45	12	54	47
of which, Fund commissions/Operating income, %	11	14	-3	12	13	-1	12	13
of which, Net interest items/Operating income, %	38	22	16	35	21	14	33	25
of which, Other income/Operating income, %	14	11	3	10	10	0	9	9
Non-brokerage income/Operating expenses, %	110	95	15	117	99	18	110	101
of which, Net interest items/Operating expenses, %	66	45	21	72	47	25	67	54
Operating income/Savings capital, %	0.20	0.23	-0.03	0.42	0.47	-0.05	0.83	0.87
of which, Net interest items/Savings capital, %	0.08	0.05	0.03	0.15	0.10	0.05	0.27	0.22
Average no. employees	254	222	14	251	212	18	245	225
No. trading days	59.0	59.5	-1	121.5	121.0	0	251.0	250.5
Web service operational availability, %	100.0	99.9	0.1	99.9	99.9	0	99.9	99.9

	30-06-2011	31-03-2011	change	31-12-2010	change	30-06-2010	change
			%		%		%
Shareholders' equity per share, SEK	27.26	32.30	-16	29.07	-6	23.33	17
Capital base/Capital requirement	2.34	2.08	13	1.84	27	1.65	42
No. employees	259	249	4	244	6	228	14
Market value, SEK	193.50	244.00	-21	234.00	-17	217.00	-11
Market capitalisation, SEK m	5,520	6,820	-19	6,540	-16	6,020	-8

For definitions, see page 8.

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

Net interest items increased by 86 per cent (30 %) during the second quarter of 2011 in response to the Riksbank's raising of key interest rates last year. The increases in the repo rate have continued in the early part of the third quarter of 2011, which will further improve Avanza Bank's net interest items.

As previously noted, credit losses totalling SEK 6 million was charged to the second quarter profits as a result of the Diamyd Medical share price fall on 9th May 2011.

A Swedish securities company, CTA Lind & Co Scandinavia AB, was declared bankrupt in 2004 and funds were paid to investors from the Swedish compensation scheme. Monies were not funded within the investor compensation scheme and the Swedish National Debt Office has consequently now begun levying fees in arrears from all institutions which were part of the investor compensation scheme at the time of the bankruptcy, in order to cover costs. All of these institutions submitted information on their customers' assets with the respective institutions on 31st December 2004 to the Swedish National Debt Office in September 2010. On 17th June 2011, the Swedish National Debt Office announced that Avanza Bank's fee had been set at SEK 9 million – a sum that has been charged to the second quarter result. A total of SEK 143 million in fees has been divided between the 187 institutions that were part of the investor protection scheme at the time of the bankruptcy. Avanza Bank has appealed the Swedish National Debt Office's decision and there is every likelihood that a substantial part of Avanza Bank's fee can be recovered.

If the investor protection fee of SEK 9 million is excluded, costs before credit losses increased by 14 per cent (30 %) during the second quarter of 2011. This is in line with the budget and the long-term goal of a 15–20 per cent increase in costs.

In mid-May, Avanza Bank moved to new premises at Regeringsgatan 103 in Stockholm. Non-recurring costs arising from the move and totalling SEK 3 million was charged to the second quarter result.

Non-brokerage income totalled 121 per cent (95 %) of costs, before credit losses and excluding the investor protection fee of SEK 9 million, during the second quarter of 2011. Non-brokerage income primarily consists of net interest items, fund commissions, net income from currency fluctuations and fees from corporate finance. The high percentage is due, in the main, to the increase in net interest items. The good underlying growth in savings capital in funds, notwithstanding, fund commissions have failed to increase to the same extent due to, amongst other things, significant outflows last year from emerging market funds.

As previously announced, Avanza Pension has appealed the ruling from the Council on Advance Tax Rulings on the way in which fund commissions from external fund managers will be taxed to the Supreme Administrative Court. In June 2010, the Supreme Administrative Court made a ruling that approved Avanza Pension's current methodology. This positive outcome eliminates the risk of a future increase in the company's effective tax rate for this reason. The ruling by the Supreme Administrative Court cannot be appealed.

In September 2008 Avanza Bank submitted a request to the Swedish Tax Agency for a review of the deductibility of input VAT in respect of 2007, with the aim of recovering the VAT paid. In July 2009, the Tax Agency rejected this request. Avanza Bank appealed to the Administrative Court, which ruled, in September 2010, that it would not overturn the Tax Agency ruling. This ruling was appealed to the Administrative Court of Appeal in November 2010.

Capital surplus

	30-06-2011	31-12-2010
Shareholders' equity, the Group	778	813
Intangible fixed assets and deferred tax receivables, SEK m	-27	-27
Capital requirement with reference to Avanza Bank's internal capital assessment process, SEK m	-297	-321
Total capital surplus before dividend, SEK m	454	465
Capital surplus per share, SEK	15.90	16.65

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the equity. See also note 3, page 11.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 454 million as of 30th June 2011.

Financial position

All of Avanza Bank's assets have a high liquidity level. Reinvestments can, therefore, for the main part of the assets be made with one day's delay. The assets are judged to be secure. SEK 6 million in credit losses was charged to the second quarter 2011 result as a result of the 85 per cent fall in the price of the Diamyd Medical share on 9th May 2011. The total credit losses between 2001 and 2011 (up to and including the second quarter) consequently totalled SEK 7 million – a figure that corresponds, on average, to less than 0.02 per cent per year. Avanza Bank does not and has not engaged in trading in securities for its own account.

The statutory protection and guarantees (e.g. the government deposits guarantee) apply to customers of Avanza Bank in the same way as to customers of every Swedish bank and insurance company. For further information on Avanza Bank and security, please see avanzabank.se.

The Parent Company, Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company of the Avanza Bank corporate group. The operating profit for the first half of 2011 was SEK –3 million (SEK –4 m). The Parent Company reports no turnover. A total dividend payment of SEK 266 million (SEK 221 m) has been made to the shareholders.

Outlook for the future

Avanza Bank's goal is for its long-term profit growth to total between 15 and 20 per cent per annum. Growth rates in individual years will, however, vary in line with stock market performance.

The healthy long-term growth potential is due to the fact that the savings market is normally estimated to grow by 8–12 per cent per year and that online saving is growing even faster. This is due to the advantages offered by the internet in terms of simplicity and low fees, to an increased requirement for individual saving, and to the increase in internet usage amongst the more mature target groups. There are, however, some threats to growth in the savings market. In addition to the uncertainty over stock market performance, the risk that concerns over the property market may spread to the savings market is higher than before. Concern over falling house prices, in combination with higher interest rates than before, may cause in Swedes increasingly choosing to save by amortising their mortgage loans.

There is a clear long-term link between growth in savings capital and growth in operating income, and underlying growth in savings capital therefore generates the preconditions for growth in income. Pricing pressure is, however, expected to continue in the longer term, and this will have a negative effect on the rate of growth.

Annual growth (ca.)

The long-term growth goals can be summarised as follows:

	2001–2010	Goal
Net savings, % of savings capital at beginning of the year	22 % *	13–17 %
Growth in value	8 % *	6–8 %
Savings capital, growth	29 %	20–25 %
Estimated pricing pressure	(5 %)	(3–7 %)
Growth in income	23 %	15–20 %
Cost increase	15 %	15–20 %
Growth in profit	50 %	15–20 %

* 2002–2010

Avanza Bank's business model means that the majority of the costs comprise fixed overheads. Marketing and sales costs are, however, primarily variable costs that depend on Avanza Bank's assessment of the market climate. Avanza Bank can therefore elect to reduce the rate at which costs increase in a poorer market climate, but the Bank operates in a rapidly changing market and can, therefore, also choose to invest more in growth. This may entail higher costs than forecast. Operating costs are, seasonally speaking, normally higher during the first and fourth quarters than during the other quarters.

The company expects costs to increase by around 20 per cent in 2011, which is at the upper end of the range for the long-term goal of a 15–20 per cent increase. The background to this is that some of the costs forecast for 2010 have now been transferred to 2011 instead and that, over and above these cost increases, the credit losses of SEK 6 million described above and which resulted from the fall in the price of the Diamyd Medical share, and the fee of SEK 9 million announced in June 2011 in connection with the CTA Lind & Co Scandinavia AB compensation case, have also been incurred. Avanza Bank is continuing to work towards its goal of zero credit losses and is consequently taking a number of steps to ensure that any credit losses in conjunction with future events similar to the Diamyd Medical fall will be of only a marginal nature.

The Riksbank has continued to raise key interest rates during the second quarter and the early part of the third quarter to their current level of 2.00 per cent. Higher key interest rates result in an improvement in net interest items with regard to deposits. The pricing pressure is expected to decline in 2011.

Avanza Bank will be launching new products in 2011 and these are expected to make a positive contribution to the growth rate. Three areas will be prioritised in 2011: a stronger savings offering, modernisation of Avanza Bank's website and online presence, and continued high levels of cost-effectiveness. Avanza Bank aims to launch a beta version of its new website at the end of the year.

The enhanced offering provided by Sparkonto+ enables Avanza Bank to offer better savings rates than any of the major banks which means that Avanza Bank can now offer some of the market's best terms and conditions when it comes to all of the major savings segments. Overall, this is expected to strengthen Avanza Bank's long-term growth potential and opportunities to continue to take market shares.

The primary goal for 2011 is to continue to have Sweden's most satisfied savers. Avanza Bank's long-term vision is to be the natural bank of choice for Swedes who actively monitor their savings. One of the Bank's goals for 2012 is, therefore, to achieve a market share of at least 7 per cent of the total net inflow into the Swedish savings market.

Overall, Avanza Bank is thought to have good potential for achieving its long-term profit growth goals in 2011, before non-recurring costs and given normal stock market performance. The above should not, however, be regarded as an income or profit forecast, in that operations are dependent on stock market trends.

Other corporate events

Significant risks and uncertainty factors

Avanza Bank's operations entail day-to-day risks that are quantified, monitored and, if necessary, acted upon in order to protect the company's capital and reputation. The ways in which Avanza Bank identifies, follows up on and manages these risks are important to the health of the company and its long-term profitability. Note 31 of Avanza Bank's 2010 Annual Report provides a detailed description of the Group's risk exposure and risk management. No significant risks over and above the risks described in the Annual Report and in this Interim Report are adjudged to have arisen.

Transactions with associated parties

Avanza Bank's transactions with associated parties are shown in Note 32 of the 2010 Annual Report. No significant changes have subsequently occurred.

Executive management

The Boards of Avanza Bank Holding AB and the subsidiary company, Avanza Bank AB, have appointed Martin Tiveus as the new Managing Director of Avanza Bank. Martin Tiveus will take up his new position not later than 15th October 2011, until which time Nicklas Storåkers will continue as Managing Director.

Martin Tiveus is 40 years old and is currently the Consumer Market Sweden Director at Microsoft. He has previously worked as the MD of Glocalnet and the Marketing Manager at SAS Snowflake. Martin Tiveus holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics.

"Martin Tiveus has precisely the experience of uncompromising customer benefit, pricing pressure and profitable growth that is needed to lead Avanza Bank and to create better savings packages for more people. Martin also brings valuable experience of how to grow a company from a size that corresponds to that of Avanza Bank today and of how to make technology easily accessible to and comprehensible by consumers", says Sven Hagströmer, Chairman of the Board of Avanza Bank.

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 first 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 265.16. The term expires on 30th May 2014. The stock option programme has been implemented on market terms.

The redemption period of subsidiary programme 1 of the previous 2008–2010 stock option programme had redemption period from 2nd to 27th May 2011. The redemption price was SEK 136.00 per share. 580,603 of a total of 580,972 shares have been subscribed for in respect of this subsidiary programme, and all shares subscribed for have been issued. There are a total of 28,538,073 registered and outstanding shares.

Buyback of the company's own shares

On 14th April 2011, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB. No shares have been bought back during the first half of 2011 and the company holds no bought back shares.

Financial calendar

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Preliminary Financial Statement, 2011 January 2012

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.
Cost/income ratio:	Costs before credit losses in relation to income.
Deposits:	Deposits, including client accounts.
Earnings per share:	Profit/loss after tax in relation to the average number of shares during the period.
Equity per share:	Shareholders' equity in relation to the number of outstanding ordinary shares before dilution at the end of the period.
External deposits:	Savings accounts in external banks and credit market companies opened and managed by customers via Avanza Bank's website.
Net deposits/Savings capital:	Deposits, including client accounts, minus lending, in relation to the savings capital at the end of the period.
Net interest items/Savings capital:	Net interest items in relation to average savings capital during the period.
Net inflow:	Deposits, less withdrawals, of liquid assets and securities.
Net inflow/Savings capital:	The period's net inflow on an annual basis in relation to savings capital at the beginning of the period.
Non-brokerage income:	Income excluding brokerage income less direct costs.
Operating expenses:	Operating expenses before credit losses.
Operating income/Savings capital:	Operating income in relation to average savings capital during the period.
Operating margin:	Operating profit/loss in relation to operating income.
Profit margin:	Profit/loss after tax in relation to operating income.
Savings capital:	The combined value of accounts held with Avanza Bank.
Return on equity:	Profit/loss after tax in relation to the average shareholders' equity during the period. The return on shareholders' equity for interim periods is not recalculated at a yearly rate.
Stock market:	Refers to the OMXSPI share index, which comprises all shares listed on the Stockholm Stock Exchange.
Transactions:	Buying and selling transactions completed in different markets and involving different securities.

Consolidated Income Statements (SEK m) *

	2011	2010	2011	2010	2010-2011	2010
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jul-Jun	Jan-Dec
Operating income						
Commission income	122	145	262	284	519	541
Commission expenses	-17	-19	-34	-35	-67	-68
Interest income	84	37	158	70	262	174
Interest expenses	-19	-2	-32	-3	-46	-17
Net result of financial transactions***	0	0	0	0	-9	-9
Other operating income	2	0	2	0	2	0
Total operating income	172	161	356	316	661	621
Operating expenses						
General administrative costs	-75	-65	-139	-120	-259	-240
Depreciation of tangible and intangible fixed assets	-3	-3	-5	-5	-11	-11
Other operating expenses	-20	-10	-31	-18	-52	-39
Total operating expenses before credit losses	-98	-78	-175	-143	-322	-290
Operating profit before credit losses	74	83	181	173	339	331
Credit losses, net	-6	0	-6	0	-6	0
Operating profit	68	83	175	173	333	331
Tax on profit for the period	-11	-15	-28	-31	-57	-60
Net profit/loss for the period **	57	68	147	142	276	271
Earnings per share, SEK	2.01	2.47	5.24	5.13	9.87	9.77
Earnings per share after dilution, SEK	2.00	2.45	5.19	5.08	9.78	9.62
Average no. shares before dilution, thousand	28,262	27,662	28,111	27,634	27,991	27,739
Average no. shares after dilution, thousand	28,500	27,961	28,367	27,899	28,248	28,177
Outstanding no. shares before dilution, thousand	28,538	27,746	28,538	27,746	28,538	27,957
Outstanding no. shares after dilution, thousand	28,742	28,094	28,742	28,094	28,742	28,459
No. shares upon full dilution, thousand	30,182	29,682	30,182	29,682	30,182	29,681

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

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

*** SEK 9 million in 2010 relating to valueadjustment of the holding in the Exchange Burgundy.

Consolidated Balance Sheets (SEK m)

	30-06-2011	31-12-2010
Assets		
Treasury bills eligible for refinancing	-	300
Loans to credit institutions	6,564	6,334
Loans to the public	Note 1	4,050
Shares and participations	16	14
Assets in insurance operations	34,642	29,093
Intangible fixed assets	25	26
Tangible assets	17	14
Other assets	372	568
Prepaid costs and accrued income	48	33
Total assets	45,734	40,243
Liabilities and shareholders' equity		
Deposits by the public	Note 2	9,889
Liabilities in insurance operations	34,642	29,093
Other liabilities	363	141
Accrued costs and prepaid income	62	37
Shareholders' equity	778	813
Total liabilities and shareholders' equity	45,734	40,243

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

	2011 Jan–Jun	2010 Jan–Jun	2010 Jan–Dec
Shareholders' equity at the beginning of the period	813	693	693
Dividend	-266	-221	-221
Warrants issue	5	4	4
Exercise of share warrants	79	29	65
Net profit/loss for the period	147	142	271
Shareholders' equity at the end of the period	778	647	813

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

Consolidated Cash Flow Statements (SEK m)

	2011 Apr–Jun	2010 Apr–Jun	2011 Jan–Jun	2010 Jan–Jun
Cash flow from operating activities	-4	36	250	226
Cash flow from operating activities' assets and liabilities	1,236	637	169	899
Cash flow from investment operations	-6	-5	-7	-12
Cash flow from financial operations	-182	-188	-182	-188
Cash flow for the period	1,044	480	230	925
Liquid assets at the beginning of the period *	5,520	5,897	6,334	5,452
Liquid assets at the end of the period *	6,564	6,377	6,564	6,377

* Liquid assets are defined as loans to credit institutions.

At the end of the year SEK 688 (678) million of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements (SEK m)

	2011 Jan–Jun	2010 Jan–Jun
Operating income	0	0
Operating expenses	-3	-4
Operating profit/loss	-3	-4
Profit/loss from financial investments	0	0
Tax on profit/loss for the period	1	1
Net profit/loss for the period	-2	-3

Parent Company Balance sheets (SEK m)

	30-06-2011	31-12-2010
Assets		
Financial fixed assets	417	417
Current receivables *	81	272
Liquid assets	0	0
Total assets	498	689
Shareholders' equity and liabilities		
Shareholders' equity	497	686
Current liabilities	1	3
Total shareholders' equity and liabilities	498	689

* Of which receivables from subsidiaries 80 (271).

Accounting principles

The Consolidated Interim Report has been prepared in accordance with IAS 34, Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Accounting principles and calculation methods remain unchanged from those applied in the 2010 Annual Report.

Notes

Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. All loans, known as account credits, are secured by collateral in the form of securities.

Note 2 – Funds managed on behalf of third parties

In addition to the deposits reported in the Balance Sheet, Avanza also has, as of 30th June 2011, deposits by third parties in client fund accounts totalling SEK 757 (776 as of 31st December 2010) million.

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

	30-06-2011	31-12-2010
Capital base		
Shareholders' equity, the Group	778	813
Less, unaudited profits	-147	-
Assumed/Proposed dividend	-	-266
Shareholders' equity, financial conglomerate	631	547
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-27	-27
Capital base	604	520
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	221	242
Capital requirement for regulated units in the insurance sector	33	36
Theoretical capital requirements for non-regulated units	4	4
Capital requirement	258	282
Capital surplus	346	238
Capital base/Capital requirement	2.34	1.84

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/loss for the period has been audited, adjusted for the assumed dividend. Assumed dividend refers to the current period and the proposed dividend is the Board of Directors to the Annual General Meeting proposed dividend for the full financial year.

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

Stockholm, 12th July 2011

Sven Hagströmer
Chairman of the Board

Anders Ellsell
Board Member

Lisa Lindström
Board Member

Mattias Miksche
Board Member

Andreas Rosenlew
Board Member

Nicklas Storåkers
Managing Director

Jacqueline Winberg
Board Member

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

The information contained in this report comprises information both that Avanza Bank Holding AB (publ.) is obliged to provide and that it has chosen to provide in accordance with the provisions of the Swedish Securities Market Act and the Swedish Financial Instruments Trading Act. The information has been released to the market for publication at 08.15 (CET) on 12th May 2011.

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.

Avanza Bank Holding AB ▪ Box 1399, SE-111 93 Stockholm, Sweden ▪ Street address: Regeringsgatan 103
Tel: +46 8 562 250 00 ▪ Fax: +46 8 562 250 41 ▪ Registered office: Stockholm ▪ Corporate ID no: 556274-8458
avanzabank.se