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Avanza Bank

Interim report January – September 2011

- Operating income increased by 19 per cent (23 %) to SEK 538 million (SEK 454 m)
- The profit after tax increased by 16 per cent (24 %) to SEK 236 million (SEK 203 m)
- Earnings per share increased by 14 per cent (23 %) to SEK 8.34 (7.32)
- Net savings totalled SEK 6,340 million (SEK 8,430 m), corresponding to 8 per cent (14 %) of the total savings capital at the beginning of the year
- The number of accounts increased by 15 per cent (20 %) to 403,500 (352,200 as of 31st December 2010), and the total savings capital decreased by 14 per cent (+22 %) to SEK 70,300 million (SEK 82,000 m as of 31st December 2010)

Third quarter

- Operating income increased by 32 per cent (8 %) to SEK 182 million (SEK 138 m)
- The profit after tax increased by 44 per cent (3 %) to SEK 88 million (SEK 61 m)
- Earnings per share increased by 42 per cent (2 %) to SEK 3.10 (2.19)
- Martin Tiveus takes over as Managing Director tomorrow Friday, 14th October 2011.
The resigning Managing Director, Nicklas Storåkers, will continue as a Member of the Board



Interim report January – September 2011

Comments from the Managing Director

"The profit increased by 44 per cent during the third quarter and we believe that Avanza Bank overall, has every chance of achieving our long-term goal of a 15-20 per cent growth in profits in 2011. We can also see good potential for growth in the years ahead but we intend, during the fourth quarter, to review the rate of cost increases as part of our response to external turbulence and as we look ahead to 2012", says Nicklas Storåkers, Managing Director of Avanza Bank.

"The net inflow during the quarter improved by 13 per cent in comparison with the corresponding period in 2010, with demand particularly strong for Sparkonto+ which doubled its savings capital during the quarter. We are not satisfied with that and the fourth quarter will see the launch of new products that we expect to make an immediate contribution by strengthening the net inflow still further."

"In many ways, a weak market results in Avanza Bank gaining even more new customers, as savers pay increasingly close attention to the amount they are paying in fees, which benefits Avanza Bank because we offer the market's lowest fees. The new year will also see the launch of the new investment savings account, which is expected to prompt more Swedes to review their savings, but the biggest long-term growth potential lies in the adoption of extended statutory augmentation of transfer rights for pension savings. Swedish savers have almost twice as much in saving for their pensions as they have in direct equity and investment fund savings, and the expansion in transfer rights will enable our customers to transfer their pension savings to us. A law proposal on transfer rights is expected in early 2012."

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Operations

Market and sales

The stock market was turbulent during the third quarter and has fallen by 23 per cent since the beginning of the year. In the third quarter alone, the market fell by 20 per cent due to, amongst other things, economic stresses in Europe resulting from banks' exposure to Greece, for example.

There was a strong growth in Sparkonto+ savings during the third quarter, doubling its saving capital to SEK 2,200 million and gaining 7,000 new accounts. Avanza Bank now offers Sparkonto+ in cooperation with three external savings institutions and offers both better variable and fixed term interest rates on savings than any of the major banks. The EUR 100,000 deposit guarantee per customer and savings institutions applies to Sparkonto+.

Avanza Bank held 2.0 per cent (1.9 %) of the total savings market in Sweden, as of 30th June 2011. During the period from July 2010 to June 2011, Avanza Bank held 5.2 per cent (7.9 %) of the total net inflow into the Swedish savings market.

	2011	2010	change	2011	2010	change	2010-2011	2010
	Jul-Sep	Jul-Sep	%	Jan-Sep	Jan-Sep	%	Oct-Sep	Jan-Dec
Activity								
Net inflow, equity & investment fund accounts, SEK m	-10	240	-104	-1,970	-430	358	470	2,010
Net inflow, savings accounts, SEK m	1,180	280	321	720	-140	414	2,070	1,210
of which, external deposit accounts, SEK m	1,080	240	350	1,390	240	479	1,960	810
Net inflow, pension- & insurance-based accounts, SEK m	380	850	-55	7,590	9,000	-16	4,940	6,350
of which, endowment insurance, SEK m	220	710	-69	6,970	8,400	-17	4,190	5,620
of which, occupational pensions, SEK m	150	120	25	560	550	2	680	670
Net inflow, SEK m	1,550	1,370	13	6,340	8,430	-25	7,480	9,570
Net inflow/Savings capital, %	8	8	0	10	18	-8	10	16
No. commission notes per account & month	1.7	1.7	0	1.8	2.0	-10	1.9	2.0
No. transactions per commission note	1.8	1.8	0	1.7	1.7	0	1.7	1.7
Brokerage per commission note, SEK	80	80	0	78	82	-5	79	82
Market shares								
NASDAQ OMX Stockholm, First North and Burgundy								
No. transactions, %	6.2	8.6	-2.4	7.4	9.0	-1.6	7.9	9.1
Turnover, %	4.3	5.6	-1.3	4.6	5.6	-1.0	4.8	5.5

For definitions, see page 9.

The third quarter began with low activity levels in July, only to rise to record heights in August, before returning to more normal levels of activity in September. Market shares have continued to fall as a consequence of the increase in algorithmic trading.

The net inflow during the third quarter was up by 13 per cent in comparison with the corresponding quarter last year. The majority of the quarter's net inflow or 76 per cent was invested in savings accounts. The net inflow into occupational pensions corresponds to 10 per cent (9 %) of Avanza Bank's total net inflow during the third quarter of 2011.

	30-09-2011	30-06-2011	change	31-12-2010	change	30-09-2010	change
			%		%		%
Savings capital							
Savings capital, equity & investment fund accounts, SEK m	37,030	45,320	-18	48,190	-23	41,830	-11
Savings capital, savings accounts, SEK m	3,170	1,980	60	2,410	32	1,070	196
of which, external deposit accounts, SEK m	2,200	1,110	98	810	172	240	817
Savings capital, pension- & insurance-based accounts	30,100	36,900	-18	31,400	-4	31,700	-5
of which, endowment insurance, SEK m	24,000	30,000	-20	24,700	-3	25,500	-6
of which, occupational pensions, SEK m	1,830	1,910	-4	1,560	17	1,350	36
Savings capital, SEK m	70,300	84,200	-17	82,000	-14	74,600	-6
Equities, bonds, derivatives, etc. SEK m	44,520	57,590	-23	56,420	-21	51,040	-13
Investment funds, SEK m	14,700	18,900	-22	17,700	-17	16,700	-12
Deposits, SEK m	13,900	11,760	18	11,740	18	10,750	-29
of which, external deposits, SEK m	2,200	1,110	98	810	172	240	817
Lending, SEK m	-2,820	-4,050	-30	-3,860	-27	-3,890	-28
Savings capital, SEK m	70,300	84,200	-17	82,000	-14	74,600	-6
Deposits/Lending, %	493	290	203	304	189	276	217
Net deposits/Savings capital, %	16	9	7	10	6	9	7
Avanza Bank, SEK m	39,160	46,990	-17	46,380	-16	44,830	-13
Mini, SEK m	1,320	1,550	-15	1,560	-15	1,440	-8
Private Banking, SEK m	27,800	33,000	-16	31,300	-11	26,200	6
Pro, SEK m	2,020	2,660	-24	2,760	-27	2,130	-5
Savings capital, SEK m	70,300	84,200	-17	82,000	-14	74,600	-6
Return, average account since Jan 1 st, %	-21	-3	-18	16	-	7	-
OMX Stockholm Price Index since Jan 1 st, %	-23	-4	-19	23	-	14	-

For definitions, see page 9.

	30-09-2011	30-06-2011	change %	31-12-2010	change %	30-09-2010	change %
Accounts							
No. equity & investment fund accounts	211,900	208,500	2	199,800	6	195,600	8
No. savings accounts	42,200	34,100	24	27,500	53	22,900	84
of which, no. external deposit accounts	17,100	10,100	69	4,950	245	1,900	800
No. pension- & insurance-based accounts	149,400	144,900	3	124,900	20	116,800	28
of which, no. endowment insurance	88,000	85,000	4	72,100	22	67,000	31
of which, no. occupational pensions	28,800	27,800	4	22,400	29	21,300	35
No. accounts	403,500	387,500	4	352,200	15	335,300	20
Avanza Bank, no. accounts	368,300	353,420	4	321,320	15	306,740	20
Mini, no. accounts	18,700	18,000	4	16,500	13	16,000	17
Private Banking, no. accounts	14,300	13,900	3	12,100	18	10,600	35
Pro, konton, no. accounts	2,200	2,180	1	2,280	-4	1,960	12
No. accounts	403,500	387,500	4	352,200	15	335,300	20
No. accounts per customer	1.56	1.53	2	1.49	5	1.45	8

For definitions, see page 9.

The number of customers with at least one account totalled 258,600 (230,500) on 30th September 2011, which means that the average customer has 1.56 (1.45) accounts with Avanza Bank.

External deposit accounts had a strong growth with 7,000 new Sparkonto+ savings accounts opened during the third quarter. The deposit volume in Sparkonto+ increased by 98 per cent to SEK 2,200 million during the third quarter.

10 per cent (7 %) of Avanza Bank's accounts at the end of the quarter were savings accounts.

A total of 1,000 (1,200) new occupational accounts were opened during the third quarter of 2011, corresponding to 6 per cent (10 %) of the total number of new accounts.

Development

Avanza Bank carried out preparatory work during the third quarter with the aim of ensuring the Bank's ability to offer the new investment savings account as of 1st January 2012 and to continue offering endowment insurance under amended rules and regulations. Customers will continue to be offered the opportunity of lending within the endowment insurance format and the new investment savings account format, as of 1st January 2012.

Work on developing Avanza Bank's new internet presence has continued during the third quarter and the goal is to launch a beta version of the new website towards the end of the year.

Avanza Bank has continued to work on developing better system support for credit monitoring during the third quarter. The goal continues to have zero credit losses.

The fourth quarter will see Avanza Bank launch new products that are expected to make an immediate contribution to the net inflow.

Financial overview

	2011	2010	change	2011	2010	change	2010-2011	2010
	Jul-Sep	Jul-Sep	%	Jan-Sep	Jan-Sep	%	Oct-Sep	Jan-Dec
Income Statement, SEK m								
Brokerage income	87	70	24	238	244	-2	323	329
Fund commissions	16	18	-11	57	60	-5	78	81
Net interest items	66	39	69	192	107	79	242	157
Other income, net	13	11	18	51	43	19	62	54
Operating income	182	138	32	538	454	19	705	621
Personnel	-41	-36	14	-137	-120	14	-182	-165
Marketing	-5	-3	67	-16	-14	14	-25	-23
Depreciation	-3	-3	0	-8	-8	0	-11	-11
Other expenses	-30	-22	36	-92	-65	42	-118	-91
Operating expenses before credit losses	-79	-64	23	-253	-207	22	-336	-290
Profit before credit losses	103	74	39	285	247	15	369	331
Credit losses, net	0	0	0	-6	0	-	-6	0
Profit before tax	103	74	39	279	247	13	363	331
Operating margin, %	57	54	3	52	54	-2	51	53
Profit margin, %	48	44	4	44	45	-1	43	44
Cost/income ratio, %	43	46	-3	47	46	1	48	47
Earnings per share, SEK	3.10	2.19	42	8.34	7.32	14	10.79	9.77
Earnings per share after dilution, SEK	3.09	2.15	44	8.28	7.20	15	10.70	9.62
Return on shareholders' equity, %	11	9	2	28	29	-1	37	37
Investments, SEK m	9	4	125	16	16	0	20	20
Brokerage income/Operating income, %	48	51	-3	44	54	-10	46	53
Non-brokerage income/Operating income, %	52	49	3	56	46	10	54	47
of which, Fund commissions/Operating income, %	9	13	-4	11	13	-2	11	13
of which, Net interest items/Operating income, %	36	28	8	36	24	12	34	25
of which, Other income/Operating income, %	7	8	-1	9	9	0	9	9
Non-brokerage income/Operating expenses, %	120	106	14	119	101	18	114	101
of which, Net interest items/Operating expenses, %	84	61	23	76	52	24	72	54
Operating income/Savings capital, %	0.24	0.19	0.05	0.67	0.66	0.01	0.89	0.87
of which, Net interest items/Savings capital, %	0.09	0.05	0.04	0.24	0.16	0.08	0.30	0.22
Average no. employees	263	236	11	255	220	16	252	225
No. trading days	66.0	66.0	0	187.5	187.0	0	251.0	250.5
Web service operational availability, %	100.0	99.9	0.1	99.9	99.9	0	99.9	99.9

	30-09-2011	30-06-2011	change	31-12-2010	change	30-09-2010	change
			%		%		%
Shareholders' equity per share, SEK	29.60	27.26	9	29.07	2	26.17	13
Capital base/Capital requirement	2.08	2.34	-11	1.84	13	1.69	23
No. employees	266	259	3	244	9	243	9
Market value, SEK	164.00	193.50	-15	234.00	-30	231.00	-29
Market capitalisation, SEK m	4,650	5,520	-16	6,540	-29	6,440	-28

For definitions, see page 9.

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 69 per cent (50 %) during the third quarter of 2011 in response to the Riksbank's raising of key interest rates over the last 15 months. The Riksbank adjusted the repo rate path downwards during the third quarter in line with expectations that the slowdown in the Swedish economy would be more pronounced than previously anticipated. There is, however, considerable uncertainty as to how the economy will develop and the repo rate path may, therefore, have to be revised in future.

Brokerage income before deductions for direct costs was strong during the third quarter, totalling SEK 100 million (SEK 80 m) which is the best single quarter figure ever.

As previously announced, credit losses totalling SEK 6 million were charged to the second quarter profits. Calculations of the scale of the credit losses remain unchanged.

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.

Costs before credit losses increased by 23 per cent (23 %) during the third quarter 2011, and by 22 per cent (23 %) during the period from January to September 2011. If the SEK 9 million investor compensation fee that was charged to the second quarter profit is excluded, costs increased by 18 per cent (23 %) during the period from January to September 2011, and this increase is in line both with budget and with the long-term goal of a 15-20 per cent increase in costs.

Non-brokerage income totalled 120 per cent (106 %) of costs before credit losses during the third quarter 2011. Non-brokerage income primarily consists of net interest items, fund commissions, net income from currency fluctuations and fees from corporate finance.

In mid-May, Avanza Bank moved to new premises at Regeringsgatan 103 in Stockholm. Non-recurring costs arising from the move and totalling SEK 3.5 million have been charged to the second and third quarters results.

In June 2011, the Supreme Administrative Court made a ruling that approved Avanza Pension's current methodology with regard to the way in which fund commissions from external fund managers shall be taxed. This positive outcome eliminates any risk of a future increase in the company's effective tax rate as a result thereof.

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 the ruling 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 and in September 2011, the Court of Appeal ruled that it would not overturn the Administrative Court's ruling. An appeal will be submitted to the Supreme Administrative Court in the fourth quarter of 2011. The result of the third quarter was charged with SEK 3.5 million in respect of input VAT for the years from 2004 to 2007.

A sum total of SEK 22 million has been charged to the result for January to September 2011 in the form of non-recurring costs for credit losses, investor compensation, VAT and relocation to new premises.

Capital surplus

	30-09-2011	31-12-2010
Shareholders' equity, the Group	840	813
Intangible fixed assets and deferred tax receivables, SEK m	-27	-27
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	-332	-321
Total capital surplus before dividend, SEK m	481	465
Capital surplus per share, SEK	16.95	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 12.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 481 million as of 30th September 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 third 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 period January to September of 2011 was SEK –4 million (SEK –5 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.

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 has taken steps to ensure that any credit losses in conjunction with future events similar to the Diamyd Medical crash are marginal only.

Avanza Bank intends, during the fourth quarter, and in response to the weak stock market performance, to review the rate of cost increases in 2012.

The fourth quarter will see Avanza Bank launch new products that are expected to make an immediate, positive contribution to the growth rate.

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.

The new investment savings account will be launched on 1st January 2012 and is expected to increase the interest and mobility amongst Swedish savers that is expected to benefit Avanza Bank.

The so-called Transfer Right Committee is expected to present a proposal regarding extended transfer rights for pension savings during the first quarter of 2012. The pensions and insurance market is 90 per cent bigger than the market for direct equity and investment fund-based saving and Avanza Bank's customers' pension savings are, therefore, thought to exceed their direct savings in equities and investment funds. Avanza Bank has the market's lowest fees for pension saving and an extended transfer right would enable the customers to move all or part of this savings to Avanza Bank.

Taken as a whole, these trends are expected to strengthen Avanza Bank's long-term growth potential and ability to continue taking 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 goal 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 in 2011 for achieving its long-term profit growth goals before non-recurring costs of between 15 and 20 per cent per year. 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

As previously announced, the Boards of Avanza Bank Holding AB and the subsidiary company, Avanza Bank AB, have appointed Martin Tiveus as the new Managing Director. Martin Tiveus will take up his new position tomorrow, on Friday 14th October 2011. The resigning Managing Director, Nicklas Storåkers, will continue as a Member of the Boards of Avanza Bank Holding AB and the subsidiary company, Avanza Bank AB.

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.

Buyback of the company's own shares

The Annual General Meeting of the company's shareholders held on 14th April 2011 authorised the Board of Directors to effect the acquisition of the company's own shares up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB. Avanza Bank has, during the third quarter and in 2011 as a whole, acquired 158,291 of the company's own shares for a total expenditure of SEK 26.5 million, corresponding to an average price of SEK 167.29. The buybacks correspond to 0.6 per cent of the total number of shares before the buybacks began. The company holds 158,291 of its own shares as of 30th September 2011.

Financial calendar

Preliminary Financial Statement, 2011	19th January 2012
Annual Report 2011	March 2012
Interim Report January – March 2012	19th April 2012
Annual General Meeting	19th April 2012
Interim Report January – June 2012	11th July 2012
Interim Report January – September 2012	11th October 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.
Commission notes per account:	Commission notes per account excluding savings accounts.
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
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
Operating income						
Commission income	134	114	396	397	540	541
Commission expenses	-19	-15	-54	-50	-72	-68
Interest income	93	44	251	115	310	174
Interest expenses	-27	-5	-59	-8	-68	-17
Net result of financial transactions***	0	0	1	0	-8	-9
Other operating income	1	0	3	0	3	0
Total operating income	182	138	538	454	705	621
Operating expenses						
General administrative costs	-62	-55	-201	-174	-267	-240
Depreciation of tangible and intangible fixed assets	-3	-3	-8	-8	-11	-11
Other operating expenses	-14	-6	-44	-25	-58	-39
Total operating expenses before credit losses	-79	-64	-253	-207	-336	-290
Operating profit before credit losses	103	74	285	247	369	331
Credit losses, net	0	0	-6	0	-6	0
Operating profit	103	74	279	247	363	331
Tax on profit for the period	-15	-13	-43	-44	-59	-60
Net profit/loss for the period **	88	61	236	203	304	271
Earnings per share, SEK	3.10	2.19	8.34	7.32	10.79	9.77
Earnings per share after dilution, SEK	3.09	2.15	8.28	7.20	10.70	9.62
Average no. shares before dilution, thousand	28,485	27,802	28,237	27,669	28,164	27,739
Average no. shares after dilution, thousand	28,635	28,331	28,463	28,144	28,397	28,177
Outstanding no. shares before dilution, thousand	28,380	27,869	28,380	27,869	28,380	27,957
Outstanding no. shares after dilution, thousand	28,516	28,385	28,516	28,385	28,516	28,459
No. shares upon full dilution, thousand	30,024	29,681	30,024	29,681	30,024	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 value adjustment of the holding in the Exchange Burgundy.

Consolidated Balance Sheets (SEK m)

	30-09-2011	31-12-2010
Assets		
Treasury bills eligible for refinancing	-	300
Loans to credit institutions	9,168	6,334
Loans to the public	Note 1	2,819
Shares and participations	18	14
Assets in insurance operations	28,142	29,093
Intangible fixed assets	25	26
Tangible assets	23	14
Other assets	238	568
Prepaid costs and accrued income	49	33
Total assets	40,482	40,243
Liabilities and shareholders' equity		
Deposits by the public	Note 2	10,968
Liabilities in insurance operations	28,142	29,093
Other liabilities	480	141
Accrued costs and prepaid income	52	37
Shareholders' equity	840	813
Total liabilities and shareholders' equity	40,482	40,243

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

	2011 Jan-Sep	2010 Jan-Sep	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	50	65
Buyback of own shares	-27	-	-
Net profit/loss for the period	236	203	271
Shareholders' equity at the end of the period	840	729	813

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

Consolidated Cash Flow Statements (SEK m)

	2011 Jul-Sep	2010 Jul-Sep	2011 Jan-Sep	2010 Jan-Sep
Cash flow from operating activities	38	20	287	246
Cash flow from operating activities' assets and liabilities	2,602	309	2,771	1,208
Cash flow from investment operations	-10	-4	-16	-17
Cash flow from financial operations	-26	21	-208	-167
Cash flow for the period	2,604	345	2,834	1,270
Liquid assets at the beginning of the period *	6,564	6,377	6,334	5,452
Liquid assets at the end of the period *	9,168	6,722	9,168	6,722

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 541 (674) million of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements (SEK m)

	2011 Jan-Sep	2010 Jan-Sep
Operating income	1	0
Operating expenses	-5	-5
Operating profit/loss	-4	-5
Profit/loss from financial investments	-	-
Tax on profit/loss for the period	1	1
Net profit/loss for the period	-3	-4

Parent Company Balance sheets (SEK m)

	30-09-2011	31-12-2010
Assets		
Financial fixed assets	417	417
Current receivables *	54	272
Liquid assets	0	0
Total assets	471	689
Shareholders' equity and liabilities		
Shareholders' equity	470	686
Current liabilities	1	3
Total shareholders' equity and liabilities	471	689

* Of which receivables from subsidiaries 52 (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 September 2011, deposits by third parties in client fund accounts totalling SEK 775 (776 as of 31st December 2010) million.

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

	30-09-2011	31-12-2010
Capital base		
Shareholders' equity, the Group	840	813
Assumed/Proposed dividend 7.50 (9.50) SEK per share	-213	-266
Shareholders' equity, financial conglomerate	627	547
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-27	-27
Capital base	600	520
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	251	242
Capital requirement for regulated units in the insurance sector	33	36
Theoretical capital requirements for non-regulated units	4	4
Capital requirement	288	282
Capital surplus	312	238
Capital base/Capital requirement	2.08	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.

Stockholm, 13th October 2011

Nicklas Storåkers
Managing Director

Review report

We have reviewed this report for the period 1st January 2011 to 30th September 2011 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, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Annual Accounts Act. 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, 13th October 2011

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

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 13th October 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.

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