

# 008

**AVANZA BANK ANNUAL REPORT 2008**

## The year in brief

- Operating income decreased by 9 per cent (+22%) to SEK 509 million (SEK 557 m).
- The operating profit decreased to SEK 239 million (SEK 307 m).
- Earnings per share decreased to SEK 6.78 (SEK 8.51).
- Net savings during the year totalled SEK 6,760 million (SEK 5,000 m).
- Savings capital decreased by 25 per cent (+6%) to SEK 34,600 million (SEK 45,900 m).
- The number of accounts increased by 37 per cent (27%) to 226,000 (165,000).
- The Board proposes a dividend of SEK 6.00 (SEK 6.00) per share.



# Fördelarna med vår kapitalförsäkring tål att upprepas.

- Ingen skatt på vinsten.
  - Ingen skatt på utdelningar.
  - Ingen skatt när du tar ut pengarna.
  - Ingen deklaration av dina affärer.
  - Ingen insättningsavgift, försäkringsavgift eller annan fast avgift.
  - Inga uttagsavgifter.
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  - Inga uttagsavgifter.

Istället för kapitalvinstskatt dras varje år en låg och jämn schablonskatt, så kallad avkastningsskatt, från ditt sparande i kapitalförsäkringen (1,05 procent år 2009). Avkastningsskatten får du dock betala även om ditt sparande har gått med förlust. Och eftersom du inte deklarerar innehavet kan du inte heller kvitta vinster mot förluster i deklarationen.

**Läs mer och teckna din kapitalförsäkring på [avanzabank.se/kf](http://avanzabank.se/kf)**



HANDEL MED VÄRDEPAPPER INNEBÅR ALLTID EN RISK.

En investering i värdepapper kan både öka och minska i värde och det är inte säkert att du får tillbaka det investerade kapitalet. Kapitalförsäkringen tillhandahålls av Försäkringsaktiebolaget Avanza Pension – ett bolag inom Avanza Bank-koncernen.



**The Savers' Bank.** Avanza Bank's mission is to make Swedes financially independent. Our goal is for Avanza Bank's customers to have more over for themselves than they would anywhere else. Our business concept is to offer better saving through lower fees, better products, better help, and greater freedom of choice.

**Double pension.** Avanza Bank wants customers to have as much over for their pensions as possible. Therefore, Avanza Bank has removed all fixed charges on pension savings. The customer pays no account, management or insurance fees. In the long-term, charges are of great importance. A 35-year-old who saves for a pension with Avanza Bank can receive double the pension compared with some of the major players!



**AVANZA ZERO – the no-fee fund.** AVANZA ZERO is the only no-fee fund in Sweden. The fund is a passively managed index fund, which aims to track the OMXS30 index. In AVANZA ZERO, Avanza Bank offers something that is completely unique – an investment fund and pension saving system with no fees at all!



**placera.nu.** placera.nu is an independent online savings newspaper, giving readers access to analyses and buying and selling tips on shares, investment funds and pensions. Readers also have access to interesting articles, exciting interviews and hot off the press announcements – all focusing on providing smart savings advice. The journalists at placera.nu are some of Sweden's leading writers in the field of share-based, fund-based and pension-related saving.



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## Better underlying growth than ever – despite an absolutely dreadful stock market

### Dear shareholders

2008 will go down in history as one of the worst years, and as probably the most turbulent period ever on the stock market. A summary of the year shows that the Stockholm Stock Market decreased by 42 per cent. These have been hard and testing times for Swedish savers.

2008 was also the first year when Avanza Bank failed to report a growth in profit. Operating income decreased by 9 per cent (+22%) to SEK 509 million (SEK 557 m) and profits decreased by 21 per cent (+24%) to SEK 185 million (SEK 233 m). Compare this with the period from 2001 to 2007 when the average annual increase in profit was 78 per cent and never below +24 per cent. So obviously, we are not happy with the profit performance in 2008.

But while the bottom line may not have lived up to our hopes, we did successfully advance our positions to a very real extent. And as a result, the underlying growth was better than ever:

- *Record net savings.* Net savings totalled SEK 6,760 million (SEK 5,000 m), corresponding to 15 per cent (12%) of the savings capital at the beginning of the year.
- *Record number of new accounts.* 61,000 (35,000) new accounts were opened in 2008 – a massive 74 per cent (45%) up on the previous year.
- *Lower pricing pressure than anticipated.*
- *Lower cost increases than anticipated.* Costs only increased by 8 per cent (18%) in 2008.

This success is due to the fact that we have successfully achieved the ambition I described in the 2007 Annual Report – namely to lower the thresholds for becoming and being a customer of Avanza Bank, and thereby reaching out to more savers. We have used a variety of methods to achieve this goal, including:

- *A focus on interest-based saving* that has enabled us to attract new customer categories.
- *A personal introduction for new customers* involving a phone call from Avanza Bank's savings coaches.
- *The launch of a new pricing and account structure* that automatically gives the customer better terms, the more of their savings they accumulate with Avanza Bank, and which make it easier for the customer to choose their preferred savings format.
- *Holding 310 customer meetings* throughout Sweden, at which we have met with a total of 22,000 customers.
- *Changing our name to Avanza Bank* thereby making it clear that we are a secure bank.
- *Launching asset management* for savers who lack the time, interest or know-how to make the most of the advantages offered by Avanza Bank, such as the low fees.

To summarise, we managed to achieve or exceed every single one of the growth-related goals that we can influence. But despite this success, the underlying growth was unable to compensate in full for the 42 per cent fall in the stock market during the year.

The primary reason for the incredible market turbulence seen during the year was the massive problems suffered by banks on the international front. The risk exposure built up by many banks all over the world in recent years, either consciously or unconsciously, was much too large, and resulted, in 2008 in a number of banks declaring bankruptcy and the subsequent government rescue packages. I am proud to be able to say that Avanza Bank remained stable throughout this period.

The fact is that Avanza Bank did not have, and has never had, a single krona's exposure to the problem areas that came to light in the autumn of 2008. We did not have a single krona in housing loans, uncertain bonds or investments in extra-Nordic banks – and Avanza Bank is, furthermore, very profitable. We are also proud of our ability to state that we have not reported any credit losses in 2008: we may be the only larger Swedish bank able to say that.

So why has Avanza Bank managed so well? Our mission has always been to work in the best interests of our savers, and that work has included avoiding taking unnecessary risks. I am convinced that this long-term approach to our work is now bearing fruit and is the reason why Avanza Bank – the Savers' Bank – has remained stable throughout the crisis.

## **2009: We will continue with our winning strategy**

Avanza Bank believes that the Swedish savings market has outstanding potential. Our share of a total market worth SEK 3,100 billion is a mere 1.2 per cent. And when we talk about our mission – to make Swedes financially independent – we are credible.

The savings market is continuing to experience major changes. The trend, whereby more and more responsibility for one's future economic security is being assigned to the individual, is continuing. The pension market has opened up transfer rights once again in 2008, increasing the mobility and awareness of savers. The weak stock market performance has also resulted in consumers becoming more critical in their assessment of the added value he or she obtains by paying high fees. And as a result, the internet is increasingly becoming the channel of choice, as part of the hunt for lower fees, a better overview, and greater freedom of choice.

And so our strategy is clear: we must continue along the path that we have laid out, focusing on the Swedish savings market. We are more competitive than ever before and we have two main goals for 2009, as part of our ongoing efforts to grow:

- *We must make it easier for more and more people to become and be customers of Avanza Bank.* Our goal is to persuade 25,000 new customers to start saving with Avanza Bank.
- *Additional sales to existing customers.* Our goal is to increase the number of accounts per customer from 1.29 to 1.40.

Overall, our ambition is to see 52,000 new accounts opened during the year. The ways in which we can achieve this include:

- *The market's lowest fees and greatest freedom of choice.* When it comes to pension savings, for example, we can offer a double pension for a 35 year old. Avanza Bank can also give considerably more back, even to those customers who are saving in the shorter term.
- *Persuading customers to bring their entire savings portfolio under the Avanza Bank banner.* Our new account structure has made it easier for the customer to choose and open several different savings products at the same time. The reintroduction of transfer rights creates an opportunity for us to attract even more pension savings. We will also be focusing on the extremely popular field of endowment insurance savings – our product in this area is the best in market.
- *Simplifying our site.* Our site is currently mainly designed for use by our most involved customers. If we are to reach out successfully to a broader customer base, we must further simplify the Avanza Bank site.
- *Continuing to offer the best customer experience.* A survey by the personal finance magazine, *Privata Affärer* \*, confirmed that we have more satisfied customers than any other bank in Sweden. The most common reason for becoming a customer of Avanza Bank is a recommendation from an existing customer.

## Our goals

Avanza Bank's goal is to report a long-term growth in profit of 15–25 per cent per year. The strong underlying growth we saw in 2008, the shaky stock market notwithstanding, confirmed Avanza Bank's long-term growth potential. We believe, with regard to net savings, that 2009 offers excellent potential for achieving or even exceeding the long-term goals. Pricing pressure will, however, be substantial in the early part of 2009 and this, coupled with the unfavourable market climate, will, we believe, result in income and profit both falling in 2009. These factors will also mean that we will be actively working to cut costs. Avanza Bank is already a market leader when it comes to cost-effectiveness, which is vital to our long-term ability to continue offering the market's lowest fees. Automation and a focus on the internet will enable us to increase efficiency without reducing levels of customer service or limiting our potential for growth. Our goal is to cut costs by between 10 and 15 per cent in 2009.

The most important thing of all, however, is to maintain the customer confidence that we enjoy. When it comes to savings, we will continue to take a long-term approach and will constantly monitor the risks associated with our operations. The way in which we coped with the 2008 financial crisis proves, I believe, that our efforts in this respect have been successful. I would like to offer my heartfelt thanks to every single one of my colleagues for their efforts in 2008. Avanza Bank is a team game and the result of our efforts – the fact that more new customers than ever before chose Avanza Bank in 2008 – is something of which we can all be proud.

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\* Source: *Privata Affärer* No. 12, 2008



But I can also assure you, Avanza Bank's shareholders, that we will not be resting on our laurels. Your confidence in Avanza Bank is something that we know we must earn anew every day. Which is why we will work at all times to become a little better in every way – by offering lower fees, even more products, and even better service. But first and foremost, by ensuring that our customers' savings with Avanza Bank are always secure.

Stockholm, February 2009

A handwritten signature in black ink, consisting of a large, stylized 'N' followed by a horizontal line that curves upwards and then back down to the baseline.

Nicklas Storåkers, Managing Director

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PS. Take five minutes to read about endowment insurance on Avanza Bank's site, if you haven't already done so. Endowment insurance means you avoid having to pay tax on your profits and dividends, and also means you avoid having to declare all of your share and investment fund transactions. The only tax you pay is a tax on returns, which totals approximately 1 per cent of the assets' value. I can honestly say that in my opinion, saving in endowment insurance is one of the best ways available to save long-term. Find out more at [avanzabank.se/kf](http://avanzabank.se/kf).

A woman with blonde hair is sitting in a black office chair at a wooden desk. She is looking down at a laptop screen, which is partially visible on the right side of the frame. She is wearing a teal-colored top. In the background, there is a large green plant. The overall scene is an office environment.

## Mission

Avanza Bank's mission is to make Swedes financially independent. As the Savers' Bank, our goal is for an Avanza Bank customer to have more money over for themselves than they would anywhere else.

# Market and strategy

## Business concept

Avanza Bank's business concept is to offer Swedes better savings through:

- *Lower fees.* Avanza Bank is the price leader when it comes both to fees for equity trading (brokerage), fund-based saving (e.g. Avanza Zero – the no-fee fund), and pension-based saving.
- *Better help.* Customers are offered the market's widest range of products and services through our primary channel, the Internet, with everything from share prices, portfolio reports, and automatic help with tax returns, to buying and selling tips through the independent online newspaper, placera.nu. Avanza Bank's customer support department provides customers with fast, high quality service.
- *Greater freedom of choice.* Avanza Bank's ambition is for its customers to be able to find the best investment alternatives with Avanza Bank at all times. Avanza Bank offers, amongst other things, 970 funds from 80 fund management companies.
- *Simpler products.* Avanza Bank has a range of different product offerings, adapted to the needs of different customer groups. Avanza Bank also offers asset management for all savings products since late 2008. The new pricing and account structure launched during the year also makes it easier for customers to choose their preferred savings format quickly and automatically gives the customer better terms, the more of their savings they accumulate with Avanza Bank.

## Goals and visions

Avanza Bank's long-term goal is for profits to grow by between 15 and 25 per cent per year.

Our vision is for Avanza Bank to have almost 2 per cent of the Swedish savings market by the end of 2010.

## Business model

### General

Avanza Bank's business model is based on the law of large numbers, i.e. taking small payments from every customer and having lots of customers. This, when combined with a high percentage of fixed costs and the market's lowest costs per customer and transaction, generates excellent potential for a long-term growth in profits.

A high percentage of non-brokerage income generates the potential for high-level profitability, even in a weaker stock market climate. Non-brokerage income primarily comprises net interest items, fund commissions and other income. The goal for 2009 is for non-brokerage income to exceed 100 per cent of operating expenses.

### Income

Long-term growth in income is created by an underlying growth in savings capital. Income in both the short and the medium term is heavily dependent on stock market performance and hence difficult to predict, and Avanza Bank's goals are, therefore, primarily based on those factors we can influence and which generate long-term growth in savings capital. The most important factor is net savings, whose growth results both from a higher percentage of existing customers' savings and from savings by new customers.

## Costs

Avanza Bank's cost base is based on a high percentage of fixed costs. To ensure that we are, in the long term, a highly profitable price leader, Avanza Bank's goal is also to ensure we offer the industry's lowest cost per transaction and customer. Avanza Bank is currently the market's cost leader.

## Market and competitors

### The market

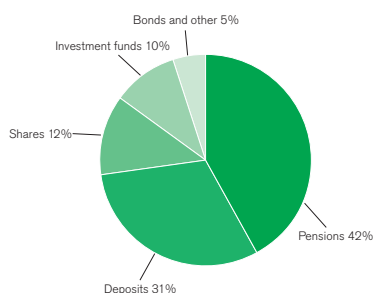
The total value of the Swedish savings market is SEK 3,100 billion, 58 per cent of which comprises direct savings and 42 per cent, pension-based savings \*. The market is normally expected to grow by between 6 and 8 per cent per annum. Sweden has the world's highest percentage of share- and fund-based savings. Seven million Swedes – 80 per cent of the population – own shares or investment fund units, either directly or indirectly. Two million Swedes carry out at least one transaction a year.

There are underlying factors that explain the growth in the savings market. As the importance of the public and collective pension and welfare systems declines, the need for savings by individuals is increasing. And when individuals' choices increase, the need for guidance, support for decision-making and advice also increase.

This shift to individual saving also means a greater focus on an individual's returns from their savings. And this, in turn, boosts the demand for a wider range of products and services, freedom of choice, and lower fees. The internet offers particularly good opportunities to meet these requirements and this, coupled with the increase in people's internet usage, has resulted in online saving growing considerably faster than the savings market as a whole.

When it comes to online saving, customers most commonly manage only part of their savings online. The trend is, however, for those customers already able to use the internet to transfer a greater percentage of their savings to an online savings management system. The trend that is seeing increasing numbers of the more mature target groups using the internet is a positive one because this target group is a relatively capital-strong one.

There are no publicly available statistics on online saving. Avanza Bank's savings capital has, however, increased by 22 per cent per annum during the period from 2001 to 2008, which is a considerably faster growth rate than that of the savings market as a whole.



The Swedish savings market\*

Avanza Bank's goal for the future is a per annum increase in savings capital of 20 to 25 per cent. Avanza Bank believes that in the long-term, over 50 per cent of all savings will be managed online.

The trend in *share-based saving* suggests that the internet's importance will continue and that the medium will be predominant. The major banks have invested more heavily in the internet, increasing the competition. Pricing pressure with regard to brokerage fees has declined in recent years, and competition is expected, in future, to revolve more around functionality, support for decision-making, simplicity, and product range. The new EU legisla-

\* Source: Sparbarometer [Savings Barometer], Q4 2008

tion that came into force in late 2007 has meant the breakup of the national stock market monopoly and in the longer term, this will mean a greater range of products available to Swedish savers in the form of trading in foreign shares and other financial instruments, etc. The advantage of direct saving in shares over investment fund-based saving is that direct ownership of shares is more cost-effective. At the same time, managing a personal shares portfolio is a more complicated process for the average private saver, and in the long term, direct saving in shares is expected to decline as a savings format as more low price investment fund-based savings alternatives are launched in the market.

The trend in *fund-based saving* indicates that the customer is becoming increasingly active. This activity level has been encouraged by the active investment fund choices offered within PPM and by different types of pension-based saving. The percentage of fund marketplaces, i.e. open solutions where the customer can make their own choices from a wide range of funds, has increased. The weak stock market performance in 2008 has led to declining levels of interest in emerging market funds and hedge funds, and to a parallel increase in investments in lower risk funds, such as fixed income funds. Avanza Bank introduced its customers to 21 new low price funds (known as index funds) in 2008, and interest in low price funds is expected to increase in the long term.

As market interest rates successively rose throughout most of 2008 and the stock market performance was negative, interest in saving in the form of *deposits* in accounts increased. Substantial cuts to key interest rates were made at the end of 2008 and interest in saving in deposit accounts is expected to decline in future. Interest levels are, however, dependent on stock market performance.

*Pension- and insurance-based saving* is the biggest single savings segment, but also the type of saving that interests Swedes least. Savers perceive the pension products as complicated and many find it difficult to gain an overview of their aggregate pension savings, resulting in reduced levels of involvement. The gradual deterioration in the public savings system has, however, led to more and more people realising that their finances in retirement depend on their active savings choices today. This realisation is, in turn, increasing activity levels and awareness on the part of savers, who are demanding cheaper and more flexible pension products. The reintroduction of pension savings transfer rights in 2008 is expected to increase the mobility of pension savers and to benefit Avanza Bank.

One major collective agreement pension solution procurement took place in 2008 (SAF/LO). Försäkringsbolaget Avanza Pension, a wholly owned subsidiary of Avanza Bank Holding AB, was selected as one of eleven players authorised to offer pension saving solutions to the SAF-LO collective agreement's 2.6 million privately employed workers.

Interest in endowment insurance saving has remained high throughout 2008. By saving in endowment insurance, the customer avoids having to pay capital gains tax and declare individual securities transactions, paying, instead, an annual so-called tax on returns, which totals approximately 1 per cent of the assets' value.

## Competitors

As the savings market grows and consumers' awareness grows, competition grows apace. Savings-related fees are expected to fall by between 3 and 7 per cent per annum over the next five-year period.

The Swedish savings market is still dominated by the four big banks and the big pension companies. There are also a number of niche players, such as smaller banks and pension companies, fund management companies, asset managers, stockbrokers and insurance brokers. Avanza Bank is the biggest dedicated player in online saving. The other players with a dedicated online savings profile are Skandiabanken, Nordnet and E\*TRADE.

## Avanza Bank's market position

Avanza Bank's customers are now essentially the most active and conscious savers – enthusiasts. This target group comprises on the order of 800,000 savers. The target group into which Avanza Bank aims to expand is the ca. 3 million Swedes who have some savings know-how, but who have not had the time or the interest in managing their own savings on an ongoing basis. These individuals – the pragmatists – are, however, prepared to review their savings and to switch to better solutions.

The basic message is that savers have more money for themselves as Avanza Bank customers. Using Avanza Bank should be perceived as a secure and simple solution. Avanza Bank shall continue to use transparent and simple message bearers, such as the Savers' Bank, Double Pension and Avanza Zero.

Avanza Bank's customers can bring their entire savings portfolio under a single roof with Avanza Bank and gain a good overview – everything from shares, investment funds and private and occupational pensions to PPM. The common denominator for all savings formats is that Avanza Bank offers the market's lowest fees.

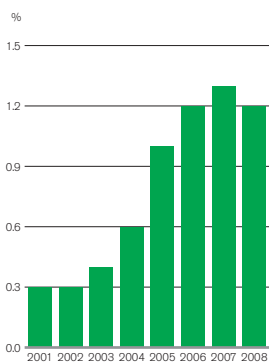
At the end of 2008, Avanza Bank's customers had SEK 34,600 million (SEK 45,900 m) invested in different savings formats with Avanza Bank, corresponding to 1.2 per cent (1.3%) of the total savings market. The number of accounts held by Avanza Bank at the turn of the year totalled 226,000 (165,000).

Avanza Bank is currently the biggest player on the Stockholm Stock Exchange, measured in terms of the number of transactions, and 9.0 per cent (8.5%) of the number of transactions on the Stockholm Stock Exchange (including First North) were made via Avanza Bank in 2008.

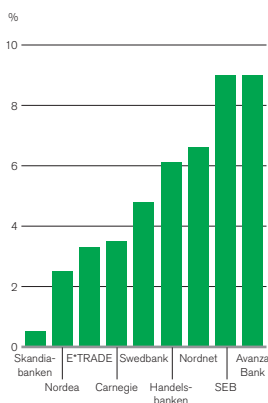
## Avanza Bank's strategy

In order to achieve Avanza Bank's long-term goals and vision, Avanza Bank will be concentrating its efforts on the following strategies in 2009:

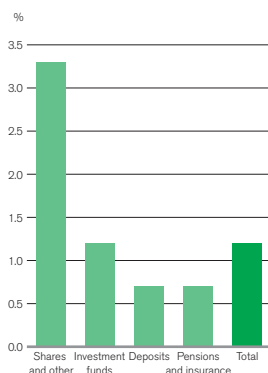
■ **Focus.** Avanza Bank's operations will continue to focus on the areas in which Avanza Bank is or can be the best, i.e. the areas that generate the most value for its customers. This means, amongst other things, focusing on the Swedish savings market and only complementing the product range with other bank services that simplify saving.



Market share of the Swedish savings market, 2001–2008



Market share of the Stockholm Stock Exchange, incl. First North, 2008, no. transactions



Market share of the Swedish savings market, 2008

- *Simplicity.* One factor for success if we are to reach out on an even broader front is that we make it easier to become and be an Avanza Bank customer. Our work on simplifying the Avanza Bank website etc. will, therefore, continue in 2009.
- *Price leadership.* Avanza Bank's strategy is to continue leading the trend towards lower fees for saving. Additional price cuts are planned for early 2009.
- *Best online customer satisfaction.* Avanza Bank is convinced that customer benefit is the only route to long-term shareholder benefit. The first question in everything Avanza Bank does is, therefore, why is this good for the customer. The way in which it generates value for our shareholders is a secondary issue. Exploiting the advantages offered by the internet often enables customer and shareholder benefit to be combined. According to a survey by the personal finances magazine, *Privata Affärer* \*, Avanza Bank had the highest level of customer satisfaction of any Swedish bank. This is the most important basis for growth because a recommendation from a satisfied customer is the most common reason for a new customer starting to save with Avanza Bank.
- *Sales offensive.* Avanza Bank's products are very competitive and our ambition is, therefore, to reach out through more active selling. Avanza Bank will, therefore, be continuing its savings coaches initiative and be holding a large number of customer meetings nationwide.
- *Unite customers' savings.* The new pricing and account structure launched at the end of 2008 offers the potential for increasing additional sales to existing customers.
- *Development offensive.* Avanza Bank is the Savers' Bank. If Avanza Bank is to retain and extend our lead over the competition, we must constantly break new ground with new services and products in the savings sector. Our development focus is spread equally over expanding and launching cutting edge products for our core customers.
- *Exploit opportunities when they arise.* Avanza Bank operates in a rapidly changing world and must adapt along with the customer, commercial opportunities and the outside world.

## Financial goals

Avanza Bank's goal is a long-term growth in profits of between 15 and 25 per cent. The healthy preconditions for growth are due to the rapid growth in online saving. This is, in turn, due to the advantages that the internet offers in terms of simplicity and low fees, to an increased need for individual savings, and to the increased internet usage amongst the more mature target groups.

There is a clear link in the long term between a growth in savings capital and a growth in operating income, and an underlying growth in savings capital will, therefore, generate the preconditions for a growth in income. At the same time, pricing pressure is expected to continue and this will have a negative impact on the growth rate.

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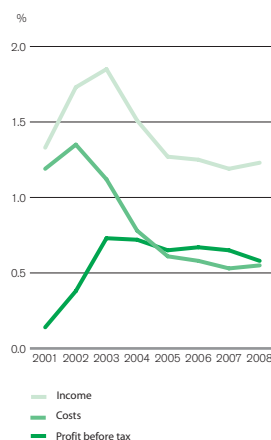
\* Source: *Privata Affärer* No. 12, 2008



The long-term goals for operating income can be summarised as follows:

Annual growth (ca.)	2001–2008	Goals
Net savings, % of savings capital at the beginning of the year	22 %*	13–17 %
Growth in value	2 %*	6–8 %
<b>Savings capital, growth</b>	<b>22 %</b>	<b>20–25 %</b>
Estimated pricing pressure	(1 %)	(3–7 %)
<b>Growth in income</b>	<b>27 %</b>	<b>10–25 %</b>
Increase in costs	(18 %)	(10–20 %)
<b>Growth in profits</b>	<b>59 %</b>	<b>15–25 %</b>

\*2002–2008



Income, costs and profits before tax in relation to savings capital, 2001–2008

The income and profit growth goals were not achieved in 2008 due to the negative stock market trend, but all of the underlying goals, such as net savings, pricing pressure and cost increases were achieved or exceeded.

Avanza Bank believes it has excellent potential for achieving or exceeding the long-term goals in respect of net saving in 2009. Pricing pressure in early 2009 is expected to result in income and profits falling in 2009, given prevailing market conditions, despite the strong underlying growth. Profit margins are, however, expected to remain good. The pricing pressure is the result of, amongst other things, lower key interest rates which affect Avanza Bank's interest margins, and of customers reallocating their savings from emerging market and hedge funds to fixed income, index and biotechnology funds, where the fund fees are lower, relatively speaking.

Avanza Bank's business model means that the majority of its costs are fixed. Marketing and selling costs are, however, primarily variable costs that depend on Avanza Bank's view of the market situation. Avanza Bank can, therefore, choose to reduce the rate at which its costs increase in a weaker market climate, but Avanza Bank operates in a rapidly changing market and we can, therefore, also choose to invest more heavily in growth. This may entail higher than forecast costs. The goal, due to the uncertain state of the market, is to cut costs in 2009 by between 10 and 15 per cent. Seasonally speaking, operating costs are normally higher during the first and fourth quarter than during other quarters.

The above should not, however, be regarded as an income or profit forecast for 2009, due to the operations' reliance on stock market trends. The aim is, however, for non-brokerage income, i.e. the operating income that does not rely directly on the stock market, to comprise a minimum of 100 per cent of operating expenses, resulting in good results stability, even in a weaker stock market climate. If further cuts are made to key interest rates, however, achieving this goal will be difficult in 2009.

Interest in endowment insurance-based saving is expected to be high, particularly at the beginning of the year. 2009 will see the introduction of alternative marketplaces, which will result in both lower transaction costs for Avanza Bank and additional alternatives from which savers can choose. Avanza Bank will be launching new products and services at the beginning of the year.



A man in a grey suit, white shirt, and blue tie is seated at a desk in a call center. He is wearing a black headset with a microphone and is looking at a computer monitor. His hands are on a keyboard. In the background, other employees are visible at their desks, also working. The office environment is brightly lit with large windows.

## Enthusiasts and pragmatists

The majority of Avanza Bank's customers are so-called enthusiasts, with extensive interest and involvement in various types of saving. At the same time, more and more customers can be described as pragmatists, who are less active, but whose ambition is to take greater responsibility and become financially independent.

# Avanza Bank's customers

Avanza Bank currently offers savings formats for all types of savers, ranging from direct savings products such as shares and investment funds, to pension-based saving and PPM management. The aim is to give Swedish savers control over their entire savings portfolio and to help them become financially independent. At the end of the year, Avanza Bank customers had 226,000 (165,000) accounts, corresponding to an increase of 37 per cent (27%) since 2007. In 2008 customers completed an average of 1.6 (2.1) transactions per month and account and the number of transactions per day increased from an average of 18,200 to 22,100.

## Offering

The majority of Avanza Bank's customers are private savers who save in shares and investment funds and the majority of all trading occurs via the [avanzabank.se](http://avanzabank.se) website. Avanza Bank also offers phone-based trading, but this represents a very small percentage of total trading.

Pension- and insurance-based savings continue to grow with endowment insurance accounting for the biggest percentage of growth. Avanza Bank now offers a complete range of pension savings products that enable customers to choose between private pension insurance, IPS and occupational pensions. Choosing Avanza Bank is an option in three out of the four collective pension agreement schemes, namely SAF-LO, KAP-KL and PA 03.

Avanza Bank's revision of its pricing and account structure during the year coincided with the launch of, amongst other things, a savings account that acts as a complement to other types of accounts, and with the introduction of a price guarantee. The price guarantee means that the more savings the customer has with Avanza Bank, the better the terms they are automatically offered. In cases where several members of the same household are customers, the combined savings can be aggregated, giving every member of the family the same advantageous terms.

Avanza Bank also now offers active asset management. PPM saving is the most popular management service. It allows the saver to choose between four investment fund portfolios, while for other types of account (such as endowment insurance, share and investment fund accounts and occupational pensions), we offer management in six different share and investment portfolios.

## Private savers

Ordinary private savers make up the largest Avanza Bank customer group, and these customers are divided into two customer categories: Basic and Premium. Each customer category is, in turn, divided into four benefit levels – Bronze, Silver, Gold and Platinum – depending on the size of the customer's savings with Avanza Bank. Every benefit level has its own special terms and conditions, and the more savings the customer has with Avanza Bank, the better the terms they will be offered under the above-mentioned price guarantee.

The majority of Avanza Bank's customers are, as previously noted, so-called enthusiasts, who have considerable interest and involvement in saving, and in-depth knowledge of various types of savings product. At the same time, more and more customers are now classified as pragmatists, who are less active than the enthusiasts, but whose ambition is to take greater responsibility for their saving and thereby become financially independent.

The most common shareholdings amongst Avanza Bank's customers are Ericsson, H&M and Investor, and customers' net share purchases in 2008 have primarily been in Ericsson, ABB and Volvo. A total of 93,000 customers had investment fund holdings at the end of the year and the most common fund unit purchases during the year were made in fixed income funds.

## Private Banking

Avanza Bank's Private Banking offering is aimed at private individuals and companies with at least SEK 3 million in savings capital, who prefer to make their own investment decisions and who want full insight into and control over their transactions. The terms are particularly advantageous, offering customers an even lower brokerage rate (0.055 per cent or lower), competitive interest terms, tax advice and personal service via their own VIP phone number.

### Pro

The Pro offering is aimed at so-called day traders (i.e. private individuals who primarily concern themselves with equity trading) and offers a very low brokerage rate (0.034 per cent or lower), training, rapid ordering, a number of specialist services in the financial information field, and personal service with their own VIP phone number.

Pro customers make an average of 90 transactions every month and trade in both shares and other instruments, such as bonds, warrants and futures. They are also more likely to pledge their securities than other customers. This customer group also requires advanced trading applications, and Avanza Bank is now offering the market's leading trading software, such as Avanza Trader, Avanza Online Trader and Avanza Eco Trader.

## Corporate customers

Avanza Bank's corporate customers range from entrepreneurs and asset managers to listed companies. Entrepreneurs use Avanza Bank's services both to manage their surplus liquidity and for long-term investments. Since March 2006, Avanza Bank has also been offering solutions for occupational pensions and company-owned endowment insurance, that enable both small and large companies to invest on a completely no fixed fee basis in over 970 investment funds and thousands of shares. Avanza Bank has seen a pronounced increase in occupational pension customers, and by the end of the year, 980 companies with a total of 5,280 employees had chosen to affiliate themselves to Avanza Bank's occupational pension solution.

In the institutional and asset management sector, Avanza Bank has conducted transactions with 70 customers and offers Corporate Finance services to companies in conjunction with stock market IPO's, ownership widening and new rights issues. The Corporate Finance department has completed 16 assignments in 2008, 3 of which involved stock market flotations and/or ownership widening. Avanza Bank enjoys a substantial competitive advantage in the Corporate Finance sphere, in that its 226,000 accounts provide a strong platform for cost-effective ownership widening.

	No. accounts		Savings capital	
	31st Dec 08	31st Dec 07	31st Dec 08	31st Dec 07
Share and investment fund accounts	162,300	134,800	24,740	37,020
Savings accounts	13,500	–	1,130	–
Pension- and insurance-based accounts	50,200	30,200	8,730	8,880
of which endowment insurance	24,050	13,750	5,280	4,680
of which occupational pensions	5,280	1,040	300	140
<b>Total</b>	<b>226,000</b>	<b>165,000</b>	<b>34,600</b>	<b>45,900</b>
Avanza Bank	206,670	150,130	20,480	27,690
Aktiespar.se	11,300	9,020	590	800
Private Banking	7,110	5,090	12,900	16,400
Pro	920	760	630	1,010
<b>Total</b>	<b>226,000</b>	<b>165,000</b>	<b>34,600</b>	<b>45,900</b>

A photograph of two women walking towards the camera in an office hallway. The woman on the left is wearing a grey wrap-style cardigan over a white collared shirt and dark trousers. The woman on the right is wearing a black dress with a white cardigan and is holding a blue mug. They are both smiling. In the background, there are glass doors and a blurred figure of another person walking in the opposite direction.

## The most important resource

If Avanza Bank is to achieve its future goals, its most important resource – its employees – must enjoy their jobs and be willing to continue developing. It is imperative that our employees create the optimum solutions and provide the best service, based on the individual customer's requirements.



# Avanza Bank's employees

If Avanza Bank is to achieve its future goals, its most important resource – its employees – must enjoy their jobs and be willing to continue developing. It is imperative that our employees create the optimum solutions and provide the best service, based on the individual customer's requirements. Avanza Bank's ambition is, therefore, to continue developing its existing personnel and to attract and develop the best talent within the sector. Avanza Bank endeavours to be a company that offers its employees a stimulating environment in which the employee can develop, both professionally and as an individual.

Avanza Bank is a relatively small organisation, but thanks to the website and efficient partnerships, Avanza Bank is able to handle the vast amount of transactions completed by our customers every day. Our employees work in three main areas: services directly aimed at the various customer groups, product and service development, and support functions such as administration, risk management, finance and HR.

Avanza Bank has not expanded at the same rate in 2008 as in previous years, and a savings programme implemented in the autumn affected almost 20 employees. Avanza Bank had an average of 196 (178) employees in 2008, 38 per cent (36%) of whom are women and 62 per cent (64%) of whom are men. At the turn of the year, there were a total of 192 (210) full-time employees (excluding those on leaves of absence and parental leave). The average age of employees is 32 (32). The sick leave rate in 2008 was 1.5 per cent (1.6%).

## An attractive workplace

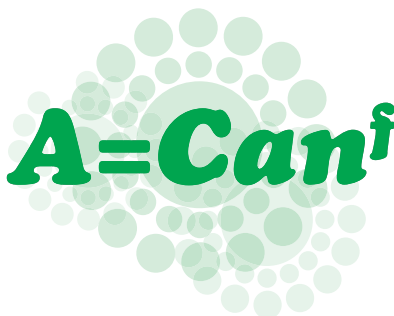
Avanza Bank's continued positive development relies on our being an attractive employer with motivated and committed employees. Our ability to recruit and retain talented employees is absolutely critical. Annual employee satisfaction surveys carried out in-house are one way of measuring how attractive Avanza Bank is as a workplace. The response frequency for this year's survey was 93 per cent, which is high in comparison with other companies and is considered to be important in a modern and innovative company. 89 per cent of employees who answered the survey stated that, "Overall, I would say that Avanza Bank is a very good workplace," which is amongst the highest results achieved in both national and international comparisons.

The survey was divided into five sections: credibility, respect, fairness, pride and camaraderie. The categories where ratings were most positive were camaraderie and pride. 94 per cent, for example, stated that, "the employees care about each other," while 96 per cent were, "proud to tell other people where I work," and 91 per cent thought that, "working at Avanza Bank is fun." Areas where there is scope for development include respect and negative stress, with a certain amount of variation between the departments. In 2009, Avanza Bank will be focusing on making further improvements to the areas that are specific to the respective departments. The next employee satisfaction survey is scheduled for the autumn of 2009.

## Corporate culture with a shared value base

Internal initiatives designed to highlight and prioritise Avanza Bank's corporate culture and core values are a permanent and ongoing process and one that is becoming increasingly important. A corporate culture with healthy values with which people comply is an environment that generates the right preconditions for continued growth and for taking the correct decisions. The corporate culture at Avanza Bank is based on four cornerstones: customer focus, accountability, innovation and having fun at work.

Avanza Bank's formula for success is:



**A** = All of us at Avanza Bank

We help a colleague help a **C**ustomer · We believe in **A**ccountability · We challenge and think along **N**ew lines · We have **F**un

Work with these cornerstones starts early – during the recruitment process – when requirement profile and interviews are, in part, structured in accordance with these cornerstones. The introductory programme that new employees undergo during their first six months with Avanza Bank contains elements that focus on our cornerstones. The cornerstones are also a natural part of both our management style and of the day-to-day relationships between employees and between employees and customers. Avanza Bank employees are encouraged to take their own decisions and to take personal responsibility, and every quarter, a jury is empanelled to designate the Employee of the Quarter, who has demonstrated an outstanding ability to work and act in accordance with Avanza Bank's cornerstones. Our ambition is to retain this successful corporate culture and Avanza Bank will continue to focus on its efforts to reinforce its corporate culture cornerstones.

## Management

For Avanza Bank, good management means having managers who understand the company's business concept, who act on their own initiative, who care about their customers, and who, together with other employees, help progress Avanza Bank's position. The bigger the company becomes, the more important management issues become. Our focus on 2008 was on helping new managers develop their leadership skills, e.g. through a managerial conference designed to build a bridge between more experienced managers and newer ones who have joined us in recent years.

New managers receive basic managerial training that is designed to provide them with valuable tools in connection with management issues. Training and development of managers will play a key role for Avanza Bank in the future, and management development is, therefore, both an ongoing and a long-term activity.

## **Continuous development and diversity**

Innovation is an important cornerstone of Avanza Bank's operations and characterises Avanza Bank's view of development. Every employee has individual goals and undergoes regular performance reviews at which their individual goals and personal development plans are amongst the subjects discussed. All of these issues are followed up during the course of the year and the individual goals and personal performance form the basis for the variable bonus that every employee can receive if their performance exceeds that expected. Ongoing skill development is vital to a rapidly growing company and is crucial if Avanza Bank is to continue to be able both to meet its customers' requirements and to stay one step ahead of the competition.

Our emphasis on internal recruitment is another important component of Avanza Bank's ongoing development, with all vacant positions advertised internally and employees encouraged to apply. Internal recruitment is important both in terms of offering developmental opportunities for employees and in terms of increasing cooperation and contacts between different departments.

Diversity is an important issue for Avanza Bank because it forms the basis for innovation, creativity and quality within the company. An increased understanding of cultural differences and greater linguistic skills also enable Avanza Bank to reach out to new customer groups.



## The leading challenger

Avanza Bank now has the market's widest product range and lowest fees and many commentators consequently regard Avanza Bank as the leading challenger in the Swedish savings market.



# Avanza Bank's history

## A growing market

Online saving began when a few dedicated stockbrokers launched their services online in 1996. The initial offering was restricted to equity trading on the Stockholm Stock Exchange at low brokerage rates. The services offered a limited amount of information and the quality varied. Initially, the services only attracted cost-aware and active share investors. The small product range notwithstanding, growth was strong because the fees were low and the stock market performed strongly in the late 1990s.

When the long stock market decline began in 2000, growth amongst the online brokers tapered off and as a result, the market consolidated during 2000 to 2001.

When the market started to perform positively again in early 2003, interest in on-line saving grew once more. The quality of the online services had also improved by that point and the product range had been substantially increased. The result was vigorous growth in online saving. This trend was boosted by the more mature age groups becoming more used to using the Net.

The ongoing trend is seeing the companies who started as online stockbrokers take larger and larger market shares in recent years, with their trade expanding into adjacent areas, such as investment funds and pension saving.

## Avanza Bank – the leading challenger

Today's Avanza Bank comprises the merged companies, HQ.SE Fondkommission, Aktiespar Fondkommission and Avanza. These companies were founded between the years 1996 and 1999 and merged between the years 2000 and 2001.

Avanza Bank's original offering comprise equity trading on the Stockholm Stock Exchange. Today, Avanza Bank offers trading in Swedish and foreign shares, investment funds, equity-linked bonds and derivatives and currencies. The savings product portfolio is a comprehensive one, because the company also offers pension saving and gives customers the option of managing their own PPM saving through Avanza Bank.

Avanza Bank acquired Börsveckan AB (now known as Placera Media Stockholm AB) in the spring of 2006. September 2006 saw the launch of placera.nu, an online savings newspaper providing continuously updated stock market information, analyses and buying and selling tips from some of Sweden's most experienced stock market journalists. A small investment fund business was acquired in 2007 from Ikanobanken.

Avanza Bank now has the market's broadest product range and lowest fees and many commentators consequently regard Avanza Bank as the leading challenger in the Swedish savings market.

# The Avanza Bank share

## Price performance

The price performance of the Avanza Bank share on the Stockholm Stock Exchange between 2004 and 2008.



### Share data

Number of outstanding shares, 31st Dec 2008	27,577,610
No. outstanding warrants, 31st Dec 2008	1,361,940
Market capitalisation, 31st Dec 2008, SEK m	1,960
Share price, 31st Dec 2008, SEK	71.00
Highest closing price, (2nd Jan 2008)	136.75
Lowest closing price (27th Oct 2008)	67.00

## Warrant programme

The warrant programme comprises 1,361,940 shares, corresponding to a dilution of 4.9 per cent. The warrant programme is divided into three subsidiary programmes and the total warrant programme runs during the period from July 2006 to May 2011. Outstanding warrants 2006/2009 (subsidiary programme 2) grant entitlement to subscribe for a total of 411,620 new shares at a exercise price of SEK 168.78 per share. The term of the programme expires on 30th September 2009. The warrants can be redeemed during the period from 1st June 2009 up to and including 30th September 2009. Outstanding warrants 2007/2010 (subsidiary programme 3) grant entitlement to subscribe for a total of 380,630 new shares at a exercise price of SEK 170.81 per share. The term of the programme expires on 30th September 2010. The warrants can be redeemed during the period from 1st June 2010 up to and including 30th September 2010. Outstanding warrants 2008/2011 (subsidiary programme 1) grant entitlement to subscribe for a total of 569,690 new shares at a exercise price of SEK 138.43 per share. The term of the programme expires on 27th May 2011. The warrants can be redeemed during the period from 2nd May 2011 up to and including 27th May 2011. The warrants are valued at market rates using the Black & Scholes valuation model.

Subsidiary programme 1 of the previous warrant programme, 2005–2008, had a redemption period between 1st June and 30th September 2008. The exercise price was SEK 67.20 per share. 435,843 of a total of 443,400 shares were subscribed for in 2008 under this warrant programme. The remaining warrants have expired. There are a total of 27,595,843 registered shares after the new rights issue as a result of the warrant redemptions and a total of 27,577,610 outstanding shares.

Change in share capital		Changes in	Total	Changes in share	Total share
Year	Changes	no. shares	no. shares	capital, SEK	capital, SEK
2001	New issue	4,425,907	25,415,478	11,064,767	63,538,695
2001	New issue	1,207,396	26,622,874	3,018,490	66,557,185
2005	New issue	842,800	27,465,674	2,107,000	68,664,185
2007	Buy-back of own shares	–305,674	27,160,000	–	68,664,185
2008	Withdrawal of bought back shares, 2007	–	27,160,000	–764,185	67,900,000
2008	New issue	435,843	27,595,843	1,089,608	68,989,608
2008	Buy-back of own shares	–18,233	27,577,610	–	68,989,608

## The largest shareholders

According to the register of shareholders maintained by VPC (the Swedish Securities Centre), the following institutions and individuals were the largest registered shareholders, as of 31st December 2008. The percentage of foreign owners is estimated at 9.00 per cent. There were a total of 12,026 shareholders. Of the total 27,595,843 shares Avanza Bank has bought back 18,233 shares during 2008. The remaining 27,577,610 shares are distributed between Avanza Bank's shareholders as shown below.

The ten largest shareholders, 31st Dec 2008	Number of shares	Percentage of share capital and votes, %
Investment AB Öresund	6,049,597	21.9
Sven Hagströmer (incl. family and companies)	2,039,416	7.4
Mats Qviberg (incl. family)	1,226,114	4.5
Lannebo Fonder	1,172,700	4.3
Sten Dybeck (incl. companies)	931,400	3.4
HQ Fonder AB	785,828	2.9
RAM ONE	781,416	2.8
SEB Asset Management S.A.	695,131	2.5
Swedbank Robur Fonder AB	644,737	2.3
Fjärde AP-fonden	448,244	1.6
Other owners	12,803,027	46.4
<b>Total</b>	<b>27,577,610</b>	<b>100.0</b>

Concentration, capital	Percentage of share capital and votes, %
The 10 largest owners	53.6
The 25 largest owners	67.5
The 100 largest owners	78.0

## Dividend policy

Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that part of the company's profits which is not deemed necessary to meet the requirements that the nature of the operations, their scope and risks place on the size of shareholders' equity, and the company's consolidation requirements, liquidity and position in general, or to develop the operations. Dividends can be combined with other measures, such as redemption or buy-back of the company's own shares.

## The Board's statement regarding the proposed dividend

Avanza Bank's Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 6.00 (SEK 6.00) per share for 2008. This corresponds to a dividend payment totalling SEK 165 million (SEK 163 m) and a dividend ratio of 89 per cent (70%). The Board is of the opinion that in the long-term, the dividend can comprise a minimum of 70 per cent of the profit for the year.

24th April 2009 is proposed as the record day for entitlement to receive a dividend. The final day for trading in the Avanza Bank share entailing an entitlement to receive a dividend is, therefore, 21st April 2009. It is calculated that if the Annual General Meeting approves the Board's proposal, the cash dividend can be distributed through the VPC agency on 29th April 2009.

The formal statement from the Board is presented on page 72.

## Buy-back of the company's own shares

The Annual General Meeting held on 15th April 2008 resolved to authorise the Board of Directors to buy back the company's own shares to a total comprising a maximum of 10 per cent of the shares in Avanza Bank Holding AB. The authorisation is valid until the next Annual General Meeting. As of 31st December, 18,233 of the company's own shares have been bought back during 2008 at an average price of SEK 75.51, corresponding to 0.1 per cent of the total number of shares before the buy-backs.

# Directors' Report

The Board of Directors and Managing Director of Avanza Bank Holding AB (publ.), company registration no. 556274-8458, hereby submit the annual accounts for the 2008 financial year.

## Group structure

Avanza Bank Holding AB is the parent company of the Avanza Bank Group. The operational activities are conducted by the wholly-owned subsidiaries, Avanza Bank AB, Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB, which are under the supervision of the Swedish Financial Supervisory Authority, and Placera Media Stockholm AB, a media company that consists of the online newspapers, placera.nu, Börsveckan and Börsguiden.

## Description of operations

Avanza Bank's mission is to make Swedes financially independent. As the Savers' Bank, Avanza Bank's goal is for an Avanza Bank customer to have more money over for themselves than they would anywhere else. Avanza Bank offers efficient online savings solutions in the Swedish market. Customers are offered simple and cost-effective ways of saving in shares, funds, equity-linked bonds, derivatives and pension products, such as endowment insurance and pension insurance.

Avanza Bank wants to offer the market's best decision-making support for saving and savers. This involves providing the customers with both qualitative and quantitative information that supports the customer in his or her savings decisions. Avanza Bank accordingly offers everything from share prices and news in real time to more sophisticated decision-making support such as share analyses, portfolio reports and tax return support. Avanza Bank primarily targets Swedish private investors, but also offers services for professional day traders and corporate customers such as entrepreneurs, institutions and asset managers.

## Market and sales

The financial market was turbulent during the period from September to December, with substantial price fluctuations from one day to another. Since reaching its peak in July 2007, the OMX Stockholm Price index has fallen by 52 per cent. Demand fluctuated heavily amongst savers in 2008. In early October, substantial amounts of capital were moved to banks with a stable financial position, benefiting Avanza Bank, but this trend declined after the implementation of national and international actions designed to stabilise confidence in financial institutions. The interest rates offered to savers in deposit accounts has also fallen steeply as a result of dramatic interest rate cuts by central banks worldwide, and of governmental rescue packages. Levels of interest in savings accounts were high throughout the year, but are expected to fall in response to these dramatic interest rate cuts, most of which came into force in December. Levels of interest in pension-based saving and saving in endowment insurance have been high in 2008.

Exposure to emerging markets and hedge funds has been reduced on the fund-based savings front, in favour of increased saving in fixed income, index and biotechnology funds.

Interest in equity-linked bonds and other products issued by banks decreased sharply as yet another knock-on effect of the decline in public and market confidence in the banks during the autumn. The market for public capital acquisitions has been weak.

A pension solution procurement process for the SAF-LO collective agreement pension took place during the autumn. Försäkringsaktiebolaget Avanza Pension was one of the eleven players chosen to offer pension savings packages for the SAF-LO collective agreement pension's 2.6 million privately employed workers, as of 2009.

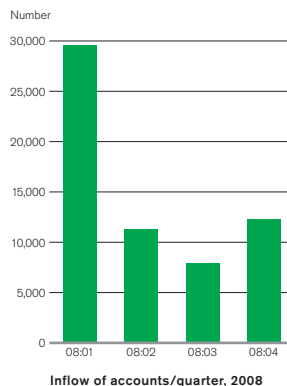
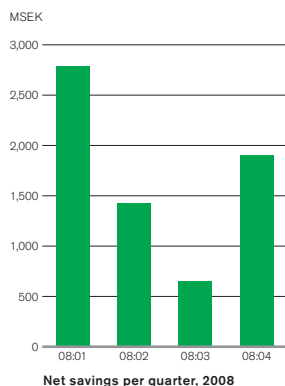
	2008	2007	Change, %
<b>Activity</b>			
Net saving, SEK m*	6,760	5,000	35
of which pension- & insurance based saving, SEK m	4,050	3,960	2
Net saving/Savings capital, %	15	12	3
No. commission notes per account and month	1.6	2.1	-24
No. transactions per commission note**	1.9	1.7	12
Brokerage per transaction, SEK	90	102	-12
<b>Market shares, OMX Stockholm and First North</b>			
No. transactions, %**	9.0	8.5	0.5
Turnover, %	3.8	2.8	1.0

For definitions, see page 75

\* Accounts acquired from Ikano-banken contributed SEK 490 million to total net savings during Q1 2008

\*\* On 13th October 2008, trading in even lots ceased. As a result, small commission notes, which were previously aggregated to correspond to the requirement for a round lot, are now reported separately in the trading statistics. The number of commission notes has, accordingly, increased in comparison with previous months

Avanza Bank has taken market shares during the autumn. Net savings totalled SEK 6,760 million (SEK 5,000 m) and a total of 61,000 (35,000) new accounts were opened in 2008.



	31st Dec 08	31st Dec 07	Change, %
<b>Savings capital</b>			
Savings capital, equity & investment funds accounts, SEK m	24,740	37,020	-33
Savings capital, savings accounts, SEK m	1,130	-	-
Savings capital, pension- & insurance-based accounts	8,730	8,880	-2
of which, endowment insurance, SEK m	5,280	4,680	13
of which, occupational pensions, SEK m	300	140	114
<b>Savings capital, SEK m</b>	<b>34,600</b>	<b>45,900</b>	<b>-25</b>
Equities, bonds, derivatives, etc., SEK m	21,650	32,160	-33
Funds, SEK m	6,190	8,960	-31
Deposits, SEK m	8,010	7,080	13
Lending, SEK m	-1,250	-2,300	-46
<b>Savings capital, SEK m</b>	<b>34,600</b>	<b>45,900</b>	<b>-25</b>
Deposits/Lending, %	641	308	333
Net deposits/Savings capital, %	20	10	10
Avanza Bank, SEK m	20,480	27,690	-26
Aktiespar.se, SEK m	590	800	-26
Private Banking, SEK m	12,900	16,400	-21
Pro, SEK m	630	1,010	-38
<b>Savings capital, SEK m</b>	<b>34,600</b>	<b>45,900</b>	<b>-25</b>
Return, average account since 1st Jan, %	-36	-4	-
OMX Stockholm Price Index since 1st Jan, %	-42	-6	-
<b>Accounts</b>			
No. accounts*	226,000	165,000	37
No. management services	8,500	4,000	113
No. accounts & management services	234,500	169,000	39
No. equity and investment fund accounts	162,300	134,800	20
No. savings accounts	13,500	-	-
No. pension- and insurance-based accounts	50,200	30,200	66
of which, no. endowment insurance accounts	24,050	13,750	75
of which, no. pension accounts	5,280	1,040	408
<b>No. accounts</b>	<b>226,000</b>	<b>165,000</b>	<b>37</b>
Avanza Bank, no. accounts	206,670	150,130	38
Aktiespar.se, no. accounts	11,300	9,020	25
Private Banking, no. accounts	7,110	5,090	40
Pro, no. accounts	920	760	21
<b>No. accounts</b>	<b>226,000</b>	<b>165,000</b>	<b>37</b>

For definitions, see page 75

\* Accounts acquired from Ikano-banken accounted for 15,500 of total increase in the number of accounts during 2008

The temporary legislative block on the right to transfer pension insurance was lifted as of 1st May 2008 and increasing numbers of savers' pension insurance policies have been transferred ever since. Not all types of insurance can be transferred, however, and the transfer process takes time. Avanza Bank has received 1,390 customer applications to transfer pension insurance (excl. IPS) to Avanza Bank in 2008, 540 of which, corresponding to SEK 70 million, have actually been transferred. 6 applications to transfer pension insurance (excl. IPS) from Avanza Bank have been received in 2008, 3 of which, corresponding to SEK 0.2 million, have actually been transferred.

The number of occupational pension accounts held with Avanza Bank increased by 4,240 in 2008, and net savings totalled SEK 210 million.

	31st Dec 08	31st Dec 07	Change, %
<b>Avanza Zero</b>			
Investment fund capital, Avanza Bank, SEK m	480	400	20
Investment fund capital, PPM, SEK m	250	100	150
<b>Investment fund capital, Avanza Zero, SEK m</b>	<b>730</b>	<b>500</b>	<b>46</b>
No. unit holders, Avanza Bank	27,800	16,500	68
Return, Avanza Zero, %	-36	-2	-
Return, OMXS30 index, incl. dividends, %	-36	-3	-

## Development

A new, simpler and clearer account and pricing structure was launched in 2008. Clearing numbers have also been linked to all accounts, thereby simplifying transfers to Avanza Bank. These product launches have contributed to the growth in the number of accounts and in net savings. Avanza Bank launched a discretionary asset management market place for all types of saving, with the exception of IPS, during the autumn. Avanza Bank offers a number of portfolios with different managers and different risk profiles. The aim is to reach out to those customers who lack either the time or the know-how to manage their savings, but who still want to enjoy the benefits offered by Avanza Bank, such as low charges and a wide range of investment alternatives. The minimum capital requirements for investment fund portfolios and equities portfolios are SEK 100 and SEK 150 thousand, respectively.



## Financial overview

	2008	2007	Change, %
<b>Income Statement, SEK m</b>			
Brokerage, net	229	256	-11
Fund commissions	41	69	-41
Net interest items	193	175	10
Other income	46	57	-19
<b>Operating income</b>	<b>509</b>	<b>557</b>	-9
Personnel	-137	-121	13
Marketing	-31	-49	-37
Depreciation	-12	-10	20
Other expenses	-90	-70	29
<b>Operating expenses</b>	<b>-270</b>	<b>-250</b>	8
<b>Profit before tax</b>	<b>239</b>	<b>307</b>	-22
Operating margin, %	47	55	-8
Profit margin, %	36	42	-6
Earnings per share, SEK	6.78	8.51	-20
Earnings per share after dilution, SEK	6.75	8.45	-20
Return on shareholders' equity, %	32	46	-14
Investments, SEK m	11	10	10
Brokerage income/Operating income, %	45	46	-1
Non-brokerage income/Operating income, %	55	54	1
of which, Fund commissions/Operating income, %	8	12	-4
of which, Net interest items/Operating income, %	38	32	6
of which, Other income/Operating income, %	9	10	-1
Non-brokerage income/Operating expenses, %	104	121	-17
of which, Net interest items/Savings capital, %	71	70	1
Operating income/Savings capital, %	1.23	1.19	0.04
of which, Net interest items/Savings capital, %	0.47	0.37	0.10
Average no. employees	196	178	10
No. trading days	251	251	0
Web service operational availability, %	99.9	99.5	0.4
	31st Dec 08	31st Dec 07	Change, %
Shareholders' equity per share, SEK	22.76	21.10	8
Capital base/Capital requirement*	1.68	1.78	-6
No. employees	192	210	-9
Market value, SEK	71.00	135.50	-48
Market capitalisation, SEK m	1,960	3,680	-47

For definitions, see page 75

\* Capital base/Capital requirement refers, as of 31st December 2008, to the financial conglomerate. The information as of 31st December 2007 refers to the financial corporate group that has now ceased to exist. See Note 29 on page 66 for further details

Thanks to the strong underlying growth in net savings and new accounts, income decreased by only 9 per cent during 2008, despite the market's weakness and turbulence. Non-brokerage income during 2008 comprises 69 per cent net interest items, 15 per cent fund commissions, and 16 per cent other.

Fund commissions have fallen substantially during the latter half of the year due to lower market capitalisations and a reweighting from emerging market and hedge funds to fixed income, index and biotechnology funds. Earnings from fixed income, index and biotechnology funds are considerably lower than those generated by emerging market and hedge funds.

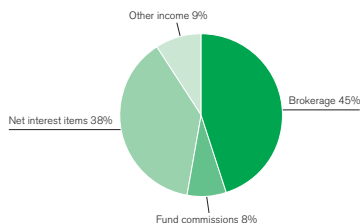
Avanza Bank implemented a savings programme at the end of the year with the aim of reducing costs in 2009. The savings programme is expected to cut costs in 2009 by 10–15 per cent in comparison with 2008. The savings programme has resulted in costs totalling ca. SEK 7 million being reported in 2008. These costs are of a non-recurring nature and refer to renegotiated agreements and staffing reductions. Almost 20 employees were affected by the savings programme, the majority of whom were not permanently employed.

The cost cutting primarily involves improvements in internal efficiency in that our explicit aim is to ensure that the savings have the minimum possible effect on customers. The cost-cutting measures implemented with regard to customer service, products and services consequently only affects those products etc., for which customer demand is low.

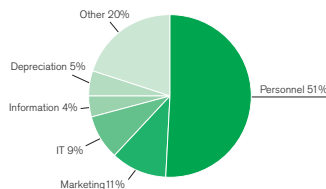
The National Tax Board has issued a ruling with regard to a tax audit of Försäkringsaktiebolaget Avanza Pension that began in December 2007. The ruling states that the National Tax Board will impose income tax on the company in respect of fund commissions for the 2006 income year. The imposition of income tax would fundamentally change the way in which the Swedish fund-based insurance market is taxed and would generate an imbalance in the competition between different types of pension- and insurance-based savings. Avanza Bank believes that there is no legal basis for the National Tax Board's deliberations and intends to apply for an advance ruling in respect of the 2009 tax year, rather than appealing the above ruling, with the aim of ensuring that the issue is addressed more quickly than would otherwise be the case. Avanza Bank intends to pursue the case to the highest level, if necessary. Provision has, therefore, not been made in these annual accounts for the increased tax cost arising from the ruling. Should the Council for Advanced Tax Rulings rule in accordance with the ruling by the National Tax Board, and should this decision be upheld by the higher courts, the company's tax expense for the 2006–2008 income years would increase by SEK 7 million.

## Financial position

Avanza Bank has no direct exposure to the problems that have characterised the market and which comprise both financing problems and problems of uncertainty with regard to the value of loans and other receivables. All of Avanza Bank's assets have a high liquidity and reinvestments can, therefore, be made for the majority of the assets with one day's (or no more than one month's) notice. The assets are regarded as secure.



Breakdown of operating income, 2008



Breakdown of operating expenses, 2008

The statutory protections and guarantees (e.g. the State Deposits guarantee) apply to customers of Avanza Bank as to all Swedish banks and insurance companies. For further information on Avanza Bank and security, see [avanzabank.se](http://avanzabank.se).

## The Parent Company

Avanza Bank Holding AB is the Parent Company of the Avanza Bank corporate group. The operating result for 2008 was SEK –7 million (SEK –6 m). The Parent Company posts no turnover. Anticipated dividends from subsidiary companies totalling SEK 125 million (SEK 232 m) have been reported. A dividend totalling SEK 163 million (SEK 110 m) has been paid to all shareholders.

## Outlook for the future

Avanza Bank's long-term goal is for profit growth to total between 15 and 25 per cent per annum.

The healthy long-term growth potential is due to the rapid growth in online saving generated by the advantages offered by online trading in terms of simplicity and low charges, the increased need for individual saving, and the fact that internet usage is increasing in the more mature target groups.

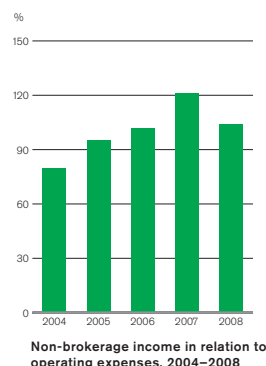
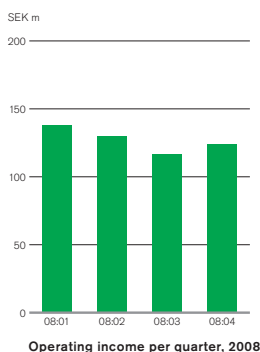
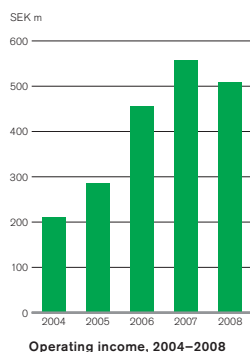
There is a clear long-term link between growth in savings capital and growth in operating income, and an underlying growth in savings capital therefore generates the preconditions for growth in income. Pricing pressure is, however, expected to continue, and this will have a negative effect on the rate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

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

Annual growth (ca.)	2001–2008	Goal
Net savings, % of savings capital at beginning of year	22 %*	13–17 %
Growth in value	2 %*	6–8 %
<b>Savings capital, growth</b>	<b>22 %</b>	<b>20–25 %</b>
Estimated pricing pressure	(1 %)	(3–7 %)
<b>Growth in income</b>	<b>27 %</b>	<b>10–25 %</b>
Cost increase	(18 %)	(10–20 %)
<b>Growth in profit</b>	<b>59 %</b>	<b>15–25 %</b>

\* 2002–2008

The negative stock market performance meant that the goal could not be reached in 2008, but all underlying goals, such as net savings, pricing pressure and cost increases, were achieved or surpassed.



Avanza Bank believes it has excellent potential for achieving or surpassing the long-term net savings goals in 2009. The strong underlying growth notwithstanding, however, significant pricing pressure in early 2009 is expected to result in falls in income and profit in 2009, given current market conditions. Profit margins are, however, expected to remain healthy. The pricing pressure is due to, amongst other things, the lower key interest rates, which impact Avanza Bank's interest margins, and the fact that customers have reallocated their savings from emerging market and hedge funds to fixed income, index and biotechnology funds with what are, relatively speaking, lower fund charges.

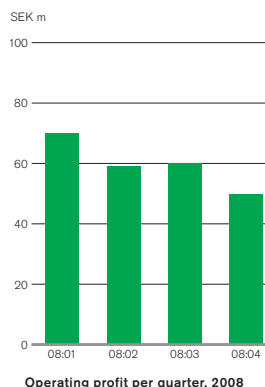
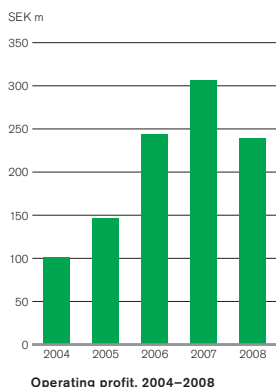
Avanza Bank's business model means that the majority of the costs comprise fixed overheads. Marketing and sales costs are, however, primarily variable costs that depend on Avanza Bank's assessment of the market climate. Avanza Bank can, therefore, choose to reduce the rate at which costs increase in a poorer market climate, but Avanza Bank operates in a rapidly changing market and can, therefore, also choose to invest more in growth, which may entail higher costs than those forecast. The goal for 2009 is to reduce costs by 10–15 per cent in response to the uncertain market situation. Operating costs are, seasonally speaking, normally higher during the first and fourth quarters than during the other quarters.

The above should not, however, be regarded as an income or profit forecast for 2009, in that operations are dependent on stock market trends. The goal, however, is for non-brokerage income, i.e. operating income that is not directly market-dependent, to total at least 100 per cent of operating expenses, thereby ensuring good earnings stability, even in a weaker market climate. If key interest rates are cut still further, achieving this goal will prove difficult in 2009.

Interest in saving in endowment insurance is expected to be high, particularly at the beginning of the year. 2009 will see the introduction of alternative marketplaces which will result both in lower transaction costs for Avanza Bank and additional alternatives for savers. Avanza Bank intends to launch new products and services at the beginning of the year.

## Significant risks and uncertainty factors

In addition to the external risks described previously in this Directors' Report, Avanza Bank faces 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 30 provides a detailed description of the Group's risk exposure and risk management.



## Transactions with associated parties

Avanza Bank's transactions with associated parties are shown in Note 31.

## Annual General Meeting

The Annual General Meeting of the company's shareholders will be held at 15.00 (CET) on 21st April 2009 in the Auditoriet hall of the Moderna Museet building in Stockholm, Sweden.

## Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Sven Hagströmer, Erik Törnberg, who represents Investment AB Öresund, Eva Qviberg, who represents the Qviberg family, and Johan Lannebo, who represents Lannebo Fonder. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, visit Avanza Bank's website at [avanza.com](http://avanza.com).

## The Avanza Bank share

Investment AB Öresund was, as of 31st December 2008, the largest owner of Avanza Bank shares with a holding comprising 21.9 per cent of the share capital and votes. There are a total of 27,577,610 shares in Avanza Bank after the buy-backs of the company's own shares completed in 2008. For further information on the Avanza Bank share, please see pages 22–24 of the Annual Report.

## Capital surplus

	31st Dec 2008
Capital base, as per Note 29, page 66, SEK m	426
Proposed dividend, SEK 6.00 (SEK 6.00) per share, SEK m	165
<b>Capital base, adjusted for dividend, SEK m</b>	<b>591</b>
Capital requirement with reference to Avanza Bank's internal capital assessment process, SEK m	315
<b>Total capital surplus before proposed dividend, SEK m</b>	<b>276</b>
Capital surplus per share, SEK	10.01

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, the capital base is adjusted for the assumed dividend. Adjustments have been made in the above table for profits and assumed dividends deducted when calculating the capital base in accordance with the capital adequacy regulations (see Note 29 on page 66), in order to calculate the scope for dividend payments.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 276 million as of 31st December 2008.

## Dividend

The Board of Directors proposes that a dividend of SEK 6.00 (SEK 6.00) per share be paid, corresponding to a total of SEK 165 million (SEK 163 m). Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that part of the company's profits which is not deemed necessary to meet the requirements that the nature of the operations, their scope and risks place on the size of shareholders' equity, and the company's consolidation requirements, liquidity and position in general, or to develop the operations. It is calculated that in the long-term, Avanza Bank will be able to distribute at least 70 per cent of its profits to the shareholders.

## **Buy-back of the company's own shares**

The Annual General Meeting held on 15th April 2008 resolved to authorise the Board of Directors to buy back the company's own shares to a total comprising a maximum of 10 per cent of the shares in Avanza Bank Holding AB. The authorisation is valid until the next Annual General Meeting. As of 31st December, 18,233 of the company's own shares have been bought back during 2008 at an average price of SEK 75.51.

## **The Board's proposed guidelines for determining salaries and other remuneration payable to the Group management for the 2009 financial year**

The Board of Directors established a Remuneration Committee in March 2004. For the 2008 financial year, this Committee has comprised the Chairman of the Board, Sven Hagströmer, and Anders Ellsell and Jaqueline Winberg, both Members of the Board. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles governing remuneration, including performance-based remuneration for the company's senior executives.

The Remuneration Committee has followed up on the implementation of the quantitative and qualitative goals set at the beginning of the financial year during December. The Committee has, furthermore, studied the Managing Director's own assessment of the same and his comments on remuneration levels with regard both to himself and the management group in general. The Committee has met in groups of two during December and has also jointly discussed the issues by phone and e-mail.

The term, Group management, refers for the 2008 financial year, to the Managing Director and four other senior executives. The Board's proposal, which is in line with remuneration principles in previous years, is that the Group management's salaries shall comprise a fixed basic salary and a variable performance-based bonus payment. The variable payment is payable for performances that exceed those normally expected of the senior executive, after an evaluation has been made of individual performances and the company's reported profits. The extent to which pre-set goals for the company and the senior executive had been met shall be taken into account in determining the variable bonus payment.

The total remuneration paid to members of the Group management shall be on market terms.

In 2008, the variable payments made to the Managing Director and the other four individuals who made up the Group management totalled SEK 4.1 million (SEK 4.9 m), of which SEK 2.2 million (SEK 2.1 m) was paid to the Managing Director.

Members of the Group management have acquired warrants on market terms in accordance with the warrant programme approved by the Annual General Meeting held on 15th April 2008.

Issues relating to the Managing Directors' terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board of Directors.

Remuneration payable to the other four senior executives is decided by the Managing Director after consultation with the Board's Remuneration Committee.

The Board's proposal to the Annual General Meeting to be held on 21st April 2009 is in line with remuneration principles in previous years.

# Five-year overview

## Summary of the Group's performance

Income Statements, SEK m		2008	2007	2006	2005	2004
Net commission		315	381	315	200	148
Net interest items		193	175	138	82	60
Other income		1	1	2	3	2
<b>Total income</b>		<b>509</b>	<b>557</b>	<b>455</b>	<b>285</b>	<b>210</b>
Operating expenses		-270	-250	-211	-138	-109
<b>Operating profit/loss</b>		<b>239</b>	<b>307</b>	<b>244</b>	<b>147</b>	<b>101</b>
Taxes		-54	-74	-56	-41	-27
<b>Net profit/loss for the year</b>		<b>185</b>	<b>233</b>	<b>188</b>	<b>106</b>	<b>74</b>
Balance Sheets, SEK m		2008	2007	2006	2005	2004
Lending to credit institutions		6,587	4,205	2,880	803	490
Lending to the public		1,253	2,301	2,290	2,052	1,100
Shares and participations		12	1	7	1	0
Insurance operations assets		7,448	7,280	3,431	1,554	-
Other assets		297	662	113	95	117
<b>Total assets</b>		<b>15,597</b>	<b>14,449</b>	<b>8,721</b>	<b>4,505</b>	<b>1,707</b>
Deposits by the public		7,386	6,370	4,545	2,287	1,358
Insurance operations liabilities		7,448	7,280	3,431	1,554	-
Other liabilities		135	226	256	310	73
<b>Total liabilities</b>		<b>14,969</b>	<b>13,876</b>	<b>8,232</b>	<b>4,151</b>	<b>1,431</b>
Minority holding		-	-	-	-	0
Shareholders' equity		628	573	489	354	276
<b>Total liabilities &amp; shareholders' equity</b>		<b>15,597</b>	<b>14,449</b>	<b>8,721</b>	<b>4,505</b>	<b>1,707</b>
Key ratios		2008	2007	2006	2005	2004
Earnings per share, SEK		6.78	8.51	6.85	3.88	2.79
Earnings per share after dilution, SEK		6.75	8.45	6.80	3.86	2.74
Equity per share, SEK		22.76	21.10	17.80	12.88	10.36
Return on equity, %		32	46	45	35	30
Operating margin, %		47	55	54	52	48
Equity/assets ratio, %		4	4	6	8	16
Solvency ratio, %		-	-	11.8	11.1	14.2
Capital base/Capital requirement		1.68	1.78	-	-	-
Cash dividend (2008: proposal)						
per share, SEK		6.00	6.00	4.00	2.00	1.50
No. shares at year-end, thousand		27,578	27,160	27,466	27,466	26,623
Average no. shares, thousand		27,351	27,405	27,466	27,297	26,623
Average no. shares						
after dilution, thousand		27,481	27,610	27,637	27,441	27,108
Market capitalisation at year-end, SEK m		1,960	3,680	3,390	2,720	1,130
Share price at year-end, SEK		71.00	135.50	123.25	99.00	42.50
Average no. employees		196	178	129	93	74
Earnings per employee, SEK k		1,221	1,727	1,890	1,577	1,368

## Consolidated Income Statements

SEK m	Note	2008	2007
<b>Operating income</b>			
Commission income	3	384	448
Commission expenses	4	-69	-67
Interest income	5	394	302
Interest expenses	5	-201	-127
Net result of financial transactions	6	1	1
Other operating income		0	0
<b>Total operating income</b>		<b>509</b>	<b>557</b>
<b>Operating expenses</b>			
General administration costs	7,8	-207	-180
Depreciation of tangible and intangible fixed assets	9	-12	-10
Other operating expenses	10	-51	-59
Credit losses, net	11	0	-1
<b>Total operating expenses</b>		<b>-270</b>	<b>-250</b>
<b>Operating profit/loss</b>		<b>239</b>	<b>307</b>
Tax on the profit/loss for the year	13	-54	-74
<b>Net profit/loss for the year, *</b>		<b>185</b>	<b>233</b>
Earnings per share, SEK	14	6.78	8.51
Earnings per share after dilution, SEK	14	6.75	8.45

\* The entire net profit/loss accrues to the Parent Company's shareholders



## Consolidated Balance Sheets

SEK m	Note	31st Dec 08	31st Dec 07
<b>ASSETS</b>	26		
Lending to credit institutions		6,587	4,205
Lending to the public	15	1,253	2,301
Shares and participations	16	12	1
Insurance operations assets	17	7,448	7,280
Intangible fixed assets	18	35	34
Tangible assets	19	8	11
Other assets	20	237	588
Deferred tax receivables	13	1	1
Prepaid costs and accrued income	21	16	28
<b>TOTAL ASSETS</b>		<b>15,597</b>	<b>14,449</b>
<b>LIABILITIES</b>	26		
Deposits by the public	22	7,386	6,370
Insurance operations liabilities	17	7,448	7,280
Current tax liability		67	76
Deferred tax liabilities	13	1	1
Other liabilities	23	30	119
Accrued costs and prepaid income	24	37	30
<b>Total liabilities</b>		<b>14,969</b>	<b>13,876</b>
<b>SHAREHOLDERS' EQUITY</b>	25		
Share capital		69	69
Other capital contributed		157	125
Profit/loss carried forward incl. profit/loss for the year		402	379
<b>Total shareholders' equity</b>		<b>628</b>	<b>573</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>15,597</b>	<b>14,449</b>

Pledged assets and contingent liabilities are reported in Note 27 on page 64

## Changes in the Group's shareholders' equity (Note 25)

SEK m	2008	2007
<b>Shareholders' equity at beginning of year</b>	<b>573</b>	<b>489</b>
Dividend	-163	-110
Buy-back of the company's own shares	-1	-41
Warrant issue	4	2
New issue (through exercise of warrants)	29	-
Net profit/loss for the year	185	233
<b>Shareholders' equity at end of year</b>	<b>628</b>	<b>573</b>

There are no minority shareholdings included in the shareholders' equity

## Consolidated Cash Flow Statements

SEK m	Note	2008	2007
<b>Cash flow from operating activities</b>			
Profit/loss before tax		239	307
<i>Adjustment for items not included in cash flow</i>			
Depreciation/write-downs		13	10
Income tax paid		-43	-81
<b>Total</b>		<b>209</b>	<b>236</b>
<b>Changes in operating activities' assets and liabilities</b>			
Increase (-)/decrease (+) in lending to the public		1,048	-11
Increase (-)/decrease (+) in securities		-11	5
Increase (-)/decrease (+) in other assets		364	-549
Increase (+)/decrease (-) in deposits and deposits by the public		1,016	1,825
Increase (+)/decrease (-) in other liabilities		-103	-22
<b>Cash flow from operating activities' assets and liabilities</b>		<b>2,314</b>	<b>1,248</b>
<b>Cash flow from operating activities</b>		<b>2,523</b>	<b>1,484</b>
<b>Cash flow from investment activities</b>			
Acquisition of intangible fixed assets		-7	-4
Acquisition of tangible assets		-3	-6
<b>Cash flow from investment activities</b>		<b>-10</b>	<b>-10</b>
<b>Financial activities</b>			
Cash dividend		-163	-110
Buy-back of the company's own shares		-1	-41
Warrants issue		4	2
New issue (through exercise of warrants)		29	-
<b>Cash flow from financial activities</b>		<b>-131</b>	<b>-149</b>
<b>Cash flow for the year</b>		<b>2,382</b>	<b>1,325</b>
<b>Liquid assets at beginning of year, *</b>		<b>4,205</b>	<b>2,880</b>
<b>Liquid assets at end of year, *</b>		<b>6,587</b>	<b>4,205</b>
*of which, liquid assets pledged as security			
	27		
at beginning of year		390	264
at end of year		555	390

### Basis for preparing cash flow statements

The cash flow analyses for the Group and the Parent Company are prepared using the indirect method and show the payments received and made by the operating activities, the investment activities and financial activities.

#### *Operating activities*

Cash flows attributable to the operating activities derive primarily from the Group's revenue-generating operations. The net of the operating activities' payments received and made are calculated by adjusting the operating profit/loss for the year for items that do not affect the cash flow, for the changes in operating assets and operating liabilities during the period, and for other items for which the effect on the cash flow can be attributed to the investment of financial activities. The cash flow includes interest payments received totalling SEK 394 million (SEK 302 m) and interest payments made including capitalised interest payments totalling SEK 201 million (SEK 127 m).

#### *Investment activities*

The investment activities comprise cash flow arising from the acquisition or sale of fixed assets and any investments not covered by the "liquid assets" concept.

#### *Financial activities*

The cash flow comprises measures that effect changes to the size and composition of the Group's shareholders' equity and deposits.

#### *Liquid assets*

Liquid assets comprise cash and balances held with banks and equivalent institutions that can be reinvested with one day's (or a maximum of one month's) notice.

## Composition of liquid assets

SEK m	31st Dec 08	31st Dec 07
Lending to credit institutions	6,587	4,205
<b>Total</b>	<b>6,587</b>	<b>4,205</b>

## Parent Company Income Statements

SEK m	Note	2008	2007
<b>Operating expenses</b>			
Administration costs	7	-5	-3
Other operating income		1	0
Other operating expenses		-3	-3
<b>Operating profit/loss</b>		<b>-7</b>	<b>-6</b>
<b>Profit/loss on financial investments</b>			
Profit/loss on participations in Group companies	12	125	232
Profit/loss on other securities		0	0
Write-downs of financial fixed assets		-	-1
Interest income and similar P/L items	5	0	0
Interest expenses and similar P/L items	5	0	0
<b>Profit/loss before tax</b>		<b>118</b>	<b>225</b>
Tax on the profit/loss for the year	13	0	0
<b>Net profit/loss for the year</b>		<b>118</b>	<b>225</b>

## Parent Company Balance Sheets

SEK m	Note	31st Dec 08	31st Dec 07
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Shares and participations		8	1
Shares and participations in Group companies	28	214	214
<b>Total fixed assets</b>		<b>222</b>	<b>215</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		181	233
Current tax receivable		0	0
Other receivables		0	0
Prepaid costs and accrued income		1	1
<i>Total current receivables</i>		<i>182</i>	<i>234</i>
<i>Cash and bank balances</i>		<i>0</i>	<i>0</i>
<b>Total current assets</b>		<b>182</b>	<b>234</b>
<b>TOTAL ASSETS</b>		<b>404</b>	<b>449</b>
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
Shareholders' equity	25		
<i>Restricted equity</i>			
Share capital		69	69
<b>Total restricted equity</b>		<b>69</b>	<b>69</b>
<i>Non-restricted equity</i>			
Share premium reserve		36	3
Profit brought forward		179	118
Net profit/loss for the year		118	225
<b>Total non-restricted equity</b>		<b>333</b>	<b>346</b>
<b>Total shareholders' equity</b>		<b>402</b>	<b>415</b>
<b>Current liabilities</b>			
Accounts payable		0	0
Liabilities to Group companies		0	33
Other liabilities		0	0
Accrued costs and prepaid income		2	1
<b>Total current liabilities</b>		<b>2</b>	<b>34</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		<b>404</b>	<b>449</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets		None	None
Contingent liabilities		None	None

## Changes in shareholders' equity (Note 25)

SEK m	2008	2007
<b>Shareholders' equity at beginning of year</b>	<b>415</b>	<b>339</b>
Dividend	-163	-110
Buy-back of the company's own shares	-1	-41
Warrants issue	4	2
New issue (through exercise of warrants)	29	-
Net profit/loss for the year	118	225
<b>Shareholders' equity at end of year</b>	<b>402</b>	<b>415</b>

## Parent Company Cash Flow Statements

SEK m	2008	2007
<b>Cash flow from operating activities</b>		
Profit/loss before tax	118	225
<i>Adjustment for items not included in cash flow</i>		
Depreciation/write-downs	0	1
Result realised from liquidation of subsidiary companies	-	0
Anticipated dividend	-118	-226
Income tax paid	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Changes in operating activities' assets and liabilities</b>		
Increase (-)/decrease (+) in other assets	169	130
Increase (+)/decrease (-) in other assets	-31	32
<b>Cash flow from operating activities' assets and liabilities</b>	<b>138</b>	<b>162</b>
<b>Cash flow from operating activities</b>	<b>138</b>	<b>162</b>
<b>Investment activities</b>		
Shareholders' contribution made	-	-15
Acquisition of shares and participations	-7	-1
Liquidation of subsidiary companies	-	2
<b>Cash flow from investment activities</b>	<b>-7</b>	<b>-14</b>
<b>Financial activities</b>		
Cash dividend	-163	-110
Buy-back of the company's own shares	-1	-41
Warrants issue	4	2
New issue (through exercise of warrants)	29	-
<b>Cash flow from financial activities</b>	<b>-131</b>	<b>-149</b>
<b>Cash flow for the year</b>	<b>0</b>	<b>-1</b>
<b>Liquid assets at beginning of year</b>	<b>0</b>	<b>1</b>
<b>Liquid assets at end of year</b>	<b>0</b>	<b>0</b>
Interest received	0	0
Interest paid	0	0
Dividend received	181	95

The bases for preparing the Parent Company's Cash Flow Statements are the same as those used for the Group, see page 39.

# Notes to the Accounts

Amounts in SEK m unless otherwise indicated.

## **Note 1 Corporate information**

The Parent Company, Avanza Bank Holding AB, is a Swedish-registered limited company whose registered offices are in Stockholm. The Parent Company's shares are listed on the Stockholm Stock Exchange. The address of the head office is Klarabergsgatan 60, Box 1399, SE-111 93 Stockholm, Sweden. The Consolidated Accounts for 2008 comprise the Parent Company and its subsidiary companies, referred to collectively as "the Group". The Group's operations are described in the Directors' Report.

The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ.) for the 2008 financial year were approved for publication on 20th February 2009 by the Board of Directors and the Managing Director. The Consolidated Accounts and the Annual Report is adopted by the Annual General Meeting on 21st April 2009.

## **Note 2 Accounting principles**

### **(a) Compliance with standards and legislative requirements**

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative comments by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application within the EU. The Swedish Financial Reporting Board Recommendation RFR-1:1, Complementary accounting regulations for corporate groups has also been applied, together with the directives and general guidelines issued by the Swedish Financial Supervisory Authority regarding the annual accounts of credit institutions and securities companies (FFFS 2006:16).

### **(b) Preconditions with regard to the preparation of financial reports of the Parent Company and the Group**

The Parent Company's functional currency is Swedish kronor, which also constitutes the reporting currency for both the Parent Company and the Group. The financial reports are accordingly presented in Swedish kronor. All amounts, unless otherwise indicated, are rounded off to the nearest million kronor.

Assets and liabilities are reported at historic acquisition values, with the exception of financial assets and liabilities, which are valued at their fair value. Financial assets and liabilities that are valued at their fair value are assets and liabilities within the insurance business and shares and participations. The accounting principles described below for the Group have been applied consistently to all periods presented in the Group's financial reports, unless otherwise indicated below.

The Parent Company applies the same accounting principles as the Group other than in the cases specified below under section (s), Parent Company accounting principles.

### **(c) New IFRS and interpretations**

*IFRS and interpretations introduced in 2008*

IAS 39 and IFRS 7: Addenda have been added to the standards which, under certain circumstances, permit reclassification between different categories of financial instrument. Avanza Bank has not effected any reclassification of financial instruments.

#### *IFRS and interpretations which come into force in 2009 or thereafter*

A number of new standards, amendments to standards, and interpretations do not come into force until the 2009 financial year and have consequently not been applied when preparing these financial reports.

IFRS 3R "Business combinations" and IAS 27R "Consolidated and separate financial statements" (expected to be approved by the EU in Q2 2009). The revised standards were published in January 2008 and shall be applied to financial years beginning on or after 1st July 2009. IFRS 3R introduces a number of changes to the accounting of business acquisitions made during financial years commencing after this date, and which will affect the size of reported goodwill, the reported result in the period during which the acquisition occurred, and future reported results. IAS 27R requires changes to proprietary holdings in a subsidiary that do not result in a loss of controlling interest by the majority owner to be reported as shareholders' equity transactions. These transactions will consequently no longer give rise to goodwill and no profits and losses will be reported in conjunction with disposals, provided that control of the subsidiary is retained. The changes entailed by IAS 3R and IAS 27R will affect the accounting of future acquisitions, loss of control, and transactions with minority owners. The revised standards may be applied in advance but the Group does not intend to take advantage of this possibility.

IFRS 8 "Operating Segments". The standard states what an operating segment is and the information that shall be provided on such segments in financial reports. The standard shall be applied to financial years commencing 1st January 2009 or thereafter. The Group's presentation of the financial reports may be affected by the introduction of this standard.

IAS 1 "Presentation of financial statements". The amendments are primarily attributable to presentation formats and titles used in the financial reports. The Group's presentation of the financial reports may, therefore, be affected by the introduction of this standard. The standard shall be applied to financial years commencing on 1st January 2009 or thereafter.

#### **(d) Segment reporting**

A segment is a part of the Group that can be identified in accounting terms and which either supplies products or services (business segments), or goods or services within a given economic area (geographical area), and which is exposed to risks and opportunities that differ from those of other segments.

Avanza Bank has only one segment, namely savings services involving share-based, investment fund and pension products, and conducts all of its operations in Sweden.

#### **(e) Classification**

Fixed assets and long-term liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that the Parent Company or Group expects to recover or to be paid more than twelve months after the closing day. Current assets and current liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that the Parent Company or Group expects to recover or to be paid within twelve months from the closing day.

#### **(f) Consolidation principles**

Subsidiaries are companies over which Avanza Bank Holding AB has a controlling influence, i.e. a direct or indirect right to formulate a company's financial and operational strategies in order to obtain economic advantages.



Subsidiaries are reported in accordance with the acquisition method of accounting. Under this method, the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated acquisition value is determined by means of an acquisition analysis in conjunction with the operational acquisition. The analysis determines the acquisition value of the participations or the operations and the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The difference between the acquisition value of the subsidiary company shares and the fair value of the assets acquired, and the liabilities and contingent liabilities assumed, constitutes consolidated goodwill.

Subsidiaries' financial reports are included in the consolidated accounts as of the acquisition date, up to the date when the controlling influence ceases to obtain.

#### *Restrictions on the transfer of funds to the Parent Company*

The following subsidiary companies – Avanza Bank AB, Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB – are, in accordance with external regulations and legislative requirements, obliged to maintain a certain amount of shareholders' equity within the company, and restrictions thereby exist on the transfer of funds to the Parent Company, Avanza Bank Holding AB.

#### *Transactions eliminated in conjunction with consolidation*

Intra-Group receivables and liabilities, income or expenses, and unrealised profits or losses arising from intra-Group transactions between Group companies are eliminated in their entirety in conjunction with the preparation of the consolidated accounts.

### **(g) Foreign currencies**

Transactions in foreign currencies are converted to Swedish kronor at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currencies are converted to Swedish kronor at the closing day exchange rate. Exchange rate differences arising in conjunction with the conversions are reported in the Income Statement.

### **(h) Income**

#### *Commission income*

Commission income primarily comprises brokerage, custodian account charges, fund commissions and other commissions. Brokerage is reported as income on the transaction date. Investment fund commission comprises the entry commission reported in conjunction with fund unit purchases and commission based on fund volume, which is recognised as income on a monthly basis, based on actual volume. Other commission income is reported as income at the rate it is earned.

#### *Interest income and interest expenses*

Interest income and interest expenses are reported as income or expenses in the period to which they refer.

#### *Net result of financial transactions*

The profit/loss from financial transactions comprises realised and unrealised profits/losses from the sale of securities, participations and currencies.

## (i) Financial instruments

Financial instruments are defined in accordance with IAS 32 as agreements that give rise to a financial asset in a company and a financial liability or equity instrument in another company. A financial asset is an equity instrument in another company or assets that entail a contractual entitlement to immediate receipt of cash or other financial asset. A financial liability is a contractual obligation to pay cash or other financial asset to another company. Financial instruments are reported and valued in the Group in accordance with IAS 39 regulations.

A financial asset or financial liability is reported in the Balance Sheet on the transaction date, i.e. when the company becomes party to the instrument's contractual terms. The financial assets and liabilities are eliminated from the Balance Sheet when the rights to cash flows from the financial asset are realised, expire or the company loses control over them in some other way or when the obligation contained in the agreement is fulfilled or otherwise expires. The same applies to any part of a financial asset or financial liability.

Financial instruments are initially reported at the instrument's fair value, which corresponds to the acquisition cost plus direct transaction costs. Those instruments that fall within the category of *Financial instruments valued at fair value via the Income Statement* are, however, valued excluding transaction costs. Subsequent reporting is determined by the categories within which the instruments have been classified.

### Classification of financial instruments

SEK m, 31st December 2008	Financial instruments valued at fair value via Income Statement	Loan receiva- bles and accounts receivable	Other financial liabilities	Non- financial instru- ments	Total
<b>Assets</b>					
Lending to credit institutions	–	6,587	–	–	6,587
Lending to the public	–	1,253	–	–	1,253
Shares and participations	4*	–	–	8	12
Insurance operations assets	7,448**	–	–	–	7,448
Intangible fixed assets	–	–	–	35	35
Tangible assets	–	–	–	8	8
Other assets	–	238	–	–	238
Deferred tax receivables	–	–	–	1	1
Prepaid costs and accrued income	–	9	–	6	15
<b>Total assets</b>	<b>7,452</b>	<b>8,087</b>	<b>0</b>	<b>58</b>	<b>15,597</b>
<b>Liabilities</b>					
Deposits by the public	–	–	7,386	–	7,386
Insurance operations liabilities	7,448**	–	–	–	7,448
Current tax liability	–	–	–	67	67
Deferred tax liabilities	–	–	–	1	1
Other liabilities	–	–	30	–	30
Accrued costs and prepaid income	–	–	30	7	37
<b>Total liabilities</b>	<b>7,448</b>	<b>0</b>	<b>7,446</b>	<b>75</b>	<b>14,969</b>

\* Held for trading purposes

\*\* Have been identified, in conjunction with reporting, as a financial instrument valued at fair value via the Income Statement

## Classification of financial instruments

SEK m, 31st December 2007	Financial instruments valued at fair value via Income Statement	Loan receiva- bles and accounts receivable	Other financial liabilities	Non- financial instru- ments	Total
<i>Assets</i>					
Lending to credit institutions	–	4,205	–	–	4,205
Lending to the public	–	2,301	–	–	2,301
Shares and participations	0*	–	–	1	1
Insurance operations assets	7,280**	–	–	–	7,280
Intangible fixed assets	–	–	–	34	34
Tangible assets	–	–	–	11	11
Other assets	–	588	–	–	588
Deferred tax receivables	–	–	–	1	1
Prepaid costs and accrued income	–	20	–	8	28
<b>Total assets</b>	<b>7,280</b>	<b>7,114</b>	<b>–</b>	<b>55</b>	<b>14,449</b>
<i>Liabilities</i>					
Deposits by the public	–	–	6,370	–	6,370
Insurance operations liabilities	7,280**	–	–	–	7,280
Current tax liability	–	–	–	38	38
Deferred tax liabilities	–	–	–	1	1
Other liabilities	–	–	157	–	157
Accrued costs and prepaid income	–	–	24	6	30
<b>Total liabilities</b>	<b>7,280</b>	<b>–</b>	<b>6,551</b>	<b>45</b>	<b>13,876</b>

\* Held for trading purposes

\*\* Have been identified, in conjunction with reporting, as a financial instrument valued at fair value via the Income Statement

### *Financial assets valued at fair value via the Income Statement*

Assets in this category consist of shares and participations held for securities trading purposes, and shares, participations and interest-bearing securities held for insurance business purposes.

The term, insurance operations assets, refers to assets used to cover liabilities arising from the Group's *insurance agreements*. Insurance in which significant insurance risks are transferred from the policyholder to the underwriter are referred to as insurance agreements and shall be reported in accordance with IFRS 4. Agreements which have the legal form of an insurance agreement but which do not expose the underwriter to any significant insurance risk are referred to as *investment agreements* and shall be reported in accordance with IAS 39. All insurance agreements within the Avanza Bank Group have conditional dividends in which the policyholder bears the risk of changes in value and these agreements are consequently reported as financial agreements in accordance with IAS 39.

Instruments are valued at fair value and have been identified as financial instruments valued at fair value via the Income Statement, without deductions for transaction costs, in conjunction with the first reporting instance. The majority of the securities in this category comprise listed securities and the fair value is determined by using the official closing price on the closing day. The fair value of securities without an active market is determined using generally accepted valuation methods, such as using recently completed transactions between knowledgeable parties who are mutually independent, or reasonable estimates.

Changes in the value of securities held for trading purposes are reported in the Income Statement under *Net result of financial transactions*. The change in value also includes interest and dividends. Effects on the profit/loss in respect of insurance operations assets correspond to the change in value of insurance operations liabilities and the net is, therefore, zero.

#### *Loan receivables and accounts receivable*

This category primarily includes lending to credit institutions, lending to the public, securities trading receivables and accounts receivable.

Loan receivables and accounts receivable are valued at the accrued acquisition value, less confirmed credit losses and probable write-downs. If there are indications to suggest that a write-down is required, the recoverable value of the asset is calculated. The recoverable value of assets associated with loan receivables and accounts receivable is calculated as the current value of future cash flows discounted by the effective interest rate applicable when the asset was first reported. Assets with a short term are not discounted. If the reported value of the asset exceeds the recoverable value, a write-down is reported in the Income Statement. Write-downs of loan receivables and accounts receivable are reversed if a subsequent increase in the recoverable value can be objectively attributed to an event that occurred after the write-down occurred.

All loans to the public – known as account credits – have security in the form of credits.

#### *Financial liabilities valued at fair value via the Income Statement*

Insurance operations liabilities are reported in this category because corresponding assets are valued at fair value via the Income Statement. The liabilities have been identified as financial liabilities valued at fair value via the Income Statement without deductions for transaction costs when the asset was first reported. The valuation is based on the fair value of the underlying assets, see *Financial assets valued at fair value via the Income Statement*.

#### *Other financial liabilities*

Financial liabilities in this category are primarily reported under the Deposits by the public, Accounts payable, and Other liabilities Balance Sheet items. Other financial liabilities are, as with loan receivables and accounts receivable, valued at the accrued acquisition value.

### **(j) Tangible fixed assets**

Tangible fixed assets are reported as assets in the Balance Sheet if it is likely that future economic benefits will accrue to the company and the acquisition value of the asset can be reliably calculated.

Tangible fixed assets are reported in the Group at their acquisition value after deductions for accumulated depreciation and any write-downs. The acquisition value includes the purchase price and costs directly attributable to the asset.

The accounting principles for write-downs are shown below under (l) Write-downs.

Tangible fixed assets are eliminated from the Balance Sheet in conjunction with retirement or disposal. Profits and losses are reported as Other operating income/expenses.

### *Depreciation principles*

Depreciation is effected linearly over the estimated useful life of the asset.

Estimated useful life:

- computers and other technical installations 3 years
- equipment 5 years

The residual value and useful life of an asset is assessed annually.

## **(k) Intangible assets**

### *Goodwill*

Goodwill represents the difference between the acquisition value of the operational acquisition and the fair value of assets acquired, liabilities assumed, and any contingent liabilities.

The Group has not, in conjunction with the transition to IFRS and with regard to goodwill in acquisitions that took place before 1st January 2004, applied IFRS retroactively; rather, as of 1st January 2004, the reported value will henceforth comprise the Group's acquisition value, after evaluation for write-downs. Goodwill is valued at the acquisition value less any accumulated write-downs. Goodwill is tested annually for any write-down requirement, or as soon as there are indications that the asset has depreciated.

### *Development charges*

Charges for development, where knowledge is applied to achieve new or improved products or processes, are reported as an asset in the Balance Sheet, if the product or process is technically and commercially viable and the company has sufficient resources to complete the development and, thereafter, to use or sell the intangible asset.

### *Customer relations*

Customer relations are reported at estimated fair value at the time at which the Group assumed risks and benefits regarding subsidiaries affected. Customer relations have a limited period of use, and are reported at acquisition value less accumulated depreciation and any write-downs.

### *Depreciation*

Depreciation is reported in the Income Statement linearly over the estimated useful life of the intangible asset. Depreciable intangible assets are depreciated from the date when they are available for use. The estimate useful life periods are:

- patents and trademarks 5 years
- development charges brought forward 5 years
- customer relations 5 years

### **(l) Write-downs**

The reported values for the Group's assets are assessed on every closing day to determine whether there is any indication of a write-down requirement. If any such indication exists, the asset's recoverable value is calculated.

The recoverable value of goodwill and other intangible assets with indeterminable useful life periods, and intangible assets not yet ready for use, is calculated annually.

A write-down is reported when the reported value of an asset or cash-generating unit exceeds the recoverable value. A write-down is charged to the Income Statement.

#### *Calculation of the recoverable value*

The recoverable value of other assets is whichever is the higher of the fair value minus sale costs, and the value in use. When calculating the value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest rates and the risk associated with the specific asset. The recoverable value for the cash-generating unit to which the asset belongs is calculated for any asset that does not generate cash flows that are significantly independent of other assets.

#### *Reversal of write-downs*

Write-downs are reversed if a subsequent increase in the recoverable value can objectively be attributed to an event that occurred after the write-down had occurred.

Write-downs on goodwill are not reversed.

### **(m) Leased assets**

Leasing is classified in the consolidated accounts as either financial or operational leasing. Financial leasing exists when the economic risks and benefits associated with ownership have, in every significant respect, been transferred to the lessee. If this is not the case, operational leasing is deemed to exist. The only type of leasing in which Avanza Bank is engaged is operational leasing.

Under operational leasing, the leasing charge is booked linearly over the duration of the lease, which can differ from the sum de facto paid as a leasing charge during the year.

### **(n) Dividend paid**

Dividends are reported as liabilities once the Annual General Meeting of the shareholders of the company has approved the Board's dividend proposal.

### **(o) Remuneration to employees**

Avanza Bank exclusively implements defined-contribution pension plans via individual salary exchange. Undertakings in respect of payments to defined-contribution plans are reported as a cost in the Income Statement as they arise.

### **(p) Provisions**

A provision is reported in the Balance Sheet when the Group has an existing legal or informal undertaking as a result of an event that has occurred, and it is probable that an outflow of economic resources will be required to regulate the undertaking and a reliable estimate of the amount can be made.

## **(q) Taxes**

Income taxes comprise current tax and deferred tax. Income taxes are reported in the Income Statement other than when underlying transactions are reported directly to shareholders' equity, at which point the associated fiscal effect is reported under shareholders' equity.

Current tax is the tax payable or which is received in respect of the current year, applying the rates of taxation approved, or approved in practice, as of the closing day. This also includes adjustments of current tax attributable to previous periods.

Deferred tax is calculated using the Balance Sheet method on the basis of temporary differences between the reported and fiscal values of assets and liabilities. The following temporary differences are not taken into account: temporary differences that arose in conjunction with the first reporting of goodwill, the first reporting of assets and liabilities that do not constitute operational acquisitions and which, at the time of the transaction, did not affect either the reported or the fiscal profit/loss. The valuation of deferred tax is based on the way in which the reported values of assets or liabilities are expected to be realized or regulated.

Deferred tax is calculated by applying the rates of taxation and taxation rules approved, or approved in practice, as of the closing day. Deferred tax receivables in respect of deductible temporary differences and deficit deductions are only reported to the extent that it is likely that it will be possible to utilize them.

## **(r) Contingent liabilities**

A contingent liability is reported when there is a possible undertaking that arises from events that have occurred and whose existence is only confirmed by one or more uncertain future events, or when there is an undertaking that is not reported as a liability or provision because it is not likely that an outflow of resources will be required or the size of the undertaking cannot be calculated with sufficient reliability.

## **(s) The Parent Company's accounting principles**

The Parent Company has prepared its Annual Report in accordance with the provisions of the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2:1, Accounting for legal entities, of the Swedish Financial Reporting Board. Under RFR 2:1, the parent company, in its annual accounts for the legal entity, shall apply all IFRS regulations and statements approved by the EU, as far as possible, albeit with lower requirements with regard to supplementary information, within the framework of the Swedish Annual Accounts Act and with regard to the connection between accounting and taxation. The differences between the accounting principles of the Group and the Parent Company are shown below.

The accounting principles for the Parent Company described below have been applied consistently to all periods presented in the Parent Company's financial reports.

### *Participations in Group companies*

Participations in Group companies are reported in the Parent Company in accordance with the acquisition value method of accounting. Dividends received are only reported as income when they derive from profits earned after the acquisition. Dividends that exceed these profits earned are regarded as a refund of the investment and reduce the reported value of the participation. Dividend income is reported when the right to receive payment is adjudged to be certain.

*Group contributions and shareholders' contributions*

Group contributions that shall be equated to a dividend are reported as a dividend. Group contributions received, and their relevant fiscal effects, are consequently reported over the Income Statement. Group contributions, and their relevant fiscal effects, are reported directly to retained profits.

Group contributions that shall be equated to a shareholder's contribution are reported, taking into account the relevant fiscal effect, directly by the recipient against retained profits. The donor reports the Group contribution, and its relevant fiscal effect, as an investment in participations in Group companies, to the extent that write-downs are not required.

Notes that have no direct reference to Income Statements or Balance Sheets:

- Note 26 Durations for assets and liabilities
- Note 27 Pledged assets and contingent liabilities
- Note 29 Capital adequacy analysis
- Note 30 Financial risks and financial policies
- Note 31 Related parties
- Note 32 Important estimates and evaluations
- Note 33 Events after the closing day



### Note 3 Commission income

SEK m	2008	2007
Brokerage	276	304
Fund commissions	41	69
Other commissions	67	75
<b>Total</b>	<b>384</b>	<b>448</b>

### Note 4 Commission expenses

SEK m	2008	2007
Transaction costs	-47	-48
Payment services commissions	-5	-4
Other commissions	-17	-15
<b>Total</b>	<b>-69</b>	<b>-67</b>

### Note 5 Net interest items

SEK m	2008	2007
<i>Interest income</i>		
Interest income from lending to credit institutions	238	158
Interest income from lending to the public	143	144
Other interest income	13	0
<b>Total</b>	<b>394</b>	<b>302</b>
<i>Interest expenses</i>		
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-201	-127
Other interest expenses	0	0
<b>Total</b>	<b>-201</b>	<b>-127</b>
<b>Net interest items</b>	<b>193</b>	<b>175</b>

The average lending rate to account customers during the year was 6.82 per cent (6.19 %). The average deposits rate from accounts with surplus liquidity during the year was 2.78 per cent (2.03%). SEK 1,446 thousand (SEK 171 k) of the Parent Company's interest income/expenses refers to income from Group companies and SEK 234 (SEK 0) to interest expenses from Group companies.

### Note 6 Net result of financial transactions

SEK m	2008	2007
Realised profit/loss in respect of shares, etc.*	1	1
Exchange rate fluctuations	0	0
Change in value of insurance operations assets**	-3,486	-115
Change in value of insurance operations liabilities**	3,486	115
<b>Total</b>	<b>1</b>	<b>1</b>

\* Financial instruments held for trading purposes

\*\* Have been identified, in conjunction with first reporting, as a financial instruments valued at fair value via the Income Statement

## Note 7 General administration costs

SEK m	2008	2007
Salaries and other remuneration	-100	-85
Pension costs	-1	-1
Social insurance charges	-32	-28
Other staff overheads	-5	-7
Consultancy services purchased	-11	-14
Market information costs	-12	-9
Other general administration costs	-46	-36
<b>Total</b>	<b>-207</b>	<b>-180</b>

### Salaries, other remuneration and payroll overhead

SEK m	2008		2007	
	Salaries and other remuneration	Payroll overhead (of which pension costs)	Salaries and other remuneration	Payroll overhead (of which pension costs)
<i>The Group</i>	100	32	85	29
		(2)		(1)
of which the Board and MD	5	2	5	1
		(0)		(0)
<i>Parent Company</i>	3	1	2	1
		(-)		(-)
of which the Board and MD	3	1	2	1
		(-)		(-)

Average no. employees	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	1	1	1	1
Subsidiaries	195	120	177	114
<b>Total</b>	<b>196</b>	<b>121</b>	<b>178</b>	<b>115</b>

The Group has no employees outside Sweden. At the end of the year there was a total of 192 (210) Group employees. Normal employment terms comprise salary and benefits. Occupational pensions are obtained through defined-contribution pension plans, via individual salary exchange. Therefore, pension costs refer exclusively to health insurance premiums.

### Information regarding senior executives

The term, senior executive, refers to the Managing Director and the four other persons who hold senior positions. Together, they make up the Group management.

### Remuneration to senior executives during the financial year

Fees are payable to the Chairman of the Board and Board Members in accordance with the resolutions of the 2008 Annual General Meeting. The Chairman of the Board has not received any remuneration in addition to Director's fees. Remuneration to the Managing Director and other senior executives comprises the basic salary and variable remuneration. Variable remuneration has been paid for performances over and above those normally expected. The variable remuneration paid to senior executives in 2008 totalled SEK 4.1 million (SEK 4.9 m), of which SEK 2.2 million (SEK 2.1 m) was paid to the Managing Director.

Remuneration to the Managing Director for the 2008 financial year has been decided by the Board of Directors. Remuneration to other senior executives has been decided by the Managing Director after consultation with the Board's Remuneration Committee. The term, senior executives, refers to the four persons who, together with the Managing Director, comprise the Group management. For the composition of the Group

management at the end of the financial year, see page 87. Members of the Group management have acquired warrants on market terms in accordance with the warrant programme approved by the Annual General Meeting held on 15th April 2008. The total remuneration paid to members of the Group management shall be on market terms.

SEK k	2008			
	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
<b>The Group</b>				
Chairman of the Board	175	–	–	175
Members of the Board	861	–	–	861
Managing Director	1,706	2,193	18	3,917
Other senior executives	3,921	1,915	84	5,920
<b>Total</b>	<b>6,663</b>	<b>4,108</b>	<b>102</b>	<b>10,873</b>

SEK k	2007			
	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
<b>The Group</b>				
Chairman of the Board	165	–	–	165
Members of the Board	745	–	–	745
Managing Director	1,560	2,084	16	3,660
Other senior executives	5,318	2,794	99	8,211
<b>Total</b>	<b>7,788</b>	<b>4,878</b>	<b>115</b>	<b>12,781</b>

#### Members of the Board

SEK k	2008		2007	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Sven Hagströmer	175	–	165	–
Jeanette Almberg	–	–	70	–
Hans Bergenheim	151	–	135	–
Anders Elsell	211	–	185	–
Mattias Miksche	116	–	–	–
Mikael Nachemson	116	–	110	–
Andreas Rosenlew	116	–	110	–
Nicklas Storåkers	–	–	–	–
Jaqueline Winberg	151	–	135	–
<b>Total</b>	<b>1,036</b>	<b>–</b>	<b>910</b>	<b>–</b>

There were 5 (7) senior executives in the Group during the greater part of the year, 4 (5) of whom were men. The Board has 8 (7) members, 7 (6) of whom are men.

The Managing Director has a 6-month period of notice if the contract of employment is terminated by the Managing Director himself, and 12 months if the contract of employment is terminated by the company. The periods of notice for other senior executives if they themselves terminate their contracts of employment vary between 3 and 6 months, and between 6–12 months if the contracts of employment are terminated by the company. There are no severance pay agreements for the Managing Director or senior executives. The retirement age for the Managing Director and other senior executives is 65. Avanza Bank has no pension commitments. The employees have the opportunity of private pension insurance through optional, individual salary exchange.

## Absence due to sickness

The Group	2008	2007
Absence due to sickness, %	1.5	1.6
men	1.3	1.3
women	1.9	2.0
Absence due to sickness by age interval		
Under 29 years old	1.9	1.8
30 to 49 years old	1.3	1.4
over 50 years old	*	0.9
Long-term absence due to sickness	*	*

\* Not reported, under 10 employees

## Financial instrument, warrants

Subsidiary programme 2		Warrants, 2006/2009		Market value, SEK k	
SEK k	Number	Value*	Acquisition price	Benefit	31st Dec 2008
Managing Director	15,400	74	74	–	0
Other senior executives	43,230	199	199	–	0
<b>Total</b>	<b>58,630</b>	<b>273</b>	<b>273</b>	<b>–</b>	<b>0</b>

Subsidiary programme 3		Warrants, 2007/2010		Market value, SEK k	
SEK k	Number	Value*	Acquisition price	Benefit	31st Dec 2008
Managing Director	40,000	172	172	–	0
Other senior executives	28,040	121	121	–	0
<b>Total</b>	<b>68,040</b>	<b>293</b>	<b>293</b>	<b>–</b>	<b>0</b>

Subsidiary programme 1		Warrants, 2008/2011		Market value, SEK k	
SEK k	Number	Value*	Acquisition price	Benefit	31st Dec 2008
Managing Director	150,000	990	990	–	10
Other senior executives	127,880	844	844	–	8
<b>Total</b>	<b>277,880</b>	<b>1,834</b>	<b>1,834</b>	<b>–</b>	<b>18</b>

\* Market value at time of acquisition

Subsidiary programmes 2, 3 and 1 were acquired at market price in August 2006, August 2007 and May 2008, respectively. The market value has been calculated in accordance with the Black & Scholes valuation model.

## Auditors' fees and reimbursement of expenses

The Group, SEK k	2008	2007
<b>Ernst &amp; Young</b>		
Audit engagements	–1,463	–920
Other engagements	–724	–183
<b>KPMG Bohlins AB</b>		
Audit engagements	–	–304
Other engagements	–	–603
<b>Öhrlings PricewaterhouseCoopers</b>		
Audit engagements	–	–72
<b>Total</b>	<b>–2,187</b>	<b>–2,082</b>

The total cost of independent auditing carried out by external consultants during the year was SEK 312 thousand (SEK 445 k).

### The Parent Company

The total remuneration payable for the financial year comprises SEK 551 thousand (SEK 438 k) for audit engagements and SEK 198 thousand (SEK 180 k) for other assignments.

The term, audit engagement, refers to the auditing of the Annual Report and the bookkeeping and of the administration by the Board of Directors and the Managing Director, to other duties incumbent upon the company's auditors, and to the provision of advice or other assistance occasioned by observations in conjunction with such audits or the performance of other such duties. All other activities are classified as Other engagements.

## Note 8 Leasing charges for operational leasing

SEK m	2008	2007
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-10	-9
<b>Total leasing costs</b>	<b>-10</b>	<b>-9</b>
<i>Agreed future minimum leasing charges in respect of uncancellable contracts and which fall due for payment</i>		
Within one year	-10	-9
Between one and five years	-4	-11
<b>Total</b>	<b>-14</b>	<b>-20</b>

## Note 9 Depreciation of tangible and intangible fixed assets

SEK m	2008	2007
Depreciation of intangible fixed assets	-6	-3
Depreciation of tangible assets	-6	-7
<b>Total</b>	<b>-12</b>	<b>-10</b>

## Note 10 Other operating expenses

SEK m	2008	2007
Marketing costs	-31	-49
Other operating expenses	-20	-10
<b>Total</b>	<b>-51</b>	<b>-59</b>

## Note 11 Credit losses, net

SEK m	2008	2007
Year's depreciation of confirmed credit losses	0	-1
Reversal of provisions previously made for anticipated credit losses reported in the annual accounts as confirmed losses	-	-
Year's depreciation of anticipated credit losses	-	-
Reversal of provisions for anticipated credit losses no longer required	-	-
<b>Net cost of credit losses for the year</b>	<b>0</b>	<b>-1</b>

## Note 12 Profit/loss on Group participations

Parent Company, SEK m	2008	2007
Dividend received/anticipated	118	226
Group contribution received	7	6
Capital gain/loss on liquidation of subsidiaries	-	0
<b>Total</b>	<b>125</b>	<b>232</b>

## Note 13 Tax on profit/loss for the year

SEK m	The Group		Parent Company	
	2008	2007	2008	2007
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-55	-74	0	0
<b>Total current tax</b>	<b>-55</b>	<b>-74</b>	<b>0</b>	<b>0</b>
<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	1	0	-	-
Deferred tax expense resulting from utilisation of previously capitalised fiscal value in loss carry forwards	-	-	-	-
<b>Total deferred tax</b>	<b>1</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>Total reported tax expense</b>	<b>-54</b>	<b>-74</b>	<b>0</b>	<b>0</b>
<i>Reconciliation of effective tax</i>				
<b>Profit/loss before tax</b>	<b>239</b>	<b>307</b>	<b>118</b>	<b>225</b>
Tax at current rate of taxation	28.0%	28.0%	28.0%	28.0%
Non-deductible costs	0.4%	0.2%	0.0%	0.1%
Non-taxable income	-0.3%	0.0%	-28.0%	-28.1%
Other tax base in insurance operations	-5.3%	-2.1%	-	-
Adjustment of previous year's tax expense	-0.2%	-	-	-
Utilisation of previously unvalued loss carry forward*	-	-1.9%	-	-
<b>Effective tax</b>	<b>22.6%</b>	<b>24.2%</b>	<b>0.0%</b>	<b>0.0%</b>

\* In accordance with ruling by Swedish Tax Board

There are no loss carry forwards in the Group.

### Deferred tax in temporary differences and loss carry forwards

The Group	Amount at end of year	
	2008	2007
Deferred tax receivable	1	0
Deferred tax liability	0	1
<b>Net</b>	<b>1</b>	<b>1</b>

The temporary differences refer to depreciation of computers which are, for accounting purposes, depreciated over three years, and for tax purposes, over five years.

The National Tax Board has issued a ruling with regard to a tax audit of Försäkringsaktiebolaget Avanza Pension that began in December 2007. The ruling states that the National Tax Board will impose income tax on the company in respect of fund commissions for the 2006 income year. The imposition of income tax would fundamentally change the way in which the Swedish fund-based insurance market is taxed and would generate an imbalance in the competition between different types of pension- and insurance-based savings. Avanza Bank believes that there is no legal basis for the National Tax Board's deliberations and intends to apply for an advance ruling in respect of the 2009 tax year, rather than appealing the above ruling, with the aim of ensuring that the issue is addressed more quickly than would otherwise be the case. Avanza Bank intends to pursue the case to the highest level, if necessary. Provision has, therefore, not been made in these annual accounts for the increased tax cost arising from the ruling. Should the Council for Advanced Tax Rulings rule in accordance with the ruling by the National Tax Board, and should this decision be upheld by the higher courts, the company's tax expense for the 2006–2008 income years would increase by SEK 7 million.

## Note 14 Earnings per share

SEK	2008	2007
Earnings per share before dilution	6.78	8.51
Earnings per share after dilution	6.75	8.45

### *Earnings per share before dilution*

The calculation of earnings per share has been based on the profit/loss for the year after tax, which totalled SEK 185 million (SEK 233 m) relative to a weighted average number of shares outstanding before dilution during 2008, which figure totalled 27,350,713 (27,404,539).

### *Earnings per share after dilution*

The calculation of earnings per share after dilution has been based on the profit/loss for the year after tax, which totalled SEK 185 million (SEK 233 m) relative to a weighted average number of shares outstanding after dilution during 2008, which figure totalled 27,481,023 (27,609,792).

Avanza Bank has three outstanding warrant programmes: 2006/2009 (subsidiary programme 2), the exercise price of which is 168.78 per share, 2007/2010 (subsidiary programme 3), the exercise price of which is SEK 170.81 per share, and 2008/2011 (subsidiary programme 1), the exercise price of which is SEK 138.43 per share. The market price, as of 30th December 2008 was SEK 71.00.

Number of shares	2008	2007
Average no. shares before dilution	27,350,713	27,404,539
Average no. shares after dilution	27,481,023	27,609,792
Outstanding no. shares before dilution	27,577,610	27,160,000
Outstanding no. shares after dilution	27,578,145	27,408,250
No. shares on full dilution	28,939,550	28,376,450

## Note 15 Lending to the public

SEK m	31st Dec 08	31st Dec 07
Lending to the public	1,253	2,301
<b>Total</b>	<b>1,253</b>	<b>2,301</b>

Lending to the public is reported after deductions for confirmed and anticipated credit losses. At yearend 31st December 2008, there were no anticipated credit losses. All loans, known as account loans, are secured by collateral in the form of securities.

### **Provisions for bad debts**

SEK m	31st Dec 08	31st Dec 07
Provisions at beginning of year	1	0
Provision for anticipated losses	0	1
<b>Provisions at end of year</b>	<b>1</b>	<b>1</b>

## Note 16 Shares and participations

SEK m	31st Dec 08	31st Dec 07
Shares and participations, quoted	4	0
Shares and participations, unquoted	8	1
<b>Total</b>	<b>12</b>	<b>1</b>

## Note 17 Insurance operations assets and liabilities

SEK m	31st Dec 08	31st Dec 07
<i>Financial assets, insurance operations</i>		
Shares and participations	5,857	5,998
Interest-bearing securities	295	267
Liquid assets	1,296	1,015
<b>Total</b>	<b>7,448</b>	<b>7,280</b>
<i>Financial liabilities, insurance operations</i>		
Conditional bonus	7,448	7,280
<b>Net</b>	<b>0</b>	<b>0</b>

All insurance operations' assets refer to assets for which the policyholders carry direct investment risk. All insurance operations liabilities refer to conditional bonuses for which the policyholders bear the direct risk. This means that the policyholders receive yields but also cover the risk entailed by the insurance operations assets and liabilities. The Group has no entitlement to the cash flow attributable to invested funds. Both the assets and liabilities are valued in accordance with the financial assets and liabilities category valued at fair value via the Income Statement. The net effect on profit/loss of securities acquired, unrealised changes in value, realised changes in value, interest and dividends received and premiums paid and changes in value of the liability is zero.

## Note 18 Intangible fixed assets

SEK m	31st Dec 08	31st Dec 07
<b>Goodwill</b>		
<i>Acquisition values</i>		
Reported value at beginning of year	26	26
<b>Reported value at end of year</b>	<b>26</b>	<b>26</b>
<b>Other intangible assets</b>		
<i>Acquisition value</i>		
At beginning of year	24	20
Year's investments	8	4
Year's disposals	-2	-
<b>At end of year</b>	<b>30</b>	<b>24</b>
<i>Depreciation</i>		
At beginning of year	-16	-13
Year's depreciation	-6	-3
Year's disposals	1	-
<b>And end of year</b>	<b>-21</b>	<b>-16</b>
<b>Reported value at end of year</b>	<b>9</b>	<b>8</b>
<b>Total intangible fixed assets</b>	<b>35</b>	<b>34</b>

The goodwill in the Group derives from the acquisition of Avanza Holding in 2001, totalling SEK 23 million, and from the acquisition of Börsveckan AB (now trading as Placera Media Stockholm AB), totalling SEK 3 million. Other intangible assets comprise software licences and customer relationships deriving from the acquisition of Börsveckan AB.

No write-down requirement has been identified in the annual write-down reviews. The net income deriving from the acquisition of Avanza Holding AB exceeds the goodwill value on a per year basis and the cash-generating unit, the Börsveckan newspaper, has generated an operating profit of SEK 2 million during the year, in comparison with a goodwill value of SEK 3 million.



## Note 19 Tangible assets

SEK m	31st Dec 08	31st Dec 07
<b>The Group</b>		
<i>Acquisition value</i>		
At beginning of year	26	22
Year's investments	3	6
Year's disposals	–	–2
<b>At end of year</b>	<b>29</b>	<b>26</b>
<i>Depreciation</i>		
At beginning of year	–15	–10
Year's depreciation	–6	–7
Year's disposals	–	2
<b>At end of year</b>	<b>–21</b>	<b>–15</b>
<b>Reported value at end of year</b>	<b>8</b>	<b>11</b>

## Note 20 Other assets

SEK m	31st Dec 08	31st Dec 07
Securities trading receivables	226	561
Other	11	27
<b>Total</b>	<b>237</b>	<b>588</b>

## Note 21 Prepaid costs and accrued income

SEK m	31st Dec 08	31st Dec 07
Prepaid costs	8	8
Accrued income	8	20
<b>Total</b>	<b>16</b>	<b>28</b>

## Note 22 Deposits by the public

Over and above the deposits reported in the Balance Sheet, Avanza Bank had deposits in client fund accounts from third parties, corresponding to SEK 645 million (SEK 708 m), as of 31st December 2008.

## Note 23 Other liabilities

SEK m	31st Dec 08	31st Dec 07
Securities trading liabilities	7	88
Accounts payable	6	12
Other	17	19
<b>Total</b>	<b>30</b>	<b>119</b>

## Note 24 Accrued costs and prepaid income

SEK m	31st Dec 08	31st Dec 07
Personnel-related liabilities	13	13
Other	24	17
<b>Total</b>	<b>37</b>	<b>30</b>

## Note 25 Shareholders' equity

As of 31st December 2008, the registered share capital comprised 27,595,843 (27,465,674) ordinary shares with a nominal value of SEK 2.50 per share. Avanza Bank has acquired 18,233 of its own shares in 2008 for a total of SEK 1.4 million. There are a total of 27,577,610 outstanding shares. Other capital contributed refers to shareholders' equity contributed by the owners. The retained profit, including the net profit/loss for the year includes profits/losses earned in the Parent Company and its subsidiaries.

### Dividend

After the closing day, the Board proposed a dividend of SEK 6.00 (SEK 6.00) per share, for a total disbursement of SEK 165 million (SEK 163 m). The dividend will be submitted for approval by the Annual General Meeting of the shareholders of the company, to be held on 21st April 2009.

### Warrants

The warrants programme comprises 1,361,940 shares, which corresponds to a dilution of 4.9 per cent. The warrants programme is divided up into three subsidiary programmes and the warrants programme as a whole runs from July 2006 until May 2011. Outstanding warrants 2006/2009 (subsidiary programme 2) grant entitlement to subscribe for a total of 411,620 new shares at an exercise price of SEK 168.78 per share. The term is up to and including 30th September 2009. The warrants can be exercised from 1st June 2009 up to and including 30th September 2009. Outstanding warrants 2007/2010 (subsidiary programme 3) grant entitlement to subscribe for a total of 380,630 new shares at an exercise price of SEK 170.81 per share. The term is up to and including 30th September 2010. The warrants can be exercised from 1st June 2010 up to and including 30th September 2010. Outstanding warrants 2008/2011 (subsidiary programme 1) grant entitlement to subscribe for a total of 569,690 new shares at an exercise price of SEK 138.43 per share. The term is up to and including 27th May 2011. The warrants can be exercised from 2nd May 2011 up to and including 27th May 2011. The warrants are valued at the market rate in accordance with the Black & Scholes valuation model. Subsidiary programme 1 in the previous warrant programme 2005–2008 had an exercise period from 1st June to 30th September 2008. The exercise price was SEK 67.20 per share. 435,843 of a total of 443,400 shares were subscribed for in 2008 under this subsidiary programme and the remaining warrants have expired. There were a total of 27,595,843 registered shares after the new issue as a result of warrants exercised, and a total of 27,577,610 outstanding shares.

The Group SEK m	Share capital	Other capital contributed*	Retained profit/loss	Total
<b>Shareholders' equity, 31st Dec 2006</b>	<b>69</b>	<b>123</b>	<b>297</b>	<b>489</b>
Dividend paid	–	–	–110	–110
Buy-back of the company's own shares	–	–	–41	–41
Warrants issue	–	2	–	2
Net profit/loss for the year	–	–	233	233
<b>Shareholders' equity, 31st Dec 2007</b>	<b>69</b>	<b>125</b>	<b>379</b>	<b>573</b>
Dividend paid	–	–	–163	–163
Withdrawal of bought back shares	–1	–	1	0
Buy-back of the company's own shares	–	–	–1	–1
New share issue	1	28	–	29
Warrants issue	–	4	–	4
Net profit/loss for the year	–	–	185	185
<b>Shareholders' equity, 31st Dec 2008</b>	<b>69</b>	<b>157</b>	<b>402</b>	<b>628</b>

\* The reduction of SEK 117 million in the statutory reserve in comparison with the previous year's reported changes to the Group's shareholders' equity in 2007 has not affected the breakdown between Other capital contributed and Profit/Loss brought forward. The comparative figures have been adjusted

Parent Company SEK m	Share capital	Statutory reserve	Share premium reserve	Profit/loss brought forward	Total
<b>Shareholders' equity, 31st Dec 2006</b>	<b>69</b>	<b>117</b>	<b>4</b>	<b>149</b>	<b>339</b>
Dividend paid	–	–	–	–110	–110
Buy-back of the company's own shares	–	–	–	–41	–41
Reduction in statutory reserve	–	–117	–	117	–
Warrants issue	–	–	–	2	2
Net profit/loss for the year	–	–	–	225	225
<b>Shareholders' equity, 31st Dec 2007</b>	<b>69</b>	<b>–</b>	<b>4</b>	<b>342</b>	<b>415</b>
Dividend paid	–	–	–	–163	–163
Withdrawal of bought back shares	–1	–	–	1	0
Buy-back of the company's own shares	–	–	–	–1	–1
New share issue	1	–	28	–	29
Warrants issue	–	–	4	–	4
Net profit/loss for the year	–	–	–	118	118
<b>Shareholders' equity, 31st Dec 2008</b>	<b>69</b>	<b>0</b>	<b>36</b>	<b>297</b>	<b>402</b>

#### No. outstanding shares

<b>31st Dec 2007</b>	<b>27,160,000</b>
New share issue due to exercise of warrants	435,843
Buy-back of the company's own shares	–18,233
<b>31st Dec 2008</b>	<b>27,577,610</b>

### Note 26 Terms for assets and liabilities, 31st Dec 2008

Remaining term (book value)

SEK m	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	2,087	4,500	–	–	–	–	6,587
Lending to the public	–	1,253	–	–	–	–	1,253
Shares and participations	–	–	–	–	–	12	12
Assets in insurance operations	–	4,383	5	1,603	1,457	–	7,448
Intangible assets	–	–	–	–	–	35	35
Tangible assets	–	–	–	–	–	8	8
Other assets	–	237	–	–	–	–	237
Deferred tax receivables	–	–	–	1	–	–	1
Accrued income and prepaid costs	–	16	–	–	–	–	16
<b>Total assets</b>	<b>2,087</b>	<b>10,389</b>	<b>5</b>	<b>1,604</b>	<b>1,457</b>	<b>55</b>	<b>15,597</b>
<i>Liabilities</i>							
Deposits by the public	7,386	–	–	–	–	–	7,386
Insurance operations liabilities*	–	4,383	5	1,603	1,457	–	7,448
Current tax liability	–	67	–	–	–	–	67
Deferred tax liabilities	–	–	–	1	–	–	1
Other liabilities	–	30	–	–	–	–	30
Accrued costs and prepaid income	–	37	–	–	–	–	37
<b>Total liabilities</b>	<b>7,386</b>	<b>4,517</b>	<b>5</b>	<b>1,604</b>	<b>1,457</b>	<b>–</b>	<b>14,969</b>

\* 100 per cent of the distribution of endowment insurance terms is within <3 months. 75 per cent of the terms for endowment pensions are of 1–5 years and 25 per cent are >5 years. 10 per cent of the private pension insurance terms are 1–5 years and 90 per cent are >5 years. 5 per cent of the terms for occupational pensions are 1–5 years and 95 per cent are >5 years

## Terms for assets and liabilities, 31st Dec 2007

Remaining term (book value)

SEK m	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	2,205	2,000	–	–	–	–	4,205
Lending to the public	–	2,301	–	–	–	–	2,301
Shares and participations	–	–	–	–	–	1	1
Assets in insurance operations	0	4,202	0	2,162	916	0	7,280
Intangible assets	–	–	–	–	–	34	34
Tangible assets	–	–	–	–	–	11	11
Other assets	–	588	–	–	–	–	588
Deferred tax receivables	–	–	–	1	–	–	1
Accrued income and prepaid costs	–	28	–	–	–	–	28
<b>Total assets</b>	<b>2,205</b>	<b>9,119</b>	<b>0</b>	<b>2,163</b>	<b>916</b>	<b>46</b>	<b>14,449</b>
<i>Liabilities</i>							
Deposits by the public	6,370	–	–	–	–	–	6,370
Insurance operations liabilities*	0	4,202	0	2,162	916	0	7,280
Current tax liability	–	38	–	–	–	–	38
Deferred tax liabilities	–	–	–	1	–	–	1
Other liabilities	–	157	–	–	–	–	157
Accrued costs and prepaid income	–	30	–	–	–	–	30
<b>Total liabilities</b>	<b>6,370</b>	<b>4,427</b>	<b>0</b>	<b>2,163</b>	<b>916</b>	<b>0</b>	<b>13,876</b>

\* 100 per cent of the distribution of endowment insurance terms is within <3 months. 75 per cent of the terms for endowment pensions are of 1–5 years and 25 per cent are >5 years. 10 per cent of the private pension insurance terms are 1–5 years and 90 per cent are >5 years. 5 per cent of the terms for occupational pensions are 1–5 years and 95 per cent are > 5 years

## Note 27 Pledged assets and contingent liabilities

SEK m	31st Dec 08	31st Dec 07
<b>Pledged assets</b>		
<i>In the form of assets pledged on behalf of customers</i>		
Securities loans	88	52
Collateral requirement, OM derivatives	96	112
<i>Other pledged collateral and security</i>		
Securities liquidation, VPC	200	159
Securities liquidation, Finska APK	11	9
Securities liquidation, Norges Bank	31	33
Securities liquidation, Danmark VPS	29	25
National Bank of Sweden clearing	100	–
<b>Total pledged assets</b>	<b>555</b>	<b>390</b>

Securities and liquid assets pledged as security for external banks' securing of Avanza Bank's undertakings in conjunction with securities liquidation. The remaining securities pledged refer to securities loans. The counterparties in these transactions are credit institutions.

Assets managed on behalf of third parties (client trust accounts) not reported in the Balance Sheet total SEK 645 million (SEK 708 m).

### Contingent liabilities

The Swedish Deposit Guarantee Board has advised that a loss has arisen which shall be covered by the investor protection. A Swedish securities company, CTA Lind & Co Scandinavia AB, has been declared bankrupt, and funds have been paid to investors from the Swedish investor cover. Because funds were not available funded within the investor protection, the National Debt Office will consequently require payments in arrears from all institutions, the customers of which were covered by the investor protection, in order to cover the costs. It is currently unclear how the total cost of SEK 100 million will be divided between the institutions.

### Note 28 Shares and participations in Group companies

SEK m	2008	2007
<i>Acquisition value</i>		
At beginning of year	442	429
Shareholders' contribution	–	15
Liquidation of subsidiaries	–	–2
<b>At end of year</b>	<b>442</b>	<b>442</b>
<i>Accumulated write-downs</i>		
At beginning of year	–228	–228
<b>At end of year</b>	<b>–228</b>	<b>–228</b>
<b>Reported value at end of year</b>	<b>214</b>	<b>214</b>

	Corporate ID no.	Registered office	No. shares	% of shares	Book value
Avanza Bank AB	556573-5668	Stockholm	550,000	100	166
Avanza International AB, in liquidation	556540-6179	Stockholm	999	100	0
Avanza Fonder AB	556664-3531	Stockholm	31,000	100	3
Försäkringsaktiebolaget Avanza Pension	516401-6775	Stockholm	350,000	100	38
Placera Media Stockholm AB	556642-9592	Stockholm	1,000	100	7
<b>Total</b>					<b>214</b>

## Note 29 Capital requirement for the financial conglomerate

In 2008, the Swedish Financial Supervisory Authority ruled that the Avanza Bank group of companies constitutes a financial conglomerate. As a result of this ruling, the financial corporate group ceased to exist.

The Swedish Financial Conglomerates (Special Supervision) Act (2006:531) and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2006:6) concerning special supervision of financial conglomerates apply to the determination of the financial conglomerate's statutory capital requirement.

The financial conglomerate comprises all companies in the Group. Capital bases and capital requirements have been calculated using the consolidation method.

### The financial conglomerate

SEK m	31st Dec 08
<b>Capital base</b>	
Shareholders' equity, the Group	628
Proposed dividend	-165
<b>Shareholders' equity, the financial conglomerate</b>	<b>463</b>
<i>Less</i>	
Intangible assets and deferred tax receivables	-37
<b>Capital base</b>	<b>426</b>
<b>Capital requirement</b>	
Capital requirement for regulated units within the banking and securities sector	202
Capital requirement for regulated units in the insurance sector	29
Theoretical capital requirement for non-regulated units	23
<b>Capital requirement</b>	<b>254</b>
<b>Capital surplus</b>	<b>172</b>
<b>Capital base/Capital requirement</b>	<b>1.68</b>

The biggest financial sector for Avanza Bank is the banking and securities sector, while the smallest financial sector is the insurance sector. The conglomerate's capital base shall cover the prescribed minimum capital requirements, which comprise the capital requirements for credit risks, market risks and operating risks, as regulated in the Swedish Capital Adequacy and Large Exposures Act and the solvency requirements regulated in the Swedish Insurance Operations Act. The regulations help boost the Group's resistance to financial losses and thereby protect the customers.

### Capital assessment policy

Almost all operations that require capital are conducted within the biggest company in the financial conglomerate, namely Avanza Bank AB. Avanza Bank AB also has its own capital assessment policy which states that the capital base shall also comprise the estimated capital requirement for additional operating risks identified.

### Capital plan

Avanza Bank AB has an established plan to determine the size of the capital base in a few years' time and which is based on:

- The company's risk profile
- So-called stress tests and scenario analyses
- Anticipated lending expansion and financing opportunities, and
- New legislation, the behaviour of competitors, and other external changes.

The review of the capital plan is an integral part of the work on the company's annual operating plan. The plan is followed up as required and an annual review is carried out to ensure that the risks are taken into account correctly and reflect the company's true risk profile and capital requirement. Every change and addition to the policy/strategy documents adopted by the Board shall, as with more important lending decisions and investments, always be related to the institute's current and future capital requirements.

Ongoing monitoring is carried out with regard to the insurance sector to ensure that the capital base complies with the legal solvency requirements. All insurance contracts within the Avanza Bank Group have conditional bonuses in which the policyholder bears the risk of changes in value, and hence no insurance risks exist.

#### *Internal capital assessment (IKU)*

An internal capital assessment is also drawn up every year for Avanza Bank AB, reflecting the company's perception of the size of the equity required to conduct the company's current and future operations securely. Consideration is given, with regard to the future operations, to both planned operational changes and unexpected external changes. The result of the assessment is approved by the Board of Directors of Avanza Bank AB and the Swedish Financial Supervisory Authority. The IKU is used as the basis for decisions regarding the capital structure in conjunction with decisions to utilise the Annual General Meeting's authorisation with regard to the buy-back of the company's own shares and decisions on dividend payments, for example.

The internal capital assessment for Avanza Bank AB has resulted in a total capital requirement of SEK 262 million. The legal requirement for Avanza Bank AB totalled SEK 201 million. The shareholders' equity consequently fulfils both the objective of covering the credit risk and operating risks and of constituting credibility capital in relation to banks and other investors.

No advanced models have been used to assess the capital requirement. The assessment is conducted on the basis of the capital required to enable Avanza Bank AB to fulfil its commercial objectives. The following risks have been assessed in August 2008:

- |                      |                          |
|----------------------|--------------------------|
| ▪ Credit risk        | ▪ Residual risk          |
| ▪ Market risk        | ▪ Interest risk          |
| ▪ Operational risk   | ▪ Commercial risk        |
| ▪ Liquidity risk     | ▪ Reputation risk        |
| ▪ Insurance risk     | ▪ Strategic risk         |
| ▪ Concentration risk | ▪ Other identified risks |

The assessment has concluded that capital needs to be allocated to the following three of these risks:

- Credit risk
- Operational risk
- Financing risk

The company is only obliged, in every significant respect, with managing credit risks and operational risks in the course of its day to day operations, and these two main areas are assumed to be completely uncorrelated. Operational risks have been assessed by the respective departments, which have set probability and worst case scenario parameters. The most important thing, alongside the need to comply with the legal capital requirement, is deemed to be ensuring that the company is sufficiently capitalised to be a credible borrower and a good counterparty. Avanza Bank AB is currently financed using its shareholders' equity and customers' deposits. This financing has, historically, exceeded the financing requirement by a wide margin.

## **Note 30 Financial risks and financial policies**

### **Risk management**

The nature of Avanza Bank's operations entails exposure, primarily to credit and counterparty risks, strategic risks/commercial risks, liquidity risks and operational risks. The way in which Avanza Bank identifies, follows up and manages its risks is crucial in terms of the commercial health of the company and its long-term profitability.

The Board determines the general goals for capital adequacy ratio and liquidity, and for exposure to credit risks and financial risks. The Board has also ultimate responsibility for ensuring the establishment of functions that monitor and manage the Group's risks. Authority with regard to these issues is dispersed throughout the organisation with the aid of the Group's risk policy, credit policy, financial policy and other parts of the internal regulatory framework. The guidelines for risk management are evaluated and updated on an ongoing basis. Risk management is an independent function for the control of all risks. The risk management department also includes the credit department and the Chief Legal Counsel. The function is independent of the commercial operations and reports to the Managing Director. The risk management department and the Compliance Officer have permanent items on the agenda at Board Meetings, and can report directly to the Chairman of the Board.

Risk management is carried out within every department under the supervision of and in communication with the risk management function and the Managing Director. Operational responsibility for follow up and control work with regard to all risks lies with the risk management department. Risk management monitors a number of variables in order to control the quality of both the business flow and the subsequent administrative work. The credit function is responsible for counterparty and credit risks. All decisions with regard to major loans and significant new counterparties are taken by the Board or the company's credit committee. Responsibility for compliance with regulations lies with the Compliance Officer and the Chief Legal Counsel.

### **Internal audit**

An independent audit function evaluates and carries out reviews on behalf of the Board of Directors, ensuring that the respective companies within the Avanza Bank corporate group comply with the Swedish Financial Supervisory Authority's general guidelines (FFFS 2005:1) concerning the control and monitoring of financial companies, its regulations (regarding securities operations FFFS 2007:16), and those regarding investment funds (FFFS 2008:11). This independent audit is carried out by the external consulting company, Atos Consulting AB, who are directly commissioned by the Board of Directors.

The 2008 independent audit focused on the insurance operations' processes and controls. The focus of the audit was on risks and on the quality of the administrative handling of the products, on dealings between the bank and the insurance company, and on following up measures implemented in response to the previous audit. The absolute majority of the measures proposed in the audit have been implemented.

### **Risks**

The scale of Avanza Bank's operations has grown in 2008, but no major changes to the orientation of the operations have occurred. The growth is primarily focused on savings products.

Interest in the insurance products developed by Försäkringsaktiebolaget Avanza Pension continues high. The products all have conditional bonuses, which means that the insurance liabilities, by definition, track the performance of the insurance assets' values. The value of insurance operations assets and liabilities through the construction of the insurance products is monitored to ensure that these products have no effect on the financial risks. As a consequence, the products primarily entail legal risks.

Investment fund management is conducted within Avanza Fonder AB. Management is carried out by Avanza Zero – the no fee fund. This is an index fund that tracks OMXS30GI. The management replicates the index performance and is not based on the manager's personal view of the market performance. It is conducted including the management of customers' investments in mutual funds within the PPM system. The management is not individualised, with the customers able, instead, to choose between portfolios with different risk profiles. This systematic approach reduces the operating risks of the management. Discretionary management of customers' portfolios is being developed, but the amount managed is currently very small.



### Credit and counterparty risks

The liquidity is invested in short-term government securities or as deposits spread amongst the biggest Nordic banks. All of the EU member states' governments have declared that no banks of importance to the system shall be allowed to go under. The risk inherent in lending to account customers is the most significant credit risk under normal market conditions. All customers are checked and assigned a credit limit. All loans are secured by pledges in listed securities. Avanza Bank carries out its own internal assessment of appropriate lending levels, based on the security's liquidity, volatility and net worth. The securities pledged can be called upon when the customer's debt exceeds the lending value of the securities pledged. Avanza Bank is entitled to sell securities to the extent required to rectify the over-deposits that has occurred. Lending to account customers is monitored on a daily basis. Any over-deposits that occurs is regulated in accordance with a special routine within a maximum of three to four days. When markets are unstable or other external events dictate, the over-deposits is regulated through the sale of securities immediately on the date when the over-deposits occurred. The aim is to avoid credit losses.

Avanza Bank is also entitled, provided that the terms are no stricter, to pledge securities received as security for its own undertakings. This option has not been exercised, as of 31st December 2008.

Securities (SEK m)	31st Dec 08	31st Dec 07
Fair value of securities accepted	3,098	6,376
Of which fair value of re-pledged securities	–	481

#### Breakdown of lending over the ten most pledged securities

Ericsson B	165
HMB	90
Volvo B	63
Investor B	45
Lundin Petroleum	44
ABB	32
Karo Bio	30
West Siberian Resources	29
Xact Bear	29
Concordia Maritime B	29
<b>Total</b>	<b>556</b>

The maximum credit risk is shown in Note 2 (i).

Lending to credit institutions comprises receivables from major Nordic credit institutions. The Group's financial instructions state that liquidity may be invested with SHB, SEB, Swedbank, Nordea and Danske Bank. As of 31st December 2008, Avanza Bank had major investments with SHB, Nordea and Danske Bank. All of these banks have been assigned the best level rating for short-term holdings by all of the leading ratings institutions. SEB and Swedbank have been assigned the second highest ratings for short-term holdings by the same ratings institutes.

The effect of insolvency on the part of individual customers is declining due both to the collateral pledged and to the broad lending spread. There is no major concentration of credit risks. There were 8 (12) loans exceeding SEK 10 million, as of 31st December 2008. The combined sum for these loans was SEK 180 million (SEK 203 m), and the largest single loan was for SEK 57 million (SEK 37 m), spread over three customers who are jointly limited.

Over-deposits, i.e. amounts borrowed at least the lending value, totalled SEK 6.5 million (SEK 8.2 m), as of 31st December 2008.

Avanza Bank is a member of the Stockholm, Oslo, Copenhagen and Helsinki stock exchanges. Counterparty risks primarily arise as a result of the business flow in these marketplaces. The risks are limited by Avanza Bank's use of recognised clearing organisations in the respective countries, e.g. VPC and OMX in Sweden, for settlement of completed transactions. Avanza Bank only trades on customers' behalf in standardised derivatives liquidated over OMX and there are no OTC dealings of any kind.

## **Market risks**

### **Exchange rate risks**

Avanza Bank takes negligible direct exchange rate risks since the company only conducts trading activities on behalf of customers. Avanza Bank does not conduct proprietary trading activities of any kind.

### **Interest risks**

The Balance Sheet's financial assets and liabilities primarily apply a floating interest rate. Liquidity has increased substantially during the year. The Board has set a limit on the amount of interest risk that may be taken in conjunction with liquidity investment, in order to enable efficient investment. The maximum collective change in value of treasury bills, certificates of deposit, or fixed term investments with approved banks permitted is SEK 8.5 million in conjunction with a change in market interest rates of 1 percentage points.

### **Currency risks**

Assets and liabilities in the Balance Sheet are primarily valued in SEK and there are hence no currency risks. The exception to this is that customers can hold foreign currencies in their accounts. Such currency balances are matched in their entirety by corresponding balances in Avanza Bank's bank accounts. The value of these currency balances totalled SEK 29 (11) million on 31st December 2008.

There is no significant currency exposure outside the Balance Sheet.

### **Liquidity risks**

Good current liquidity requires liquidity on the part of the assets side of the Balance Sheet. Avanza Bank's assets primarily comprise liquid assets or lending against collateral in listed securities. These securities can, under the terms of agreements with the customers, be pledged as security for Avanza Bank's own financing.

None of the larger Balance Sheet items have any notice period and can, instead, be liquidated immediately (on demand). The only exceptions to this are that some of the bank balances have fixed withdrawal terms and that lending has a one month notice period.

The deposits are distributed amongst numerous clients and the current liquidity is, therefore, adjudged to be very good.

### **Operational risks including legal risks**

Operational risks are defined as "risk of losses as a result of inexpedient or failed internal processes, human error, faulty systems or external events, including legal risks". During 2008, trading volumes and the number of transactions increased strongly.

An extensive external and internal regulatory framework applies to operations. Over and above this, there are general external requirements that operations are conducted in such a way as to maintain confidence.

The competence and training of employees is central as regards management of operational risks. All employees whose work assignments require it, are licensed in accordance with the requirements that SwedSec AB have imposed. Over and above this, certain other employees have been licensed, and at the turn of the year, a total of 45 (36) employees were licensed. A further 11 (16) employees have also received special training in insurance broking.

### **Sensitivity analysis**

Since Avanza Bank has no positions for their own account, have changes in market prices not direct impact on the outcome.

As of 31st December 2008, there was a total of SEK 3,000 million in fixed term investments with a remaining term of 21 days. The estimated change in value of these investments was SEK 1.8 million, given an assumed change in market interest rates of 1 percentage point. Interest rates otherwise have no direct effect in that the fixed interest terms are, in principle, the same both for assets and liabilities.

Exchange rate fluctuations also have no impact on the profit/loss, because Avanza Bank has no currency exposure.

### **Risk concentrations**

There are no significant risk concentrations. A credit limit is set for all borrowers. All borrowers who belong to the same corporate sphere are issued a collective limit in conjunction with lending. The spread of the lending is very good – see above.

### **Fair value**

All financial instruments are initially valued at their fair value, which corresponds to the acquisition cost. Subsequent valuations are carried out on the basis of the valuation category to which the financial instrument has been assigned.

The book value and fair value correspond for financial instruments reported at accrued acquisition value and with variable interest rates, or where the term is short.

The fair value of financial instruments reported at fair value via the Income Statement – principally assets and liabilities in the insurance operations – is determined on the basis of the quoted bid prices of the assets on the closing day. In the absence of an active market, the valuation methods described in Note 2 (i) Financial instruments, are used. Fewer than 1 per cent of the total assets valued at a fair value of SEK 7,448 million (SEK 7,280 m) have no active market. These assets are attributable to the insurance operations in which Avanza Bank bears no risk for changes in value.

### **Note 31 Related parties**

Related parties have been defined in accordance with IAS 24 Disclosure of Related Party Transactions. Transactions with related parties are priced on market terms.

#### *Related party transactions with subsidiaries*

The Parent Company's income and expenses from Group companies during the year are shown in Note 5. The Parent Company's receivables from Group companies totalled SEK 181 million (SEK 233 m) at the end of the year, at which time its liabilities to Group companies totalled SEK 0 (SEK 33 m).

#### *Related party transactions with key individuals in senior positions*

No transactions, over and above normal account management, have been effected with the management, Board of Directors, close family members of the same, or companies over which any of these persons exercise a controlling influence. Nor have any provisions or costs for bad debts been reported during the financial year. Remuneration to related parties is shown in Note 7. Senior executives participate in the Group's warrant programme on market terms – see Note 7.

Loans to related parties totalled SEK 556 thousand (SEK 1,532 k) at the year-end. Deposits from related parties totalled SEK 118,838 thousand (SEK 60,553 k) at the year-end. Income and expenses from transactions with related parties comprise SEK 1,219 thousand (SEK 392 k) in brokerage, SEK 50 thousand (SEK 60 k) in interest income, and SEK 3,169 thousand (SEK 1,593 k) in interest expenses. Invoicing from related parties' limited companies totals SEK 0 (SEK 83 k).

### **Note 32 Important estimates and assessments**

Preparing the financial reports in accordance with IFRS requires the company management to make judgments and assessments and make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and costs. The actual outcome can deviate from these assessments and judgements.

The assessments and assumptions are reviewed regularly. Changes in assessments are reported in the period in which the change is made if the change has only had effect during that period, or in the period in which the changes made and future periods if the change affects both the period in question and future periods.

The company management has discussed performance, the choice of and information regarding the Group's important accounting principles and estimates, together with the application of these principles and estimates.

#### **Goodwill impairment test**

When calculating cash-generating units' recoverable value for the purposes of assessing any write-down requirement for goodwill, assumptions have been made with regard to future circumstances and estimates of parameters. A presentation thereof can be found in Note 18.

### **Note 33 Events after the closing day**

No significant events have occurred after the closing day.

# Proposed appropriation of profits

## Comments by the Board of Directors on the proposed profit distribution

Avanza Bank's Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 6.00 per share for 2008. This corresponds to a dividend payment totalling SEK 165 million and a dividend ratio of 89 per cent.

Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that part of the company's profits which is not deemed necessary to meet the requirements that the nature of the operations, their scope and risks place on the size of shareholders' equity, and the company's consolidation requirements, liquidity and position in general, or to develop the operations. Dividends can be combined with other measures, such as redemption or buy-back of the company's own shares. The Board is of the opinion that in the long-term, the dividend can comprise a minimum of 70 per cent of the profit for the year.

The Board is of the opinion that the proposed dividend is justified with regard to the above considerations \*.

The Board of Avanza Bank has acquired a total of 18,233 of the company's own shares for SEK 1.4 million in 2008 in accordance with the authorisation obtained at the Annual General Meeting of the Company's shareholders held on 15th April 2008. This corresponds to an average price of SEK 75.51 per share. The buy-backs correspond to 0.1 per cent of the total number of shares before the buy-backs.

One condition of the authorisation of the Board to implement the acquisition of its own shares is that both the company's capital adequacy ratio and its liquidity, even after the acquisition of its own shares, will be adequate in relation to the requirements of the field in which the Group operates.

The maximum number of shares that the company may acquire shall be one tenth of all of the company's shares.

The authorisation expires in conjunction with the 2009 Annual General Meeting.

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\* Reference to Note 29 on page 66, Capital requirements for the financial conglomerate

## The Parent Company

The following profits are at the disposal of the Annual General Meeting:		SEK k
Share premium reserve		35,798
Retained profit		179,268
Net profit for the year		118,258
		<b>333,324</b>
The Board of Directors and the Managing Director propose that:		
a dividend of SEK 6.00 per share be paid to the shareholders, totalling		165,466
that the following sum be carried forward,		132,060
and that the following sum be retained in the share premium reserve		35,798
		<b>333,324</b>

The undersigned hereby attest that the consolidated and annual accounts have been prepared in accordance with IFRS international accounting standards, as adopted by the EU, and with generally accepted accounting principles, and that they provide a fair presentation of the Group's and the company's position and results, and that the consolidated Directors' Report constitutes a fair review of the performance of the Group's and the company's operations, position and results, and describe significant risks and uncertainty factors faced by the companies that make up the Group.

Stockholm, 20th February 2009

Sven Hagströmer  
Chairman of the Board

Hans Bergenheim  
Board Member

Anders Elsell  
Board Member

Mattias Miksche  
Board Member

Mikael Nachemson  
Board Member

Andreas Rosenlew  
Board Member

Nicklas Storåkers  
Managing Director  
Board Member

Jacqueline Winberg  
Board Member

Our Audit Report was submitted on 20th February 2009

Ernst & Young AB

Lars Träff  
Authorised Public Accountant

# Audit Report

To the Annual General Meeting of the shareholders of Avanza Bank Holding AB (publ.)  
Corporate ID No. 556274-8458

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Avanza Bank Holding AB (publ.) for the financial year of 2008. The company's Annual Report is included in the printed version of this document on pages 25–73. These accounts and the administration of the company are the responsibility of the Board of Directors and the Managing Director, as is ensuring that the provisions of the Swedish Annual Accounts Act are applied when preparing the annual accounts, and that the international accounting standards, IFRS, as adopted by the EU, and the provisions of the Swedish Annual Accounts for Credit Institutions and Securities Companies Act are applied in conjunction with the preparation of the consolidated accounts. Our responsibility is to express an opinion of the annual accounts, the consolidated accounts and the administration, based on our audit.

We conducted our audit in accordance with generally accepted accounting standards in Sweden. Those standards require that we plan and perform the audit to obtain a high, albeit not absolute, level of assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts, and appraising the significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and the consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the Managing Director. We also examined whether any Board Member or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU and the provisions of the Swedish Annual Accounts for Credit Institutions and Securities Companies Act and, thereby, give a true and fair view of the Group's financial position and results of operations. The Directors' Report is compatible with the other portions of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the Income Statement and the Balance Sheet for the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' Report, and that the Members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 20th February 2009

Ernst & Young AB

Lars Träff

Authorised Public Accountant

# Definitions

## Account

An open account with holdings.

## Brokerage income

Brokerage income less direct costs.

## Brokerage per commission note

Gross brokerage for accounts 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 summary of the buying and selling assignments by a customer involving a specific security. A commission note may comprise one or more transactions. A commission note constitutes the basis on which brokerage charges are levied.

## Deposits

Deposits including client trust accounts.

## Earnings per share

Profit/loss after tax in relation to the average number of shares during the period.

## Equity/assets ratio

Shareholders' equity as a percentage of the Balance Sheet total.

## Equity per share

Shareholders' equity in relation to the number of ordinary shares at the period end.

## Investment fund commission

Kickbacks from fund management companies. Comprises entry commission and commission based on fund volume.

## Net deposits/Savings capital

Deposits, including client trust 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 the average savings capital during the period.

## Net savings

Deposits, less withdrawals, of liquid assets and securities.

## Net savings/Savings capital

The period's net savings on a yearly basis in relation to the savings capital at the end of the period.

## Non-brokerage income

Income, excluding brokerage income, less direct costs.

## Operating income/Savings capital

Operating income in relation to the 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.

## Profit/loss per employee

Operating profit/loss in relation to the average number of employees.

## Return on equity

Profit/loss after tax, in relation to the average shareholders' equity during the period.

## Savings capital

The aggregate value of accounts with Avanza Bank.

## Transactions

Buying and selling transactions carried out in different markets and involving different securities.





# Corporate Governance Report

Avanza Bank Holding AB (publ.) ("Avanza Bank") is governed by means of the Annual General Meeting of the shareholders of the company, the Board of Directors and the Managing Director, pursuant to the provisions of the Swedish Companies Act, and in accordance with the Articles of Association and the Swedish Corporate Governance Code ("the Code"). Avanza Bank's supreme decision-making body is the Annual General Meeting. The Annual General Meeting elects the company's Board of Directors. The Annual General Meeting's duties also include adopting the company's Balance Sheets and Income Statements, determining the appropriation of operational profits/losses, and deciding on discharges from liability for the Members of the Board and the Managing Director. The Annual General Meeting also elects Avanza Bank's auditors.

Approximately 140 shareholders participated in Avanza Bank's Annual General Meeting held on 15th April 2008 in Stockholm, representing 51 per cent of the total number of votes in the company. The entire Board of Directors and the company's auditors were present at the Meeting.

The Corporate Governance Report is not audited by the company's Auditors.

## The Board of Directors

Avanza Bank's Board of Directors decides on issues that relate to Avanza Bank's strategic orientation, investments, financing, organisational issues, acquisitions and disposals, the more important policies, guidelines and instructions. The Board's work is regulated by, amongst other things, the Swedish Companies Act, the Articles of Association, and the rules of procedure adopted by the Board for their work.

The Articles of Association state that the Board shall comprise a minimum of five and a maximum of eight Members. Avanza Bank's Board comprised eight elected Members and no Deputy Members in 2008. The Chairman is Sven Hagströmer. The Board held its first meeting following election on 15th April 2008. See page 86 of the Annual Report for details of the individual Board Members.

## Directors' fees

The 2008 Annual General Meeting set the Directors' fees at SEK 871,000. An annual fee of SEK 175,000 is paid to the Chairman of the Board, with fees of SEK 116,000 payable to the other Members. Members of the companies' Boards who attend when the company's management has reporting meetings with the company's Auditor shall receive a further fee of SEK 25,000. The Board Members of the subsidiary companies, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, shall, furthermore, be entitled to receive a fee of SEK 35,000 each for their respective Board duties. Members who are salaried employees of the company shall not, however, receive any fee.

## The Board's rules of procedure

The Board's work is governed by annually adopted rules of procedure that regulate the Board's internal division of labour, the decision-making structure within the company, company signatories, the format of Board meetings, and the duties of the Chairman. The Board's work follows a fixed procedure designed to fulfil the Board's requirement for information and an appropriate division of labour between the Board and the Managing Director. The Board held eleven meetings during the 2008 financial year. The Board's work follows an agenda plan that fulfils the Board's requirement for information. The agenda plan is otherwise governed by the rules of procedure adopted by the Board with regard to the division of labour between the Board and the Managing Director. The monitoring duties incumbent

upon the Board are addressed both by the Board in its entirety and by the Remuneration Committee. The company's auditors also report their assessments of the company's monitoring in person to the Board. Company employees participate in the Board meetings to present reports or as secretaries.

Avanza Bank complies with the terms of its listing agreement with the Stockholm Stock Exchange and with the Swedish Corporate Governance Code with regard to the requirement for independent Members of the Board.

## Attendance

### Composition of the Board and number of minuted meetings

	Present	Not independent/Independent*
Sven Hagströmer, Chairman	11/11	Not independent Member
Hans Bergenheim	11/11	Independent Member
Anders Ellsell	11/11	Not independent Member
Mattias Miksche**	8/11	Independent Member
Mikael Nachemson	10/11	Independent Member
Andreas Rosenlew	10/11	Independent Member
Jacqueline Winberg	10/11	Independent Member
Nicklas Storåkers, Managing Director	11/11	Not independent Member

\* Independent is defined as independent of the company, its management and major shareholders according to the definition given in the Code

\*\* Elected at the Annual General Meeting held on 15th April 2008

## Nomination Committee

A Nomination Committee comprising representatives of each of the four largest owners and the Company's Chairman of the Board was appointed in accordance with the resolution of Avanza Bank's 2008 Annual General Meeting. These owners decided that the Nomination Committee shall comprise the Chairman of the Board, Sven Hagströmer, Erik Törnberg, who represents Investment AB Öresund, Eva Qviberg, who represents the Qviberg family, and Johan Lannebo, who represents Lannebo Fonder. Erik Törnberg was appointed Chairman of the Nomination Committee. The Nomination Committee has addressed the issues incumbent upon it in accordance with the provisions of the Code. Two of the Members of the Nomination Committee are deemed, under the terms of the Code, not to be independent of the company and the company management, namely Sven Hagströmer and Erik Törnberg. Avanza Bank thereby deviates from the provisions of the Code where it states that the majority of the Nomination Committee shall be independent in relation to the company and the company management. The Annual General Meeting, which determines the manner in which the Nomination Committee shall be appointed, has, however, decided on the composition of the Nomination Committee on the basis of the Code applicable at that time and the Nomination Committee has hence been unable, in its election of Members, to take into account the revised Code that came into force on 1st July 2008. It should, however, be noted that Sven Hagströmer is the company's Chairman of the Board and, together with his family and companies, one of the company's biggest shareholders, and that Erik Törnberg represents the company's single biggest shareholder, and the composition of the Nomination Committee may, therefore, be regarded as appropriate.

The Nomination Committee has held three (3) minuted meetings during the year, and has maintained ongoing contact between these meetings.

The Nomination Committee has conducted an evaluation of the Board and its work, as a basis for its work. The Nomination Committee has also received an account of the way in which the Board's work is conducted from the Chairman of the Board of the company. The size of the Board and its composition, with regard, for example, to industry experience and competence, has been discussed.

The Nomination Committee has discussed the fees paid to the Chairman of the Board of the company and the Members of the Board, in which context comparisons have been made with companies operating in similar spheres and of a similar size and complexity. Emphasis has been placed on the importance of the fee being reasonable with regard to the responsibility and the work required and to the contribution the Board can make to the development in the value of the company.

The Nomination Committee has also evaluated the need of remuneration for committee work. Finally, Avanza Bank's Nomination Committee has discussed who should chair the company's Annual General Meeting and the way in which the principles governing the structure of the Nomination Committee should be amended.

## Remuneration Committee

The Board of Directors established a Remuneration Committee in March 2004. For the 2008 financial year, this Committee has comprised the Chairman of the Board, Sven Hagströmer, and Anders Elsell and Jaqueline Winberg, both Members of the Board. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles governing remuneration, including performance-based remuneration for the company's senior executives. Issues relating to the Managing Director's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and decided by the Board.

The pay structure for the Managing Director comprises a fixed portion and a variable portion. The variable portion, which is reviewed annually, is dependent on the company and the Managing Director achieving the goals set for the company and for the Managing Director.

## Audit Committee

The Code requires the Board to establish an Audit Committee comprising at least three Directors. The majority of the Audit Committee members should be independent of the company and senior management and at least one member of the committee shall be independent of the company's major shareholders. According to the Code, in a company with a small Board, the entire Board can fulfil the tasks of the Audit Committee, provided that any Board Member who is a member of the senior management does not participate in this work. The Board of Directors of Avanza Bank had previously not chosen to establish an Audit Committee, as the Board is of the opinion that this type of issue is best addressed, in a company of Avanza Bank's size, by the entire Board of Directors. However, the 2006 Annual General Meeting resolved that a member of the company's Board shall participate when the senior management of the company has reporting meetings with the company's auditor. The Board has appointed Board Member Anders Elsell to be present at such reporting meetings. During 2008, the Board did not find cause to exclude the company's Managing Director from meetings in which the Board carried out the assignments which are incumbent on an Audit Committee.

The Board has ongoing contact with the company's auditors in order to familiarize itself with the scope of the audit and to discuss views of the company's risks.

## External auditors

Avanza Bank's auditors are elected by the Annual General Meeting for a period of four years. Ernst & Young AB were elected as Avanza Bank's auditors at the 2007 Annual General Meeting, with Public Authorised Accountant, Lars Träff, as the auditor in charge, for the next four year period.

The auditors audit the Board's and the Managing Director's administration of the company and the quality of the company's accounting documents.

The auditors report the results of their audit to the shareholders in the form of the Auditors' Report, which is presented at the Annual General Meeting. The auditors also submit detailed accounts to the Board at least twice a year, or as necessary.

### Internal audits

The independent audit is commissioned by the Board of Directors to evaluate and audit the company's compliance with the general guidelines of the Swedish Financial Supervisory Authority regarding the governance and control of financial companies (FFFS 2005:1), the directives issued by the Swedish Financial Supervisory Authority regarding securities operations (FFFS 2007:16), and the directives issued by the Swedish Financial Supervisory Authority regarding investment funds (FFFS 2008:11). This independent audit is carried out by the external consultancy Atos Consulting AB directly commissioned by the Board of Directors.

The 2008 independent audit focused on the insurance operations' processes and controls. The focus of the audit was on risks and on the quality of the administrative handling of the products, on dealings between the bank and the insurance company, and on following up measures implemented in response to the previous audit. The absolute majority of the measures proposed in the audit have been implemented.

### The Managing Director and Group management

The Managing Director manages the operations in accordance with the rules of procedure between the Managing Director and the Board of Directors. The Managing Director is responsible for keeping the Board informed and for ensuring that the Board has, as far as possible, the necessary and comprehensive basis it requires for decision-making. The Managing Director is a Member of the Board. The Managing Director also maintains an ongoing dialogue with the Chairman of the Board with regard to the Group's performance.

The Managing Director and other members of the Group management hold formal meetings once a month, together with a number of informal meetings, to review the previous month's results and to discuss strategic issues. Avanza Bank's Group management has, during 2008, consisted of five (5) persons, of whom one (1) was female.

The Avanza Group comprises the parent company, Avanza Bank Holding AB (publ.), and a number of subsidiaries which are listed in Note 28 of the Annual Report. All operational subsidiaries report continuously on a monthly basis. The Members of the subsidiaries' Boards are, preferably, members of the Group management and the Avanza Bank Board of Directors.

The 2008 Annual General Meeting determined that fees for the Group management shall consist of a fixed portion and a variable portion. The variable portion may be distributed for performances that exceed those normally expected of members of the Group management after an evaluation of individual performances and the company's reported results. The extent to which previously adopted goals for the company and the senior executive have been met is taken into account when determining the variable remuneration.

Persons who are included in the Group management have been allocated warrants in accordance with the warrant programme that was decided upon at the Extraordinary General Meeting of 4th July 2005 and at the Annual General Meeting of 15th April 2008. The warrants are issued on market terms. Total compensation for persons in the Group management shall be on market terms.

### Internal controls

The Board of Directors is responsible for ensuring the existence of an efficient system for internal control and risk management. Responsibility for generating good conditions for working with these issues is delegated to the Managing Director. Both the Group management and managers at various levels within the company are assigned this responsibility within their respective areas. Authority and responsibilities are defined in policies, guidelines, descriptions of responsibilities, and authorisation rights instructions.

## **Board of Directors' report on internal controls in relation to financial reporting**

This report has been prepared in accordance with sections 10.5 and 10.6 of the Code. The report constitutes part of the Corporate Governance Report, which, under section 11 of the Code, shall be appended to the company's Annual Report.

### **System of internal controls and risk management in relation to financial reporting**

Internal control in relation to financial reporting is a process which is formulated in order to give reasonable security with regard to the reliability of the external financial reporting, and the extent to which the financial reporting is produced in conformity with good accounting practice, applicable laws and regulations, and other requirements in relation to a listed company.

The internal control activity is included in Avanza Bank's administrative routines. Internal control in relation to financial reporting in Avanza Bank can be described in accordance with the following framework:

#### **Control environment**

Internal control in Avanza Bank is based on a control environment which covers values and management culture, follow-up, a clear, transparent organisational structure, division of work assignments, the principle of duality, quality and efficiency in internal communication, and an independent evaluation process.

The basis of internal control in relation to financial reporting consists of a control environment with organisation, decision-making pathways, authority and responsibility, which are documented and communicated in steering documents such as internal policies, guidelines and instructions, and job descriptions of controlling functions. Examples include the work procedures for the Board and Managing Director, instructions on Risk Management and Compliance, instructions on internal control and reporting, information policy, authorisation instructions and reporting instructions.

#### **Risk assessment**

Risk assessment within Avanza Bank is proactive and carried out on a follow-up basis, with the emphasis on ongoing checks and training input. Avanza Bank maintains a high risk-management standard, and applies available techniques and methods in a cost-effective way. Risk management is considered to be an integral part of business operations.

#### **Control activities**

Control activities cover both general and more detailed controls, intended to prevent, discover and correct faults and deviations. Control activities are worked out and documented at company and departmental level. The respective department managers within Avanza Bank are the individuals who are primarily responsible for managing the risks which are connected to their own department's operations and financial reporting processes. Risk Management carries out ongoing controls to ensure that this risk management works efficiently.

## Information and communication

The company has information and communication pathways intended to promote full coverage and correctness in the financial reporting, e.g. through steering documents in the form of internal policies, guidelines and instructions in relation to financial reporting being made available and known to the persons affected, via Avanza Bank's Intranet. Internal rules and regulations regarding policies, guidelines and instructions constitute the most important tool for providing information and instructions in order to ensure a high standard of financial reporting.

## Following up

At the end of 2006, Avanza Bank established an internal management organisation, in order to ensure monitoring of the quality of the financial reporting, the efficiency of the control structure, and the compliance with steering documents in the form of internal policies, guidelines and instructions in relation to the financial reporting. The internal management organisation, which has held four (4) minuted meetings in 2008, comprises representatives of Accounts, Back office, Trading, Risk Management and Compliance.

The Board receives monthly financial reports, and the company's and Group's financial situation is addressed at each Board Meeting. Prior to each Board Meeting, the Board receives a report from Risk Management and Compliance. All of these reports are based on an evaluation of the Group's activities and the reporting covers the entire organisation.

Internal control in relation to financial reporting is one of many processes involved in evaluating the operations.

The Board also reviews the financial quarterly reports and annual accounts, and the observations and conclusions of the external auditors and those carrying out independent reviews.

## Evaluation of and position on internal audits

Avanza Bank's internal audit function comprises an independent audit function which evaluates and reviews the company's compliance with the general guidelines issued by the Swedish Financial Supervisory Authority with regard to the management and control of financial companies (FFFS 2005:1), the regulations issued by the Swedish Financial Supervisory Authority concerning securities operations (FFFS 2007:16) and with regard to investment funds (FFFS 2008:11), at the behest of the Board of Directors. This independent review is carried out by external consultants at the direct request of the Board, and the purpose of the Board's decision to use external auditors, rather than establishing an internal audit within the company, is to ensure the quality and independence of the evaluation and review process.

# Articles of Association for Avanza Bank Holding AB

Corporate ID No. 556274-8458

Adopted on 15th April 2008

## § 1 The name of the company

The name of the company is Avanza Bank Holding AB. The company is a public company (publ.).

## § 2 Registered office

The registered office of the company shall be in Stockholm.

## § 3 Operations

The object of the company's operations shall be to own and manage shares and participations in companies engaged in financial operations, such as securities operations, banking operations or investment fund operations, and to engage in any and all activities compatible therewith.

The company shall also be entitled to issue guarantees, guarantee commitments and other sureties to secure Group companies' undertakings to third parties. The company shall, furthermore, be entitled to issue guarantees to third parties if such guarantees are necessitated by operations conducted by Group companies.

## § 4 Share capital

The company's share capital shall comprise a minimum of SEK 30,000,000 and a maximum of SEK 120,000,000.

## § 5 Shares

The number of shares shall be not less than 12,000,000 and not more than 48,000,000. Shares may be issued in two classes: ordinary shares and subordinated shares, also referred to as class C shares. Ordinary shares may be issued in a number not exceeding 48,000,000 and subordinated shares in a number not exceeding 10,000,000. Each ordinary share shall entitle the holder to one vote and each subordinated share shall entitle the holder to one tenth of a vote.

Subordinated shares shall not entitle the holder to dividends. In the event of the dissolution of the company, subordinated shares shall entitle the holders to a share in the assets that is equal to those of the other shareholders, although the amount shall not exceed the nominal value of the share on the day of dissolution, plus an interest factor corresponding to STIBOR 180 days plus three percentage points. The interest factor shall be determined every year both six months and twelve months after the day when calculation commenced (or if this day is not a banking day, on the banking day immediately preceding it). Calculation shall begin on the day when payment was made for the subordinated shares.

If the company adopts a resolution in respect of a cash or set-off issue, of new ordinary shares and subordinated shares, holders of ordinary shares and subordinated shares shall

have preferential rights to subscribe for new shares of the same class in relation to the number already held (primary preferential rights). Shares not subscribed for pursuant to primary preferential rights shall be offered for subscription to all shareholders (secondary preferential rights). Where shares offered in this manner are insufficient to meet the demand for subscription pursuant to secondary preferential rights, the shares shall be allotted between the subscribers in relation to the number of shares already held. If this cannot be done, the shares shall be allotted through the drawing of lots.

If the company adopts a resolution concerning a cash or set-off issue, of ordinary shares or subordinated shares only, all shareholders shall have preferential right to subscribe for new shares in proportion to the number of shares already held, irrespective of whether such shares are ordinary shares or subordinated shares.

Subordinated shares shall not entitle their holder to participate in bonus issues.

The above provisions shall not entail any restriction on the possibility of adopting resolutions in respect of cash issues, or set-off issues, performed by way of derogation from shareholders' preferential rights.

That which is stipulated regarding preferential rights in this clause shall also apply to any new share issue of warrants and convertibles.

## **§ 6 The Board of Directors**

The Board of Directors shall consist of a minimum of five and a maximum of eight Members, and shall be elected by the Annual General Meeting.

## **§ 7 Auditors**

One or two auditors, and a maximum of two deputy auditors, or a registered accounting firm, shall be appointed by the Annual General Meeting of shareholders in the company.

## **§ 8 Notices convening General Meetings**

Notices to attend General Meetings shall be published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and in Svenska Dagbladet.

## **§ 9 Pre-registration to attend General Meetings**

In order to participate at a General Meeting of shareholders in the company, shareholders shall be included in a printout or other reproduction of the shareholders' register as it applies five weekdays prior to such a Meeting, and shall notify the company, no later than 16.00 CET on the day stipulated in the Notice convening the Meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall fewer than five weekdays before the Meeting.

Shareholders may be accompanied at General Meetings by one or two assistants, but only if the shareholder has notified the company of the number of assistants in the manner specified in the preceding paragraph.



## § 10 Annual General Meeting

The following items shall be on the agenda of matters to be addressed at the Annual General Meeting:

1. Election of a Chairman of the Meeting
2. Preparation and approval of the list of voters
3. Approval of the Agenda
4. Election of one or two persons to check the Minutes
5. Determination of whether the Meeting has been duly convened
6. Presentation of the Annual Report and the Auditors' Report and, where applicable, of the Consolidated Accounts and the Consolidated Auditors' Report
7. Resolutions regarding
  - a) the adoption of the Income Statement and the Balance Sheet and, where applicable, of the Consolidated Income Statement and the Consolidated Balance Sheet
  - b) the appropriation of the company's profit or loss in accordance with the Balance Sheet adopted
  - c) discharge from liability for Members of the Board and the Managing Director
8. Resolutions regarding the number of Members of the Board
9. Determination of fees to the Board of Directors
10. Where applicable, determination of Auditors' fees
11. Election of the Board of Directors
12. Where applicable, election of Auditors
13. Other matters duly referred to the Annual General Meeting.

## § 11 Financial year

The company's financial year shall be the calendar year.

## § 12 Record date provision

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Account Management of Securities Act (1998:1479).



Back row from the left: Andreas Rosenlew, Jacqueline Winberg and Mattias Miksche  
Front row from the left: Anders Elsell, Nicklas Storåkers, Mikael Nachemson, Sven Hagströmer and Hans Bergenheim

## Board of Directors

### Chairman of the Board

*Sven Hagströmer*, born 1943.  
Studied at Stockholm University.  
Elected: 1997.  
Chairman of the Boards of Investment AB Öresund and eWork Scandinavia AB. Member of the Board of Bilja AB.  
Holdings on 31st December 2008:  
(incl. family and companies):  
Shares: 2,039,416

### Members of the Board

*Hans Bergenheim*, born 1960.  
Accountancy degree from School of Business, Economics & Law at Gothenburg University.  
Elected: 2007.  
Managing Director of Lateus AB. Chairman of the Board of the PTKs Educational Foundation, Djurönäset. Member of the Board of White Intressenter AB and White Arkitekter AB.  
Holdings on 31st December 2008: Shares: 3,000.

*Anders Elsell*, born 1957.  
Degree in Civil Engineering, Royal Institute of Technology, Stockholm, and degree in Business Economics and Management from Stockholm University.  
Elected: 2001.  
Financial Analyst, Investment AB Öresund.  
Holdings on 31st December 2008 (incl. family):  
Shares: 392,400.

*Mikael Nachemson*, born 1959.  
Degree in Economics and Business Administration from the Stockholm School of Economics.  
Elected: 2002.  
Member of the Board of Arvid Nordquist Handelsaktiebolag.  
Holdings on 31st December 2008: Shares: 5,000.

*Mattias Miksche*, born 1968.  
Degree in Economics and Business Administration from the Stockholm School of Economics.  
Elected: 2008.  
Managing Director of Stardoll AB. Member of the Boards of Dustin Group AB, Celebmedia Posh24 AB and Eniro AB.  
Holdings on 31st December 2008: –

*Andreas Rosenlew*, born 1962.  
MSc in Economics & Business Administration from the Swedish School of Economics & Business Administration, Helsinki.  
Elected: 2005.  
Managing Partner and Chairman of the Board of Grow Partners AB. Member of the Board of Innograf OY.  
Holdings on 31st December 2008: Shares: 3,600.

*Nicklas Storåkers*, born 1974.  
Degree in Economics and Business Administration from the Stockholm School of Economics and legal studies at Stockholm University.  
Managing Director.  
Elected: 2000.  
Chairman of the Board of Jajja Communications AB. Member of the Boards of Insplanet AB, Burgundy AB and the Swedish Securities Dealers' Association.  
Holdings on 31st December 2008 (incl. family):  
Shares: 397,475.  
Warrants: corresponding to 205,400 shares.

*Jacqueline Winberg*, born 1959.  
Degree in Economics and Business Administration from the Stockholm School of Economics.  
Elected: 2003.  
Partner at Stanton Chase International. Member of the Board of Projektplatsen AB.  
Holdings on 31st December 2008 (incl. family):  
Shares: 3,350.



Back row from the left: Ronnie Bodinger and Henrik Källén  
Front row from the left: Birgitta Hagenfeldt, Nicklas Storåkers and Carl Norinder

## Management

*Ronnie Bodinger*, born 1973.  
Degree in Civil Engineering, Royal Institute of Technology, Stockholm and economics studies at Södertörn College, Stockholm.  
Employed 1999.  
Innovation Manager.  
Holdings on 31st December 2008:  
Shares: 35,000.  
Warrants: corresponding to 89,520 shares.

*Birgitta Hagenfeldt*, born 1961.  
Degree in Economics and Business Administration from Örebro University.  
Employed: 2008.  
CFO  
Holdings on 31st December 2008:  
Shares: 1 000.  
Warrants: corresponding to 20,040 shares.

*Henrik Källén*, born 1968.  
LL.B., Stockholm University.  
Employed: 2000.  
Managing Director of Försäkringsaktiebolaget Avanza Pension.  
Holdings on 31st December 2008:  
Shares: 34,425.  
Warrants: corresponding to 66,830 shares.

*Carl Norinder*, born 1974.  
Degree in Economics and Business Administration from the Stockholm School of Economics.  
Employed: 2008.  
Customer Relations Manager.  
Holdings on 31st December 2008:  
Shares: –  
Warrants: corresponding to 22,760 shares.

*Nicklas Storåkers*, born 1974.  
Degree in Economics and Business Administration from the Stockholm School of Economics and legal studies at Stockholm University.  
Employed: 1999.  
Managing Director.  
Holdings on 31st December 2008 (incl. family):  
Shares: 397,475.  
Warrants: corresponding to 205,400 shares.

## Auditors

Ernst & Young AB  
Auditor in charge:  
*Lars Träff*, born 1954.  
Authorised Public Accountant.

# Annual General Meeting

The Annual General Meeting of the shareholders of Avanza Bank will be held in the Auditoriet hall of the Moderna Museet building in Stockholm on at 15.00 (CET) Tuesday, 21st April 2009.

## The right to attend the Annual General Meeting

Shareholders have the right to attend the Annual General Meeting if they:

- are entered in the shareholders' register no later than Wednesday, 15th April 2009.
- have submitted notice of their intention to attend the Annual General Meeting to Avanza Bank no later than 16.00 CET on Thursday, 16th April 2009.

## How to register as a shareholder

Avanza Bank's shareholders' register is maintained by Värdepapperscentralen VPC AB. Only owner-registered holdings are listed in the shareholder's own name in the shareholders' register. In order for shareholders with nominee-registered shares to be entitled to participate in the Annual General Meeting, the shares must be registered in the shareholder's own name by 15th April 2009.

The nominee can assist with re-registration.

## How to submit an application

Applications to participate at the Annual General Meeting can be submitted by e-mail at: [arsstamma@avanza.se](mailto:arsstamma@avanza.se) or by telephone on +46 8 562 250 02.

Applications shall contain the name, Civic ID no./Corporate ID no., and e-mail address or daytime telephone number of the shareholder, together with the number of assistants he or she may wish to have accompany them and the number of shares owned.

Any powers of attorney shall be sent by letters in the post to Avanza Bank at Box 1399, SE-111 93 Stockholm, Sweden. Please mark the envelope "Årsstämma" [Annual General Meeting]. Powers of attorney shall be submitted to Avanza Bank no later than 16th April 2009. Power of attorney forms are available from [www.avanza.com](http://www.avanza.com).

## Right to submit items for inclusion in the Meeting's agenda

Shareholders are entitled to submit items for inclusion in the agenda of Avanza Bank's Annual General Meeting, provided that a written request is submitted to the Board in sufficient time for the item to be included in the Notice convening the Meeting. The shareholder's written request should be submitted to Avanza Bank's Board of Directors no later than 3rd March 2009 and should be sent to Box 1399, SE-111 93 Stockholm, Sweden. Please mark the envelope "Styrelsen i Avanza Bank Holding AB" [The Board of Directors of Avanza Bank Holding AB].

# Financial calendar

Annual General Meeting	21st April 2009
Interim Report, January–March 2009	21st April 2009
Interim Report, January–June 2009	10th July 2009
Interim Report, January–September 2009	16th October 2009
Preliminary Financial Statement, 2009	January 2010



## Avanza Bank in brief

Avanza Bank is the Savers' Bank. Our mission is to make Swedes financially independent. Our goal is for Avanza Bank's customers to have more over for themselves than they would anywhere else. Avanza Bank offers a complete offering of savings services with share-based, mutual fund, and pension savings. This enables customers to have a good overview and control of their entire savings with Avanza Bank. Avanza Bank offers the market's lowest charges for all products.

Avanza Bank is the leading contender in the Swedish savings market. Our vision is to increase our market share to almost 2 per cent by 2010, corresponding to a long-term growth goal of 15–25 per cent per year. Net deposits in 2008 totalled SEK 6,760 million and the number of accounts increased by 37 per cent.

Operating income decreased by 9 per cent in 2008 to SEK 509 million and the savings capital totalled SEK 34,600 million at the turn of the year. Avanza Bank reported a profit for 2008 of SEK 185 million, corresponding to SEK 6.78 per share. The company had a total of 192 employees at the end of the year.

The Avanza Bank share is quoted on the Stockholm Stock Exchange, and the company's biggest single owner is Investment AB Öresund.

