

Annual Report 2012

Avanza Bank has a simple idea: As our customer, you should have more money left over for yourself than you would with any other bank.

2012

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**We challenge
and change
Sweden's
savings market.**

Avanza Bank in brief

Avanza Bank was founded in 2001 and, since that time, has grown from a small share broker to a bank challenging the major banks and pension companies in Sweden's savings market.

Our vision is to be the obvious choice for those of you who care about your money. We achieve this through our business concept: with us you should have more money left over for yourself than you would with any other bank in the Swedish savings market. Put simply – as it should be.

Facts

- Sweden's leading internet bank for saving and investments, with Sweden's most satisfied savings customers for three years in a row*
- Best internet broker**
- 283,300 customers
- SEK 85,800 million in savings capital
- One office, 262 employees
- Primary focus on private savers in Sweden
- Also offer Corporate Finance solutions, and services for Private Banking and Professional clients
- Price guarantee, with automatic improvements to terms achieved the more the customer saves with Avanza Bank
- No fixed account charges, yearly fees or depositing fees
- Brokerage fees from SEK 9
- The widest range of savings products and pension solutions on the market
- Trade in over 1,200 funds from 130 fund companies
- Second-largest on the Stockholm Stock Exchange***
- Trade on all of the Nordic Stock Exchanges, as well as in the USA and Canada via internet and on other Stock Exchanges via telephone
- Tools, analyses, news and software to support you in all of your decisions
- Topical news and impartial advice from the independent online magazine Placera.nu
- Selection of products:
 - Avanza Zero – Sweden's first free-of-charge fund
 - Superlånet – the lowest interest on the market, with the customers' securities as collateral
 - Sparkonto+ – with better interest rates and up for four times the state-provided deposit insurance guarantee
- Double pension****
- Low risk profile; no trading in the Bank's own securities, self-sufficient financing via equity and customer deposits
- Avanza Bank falls under the supervision of the Swedish Financial Supervisory Authority and is covered by the state-provided deposit insurance guarantee



* Source: Svenskt Kvalitetsindex (SKI)

** Source: "Aktiespararen" magazine, February 2013

*** In terms of the number of transactions on NASDAQ OMX Stockholm, including First North and Burgundy

**** We can prove that a 30-year-old can earn twice as much pension with us than with the largest pension company in Sweden

Important events during the year

- The net inflow during the year totalled SEK 5,380 million (SEK 6,460m), equivalent to 7 per cent (8%) of total savings capital at the beginning of the year
- The number of accounts increased by 13 per cent (+18%) to 471,600 (417,200 as per 31st December 2011)
- Savings capital increased by 16 per cent (+10%) to SEK 85,800 million (SEK 74,200m as per 31st December 2011)
- Operating income decreased by 19 per cent (+12%) to SEK 562 million (SEK 695m)
- Operating profit decreased by 41 per cent (+3%) to SEK 201 million (SEK 341m)
- The operating margin amounted to 36 per cent (49%)
- Earnings per share decreased by 46 per cent (+5%) to SEK 5.58 (SEK 10.28)
- The Board proposes a dividend of SEK 8.00 (SEK 10.00) per share

Important events by quarter

First quarter

- On 1st January 2012, we launch the new savings form, investment savings account, ISA
- Avanza Bank becomes the first operator on the market to offer brokerage-fee trading in exchange-traded credit-linked notes

Second quarter

- The processes of becoming a new customer of Avanza Bank and for logging in to the internet banking service are both simplified with E-Identification
- At the beginning of June, Avanza Bank becomes affiliated with the pension information website, minpension.se
- We launch the Pension Challenge, helping customers to improve pension savings

Third quarter

- Sparkonto+ is expanded, offering accounts for corporations, children and young savers. This form of saving is further expanded by the introduction of fixed-interest deposits for 24 months
- We increase the number of exchange-traded credit-linked notes
- The results of the investigation regarding life insurance is presented, proposing that statutory transfer rights for occupational pensions be expanded, which is deemed to be a positive development for Avanza Bank's growth opportunities

Fourth quarter

- Avanza Bank expands Sparkonto+ with a further cooperation partner, Nordax
- We are the first bank in Sweden to launch a banking app for Windows 8, in conjunction with Microsoft
- Avanza Bank launches both passively and actively managed Funds-of-Funds with low fees
- Avanza Bank is the first operator in Sweden to introduce the possibility of trading in warrants and futures in ISA
- Burgundy is sold to the Oslo Stock Exchange
- Measurements from the Svenskt Kvalitetsindex show that Avanza Bank has Sweden's most satisfied savers for the third year in a row!



Martin Tiv us, Managing Director of Avanza Bank

Comments from the Managing Director

In December 2011, soon after I had assumed the position of Managing Director of Avanza Bank, we were named the bank with Sweden's most satisfied savers for the second time in the annual Svenskt Kvalitetsindex survey. 12 months later, it was time for the following year's survey, and again, for the third year in a row, we received this honour. The happiness and pleasure experienced by our employees was all too obvious, as was the will to, without a moment's delay, begin to do everything we can to ensure that we receive the same recognition for the fourth year running. For if there is something that characterises those of us at Avanza Bank, it is the will to continually create added value for our customers and stakeholders, in the form of service, experience and actual money. This is as it should be, one would think. But we have discovered that this simple insight is very decisive in our success.

Before I begin to address the events of the past year, I wish to briefly describe my view of our journey to date. Since I became Managing Director, I have not only experienced a very uncertain year on the stock exchange but also a company

with a strong drive to consistently challenge and, thereby, to change, simplify and improve for the benefit of our customers. To be challenging is in our DNA. Nearly twelve years ago, we began by challenging share trading, as a reaction to something that, we believed, could be made significantly simpler, better and less expensive for our customers. Thereafter, we have continued to constantly develop our offering to the point where we now also challenge the savings market.

Regardless of whether it pertains to products, services, the way we interact with our customers or prices, our ambition is to deliver the best possible offering and the highest possible added value for our customers. In other words, our ambition is not to be like the other banks. In fact, quite the opposite. We wish to always offer a smarter and better alternative – where you, as our customer, have more money left over for yourself than with any other bank.

During 2013, you will hear us repeat the phrase 'as it should be'; this is our new customer promise, as well as a high internal declaration of ambition. When we do something, it ought to not

just be better than that which someone else has already done, but better than it should be. Is our customer service the way it should be? Are the savings accounts we offer the way they should be? Is the web experience we offer the way it should be? The list covering the implications of this approach can become very long and, everything combined, this is what Avanza Bank is going to be about going forward.

With this as the starting point, we will look closer at 2012 and the prospects for 2013.

The past year

Overall in 2012, we attained more than 20,000 new customers and more than 54,000 new accounts were opened. During the year, savings capital increased by SEK 12 billion, from SEK 74 billion to SEK 86 billion, the equivalent of a 16 per cent increase.

At the same time, the last twelve months have been characterised by rapid changes on the market in which Avanza Bank operates. It is the first year in Avanza Bank's history in which both trading activity and prime lending rates have declined, making 2012 anything but a normal year. Despite strong growth in savings capital and customers, combined with strong cost control, we could not compensate for sharply reduced trading activity and prime lending rates. As a result, operating income decreased by 19 per cent and operating profit by 41 per cent, which is equivalent to an operating margin of 36 per cent.

Towards the end of the year, we could see an increase in both trading activity and net inflow, as well as a shift back from fixed income funds to mutual funds. Net inflow in December was SEK 650 million, the strongest month since February. These trends have continued in early 2013, with a net inflow during January of SEK 1,180 million, compared with SEK 650 million during the same period in the previous year. The conditions for 2013, thus, look brighter than at the beginning of 2012.

During the year, we focused on adapting our offering to the shift in the demand for savings products among our customers. Some customer requirements that we have identified include a larger offering within the Sparkonto+ account, the introduction of brokerage-free trading in the exchange-traded credit-linked note and the development of a new portfolio of both passively

and actively managed Funds-of-Funds with low fees. We also made it easier for our customers to open new accounts by introducing E-Identification.

Our focus on occupational pensions was also warmly received by our customers. In total, this investment resulted in an increase of 44 per cent in the net inflow of occupational pensions compared with 2011. I dare to claim that we created a more attractive and competitive offering, to such a degree that we can say that a 30 year-old can earn twice as much pension with Avanza Bank than with the largest pension company in Sweden.

Creating added value for our customers creates added value for our shareholders ”

One of our more important investments during the year has been in the continued development of the bank platform which is to be launched during 2013. The transition to more modern IT systems, and the rejuvenated customer experience of Avanza Bank as an internet bank, is important in both the short and long term. More modern underlying systems make possible cost-effective growth in the future in terms of both the number of customers and the scope of our product offering. An enhanced customer experience on the internet will, therefore, strengthen Avanza Bank's competitive edge.

Looking back on the year, in spite of the positive growth in the number of accounts and in savings capital in a challenging market, I am not satisfied. Avanza Bank can and shall deliver stronger profit growth and the path to that goal has entirely to do with putting customer value in focus – something that we have always done but will emphasise even more. Lower fees, greater freedom of choice, better help and simplicity in everything we do. It is there we create the competitive advantages which can provide more added value for our customers. And through added value for our customers, we create added value for our shareholders.

Future prospects

In spite of the demanding markets, I deem that growth possibilities are good on the savings market in Sweden. Our vision is to be the obvious choice for those of you who care about your money. In order to realise this vision in the long run, our aim is to achieve a market share of at least 5 per cent of the net inflow to the savings market in Sweden. If we are successful, we will be able to challenge the major banks and pension companies in this country even more.

Examples of factors affecting our growth prospects include the growth of the savings market, the relationship between growth in savings capital and growth in operating income, and the rate of increase in expenses. In addition, during 2013, the Swedish Parliament will decide on one of the most important saving issues in the next few years: statutory transfer rights for pension savings.

Customer value always in focus

As the pension market comprises one half of the entire savings market in Sweden, the right to transfer pensions will strengthen the long-term growth prospects of Avanza Bank. I have high hopes that the Parliament will come to the best possible decision and that Swedish savers will have a more flexible market to look forward to. Precisely as it should be.

Prioritised areas in 2013

In 2013, I intend to focus the development of our operations on three key areas:

1) *Continue to strengthen our offering of pension products.* The main difficulties in expanding in today's pension market are largely associated with the lack of unrestricted transfer rights and a well-functioning transfer market for pensions. Despite offering the lowest fees in the market, Avanza Bank currently holds only slightly more than one per cent of total pension savings*. The goal for 2013 is to further strengthen our offering within pension savings and to prepare ourselves for unrestricted transfer rights.

2) *Modernise Avanza Bank's Internet service.*

The goal for 2013 is to launch our new Internet presence. In conjunction with this, we will also introduce new and more efficient underlying systems which will ensure that we will have an IT platform that is able to cope with greater and more cost-effective growth in the future.

3) *Cost effectiveness.* One of Avanza Bank's strategies is to be the price leader and this presumes cost leadership. During 2012, we increased the number of accounts by 13 per cent and expenses by 3 per cent, which is a significantly lower rate of increase of expenses than the historical average. This was achieved in spite of major expenses for the development of new IT systems. Our assessment is that we will continue to keep expenses more or less unchanged in 2013, due to the uncertainties we have witnessed in the market.

In conclusion, I wish to return to where we started off: the bank with the most satisfied savers in Sweden. I could be tempted to say that this is precisely as it should be. But to lean back and be satisfied with the current state of affairs would be the biggest mistake we could make, as there are constantly new areas in the banking and pension markets to be developed and challenged. The greatest success is achieved, instead, if all of the fantastic energy and customer focus found in our organisation is kept alive and properly channelled. This is how we create customer value. This is how we build customer loyalty. And in this way we will earn, and maintain, our position as the bank with the most satisfied savers in Sweden.

A big thank you to all of our personnel for all of your efforts during the year.

Stockholm, February 2013



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* Source: Sparbarometern, 31st December 2012

Can you actually
“like” a bank?
99% of our
customers believe
you can.

**Avanza Bank
has slightly
more than
280,000 active
marketing
personnel as
customers ”**



Sven Hagströmer, Chairman of Avanza Bank

Comments from the Chairman

Sweden's largest marketing department!

For three consecutive years, banking customers in Sweden have, according to the annual customer satisfaction survey, Svenskt Kvalitetsindex, voted Avanza Bank as the most customer-friendly bank in Sweden. This is, of course, very pleasing. But it is much more than that. Our customers are so satisfied that 98 per cent of them would consider recommending Avanza Bank to their friends. The result of this is that three out of four of our new customers state they have joined Avanza Bank following the recommendation of a friend.*

Our customers are, therefore, our best ambassadors and they can, indirectly, be viewed as an extension of our marketing department. Is there any other bank with more than 280,000 active marketing personnel in their marketing department?

This is, of course fantastic; actually one of our greatest assets. But it can also become our Achilles' heel, as it implies that our customers' views of us are, in fact, what makes, or breaks, our success. If we do not perform well, they will "hand in their notice" to our marketing department and may also encourage their friends not to join us.

* Source: Customer panel survey conducted in April 2012 by Netigate

Three out of four customers state that they have become customers due to the recommendation of a friend.

But even in this context, this metaphorical knife at our throat is extremely important, so that we never lose our concentration on delivering our customers an offer they cannot refuse.

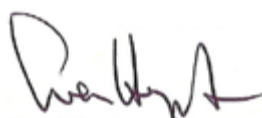
The previous year was not the best one for our shareholders. Our main source of income, commission from trading with securities, and our net interest income, both decreased significantly. This was the case in spite of the fact that the year 2012 was very positive for the stock market. An upswing of 12 per cent on the stock market, combined with dividends, provided a total increase of 16 per cent. However, a steep sales decrease on the stock exchange, along with declining interest rates, could not be compensated for by other income. In this context, it is interesting to note that 2012 was a year of recovery which many overlooked. Avanza Bank assigned SIFO to undertake a survey at the end of the year, and the results showed that people believed that the stock exchange had gone up, but only by, on average, 4 per cent. As a result of the negative news headlines about the problems associated with the Euro and a lower inflow of orders, many simply did not notice this upswing.

We, however, were pleased to witness continued growth in terms of customers and capital in 2012. This, we believe, is a reflection of our very competitive service offering.

Yes, it ought to be acknowledged that last year, in terms of income, Avanza Bank did not really live up to its name. Avanza means to move forward, to advance. There are a lot of factors suggesting that this will change in 2013. We are convinced that our major investment in a new website, to be launched in 2013, will produce results. Not only in the form of greater cost-effectiveness for Avanza Bank in general, but also in the form of an improved customer experience in particular.

With high hopes for a successful year for Avanza and an ever expanding "marketing department"!

Stockholm, February 2013



Sven Hagströmer
Chairman of the Board

Business concept, goals and strategy

We have a simple business concept – at Avanza Bank, you should have more money left over for yourself than you would with any other bank in Sweden. Our vision is to be the obvious choice for those of you who care about your money.

Goals

In order to be able to realise our business concept and vision, our overall goal is to have Sweden's most satisfied customers. We also have the goals to achieve long-term value growth, allowing us to provide a good return to our shareholders, and to have satisfied employees.

Sweden's most satisfied customers

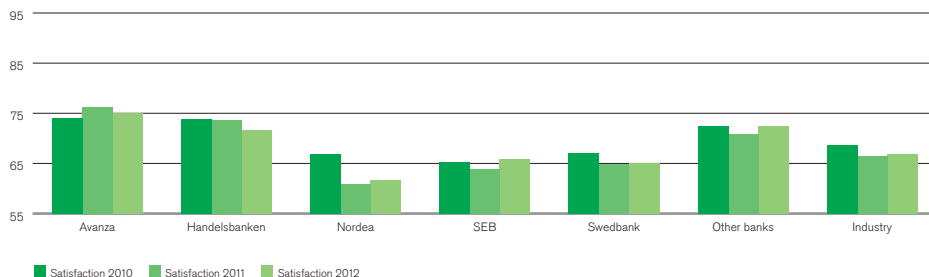
Our goal is to have Sweden's most satisfied customers according to the annual survey, Svenskt Kvalitetsindex, an award which we won for the third year in a row in 2012. This survey measures customers' views regarding the Swedish banks' various savings services. Avanza Bank received the highest ranking of the banks included in the survey in five of the seven different categories; Image, Product quality, Value for money, Satisfaction and Loyalty. Satisfied customers are our primary growth strategy and 98 per cent of our customers would consider recommending Avanza Bank to their friends.

Long-term growth in value

Making shareholders happy requires a long-term growth in value. There is a clear, foundational relationship between an underlying growth in savings capital and growth in operating profit. However, in the short and medium term, profit is highly

dependent on stock market developments and the development of the prime lending rates. Due to the uncertainty characterising the market, it has become notably more challenging to assess profit development in the years to follow. For example, it is extremely difficult to assess the development of net interest items when a change of 0.25 percentage points in the prime lending rate from the prevailing rate has, historically, resulted in a net effect on profit/loss of SEK 20–25 million, on an annual basis. We have, therefore, chosen not to express any specific goals in terms of growth in profit but have, instead, concentrated our goals on the areas which we are able to affect and which drive the company's underlying growth in combination with thorough monitoring of expenses.

Growth in savings capital is created through the net inflow and growth in the value of existing savings capital. This net inflow is driven by growth in new customers and increased savings among existing customers. A long-term goal of Avanza Bank is, therefore, to expand with 20,000 – 30,000 new customers per year and to achieve a market share of at least 5 per cent of the total net inflow to the savings market in Sweden. Furthermore, increases in expenses may not exceed increases in revenue in the long term, and the proportion of non-brokerage income in relation to expenses is to exceed 100 per cent.



SKI: Development satisfaction 2010–2012 for securities saving

In 2012, we achieved our goal for customer growth by expanding with 20,300 new customers and by increasing savings capital by 16 per cent. Avanza Bank's share of the total net inflow to the savings market in Sweden amounted to 2.9 per cent. The rate of growth in the Swedish savings market in 2012 was the highest in many years. As a result of uncertain economic conditions, Swedish savers kept a close watch on their expenses; however, saving was characterised by passivity, which did not serve to benefit Avanza Bank as we could not, consequently, attain our share of the growth in the net inflows on the savings market in Sweden. The rate of increases in expenses during the year was 3 per cent, which is clearly lower than the historical average of 14 per cent, in spite of investments in more modern IT systems and the new website. The share of non-brokerage income in relation to expenses amounted to 96 per cent, slightly below the goal, resulting primarily from

decreased prime lending rates and lower lending volumes.

Satisfied employees

One of the preconditions for attaining the most satisfied customers in Sweden and for achieving long-term growth in value is satisfied employees. Avanza Bank carries out an employee survey every year, with the aim of measuring the company's strengths and development areas. The goal is to reach a better result compared with the previous year, which we were able to do in 2012. The response frequency of the survey was high at 94 per cent and, for example, the area *competence development* had improved compared with the previous year, which is very encouraging after a deliberate programme of activities in this area. More information on Avanza Bank's employee survey can be found in the section on Employees on pages 28–29.

**With us you should
have more money
left over for your-
self than you would
with any other
bank in Sweden.**

Strategy

Avanza Bank has the following strategies for achieving its overall goals:

1. Our customers like us

We are 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? Exploiting the advantages offered by the Internet often enables customer and shareholder benefit to be combined. The creation of added value for customers creates, in turn, added value for shareholders.

One of our overall goals is to have the market's most satisfied customers. Satisfied customers are 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.

2. We improve and challenge ourselves every day

As satisfied customers represent our primary growth strategy, we must challenge ourselves every day to consistently keep ourselves on our toes. We are always assessing and reassessing our products, internal processes and our site to make sure that they are as they should be. If not, we need to react to what we find, to ensure that we keep our customer promise; as it should be. This implies, among other things, that we do not necessarily defend existing revenue sources but can decrease prices even if competitors do not decrease theirs.

3. 100 per cent online

Our ambition is to be 100 per cent digital, enabling us to offer solutions to our customers that are as cost-effective as possible. Such cost-effective solutions are made possible as we have, for example, neither high costs for premises nor expensive advisers. In addition, it is important for us to have a flexible and modern IT platform allowing us to automate processes, simplify solutions and provide a better customer experience. A fully Internet-based business model also enables Avanza Bank to adapt its offerings even more closely to individual customer requirements.

4. We stick to doing what we do best

Avanza Bank will continue to concentrate its operations on the areas in which we are, or can become, the best. At the same time, these areas must be those which generate the most value for our customers. Our customers should feel safe in the knowledge that we only offer products and services which are positive for them. We have chosen to focus on the Swedish savings market which we believe has a major potential in terms of change and development.

5. Price leadership

Avanza Bank understands that fees are of considerable importance in generating value for the customer when it comes to saving. Consequently, an important strategy for us is our ambition to offer the market's lowest fees. Avanza Bank is, in the long term, to be the price leader, with strong profitability. Price leadership presumes cost leadership, which is something we actively work with each day.

**We stick to doing
what we do best.**

Market

Our focus is on the Swedish savings market. Sweden has one of the world's highest percentages of share-based and fund-based savings. It is estimated that 80 per cent of the population saves in shares or funds, directly or indirectly. Two million Swedes are estimated to carry out at least one equity or investment fund transaction every year, in a normal year. The total value of the Swedish savings market is SEK 5,000 billion, 50 per cent of which comprises direct savings and 50 per cent pension-based savings.* The market is normally expected to grow by around 6–8 per cent per annum.

	2003–2012	Anticipated growth
Net inflow, % of savings capital at the beginning of the year	5 %	3–4 %
Growth in value	3 %	3–4 %
Swedish savings market, annual growth	8 %	6–8 %

Saving as a driving force

There are underlying factors explaining the growth in the savings market. As the public and collective pension and welfare systems are successively reduced in scope, the need for savings by individuals increases. And when the scope of choice for the individual expands, the need for guidance, support for decision-making and advice also grows. This shift to increased individual saving also means a greater focus on an individual's returns from such savings.

The demand for a wider range of products, freedom of choice and lower fees is increasing and the Internet provides particularly good opportunities to meet these requirements. This, coupled with the increase in people's Internet usage, has resulted in online savings growing considerably faster than the savings market as a whole. Today, many Swedes manage part of their savings on the Internet, and successively transfer a greater percentage of their savings to online services. At the same time, an increasing number of those who are more mature and capital-strong, are beginning to use the Internet for savings purposes as well.

Factors which may limit a consistently high net inflow into the Swedish savings market include an increased level of uncertainty regarding the external environment, a decline in property prices, as well as higher interest rates and amortisation requirements which, combined, may result in Swedes increasingly opting to save by amortising their housing loans which will, in turn, decrease new savings in the savings market.

Trends

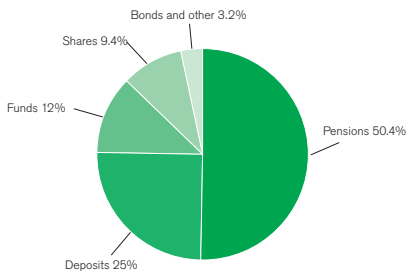
2012 was an uncertain year for the stock exchange, even if the stock exchange's total return, over the course of the year, was 16 per cent. We witnessed a savings pattern which changed from *share-based savings* to interest savings, as well as a decline in trading volumes on the stock exchange. The general economic climate affects private savings behaviour, as do factors such as legislation and the Internet. The Internet has allowed trading to become increasingly more efficient, but also more exposed to competition. High frequency trading (computerised trading using pre-set algorithms) implies the requirement of extremely rapid order completion and has implied increased competition for professional day traders.

The trend in *fund-based saving* is for customers to become increasingly active. This trend has been encouraged by the active investment fund choices offered within PPM and by different types of pension-based savings. Interest in so-called exchange traded funds (ETF) is also growing. ETF, which are traded in the same way as equities, offer the saver quick, low-cost exposure to different markets.

Saving in the form of *deposits* in accounts remains high in spite of declining interest rates in 2012. Savers have regarded this savings form as a relatively secure return under uncertain stock exchange conditions.

Pension-based and insurance-based saving is the biggest single savings segment and constitutes 50 per cent of the savings market,

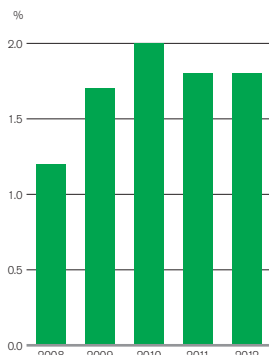
* Source: Sparbarometern 31st December 2012



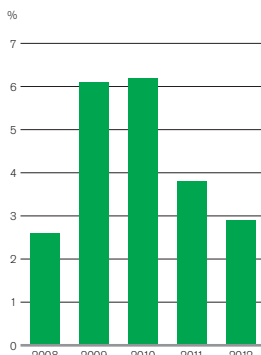
The Swedish savings market 31st December 2012*

but it is also the type of saving that least interests the Swedes. Savers perceive the pension products as complicated. Also, many have difficulty in obtaining a comprehensive overview of their combined pension savings, which has also contributed to low 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. Swedes are still, however, unable to transfer their pension savings in an unrestricted manner.

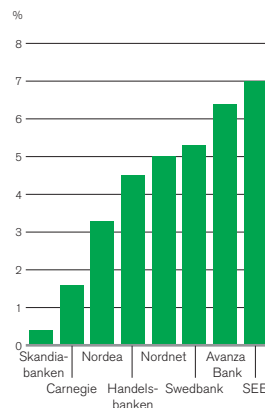
A new investment savings account, ISA, was introduced in the Swedish savings market after a new regulation entered into force on 1st January 2012. ISA is taxed on the basis of an annual standard tax rate and, in contrast to endowment insurance, the saver is entitled to vote on the basis of the shares held and is eligible for deposit insurance.



Market share of the Swedish savings market 2008–2012



Market share of the net inflow to the Swedish savings market 2008–2012



Market share of NASDAQ OMX Stockholm, First North and Burgundy, number of transactions 2012

Operators on the market

The Swedish savings market is still dominated by the big banks and the big pension companies, which Avanza Bank regards as its main competitors. There are also a number of niche operators, such as smaller banks and pension companies, fund management companies, asset managers, stockbrokers and insurance brokers.

Strong position

Avanza Bank is the leading Internet bank for saving and investments in Sweden. With a dedicated Internet savings profile, we have increased savings capital by an average of 24 per cent per year during the period 2001–2012, at a pace which is significantly faster than that of the savings market in Sweden as a whole.

At the end of 2012, our customers had SEK 85,800 million (SEK 74,200m) invested in different savings formats, corresponding to 1.8 per cent (1.8%) of the total savings market in Sweden. Our share of the net inflow into the Swedish savings market totalled 2.9 per cent (3.8%) in 2012.

We maintained our position as the second biggest operator on the NASDAQ OMX Stockholm, First North and Burgundy marketplaces, measured in terms of the number of transactions. In 2012, 6.4 per cent (7.1%) of the total number of transactions were conducted via Avanza Bank. Measured in terms of turnover, Avanza Bank was the fourth biggest operator, with a market share of 4.1 per cent (4.6%).

* Source: Sparbarometern 31st December 2012

Customer offering

The best interest of our customers is always our top priority – as it should be. Avanza Bank is a safe alternative, which is covered by the state-provided deposit insurance guarantee. Innovations are created rapidly and where there is a need, or an error in the system, we develop new products and services. Examples of innovations and developments include the free funds Avanza Zero and Sparkonto+, with four times the state-provided deposit insurance guarantee. Our customer offering can be divided into four parts:

Lower fees

We always strive to offer the lowest prices in the market to our customers, without compromising quality. Our customers should never have to pay unnecessary or hidden fees. Consequently, we have, for example, no fixed account, annual or deposit fees and, for loans, we have the lowest prices in the market, with the customers' securities as collateral. In addition, we have a price guarantee which automatically provides our customers with better terms the more they save and accumulate at Avanza Bank. We believe in full transparency in our customer relations.

Better help

We believe in our customers' own ability to make decisions regarding their savings and, consequently, we do not offer advisory services. However, we provide the necessary tools and basis for decision-making, which assists the customers in managing their investments and savings in a simpler, less expensive, more enjoyable and smarter manner. In addition, the customers receive access to, for example, news and analyses, as well as buying and selling tips, through the independent online magazine, Pacera.nu. If the customers wish to contact us directly, our very competent, fast and appreciated customer service answers queries on the phone, via e-mail and on Facebook.

Greater freedom of choice

Our ambition is for our customers to be able to find the best investment alternatives with Avanza Bank at all times. Consequently, we offer the broadest range of savings products in the market by, for example, maintaining the largest fund offering in Sweden. In addition, we have developed products and services in collaboration with other institutes and suppliers, such as Sparkonto+ and Funds-of-Funds. By doing this, we believe that we are able to offer the best terms and conditions.

Simplicity

Our goal is for simplicity to characterise the entire customer experience. This implies, for example, that we should always communicate in a clear manner, without complicated technical terminology. Furthermore, our customers should be able to, in a quick and simple manner, obtain an overview of their securities, savings accounts and pension savings, receive assistance with their income tax returns and gain access to news and guidance. Customers who would like assistance in managing their savings may choose discretionary management.

Avanza is making great strides to modernise the world of finance!! 

Leif Ek, customer at Avanza Bank

Avanza Bank has more than 280,000 customers. We mainly target Swedish private customers, but also offer services for corporate customers.

Private customers

Basic & Premium

At Avanza Bank, private customers can choose between two customer categories: Basic and Premium. The Basic offering implies that the customers have access to all services at Avanza Bank and have the opportunity to trade shares at a lower, fixed minimum brokerage fee (SEK 39), compared with the Premium offering (SEK 99). The Premium offering implies better interest rates for both depositing and lending, as well as a lower variable brokerage fee, which benefits those trading in larger amounts.

In addition, customers within both offerings receive even better terms if they save more according to a scale from Bronze to Platinum. The benefit levels have in fact, special terms linked to a price guarantee which comes into effect automatically when the thresholds are met. Consequently, customers never have to worry about missing the best possible price. If there are several members of the same household, their savings can be combined in order to obtain the best possible terms.

Mini

Mini-customers receive a stripped back service that lacks many of the account types and functions offered to other customers. In return, Mini customers pay only a minimum brokerage fee that starts at SEK 9.

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 a lower brokerage rate (0.055 per cent), competitive interest rate terms, tax advice and personal service via a direct phone number to Avanza Bank's brokerage department.

Pro

The Pro offering is aimed at professional day traders, as they are known, and offers a 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 from Avanza Bank's customer support and brokerage department.

Pro customers also have free access to several of the market's leading trading software programs, such as Avanza Trader, Online Trader and SIX Edge.

Corporate customers

Corporate customers use Avanza Bank's services to manage their surplus liquidity and for long-term investments. Banks and capital managers utilise our services for, amongst other things, share and derivative transactions.

Avanza Bank also offers corporate solutions for occupational pensions and company-owned endowment insurance, with absolutely no fixed fees, enabling both large and small companies and their employees to save for their pensions via the wide range of investment funds and other securities.

Avanza Bank offers Corporate Finance services to companies in conjunction with stock market IPOs, ownership widening, and new rights issues. We enjoy a substantial competitive advantage in the Corporate Finance sphere in that our many private customers provide a strong platform for cost-effective ownership widening.

Operations and results

Business model

We have an Internet-based business model based on the theory of the law of large numbers, i.e. taking small payments from every customer and having many customers. This, combined with a high proportion of fixed costs and the market's lowest costs per customer and transaction, generates excellent potential for long-term growth in profits.

Revenues

Long-term growth in income is created by an underlying growth in savings capital. As income, in both the short and the medium term, is heavily dependent on stock market performance which is difficult to predict and forecast, we focus on the factors which can be influenced and which generate long-term growth in savings capital.

The most important factor is net inflow, the growth of which 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. The fixed cost base is, however, increasing due to a wider ranging and more competitive offering. To ensure our long-term ability as a price leader with strong profitability, our goal is to have the industry's lowest cost per transaction and customer. We are currently the market's cost leader and work actively to follow up on costs in relation to budgets and forecasts. In addition, we are in the process of modernising our IT platform, to be completed in 2013, in order to ensure greater cost-effective growth in the future.

Organisation

Avanza Bank Holding AB is the parent company within the Avanza Bank Group, and the operational activities are primarily undertaken via the company, Avanza Bank AB. Avanza Bank comprises six organisational units – two business operations and four business support units.

Business operations units

- Bank & Investments
- Pension

Business support units

- Customer Service
- Market
- CFO*
- IT Operations and Development

The framework for Avanza Bank's offering of services includes Försäkringsbolaget Avanza Pension and Avanza Fonder AB which, similar to Avanza Bank AB, are supervised by the Swedish Financial Supervisory Authority, as well as Placera Media Stockholm AB, an independent media company which publishes the online magazine Placera.nu and Börsveckan.

Avanza Bank does not have any bank branches. All employees are based at the office at Regeringsgatan 103 in Stockholm.

The employees are divided into three main areas: services and sales aimed directly at the various customer groups, product and service development, and support functions such as risk management, legal issues, compliance, finance, HR, back office and other administration.

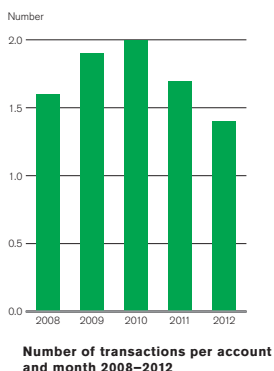
* HR, Compliance, Risk and Finance

Comments on the previous year

For the third year in a row, Avanza Bank was named the bank with the most satisfied savers in Sweden, in the annual Svenskt Kvalitetsindex survey. This survey measures customers' opinions of the various savings services offered by Swedish banks. Avanza Bank received the highest ratings of all of the banks in five of the seven categories.

Impact of the stock exchange

In 2012, the stock exchange had a total return of 16 per cent. In spite of this relatively good return, our savers were reluctant to trade in shares and favoured, instead, primarily interest-based investments. The level of activity among our customers, measured in number of transactions per account and month, was 18 per cent (15%) lower compared with the corresponding period in the previous year.



In spite of the fact that trading activity in shares declined significantly compared with the corresponding period in the previous year, Avanza Bank maintained its position as the second biggest operator measured in the number of transactions on NASDAQ OMX Stockholm, First North and Burgundy. During the year, 6.4 per cent (7.1%) of the transactions were conducted via Avanza Bank. Measured in terms of turnover, Avanza Bank is the fourth biggest operator, with a market share of 4.1 per cent (4.6%).

Business development and investments

On 1st January, Avanza Bank launched the new savings form investment savings account, ISA. During the year we also introduced, as the first actor in Sweden, the opportunity to trade in warrants and futures within ISA.

The savings form, Sparkonto+ was expanded with the launch of a cooperation agreement with a fourth partner, Nordax. In addition, Sparkonto+ was expanded further by the introduction of fixed-interest deposits for 24 months and with accounts for corporations, children and young savers.

As a stage in the further adaptation of Avanza Bank's offering according to the shift in demand for savings products, brokerage-free trading in exchange-traded credit-linked notes was launched, as were three passively managed Funds-of-Funds with a low management fee of 0.49 per cent. These were supplemented at the end of the year with three professionally managed Funds-of-Funds designed in collaboration with prize-winning fund companies.

In order to simplify procedures for Avanza Bank's customers, the company also introduced the possibility of using E-Legitimation to sign agreements and log in on the site during the year. In addition, in collaboration with Microsoft, we launched a banking app for Windows 8.

Work on developing Avanza Bank's new internet presence and modernising the underlying IT systems has continued. Towards the end of the year, we presented a number of changes to the beta version of the new site, including improved functionality for viewing historical transactions. This work is expected to continue until summer 2013, with the goal of creating Sweden's best internet banking experience. New IT systems also lead to improved scalability and cost-effectiveness in conjunction with on-going growth, which is important in our ambition to continue to offer the industry's lowest fees and also a good return for Avanza Bank's shareholders.

In 2012, the results of the investigation regarding life insurance were presented, proposing that statutory transfer rights for pensions be expanded. Once the expanded transfer rights gain legal force (proposed for 2015), Avanza Bank will have an excellent opportunity to increase its shares in both the pension market and the savings market in Sweden. The prepara-

tory work for this expansion of transfer rights is underway both internally within Avanza Bank and externally in the form of intensive lobbying.

Sales

The exchange-traded credit-linked note launched during the spring, as well as the Sparkonto+ account, proved popular products in terms of interest savings, in spite of the reduction of the prime lending rate, with total savings capital of SEK 560 million (SEK 0m) and SEK 4,100 million (SEK 3,300m), respectively, as per year-end.

Savings in ISA have continuously increased, both in terms of the number of new accounts and savings capital. Compared with endowment insurance, the net inflow into ISA was ten times higher during 2012, and three times as many new accounts were opened. During 2012, Avanza Bank's customers deposited SEK 3,520 million into 14,300 ISA accounts.

During the year, Avanza Bank became affiliated with the pension information website, minpension.se, and launched the Pension Challenge, educating customers in the significance of fees to their pensions. Net inflow in occupational pensions during 2012 has continued to be good, with an increase of 44 per cent, while the number of new occupational pension accounts has increased by 28 per cent. The number of new occupational pension accounts amounted to 8,300 (7,700) during the year, corresponding to 15 per cent (12%) of the total number of new accounts.

Avanza Bank continues to attract new customers. The number of customers at year-end amounted to 283,300 (263,000). The number of accounts per customer represents a measure

of savers' customer loyalty to Avanza Bank and, thereby, also a measure of our share of the customers' savings. The number of accounts per customer has increased during the period and now amounts to 1.66 (1.59) accounts. The launch of E-Identification has positively impacted the inflow of new customers during the year.

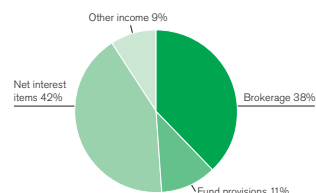
Results

2012 is the first year in Avanza Bank's history in which both trading activity and prime lending rates have declined.

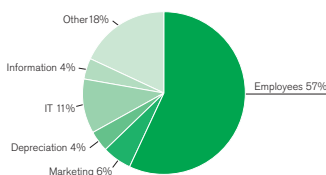
Operating income decreased by 19 per cent compared with the previous year, primarily due to lower brokerage income as a result of low trading activity. Avanza Bank's customers completed, on average, 18 per cent fewer securities transactions per customer in 2012 than in 2011. In addition, brokerage per transaction declined somewhat.

During the year, the Swedish Central bank lowered the prime lending rate to 1.00 per cent. This rate was, on average, 0.30 percentage points lower in 2012 than during 2011 which, in combination with lower levels of lending, had a negative impact on net interest items by more than SEK 20 million. As the uncertainty persisted in Europe for the entire year, the customers' interest in interest saving was, however, very high.

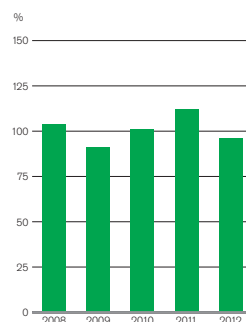
In 2012, non-brokerage income amounted to 96 per cent (112%) of expenses. Non-brokerage income primarily consists of net interest items, fund commission, net income from currency fluctuations and fees from corporate finance. The goal for this portion is, in the long term, to exceed 100 per cent.



Breakdown of operating income 2012



Breakdown of operating expenses 2012



Non-brokerage fees in relation to operating expenses 2008–2012

Financial overview

	2012	2011	Change %
Income Statement, SEK m			
Brokerage income	216	305	-29
Fund commissions	64	70	-9
Net interest items	235	258	-9
Other income*	47	62	-24
Operating income	562	695	-19
Personnel**	-207	-189	10
Marketing	-21	-23	-9
Depreciation	-13	-11	18
Other expenses	-119	-125	-5
Operating expenses before credit losses	-360	-348	3
Profit before credit losses	202	347	-42
Credit losses, net	-1	-6	-83
Operating profit	201	341	-41
Operating margin, %	36	49	-13
Profit margin, %	28	42	-14
Cost/Income ratio, %	64	50	14
Earnings per share, SEK	5.58	10.28	-46
Earnings per share after dilution, SEK	5.58	10.21	-45
Return on shareholders' equity, %	19	35	-16
Investments, SEK m	3	21	-86
Brokerage income/Operating income, %	38	44	-6
Non-brokerage income/Operating income, %	62	56	6
of which Fund commissions/Operating income, %	11	10	1
of which Net interest items/Operating income, %	42	37	5
of which Other income/ Operating income, %	8	9	-1
Non-brokerage income/Operating expenses, %	96	112	-16
of which Net interest items/Operating expenses, %	65	74	-9
Operating income/Savings capital, %	0.70	0.88	-0.18
of which Net interest items/Savings capital, %	0.29	0.33	-0.04
Average no. employees	269	256	5
No. trading days	247.5	251.0	-1
Web service operational availability, %	99.6	99.9	-0.3

	31st Dec 12	31st Dec 11	Change %
Shareholders' equity per share, SEK	28.68	30.97	-7
Capital base/Capital requirement	2.21	2.06	7
No. employees	262	260	1
Market value, SEK	131.50	164.50	-20
Market capitalisation, SEK m	3,800	4,650	-18

For definitions, see page 88.

* Including an impairment of the holding in Burgundy of SEK 9 million

** Including non-recurring costs related to rationalisation through personnel changes of SEK 3.5 million

In 2012, expenses before credit losses increased by 3 per cent (+20%) compared with the previous year, which is significantly lower than the average historical level. The rate of cost increase was reviewed prior to 2012 and, during the year, we took a number of measures targeted at cost-effectiveness in order to balance the continued investments in our new online bank and the modernisation of the underlying IT systems. These investments are written off directly in the income statement and are expected to be completed during 2013.

Operating profit before tax amounted to SEK 201 million (SEK 341m), a decrease of 41 per cent. This corresponds to an operating margin of 36 per cent (49%). Profit after tax decreased by 45 per cent (+7%) to SEK 160 million (SEK 291m), which corresponds to earnings per share of SEK 5.58 (SEK 10.28). The profit for the year implies a return on shareholders' equity of 19 per cent (35%).

Future prospects

The growth prospects for the savings market in Sweden are assessed as good. In order to create long-term shareholder value, the work conducted by Avanza Bank is concentrated on the areas which we are able to affect and which drive the company's underlying growth in combination with thorough monitoring of expenses – good scalability in the operations, a strong net inflow, positive customer growth and satisfied customers.

Factors impacting Avanza Bank's prospects for future growth include:

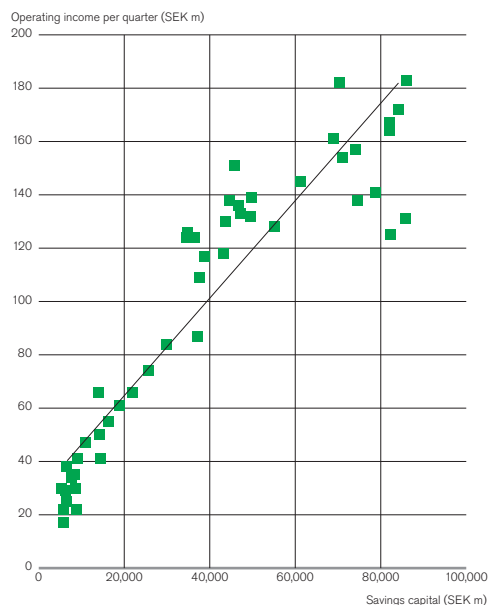
Growth in the savings market

In our assessment, the Swedish savings market will grow, in the long-term, by 6–8 per cent per year, which corresponds to the growth experienced in the last ten-year period. However, there is a risk that the concerns regarding the housing market can spill over into the savings market. Uncertainty as regards declining housing prices, in combination with uncertain stock market conditions, may result in Swedes increasingly opting to save by amortising their housing loans which might, in the short term, carry a negative impact on growth in the savings market.

Avanza Bank's prospects for growth are, at the same time, not restricted to growth in the savings market. This holds true because Avanza Bank currently holds slightly less than 1.8 per cent of the Swedish savings market and because capital transferred from other savings institutions to Avanza Bank is not included in the net inflow to the Swedish savings market.

Net inflow and value growth

An important factor creating long-term growth in savings capital is the net inflow of savings. Avanza Bank aims to attract a minimum of 5 per cent of the net inflow into the Swedish savings market every year. Any growth in net inflow is due to the increased savings of existing and new customers. Avanza Bank has a goal to attract 20,000–30,000 new customers per year and, as well as to utilise its advantages in terms of offering the market's widest range of savings products, as well as its lowest prices, in order to grow the Avanza Bank's share of customers' savings over time. Our assessment is that our customers, today, have half of their transferrable savings in Avanza Bank. In addition to the net inflow, the value growth creates growth in our customers' savings capital.



Relationship between increase in savings capital and increase in operating income 2001–2012

The link between growth in savings capital and growth in operating income

From a long-term perspective, there is a clear link between growth in savings capital and growth in operating income, for which reason an underlying growth in savings capital creates the conditions necessary for increased income. Income is primarily generated through brokerage income from trade in securities, net interest income from borrowing and lending, fund commissions and other compensation from suppliers of savings products. Income per krona saved has fallen by 13 per cent per year over the last five years, due to price pressure combined with the effects of the product mix of savings, a lower short interest rate level and variations in trading activity on the stock market. Our assessment is that income per krona saved, with an unchanged repo rate, will fall at a lower rate than the historical rate from the current level. This assessment is based on our forecast of continued effects of the product mix of savings capital, as we believe that fund savings and interest savings will increase in the future, to the detriment of trading in shares. This will take place in conjunction with an increase in pension capital. Price pressure due to competitive pressure is, however, assessed to be limited.

Rate of increase of expenses

Avanza Bank reviewed the pace of increase in expenses prior to 2012. Given the company's substantial investments in the new Internet presence, as well as the modernisation of the underlying systems which has been undertaken in previous years, expenses for future years are not expected to increase at the same rate as income, which creates the conditions for increased operating margins. This is due to the fact that the new systems require less maintenance and facilitate increased efficiency in the operations, subsequently creating an improved scalability with continued customer growth. In the long-term, the target is that increases in expenses are not to exceed increases in income.

Possible deregulation of transfer market for pension savings

In 2012, the investigation regarding life insurance presented a proposal for the expanded right to transfer pension savings. The pensions and insurance market is almost twice the size of the market for direct savings in shares and funds. It is, therefore, estimated that Avanza Bank's customers will have more pension savings than direct share and fund savings. If there were to be an extension to the transfer rights for pension capital, customers would be able to transfer portions, or all, of their pension savings to Avanza Bank and, in doing so, receive a larger pension, as Avanza Bank offers the lowest fees and the widest product range for pension savings. A resolution in favour of unlimited transfer rights would, therefore, have a positive effect on Avanza Bank's growth opportunities. It has been proposed that the extension to transfer rights regarding life insurance becomes applicable as of 1st January 2015.

Risks

Avanza Bank has a conservative approach to risk and its operations are, in all aspects, characterised by a low level of risk.

For example, we do not take any financial positions with the aim of earning money (so-called trading) and have, in contrast to other banks and institutions, no payment services, unsecured credits or cards which implies that the risk of fraud is much lower with us than with other banks. All assets have a high liquidity and credit losses have historically been very low. At the same time, Avanza Bank has a strategy to be a 100 per cent

internet bank, which implies challenges with, and requirements on, efficient and secure IT systems. External factors impacting Avanza Bank negatively are a low economic climate and low interest rates.

The table shows the various types of risk and their impact on Avanza Bank's operations. Read more about Avanza Bank's risks in Note 32 Capital requirements and financial risks.

Avanza Bank's
operations are
characterised by
a low level of risk.

Risk and sensitivity analysis

Type of risk	Risk	Impact	Comments
Market risks and earnings risks	Business cycle risks, long-term negative stock market activity and decreased sales	High	Brokerage income is affected by long-term negative stock market activity. Avanza Bank is working to expand its offering with other savings products that are unaffected by fluctuations in the stock market
	Business cycle risks, low interest rates	High	Avanza Bank's net interest income is negatively affected by declining interest rates
Business risks	Bad investments and ventures	Low	Bad business decisions can be quickly corrected, as the decision-making channels in Avanza Bank are short
Credit risks	Securities lending, including concentration risks	Medium	A sharp decline on the stock market over a short period of time (1–3 days) can cause credit losses
	Management of excess liquidity	Low	Avanza Bank invests excess liquidity on a spot trading basis or on the next business day in systematically important Swedish banks. The risk exposure is large, as is the effect if any of the systematically important Swedish banks were to go bankrupt. However, the short binding period of the liquidity implies a large degree of flexibility.
	Counterparty risk	Very low	The counterparties are thoroughly assessed and selected, and follow-ups are undertaken on a regular basis
	Liquidation risk	Very low	A majority of the transactions are liquidated through a central counterparty (CCP). The remaining transactions are undertaken with stable counterparties.
Market risks	Share price risk and proprietary trading	Very low	Avanza Bank engages only in trading on behalf of customers, and undertakes no proprietary trading
	Currency risk	Very low	Avanza Bank has, in principle, no exposure to foreign currencies
	Liquidity risk	Very low	Avanza Bank is financed through equity and customer deposits. The customer deposits significantly exceed lending, making a large amount of excess liquidity available
	Interest risk	Very low	Avanza Bank has no fixed interest contracts on either deposits or loans
Operational risks	Operational risks, including legal risks	Low	Avanza Bank's risk profile is low. The internal working capital requirement is lower than that of the legal requirement. The difference is due to the fact that operational risks for the internal management of excess liquidity are much lower due to the nature of this management. Internally, Avanza Bank has no single operational risk exceeding one per cent of the capital base.
IT risks	Avanza Bank's strategy to be a 100% internet bank requires secure and reliable IT systems	High	Avanza Bank's entire operations are internet-based. Deficiencies in the IT system would have large negative effects, making this a highly prioritised matter
Actuarial risks	Insurance technical risks	Very low	Försäkringsaktiebolaget Avanza Pension has no guarantee commitments
Fraud risks	External fraud risks	Low	Avanza Bank does not issue credit cards, nor does it have any payments or unsecured credit
	Internal fraud risks	Medium	Avanza Bank works systematically with strengthening internal control. One aspect of this work is that background checks are made on all new employees. The bank also has insurance that covers property offences.

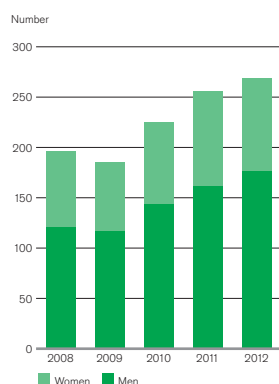
Employees

Our employees

Avanza Bank operates in a fast-moving and dynamic market, which places high demands on our employees. Accountability, commitment and the ability to think outside the box are just some of the challenges our people face every day. The ability to perform to these standards while simultaneously focusing on the customer is vital in reaching our established goals. Avanza Bank's ambition is, therefore, to continue developing its existing organisation and to attract and develop the best talent within the sector.

The employees currently work in three main areas: services and sales aimed directly at the various customer groups, product and service development, and support functions such as risk management, legal issues, compliance, finance, HR, back office and other administration.

In 2012, Avanza Bank continued to focus its recruitment activities on IT and certain key positions in other departments. We had an average of 269 (256) employees, of which 35 (37) per cent were women and (65) 63 per cent were men. At the turn of the year, there was a total of 262 (260) full-time employees (excluding those on leaves of absence and parental leave). The average age of employees was 33 (32).



Average number of employees
2008–2012

Corporate culture

Avanza Bank works actively to maintain and develop the corporate culture which forms the basis of the company that is Avanza Bank today. Our corporate culture is based on four cornerstones: customer focus, accountability, innovation and seeing going to work as fun. These are the foundations of Avanza Bank, and through working in an active and goal-oriented manner, the corporate culture can help ensure that the company achieves its goals. In the annual employee survey, 93 per cent of our people said that the cornerstones affect the way their colleagues and the organisation work.

The process begins during the recruitment of new employees, when the required profile and interviews are, in part, structured in accordance with these cornerstones. Finding people with the right values is, for Avanza Bank, a very important part of the recruitment process.

Avanza Bank employees are encouraged to take their own decisions and to take personal responsibility, and every quarter, a jury is assigned to designate the Employee of the Quarter, who has demonstrated an outstanding ability to work and act in accordance with the cornerstones of our corporate culture.

Management

Good managers are a key factor in success, now and in the future. For Avanza Bank, good management means having managers who understand the company's vision and business concept, who act on their own initiative, who care about their customers, and who, together with other employees, help to drive forward the development and position of Avanza Bank. According to the findings of employee surveys and external comparisons, Avanza Bank has a strong management team.

All new managers undergo a thorough management training course, designed to provide them with valuable tools to deal with management issues. The basis of the management training provided at Avanza Bank is situationally-adapted

Avanza Bank's formula for success is:

A=Can^f

A = All of us at Avanza Bank

We help a colleague help a Customer · We believe in Accountability ·
We challenge and think along New lines · We see going to work as Fun

management, i.e. that all employees, situations and challenges are unique and impose different demands on the manager's actions and conduct.

Continuous development

Clear goals, follow-up work and rewards are the unifying themes that run through all of Avanza Bank's goal-based management and strategic leadership. All employees have individual goals, based on Avanza Bank's overall goals, which are followed up during regular development discussions.

The individual goals and personal performance form the basis for the variable remuneration that every employee has the possibility to receive, if their performance exceeds the expected levels.

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

Employee survey

We endeavour at all times to become an even better workplace and employer. Doing so requires

the company to constantly ask where it could improve. Innovation permeates everything that we do.

One of Avanza Bank's goals is to have satisfied employees and an employee survey is carried out every year with the aim of measuring the company's strengths and areas with potential for development. The response frequency for this year's survey was 94 per cent – a unique figure amongst medium-sized companies and proof of a high level of commitment amongst the employees.

The employee survey is divided into specific sections. The areas that proved to be our strengths were *leadership, corporate culture and values, relationships, and job satisfaction. Lifestyle and health* was the area that improved the most compared with the previous year. *Competence development* also continued to improve, which is encouraging following the conscious efforts to enhance this area over the past few years. The areas which had worsened compared with previous surveys were *influence and participation, and organisation*, which are challenges for a rapidly-growing company and will be prioritized areas over the coming years for our managers. In order to continue with the work of improvement, all employees, managers and the senior management group are involved in analysing the results and identifying tangible improvement measures.

If it's what you want, you have countless opportunities to take on new challenges and responsibilities ”

Emma, Project Manager, IT Development

Our social responsibilities

We strive to achieve long-term and sustainable value generation for our stakeholders both inside and outside Avanza Bank while showing, at all times, extensive consideration for both people and the environment.

Socio-economic responsibility

Social responsibility is an integral part of Avanza Bank's core operations. The products and services that we develop, and the investments we make in new technology, generate the preconditions for many Swedes to increase and improve their saving practices and inspires them to do so. This results in increased knowledge of both private finances and national economics and contributes to an increase in economic well-being.

Through providing electronic banking services, Avanza Bank generates 24/7 availability to financial services. It is simple, quick and cheap for customers to review their savings, and the company places great emphasis on meeting new demands in the Swedish savings market as they arise.

Avanza Bank is a secure bank, which has remained stable throughout the financial crises in recent years. The company conducts its operations in a manner that ensures a low level of financial risk exposure in its balance sheet, a high level of transparency, good liquidity, and a sound credit history. We do not trade in securities on our own behalf and work both proactively with risk management and preventatively with regard to economic crime.

Environmental responsibility

Our internet-based business model means that our operations have a limited environmental impact. The absence of branch offices and the provision of electronic account statements are examples of ways in which Avanza Bank helps to reduce energy consumption and emissions. We also undertake additional measures to further reduce our environmental impact, such as paper recycling and publishing our Annual Report exclusively online.

Social responsibility

Avanza Bank aims to ensure a good working environment, good health and skills development for its employees. The company also promotes issues, such as increased equality and diversity, with the aim of making Avanza Bank an even better workplace and employer.

Avanza Bank offers customers the chance to donate dividends on their shares to charitable organisations.

GRI accounting

In 2013, Avanza Bank will begin to develop a more transparent sustainability report as part of this section in the annual report. The Global Reporting Initiative (GRI) is the standard in this area, and this is the standard Avanza Bank will implement. The information in the report will be intended for the stock market as well as for employees and customers.

The Avanza Bank share

Price performance

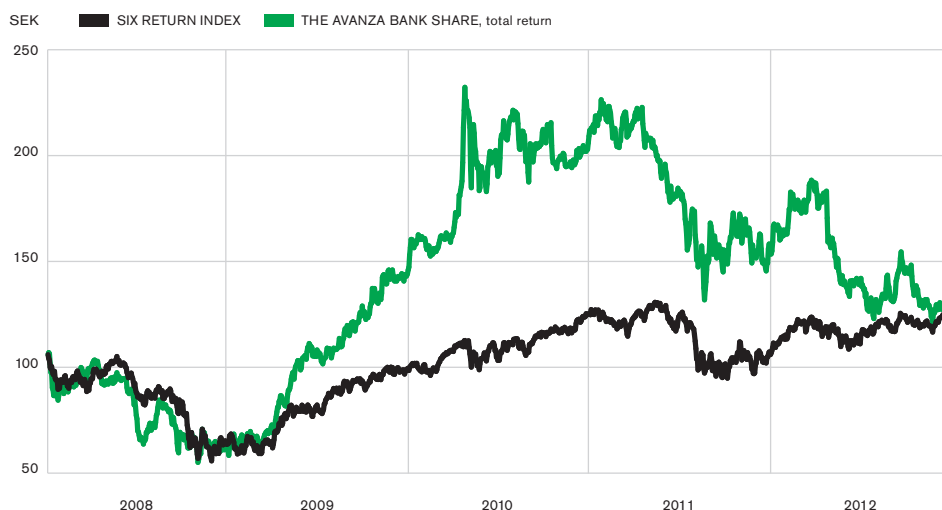
The Avanza share trades on the NASDAQ OMX Stockholm and Burgundy. During 2012, the Avanza Bank share accounted for 0.7 per cent of the trading on these markets. The graph below shows the price performance for the Avanza Bank share, including re-invested dividends, on NASDAQ OMX Stockholm for the years 2008–2012.

Warrant programme

The warrant programme comprises 1,557,000 shares, corresponding to a dilution of 5.4 per cent. The overall warrant programme runs during the period May 2010 to May 2015 and is divided into three subsidiary programmes. Outstanding warrants 2010–2013 grant entitlement to subscribe for a total of 577,000 shares at an exercise price of SEK 268.46 per share. The programme expires on 24th May 2013. The warrants can be redeemed during the period from 2nd May 2013 up to and including 24th May 2013. Outstand-

ing warrants 2011–2014 grant entitlement to subscribe for a total of 490,000 new shares at an exercise price of SEK 265.16 per share. The programme expires on 30th May 2014. The warrants can be redeemed during the period from 2nd May 2014 up to and including 30th May 2014. Outstanding warrants 2012–2015 grant entitlement to subscribe for a total of 490,000 new shares at an exercise price of SEK 190.12 per share. The programme expires on 29th May 2015. The warrants can be redeemed during the period from 4th May 2015 up to and including 29th May 2015. All warrants are issued on market terms, the Black & Scholes model being applied to determine the value.

The redemption period of the previous warrant programme 2009–2012 ran from 2nd May 2012 to 25th May 2012. The exercise price was SEK 118.43 per share. 611,198 shares of a total of 611,569 shares were subscribed for under this subsidiary programme, all shares subscribed for have been issued.



Share data	
Number of outstanding shares, 31st Dec 2012	28,873,747
Number of outstanding warrants, 31st Dec 2012	1,557,000
Market capitalisation, 31st Dec 2012, SEK m	3,800
Share price, 31st Dec 2012, SEK	131.50
Highest closing price (16th Mar 2012)	200.00
Lowest closing price (16th Nov 2012)	121.25
Earnings per share, SEK	5.58
Cash dividend per share (proposal), SEK	8.00

Change in share capital					
Year	Change	Changes in no. shares	Total no. shares	Changes in share capital, SEK	Total share 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	Repurchase of own shares	-305,674	27,160,000	-	68,664,185
2008	Withdrawal of repurchased 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	Repurchase of own shares	-18,233	27,577,610	-	68,989,608
2009	Withdrawal of repurchased shares, 2008	-	27,577,610	-45,583	68,944,025
2010	New issue	379,860	27,957,470	949,650	69,893,675
2011	New issue	580,603	28,538,073	1,451,507	71,345,183
2011	Repurchase of own shares	-275,524	28,262,549	-	71,345,183
2012	Withdrawal of repurchased shares, 2011	-	28,262,549	-688,810	70,656,373
2012	New issue	611,198	28,873,747	1,527,995	72,184,368

**A minimum of
70% of profits can
be distributed over
the long-term.**

The ten largest shareholders, 31st Dec 2012	Number of shares	Percentage of share capital and votes, %
Creades AB	5,969,854	20.7
Sven Hagströmer (incl. family and companies)	2,061,034	7.1
Lannebo Fonder AB	1,845,902	6.4
Swedbank Robur Fonder AB	1,362,393	4.7
Sten Dybeck (incl. Family and companies)	984,800	3.4
SSB and Trust Omnibus OM14	881,851	3.1
Svenskt Näringsliv	800,000	2.8
The Fourth Swedish National Pension Fund	597,978	2.1
Nordea Investment Funds	597,594	2.1
Livförsäkrings AB Skandia (publ)	538,777	1.9
Other owners	13,233,564	45.7
Total	28,873,747	100.0

Concentration, capital*	Percentage of share capital and votes, %
The 10 largest owners	54.2
The 25 largest owners	67.8
The 100 largest owners	79.3

* In terms of ownership groups

The largest shareholders

According to the register of shareholders maintained by Euroclear Sweden AB, the institutions and individuals above comprised the largest registered shareholders as of 28th December 2012. The total number of shareholders was 13,332 of which the proportion of foreign shareholders is estimated at 2.33 per cent.

Dividend policy

Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that portion 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 amount of the 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 of repurchases 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 profits.

The Board's statement regarding the proposed dividend

Avanza Bank Holding AB's Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 8.00 (SEK 10.00) per share for 2012. This corresponds to a dividend payment totalling SEK 231 million (SEK 283m) and a dividend ratio of 145 per cent (97%).

The date 22nd April 2013 is proposed as the record day for entitlement to receive a dividend. The final day for trading in the Avanza Bank share with right to dividend will, therefore, be 17th April 2013. If the Annual General Meeting resolves in accordance with the Board's proposal, the cash dividend will be paid out via Euroclear Sweden AB on 25th April 2013.

The formal statement from the Board is presented on page 84.

Repurchase of the company's shares

The Annual General Meeting held on 19th April 2012 resolved to authorise the Board of Directors to repurchase the company's own shares at a maximum amount equivalent to 10 per cent of the shares in Avanza Bank Holding AB. This authorisation is valid until the next Annual General Meeting. No shares were repurchased during 2012 or during the subsequent period up to and including 26th February 2013.

Administration Report

The Board of Directors and the Managing Director of Avanza Bank Holding AB (publ), Corporate Identity Number 556274-8458, hereby present the annual report for 2012. A Corporate Governance Report is provided separately from the administration report on pages 89–98. Avanza Bank's annual report has been prepared in the form of an electronic document and is available from www.avanza.com.

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 (whose operations fall under the supervision of the Swedish Financial Supervisory Authority), as well as Placera Media Stockholm AB, a media company that publishes the online magazine, Placera.nu and Börsveckan. Avanza Förvaltning AB is responsible for the holding all of the warrants which are to be sold to the personnel under the terms of the established warrant programme.

Description of the operations

Avanza Bank's vision is to be the obvious choice for savers who care about their money. 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 items 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

During 2012, the stock market yielded a total return of 16 per cent. In spite of this relatively good return, savers adopted a cautious approach trading in shares, tending, instead, to show an interest in interest-based investments. The activity among customers, measured in terms of the number of transactions per account and month was 18 per cent (–15%) lower than in the same period during the previous year.

Even though trading activity in shares decreasing substantially compared with the same period during the previous year, Avanza Bank maintained its position as the second largest operator measured in terms of the number of transactions on NASDAQ OMX Stockholm, including First North and Burgundy. During the year, 6.4 per cent (7.1%) of transactions were made via Avanza Bank. Measure in terms of net sales, Avanza Bank was the fourth largest operator, with a market share of 4.1 per cent (4.6%).

The exchange-traded credit-linked note, which was launched during the spring, and Sparkonto+ have been popular interest saving products, in spite of the reduction of the prime lending rate, with savings capital of SEK 560 million (SEK 0m) and SEK 4,110 million (SEK 3,300m), respectively, at year-end.

Savings in the new investment savings account, ISA, have increased continuously during the year, both in terms of the number of new accounts and savings capital. Compared with endowment insurance, the inflow into ISA was ten times higher during 2012, and three times as many new accounts were opened. During 2012, Avanza Bank's customers deposited SEK 3,520 million into 14,300 ISA accounts.

	2012	2011	Change %
Activity			
Net inflow, equity & investment fund accounts, SEK m	3,520	-1,800	-
of which, investment savings accounts, SEK m	3,520	-	-
Net inflow, savings accounts, SEK m	370	2,090	-82
of which, external deposit accounts, SEK m	750	2,470	-70
Net inflow, pension & insurance-based accounts, SEK m	1,490	6,170	-76
of which, endowment insurance, SEK m	330	5,350	-94
of which, occupational pensions, SEK m	1,010	700	44
Net inflow, SEK m	5,380	6,460	-17
Net inflow/Savings capital, %	7	8	-1
No. commission notes per account & month	1.4	1.7	-18
No. transactions per commission note	1.6	1.7	-6
Brokerage per commission note, SEK	75	78	-4
Market shares			
NASDAQ OMX Stockholm, First North and Burgundy			
No. transactions, %	6.4	7.1	-0.7
Turnover, %	4.1	4.6	-0.5

For definitions, see page 88.

During the year, Avanza Bank became affiliated with the pension information website, minpension.se, and launched the Pension Challenge, educating customers in the significance of fees to their pensions. Net inflow in occupational pensions during 2012 has continued to be good, with an increase of 44 per cent, while the number of new occupational pension accounts has increased by 28 per cent. The number of new occupational pension accounts amounted to 8,300 (7,700) during the year, corresponding to 15 per cent (12%) of the total number of new accounts.

Avanza Bank continues to gain new customers. The number of customers at year-end amounted to 283,300 (263,000). The number of accounts per customer represents a measure of savers' customer loyalty to Avanza Bank and, thereby, also a measure of our share of the customers' savings. The number of accounts per customer has increased during the period and now amounts to 1.66 (1.59) accounts. The launch of E-Identification has positively impacted the inflow of new customers during the year.

As of 31st December 2012, Avanza Bank had a market share of 1.8 per cent (1.8%) of the total savings market in Sweden. During 2012, Avanza Bank had a market share of 2.9 per cent (3.8%) of the total net inflow to the Swedish savings market.

Business development and investments

On 1st January, the new savings form, ISA, was launched. During the year, Avanza Bank, as the first operator to do so in Sweden, also launched the possibility of trading in warrants and forward agreements within ISA.

The savings form, Sparkonto+ was expanded with the launch of a cooperation agreement with a fourth partner, Nordax. Sparkonto+ was also expanded further by the introduction of fixed-interest deposits for 24 months and with accounts for corporations, children and young savers.

As a stage in the further adaptation of Avanza Bank's offering according to the shift in demand for savings products, brokerage-free trading in exchange-traded credit-linked notes was launched, as were three passively managed Funds-of-Funds with a low management fee of 0.49 per cent. These were supplemented at the end of the year with three professionally managed Funds-of-Funds designed in collaboration with prize-winning fund companies.

	31st Dec 12	31st Dec 11	Change %
Savings capital			
Savings capital, equity & investment fund accounts, SEK m	46,010	39,550	16
of which, investment savings accounts, SEK m	3,960	–	–
Savings capital, savings accounts, SEK m	4,990	4,550	10
of which, external deposit accounts, SEK m	4,110	3,300	25
Savings capital, pension & insurance-based accounts, SEK m	34,800	30,100	16
of which, endowment insurance, SEK m	26,500	23,500	13
of which, occupational pensions, SEK m	3,250	2,040	59
Savings capital, SEK m	85,800	74,200	16
Equity, bonds, derivatives, etc. SEK m	54,560	46,860	16
Investment funds, SEK m	18,900	15,200	24
Deposits, SEK m	15,200	14,700	3
of which, external deposits, SEK m	4,110	3,300	25
Lending, SEK m	–2,860	–2,560	12
Savings capital, SEK m	85,800	74,200	16
Deposits/Lending, %	531	574	–43
Net deposits/Savings capital, %	14	16	–2
Avanza Bank, SEK m	47,780	41,550	15
Mini, SEK m	1,470	1,410	4
Private Banking, SEK m	34,100	29,100	17
Pro, SEK m	2,450	2,140	14
Savings capital, SEK m	85,800	74,200	16
Return, average account since Jan 1st, %	8	–16	24
SIX Return Index since Jan 1st, %	16	–14	30
Accounts			
No. equity & investment fund accounts	238,400	214,800	11
of which, no. investment savings accounts	14,300	–	–
No. savings accounts	63,300	49,300	28
of which, no. external deposit accounts	35,200	23,000	53
No. pension & insurance-based accounts	169,900	153,100	11
of which, no. endowment insurance	94,200	89,400	5
of which, no. occupational pensions	38,400	30,100	28
No. accounts	471,600	417,200	13
Avanza Bank, no. accounts	431,890	381,430	13
Mini, no. accounts	20,100	19,200	5
Private Banking, no. accounts	17,200	14,500	19
Pro, no. accounts	2,410	2,070	16
No. accounts	471,600	417,200	13
No. accounts per customer	1.66	1.59	4

For definitions, see page 88.

In order to simplify procedures for Avanza Bank's customers, the company also introduced the possibility of using E-Legitimation to sign agreements and log in on the site during the year and a banking app for Windows 8 was launched in conjunction with Microsoft.

Work on developing Avanza Bank's new internet presence and modernising the underlying IT systems has continued. During the end of the year, a number of changes to the beta version of the new site, including improved functionality for viewing historical transactions, were presented. This work is expected to continue until summer 2013, with the goal of creating Sweden's best internet banking experience. New IT systems also lead to improved scalability and cost efficiency in conjunction with on-going growth, which is important in our ambition to continue to offer the industry's lowest fees and also a good return for Avanza Bank's shareholders.

In 2012, the results of the investigation regarding life insurance were presented, proposing that statutory transfer rights for pensions be expanded. Once the expanded transfer rights gain legal force (proposed for 2015), Avanza Bank will have an excellent opportunity to increase its shares in both the pension market and the savings market in Sweden. The preparatory work for this expansion of transfer rights is underway both internally within the bank and externally in the form of intensive lobbying.

Results

2012 was the first year in Avanza Bank's history in which both trading activity and prime lending rates declined.

Operating income decreased by 19 per cent compared with the previous year, primarily due to lower brokerage income as a result of low trading activity. Avanza Bank's customers completed, on average, 18 per cent fewer securities transactions per customer in 2012 than in 2011. In addition, brokerage per transaction declined somewhat.

During the year, the Swedish Central bank lowered the prime lending rate to 1.00 per cent. This rate was, on average, 0.30 percentage points lower in 2012 than during 2011 which, in combination with lower levels of lending, had a negative impact on net interest items by more than SEK 20 million. As the uncertainty persisted in Europe for the entire year, the customers' interest in interest saving was, however, very high.

In 2012, non-brokerage income amounted to 96 per cent (112%) of expenses. Non-brokerage income primarily consists of net interest items, fund commission, net income from currency fluctuations and fees from corporate finance. The goal for this portion is, in the long term, to exceed 100 per cent.

In 2012, expenses before credit losses increased by 3 per cent (+20%) compared with the previous year, which is significantly lower than the average historical level. The rate of cost increase was reviewed prior to 2012 and, during the year, we took a number of measures targeted at cost-effectiveness in order to balance the continued investments in our new online bank and the modernisation of the underlying IT systems. These investments are written off directly in the income statement and are expected to be completed during 2013.

Operating profit before tax amounted to SEK 201 million (SEK 341m), a decrease of 41 per cent. This corresponds to an operating margin of 36 per cent (49%). Profit after tax decreased by 45 per cent (+7%) to SEK 160 million (SEK 291m), which corresponds to earnings per share of SEK 5.58 (SEK 10.28). The profit for the year implies a return on shareholders' equity of 19 per cent (35%).

Financial position

All of Avanza Bank's assets have a high liquidity. For the majority of these assets, reinvestments can, therefore, be made with one day's notice. The assets are deemed to be secure. Between 2001 and 2012, total credit losses amounted to SEK 8 million, equivalent to an average of less than 0.03 per cent per year. Avanza Bank does not, and never has done, engage in trading in securities on own account.

Statutory protection and guarantees (for example, the state-provided deposit insurance guarantee) apply for Avanza Bank's customers in the same manner as for other Swedish banks and insurance companies. Further information regarding Avanza Bank and security is available from avanza.se.

Future prospects

The growth prospects for the savings market in Sweden are assessed as good. In order to create long-term shareholder value, the work conducted by Avanza Bank is concentrated on the areas which we are able to affect and which drive the company's underlying growth in combination with thorough monitoring of expenses – good scalability in the operations, a strong net inflow, positive customer growth and satisfied customers.

The conditions for future growth in profits in Avanza Bank are impacted by, among other things, the growth of the savings market, where worries about the housing market, in combination with uncertainty regarding the stock market, may mean that more Swedes choose to save by paying of their housing loans. In the short-term, this may have a negative impact on the growth of the Swedish savings market. Avanza Bank's prospects for growth are, at the same time, not restricted to growth in the savings market. This holds true because Avanza Bank currently holds slightly less than 1.8 per cent of the Swedish savings market.

As the pensions and insurance market is almost twice the size of the market for direct savings in shares and funds, a decision to lift restrictions on transfer rights for pension capital can have a positive impact on Avanza Bank's growth potential. The investigation regarding life insurance has presented a proposal that the expansion

to statutory transfer rights for pensions be applicable as of 1st January 2015.

On the premise that there is no change to the prime lending rate, it is deemed that income per Swedish krona saved will, in the future, fall from the current level at a rate lower than the historical rate. It is assessed that fund savings and interest savings will increase at the expense of share trading, while pension capital will also increase. Thereby, continued mix effects are expected in the savings capital, while price pressure due to competition is, on the other hand, believed to be limited.

Parent Company

Avanza Bank Holding AB is the parent company in the Avanza Bank Group. Operating income for the entire year 2012 was SEK –7 million (SEK –7m). The parent company reports no turnover. Anticipated dividends from subsidiaries totalling SEK 149 million (SEK 280m) have been reported. A dividend totalling SEK 283 million (SEK 266m) has been paid to shareholders during 2012.

Significant risks and factors of uncertainty

Due to the nature of Avanza Bank's operations, the company faces risks that are quantified, monitored and, if necessary, acted upon in order to protect the company's capital and reputation on a daily basis. The manner in which Avanza Bank identifies, follows up on and manages these risks is important to the health of the company and its long-term profitability. A detailed description of the Group's risk exposure and risk management is provided in Note 32 Capital requirements and financial risks.

Transactions with associated companies

Avanza Bank's transactions with associated companies are shown in Note 33 Related parties.

Annual General Meeting

The Annual General Meeting will be held on 17th April 2013 at 3 pm, at Nalen in Stockholm.

Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Sven Hagströmer, who represents the Hagströmer family and companies, Erik Törnberg, who represents Creades AB, Ulf Hjalmarsson, who represents Lannebo Fonder and Henrik Schmidt who represents Montanaro Asset Management. Sten Dybeck, who represents the Dybeck family and companies, is an adjunct member until the Annual General Meeting. Erik Törnberg has been appointed Chairman of the Nomination Committee. Information regarding the work of the Nomination Committee and regulations regarding the appointment and termination of Board membership can be found in the corporate governance report on page 89 and on Avanza Bank's website, www.avanza.com.

The Avanza Bank share

Creades AB is, as of 31st December 2012, the largest owner of Avanza Bank's shares with a holding comprising 20.7 per cent of the share capital and votes. There is a total of 28,873,747 shares in Avanza Bank. Each share entitles the holder to one vote and there are no limitations as to the number of votes a shareholder may exercise at an Annual General Meeting. Outstanding warrant programmes include 1,557,000 shares, corresponding to a maximum dilution of 5.4 per cent. For further information on the Avanza Bank share, refer to pages 31–33.

The capital surplus, i.e. the maximum amount of funds available for dividend payments and repurchases of the company's own shares, amounted to SEK 507 million as of 31st December 2012.

Dividend

Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that portion 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 amount of the shareholders' equity, and the company's consolidation requirements, liquidity and position in general, or to develop the operations. The Board is of the opinion that, in the long-term, the dividend can comprise a minimum of 70 per cent of profits. The Board proposes a dividend of SEK 8.00 (SEK 10.00) per share, corresponding to a total of SEK 231 million (SEK 283m).

Repurchase of the company's own shares

The Annual General Meeting held on 19th April 2012 resolved to authorise the Board of Directors to repurchase the company's own shares at a maximum amount equivalent to 10 per cent of the shares in Avanza Bank Holding AB. No shares were repurchased during the year and no shares in the company were held as of 31st December 2012.

Capital surplus

	31st Dec 12	31st Dec 11
Shareholders' equity, the Group, SEK m	828	875
Intangible fixed assets and deferred tax assets, SEK m	–24	–25
Capital requirement with reference to Avanza Bank's internal capital assessment process, SEK m	–298	–292
Total capital surplus before dividend, SEK m	507	558
Capital surplus per share, SEK	17.54	19.75

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the equity. See also Note 32 Capital requirements and financial risks.

The Board's proposed guidelines for determining salaries and other remuneration payable to senior executives for the financial year 2012

During the financial year 2012, the Remuneration Committee has comprised the Chairman of the Board, Sven Hagströmer, together with Anders Elsell and Jacqueline Winberg. 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, Group Management.

The Remuneration Committee held six meetings during the year, attended by all members, and regular contact has been maintained during the year between these meetings.

For the financial year 2012, the term "Group Management" refers to the Managing Director and six other individuals. The Board's proposal, which is in line with remuneration principles in previous years, is that the Group management's salaries shall be comprised of both a fixed basic salary and a variable, performance-based remuneration portion. The variable remuneration is payable for performances that exceed those normally expected, after an evaluation has been made of individual performances and the company's reported profits. The extent to which pre-determined goals for the company and the individual senior executive have been met shall be taken into account in determining the size of the variable remuneration payment. The total remuneration for individuals in Group Management is to be in line with market levels.

Issues relating to the Managing Director's terms of employment, remuneration and benefits

are prepared by the Remuneration Committee and resolved on by the Board of Directors. The variable remuneration paid to other members of Group Management is determined by the Board of Directors on the basis of recommendations by the Managing Director and the Remuneration Committee.

Deferred variable remuneration that has not fallen due for payment amounts to SEK 9.6 million. The amount has, however, been reported as an expense for the financial year the remuneration refers to.

Within the framework of the warrant programme covering all personnel, members of Group Management have also acquired warrants on market terms in accordance with the warrant programme approved by the Annual General Meeting held on 14th April 2011.

The Board's proposal to the Annual General Meeting to be held on 17th April 2013 will be in line with remuneration principles in previous years. Details of Avanza Bank's remuneration policy are available on www.avanza.com.

Employees

Avanza Bank had an average of 269 employees during 2012, of which 35 per cent were women and 65 per cent men. The average age of these employees is 33 and 71 per cent of the employees have a university education. Employee turnover amounted to 8.6 per cent. All employees have individual goals, based on Avanza Bank's overall goals, which are followed up during regular development discussions. An employee survey is also conducted each year, to identify Avanza Bank's strengths and areas with potential for development.

Five-year overview

Summary of the Group's performance

Income Statements, SEK m	2012	2011	2010	2009	2008
Net commission	333	432	473	396	315
Net interest items	235	258	157	118	193
Other income	-6	5	-9	1	1
Total income	562	695	621	515	509
Operating expenses before credit losses	-360	-348	-290	-235	-270
Profit before credit losses	202	347	331	280	239
Credit losses, net	-1	-6	0	0	0
Operating profit	201	341	331	280	239
Taxes	-41	-50	-60	-52	-54
Net profit for the year	160	291	271	228	185
Balance Sheets, SEK m	2012	2011	2010	2009	2008
Treasury bills eligible for refinancing	-	-	300	-	-
Lending to credit institutions	7,989	8,672	6,334	5,452	6,587
Lending to the public	3,710	2,557	3,861	3,124	1,253
Shares and participations	0	10	14	12	12
Insurance operations assets	33,067	27,845	29,093	18,640	7,448
Other assets	440	497	641	567	432
Total assets	45,206	39,581	40,243	27,795	15,732
Deposits by the public	11,116	10,561	10,159	8,294	7,386
Insurance operations liabilities	33,067	27,845	29,093	18,640	7,448
Other liabilities	195	300	178	168	270
Total liabilities	44,378	38,706	39,430	27,102	15,104
Shareholders' equity	828	875	813	693	628
Total liabilities and shareholders' equity	45,206	39,581	40,243	27,795	15,732
Key ratios	2012	2011	2010	2009	2008
Earnings per share, SEK	5.58	10.28	9.77	8.27	6.78
Earnings per share after dilution, SEK	5.58	10.21	9.62	8.24	6.75
Equity per share, SEK	28.68	30.97	29.07	25.14	22.76
Return on equity, %	19	35	37	36	32
Operating margin, %	36	49	53	54	47
Equity/asset ratio, %	2	2	2	2	4
Capital base/Capital requirement	2.21	2.06	1.84	1.71	1.68
Cash dividend (2012; proposal)					
per share, SEK	8.00	10.00	9.50	8.00	6.00
No. shares at year-end, thousand	28,874	28,263	27,957	27,578	27,578
Average no. shares, thousand	28,665	28,263	27,739	27,578	27,351
Average no. shares after dilution, thousand	28,665	28,473	28,177	27,655	27,481
Market capitalisation at year-end, SEK m	3,800	4,650	6,540	4,650	1,960
Share price at year-end, SEK	131.50	164.50	234.00	168.50	71.00
Average no. employees	269	256	225	185	196
Earnings per employee, SEK thousand	595	1,137	1,204	1,232	1,221

Consolidated Income Statements*

SEK m	Note	2012	2011
Operating income			
Commission income	3	400	504
Commission expenses	4	-67	-72
Interest income	5	307	343
Interest expenses	5	-72	-85
Net result of financial transactions	6	-7	1
Other operating income		1	4
Total operating income	28	562	695
Operating expenses			
General administration costs	7,8	-306	-281
Depreciation and write-downs of tangible and intangible fixed assets	9	-13	-11
Other operating expenses	10	-41	-56
Total operating expenses before credit losses		-360	-348
Operating profit before credit losses		202	347
Credit losses, net	11	-1	-6
Operating profit		201	341
Tax on the profit/loss for the year	13	-41	-50
Net profit for the year **		160	291
Earnings per share, SEK	14	5.58	10.28
Earnings per share after dilution, SEK	14	5.58	10.21

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

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

Consolidated Balance Sheets

SEK m	Note	31st Dec 12	31st Dec 11
ASSETS	29,30		
Lending to credit institutions		7,989	8,672
Lending to the public	15	3,710	2,557
Shares and participations	16	0	10
Insurance operations assets	17	33,067	27,845
Intangible fixed assets	18	23	24
Tangible assets	19	17	26
Other assets	20	316	407
Prepaid costs and accrued income	21	84	40
TOTAL ASSETS		45,206	39,581
LIABILITIES	29,30		
Deposits by the public	22	11,116	10,561
Insurance operations liabilities	17	33,067	27,845
Other liabilities	23	115	243
Accrued costs and prepaid income	24	71	57
Provisions	25	9	–
Total liabilities		44,378	38,706
SHAREHOLDERS' EQUITY	26		
Share capital		72	71
Other capital contributed		295	189
Profit/loss carried forward incl. profit/loss for the year		461	615
Total shareholders' equity		828	875
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		45,206	39,581

Pledged assets and contingent liabilities are reported in Note 31 Pledged assets and contingent liabilities.

Changes in the Group's shareholders' equity

The Group SEK m	Share capital	Other capital contributed	Retained profit/loss	Total
Shareholders' equity 31st Dec 2010	70	107	636	813
Total comprehensive income for the period	–	–	291	291
Transactions with owners				
Dividend paid	–	–	–266	–266
Exercise of share warrants	1	78	–	79
Warrants issue	–	5	–	5
Repurchase of own shares	–	–	–46	–46
Shareholders' equity, 31st Dec 2011	71	189	615	875
Total comprehensive income for the period	–	–	160	160
Transactions with owners				
Dividend paid	–	–	–283	–283
Exercise of share warrants	2	71	–	73
Warrants issue	–	3	–	3
Withdrawal of repurchased shares 2011	–1	–	1	0
Adjustment of tax allocation reserve	–	32	–32	0
Shareholders' equity, 31st Dec 2012	72	295	461	828

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

Consolidated Cash Flow Statements

SEK m	Note	2012	2011
Cash flow from operating activities			
Profit/loss before tax		201	340
<i>whereof interest payments received</i>		307	343
<i>whereof interest expenses paid</i>		-72	-85
<i>Adjustment for items not included in cash flow</i>			
Depreciation/write-downs of financial non-current assets		9	-
Depreciation/write-downs of tangible and intangible fixed assets	9	13	11
Income tax paid		-98	-53
Total		125	298
Changes in operating activities' assets and liabilities			
Increase (-)/decrease (+) in lending to the public		-1,153	1,304
Increase (-)/decrease (+) in securities		0	304
Increase (-)/decrease (+) in other assets		88	160
Increase (+)/decrease (-) in deposits and deposits by the public		555	401
Increase (+)/decrease (-) in other liabilities		-88	119
Cash flow from operating activities' assets and liabilities		-598	2,289
Cash flow from operating activities		-473	2,587
Cash flow from investment activities			
Acquisition of tangible assets		-3	-21
Sales of tangible assets		0	-
Cash flow from investment activities		-3	-21
Financial activities			
Cash dividend		-283	-266
Warrants issue		3	5
New issue (through exercise of warrants)		73	79
Repurchase of own shares		-	-46
Cash flow from financial activities		-207	-228
Cash flow for the year		-683	2,338
Liquid assets at beginning of year *			
		8,672	6,334
Liquid assets at end of year *			
		7,989	8,672
* of which, liquid assets pledged as security	31		
at beginning of year		762	698
at end of year		563	762

Composition of liquid assets

SEK m	31st Dec 12	31st Dec 11
Lending to credit institutions	7,989	8,672
Total	7,989	8,672

See Note 2 Accounting principles for the basis for preparing cash flow statements.

Parent Company Income Statements *

SEK m	Note	2012	2011
Operating expenses			
Administration costs		-4	-5
Other operating income		0	1
Other operating expenses		-3	-3
Operating profit/loss		-7	-7
Profit/loss on financial investments			
Profit/loss on participations in Group companies	12	155	287
Profit/loss on other securities		-9	0
Interest income and similar profit/loss items		1	0
Interest expenses and similar profit/loss items		0	0
Profit/loss before tax		140	280
Tax on the profit/loss for the year	13	0	0
Net profit/loss for the year		140	280

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

Parent Company Balance Sheets

SEK m	Note	31st Dec 12	31st Dec 11
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Shares and participations		0	9
Shares and participations in Group companies	27	408	408
Total fixed assets		408	417
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		256	320
Current tax receivable		0	0
Other receivables		0	0
Prepaid costs and accrued income		0	1
Total current receivables		256	321
<i>Cash and bank balances</i>		0	0
Total current assets		256	321
TOTAL ASSETS		664	738
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity	26		
<i>Restricted equity</i>			
Share capital		72	71
Total restricted equity		72	71
<i>Non-restricted equity</i>			
Share premium reserve		256	185
Profit brought forward		195	197
Net profit/loss for the year		140	280
Total non-restricted equity		591	662
Total shareholders' equity		663	733
Current liabilities			
Accounts payable		–	0
Liabilities to Group companies		–	0
Other liabilities		0	3
Accrued costs and prepaid income		1	2
Total current liabilities		1	5
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		664	738
Pledged assets and contingent liabilities			
Pledged assets		None	None
Contingent liabilities		None	None

Changes in the Parent Company's shareholders' equity

The Parent Company SEK m	Share capital	Other capital contributed	Retained profit/loss	Total
Shareholders' equity, 31st Dec 2010	70	107	509	686
Total comprehensive income for the period	–	–	280	280
Transactions with owners				
Dividend paid	–	–	–266	–266
Exercise of share warrants	1	78	–	79
Repurchase of own shares	–	–	–46	–46
Shareholders' equity, 31st Dec 2011	71	185	477	733
Total comprehensive income for the period	–	–	140	140
Transactions with owners				
Dividend paid	–	–	–283	–283
Exercise of share warrants	2	71	–	73
Withdrawal of repurchased shares 2011	–1	–	1	0
Shareholders' equity, 31st Dec 2012	72	256	335	663

Parent Company Cash Flow Statements

SEK m	2012	2011
Cash flow from operating activities		
Profit/loss before tax	140	280
whereof interest payments received	1	0
whereof interest expenses paid	0	0
Adjustment for items not included in cash flow		
Depreciation/write-downs	9	0
Anticipated dividend	–149	–280
Income tax paid	0	0
Total	0	0
Changes in operating activities' assets and liabilities		
Increase (–) / decrease (+) in other assets	214	232
Increase (+) / decrease (–) in other liabilities	–4	0
Cash flow from operating activities' assets and liabilities	210	232
Cash flow from operating activities	210	232
Investment activities		
Acquisition of shares and participations	–	0
Cash flow from investment activities	–	0
Financial activities		
Cash dividend	–283	–266
New issue (through exercise of warrants)	73	79
Repurchase of own shares	–	–46
Cash flow from financial activities	–210	–232
Cash flow for the year	0	0
Liquid assets at beginning of year	0	0
Liquid assets at end of year	0	0
Dividend received	283	266

The bases for preparing the Parent Company's Cash Flow Statements are the same as those used for the Group, see Note 2 Accounting principles.

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 office is in Stockholm. The Parent Company's shares are listed on the Mid Cap list of NASDAQ OMX Stockholm. The address of the head office is Regeringsgatan 103, Box 1399, SE-111 93 Stockholm, Sweden. The Consolidated Accounts for 2012 comprise the Parent Company and its subsidiary companies, referred to collectively as "the Group". The Group's operations are described in the Administration Report.

The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ.) for the 2012 financial year were approved for publication on 26th February 2013 by the Board of Directors and the Managing Director. The Consolidated Accounts and the Annual Report is adopted by the Annual General Meeting on 17th April 2013.

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 issued 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, 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 2008:25).

(b) Preconditions with regard to the preparation of financial reports of the Parent Company and 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.

Assets and liabilities are reported at historic acquisition values, with the exception of certain 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 (t), Parent Company accounting principles.

(c) New IFRS and interpretations

IFRS and interpretations introduced in 2012

IFRS 7 "Financial Instruments: Disclosures" (amendment). The amendment is intended to increase transparency in information disclosure on transfers of financial assets and improve the user's understanding of the risk exposures related to transfer of financial assets and how these transfers can affect

a company's financial reports, especially the transfers of financial assets that comprise securitisation. The implementation of the change has had no impact on Avanza Bank.

IFRS and interpretations which come into force in 2013 or thereafter

The new standards, amendments to standards, and interpretations which come into force from the 2013 financial year, or thereafter, have not been applied when preparing these financial reports. Only the amendments that it is considered may affect the Group are described.

IAS 1, "Presentation of Financial Statements" (amendment). The most significant amendment in the amended IAS 1 is the requirement that the items that are reported in "other comprehensive income" shall be presented in two sections. The division shall be based on whether the items can be reclassified for the profit and loss account (reclassification adjustments) or not. The amendment does not address which items should be presented in "other comprehensive income". The amendment has been adopted by the EU and Avanza Bank intends to apply the amendment for the financial year which commences on 1st January 2013. Not deemed to have any impact on Avanza Bank's accounts.

IAS 32 "Financial Instruments: Presentation" (amendment). The amendment concerns the guiding principle in IAS 32 and provides clarification of the conditions under which financial assets and financial liabilities may be offset and reported net in the balance sheet. The amendment has been adopted by the EU and Avanza Bank will apply the amendment for the financial year beginning 1st January 2014. The amendment is not deemed to have any impact on Avanza Bank's accounts.

IFRS 9, Financial Instruments: Recognition and Measurement: The standard is part of a wider project to replace the present standard, IAS 39. The standard comprises a reduction in the number of measurement categories for financial assets and reporting the principal categories at their acquisition value (accrued acquisition value) and fair value via the Income Statement. The possibility exists for certain investments in shareholders' equity instruments, to report these investments at fair value in the Balance Sheet with changes in value reported directly in other comprehensive income where no transfer is made to the result for the period in conjunction with disposal. New rules have also been introduced governing the way in which changes in a company's own credit spread shall be presented when liabilities are valued at fair value. The standard will be complemented with rules governing write-downs, hedge accounting and derecognition. IFRS 9 must be applied for financial years commencing on 1st January 2015 or thereafter. The standard has not yet been adopted by the EU. Avanza Bank has not evaluated the effects of the new standard pending completion of all parts of the standard.

IFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated "structured entities". The standard has been adopted by the EU and Avanza Bank intends to apply IFRS 12 for the financial year that commences on 1st January 2014. Not deemed to have any impact on Avanza Bank's accounts.

IFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The standard has been adopted by the EU and Avanza Bank intends to apply the standard for the financial year which commences on 1st January 2013. Not deemed to have any impact on Avanza Bank's accounts.

(d) Segment reporting

A segment is a part of the Group that can be identified in accounting terms and which engages in commercial operations, which receives income and incurs costs for which independent financial information exists, and whose operating profit is monitored by the management.

Avanza Bank's internal monitoring is conducted on the basis of the result for the Group as a whole, volume development for direct and indirect savings products, and expenditure per cost type. Avanza Bank as a whole, therefore, constitutes a total segment in accordance with the criteria in IFRS 8. All operations are conducted in Sweden and both income from external customers and fixed assets are attributable to Sweden.

(e) Classification

Fixed assets and long-term liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that 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 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 included in the consolidated accounts as from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as from the date on which the controlling influence ceases to obtain.

The acquisition method of accounting is used for reporting the Group's operational acquisitions. The purchase sum for the acquisition of a subsidiary company consists of the fair value of transferred assets, liabilities that the Group assumes to the previous owners of the acquired company and shares issued by the Group. The purchase sum also includes the fair value of all assets and liabilities resulting from any agreement on a conditional purchase sum. Identifiable acquired assets and assumed liabilities in an operational acquisition are initially valued at fair value on the acquisition date. For each acquisition – i.e. acquisition for acquisition – the Group determines whether holdings without controlling influence in the acquired company shall be reported at fair value or as the proportional share of the holding in the reported value of the identifiable net assets of the acquired company. Acquisition-related costs shall be expensed as incurred.

Goodwill is initially valued as the amount with which the total purchase sum and fair value of the holding without controlling influence exceed fair value of identifiable acquired assets and assumed liabilities. If the purchase sum is less than the fair value of the net assets of the acquired company the difference is reported directly in the Income Statement.

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 transactions, receivables and liabilities, income or expenses from intra-Group transactions between Group companies are eliminated. Profits or losses that result from intra-Group transactions and which are reported as assets are also eliminated. Accounting principles for subsidiary companies have been amended as appropriate to guarantee consistent application of the Group's principles.

(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, fund commissions and other commissions. Brokerage is reported as income on the transaction date. Investment fund commission is received from external fund managers and 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. The commission arising from the intermediation of securities in conjunction with new share issues and the sale of structured products, as well as guaranteed new share issues, is reported as income upon completion of the transaction in question.

Interest income

Interest income from lending to credit institutions and to the public is reported as income as it is earned, which implies that interest income is allocated to the period to which it refers in accordance with the effective interest method. The effective interest method is a method for calculating the accrued acquisition cost for a financial asset and for allocating interest income to appropriate periods.

Net result of financial transactions

The profit/loss from financial transactions comprises realised and unrealised profits/loss from the sales and holdings of securities, participations and currencies. The profit/loss on assets and liabilities in the insurance operations are also reported here.

(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.

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. See Note 30 Financial instruments.

Financial assets valued at fair value via the Income Statement

Assets in this category consist of shares and participations held for the Group's 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. Agreements 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.

Instruments are valued at fair value and have been identified as financial instruments at fair value via the Income Statement, with deduction for transaction costs. This is done to avoid differing valuations of insurance-related assets and liabilities ("accounting mismatch"). The majority of the securities in this category comprise listed securities and the fair value is determined by using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the net asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

Changes in the value of assets in the insurance operations correspond to changes in the value of liabilities in the insurance operations and the net result is, therefore, zero.

Financial assets valued at fair value are classified through the use of a hierarchy for fair value that reflects the significance of the input data used in the valuations. The hierarchy contains the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not traded on a stock exchange) are included in this category. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.
- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair values to which a financial instrument is classified shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety. See Note 30 Financial instruments.

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. Lending to credit institutions constitutes bank balances. The majority of other assets comprise trading receivables.

Avanza Bank has no corporate financing, mortgages, consumer credits or other forms of credit normally associated with banking operations. All loans to the public – known as account credits – have collateral in the form of securities or cash.

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 with 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. 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.

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

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 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. 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 and the acquisition value can be reliably calculated. Charges are otherwise carried as an expense as they arise.

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 exceeds the recoverable value. A write-down is charged to the Income Statement.

Financial receivables no longer covered by collateral are written down to the present value of their expected cash flows. The majority of Avanza Bank's customers are private individuals and the risk of credit losses is related to the collateral of each individual customer. Provisions regarding probable credit losses are reported if the collateral does not cover the amount lent, that is, the principal loan amount plus interest.

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 has approved the Board's dividend proposal.

(o) Remuneration to employees

Occupational pensions are obtained through defined contribution pension plans, in a manner corresponding to the ITP 1-plan. Pension costs refer primarily to health insurance contributions. 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 the underlying transaction is reported under other comprehensive income or is reported directly to shareholders' equity, at which point the associated fiscal effect is reported in the corresponding manner. 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) Cash flow statements

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 the financial activities during the financial year.

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 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 or financial activities.

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 entail 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. Chargeable treasury bill undertakings with a term of less than three months are included.

(t) 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, Accounting for legal entities, of the Swedish Financial Reporting Board. Under RFR 2 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, 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 reported as income when the right to receive payment is adjudged to be certain.

Group contributions

A group contribution from parent company to subsidiary company is reported as a cost in the Income Statement. The tax effect is reported in the Income Statement in accordance with IAS 12.

Group contributions from subsidiary companies are reported in accordance with the same principles as customary dividends from subsidiaries. This means that Group contributions are reported as financial income. Tax on Group contributions is reported in accordance with IAS 12 in the Income Statement.

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

- Note 1 Corporate information
- Note 2 Accounting principles
- Note 32 Capital requirements and financial risks
- Note 33 Related parties
- Note 34 Important estimates and assessments
- Note 35 Events after the closing day

Note 3 Commission income

SEK m	2012	2011
Brokerage	258	352
Fund commissions	64	70
Other commissions	78	82
Total	400	504

Note 4 Commission expenses

SEK m	2012	2011
Transaction costs *	-42	-47
Payment services commissions	-9	-8
Other commissions	-16	-17
Total	-67	-72

* Costs direct related to brokerage income

Note 5 Net interest items

SEK m	2012	2011
<i>Interest income</i>		
Interest income from lending to credit institutions	148	159
Interest income from lending to the public	146	177
Other interest income	13	7
Total	307	343
<i>Interest expenses</i>		
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-72	-85
Other interest expenses	0	0
Total	-72	-85
Net interest items	235	258

The average lending rate to account customers during the year was 5.10 per cent (4.85%). The average deposits rate from accounts with surplus liquidity during the year was 0.60 per cent (0.78%).

Note 6 Net result of financial transactions

SEK m	2012	2011
Realised profit/loss in respect of shares, etc.	-7	1
Exchange rate fluctuations	0	0
Change in value of insurance operations assets *	2,353	-6,253
Change in value of insurance operations liabilities *	-2,353	6,253
Total	-7	1

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

Note 7 General administration costs

SEK m	2012	2011
Salaries and other remuneration	-150	-136
Pension costs	-6	-3
Social insurance charges	-44	-38
Other staff overheads	-8	-12
Consultancy services purchased	-21	-23
Market information costs	-15	-12
Other general administration costs	-62	-57
Total	-306	-281

Salaries, other remuneration and payroll overhead

SEK m	2012		2011	
	Salaries and other remuneration	Payroll overhead (of which pension costs)	Salaries and other remuneration	Payroll overhead (of which pension costs)
<i>The Group</i>	150	49	136	41
		(6)		(3)
of which the Board of Directors and senior executives	19	6	18	6
		(0)		(0)
<i>Parent Company</i>	3	1	3	1
		(-)		(-)
of which the Board and MD	2	1	3	1
		(-)		(-)

Average no. employees	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	1	1	1	1
Subsidiaries	268	175	255	160
Total	269	176	256	161

The Group has no employees outside Sweden. At the end of the year there was a total of 262 (260) Group employees. Normal employment terms comprise salary and benefits. Occupational pensions are obtained through defined contribution pension plans, and were obtained for employees from 1st October 2010 and for employees before 1st October 2010 via optional individual salary exchange. Pension costs refer primarily to service pension premiums for employees with employment contracts entered into as from 01-10-2010 and health insurance contributions. For employment contracts entered into before 01-10-2010 the concept of total compensation is applied which means the total of monthly salary and monthly allocation to service pension where allocation to service pension is made through optional individual salary exchange.

Information regarding senior executives

The term, senior executive, refers to the Managing Director and 6 (5) other persons who hold senior positions. Together, they make up the Group management.

Remuneration to senior executives during the financial year

Fees have been paid to the Chairman of the Board and Board Members in accordance with the resolutions of the 2012 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 2012 totalled SEK 5.7 million (SEK 5.4 m) of which SEK 1.7 million (SEK 1,7 m) was paid to the Managing Director.

Remuneration to the Managing Director for the 2012 financial year has been decided by the Board of Directors. Remuneration to other senior executives has been decided by the Board of Directors after recommendations by the Managing Director and the Board's Remuneration Committee. The term, senior executives, refers to the six persons who, together with the Managing Director, comprise the Group management at the end of the financial year. For the composition of the Group management at the end of the financial year, see page 97. 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 14th April 2011. The total remuneration paid to members of the Group management shall be on market terms. Details of the company's remuneration policy are provided on the avanza.com website.

SEK k	2012			
	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
The Group				
Chairman of the Board	219	–	–	219
Members of the Board	969	–	–	969
Managing Director	2,268	1,744	31	4,043
Other senior executives	10,335	3,952	108	14,395
Total	13,791	5,696	139	19,626

SEK k	2011			
	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
The Group				
Chairman of the Board	202	–	–	202
Members of the Board	884	–	–	884
Managing Director	3,353	1,711	23	5,087
Other senior executives	8,070	3,668	119	11,857
Total	12,509	5,379	142	18,030

Members of the Board

SEK k	2012		2011	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Sven Hagströmer	219	–	202	–
Hans Bergenheim	–	–	50	–
Anders Ellsell	252	–	252	–
Lisa Lindström	179	–	117	–
Mattias Miksche	179	–	155	–
Andreas Rosenlew	179	–	155	–
Martin Tivéus	–	–	–	–
Jaqueline Winberg	179	–	155	–
Total	1,187	–	1,086	–

There were 7 (6) senior executives in the Group during the year, 5 (5) of whom were men. The Board has 7 (7) members, 5 (5) 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 period of notice for other senior executives if they themselves terminate their contracts of employment is 6 months, and 6 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 for senior executives.

Financial instruments, warrants

Subsidiary programme 2010–2013		Warrants		Market value	
SEK k	Number	Value*	Acquisition	Benefit	31st Dec 12
Managing Director	–	–	–	–	–
Other senior executives	129,240	931	931	–	0
Total	129,240	931	931	–	0

Subsidiary programme 2011–2014		Warrants		Market value	
SEK k	Number	Value*	Acquisition	Benefit	31st Dec 12
Managing Director	50,000	90	90	–	1
Other senior executives	119,910	1,507	1,507	–	4
Total	169,910	1,597	1,597	–	5

Subsidiary programme 2012–2015		Warrants		Market value	
SEK k	Number	Value*	Acquisition	Benefit	31st Dec 12
Managing Director	69,910	459	459	–	261
Other senior executives	164,660	1,080	1,080	–	616
Total	234,570	1,539	1,539	–	877

* Market value on acquisition date

Subsidiary programmes were acquired at market price in May 2010, May 2011 and May 2012 respectively. The market value has been calculated in accordance with the Black & Scholes valuation model. For terms and exercise prices, see Note 26 Equity.

Auditors' fees and reimbursement of expenses

The Group SEK k	2012	2011
Öhrlings PricewaterhouseCoopers		
Audit engagements	–857	–925
Audit business over and above audit engagements	–781	–183
Tax consultancy	–197	–227
Total	–1,835	–1,335

The Parent Company SEK k	2012	2011
Öhrlings PricewaterhouseCoopers		
Audit engagements	–351	–480
Audit business over and above audit engagements	–287	–
Tax consultancy	–42	–54
Other services	–	–35
Total	–680	–569

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.

Note 8 Leasing charges for operational leasing

SEK m	2012	2011
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-14	-13
Total leasing costs	-14	-13
<i>Agreed future minimum leasing charges in respect of uncancellable contracts and which fall due for payment:</i>		
Within one year	-15	-15
Between one and five years	-52	-61
Later than five years	-	-6
Total	-67	-81

Note 9 Depreciation and write-downs of tangible and intangible fixed assets

SEK m	2012	2011
Depreciation of intangible fixed assets	-1	-2
Depreciation of tangible assets	-12	-9
Total	-13	-11

Note 10 Other operating expenses

SEK m	2012	2011
Marketing costs	-21	-23
Other operating expenses	-20	-33
Total	-41	-56

Note 11 Credit losses, net

SEK m	2012	2011
Year's depreciation of confirmed credit losses	0	0
Year's depreciation of anticipated credit losses	-1	-6
Net cost of credit losses for the year	-1	-6

Note 12 Profit/loss on Group participations

The Parent Company SEK m	2012	2011
Dividend received (anticipated)	149	280
Group contribution received	6	9
Group contribution paid	-1	-2
Total	155	287

Note 13 Tax on profit/loss for the year

SEK m	The Group		The Parent Company	
	2012	2011	2012	2011
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-50	-51	0	0
Total current tax	-50	-51	0	0
<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	0	1	-	-
Deferred tax regarding untaxed reserves	9	-	-	-
Total deferred tax	9	1	-	-
Total reported tax expense	-41	-50	0	0
<i>Reconciliation of effective tax</i>				
Profit/loss before tax	201	341	140	280
Tax at current rate of taxation	26.3 %	26.3 %	26.3 %	26.3 %
Non-deductible costs	0.4 %	0.1 %	0.0 %	0.0 %
Non-taxable income	1.1 %	0.0 %	-26.3 %	-26.3 %
Other tax base in insurance operations	-6.6 %	-11.8 %	-	-
Other	0.0 %	0.1 %	-	-
Effect of changed tax rate	-0.9 %	-	-	-
Effective tax	20.3 %	14.7 %	0.0 %	0.0 %

There are no loss carry forwards in the Group.

Deferred tax in temporary differences and loss carry forwards

The Group			
SEK m	31st Dec 12		31st Dec 11
Deferred tax receivable	1		1
Deferred tax liability	0		0
Net	1		1

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

Note 14 Earnings per share

SEK	2012	2011
Earnings per share before dilution	5.58	10.28
Earnings per share after dilution	5.58	10.21

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 160 million (SEK 291 m) relative to a weighted average number of shares outstanding before dilution in 2012, amounting to 28,665,439 (28,263,055) shares.

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 160 million (SEK 291 m) relative to a weighted average number of shares outstanding after dilution in 2012, amounting to 28,665,439 (28,472,892) shares.

Avanza Bank has three outstanding warrant programmes: 2010–2013 the exercise price of which is SEK 268.46 per share, 2011–2014 the exercise price of which is SEK 265.16 per share and 2012–2015 the exercise price of which is SEK 190.12 SEK per share. The market price, as of 28th December 2012 was SEK 131.50.

Number of shares	2012	2011
Average no. shares before dilution	28,665,439	28,263,055
Average no. shares after dilution	28,665,439	28,472,892
Outstanding no. shares before dilution	28,873,747	28,262,549
Outstanding no. shares after dilution	28,873,747	28,400,538
No. shares on full dilution	30,430,747	29,906,549

Note 15 Lending to the public

SEK m	31st Dec 12	31st Dec 11
Lending to the public	3,710	2,557
Total	3,710	2,557

Lending to the public, so-called account credit, is reported after deduction of confirmed and anticipated credit losses. As per year-end 31st December 2012, anticipated credit losses amounted to SEK 7 million (SEK 7m), see the table below.

As per 31st December 2012, a total of SEK 849 million of lending to the public was fully covered by pledged cash and cash equivalents on endowment insurance. This portion of lending does not have an effect on net interest income, due to the fact that the interest rate for depositing funds is equal to that of lending. Prior to 1st January 2012, there were no loans to the public which, in their entirety, were secured by cash and cash equivalents on endowment insurance. A new solution for the utilisation of endowment insurance as collateral was introduced on 1st January 2012. The remainder of lending to the public has collateral in the form of securities. See also Note 31 Pledged assets and contingent liabilities.

Provisions for bad debts

SEK m	31st Dec 12	31st Dec 11
Provisions at beginning of year	7	1
Provision for anticipated losses	0	6
Provisions at end of year	7	7

See Note 32 Capital requirements and financial risks, the section on Credit risks.

Note 16 Shares and participations

SEK m	31st Dec 12	31st Dec 11
Shares and participations, quoted	0	1
Shares and participations, unquoted	0	9
Total	0	10

Note 17 Insurance operations assets and liabilities

SEK m	31st Dec 12	31st Dec 11
<i>Financial assets, insurance operations</i>		
Shares and participations	27,822	23,905
Interest-bearing securities	745	412
Liquid assets	4,500	3,528
Total	33,067	27,845
<i>Financial liabilities, insurance operations</i>		
Conditional bonus	33,067	27,845
Net	0	0

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 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 12	31st Dec 11
Goodwill		
<i>Acquisition values</i>		
At beginning of year	26	26
At end of year	26	26
<i>Write-downs</i>		
At beginning of year	-3	-3
At end of year	-3	-3
Reported value at end of year	23	23
Other intangible assets		
<i>Acquisition values</i>		
At beginning of year	27	27
Year's investments	0	0
At end of year	27	27
<i>Depreciation</i>		
At beginning of year	-26	-24
Year's depreciation	-1	-2
At end of year	-27	-26
Reported value at end of year	-	1
Total intangible fixed assets	23	24

The goodwill in the Group derives from the acquisitions in 2001 of parts of the operations now conducted within the Group and totalling SEK 23 million. Other intangible assets comprise software licences and customer relations deriving from the acquisition of Placera Media Stockholm AB.

No write-down requirement has been identified in this year's impairment testing. The banking operations' profit/loss exceeds the goodwill value by a good margin on a per year basis.

Note 19 Tangible assets

SEK m	31st Dec 12	31st Dec 11
The Group		
<i>Acquisition value</i>		
At beginning of year	61	42
Year's investments	3	21
Year's disposals	0	-2
At end of year	64	61
<i>Depreciation</i>		
At beginning of year	-35	-28
Year's depreciation	-12	-9
Year's disposals	-	2
At end of year	-47	-35
Reported value at end of year	17	26

Note 20 Other assets

SEK m	31st Dec 12	31st Dec 11
Securities trading receivables	230	369
Current tax assets	48	7
Deferred tax assets	1	1
Other	37	30
Total	316	407

Note 21 Prepaid costs and accrued income

SEK m	31st Dec 12	31st Dec 11
Prepaid costs	24	28
Accrued income	60	12
Total	84	40

Note 22 Deposits by the public

Over and above the deposits reported in the Balance Sheet, as of 31 st December 2012 Avanza Bank had deposits in client fund accounts from third parties, corresponding to SEK 847 million (SEK 823 m).

Note 23 Other liabilities

SEK m	31st Dec 12	31st Dec 11
Securities trading liabilities	67	180
Accounts payable	12	17
Current tax liabilities	0	16
Other	36	30
Total	115	243

Note 24 Accrued costs and prepaid income

SEK m	31st Dec 12	31st Dec 11
Personnel-related liabilities	45	36
Other	26	21
Total	71	57

Note 25 Provisions

SEK m	31st Dec 12	31st Dec 11
Deferred tax on untaxed reserves	9	–
Deferred tax on losses carried forward	0	0
Total	9	0

Note 26 Equity

As of 31st December 2012, the registered share capital comprised 28,873,747 (28,538,073) ordinary shares with a quotient value of SEK 2.50 per share. During 2012, the number of registered shares was altered, due to a registered decrease in share capital as a result of the withdrawal of 275,524 shares which the company had repurchased during 2011, as well as being due to a new share issue totalling 611,198 shares. During 2012, Avanza Bank did not repurchase any of its own shares. There is a total of 28,873,747 (28,262,549) outstanding shares. Retained profit, including net profit/loss for the year, includes profits earned in the Parent Company and its subsidiaries.

Dividend

After the closing date, the Board proposed a dividend of SEK 8.00 (SEK 10.00) per share, corresponding to a total of SEK 231 million (SEK 283m). The proposed dividend will be resolved upon by the Annual General Meeting held on 17th April 2013.

Warrants

The warrant programme comprises 1,557,000 shares, corresponding to a dilution of 5.4 per cent. The overall warrant programme runs during the period May 2010 to May 2015 and is divided into three subsidiary programmes. Outstanding warrants 2010–2013 grant entitlement to subscribe for a total of 577,000 shares at an exercise price of SEK 268.46 per share. The programme expires on 24th May 2013. The warrants can be redeemed during the period from 2nd May 2013 up to and including 24th May 2013. Outstanding warrants 2011–2014 grant entitlement to subscribe for a total of 490,000 new shares at an exercise price of SEK 265.16 per share. The programme expires on 30th May 2014. The warrants can be redeemed during the period from 2nd May 2014 up to and including 30th May 2014. Outstanding warrants 2012–2015 grant entitlement to subscribe for a total of 490,000 new shares at an exercise price of SEK 190.12 per share. The programme expires on 29th May 2015. The warrants can be redeemed during the period from 4th May 2015 up to and including 29th May 2015. All warrants are issued on market terms, the Black & Scholes model being applied to determine the value.

In applying the Black & Scholes model, the following parameters have been applied:

- Risk-free interest – Defined as the interest on a government bond with the same maturity as the warrant
- Exercise price – According to the resolution of the Annual General Meeting, this has been determined as 120 per cent of the weighted average of the share price over a period determined by the General Meeting.
- Volatility – Based on the historical volatility of the Avanza Bank Holding share on the stock exchange under normal conditions.
- Dividend – Consideration has been given to the estimated dividend that will be paid during the term of the option.
- Liquidity discount – A discount for illiquidity has been applied due to the fact that the options are not traded on an active market.

No. outstanding shares	
31-12-2011	28,262,549
New issue (exercise of warrants)	611,198
31-12-2012	28,873,747

Note 27 Shares and participations in Group companies

SEK m	31st Dec 12	31st Dec 11
<i>Acquisition value</i>		
At beginning of year	414	414
At end of year	414	414
<i>Accumulated write-downs</i>		
At beginning of year	-7	-7
At end of year	-7	-7
Reported value at end of year	408	408

	Corporate ID no.	Registered office	No. shares	% of shares	Book value, SEK m
Avanza Bank AB	556573-5668	Stockholm	550,000	100	366
Avanza Fonder AB	556664-3531	Stockholm	31,000	100	3
Försäkringsaktiebolaget Avanza Pension	516401-6775	Stockholm	350,000	100	39
Placera Media Stockholm AB	556642-9592	Stockholm	1,000	100	0
Avanza Förvaltning AB	556840-0286	Stockholm	50,000	100	0
Total					408

Note 28 Segment information

Avanza Bank's internal follow-up is undertaken on the basis of the entire Group's results. Avanza Bank as a whole, therefore, constitutes a total segment in accordance with the criteria in IFRS 8. All operations are conducted in Sweden, and both income from external customers and fixed assets refer to Sweden.

The operating income breaks down into the following product areas/service groups:

SEK m	2012	2011
Direct savings products	309	352
Indirect savings products	96	161
Other services	16	22
Total income from external customers	421	535
Other income	141	160
Total operating income	562	695

Direct savings products refers to shares, investment fund and savings accounts. Indirect savings products refers to pension and insurance accounts. Other services includes asset management services, corporate finance, etc. Other income refers, primarily, to interest income from lending to credit institutions.

There is no single customer who generates income that exceeds 10 per cent of the Group's income. Avanza Bank offers a diversified portfolio of savings services in strongly competitively markets and the Group's reliance on individual customers is, therefore, limited.

Note 29 Terms for assets and liabilities

Remaining term (book value)

SEK m 31st Dec 12	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Per- petual	Total
<i>Assets</i>							
Lending to credit institutions	7,989	–	–	–	–	–	7,989
Lending to the public	–	3,710	–	–	–	–	3,710
Shares and participations	–	–	–	–	–	0	0
Insurance operations assets *	–	23,942	99	1,990	7,036	–	33,067
Intangible assets	–	–	–	–	–	23	23
Tangible assets	–	–	–	–	–	17	17
Other assets	–	316	–	–	–	–	316
Prepaid costs and accrued income	–	84	–	–	–	–	84
Total assets	7,989	28,052	99	1,990	7,036	40	45,206
<i>Liabilities</i>							
Deposits by the public	11,116	–	–	–	–	–	11,116
Insurance operations liabilities */**	–	23,942	99	1,990	7,036	–	33,067
Other liabilities	–	115	–	–	–	–	115
Accrued costs and prepaid income	–	71	–	–	–	–	71
Provisions	–	–	–	9	–	–	9
Total liabilities	11,116	24,128	99	1,999	7,036	–	44,378

* 100 per cent of the distribution of endowment insurance terms is within <3 months. 2 per cent of the terms for endowment pensions are within <3 months, 4 per cent are between 3–12 months, 72 per cent are of 1–5 years and 22 per cent are >5 years. 10 per cent of 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

** See Note 32 Capital requirements and financial risks, the section on Liquidity risks

Remaining term (book value)

SEK m 31st Dec 11	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Per- petual	Total
<i>Assets</i>							
Lending to credit institutions	8,672	–	–	–	–	–	8,672
Lending to the public	–	2,557	–	–	–	–	2,557
Shares and participations	–	–	–	–	–	10	10
Insurance operations assets *	–	20,653	141	1,785	5,266	–	27,845
Intangible assets	–	–	–	–	–	24	24
Tangible assets	–	–	–	–	–	26	26
Other assets	–	406	–	1	–	–	407
Prepaid costs and accrued income	–	40	–	–	–	–	40
Total assets	8,672	23,656	141	1,786	5,266	60	39,581
<i>Liabilities</i>							
Deposits by the public	10,560	–	–	–	–	–	10,561
Insurance operations liabilities */**	–	20,653	141	1,785	5,266	–	27,845
Other liabilities	–	244	–	–	–	–	243
Accrued costs and prepaid income	–	57	–	–	–	–	57
Total liabilities	10,560	20,954	141	1,785	5,266	–	38,706

* 100 per cent of the distribution of endowment insurance terms is within <3 months. 2 per cent of the terms for endowment pensions are within <3 months, 6 per cent are between 3–12 months, 70 per cent are of 1–5 years, and 22 per cent are >5 years. 10 per cent of 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

** See Note 32 Capital requirements and financial risks, the section on Liquidity risks

Note 30 Financial instruments

Classification of financial information

SEK m 31st Dec 12	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	–	7,989	–	–	7,989
Lending to the public	–	3,710	–	–	3,710
Shares and participations	0	–	–	–	0
Assets in insurance operations	33,067	–	–	–	33,067
Intangible assets	–	–	–	23	23
Tangible assets	–	–	–	17	17
Other assets	–	267	–	49	316
Prepaid costs and accrued income	–	60	–	24	84
Total assets	33,067	12,026	–	113	45,206
<i>Liabilities</i>					
Deposits by the public	–	–	11,116	–	11,116
Insurance operations liabilities	33,067	–	–	–	33,067
Other liabilities	–	–	115	–	115
Accrued costs and prepaid income	–	–	55	16	71
Provisions	–	–	–	9	9
Total liabilities	33,067	–	11,286	25	44,378

Financial instruments valued at fair value

SEK m 31st Dec 12	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	17,927	0	0	17,927
Fund units	1,192	8,348	–	9,540
Bonds and other interest-bearing securities	607	139	–	746
Other securities	192	162	–	354
Liquid assets	–	–	–	4,500
Total assets	19,918	8,649	0	33,067
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	33,067	–	33,067
Total liabilities	–	33,067	–	33,067

SEK m Level 3	
31-12-2011	9
Change in value	–9
Sale	0
31-12-2012	0

Classification of financial information

SEK m 31st Dec 11	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	–	8,672	–	–	8,672
Lending to the public	–	2,557	–	–	2,557
Shares and participations	10	–	–	–	10
Assets in insurance operations	27,845	–	–	–	27,845
Intangible assets	–	–	–	24	24
Tangible assets	–	–	–	26	26
Other assets	–	406	–	1	407
Prepaid costs and accrued income	–	12	–	28	40
Total assets	27,855	11,647	–	79	39,581
<i>Liabilities</i>					
Deposits by the public	–	–	10,560	–	10,561
Insurance operations liabilities	27,845	–	–	–	27,845
Other liabilities	–	–	228	16	243
Accrued costs and prepaid income	–	–	43	14	57
Total liabilities	27,845	–	10,831	30	38,706

Financial instruments valued at fair value

SEK m 31st Dec 11	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	16,038	11	9	16,058
Fund units	400	7,079	–	7,479
Bonds and other interest-bearing securities	715	49	–	764
Other securities	12	14	–	26
Liquid assets	–	–	–	3,528
Total assets	17,165	7,153	9	27,855
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	27,845	–	27,845
Total liabilities	–	27,845	–	27,845

SEK m Level 3	
31-12-10	9
Buy	0
Change in value, unrealised	0
31-12-11	9

Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the reported value and fair value are equal.

The fair value of those financial instruments reported at fair value through profit and loss, primarily comprising assets within the insurance operations, is determined on the basis of the listed bid prices for the instruments in question on the closing date. If no active market exists, the valuation methods described in Note 2 Accounting principles, are applied. The value of liabilities within the insurance operations is indirectly linked to the value of assets, for which reason all liabilities pertaining to the insurance operations are reported at level 2.

During the year, no transfers between the levels have taken place. Pension and insurance customers (assets in the insurance operations) are, in principle, only permitted to hold securities traded on a regulated market or a multilateral trading facility, investment funds or securities on unlisted securities markets managed electronically by Avanza Bank.

The accounting principles regarding financial instruments are described on pages 51–53.

Note 31 Pledged assets and contingent liabilities

SEK m	31st Dec 12	31st Dec 11
Pledged assets		
<i>In the form of assets pledged on behalf of customers</i>		
Securities loans	56	39
Collateral requirement, OM derivatives	119	108
<i>Other pledged collateral and security</i>		
Securities liquidation, Euroclear	200	200
Securities liquidation, EMCF	39	273
Securities liquidation, EMCF, clearing fund	9	9
Securities liquidation, APK Finland	9	9
Securities liquidation, Bank of Norway	8	8
Securities liquidation, VP Denmark	23	24
Securities Canada trading	1	1
National Bank of Sweden clearing	100	100
Nasdaq OMX Default fund	8	–
Total pledged assets	572	771

Pledged assets total SEK 572 million, of which SEK 563 million refers to lending to external credit institutions and SEK 9 million to other assets. Assets pledged on behalf of customers refer to securities loans. Counterparties sharing secured loans are Swedish credit institutions. Collateral requirement, OM derivatives, refers to collateral for customers' derivative positions. Securities liquidation, EMCF, refers to cash and cash equivalents pledged as collateral for undertakings arising as a result of the collateral requirements calculated for the participants in the settling of transactions via a central clearing counterparty. These liquid funds are held in accounts in Swedish banks. Payments to the clearing fund at EMCF comprise a receivable from EMCF.

Other liquidation-related items and Swedish Central Bank clearing refer to liquid assets pledged as collateral to external banks.

Assets managed on behalf of third parties (client trust accounts) not reported in the balance sheet total amount to SEK 847 million (SEK 823m).

Contingent liabilities

In the event that the clearing fund, in which funds have been deposited to EMCF by all participants in the central counterparty clearing, proves insufficient to cover losses caused by another clearing member, Avanza Bank is obliged, together with other members, to top up the clearing fund. This undertaking is limited to the amount previously paid into the fund, currently SEK 9 million, per loss-causing clearing member.

Note 32 Capital requirements and financial risks

Information on capital adequacy and risk management in accordance with FFFS 2007:5

The information on Avanza Bank's capital adequacy provided below comprises the details that are required to be provided at least once a year in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines concerning the publication of information on capital adequacy and risk management (FFFS 2007:5) and regulations (FFFS 2010:12) regarding amendments to FFFS 2007:5. The information refers to the circumstances on the closing date as regards the consolidated accounts. The information also contains details disclosed in accordance with IFRS 7 Financial Instruments: Disclosures.

The financial conglomerate

In 2008, the Swedish Financial Supervisory Authority ruled that Avanza Bank Holding AB (Corporate Identity Number 556274-8458) and its subsidiary companies constitute a financial conglomerate. As a result of this ruling, the financial corporate group ceased to exist. The financial conglomerate comprises all companies within the Group. Capital adequacy has also been calculated at an individual level for the subsidiaries Avanza Bank AB (Corporate Identity Number 556573-5668) and Avanza Fonder AB (Corporate Identity Number 556664-3531).

The largest 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 is to 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.

The conglomerate's capital base and capital requirements

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 when determining the statutory capital adequacy requirement of the financial conglomerate. The conglomerate's capital adequacy requirement has been calculated using the consolidation method. The conglomerate's capital based complies with the capital adequacy requirements for the financial conglomerate.

The financial conglomerate

SEK m	31st Dec 12	31st Dec 11
Capital base		
Shareholders' equity, the Group	828	875
Proposed dividend	-231	-283
Shareholders' equity, the financial conglomerate	597	592
<i>Less</i>		
Intangible assets and deferred tax receivables	-24	-25
Capital base	573	567
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	226	240
Capital requirement for regulated units in the insurance sector	30	31
Theoretical capital requirement for non-regulated units	3	4
Capital requirement	259	275
Capital surplus	314	292
Capital base/Capital requirement	2.21	2.06

Insurance

Insurance has been taken out for all companies in the conglomerate to cover crimes committed against the company or its customers. Insurance cover has also been taken out to cover any damage caused by the companies to their customers. This insurance cover can reduce the consequences of incidents, but this has not been taken into account when calculating the amount of equity reserved to cover operational risks.

Strategy and method

Capital assessment policy

Almost all operations requiring capital are conducted within the banking and securities sector in the largest company within the financial conglomerate, Avanza Bank AB. Avanza Bank AB also has its own internal capital assessment policy which stipulates that the capital base shall also cover the estimated capital adequacy requirement for any other identified risks in the operations.

Capital plan

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

- the company's risk profile
- 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 company's work on its annual operational plan. The plan is followed up, as required, and an annual review is carried out to ensure that the risks are correctly taken into account and that they actually reflect the company's risk profile and capital requirements. 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 and based on the institution's current and future capital requirements.

Regular follow-ups are carried out with regard to the insurance sector to ensure that the capital base complies with the statutory 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 risk exists.

Capital base and capital adequacy requirements at individual level

The Swedish Capital Adequacy and Large Exposures Act (2006:1371) and the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2007:1) concerning capital adequacy and large exposures (including revisions up to and including FFS 2010:10) govern the calculation of capital adequacy requirements for Avanza Bank AB and Avanza Fonder AB. For both institutions, the capital base exceeds the capital adequacy requirements for credit risks, market risks and operating risks.

Avanza Bank AB

SEK m	31st Dec 12	31st Dec 11
Share capital	55	55
Profit carried forward	404	399
Net profit/loss for the year less estimated dividend	18	5
Total shareholders' equity	477	459
<i>Less</i>		
Intangible assets	0	-2
Deferred tax receivables	-1	-1
Capital base, net	476	457
Capital requirements		
<i>Credit risk using standard method</i>		
Exposures to governments and central banks	0	-
Institutional exposure	128	139
Corporate exposure	2	3
Household exposure	14	17
Other items	8	10
Total capital requirement for credit risks	152	170
<i>Risks in trading portfolio</i>		
Share price risks		
– Specific risk	0	0
– General risk	0	0
Settlement risks	0	0
Total capital requirement for risks in trading portfolio	0	0
<i>Operating risks</i>		
Base method	74	70
Total capital requirement	226	240
Capital surplus	250	217
Capital adequacy ratio	2.11	1.90
Start-up capital	47	47

Avanza Fonder AB

SEK m	31st Dec 12	31st Dec 11
Share capital	3	3
Profit carried forward	0	0
Net profit/loss for the year less estimated dividend	–	–
Total shareholders' equity	3	3
<i>Less</i>		
Intangible assets	–	–
Deferred tax receivables	–	–
Capital base, net	3	3
Capital requirements		
<i>Credit risk using standard method</i>		
Exposures to governments and central banks	–	–
Institutional exposure	0	0
Corporate exposure	–	–
Household exposure	–	–
Other items	0	0
Total capital requirement for credit risks	0	0
<i>Risks in trading portfolio</i>		
Share price risks		
– Specific risk	–	–
– General risk	–	–
Settlement risks	–	–
Total capital requirement for risks in trading portfolio	–	–
<i>Operating risks</i>		
Base method	0	0
Total capital requirement	0	0
Capital surplus	3	3
Capital adequacy ratio	6.41	6.07
Start-up capital	1	1

Risk profile

During the year, no major changes in the focus of the operations have taken place.

Avanza Bank has a conservative approach to risk. The operations should primarily be based on trust, stability under any circumstances and the interests of the customers. This is reflected in Avanza Bank's risk profile and risk appetite: for example, Avanza Bank does not assume proprietary positions in order to earn money (market risk or so-called trading). With reference to credit risk, surplus liquidity is deposited in systematically important banks on a spot trading basis or is deposited until the following banking day; lending to customers takes place only on the basis of secured liquid financial collateral. The risk profile within operative risks is low; the operations conducted by Avanza Bank are, generally, of a low risk profile. Avanza Bank does not offer payment services, unsecured credits or charge cards, as a result of which the risk of fraud is significantly lower compared with many other banks and institutions. Avanza Bank's strategy is to be a 100% internet bank which, in turn, implies challenges, as well as requirements for effective and secure IT systems. In legal terms, credit risk exists as regards approximately 70 per cent of the total capital adequacy requirement of the Bank. Lending to credit institutions is equivalent to 57 per cent (SEK 128 million) of capital. Avanza Bank may significantly lower capital expenses by investing portions of the surplus liquidity in Swedish government bonds, which provides a risk weight and capital adequacy requirement of 0.

Försäkringsaktiebolaget Avanza Pension offers a variety of insurance products. These products all have a conditional bonus, which implies that the insurance liabilities are, by definition, dependent on the performance of the insurance assets' values. The value of the insurance operations assets and liabilities through the structuring of the insurance products is monitored and these products have, hence, no effect on financial risks. As a consequence, the products primarily entail legal risks, which are deemed to have declined due to the fact that the product deposit insurance is well-established in the market.

Fund management is conducted within Avanza Fonder AB. The company manages Avanza Zero – the no fee fund. This is an index fund that tracks SIX30RX. Consequently, the management of the fund replicates the index performance and is not based on the manager's personal view of the market's development. At the end of 2012, Avanza Fonder AB launched Funds-of-Funds. Three of these are passively managed and three are actively managed. The underlying funds are managed by other fund companies and they are not based on the manager's personal view of the market's development.

Internal capital assessment (ICA)

An internal capital assessment (ICA) is undertaken of Avanza Bank AB, reflecting the company's perception of the amount of equity required to securely conduct the company's current and future operations. 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 Avanza Bank AB's Board of Directors and submitted to the Swedish Financial Supervisory Authority. This ICA is used as the basis for decisions regarding the capital structure in conjunction with, for example, decisions to exercise the authorisation granted by the Annual General Meeting to repurchase the company's own shares, and decisions on dividend payments.

ICA is also a description of risk management. Avanza Bank AB has chosen to evaluate and appraise the Bank's collective capital assessment on the basis of five general principles for risk management:

- Governance and risk culture
- Risk appetite and risk tolerance
- The roles of the Risk Manager and Risk Function
- Risk models and integration of risk management
- Approval process for new products

On the basis of these principles, Avanza Bank is to strengthen its risk management and its internal capital assessment.

Avanza Bank AB's ICA is based on two separate methods: the block method and the scenario model. The block method is based on quantitative stress tests and qualitative assessments with an evaluation horizon of one year, while the scenario model is a dynamic model with an evaluation horizon of three years.

The most recent internal capital assessment for Avanza Bank AB, which was carried out during the fourth quarter of 2012 on the interim accounts dated 30th September 2012. The updated internal capital adequacy requirement as per 31st December 2012 amounted to SEK 264 million (SEK 256m). The legal requirement for Avanza Bank AB as per 31st December 2012 amounted to SEK 225 million (SEK 240m). The company's equity, consequently, fulfils both the objective of covering the credit and operating risks, and of constituting credibility capital in relation to banks and other investors.

No advanced models (so-called IRB methods) 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:

- Credit risk
- Market risk
- Operational risk
- Liquidity risk
- Insurance risk
- Concentration risk
- Residual risk
- Interest risk
- Business risk
- Reputation risk
- Strategic risk
- Other identified risks

The market risks are insignificant and Avanza Bank AB is, in all material respects, obliged to manage only credit risks, concentration risks and operational risks in the course of its day-to-day operations. Operational risks have been assessed in accordance with a model for probability and consistency. The most important thing, alongside the need to comply with the legal capital adequacy 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 on the basis of its equity and customers' deposits. This financing has, historically, exceeded the financing requirement by a wide margin.

Risk management objectives and guidelines per risk category

FFFS (2007:5) states that Avanza Bank shall describe the risk management objectives and guidelines for each individual risk category. The strategies and procedures for managing risks, the manner in which the risk management function is organised, the scope and structure of the risk reporting and risk measurement systems, the guidelines for risk hedging and risk reduction, and the company's strategies and procedures for the on-going evaluation of their effectiveness, are described below.

Risk management

The Board determines the general goals for capital adequacy and liquidity and for exposure to credit risks and other financial risks. The Board also has the ultimate responsibility for ensuring the establishment of functions monitoring and managing the Group's risks. Rights and authorities with regard to these issues are delegated to the organisation according to the stipulations found in 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 on-going basis. Risk management is an independent function for the follow-up and control of all risks. The function is independent of the commercial operations and reports to the CFO. The risk management function 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 conducted in each department in accordance with the three lines of defence described below, under the supervision of, and in communication with, risk management. Operational responsibility for follow-up and control lies with the Risk Management Department, as regards all risks, and the department monitors a number of variables in order to control the quality of both the business flow and the subsequent administrative work.

The first line of defence

The line of business has full responsibility for the risks created by its own operations. The line of business is closest to the operations or customers and, therefore, has the greatest knowledge of the operations or customers and the specific risk involved.

The second line of defence

This is the functions for Risk Control and Compliance. These functions shall maintain the principles and framework for risk management and shall facilitate risk assessment. They shall promote a sound risk culture and thereby strengthen the line of defence by supporting and training the employees in the line of business. Independent risk control shall be responsible for identifying, quantifying, analysing and reporting all risks. Valuations and stress tests of risks contribute to an assessment of whether measures need to be taken to reduce risk in the Group.

The third line of defence

Internal Auditing, which is an independent review function directly under the supervision of the Board of Directors, performs regular reviews of management and conducts risk controls and other internal controls.

Various improvements were made in 2012 in order to strengthen risk management at Avanza Bank. The five most important were:

- Introduction of a new structured process for the management of operational risks throughout the entire organisation (including IT operations). During the year, regular meetings were held with sections of the organisation regarding operational risks, which has implied increased accuracy and improved risk management.
- Further development of Avanza Bank's stress tests within securities credits including derivative risks, which has implied increased accuracy and improved risk management.
- Introduction of KRI (risk indicators) within credit risk, the purpose of which is to indicate increased risks.
- Update of the Bank's governance documents regarding the processes for accepting new products (NPAP). Most importantly, risk management has reviewed the process and will continue this work in 2013.
- Internal capital assessment has been made a part of the day-to-day operations.

Internal auditing

An independent auditing function evaluates and carries out reviews on behalf of the Board of Directors, ensuring that the respective companies within the Avanza Bank 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). The independent audit was carried out in 2012 by the external consulting company, Grant Thornton Sweden AB.

Information on the credit portfolio

Credit risks

The risk inherent in lending to account customers, so-called securities credits, and in lending to financial institutions, is the most significant credit risk. All counterparties are checked and assigned a credit limit. All securities credits 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 utilised 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-borrowing that has taken place. Lending to account customers is monitored on a daily basis. Any over-borrowing is settled in accordance with a special routine within a maximum of three to four days. In the event of unstable markets or other extreme events, the over-borrowing is settled through the sale of securities immediately on the date on which the over-borrowing takes place. The aim is to avoid credit losses.

All lending to customers has a one month notice period. The interest rate is a variable one and is only adjusted, under normal market conditions, in conjunction with changes to interest rates by the Swedish Central Bank. Credit is granted to customers resident outside the Nordic countries only in exceptional circumstances. The majority of all exposures is to customers resident in Sweden and there is no reason to break this down to a more detailed level. The nature of the securities received is of significant importance. Avanza Bank is also entitled, provided that the terms are no stricter, to pledge securities received as collateral for its own commitments. This entitlement was not exercised during 2012.

During the year, Avanza Bank suffered credit losses within securities credits of SEK 1 million as a result of a reassessment of the provision for anticipated credit losses. At year-end, the provision for bad debts as regards lending to the public amounted to SEK 7 million. This represents the maximum amount of collateral, according to the provision for bad debts, which Avanza Bank may be required to sell, even if the owners of the collateral meet their obligations. See also Note 15 Lending to the public.

Credit quality

Avanza Bank's exposure to financial institutions is at the highest credit quality level according to the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2007:1) as regards capital adequacy and large exposures. Exposures to households and companies within securities credits have no credit classification.

Collateral provided in the pledging of securities is valued in accordance with the fair value on the market place in question and the collateral portfolio is assessed on the basis of weighted exposure. The financial effect of the collateral is measured as the higher of the fair value of the collateral and the book value of the receivable per individual contract. Weighted exposure is defined as the market value of all collateral provided multiplied by the exposure in the portfolio. Apart from a liability balance, the exposure also serves as a collateral requirement for derivatives and securities loans. Weighted exposure is used to measure the composition of the credit portfolio and to measure concentration risks in accordance with the Herfindahl Index.

Financial collateral provided for pledging of securities (SEK m):

Pledged financial assets	Balanced exposure	Market value	Lending value	Share of balanced exposure
Shares and exchange traded funds	2,720	12,109	7,464	92 %
Funds	221	1,053	667	7 %
Other collaterals	33	232	83	1 %
Total	2,974	13,394	8,214	100 %

An exposure in the pledging of securities is usually secured with a portfolio of financial collateral. The exposure is calculated on the basis of the proportion of the pledged financial collateral assigned to it.

Breakdown of lending over the most pledged securities according to weighted exposure:

Pledged assets	Securities	Weighted exposure SEK m	Share
Volvo B	Shares	179	6%
Lundin Petroleum	Shares	121	4%
Hennes & Mauritz B	Shares	118	4%
Boliden	Shares	72	2%
Nokia Oyj	Shares	66	2%
Ericsson B	Shares	57	2%
Swedbank A	Shares	56	2%
ABB Ltd	Shares	56	2%
Kinnevik B	Shares	47	2%
Telia Sonera	Shares	47	2%
Total		819	28%

Lending to credit institutions consists of receivables from systematically important Nordic credit institutions. According to financial instructions, liquidity may be invested with, as well as the Swedish government, systematically important Nordic credit institutions. As of 31st December 2012, Avanza Bank had major investments with Handelsbanken and Danske Bank. Exposures to these banks are risk weighted at 20 per cent. The institutional exposures comprise lending to credit institutions and totalled SEK 7,989 million (SEK 8,672m) on closing day. The average lending to credit institutions in 2012 totalled SEK 8,331 million (SEK 6,738m).

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 20 (12) loans exceeding SEK 10 million, as of 31st December 2012. The combined sum for these loans was SEK 391 million (SEK 244m) and the largest single loan was for SEK 72 million (SEK 35m) spread over five customers who are jointly limited.

A lending value is set for shares and funds and varies between 0 per cent and 90 per cent. Over-borrowing, i.e. amounts borrowed in excess of the pledged value, totalled SEK 4 million (SEK 3m) or 0.1 per cent (0.1%) of total lending, as of 31st December 2012.

Provisions regarding probable credit losses are reported if the collateral does not cover the amount lent, that is, the principal loan amount plus interest. The provision for these receivables totalled SEK 7 million (SEK 7m), as of 31st December 2012. There are no changes in value as a result of exchange rate differences or other revaluations. See also Note 11 Credit losses, net and Note 15 Lending to the public, the section on Provision for bad debts.

Lending to customers continues as long as over-borrowing does not take place. Over-borrowing is classified as an overdue receivable and the customers in question are contacted as soon as this occurs with the details of the date by which the over-borrowing must be rectified. The customer can take action regarding the over-borrowing by depositing money or securities, or by selling securities. If the customer fails to take action, Avanza Bank will settle the over-borrowing by selling securities.

Receivables no longer covered by the market value of pledged securities may entail a write-down requirement. The write-down is determined on the basis of individual reviews of the amount deemed recoverable from each borrower.

Lending to the public totalled SEK 3,710 million (SEK 2,557m) on closing date. The average lending in 2012 totalled SEK 3,134 million (SEK 3,792m).

Information on the calculation of risk-weighted exposure amounts for credit risks

Credit risk protection

- The credit risk protection applied comprises the shares on the OMXSPI index, which are discounted by just over 78 per cent of market value.
- Securities received are re-valued daily in line with current market value. The lending value comprises a certain percentage of this market value. The manner in which any over-borrowing is managed is described above under "Information on the Credit portfolio".
- Exposure is in SEK and the majority of the securities comprise shares and fund units (99%), and the majority of the collateral is listed in SEK (93%).
- No guarantees are received or issued for customers or other parties. Nor are there any OTC dealings with regard to any types of derivatives.
- The lending spread is substantial; see above under "Information on the Credit portfolio".
- There are, however, certain concentrations of collateral received; see table above under "Information on the Credit portfolio".
- The total liquid exposure, attributable to collateral which can be liquidated, is SEK 2,529 million (SEK 2,803m).

Lending to the public totalled SEK 3,710 million (SEK 2,557m). This amount includes exposures to both households and companies. The corporate exposure before deducted collateral totals SEK 951 million (SEK 341m). All lending is made against collateral in the form of financial instruments. Companies and households provide collateral in the same manner and are subject to the same lending routines. A guarantee undertaking from the owner to the company also exists for the vast majority of the corporate exposure.

Counterparty risks

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. Euroclear and OMX in Sweden, for the liquidation of completed transactions.

Avanza Bank is a member of the central counterparty clearing system EMCF, used for transactions in Sweden, Finland and Denmark in which certain types of securities selected by the stock markets in those countries are used for collateral. This clearing implies, amongst other things, that EMCF collects collateral from the clearing members in order to cover the market risk in, as yet, non-liquidated securities transactions. This situation is an improvement on the previous procedure and entails a reduction of the counterparty risks in this respect.

Avanza Bank only trades on its customers' behalf in standardised derivatives liquidated over OMX and there are no OTC dealings of any kind.

Information on operational risks

Operational risks are defined as the "risk of losses as a result of inexpedient or failed internal processes, human error, faulty systems or external events, including legal risks".

Operational risks are measured according to probability and consequence. Avanza Bank has chosen to use 4 levels for probability and consequence. Together, these form a risk level for each individual risk in the operations. Risk-taking shall be limited within the framework of what is financially defensible. Risk tolerance is determined by the Board of Directors, and the Bank shall work to keep operational risks at low levels. Measures have been introduced to reduce risks that are not considered acceptable.

The capital adequacy requirement for operational risks is calculated using the base method. The requirement comprises 15 per cent of the last three financial years' operating income.

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

The competence and training of employees is central as regards management of operational risk. All employees, whose work assignments require licensing, are licensed in accordance with the requirements determined by SwedSec AB. In addition, certain other employees have been licensed, and at the turn of the year, a total of 60 (56) employees were licensed. A further 7 (10) employees have also received special training in insurance brokering.

Market risks

Exchange rate risks

Avanza Bank takes negligible direct exchange rate risks. The company assumes market risks only for the purpose of conducting trading activities on behalf of customers. Additionally, the company must handle market risks arising as a result of so-called trading errors. Avanza Bank does not conduct proprietary trading activities of any kind.

Interest risks

Financial assets and liabilities in the balance sheet mainly run without time limits. To make possible the efficient investment of liquidity, the Board of Directors sets a limit on the amount of interest risk that may be assumed in investing liquidity. The maximum change in value of the holding of treasury bills, certificates of deposit or fixed-term investments with approved banks may, combined, total no more than SEK 10 million with a change in market interest rates of 1 percentage point. During the year, Avanza Bank has not had any investments with a duration in excess of the following banking day, and the interest rate risk has been negligible. On the other hand, a market interest rate declining towards zero can have a negative effect on Avanza Bank's interest margins.

Currency risks

Assets and liabilities in the balance sheet are primarily valued in SEK. The exception to this is that customers can hold foreign currencies in their accounts. These foreign currency balances are still relatively small and their value on 31st December 2012 totalled SEK 84 million (SEK 39m). Such currency balances are matched in their entirety by corresponding balances in Avanza Bank's bank accounts. There is no significant currency exposure outside the balance sheet.

Share risk

The total exposure in respect of shares not included in the trading portfolio, see Exchange rate risks above, is SEK 0 million (SEK 9m). The accounting principles are shown in Note 2 Accounting principles.

Liquidity risks

Good payment capability requires liquidity on the part of the assets side of the balance sheet. In order to ensure that Avanza Bank, at any point in time, has sufficient cash to fulfil its obligations, Avanza Bank conducts regular forecasts and stress tests. These forecasts are typically used to assess the need for cash in the Bank's operations. In order to manage short-term liquidity risks, forecasts are made each day. Specific contingency plans to deal with major disruptions to the liquidity situation have been established. 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 collateral for Avanza Bank's own financing.

None of the larger balance sheet items incur a notice period and can, therefore, be liquidated immediately (on spot basis) or on the following day, except lending to the public which has a one-month notice period.

SEK m	Amount	Term
Deposits, excluding client funds	11,116	Avista
Lending to the public	3,710	1 month
Lending to credit institutions	7,989	1 day

Avanza Bank has no single customers with deposits relevant for liquidity, the deposits are distributed amongst numerous clients and the current liquidity is, therefore, deemed to be very good. An extreme stress test has shown that 67 per cent (69%) of total deposits can be paid out immediately, and the remaining 33 per cent (31%) can be paid out after one month.

SEK 572 million (SEK 772m) of the bank balances has been pledged as collateral. As a consequence, bank balances, excluding pledged collateral, of SEK 7,417 million (SEK 7,901m) comprises the total amount that can be withdrawn by the customers not later than the following banking day.

Liabilities in insurance operations do not affect liquidity risk. The reason for this is that there is a very large amount of funds available and that these funds represent the policyholders' own resources. Nor is there any kind of contractual maturity date. See Note 29 Terms for assets and liabilities.

Market-related and business-related risks

The earnings risk is assessed as high because Avanza Bank's brokerage income is affected by a prolonged downturn on the stock exchange. Avanza Bank is, therefore, working to broaden the range of other savings products that are not affected by the stock market situation. Avanza Bank's net interest income is adversely affected by falling interest rates. The business-related risks are deemed to be low because Avanza Bank has streamlined decision-making channels, whereby bad business decisions can usually be corrected at short notice.

Sensitivity analysis

Since Avanza Bank holds no proprietary positions, changes in market prices have no direct impact on results.

During 2012, there were no fixed term investments. Consequently, changes in interest rates have no direct impact in that the fixed interest terms are the same for both assets and liabilities. The previous margin between customers' deposit rates and the interest rate on bank balances cannot be maintained given current interest rate levels, and this has had a negative effect on net interest items.

Exchange rate fluctuations also have no impact on results, because Avanza Bank has no currency exposure.

Risk concentrations

There are no significant risk concentrations against individual financial collateral, counterparties, sectors or regions. There are risk concentrations against credit institutions but Avanza Bank only has liquidity invested on a spot basis, or the following banking day with a few systematically important Nordic banks. With regard to lending to customers, a limit is determined for all borrowers. All borrowers belonging to the same corporate sphere are granted a joint, overall limit when borrowing. The spread in the lending is very good.

Note 33 Related parties

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

Related party transactions with subsidiaries

The Parent Company received SEK 1 million (0) in interest income from Group companies and paid SEK 0 million (0) in interest expenses to Group companies during the year. The Parent Company's receivables from Group companies totalled SEK 256 million (SEK 318m) at the end of the year, at which time its liabilities to Group companies totalled SEK 0 million (0).

Related party transactions with key individuals in senior positions and other related parties

No transactions, over and above normal account management, have been undertaken by the management, Board of Directors, close family members of the same, or companies over which any of these individuals 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 General administration costs. Senior executives participate in the Group's warrant programme on market terms, see Note 7 General administration costs.

Loans to related parties totalled SEK 0 thousand (SEK 324 k) at year-end. Deposits from related parties totalled SEK 37,148 thousand (SEK 41,108 k) at year-end. Income and expenses from transactions with related parties comprised SEK 148 thousand (SEK 422 k) in brokerage, SEK 7 thousand (SEK 4 k) in interest income, and SEK 518 thousand (SEK 1,353 k) in interest expenses. Invoicing from related parties' limited companies totals SEK 574 thousand (SEK 699 k).

Note 34 Important estimates and assessments

According to management, critical assessments regarding the accounting principles applied and the source of uncertainty in estimations primarily refer to credit assessments and the valuation of goodwill.

The write-down of credit losses is made on the basis of an individual assessment and is based on the management's best estimation of the present value of the cash flow expected to be received. In estimating these cash flows, an assessment is made of the counterparty's financial situation and the sale value of each underlying collateral item.

The reported value of goodwill is checked, however, on the basis of an impairment test at least once a year to assess any write-down requirements. In order to calculate the fair value of the underlying asset, this impairment test includes a number of assumptions regarding such aspects as discount rates, cash flow and growth. See also Note 9 Depreciation and write-downs of tangible and intangible fixed assets.

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

Note 35 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 approves a cash dividend of SEK 8.00 per share for 2012. This corresponds to a dividend payment totalling SEK 231 million and a dividend ratio of 145 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 placed 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 repurchase 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*.

During 2012 the Board of Avanza Bank has not acquired any of the company's own shares in accordance with the authorisation received at the Annual General Meeting of the company's shareholders held on 19th April 2012.

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 2013 Annual General Meeting.

* Reference to Note 32 Capital requirements and financial risks

The Parent Company

The following profits are at the disposal of the Annual General Meeting:		SEK k
Share premium reserve		255,427
Retained profit		194,749
Net profit for the year		140,373
		590,549
The Board of Directors and the Managing Director proposes that:		
a dividend of SEK 8.00 per share be paid to the shareholders, totalling		230,990
that the following sum be carried forward,		104,132
and that the following sum be retained in the share premium reserve		255,427
		590,549

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 Administration 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, 26th February 2013

Sven Hagströmer
Chairman of the Board

Anders Ellsell
Board member

Lisa Lindström
Board Member

Mattias Miksche
Board Member

Andreas Rosenlew
Board Member

Martin Tivéus
Managing Director

Jacqueline Winberg
Board Member

Our Audit Report was submitted on 26th February 2013

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Audit report

To the Annual General Meeting of Avanza Bank Holding AB (publ), Corporate Identity Number 556274-8458.

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Avanza Bank Holding AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 34–85.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of annual accounts in accordance with the Annual Accounts Act and for the preparation and fair presentation of consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31st December 2012 and of its financial performance and cash flows for the year then ended, in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the Group as of 31st December 2012 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and

Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statements and the balance sheets for the parent company and for the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Avanza Bank Holding AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Swedish Companies Act and the Banking and Financing Business Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' motivated statement and a selection of supporting documentation in order to assess whether the proposal is in accordance with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

We recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 26th February 2013

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson

Authorised Public Accountant

Definitions

Account

An open account with holdings.

Brokerage income

Brokerage income less direct expenses.

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 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.

Commission notes per account

Commission notes per account excluding savings accounts.

Cost/income ratio

Costs before credit losses in relation to income.

Deposits

Deposits by the public as per balance sheet with deduction for the portion which are covered in their entirety by cash pledged on endowment insurance accounts which entirely corresponds to the lending to the public and the

addition of client fund deposits and external deposits.

Earnings per share

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

Equity/assets ratio

Equity as a percentage of the Balance Sheet total.

Equity per share

Equity in relation to the number of outstanding ordinary shares before dilution at period end.

External deposits

Savings accounts in external banks and credit market companies, Sparkonto+, opened and managed by customers via Avanza Bank's website.

Investment fund commission

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

Lending

Lending to the general public in the balance sheet, with deduction for the portion covered entirely by cash pledged on endowment insurance accounts.

Net deposits/Savings capital

Deposits, including client trust accounts and external deposits, minus lending in relation to the savings capital at the end of the period.

Net interest items/Savings capital

Net interest items in relation to the average savings capital during the period.

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

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

Non-brokerage income

Income, excluding brokerage income, less direct costs.

Operating expenses

Operating expenses before credit losses.

Operating income/Savings capital

Operating income in relation to 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 equity during the period.

Savings capital

The aggregate value of accounts with Avanza Bank.

Stock market

Refers to the share index SIX Return Index, which shows the average performance on the Stockholm Stock Exchange, including dividends.

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 (SFS 2005:551), the Swedish Annual Accounts Act (1995:1554), and in accordance with the Articles of Association and the Swedish Corporate Governance Code ("the Code"). The Corporate Governance Report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the Code.

The Code is based on the principle of comply or explain, which means that it is permissible to deviate from the Code. Avanza Bank does not deviate from the Code. For further information on corporate governance, see www.bolagsstyrring.se.

Nomination Committee

A Nomination Committee comprising representatives of the four largest owners and the company's Chairman of the Board was appointed in accordance with the resolution of Avanza Bank's 2012 Annual General Meeting. These owners resolved that the Nomination Committee shall comprise Erik Törnberg, who represents Creades AB, Ulf Hjalmarsson who represents Lannebo Fonder, and Sten Dybeck, who represents the Dybeck family and its companies, and the Chairman of the Board, Sven Hagströmer, who represents the Hagströmer family and its companies. Due to changes in ownership, Sten Dybeck has left the Nomination Committee but remains as an adjunct to the 2013 Annual General Meeting. Henrik Schmidt, who represents Montanaro Asset Management, has been added to the committee.

The Nomination Committee has held four recorded meetings at which all members were present. The Nomination Committee is tasked with, amongst other things, conducting an evaluation of the Board and its work. The size of the Board and its composition, with regard to, for example, industry experience and competence, shall also be evaluated. The Nomination Committee also receives an account from the Chairman of the Board of the manner in which the Board's work was conducted during the financial year.

The Nomination Committee is tasked with discussing the compensation payable to the Chairman of the Board of the company and the Members of the Board, in which context comparisons are made with companies operating in similar spheres and which are of a similar size and complexity. Here, emphasis is placed on the importance of the compensation 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 also submits proposals regarding the election of auditors and the fees payable to them.

The Nomination Committee also evaluates the need of remuneration for committee work. Finally, Avanza Bank's Nomination Committee discusses who should chair the company's Annual General Meeting and whether the policies governing the structure of the Nomination Committee should be amended.

Annual General Meeting

Avanza Bank's most superior decision-making body is the Annual General Meeting. The Annual General Meeting elects the company's Board of Directors and appoints Avanza Bank's auditors in accordance with the Articles of Association. The Annual General Meeting's duties also include adopting the company's Balance Sheets and Income Statements, amending the Articles of Association, determining the appropriation of operational profits/ losses, and resolving on discharges from liability for the Members of the Board and the Managing Director.

A total of 131 shareholders participated in Avanza Bank's Annual General Meeting held on 19th April 2012 in Stockholm, representing 52 per cent of the total number of shares and votes in the company. Each share grants entitlement to one vote and there are no limitations on the number of votes that a shareholder may exercise. The company's auditors and the entire Board of Directors, with the exception of Jacqueline Winberg and Nicklas Storåkers, were present at the Meeting. Only one shareholder in Avanza Bank represents, either directly or indirectly, one tenth

or more of the total number of votes for all shares in the company. This owner is Creades AB, which represented 20.68 per cent of Avanza Bank's shares and votes as of 31st December 2012.

At the Annual General Meeting, a resolution was made regarding a live broadcast of the meeting via Avanza Bank's website, the appointment of keepers of the minutes, the adoption of the company's income statement and balance sheet and consolidated income statement and consolidated balance sheet, the number of Board members, fees to the Board and auditors, election of the Board, Chairman and auditor, reduction of share capital, authorisation to the Board to implement the acquisition of the company's own shares and determination of the nomination process and guidelines for remuneration to senior management.

An item on the agenda referred to the reduction of share capital related to the withdrawal of 275,524 shares held by Avanza Bank at the date of the Annual General Meeting, which had been repurchased by the company since the previous Annual General Meeting.

Details of future Annual General Meetings and of the manner in which shareholders can exercise their agenda initiative can be found on the company's website no later than in conjunction with the publication of the Q3 Interim Report, that is, prior to the Annual General Meeting is held. Minutes of previous Annual General Meetings are also available on the website.

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, 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 and that of the Managing Director.

The Articles of Association state that the Board shall comprise a minimum of five, and a maximum of eight, Members. During 2012, Avanza Bank's Board comprised seven Members elected by the Annual General Meeting and no Deputy Members. Prior to the Annual General Meeting, Nicklas Storåkers declined to stand for re-election, and at the Annual General Meeting of 19th April 2012, Martin Tivéus was elected to the Board of Directors. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 19th April 2012. Refer to the company's website, avanzabank.se, as well as page 96 of the Annual Report, for details of the individual Board Members.

The work of the Board in 2012

The Board held a total of 15 meetings during the year, 6 of which were ordinary meetings, one was the Board Meeting following election, and 8 were per capsulam. Board meetings per capsulam are exclusively meant for agenda items regarding Avanza Bank's incentive programs and compensation rules. During 2012, there have, consequently, not been any extra meetings of a different nature.

The following items are permanently on the agenda at ordinary Board Meetings: operational reports, financial reports, reports from the Risk Management function, reports from Compliance, and Credit reporting.

Attendance at recorded Board Meetings

Board Members' attendance at recorded Board Meetings and their dependence in relation to the company and its management, and in relation to the company's major shareholders in accordance with the Code, is reported in the table below.

	Present	In relation to the company and its management	In relation to the company's largest owners
Sven Hagströmer, Chairman	15/15	Independent Member	Not Independent Member
Anders Elsell	15/15	Independent Member	Not Independent Member
Mattias Miksche	14/15	Independent Member	Independent Member
Nicklas Storåkers	4/4	Not Independent Member	Not Independent Member
Andreas Rosenlew	15/15	Independent Member	Independent Member
Jacqueline Winberg	15/15	Independent Member	Independent Member
Lisa Lindström	14/15	Independent Member	Independent Member
Martin Tivéus	11/11	Not Independent Member	Not Independent Member

The Board's rules of procedure

The Board's work is governed by annually adopted rules of procedure regulating 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 an agenda plan fulfilling the Board's information requirements. This 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. In addition, the company's auditor attends Board meetings and reports annually the results from the audit of internal control over financial reporting. During 2012, the company's auditor participated in two meetings and on one occasion met with the Chairman of the Board without the presence of the CEO. Company employees participate in the Board Meetings to present reports or to act as secretaries.

The Board's Remuneration

The 2012 Annual General Meeting approved Board fees of SEK 1,089,000. The Chairman is paid annual remuneration of SEK 184,000 and the other members of the Board are paid SEK 181,000 each. Members of Avanza Bank's Board of Directors who participate when the company's management have reporting meetings with the auditor receive an additional SEK 25,000 in remuneration. In addition, Directors who are also members of subsidiary boards in Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension will, from these companies, receive a Board fee of SEK 37,000 from each of the respective Boards. Board members who receive remuneration from the company due to employment shall not receive any remuneration, neither in the parent company nor in the subsidiaries.

The Managing Director and Group Management

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

order to keep the Chairman informed with regard to the Group's performance.

Avanza Bank's Group management has, during 2012, consisted of seven persons, of whom five are men and two women. Group management's composition consists of Avanza Bank's Managing Director and representatives from different parts of the Group as follows: Vice President (also for Director Banking & Investments), Chief Financial Officer (CFO), Chief Marketing Officer, Managing Director of Försäkringsaktiebolaget Avanza Pension, Head of Customer Relations as well as the Head of IT. Additional information about Group Management can be found on Avanza Bank's website and on page 97 of the Annual Report.

The Managing Director and other members of Group Management hold formal management meetings every other week and informal meetings when necessary. The company's results and strategy issues are addressed at management meetings, and monthly reports regarding Compliance and Risk Management are presented.

The Avanza Bank Group comprises the parent company, Avanza Bank Holding AB (publ.), and five subsidiary companies. All subsidiary companies 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 2012 Annual General Meeting determined that the remuneration for the Group management shall consist of a fixed portion and a variable, performance based portion. The variable portion may be disbursed for performance exceeding the performance normally expected of members of the Group management on the basis of an evaluation of individual performance and Avanza Bank's reported profits. 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. A more detailed description of remuneration to Group management is described in the Annual Report, Note 7 General administration costs.

Individuals included in the Group management have been allocated warrants in accordance with the warrant programme approved at the Annual General Meeting of 14th April 2011. The total remuneration for individuals in company management shall be on market terms.

Remuneration committee

For the 2012 financial year, this Committee has comprised Sven Hagströmer, Anders Elsell and Jacqueline Winberg. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles governing remuneration. The committee prepares all remuneration, both fixed and variable, to the Executive Management and other members of the executive management of the subsidiaries Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, as well as for the managers of the control functions Compliance and Risk Management. Remuneration is determined by the Board.

In addition, issues relating to the Managing Director's employment terms and benefits are prepared by the Remuneration Committee and approved 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 Managing Director achieving the goals set for the Managing Director.

The Remuneration Committee has held, during 2012, six meetings which were attended by all members, and has maintained on-going contact during the year.

Audit committee

The provisions of the Swedish Companies Act and the Code require the Boards of public limited companies to appoint an Audit Committee, alternatively the entire Board may fulfill the committee's tasks. 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. The Board of Directors of Avanza Bank has elected not to establish an Audit Committee and therefore this type of issue is addressed by the entire Board of Directors. The 2006 Annual General Meeting resolved, however, that one member of the company's Board shall participate when the senior management of the company has reporting meetings with the company's auditors. The Board has appointed Board Member, Anders Elsell, to be present at such reporting meetings.

The Board found no cause to exclude the company's Managing Director from meetings in which the Board carried out the duties incumbent on an Audit Committee. The Board has on-going contact with the company's auditors in order to familiarise itself with the scope of the audit and to discuss aspects of the company's risks.

External auditors

Öhrlings PricewaterhouseCoopers were re-elected as Avanza Bank's auditors at the 2012 Annual General Meeting, with Catarina Ericsson as the Auditor-in-Charge, for the period until the end of the 2013 Annual General Meeting.

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

The auditors report the results of their audit to the shareholders in the form of an Audit Report and a report detailing their review of the administration of the company, which are presented at the Annual General Meeting. The auditors also submit detailed accounts to the Board at least twice a year, or more often if necessary.

Internal controls

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

The internal control work is divided up as follows:

Risk Management

Risk Management is Avanza Bank's function for independent risk monitoring. The head of the function reports directly to the CFO and has a permanent item on the agenda at Board meetings, and can report directly to the Managing

Director and the Chairman of the Board. Risk Management is responsible for providing the Board, management and others in need thereof with information on risk-related issues. Risk Management is also responsible for the establishment and monitoring of an appropriate risk policy, and of rules and routines for the company's risk management.

Risk management is carried out within every department in accordance with the principle of three lines of defence, involving clear divisions of responsibility between business lines, independent control and internal audits. Risk management is carried out according to five overall principles for risk management and under the supervision of and communication with Risk Management. Avanza Bank has a conservative approach to risk and strives to keep risks low. In its operations, Avanza Bank is exposed to credit risk, including concentration risk and settlement risk and towards operational risk, comprehensive security risk, reputation risk, legal risk, compliance risk and personnel risk. Avanza Bank also has a low exposure to market risk and liquidity risk.

Compliance

Compliance is responsible for ensuring that those operations for which licences are required are conducted in accordance with legislative and regulatory requirements, internal regulations, and good practice. The head of the function reports directly to the CFO and has a permanent item on the agenda at Board meetings, and can report directly to the Managing Director and the Chairman of the Board. Compliance proposes to the Managing Director and the Board of Directors the guidelines, routines and measures that must be introduced in order to minimise the risk of deficient regulatory compliance and in order to enable the Swedish Financial Supervisory Authority to exercise efficient supervision. Compliance monitors and regularly assesses whether the measures and routines that Avanza Bank has introduced are appropriate and efficient and evaluates measures taken to rectify any deficiencies in the company's regulatory compliance. When performing services in operations monitored by Compliance, the work is carried out independently of such operations.

Compliance shall inform the Managing Director, the Board of Directors and employees of the rules applicable at any given time with regard to the operations conducted by Avanza Bank and which require licensing. Knowledge of applicable regulations can be disseminated through the company's internal instructions, training programmes and other types of information.

Compliance's responsibility does not extend to accounting regulations or tax regulations.

Independent review

Avanza Bank's Internal Audit function comprises an independent review function which is commissioned by the Board to investigate and determine whether systems, internal control mechanisms and routines are appropriate and effective (and which issues recommendations) and checks that these recommendations are followed, and reports at least once a year to the Managing Director and the Board.

The independent review is carried out by a group of external consultants in order to ensure the quality and independence of the evaluation and review. The Board of Directors has assigned the external consulting company, Grant Thornton Sweden AB, to carry out this independent review. Grant Thornton Sweden AB reported the results of its independent review to the various Boards within the Avanza Bank Group at the Board Meeting held on 16th October 2012.

The Finance Department's Controller Function

Avanza Bank's Controller Function compiles and reports financial and operating figures and analyses to department managers, management and Boards of Directors. The Accounting and Controller Department works actively with on-going monitoring of the business' operating costs in relation to budgets and forecasts. The work is carried out in close cooperation with the management group and the managers throughout the organisation. Avanza Bank has also, in addition to the above-mentioned control functions, established an internal manager organisation to monitor internal control and risk management with regard to financial reporting – see below for further details.

The Board of Directors' report on internal controls and risk management in relation to financial reporting for the 2012 financial year

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal controls of both the Avanza Bank Group and Avanza Bank Holding AB (publ). This report has been prepared in accordance with section 7.4 of the Code and is, therefore, limited to internal controls with regard to financial reporting. The report constitutes part of the Corporate Governance Report which 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 provide reasonable assurance with regard to the reliability of the external financial reporting, and the extent to which the financial reporting is produced in conformity with generally accepted accounting principles, applicable laws and regulations, and other requirements in relation to companies whose transferable securities are listed for trading in a regulated market.

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 covering 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 inde-

pendent 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 governance 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 is carried out on a follow-up basis, with the emphasis on on-going checks and training input. Avanza Bank maintains a high risk management standard, and applies available techniques and methods in a cost-effective manner. Risk management is considered to comprise an integral part of business operations.

Control activities

Control activities cover both general and more detailed controls, intended to identify, prevent and rectify faults and deviations. Control activities are formulated and documented at company and departmental level based on a reasonable level related to the risk of errors and the effect of such errors. 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.

Information and communication

The company has information and communication channels 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 and is supplemented by relevant routine and process descriptions. 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.

Follow-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 compliance with governance documents in the form of internal policies, guidelines and instructions in relation to the financial reporting. The internal management organisation, which has held five recorded meetings in 2012 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.

Board of Directors



Chairman of the Board

Sven Hagströmer, born 1943.
Studied at Stockholm University.
Elected: 1997.
Chairman of the Board of Creades AB.
Member of the Board of eWork Scandinavia AB.
Holdings on 31st December 2012 (incl. family and companies):
Shares: 8,230,888



Anders Ellselt, 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, Creades AB.
Holdings on 31st December 2012 (incl. family):
Shares: 152,000



Lisa Lindström, born 1973.
Business & Management, Hyper Island School of New Media.
Elected: 2011.
Managing Director of Doberman AB. Member of the boards of Nobel Media AB, Hyper Island Capital AB, Sveriges Utbildningsradio AB and SOS Barnbyar.
Holdings on 31st December 2012:
Shares: –



Mattias Miksche, born 1968.
Degree in Economics and Business Administration from the Stockholm School of Economics.
Elected: 2008.
Managing Director and Chairman of the Board of Stardoll AB. Member of the boards of Dustin Group AB, Headweb AB and Sportamore AB.
Holdings on 31st December 2012:
Shares: –



Andreas Rosenlew, born 1962.
MSc in Economics & Business Administration, The Swedish School of Economics & Business Administration, Helsinki.
Elected: 2005.
Managing Partner and Chairman of the Board of Grow Partners AB. Member of the boards of Acne Studios Holding AB, Polarica Holding AB, Innograf OY and Kiosk Ltd.
Holdings on 31st December 2012:
Shares: 3,600



Martin Tivéus, born 1970.
Degree in Economics and Business Administration from the Stockholm School of Economics.
Elected: 2012.
Member of the boards of GodEl i Sverige AB.
Holdings on 31st December 2012: Shares: 5,000
Warrants: corresponding to 119,910 shares



Jacqueline Winberg, born 1959.
Degree in Economics and Business Administration from the Stockholm School of Economics.
Elected: 2003.
Managing Partner Stanton Chase International.
Holdings on 31st December 2012 (incl. family):
Shares: 1,700

Management



Managing Director

Martin Tiv us,
born 1970.
Degree in Economics and
Business Administration
from the Stockholm
School of Economics.
Employed 2011.
Holdings on 31st Decem-
ber 2012:
Shares: 5,000
Warrants: corresponding
to 119,910 shares



Ronnie Bodinger,
born 1973.
Degree in Civil Engineer-
ing, Royal Institute of
Technology, Stockholm
and economics studies at
S dert rn University,
Stockholm.
Employed 1999.
IT Manager.
Holdings on 31st Decem-
ber 2012:
Shares: 59,814
Warrants: corresponding
to 113,700 shares



Maria Christofi Johansson,
born 1970.
LL.B., Stockholm Uni-
versity.
Employed 2000.
Head of Customer Rela-
tions.
Holdings on 31st Decem-
ber 2012:
Shares: 8,600
Warrants: corresponding
to 32,880 shares



Birgitta Hagenfeldt,
born 1961.
Degree in Economics and
Business Administration
from  rebro University.
Employed 2008.
CFO.
Holdings on 31st Decem-
ber 2012 (incl. family):
Shares: 39,430
Warrants: corresponding
to 71,980 shares



Henrik K ll n,
born 1968.
LL.B., Stockholm Uni-
versity.
Employed 2000.
Managing Director of
F rs kringsaktiebolaget
Avanza Pension.
Holdings on 31st
December 2012: Shares:
28,000
Warrants: corresponding
to 103,960 shares



Hans Toll,
born 1970.
Degree in Economics and
Business Administration
from the Stockholm
School of Economics.
Employed 2010.
Deputy Managing Direc-
tor of Avanza Bank AB
and Bank & Investments
Manager.
Holdings on 31st Decem-
ber 2012:
Shares: –
Warrants: corresponding
to 68,040 shares



Peter Westling,
born 1971.
Degree in Economics and
Business Administration
from Stockholm Univer-
sity.
Employed 2012.
Director of Marketing.
Holdings on 31st Decem-
ber 2012:
Shares: –
Warrants: –



Auditor

 hrlings Pricewater-
houseCoopers AB
Huvudansvarig:
Catarina Ericsson,
born 1966.
Authorised Public
Accountant.

Stockholm, 26th February 2013

Sven Hagströmer
Chairman of the Board

Anders Ellsell
Member of the Board

Lisa Lindström
Member of the Board

Mattias Miksche
Member of the Board

Andreas Rosenlew
Member of the Board

Martin Tivéus
Managing Director

Jacqueline Winberg
Member of the Board

Auditor's statement on the Corporate Governance Report

To the Annual General Meeting of Avanza Bank Holding AB (publ), Corporate Identity Number 556274-8458

The Board of Directors is responsible for the corporate governance report for the year 2012 on pages 89–98 and for ensuring that the corporate governance report is prepared in accordance with the Annual Accounts Act.

We have reviewed the corporate governance report, and we believe that this review, in conjunction with our knowledge of the company and the Group, provides a reasonable basis for our opinion. This implies that our statutory review of the corporate governance report has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

We are of the opinion that a corporate governance report has been prepared, and the statutory information contained therein is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 26th February 2013

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Annual General Meeting

The Annual General Meeting of the shareholders of Avanza Bank will be held at Nalen in Stockholm at 15.00 (CET) on Wednesday 17th April 2013.

Entitlement to participate in the Annual General Meeting

Shareholders shall be entitled to participate in the Annual General Meeting if they:

- are listed in the register of shareholders no later than Thursday 11th April 2013.
- have submitted notice of their intention to participate in the Annual General Meeting to Avanza Bank no later than 16.00 (CET) on Thursday 11th April 2013.

How to register as a shareholder?

Avanza Bank's shareholder register is maintained by Euroclear Sweden AB. Only owner-registered holdings are listed in the shareholder's own name in the shareholder 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 Thursday 11th April 2013.

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@avanzabank.se or by telephone on +46 (0)8 562 250 02.

Applications shall contain the name, Personal/Corporate Identity Number, 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). Power of attorney forms are available from avanza.com.

Entitlement to submit 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 shareholders' written request should be submitted to Avanza Bank's Board of Directors no later than Wednesday, 27th February 2013 and should be sent by post to Avanza Bank Holding AB, Att: Bolagsjuridik, Box 1399, SE-111 93 STOCKHOLM.

Financial calendar

Interim Report, January–March 2013	17th April 2013
Annual General Meeting	17th April 2013
Interim Report, January–June 2013	10th July 2013
Interim Report, January–September 2013	16th October 2013
Preliminary Financial Statement, 2013	January 2014

This Annual Report is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.



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