

# 009

**AVANZA BANK ANNUAL REPORT 2009**

## The year in brief

- Operating income increased by 1 per cent (–9%) to SEK 515 million (SEK 509 m).
- The operating profit increased to SEK 280 million (SEK 239 m).
- Earnings per share increased to SEK 8.27 (SEK 6.78).
- Net savings during the year totalled SEK 9,950 million (SEK 6,760 m).
- Savings capital increased by 77 per cent (–25%) to SEK 61,300 million (SEK 34,600 m).
- The number of accounts increased by 23 per cent (37%) to 279,000 (226,000).
- The Board proposes a dividend of SEK 8.00 (SEK 6.00) per share.

## Financial calendar

Annual General Meeting	21st April 2010
Interim Report, January–March 2010	21st April 2010
Interim Report, January–June 2010	9th July 2010
Interim Report, January–September 2010	14th October 2010
Preliminary Financial Statement, 2010	January 2011



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## Good outlook – again

### Dear shareholders,

Those of you who have followed Avanza Bank for a number of years and have studied the annual reports will have mainly read headlines about record growth and bright prospects in my annual letter to the shareholders. The tone this year is once again positive and the risk is, of course, that it will feel like I am simply repeating myself. But the fact is that for just over 10 years – ever since 30th September 1999, which can reasonably be regarded as the launch date for Avanza Bank – we at Avanza Bank have delivered a total return of 1,482 per cent to our shareholders. Unlike the stock market, which has yielded a total return during the same period of 75 per cent.

The stock market has, in other words, not been much help at all, but online saving has been a market that has generated a good following wind. Avanza Bank has made good use of these winds and is now the market leader when it comes to online saving in Sweden.

Perhaps the most important ingredient in Avanza Bank's success has been our philosophy of obsessive focusing on the customers, and a massive 96 per cent\* of our customers could imagine recommending Avanza Bank to their friends and family. The consultants who were engaged to carry out the most recent employee survey, in the autumn of 2009, state that they had never worked with a company whose employees had such a genuine focus on the customers' best interests as Avanza Bank. This is the result of a long-term determined effort on our part, and something of which we are naturally very proud.

\* Source: Survey conducted in Avanza Bank's customer panel in November 2009.

One concrete example of our customer focus is that we start every evaluation of new products by analysing why it might be good for our customers, or to put it in another way, how Avanza Bank can offer a product that is at least as good, or preferably better, than those offered by our competitors. In second-hand we analyse whether Avanza Bank can offer the product with profitability. We never, in other words, start with the assumption that “we can make money from this”. And as a result, we have shelved an lot of products where the customer benefit was unclear – products that might have yielded short-term benefits for the Income Statement. But the advantages of shelving this type of products are, in our opinion, much greater. We make an effort with everything we offer and sell and we do our homework thoroughly. This approach creates an Avanza Bank that is more competitive for every day that passes which, in turn, generates the potential for growth, which benefits our shareholders. One of the results of these assiduous efforts is that Avanza Bank has the market’s lowest fees and, at the same time, higher profitability and higher growth rates than any major banks.

## 2009 – not as expected

One consequence of the financial crisis that broke out in the latter half of 2008 was that expectations for 2009 were not particularly high. In spite of good underlying growth potential, Avanza Bank was of the opinion that both income and profits would fall in 2009. But after the negative stock market trend in 2008, the bourse rebounded spectacularly and the total return on the NASDAQ OMX in Stockholm ended 2009 up by 53 per cent. Avanza Bank achieved the majority of the goals described in last year’s Annual Report and in some cases, even exceeded them by a substantial margin. Both the number of new accounts and net savings reached considerably higher levels than in any previous year.

	Goal/Estimate	Result 2009
No. new customers	25,000	27,400
No. new accounts per customer	1.40	1.38
No. new accounts	52,000	53,000
Net savings, SEK m	Minimum 4,500–5,900	9,950
Reduction in costs, %	10–15	13
Non-brokerage income/Operating expenses, %	100	91
Income and profit	Lower than 2008	Income +1 % Pre-tax profit +17 %

One reason for our successes is that we managed to exceed our goal with regard to new customers. For Avanza Bank, this is an important indicator of our success in reaching out to the broader segments of Swedish savers.

The record-high level of net savings means that Avanza Bank’s share of the total net flow into the Swedish savings market totalled 6.1 per cent (3.3%). Our high market shares when it comes to the net flow means that our market share of the existing savings capital in the Swedish market increased from 1.2 per cent to 1.7 per cent in 2009. The fact that our percentage of the net flow to the Swedish savings market is considerably higher than our share of the existing savings capital is a clear indication that we are rapidly taking market shares and that our strong growth can continue for many years to come.

We are, however, still in a recession. Avanza Bank operates with a low level of financial risk-taking in the Balance Sheet and we suffered no credit losses in 2009. Our strong financial position enabled us to progress our positions, and in the autumn of 2009, we launched the Superloan, which, with an interest rate of 0.99 per cent \*, is Sweden's cheapest security loan.

The total return on the Avanza Bank share in 2009 was +152 per cent (–45%), in comparison with a +53 per cent (–39%) return on the NASDAQ OMX Stockholm.

## What we want

I will repeat what we said in the 2008 Annual Report: Avanza Bank can see outstanding opportunities in the Swedish savings market. We currently have only a 1.7 per cent share of a market that totals SEK 3,700 billion. But at the same time, we took 6.1 per cent of the total net flow into the Swedish savings market in 2009 and our goal is for that share to total a minimum of 5 per cent in 2010. We claim that we have the most customer-friendly offering and can speak with credibility about our mission – to make Swedes financially independent.

If we want to realise these opportunities, we too must invest, which is why we have chosen to increase our costs by around 25 per cent in 2010, with 60 per cent of the cost increase attributable to investing substantially greater resources in website and IT development. Our ambition is for these resources to make Avanza Bank even more competitive and to enable even faster and better product launches and higher quality. We are committed to Avanza Bank's position as the most cost-effective bank on the market and our goal, post-2010, is to return to a more normal cost increase rate of 15–20 per cent per year.

2010 will see us take the first steps towards establishing a substantially deeper relationship with our customers and a considerably more intensive customer dialogue than before. This will take the form of, amongst other things, the launch of new products. Another ambition is to begin working on the development of a new website, the first sections of which we hope to be able to present as early as the end of the year.

Avanza Bank's goal is to generate a long-term profit growth of 15–20 per cent per year. We believe that the preconditions exist for achieving this goal in 2010, in spite of the significant increase in costs and of key interest rates being expected to remain low. The reason for our faith is the fact that we have entered 2010 with a savings capital that is 77 per cent higher than at this time last year.

The basis for everything is the confidence from our customers. Building confidence is a long-term task, and we have set the bar high for 2010: Avanza Bank's goal is to have the most satisfied savers of any of the banks in Sweden. In the slightly longer term, our vision is for Avanza Bank to be the natural bank of choice for Swedes who actively monitor their savings, and another goal is, therefore, to achieve a minimum market share of 7 per cent of the net flow into the Swedish savings market in 2012.

I'd like to send my heartfelt thanks to my colleagues for all the effort they have put in during 2009. Avanza Bank got more new capital and more new customers than ever before, and it is all thanks to my colleagues, so I hope that you, as shareholders, will join me in expressing my gratitude to them. Avanza Bank operates as a team and we are investing considerable resources in strengthening our team. The surveys we have carried out show that Avanza Bank is characterised by strong leadership at every level, and we have strengthened our Avanza Bank team during the past year through the addition of several new and talented members of staff.


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\* Current effective annual interest rate for Premium customers, as of 17th February 2010.

In conclusion: The future looks bright. But I can assure you that this does not mean that we at Avanza Bank are resting on our laurels. Nothing comes for free and our plans depend on hard, dedicated work. We have learned, over the last few years, that when things look brightest on the stock market, the storm clouds may be just around the corner. And when things look at their darkest, the sun can suddenly come out again. We live in an ever-changing world and with an uncertain stock market. All of which urges humility. By working cost-effectively, by keeping our level of financial risk taking low, and by working closely with our customers, we lay the requisite foundations for adapting in line with changes in the outside world.

We don't know what surprises the market has in store for us in 2010. But our mission will remain the same: to make Swedes financially independent. And it's an ambition that offers superb opportunities for growth.

Stockholm, February 2010

A handwritten signature in black ink, consisting of a large, stylized 'N' followed by a horizontal line that curves upwards at the end.

Nicklas Storåkers, Managing Director

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PS. As I suggested last year, I recommend that you take five minutes to read about the popular savings format, endowment insurance, if you don't already know what it's all about. Endowment insurance means you avoid having to pay tax on your profits and dividends, and also means you avoid having to declare all your share and investment fund-related transactions. The only tax you pay is on returns, which totalled approximately 0.84 per cent\* of the assets' value at the end of 2009. I can honestly say that in my opinion, saving in endowment insurance is one of the best ways available to save long-term. Find out more at [avanzabank.se/kf](http://avanzabank.se/kf).

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\* As of 1st January 2010.



## Mission

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

# Market and strategy

## Market

Avanza Bank's primary focus is the Swedish savings market.

## Mission

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## Goals and visions

Avanza Bank's goal is to achieve a market share of at least 7 per cent of the net flow into the Swedish savings market in 2012 and its long-term goal is for profits to grow by between 15 and 20 per cent per year.

Avanza Bank's vision is to be the natural bank of choice for Swedes who actively monitor their savings.

## Business concept

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

- *Lower fees.* Avanza Bank is the price leader when it comes to fees for equity trading (brokerage from SEK 9), fund-based savings (Avanza Bank is the only bank to offer savings in Avanza Zero – the no-fee fund), and pension-based saving. The autumn of 2009 saw the launch of the Superloan, that enables Avanza Bank customers to borrow at the market's lowest interest rate of 0.99 per cent\*.
- *Better help.* Customers are offered the market's widest range of products and services through our primary channel, the Internet, with everything from share prices, portfolio reports and automatic help with tax returns, to buying and selling tips through the independent online newspaper, placera.nu. Avanza Bank's customer support department provides customers with fast, high quality answers to their questions by both mail and phone.
- *Greater freedom of choice.* Avanza Bank's ambition is for its customers to be able to find the best investment alternatives with Avanza Bank at all times. Avanza Bank offers, amongst other things, over 1,000 funds from 80 fund management companies.
- *Simpler products.* Avanza Bank has a range of different product offerings, adapted to the needs of different customer groups. Customers can bring their entire savings portfolio under a single roof with Avanza Bank and gain a good overview. Customers also automatically receive better terms the more of their savings they accumulate with Avanza Bank. We also offer customers who would like assistance in managing their savings the choice of discretionary asset management – another example of our focus on simplicity. Avanza Bank is the only bank to offer this service online.

## Business model

### General

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

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\* Current effective annual interest rate for Premium customers as of 17th February 2010.

## Income

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

## Costs

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

## Market and competitors

### The market

The total value of the Swedish savings market is SEK 3,700 billion, 57 per cent of which comprises direct savings and 43 per cent, pension based savings\*. The market is normally expected to grow by around 10 per cent per annum.

Sweden has the world's highest percentage of share- and fund-based savings. Seven million Swedes – approximately 80 per cent of the population – own shares or investment fund units, either directly or indirectly. Two million Swedes carry out at least one equity or investment fund transaction a year.

	2000–2009	Expected growth
Net flow, % of savings capital at the beginning of the year	5 %	4–6 %
Growth in value	–2 %	4–6 %
<b>The Swedish savings market, annual growth</b>	<b>3 %</b>	<b>8–12 %</b>

There are underlying factors that explain the growth in the savings market. As the extent of the public and collective pension and welfare system declines, the need for savings by individuals is increasing. And when the individuals' choices increase, the need for guidance, support for decision-making and advice also increases. This shift to increased individual saving also means a greater focus on an individual's returns from their savings. And this, in turn, boosts the demand for a wider range of products and services, freedom of choice, and lower fees. The Internet offers particularly good opportunities to meet these requirements and this, coupled with the increase in people's Internet usage, has resulted in online savings growing considerably faster than the savings market as a whole.

Many customers manage only part of their savings online. The trend is, however, for those customers who already use the Internet, transfer a greater percentage of their savings to the online savings management systems. An increasing number of the more mature target groups using the Internet is positive since this target group is a relatively capital-strong one.

Avanza Bank's savings capital has increased by 28 per cent per annum during the period from 2001 to 2009, which is a considerably faster growth rate than that of the savings market as a whole in Sweden. Avanza Bank's goal for the future is a per annum increase in savings capital of 20 to 25 per cent. Avanza Bank believes that in the long term, over 50 per cent of all savings will be managed online.

\* Source: Savings Barometer, 31st December 2009.

The trend in *share-based saving* for private individuals suggests that the Internet's importance will continue and will be predominant. The emergence of alternative marketplaces within the EU means that equity trading on the previous bourse monopoly will face competition. The increased competition will mean lower transaction costs for trading, which will benefit the customers. In 2009, Avanza Bank launched Mini – a customer category that offers customers share trading services with brokerage fees as low as SEK 9.

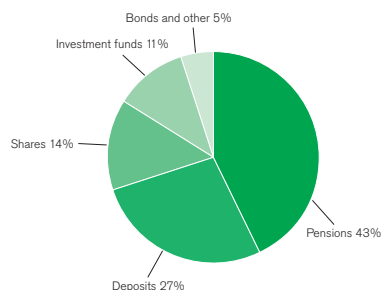
The trend in *fund-based saving* indicates that customers are becoming increasingly active. This activity level has been encouraged by the active investment fund choices offered within PPM and by different types of pension-based savings. In early 2009, customers had a relatively high level of investments in fixed income funds, but as the stock market rose, interest in equity funds in general and emerging market funds in particular has increased markedly. Interest in discount funds is expected to increase in the long term.

Levels of saving in the form of *deposits* in accounts have, from an historic perspective, been very high in 2009 in response to the financial crisis and the weak stock market performance in 2008. The deposits market is, however, expected to decline in future if the stock market continues to perform strongly and interest rates continue low.

*Pension- and insurance-based saving* is the biggest single savings segment, but also the type of saving that interests Swedes least. Savers perceive the pension products as complicated and many find it difficult to gain an overview of their aggregate pension savings, resulting in low levels of involvement. The gradual deterioration in the public savings system has, however, led to more and more people realising that their finances in retirement depend on their active savings choices today. This realisation is, in turn, increasing activity levels and awareness on the part of savers, who are demanding cheaper and more flexible pension products. Swedes are still, however, unable to move their pension savings in an unrestricted way. The Government has announced that an extensive review will be conducted in 2010 in order to extend pension savings transfer rights.

Interest in endowment insurance saving has remained high throughout 2009. By saving in endowment insurance, the customer avoids having to pay capital gains tax and declare individual securities transactions, paying, instead, an annual so-called tax on returns which totals 0.84 per cent\*\* of the assets' value.

The Government is currently investigating the prerequisites for establishing a standard rate taxed securities depository with the same type of taxation as for endowment insurance. A standard rate taxed depository would offer a number of other benefits, such as voting rights for shares held and clearer deposit guarantees than are currently offered by saving in endowment insurance. The introduction of a standard rate taxed depository is expected to reduce demand for saving in endowment insurance.



The Swedish savings market, 31st December 2009\*

\* Source: Savings Barometer, 31st December 2009.

\*\* As of 1st January 2010.

## Competitors

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

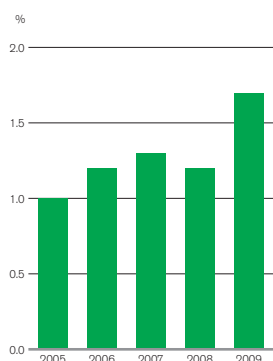
## Target groups and market position

Avanza Bank has two main target groups: enthusiasts and pragmatists. The target groups collectively add up to almost four million savers. At the end of 2009, Avanza Bank had a total of 202,600 (175,200) customers.

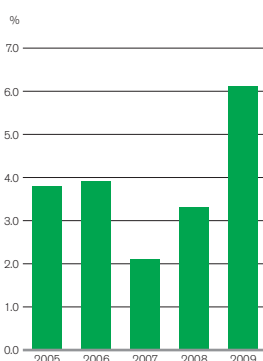
Avanza Bank's customers currently mainly comprise enthusiasts – the most active and conscious savers. This target group comprises about of 800,000 savers. Avanza Bank's goal is, however, to expand into the pragmatists target group – the estimated 3 million Swedes who have some savings know-how, but who do not have the time, the know-how or the interest to manage their savings on an ongoing basis. The pragmatists are, however, prepared to review their savings and to switch to better solutions.

The basic message is that savers gets more money for themselves as Avanza Bank customers than they would have with any other bank. Using Avanza Bank should be perceived as a secure and simple solution. Avanza Bank shall continue to use clear and transparent message bearers, such as the Savers' Bank, Double Pension, Superloan, and Avanza Zero.

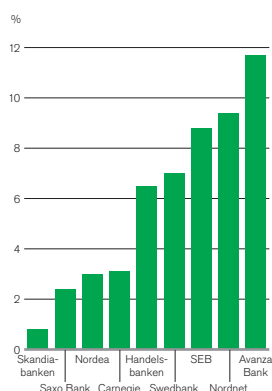
At the end of 2009, Avanza Bank's customers had SEK 61,300 million (SEK 34,600 m) invested in different savings formats within Avanza Bank, corresponding to 1.7 per cent (1.2%) of the total savings market in Sweden. Avanza Bank's share of the net flow into the Swedish savings market totalled 6.1 per cent (3.3%) in 2009, which means that Avanza Bank has taken significant market shares and is currently the biggest player on the NASDAQ OMX Stockholm (including First North and Burgundy), measured in terms of the number of transactions. In 2009, 11.7 per cent (9.0%) of the total number of transactions were conducted through Avanza Bank, and measured in terms of turnover, Avanza Bank was the fourth biggest player, with a market share of 5.7 per cent (3.8%).



Market share of the Swedish savings market, 2005–2009



Market share of the net flow into the Swedish savings market, 2005–2009



Market share of the NASDAQ OMX Stockholm, including First North and Burgundy 2009, no. transactions

## Strategies

Avanza Bank's strategies for achieving its long-term goals are as follows:

■ *Our customers like us.* Avanza Bank is convinced that customer benefit is the only route to long-term shareholder benefit. The first question in everything Avanza Bank does is, therefore, why is this good for the customer. The way in which it generates value for the shareholders is a secondary issue. Exploiting the advantages offered by the Internet often enables customer and shareholder benefit to be combined. Avanza Bank's goal 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.

■ *We improve and challenge ourselves every day.* Avanza Bank's goal is to be the market leader when it comes to customer-friendly websites and technological solutions for saving. The Internet enables us to offer cost-effective services to the widest savings segments. Avanza Bank intends to invest substantial resources in technological development and endeavours to challenge itself. The latter means, amongst other things, that the company does not necessarily have to defend existing sources of income and can, instead, cut fees even if the competition does not follow suit. Another factor for success in reaching out to an even wider market is that it should be easier both to become and be an Avanza Bank customer. A long-term programme of work aimed at simplifying Avanza Bank's website will, therefore, be intensified in 2010.

■ *100 per cent online.* One strategy involves operating a totally Internet-based business model. The majority of Avanza Bank's processes are Internet-based and automated. There is, however, considerable potential in creating additional automated and website-based solutions, both for existing manual processes and for new products. A fully Internet-based business model also enables Avanza Bank to adapt its offerings even more closely to individual customer requirements.

■ *We stick to doing what we do best.* We will continue to concentrate our operations on the areas in which Avanza Bank is or can be the best, i.e. the areas that create most value for our customers. This means, amongst other things, focusing on the Swedish savings market and only complementing our offering with other banking services if they make saving easier for our customers. The background to this focus is partly that the competition online is adjudged to be far too stiff to enable us to offer long-term successful products in areas in which Avanza Bank is not a market leader, and partly that the growth potential inherent in the Swedish savings market is, in our opinion, substantial.

■ *Price leadership.* Avanza Bank understands that fees are of considerable importance in generating value for the customer when it comes to saving. As the Savers' Bank, therefore, it is vital, strategically speaking, that our ambition is to offer the market the lowest fees.

Additional price cuts are planned for 2010.

## Financial goals

Avanza Bank's goal is a long-term growth in profits of between 15 and 20 per cent per annum. The growth rate in individual years may, however, vary, depending on stock market performance.

The good preconditions for long-term growth are due to the fact that the Swedish savings market is expected to grow by around 10 per cent per annum and that Internet-based saving is growing even faster. The latter is due to the advantages that the Internet offers in terms of simplicity and low fees, to an increased need for individual savings, and to the increased Internet usage amongst the more mature savings groups. There is a clear link

in the long term between a growth in savings capital and a growth in operating income, and an underlying growth in savings capital will, therefore, generate the preconditions for a growth in income. At the same time, pricing pressure is expected to continue and this will have a negative impact on the growth rate. The long-term growth goals can be summarized as follows:

Annual growth (ca.)	2001–2009	Goals
Net savings, % of savings capital at the beginning of the year	23 %*	13–17 %
Growth in value	7 %*	6–8 %
<b>Savings capital, growth</b>	<b>28 %</b>	<b>20–25 %</b>
Estimated pricing pressure	(2 %)	(3–7 %)
<b>Growth in income</b>	<b>24 %</b>	<b>15–20 %</b>
Increase in costs	14 %	15–20 %
<b>Growth in profits</b>	<b>54 %</b>	<b>15–20 %</b>

\*2002–2009

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

Costs are expected to increase by around 25 per cent in 2010, which is a higher figure than specified in the long-term growth goals. The background to this is that Avanza Bank will invest more than normal in website and technology development in 2010, because the potential for taking additional market shares is adjudged to be good. Post 2010, the rate of increase in costs is expected to return to the 15–20 per cent per annum level.

The increased costs notwithstanding, Avanza Bank believes that the potential of achieving its long-term profit growth goals in 2010 is good, given a normal stock market performance, because the underlying savings capital at the beginning of 2010 is 77 per cent higher than it was one year earlier. Pricing pressure is expected to continue as an effect of the pressure on interest margins caused by low key interest rates. Brokerage income is, furthermore, not expected to increase at the same rate as savings capital because much of the share transactions continue to be conducted with minimum brokerage fees. The above should not, however, be viewed as either an income or a profit forecast for 2010, due to the operations' reliance on stock market trends.

Avanza Bank will, in 2010, be launching new products that are expected to strengthen the relationship with our customers and contribute to the growth rate. Avanza Bank's long-term vision is to be the natural choice for Swedes who actively monitor their savings and one goal is, therefore, to achieve a market share of at least 7 per cent of the net flow into the Swedish savings market in 2012.



## Enthusiasts and pragmatists

The majority of Avanza Bank's customers are enthusiasts with extensive commitment to and in-depth knowledge of various types of saving. The pragmatists are less active than the enthusiasts, but their ambition is to take greater responsibility for their savings and to become financially independent.

# Avanza Bank's customers

The majority of Avanza Bank's customers are enthusiasts with an extensive commitment to and in-depth knowledge of various types of saving. At the same time, more and more so-called pragmatists are becoming Avanza Bank customers. The pragmatists are less active than the enthusiasts but their ambition is to take greater responsibility for their savings and to become financially independent.

At the end of the year, Avanza Bank had 202,600 (175,200) customers. Number of accounts amounted 279,000 (226,000) corresponding to an increase of 23 per cent (37%) since 2008. In 2009, customers completed an average of 1.9 (1.6) transactions per month and account and the number of transactions per day increased from an average of 22,100 to 31,200.

The most common shareholdings amongst Avanza Bank's customers are Ericsson, Telia and Swedbank, and customers' net share purchases in 2009 have primarily been in Securitas, Ratos and Kinnevik. A total of 122,200 (92,700) accounts included investment fund holdings at the end of the year and the most common fund unit purchases during the year were made in global and emerging market funds.

## Offering

Avanza Bank offers an extensive range of savings formats, from direct savings products, such as equity, investment fund and savings accounts, to pension savings. The majority of the trading occurs via the [avanzabank.se](http://avanzabank.se) website, where the customers can gain a good overview of their entire savings portfolio. The common denominator for all of the savings formats is that Avanza Bank offers the market's lowest fees.

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

Avanza Bank also offers discretionary asset management. PPM saving is the most popular management service, allowing the saver to choose between four investment fund portfolios, while for other types of account, Avanza Bank offer management of seven different share and investment fund portfolios.

## Basic and Premium

Ordinary private savers make up the largest Avanza Bank customer group, and they are divided into two customer categories: Basic and Premium. Each customer category is, in turn, divided into four benefit levels – Bronze, Silver, Gold and Platinum – depending on the size of the customer's savings with Avanza Bank. Every benefit level has its own special terms and conditions, linked to a price guarantee. The more savings the customer has with Avanza Bank, the better the terms they will automatically be offered. If several members of a household are customers, their combined savings are aggregated and all members of the family are offered the same terms.

## Mini

In the spring of 2009, the [Aktiespar.se](http://Aktiespar.se) brand name was transferred to Avanza Bank, and a new customer category, Mini, was launched in conjunction with the switch. Mini-customers receive a stripped back service that lacks many of the account types and functions offered to other customers. In return, Mini customers only pay 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 terms, tax advice and personal service via a direct phone number to Avanza Bank's brokerage department.

## Pro

The Pro offering is aimed at so-called day traders 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 departments.

Pro customers make an average of 65 transactions per month and trade in both shares and other instruments, such as options, warrants and futures. They are also more likely to pledge their securities than other customers. This customer group also requires advanced trading applications, and Avanza Bank offers several of the market's leading trading software programs, such as Avanza Trader, Online Trader, SIX Edge and Orc Trader.


## Corporate customers

Avanza Bank's corporate customers range from entrepreneurs and asset managers to listed companies. Entrepreneurs use Avanza Bank's services both to manage their surplus liquidity and for long-term investments. Since March 2006, Avanza Bank has also been offering solutions for occupational pensions and company-owned endowment insurance, that enable both small and large companies to invest on a completely no fixed fee basis in over 1,000 investment funds and thousands of shares. Avanza Bank has seen a pronounced increase in occupational pension customers, and by the end of the year, 1,500 companies with a total of 9,800 employees had chosen to affiliate themselves to Avanza Bank's occupational pension solution.

In the institutional and asset management sector, Avanza Bank has conducted transactions with about eighty customers in 2009. Avanza Bank also offers Corporate Finance services to companies in conjunction with stock market IPOs, ownership widening, and new rights issues, etc., and completed around ten engagements in 2009, including three stock market IPOs and ownership widening programmes. Avanza Bank enjoys a substantial competitive advantage in the Corporate Finance sphere in that its over 200,000 customers provide a strong platform for cost-effective ownership widening.

	No. accounts		Savings capital, SEK m	
	31st Dec 09	31st Dec 08	31st Dec 09	31st Dec 08
Share and investment fund accounts	182,100	162,300	39,600	24,740
Savings accounts	17,700	13,500	1,200	1,130
Pension- and insurance-based accounts	79,200	50 200	20,500	8,730
of which, endowment insurance	44,200	24,000	15,340	5,280
of which, occupational pensions	9,790	5,280	770	300
<b>Total</b>	<b>279,000</b>	<b>226 000</b>	<b>61,300</b>	<b>34,600</b>
Basic and Premium	254,070	206,670	36,830	20,480
Mini*	14,100	11,300	1,190	590
Private Banking	8,780	7,110	21,700	12,900
Pro	2,050	920	1,580	630
<b>Total</b>	<b>279,000</b>	<b>226 000</b>	<b>61,300</b>	<b>34,600</b>

\* Information as of 31st Dec 2008 refers to Aktiespar.se, which was replaced by the new customer category, Mini.

A photograph of two employees in a call center. A woman with long blonde hair, wearing a headset, is smiling and looking towards the right. Behind her, a man with dark curly hair, also wearing a headset, is looking down at a desk and holding a pen. The background shows a window with natural light.

## One of Sweden's best workplaces

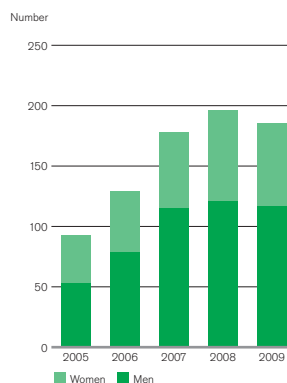
Avanza Bank endeavours to be a company that offers its employees a stimulating environment in which they can develop both professionally and as individuals. Avanza Bank's strengths are leadership, relationships and job satisfaction.

# Avanza Bank's employees

Avanza Bank operates in a rapidly changing market, which demands a great deal of the employees. Massive accountability, commitment and the ability to think outside the box are just some of the challenges Avanza Bank's employees face every day. The ability to perform to these standards while simultaneously focusing on the customer is vital in reaching the goals set. Avanza Bank's ambition is, therefore, to continue developing its existing personnel 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, finance, administration and HR.

In 2009, Avanza Bank has primarily focused its recruitment efforts on IT and certain key positions in other departments. Avanza Bank had an average of 185 (196) employees in 2009, 37 per cent (38%) of whom are women and 63 per cent (62%) of whom are men. At the turn of the year, there were a total of 194 (192) full-time employees (excluding those on leaves of absence and parental leave). The average age of employees was 33 (32). The sick leave rate in 2009 was 2.6 per cent (1.7%).



Average number of employees, 2005–2009

## Avanza Bank – one of Sweden's best workplaces

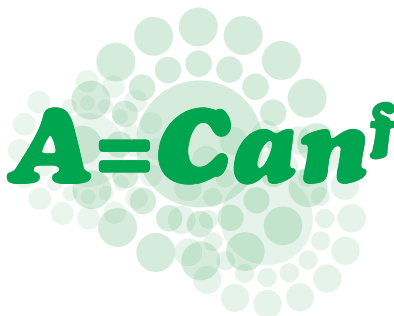
In 2009, Avanza Bank entered the "Sweden's Best Workplaces" competition, which is a competition held annually by an established consultancy firm in 40 countries worldwide. Avanza Bank was ranked in the top ten of the medium-sized organisations group which proof that the efforts made in recent years, such as new recruitment and focusing on management and Avanza Bank's corporate culture, have been successful investments.

The competition was based in part on an employee survey and in part on a culture profiling exercise conducted by the company behind the competition. The most significant factor in the competition was the employees' own views of Avanza Bank. Avanza Bank endeavours to be a company that offers its employees a stimulating environment in which they can develop both professionally and as individuals. As one of Sweden's best workplaces, Avanza Bank is an attractive workplace, which means that the potential for retaining and attracting the best employees in the business is good.

## A corporate culture with a shared value base

Avanza Bank works actively to maintain and develop the corporate culture and the core values which form the basis of the company that is Avanza Bank today. A corporate culture with healthy values with which people comply creates an environment that generates the right preconditions for continued growth. The corporate culture at Avanza Bank is based on four cornerstones: customer focus, accountability, innovation and seeing going to work as fun.

Avanza Bank's formula for success is:



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

We help a colleague help a **C**ustomer · We believe in **A**ccountability · We challenge and think along **N**ew lines · We see going to work as **F**un

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

## 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 mission and business concept, who act on their own initiative, who care about their customers, and who, together with other employees, help progress Avanza Bank's position.

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

A 360 degree management evaluation programme has been carried out in 2009, whereby every manager has received feedback from their manager, their managerial colleagues, and a number of directly reporting employees. The aim was: to conduct an evaluation of management skills and to generate a tool for future management development work.

## Continuous development

Clear goals, follow-up work and rewards are the main thread that runs through all of Avanza Bank's management by objectives. Every employee has individual goals and undergoes regular performance reviews at which their individual goals and personal development plans are amongst the subjects discussed. All of these issues are followed up during the year and the individual goals and personal performance form the basis for the variable remuneration that every employee can receive if their performance exceeds that expected.

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

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

## Recurring evaluations

The ongoing endeavours to make Avanza Bank an even better workplace depend on constantly questioning the status quo and looking for areas to improve. Avanza Bank does not believe in being satisfied because it makes no contribution to the development. Innovation characterises everything that Avanza Bank does.

An employee satisfaction survey is carried out every year with the aim of measuring the company's strengths and developmental areas. The response frequency for this year's survey of 95 per cent – proof of a high level of commitment amongst the employees. The survey was divided into thirteen sections, where the difference between how important an issue is was compared with how well Avanza Bank meets its employees' needs. The areas that proved to be Avanza Bank's strengths were leadership, relationships and job satisfaction. The most common reason why an employee thought that Avanza Bank was a good workplace was the sense of solidarity within the company. The area that received the worst rating was skill development and an extensive programme will consequently be initiated in order to determine how Avanza Bank can combine the employees' wishes with the company's needs. The next employee satisfaction survey is scheduled for the autumn of 2010.



## The leading challenger

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

# Avanza Bank's history

## A growing market

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

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

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

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

## Avanza Bank – the leading challenger

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

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

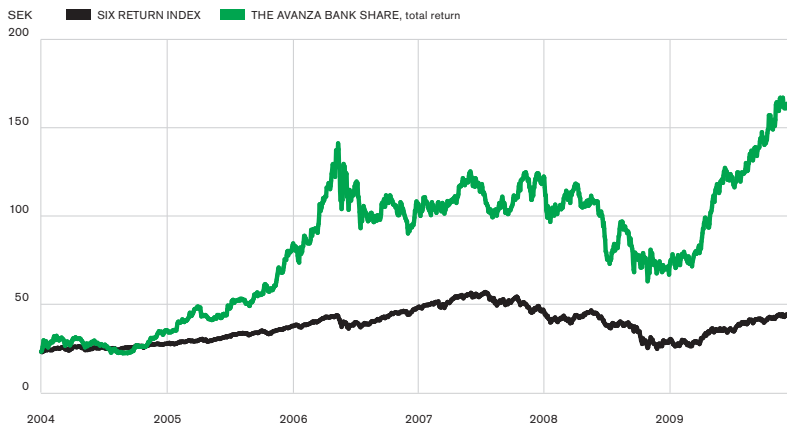
Avanza Bank acquired Börsveckan AB (now known as Placera Media Stockholm AB) in the spring of 2006. September 2006 saw the launch of placera.nu, an online savings newspaper providing continuously updated stock market information, analyses and buying and selling tips from some of Sweden's most experienced stock market journalists. A small investment fund business was acquired in 2007 from Ikanobanken. In 2008, Avanza Bank, together with a large group of leading Nordic banks and stockbrokers, founded Burgundy, which is a new marketplace for Nordic securities and where trading began in the spring of 2009.

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

# The Avanza Bank share

## Price performance

The price performance, including reinvested dividends, of the Avanza Bank share on NASDAQ OMX Stockholm between 2004 and 2009.



## Share data

Number of outstanding shares, 31st Dec. 2009	27,577,610
Number of outstanding warrants, 31st Dec. 2009	1,527,320
Market capitalisation, 31st Dec. 2009, SEK m	4,650
Share price, 31st Dec. 2009, SEK	168.50
Highest closing price (31st Dec. 2009)	168.50
Lowest closing price (21st Jan. 2009)	75.00

## Warrant programme

The warrant programme comprises 1,527,320 shares, corresponding to a dilution of 5.5 per cent. The warrant programme is divided into three subsidiary programmes and the total warrant programme runs during the period from July 2007 to May 2012. Outstanding warrants 2007/2010 (subsidiary programme 3) grant entitlement to subscribe for a total of 380,630 new shares at an exercise price of SEK 170.81 per share. The term of the programme expires on 30th September 2010. The warrants can be redeemed during the period from 1st June 2010 up to and including 30th September 2010. Outstanding warrants 2008/2011 (subsidiary programme 1) grant entitlement to subscribe for a total of 569,690 new shares at an exercise price of SEK 138.43 per share. The term of the programme expires on 27th May 2011. The warrants can be redeemed during the period from 2nd May 2011 up to and including 27th May 2011. Outstanding warrants 2009/2012 (subsidiary programme 2) grant entitlement to subscribe for a total of 577,000 new shares at an exercise price of SEK 125.16 per share. The term of the programme expires on 25th May 2012. The warrants can be redeemed during the period from 2nd May 2012 up to and including 25th May 2012. The warrants are valued at market rates using the Black & Scholes valuation model.

Subsidiary programme 2 of the previous warrant programme, 2006/2009, has expired without value on 30th September 2009, and hence no new shares were issued in respect of this subsidiary programme. The subsidiary programme comprised 411,620 shares and the exercise price was SEK 168.78 per share.

Change in share capital		Changes in	Total	Changes in share	Total share
Year	Changes	no. shares	no. shares	capital, SEK	capital, SEK
2001	New issue	4,425,907	25,415,478	11,064,767	63,538,695
2001	New issue	1,207,396	26,622,874	3,018,490	66,557,185
2005	New issue	842,800	27,465,674	2,107,000	68,664,185
2007	Buy-back of own shares	-305,674	27,160,000	-	68,664,185
2008	Withdrawal of bought back shares, 2007	-	27,160,000	-764,185	67,900,000
2008	New issue	435,843	27,595,843	1,089,608	68,989,608
2008	Buy-back of own shares	-18,233	27,577,610	-	68,989,608
2009	Withdrawal of bought back shares	-	27,577,610	-45,583	68,944,025

### The largest shareholders

According to the register of shareholders maintained by Euroclear Sweden AB, the following institutions and individuals were the largest registered shareholders, as of 31st December 2009. The percentage of foreign owners is estimated at 2.61 per cent. There were a total of 13,007 shareholders.

The ten largest shareholders, 31st Dec. 2009	Number of shares	Percentage of share capital and votes, %
Investment AB Öresund	6,049,597	21.9
Sven Hagströmer (incl. family and companies)	2,039,416	7.4
Swedbank Robur Fonder	1,333,190	4.8
Mats Qviberg (incl. family)	1,042,452	3.8
Lannebo Fonder	995,200	3.6
Sten Dybeck (incl. family and companies)	941,200	3.4
Placeringsfond Nordea, Garanti	793,866	2.9
HQ Fonder	649,983	2.4
Handelsbanken Fonder	580,221	2.1
Nicklas Storåkers	393,975	1.4
Other owners	12,758,510	46.3
<b>Total</b>	<b>27,577,610</b>	<b>100.0</b>

Concentration, capital	Percentage of share capital and votes, %
The 10 largest owners	53.7
The 25 largest owners	65.9
The 100 largest owners	76.3

## **Dividend policy**

Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that part of the company's profits which is not deemed necessary to meet the requirements that the nature of the operations, their scope and risks place on the size of 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 buy-backs 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.

## **The Board's statement regarding the proposed dividend**

Avanza Bank's Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 8.00 (SEK 6.00) per share for 2009. This corresponds to a dividend payment totalling SEK 221 million (SEK 165 m) and a dividend ratio of 97 per cent (89%). The Board is of the opinion that in the long-term, the dividend can comprise a minimum of 70 per cent of the profit.

26th April 2010 is proposed as the record day for entitlement to receive a dividend. The final day for trading in the Avanza Bank share entailing an entitlement to receive a dividend is, therefore, 21st April 2010. It is calculated that if the Annual General Meeting approves the Board's proposal, the cash dividend can be distributed through the agency of Euroclear Sweden AB on 29th April 2010.

The formal statement from the Board is presented on page 76.

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

The Annual General Meeting held on 21st April 2009 resolved to authorise the Board of Directors to buy back the company's own shares to a total comprising a maximum of 10 per cent of the shares in Avanza Bank Holding AB. The authorisation is valid until the next Annual General Meeting. No shares have been bought back in 2009 or to 19th February in 2010.

# Directors' Report

The Board of Directors and Managing Director of Avanza Bank Holding AB (publ.), company registration no. 556274-8458, hereby submit the annual report for the 2009 financial year.

## Group structure

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

## Description of operations

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

Savers have reduced the percentage of liquid assets in their accounts in 2009, favouring shares and funds instead. This was, in part, a response to the NASDAQ OMX Stockholm 47 per cent rise (-42%) in 2009. Interest in emerging market funds has increased successively throughout the year. There was considerable interest in China funds at the end of the year, but the broad emerging market funds also attracted savers.

The Superloan, with an interest rate of 0.99 per cent for Premium customers and 0.89 per cent for Private Banking customers, was launched at the beginning of the fourth quarter.

Levels of interest in endowment insurance remained high throughout the year, with 20,100 (10,300) new endowment insurance accounts opened. The Government has launched a review of endowment insurance with the aim of improving the savings format. The Government is simultaneously investigating the preconditions for establishing a standard rate-taxed securities depository with the working name of Individual Endowment Saving, with the same type of taxation as endowment insurance.

Trading in the alternative marketplace, Burgundy, began in June. Avanza Bank has transferred 8–9 per cent of the trade from NASDAQ OMX Stockholm to Burgundy, resulting in lower commission costs.

A number of large companies, such as Betsson, SAS, Svenska Spel and Vattenfall, have signed agreements with Avanza Pension for their employees' occupational pensions. Net savings in occupational pensions in 2009 totalled SEK 350 million (SEK 210 m) and 4,510 (4,240) new accounts were opened.

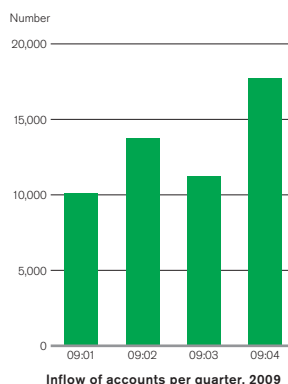
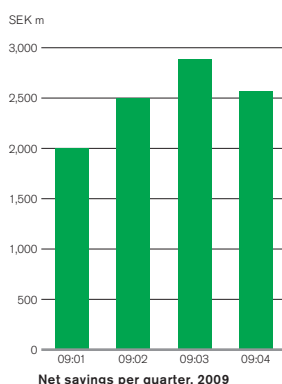
	2009	2008	Change, %
<b>Activity</b>			
Net savings, SEK m*	9,950	6,760	47
of which pension- & insurance based savings, SEK m	5,610	4,050	39
Net savings/Savings capital, %	29	15	14
No. commission notes per account and month	1.9	1.6	19
No. transactions per commission note	1.8	1.9	-5
Brokerage per transaction, SEK	84	90	-7
<b>Market shares</b>			
NASDAQ OMX Stockholm, First North and Burgundy			
No. transactions, %	11.7	9.0	2.7
Turnover, %	5.7	3.8	1.9

For definitions, see page 79.

\* Accounts acquired from Ikanobanken contributed SEK 490 million to net savings during the first quarter of 2008.

Avanza Bank has increased its market shares of the NASDAQ OMX Stockholm, First North and Burgundy in 2009. Measured in terms of the number of transactions, Avanza Bank has the biggest market share of all stock market members, with a share of 11.7 per cent (9.0%) in 2009.

Avanza Bank held 1.2 per cent of the total savings market in Sweden at the beginning of the year, and 1.7 per cent as of 31st December 2009. Net savings of SEK 9,950 million, adjusted for changes in lending during 2009, corresponded to 6.1 per cent of the total net flow into the Swedish savings market.



	31st Dec 09	31st Dec 08	Change, %
<b>Savings capital</b>			
Savings capital, equity & investment funds accounts, SEK m	39,600	24,740	60
Savings capital, savings accounts, SEK m	1,200	1,130	6
Savings capital, pension- & insurance-based accounts	20,500	8,730	135
of which, endowment insurance, SEK m	15,300	5,280	190
of which, occupational pensions, SEK m	770	300	157
<b>Savings capital, SEK m</b>	<b>61,300</b>	<b>34,600</b>	<b>77</b>
Equities, bonds, derivatives, etc., SEK m	42,300	21,650	95
Funds, SEK m	13,100	6,190	112
Deposits, SEK m	9,020	8,010	13
Lending, SEK m	-3,120	-1,250	150
<b>Savings capital, SEK m</b>	<b>61,300</b>	<b>34,600</b>	<b>77</b>
Deposits/Lending, %	289	641	-352
Net deposits/Savings capital, %	10	20	-70
Avanza Bank, SEK m	36,830	20,480	80
Mini, SEK m *	1,190	590	102
Private Banking, SEK m	21,700	12,900	68
Pro, SEK m	1,580	630	151
<b>Savings capital, SEK m</b>	<b>61,300</b>	<b>34,600</b>	<b>77</b>
Return, average account since 1st Jan, %	43	-36	-
OMX Stockholm Price Index since 1st Jan, %	47	-42	-
<b>Accounts</b>			
No. accounts **	279,000	226,000	23
No. management services	8,900	8,500	5
No. accounts & management services	287,900	234,500	23
No. equity and investment fund accounts	182,100	162,300	12
No. savings accounts	17,700	13,500	31
No. pension- and insurance-based accounts	79,200	50,200	58
of which, no. endowment insurance accounts	44,200	24,000	84
of which, no. occupational pension accounts	9,790	5,280	85
<b>No. accounts</b>	<b>279,000</b>	<b>226,000</b>	<b>23</b>
Avanza Bank, no. accounts	254,070	206,670	23
Mini, no. accounts *	14,100	11,300	25
Private Banking, no. accounts	8,780	7,110	23
Pro, no. accounts	2,050	920	123
<b>No. accounts</b>	<b>279,000</b>	<b>226,000</b>	<b>23</b>

For definitions, see page 79.

\* Information as of 31st December 2008 refers to Aktiespar.se, which has been replaced by the new service, Mini.

\*\* Accounts acquired from Ikanobanken accounted for 15,500 of the total increase in the number of accounts in 2008.

53,000 new accounts were opened in 2009. 45,500 accounts were opened in 2008, excluding the 15,500 accounts acquired from Ikanobanken. 13,500 of these 45,500 accounts referred to savings accounts that were a new account type launched in February 2008. Interest in savings accounts has been considerably lower in 2009 due to significantly lower market rates.

Numerous private pension savings accounts were opened at the end of the year. The potential deduction totals SEK 12,000 per year in these savings formats and net savings in private pension insurance and IPS totalled SEK 280 million (SEK 340 m) during the year.

	31st Dec 09	31st Dec 08	Change, %
<b>Avanza Zero</b>			
Investment fund capital, Avanza Bank, SEK m	1,560	480	225
Investment fund capital, PPM, SEK m	450	250	80
<b>Investment fund capital, Avanza Zero, SEK m</b>	<b>2,010</b>	<b>730</b>	<b>175</b>
No. unit holders, Avanza Bank	42,700	27,800	54
Return, Avanza Zero, %	50	-36	-
Return, OMXS30 index, incl. dividends, %	49	-36	-

## Development

The Superloan was launched at the beginning of the fourth quarter, offering lending at an interest rate of 0.99 per cent for Premium customers and 0.89 per cent for Private Banking customers. The rate is 35–40 per cent lower than on normal housing loans. Customers can borrow up to 35 per cent of the value of a selected list of equities and funds.

The spring of 2009 saw the launch of Mini, a service offering Sweden's cheapest equities trading in Swedish shares, with a brokerage rate that starts at SEK 9, and where the customer never pays more than SEK 59 in brokerage fees. Mini is a simple and easy-to-use service for trading in Nordic shares and over 1,000 investment funds. Mini has no annual charges or other fixed charges. The maximum amount per order in equities and warrants is SEK 500,000.

## Financial overview

	2009	2008	Change, %
<b>Income Statement, SEK m</b>			
Brokerage, net	300	229	31
Fund commissions	48	41	17
Net interest items	118	193	-39
Other income	49	46	7
<b>Operating income</b>	<b>515</b>	<b>509</b>	<b>1</b>
Personnel	-128	-137	-7
Marketing	-22	-31	-29
Depreciation	-8	-12	-33
Other expenses	-77	-90	-14
<b>Operating expenses</b>	<b>-235</b>	<b>-270</b>	<b>-13</b>
<b>Profit before tax</b>	<b>280</b>	<b>239</b>	<b>17</b>
Operating margin, %	54	47	7
Profit margin, %	44	36	8
Cost/income ratio, %	46	53	-7
Earnings per share, SEK	8.27	6.78	22
Earnings per share after dilution, SEK	8.24	6.75	22
Return on shareholders' equity, %	36	32	4
<b>Investments, SEK m</b>			
Brokerage income/Operating income, %	58	45	13
Non-brokerage income/Operating income, %	42	55	-13
of which, Fund commissions/Operating income, %	9	8	1
of which, Net interest items/Operating income, %	23	38	-15
of which, Other income/Operating income, %	10	9	1
Non-brokerage income/Operating expenses, %	91	104	-13
of which, Net interest items/Savings capital, %	50	71	-21
Operating income/Savings capital, %	1.09	1.23	-0.14
of which, Net interest items/Savings capital, %	0.25	0.47	-0.22
Average no. employees	185	196	-6
No. trading days	248.5	250.5	-1
Web service operational availability, %	99.8	99.9	-0.1
<b>31st Dec 09 31st Dec 08 Change, %</b>			
Shareholders' equity per share, SEK	25.14	22.76	10
Capital base/Capital requirement*	1.71	1.68	2
No. employees	194	192	1
Market value, SEK	168.50	71.00	137
Market capitalisation, SEK m	4,650	1,960	137

For definitions, see page 79.

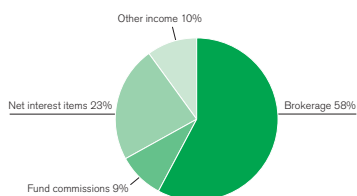
The low interest rates seen in 2009 were a result of the historically low market rates. The average repo rate during the year was 0.65 per cent (4.14%).

Commission costs in relation to commission income have been considerably lower than in previous years as an effect of the increased competition with trading in alternative marketplaces, such as Burgundy.

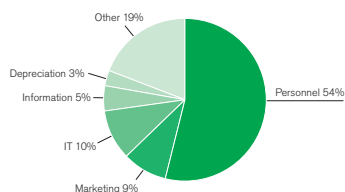
If non-recurring costs of SEK 7 million in 2008 are excluded, the operating profit increased by 37 per cent during the fourth quarter in comparison with the corresponding period last year. These non-recurring costs referred to costs in conjunction with the savings programme implemented during the fourth quarter of 2008.

Parliament has decided to build up a stability fund that will finance the State's measures aimed at supporting the financial system. All banks and other credit institutions will be obliged to pay an annual stability fee to the fund, as of 2009. The total fee is estimated at SEK 2.64 billion per year, which sum will be divided between the institutes in relation to their size and the risk to which they expose the system. The estimated annual fee for Avanza Bank for 2009 is SEK 1.4 million.

Avanza Pension has applied for an advance ruling on the way in which fund commissions from external fund managers will be taxed. A response is expected during the first quarter. If the ruling by the Council for Advance Tax Rulings is negative, the company's tax expenses in relation to the 2006–2009 income years would increase by SEK 10 million.



Breakdown of operating income, 2009



Breakdown of operating expenses, 2009

## Financial position

Avanza Bank has no direct exposure to the problems that have characterised the market and which comprise both financing problems and problems of uncertainty with regard to value of loans and other receivables. All of Avanza Bank's assets have a high liquidity and reinvestments can, therefore, be made for the majority of the assets with one day's notice. The assets are regarded as secure. Avanza Bank has not suffered any credit losses in 2009 and the average total credit losses since 2001 have been less than 0.01 per cent per year.

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

## The Parent Company

Avanza Bank Holding AB is the Parent Company of the Avanza Bank corporate group. The operating result for 2009 was SEK –7 million (SEK –7 m). The Parent Company posts no turnover. Anticipated dividends from subsidiary companies totalling SEK 216 million (SEK 125 m) have been reported. A dividend totalling SEK 165 million (SEK 163 m) has been paid to all shareholders.

## Outlook for the future

Avanza Bank's long-term goal is for profit growth to total between 15 and 20 per cent per annum. The growth rate during individual years may, however, vary due to the reliance on stock market performance.

The healthy long-term growth potential is due to the anticipated growth in the savings market of around 10 per cent per annum and to the even faster growth rate in online savings due to the advantages offered by online trading in terms of simplicity and low charges, to the increased need for individual saving, and to the fact that Internet usage is increasing in the more mature target groups.

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

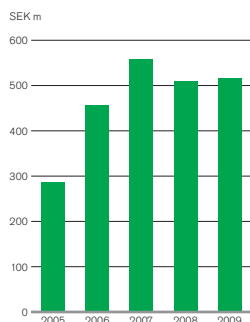
The long-term growth goals can be summarised as follows:

Annual growth (ca.)	2001–2009	Goals
Net savings, % of savings capital at beginning of year	23 %*	13–17 %
Growth in value	7 %*	6–8 %
<b>Savings capital, growth</b>	<b>28 %</b>	<b>20–25 %</b>
Estimated pricing pressure	(2 %)	(3–7 %)
<b>Growth in income</b>	<b>24 %</b>	<b>15–20 %</b>
Cost increase	14 %	15–20 %
<b>Growth in profit</b>	<b>54 %</b>	<b>15–20 %</b>

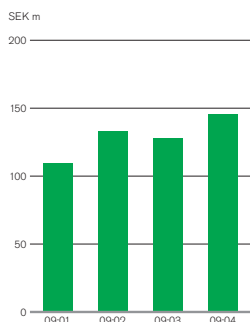
\* 2002–2009.

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

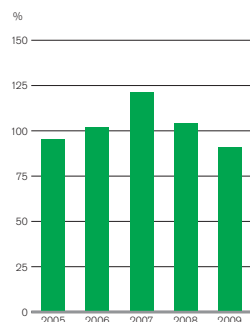
Costs are expected to increase by around 25 per cent in 2010, which is a higher rate than that specified in the long-term growth goals. This is due to Avanza Bank's decision to invest more than normal in website and technological development in 2010, because the Bank believes that the potential for taking additional market shares is good. The rate of cost increases is expected to return to 15–20 per cent per year after 2010.



Operating income, 2005–2009



Operating income per quarter, 2009



Non-brokerage income in relation to operating expenses, 2005–2009

The increase in costs notwithstanding, Avanza Bank calculates that its potential for achieving its long-term goals with regard to profit growth in 2010 are good, given a normal stock market performance, because the underlying savings capital at the beginning of 2010 is 77 per cent higher than was the case one year earlier. Pricing pressure is expected to continue as an effect of the pressure on interest margins caused by low key interest rates and the fact that brokerage is not expected to increase at the same rate as savings capital because a substantial percentage of equity transactions are conducted at an unchanged minimum brokerage fee. The above should not, however, be regarded as an income or profit forecast for 2010, due to the operations' reliance on stock market trends.

Avanza Bank will be launching new products in 2010 which are expected to strengthen the relationship with its customers and make a positive contribution to the growth rate.

Avanza Bank's long-term vision is to be the natural choice for Swedes who actively monitor their savings. One goal in 2012 is, therefore, to achieve a market share of at least 7 per cent of the total net flow into the Swedish savings market.

### Significant risks and uncertainty factors

In addition to the external risks described previously in this Directors' Report, Avanza Bank faces risks that are quantified, monitored and, if necessary, acted upon in order to protect the company's capital and reputation on a daily basis. The ways in which Avanza Bank identifies, follows up on and manages these risks are important to the health of the company and its long-term profitability. Note 31 provides a detailed description of the Group's risk exposure and risk management.

### Transactions with associated parties

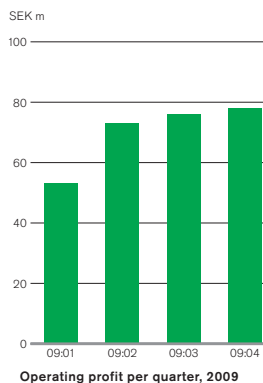
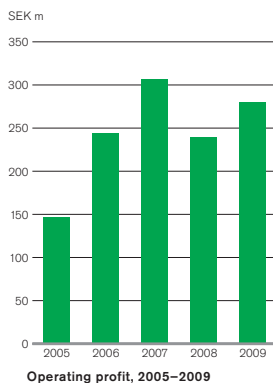
Avanza Bank's transactions with associated parties are shown in Note 32.

### Annual General Meeting

The Annual General Meeting of the company's shareholders will be held at 15.00 (CET) on 21st April 2010 in the Auditoriet hall of the Moderna Museet building in Stockholm, Sweden. The 2009 Annual Report will not be published in printed form.

### Nomination Committee

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



## The Avanza Bank share

Investment AB Öresund is, as of 31st December 2009, the largest owner of Avanza Bank shares with a holding comprising 21.9 per cent of the share capital and votes. There are a total of 27,577,610 shares in Avanza Bank. None of the company's shares were bought back in 2009. For further information on the Avanza Bank share, please see pages 24–26 of this Annual Report.

## Capital surplus

	31st Dec 09	31st Dec 08
Capital base, as per Note 30, page 70, SEK m	439	426
Proposed dividend, SEK 8.00 (SEK 6.00) per share, SEK m	221	165
<b>Capital base, adjusted for dividend, SEK m</b>	<b>660</b>	<b>591</b>
Capital requirement with reference to Avanza Bank's internal capital assessment process, SEK m		
	307	315
<b>Total capital surplus before proposed dividend, SEK m</b>	<b>353</b>	<b>276</b>
Capital surplus per share, SEK	12.80	10.01

When calculating the capital base during the course of an ongoing year, audited profits only are included in the calculations. If the profit/loss for the period has been audited, the capital base is adjusted for the assumed dividend. Adjustments have been made in the above table for proposed dividends deducted when calculating the capital base in accordance with the capital adequacy regulations (see Note 30 on page 70), in order to calculate the scope for dividend payments.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 353 million as of 31st December 2009.

## Dividend

The Board of Directors proposes that a dividend of SEK 8.00 (SEK 6.00) per share be paid, corresponding to a total of SEK 221 million (SEK 165 m). Avanza Bank Holding AB shall pay a dividend to its shareholders comprising that part of the company's profits which is not deemed necessary to meet the requirements that the nature of the operations, their scope and risks place on the size of 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 the profit.

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

The Annual General Meeting held on 21st April 2009 resolved to authorise the Board of Directors to buy back the company's own shares to a total comprising a maximum of 10 per cent of the shares in Avanza Bank Holding AB. The authorisation is valid until the next Annual General Meeting. No shares have been bought back in 2009.

## **The Board's proposed guidelines for determining salaries and other remuneration payable to senior executives for the 2010 financial year**

Avanza Bank Holding AB (publ.) established a Remuneration Committee in 2004. For the 2009 financial year, this Committee has comprised the Chairman of the Board, Sven Hagströmer, Anders Ellselt and Jacqueline Winberg, both Members of the Board. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles governing remuneration, including performance-based remuneration for the company's senior executives.

The Remuneration Committee (the Committee) has followed up on the implementation of the quantitative and qualitative goals set at the beginning of the financial year during December. The Remuneration Committee has, furthermore, studied the Managing Director's own assessment of the same and his comments on remuneration levels with regard both to himself and the management group in general. The Committee has held one minuted meeting in December.

The term, Group management, refers for the 2009 financial year, to the Managing Director and four other senior executives. The Board's proposal, which is in line with remuneration principles in previous years, is that the Group management's salaries shall comprise a fixed basic salary and a variable performance-based remuneration payment. The variable payment is payable for performances that exceed those normally expected of the senior executive, after an evaluation has been made of individual performances and the company's reported profits. The extent to which pre-set goals for the company and the senior executive have been met shall be taken into account in determining the variable remuneration payment. Issues relating to the Managing Director's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board of Directors. Remuneration payable to the other four senior executives is decided by the Managing Director after consultation with the Board's Remuneration Committee.

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

In 2009, the variable payments made to the Managing Director and the other four individuals who make up the Group management totalled SEK 5.3 million (SEK 4.1 m), of which SEK 2.5 million (SEK 2.2 m) was paid to the Managing Director.

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

Avanza Bank adopted a new remuneration policy at the first Board Meeting held in 2010 by reason of the new Swedish Financial Supervisory Authority's new regulation, FFFS 2009:6, Regulations and General Guidelines governing remuneration policies in credit institutions, investment firms and fund management companies. The remuneration policy has been adapted in line with the new regulations and regulates, amongst other things, the composition and authority of the Remuneration Committee. Principles governing the deferral of variable performance-based remuneration to so-called risk takers is also regulated in the remuneration policy. 60 per cent of the variable remuneration for risk takers shall be deferred for three years and can also, in exceptional cases, be deferred by a further two years.

All decisions relating to variable performance-based remuneration to employees of Avanza Bank were taken in December 2009, when variable performance-based payments were also disbursed. No deferral of the payment of variable remuneration will, therefore, occur in respect of the 2009 financial year.

The Board's proposal to the Annual General Meeting to be held on 21st April 2010 is in line with remuneration principles in previous years.

# Five-year overview

## Summary of the Group's performance

Income Statements, SEK m	2009	2008	2007	2006	2005
Net commission	396	315	381	315	200
Net interest items	118	193	175	138	82
Other income	1	1	1	2	3
<b>Total income</b>	<b>515</b>	<b>509</b>	<b>557</b>	<b>455</b>	<b>285</b>
Operating expenses	-235	-270	-250	-211	-138
<b>Operating profit/loss</b>	<b>280</b>	<b>239</b>	<b>307</b>	<b>244</b>	<b>147</b>
Taxes	-52	-54	-74	-56	-41
<b>Net profit/loss for the year</b>	<b>228</b>	<b>185</b>	<b>233</b>	<b>188</b>	<b>106</b>
Balance Sheets, SEK m	2009	2008	2007	2006	2005
Lending to credit institutions	5,452	6,587	4,205	2,880	803
Lending to the public	3,124	1,253	2,301	2,290	2,052
Shares and participations	12	12	1	7	1
Insurance operations assets	18,640	7,448	7,280	3,431	1,554
Other assets	567	432	662	113	95
<b>Total assets</b>	<b>27,795</b>	<b>15,732</b>	<b>14,449</b>	<b>8,721</b>	<b>4,505</b>
Deposits by the public	8,294	7,386	6,370	4,545	2,287
Insurance operations liabilities	18,640	7,448	7,280	3,431	1,554
Other liabilities	1,668	270	226	256	310
<b>Total liabilities</b>	<b>27,102</b>	<b>15,104</b>	<b>13,876</b>	<b>8,232</b>	<b>4,151</b>
Minority holding	-	-	-	-	-
Shareholders' equity	693	628	573	489	354
<b>Total liabilities &amp; shareholders' equity</b>	<b>27,795</b>	<b>15,732</b>	<b>14,449</b>	<b>8,721</b>	<b>4,505</b>
Key ratios	2009	2008	2007	2006	2005
Earnings per share, SEK	8.27	6.78	8.51	6.85	3.88
Earnings per share after dilution, SEK	8.24	6.75	8.45	6.80	3.86
Equity per share, SEK	25.14	22.76	21.10	17.80	12.88
Return on equity, %	36	32	46	45	35
Operating margin, %	54	47	55	54	52
Equity/assets ratio, %	2	4	4	6	8
Solvency ratio, %	-	-	-	11.8	11.1
Capital base/Capital requirement	1.71	1.68	1.78	-	-
Cash dividend (2009: proposal) per share, SEK	8.00	6.00	6.00	4.00	2.00
No. shares at year-end, thousand	27,578	27,578	27,160	27,466	27,466
Average no. shares, thousand	27,578	27,351	27,405	27,466	27,297
Average no. shares after dilution, thousand	27,655	27,481	27,610	27,637	27,441
Market capitalisation at year-end, SEK m	4,650	1,960	3,680	3,390	2,720
Share price at year-end, SEK	168.50	71.00	135.50	123.25	99.00
Average no. employees	185	196	178	129	93
Earnings per employee, SEK k	1,232	1,221	1,727	1,890	1,577

## Consolidated Income Statements \*

SEK m	Note	2009	2008
<b>Operating income</b>			
Commission income	3	464	384
Commission expenses	4	-68	-69
Interest income	5	138	394
Interest expenses	5	-20	-201
Net result of financial transactions	6	1	1
Other operating income		0	0
<b>Total operating income</b>	<b>27</b>	<b>515</b>	<b>509</b>
<b>Operating expenses</b>			
General administration costs	7,8	-192	-207
Depreciation of tangible and intangible fixed assets	9	-8	-12
Other operating expenses	10	-35	-51
Credit losses, net	11	0	0
<b>Total operating expenses</b>		<b>-235</b>	<b>-270</b>
<b>Operating profit/loss</b>		<b>280</b>	<b>239</b>
Tax on the profit/loss for the year	13	-52	-54
<b>Net profit/loss for the year **</b>		<b>228</b>	<b>185</b>
Earnings per share, SEK	14	8.27	6.78
Earnings per share after dilution, SEK	14	8.24	6.75

\* Corresponds to the comprehensive income because there is no other comprehensive income.

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

## Consolidated Balance Sheets

SEK m	Note	31st Dec 09	31st Dec 08
<b>ASSETS</b>	<b>28</b>		
Lending to credit institutions		5,452	6,587
Lending to the public	15	3,124	1,253
Shares and participations	16	12	12
Insurance operations assets	17	18,640	7,448
Intangible fixed assets	18	31	35
Tangible assets	19	7	8
Other assets	20	501	372
Deferred tax receivables	13	1	1
Prepaid costs and accrued income	21	27	16
<b>TOTAL ASSETS</b>		<b>27,795</b>	<b>15,732</b>
<b>LIABILITIES</b>	<b>28</b>		
Deposits by the public	22	8,294	7,386
Insurance operations liabilities	17	18,640	7,448
Current tax liability		11	67
Deferred tax liabilities	13	0	1
Other liabilities	23	128	165
Accrued costs and prepaid income	24	29	37
<b>Total liabilities</b>		<b>27,102</b>	<b>15,104</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>25</b>		
Share capital		69	69
Other capital contributed		160	157
Profit/loss carried forward incl. profit/loss for the year		464	402
<b>Total shareholders' equity</b>		<b>693</b>	<b>628</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>27,795</b>	<b>15,732</b>

Pledged assets and contingent liabilities are reported in Note 29 on page 69.

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

SEK m	2009	2008
<b>Shareholders' equity at beginning of year</b>	<b>628</b>	<b>573</b>
Dividend	-165	-163
Buy-back of the company's own shares	-	-1
Warrant issue	3	4
New issue (through exercise of warrants)	-	29
Net profit/loss for the year	228	185
<b>Shareholders' equity at end of year</b>	<b>693</b>	<b>628</b>

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

## Consolidated Cash Flow Statements

SEK m	Note	2009	2008
<b>Cash flow from operating activities</b>			
Profit/loss before tax		280	239
<i>Adjustment for items not included in cash flow</i>			
Depreciation/write-downs		8	13
Income tax paid		-41	-43
<b>Total</b>		<b>247</b>	<b>209</b>
<b>Changes in operating activities' assets and liabilities</b>			
Increase (-)/decrease (+) in lending to the public		-1,871	1,048
Increase (-)/decrease (+) in securities		3	-11
Increase (-)/decrease (+) in other assets		-139	499
Increase (+)/decrease (-) in deposits and deposits by the public		908	1,016
Increase (+)/decrease (-) in other liabilities		-114	-238
<b>Cash flow from operating activities' assets and liabilities</b>		<b>-1,213</b>	<b>2,314</b>
<b>Cash flow from operating activities</b>		<b>-966</b>	<b>2,523</b>
<b>Cash flow from investment activities</b>			
Acquisition of intangible fixed assets		-	0
Acquisition of financial assets		-3	-7
Acquisition of tangible assets		-4	-3
<b>Cash flow from investment activities</b>		<b>-7</b>	<b>-10</b>
<b>Financial activities</b>			
Cash dividend		-165	-163
Buy-back of the company's own shares		-	-1
Warrants issue		3	4
New issue (through exercise of warrants)		-	29
<b>Cash flow from financial activities</b>		<b>-162</b>	<b>-131</b>
<b>Cash flow for the year</b>		<b>-1,135</b>	<b>2,382</b>
<b>Liquid assets at beginning of year*</b>		<b>6,587</b>	<b>4,205</b>
<b>Liquid assets at end of year*</b>		<b>5,452</b>	<b>6,587</b>
*of which, liquid assets pledged as security	29		
at beginning of year		555	390
at end of year		633	555

### 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.

#### *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. The cash flow includes interest payments received totalling SEK 138 million (SEK 394 m) and interest payments, including capitalised interest expenses, totalling SEK 20 million (SEK 201 m).

#### *Investment activities*

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

#### *Financial activities*

The cash flow comprises measures that 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.

## Composition of liquid assets

SEK m	31st Dec 09	31st Dec 08
Lending to credit institutions	5,452	6,587
<b>Total</b>	<b>5,452</b>	<b>6,587</b>

## Parent Company Income Statements

SEK m	Note	2009	2008
<b>Operating expenses</b>			
Administration costs	7	-4	-5
Other operating income		0	1
Other operating expenses		-3	-3
<b>Operating profit/loss</b>		<b>-7</b>	<b>-7</b>
<b>Profit/loss on financial investments</b>			
Profit/loss on participations in Group companies	12	223	125
Profit/loss on other securities		0	0
Interest income and similar profit/loss items	5	0	0
Interest expenses and similar profit/loss items	5	0	0
<b>Profit/loss before tax</b>		<b>216</b>	<b>118</b>
Tax on the profit/loss for the year	13	0	0
<b>Net profit/loss for the year</b>		<b>216</b>	<b>118</b>

## Parent Company Balance Sheets

SEK m	Note	31st Dec 09	31st Dec 08
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Shares and participations		11	8
Shares and participations in Group companies	26	214	214
<b>Total fixed assets</b>		<b>225</b>	<b>222</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		232	181
Current tax receivable		0	0
Other receivables		0	0
Prepaid costs and accrued income		1	1
<b>Total current receivables</b>		<b>233</b>	<b>182</b>
<i>Cash and bank balances</i>			
		0	0
<b>Total current assets</b>		<b>233</b>	<b>182</b>
<b>TOTAL ASSETS</b>		<b>458</b>	<b>404</b>
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
Shareholders' equity	25		
<i>Restricted equity</i>			
Share capital		69	69
<b>Total restricted equity</b>		<b>69</b>	<b>69</b>
<i>Non-restricted equity</i>			
Share premium reserve		39	36
Profit brought forward		132	179
Net profit/loss for the year		216	118
<b>Total non-restricted equity</b>		<b>387</b>	<b>333</b>
<b>Total shareholders' equity</b>		<b>456</b>	<b>402</b>
<b>Current liabilities</b>			
Accounts payable		0	0
Liabilities to Group companies		0	0
Other liabilities		0	0
Accrued costs and prepaid income		2	2
<b>Total current liabilities</b>		<b>2</b>	<b>2</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		<b>458</b>	<b>404</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets		None	None
Contingent liabilities		None	None

## Changes in shareholders' equity (Note 25)

SEK m	2009	2008
<b>Shareholders' equity at beginning of year</b>	<b>402</b>	<b>415</b>
Dividend	-165	-163
Buy-back of the company's own shares	-	-1
Warrants issue	3	4
New issue (through exercise of warrants)	-	29
Net profit/loss for the year	216	118
<b>Shareholders' equity at end of year</b>	<b>456</b>	<b>402</b>

## Parent Company Cash Flow Statements

SEK m	2009	2008
<b>Cash flow from operating activities</b>		
Profit/loss before tax	216	118
<i>Adjustment for items not included in cash flow</i>		
Depreciation/write-downs	0	0
Result realised from liquidation of subsidiary companies	-	-
Anticipated dividend	-216	-118
Income tax paid	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Changes in operating activities' assets and liabilities</b>		
Increase (-) / decrease (+) in other assets	165	169
Increase (+) / decrease (-) in other liabilities	0	-31
<b>Cash flow from operating activities' assets and liabilities</b>	<b>165</b>	<b>138</b>
<b>Cash flow from operating activities</b>	<b>165</b>	<b>138</b>
<b>Investment activities</b>		
Acquisition of shares and participations	-3	-7
<b>Cash flow from investment activities</b>	<b>-3</b>	<b>-7</b>
<b>Financial activities</b>		
Cash dividend	-165	-163
Buy-back of the company's own shares	-	-1
Warrants issue	3	4
New issue (through exercise of warrants)	-	29
<b>Cash flow from financial activities</b>	<b>-162</b>	<b>-131</b>
<b>Cash flow for the year</b>	<b>0</b>	<b>0</b>
<b>Liquid assets at beginning of year</b>	<b>0</b>	<b>0</b>
<b>Liquid assets at end of year</b>	<b>0</b>	<b>0</b>
Interest received	0	0
Interest paid	0	0
Dividend received	118	226

The bases for preparing the Parent Company's Cash Flow Statements are the same as those used for the Group, see page 41.

# Notes to the Accounts

Amounts in SEK m unless otherwise indicated.

## **Note 1 Corporate information**

The Parent Company, Avanza Bank Holding AB, is a Swedish-registered limited company whose registered offices are in Stockholm. The Parent Company's shares are listed on the NASDAQ OMX Stockholm. The address of the head office is Klarabergsgatan 60, Box 1399, SE-111 93 Stockholm, Sweden. The Consolidated Accounts for 2009 comprise the Parent Company and its subsidiary companies, referred to collectively as "the Group". The Group's operations are described in the Directors' Report.

The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ.) for the 2009 financial year were approved for publication on 22nd February 2010 by the Board of Directors and the Managing Director. The Consolidated Accounts and the Annual Report is adopted by the Annual General Meeting on 21st April 2010.

## **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 1:2, 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 kronor.

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 (s), Parent Company accounting principles.

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

#### *IFRS and interpretations introduced in 2009*

Amendments have been made to IFRS 7, Financial Instruments: Disclosures. Additional information shall be provided with regard to financial instruments reported at fair value in the Balance Sheet. The information shall indicate the degree to which the fair value is based on observable input data in accordance with a hierarchy with levels 1–3. Information shall also be provided with regard to internal changes between the hierarchy levels for financial instruments reported at fair value. If a fair value has been calculated in accordance with level 3 (unobservable input data), information shall be provided with regard to the change in value of these instruments and an analysis presented of the change in reported value during the year. The requirements with regard to information on liquidity risks have also been extended. For Avanza Bank, the changes have meant that, with regard to financial instruments valued at fair value in the Balance Sheet, information is now also provided with regard to the level in the valuation hierarchy to which they belong.

IFRS 8, Operating segments. This new standard for segment reporting includes information regarding the Group's operating segments and replaces the requirement to define and present primary and secondary segments based on lines of business and geographical areas in accordance with the previously applicable recommendation, IAS 14. The new standard requires, instead, that segment information is presented from the management's perspective, which means that it must be presented in the manner used in internal reporting. Certain geographical information must also be provided, together with information on any customers who account for more than 10 per cent of the Group's turnover. Avanza Bank had no segments in accordance with IAS 14, nor does it have any segments that meet the criteria of IFRS 8.

Revised IAS 1, Presentation of Financial Statements. The revised standard makes a clearer distinction between what do and do not constitute transactions with owners. Under the revised standard, only transactions with owners shall be reported in the shareholders' equity accounting. Other transactions previously reported in the shareholders' equity accounting shall now be reported as other comprehensive income within the comprehensive income for the period accounting. The comprehensive income for the period is presented either as a separate report in close conjunction with the Income Statement or as an extension of the previous Income Statement. The revised standard also means that a third Balance Sheet, in respect of the comparison year, shall be presented when the accounting principles are changed and this entails the recalculation of previous periods. The implementation of this revised standard has had no substantial effect on the Group's financial reports. Avanza Bank's results, as shown in the Income Statement, correspond to the comprehensive income for the period, and hence only one Income Statement is presented, from which the correspondence between the result for the period and the comprehensive income for the period can be seen.

#### *IFRS and interpretations which come into force in 2010 or thereafter*

A number of new standards, amendments to standards, and interpretations do not come into force until the 2010 financial year, or thereafter, and have consequently not been applied when preparing these financial reports.

IFRS 3R "Business Combinations" and IAS 27R "Consolidated and Separate Financial Statements": IFRS 3R introduces a number of changes to the accounting of business acquisitions made during financial years commencing after this date, and which will affect the size of reported goodwill, the reported result in the period during which the acquisition occurred, and future reported results. IAS 27R requires changes to proprietary holdings in a subsidiary

that do not result in the loss of a controlling interest by the majority owner to be reported as shareholders' equity transactions. These transactions will consequently no longer give rise to goodwill and no profits and losses will be reported in conjunction with disposals, provided that control of the subsidiary is retained. The changes entailed by IAS 3R and IAS 27R will affect the accounting of future acquisitions, loss of control, and transactions with minority owners. The revised standard shall be applied to financial years commencing 1st January 2010 or thereafter.

IFRS 9, Financial Instruments: Recognition and Measurement: the standard constitutes the first step in a total revision of the existing IAS 39 standard. The standard will entail a reduction in the number of valuation 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 will exist, 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. This first part of the standard will be complemented with rules governing write-downs, hedge accounting and valuation of liabilities. IFRS 9 must be applied for financial years commencing 1st January 2013 or thereafter. The standard has not, as yet, been approved by the EU and the Group has not evaluated the effects of the new standard, pending the completion of all parts of the standard.

#### **(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 consequently has no segments that meet the criteria for segment reporting in accordance with 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 the Parent Company or Group expects to recover or to be paid more than twelve months after the closing day. Current assets and current liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that the Parent Company or Group expects to recover or to be paid within twelve months from the closing day.

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

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

Subsidiaries are reported in accordance with the acquisition method of accounting. Under this method, the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated acquisition value is determined by means of an acquisition analysis in conjunction with the operational acquisition. The analysis determines the acquisition

value of the participations or the operations and the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The difference between the acquisition value of the subsidiary company shares and the fair value of the assets acquired, and the liabilities and contingent liabilities assumed, constitutes consolidated goodwill.

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

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

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

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

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

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

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

### **(h) Income**

#### *Commission income*

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

#### *Interest income and interest expenses*

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

#### *Net result of financial transactions*

The profit/loss from financial transactions comprises realised and unrealised profits/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. Financial instruments are reported and valued in the Group in accordance with IAS 39 regulations.

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

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

### Classification of financial information

SEK m, 31st Dec 09	Financial instruments valued at fair value via Income Statement	Loan receiving accounts receivable	Other financial liabilities	Non- financial instru- ments	Total
<i>Assets</i>					
Lending to credit institutions	–	5,452	–	–	5,452
Lending to the public	–	3,124	–	–	3,124
Shares and participations	12*	–	–	–	12
Insurance operations assets	18,640**	–	–	–	18,640
Intangible fixed assets	–	–	–	31	31
Tangible assets	–	–	–	7	7
Other assets	–	501	–	–	501
Deferred tax receivables	–	–	–	1	1
Prepaid costs and accrued income	–	15	–	12	27
<b>Total assets</b>	<b>18,652</b>	<b>9,092</b>	<b>–</b>	<b>51</b>	<b>27,795</b>
<i>Liabilities</i>					
Deposits by the public	–	–	8,294	–	8,294
Insurance operations liabilities	18,640**	–	–	–	18,640
Current tax liability	–	–	–	11	11
Deferred tax liabilities	–	–	–	–	–
Other liabilities	–	–	128	–	128
Accrued costs and prepaid income	–	–	22	7	29
<b>Total liabilities</b>	<b>18,640</b>	<b>–</b>	<b>8,444</b>	<b>18</b>	<b>27,102</b>

\* SEK 1 held for trading purposes.

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

## Classification of financial information

SEK m, 31st Dec 08	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	–	6,587	–	–	6,587
Lending to the public	–	1,253	–	–	1,253
Shares and participations	12*	–	–	–	12
Insurance operations assets	7,448**	–	–	–	7,448
Intangible fixed assets	–	–	–	35	35
Tangible assets	–	–	–	8	8
Other assets	–	372	–	–	372
Deferred tax receivables	–	–	–	1	1
Prepaid costs and accrued income	–	9	–	7	16
<b>Total assets</b>	<b>7,460</b>	<b>8,221</b>	<b>–</b>	<b>51</b>	<b>15,732</b>
<i>Liabilities</i>					
Deposits by the public	–	–	7,386	–	7,386
Insurance operations liabilities	7,448**	–	–	–	7,448
Current tax liability	–	–	–	67	67
Deferred tax liabilities	–	–	–	1	1
Other liabilities	–	–	165	–	165
Accrued costs and prepaid income	–	–	30	7	37
<b>Total liabilities</b>	<b>7,448</b>	<b>–</b>	<b>7,581</b>	<b>75</b>	<b>15,104</b>

\* SEK 4 million held for trading purposes.

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

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

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

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

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

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

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.
- 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).
- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair values where the valuation at fair value is categorised in its entirety shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety. To this end, the assessment of the significance of the input data is conducted with regard to the valuation at fair value in its entirety.

#### Financial instruments valued at fair value

SEK m, 31st Dec 09	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	11,123	252	11	11,386
Fund units	989	4,322	–	5,311
Bonds and other interest-bearing securities	472	37	–	509
Other securities	2	14	–	16
Liquid assets	–	–	–	1,430
<b>Total assets</b>	<b>12,586</b>	<b>4,625</b>	<b>11</b>	<b>18,652</b>
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	18,640	–	18,640
<b>Total liabilities</b>	<b>–</b>	<b>18,640</b>	<b>–</b>	<b>18,640</b>

#### Financial instruments valued at fair value

SEK m, 31st Dec 08	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	3,490	325	8	3,823
Fund units	294	1,739	–	2,033
Bonds and other interest-bearing securities	190	118	–	308
Other securities	0	0	–	0
Liquid assets	–	–	–	1,296
<b>Total assets</b>	<b>3,974</b>	<b>2,182</b>	<b>8</b>	<b>7,460</b>
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	7,448	–	7,448
<b>Total liabilities</b>	<b>–</b>	<b>7,448</b>	<b>–</b>	<b>7,448</b>

#### *Loan receivables and accounts receivable*

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

Loan receivables and accounts receivable are valued at the accrued acquisition value, less confirmed credit losses and probable write-downs. Lending to credit institutions constitutes bank balances. The majority of other assets comprise claims on securities settlement proceeds.

All loans to the public – known as account credits – have security in the form of credits. Receivables no longer covered by collateral are depreciated to the amount that the Group expects to recover.

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

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

#### *Other financial liabilities*

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

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

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

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

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

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

#### *Depreciation principles*

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

Estimated useful life:

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

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

### **(k) Intangible assets**

#### *Goodwill*

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

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

#### *Development charges*

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

Development charges whose acquisition value can be reliably calculated and for which it is probable that future economic benefits attributable to the assets will accrue to the Group are reported in the Balance Sheet. Development 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 |

### **(I) Write-downs**

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

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

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

#### *Calculation of the recoverable value*

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

#### *Reversal of write-downs*

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

Write-downs on goodwill are not reversed.

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

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

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

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

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

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

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

### **(p) Provisions**

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

### **(q) Taxes**

Income taxes comprise current tax and deferred tax. Income taxes are reported in the Income Statement other than when 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) 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 2:2, Accounting for legal entities, of the Swedish Financial Reporting Board. Under RFR 2:2, 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, albeit with lower requirements with regard to supplementary information, within the framework of the Swedish Annual Accounts Act and with regard to the connection between accounting and taxation. The differences between the accounting principles of the Group and the Parent Company are shown below.

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

#### *Participations in Group companies*

Participations in Group companies are reported in the Parent Company in accordance with the acquisition value method of accounting. Dividends received are reported as income when the right to receive payment is adjudged to be certain.

#### *Group contributions and shareholders' contributions*

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

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

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

Note 30 Capital requirements for the financial conglomerate

Note 31 Financial risks and financial policies

Note 32 Associated parties

Note 33 Important estimates and evaluations

Note 34 Events after the closing day

### Note 3 Commission income

SEK m	2009	2008
Brokerage	343	276
Fund commissions	48	41
Other commissions	73	67
<b>Total</b>	<b>464</b>	<b>384</b>

### Note 4 Commission expenses

SEK m	2009	2008
Transaction costs	-43	-47
Payment services commissions	-6	-5
Other commissions	-19	-17
<b>Total</b>	<b>-68</b>	<b>-69</b>

### Note 5 Net interest items

SEK m	2009	2008
<i>Interest income</i>		
Interest income from lending to credit institutions	61	238
Interest income from lending to the public	77	143
Other interest income	0	13
<b>Total</b>	<b>138</b>	<b>394</b>
<i>Interest expenses</i>		
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-20	-201
Other interest expenses	0	0
<b>Total</b>	<b>-20</b>	<b>-201</b>
<b>Net interest items</b>	<b>118</b>	<b>193</b>

The average lending rate to account customers during the year was 3.82 per cent (6.82%). The average deposits rate from accounts with surplus liquidity during the year was 0.28 per cent (2.78%). SEK 457 thousand (SEK 1,446 k) of the Parent Company's interest income refers to income from Group companies and SEK 0 (SEK 234 k) to interest expenses from Group companies.

### Note 6 Net result of financial transactions

SEK m	2009	2008
Realised profit/loss in respect of shares, etc.*	1	1
Exchange rate fluctuations	0	0
Change in value of insurance operations assets**	4,931	-3,486
Change in value of insurance operations liabilities**	-4,931	3,486
<b>Total</b>	<b>1</b>	<b>1</b>

\* Financial instruments held for trading purposes.

\*\* 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	2009	2008
Salaries and other remuneration	-95	-100
Pension costs	-1	-1
Social insurance charges	-28	-32
Other staff overheads	-5	-5
Consultancy services purchased	-10	-11
Market information costs	-12	-12
Other general administration costs	-41	-46
<b>Total</b>	<b>-192</b>	<b>-207</b>

### Salaries, other remuneration and payroll overhead

SEK m	2009		2008	
	Salaries and other remuneration	Payroll overhead (of which pension costs)	Salaries and other remuneration	Payroll overhead (of which pension costs)
<i>The Group</i>	95	28	100	32
		(1)		(1)
of which the Board of Directors and senior executives	13	4	12	4
		(0)		(0)
<i>Parent Company</i>	2	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	184	115	195	120
<b>Total</b>	<b>185</b>	<b>116</b>	<b>196</b>	<b>121</b>

The Group has no employees outside Sweden. At the end of the year there was a total of 194 (192) Group employees. Normal employment terms comprise salary and benefits. Occupational pensions are obtained through defined-contribution pension plans, via individual salary exchange. Therefore, pension costs refer exclusively to health insurance premiums.

### Information regarding senior executives

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

### Remuneration to senior executives during the financial year

Fees are payable to the Chairman of the Board and Board Members in accordance with the resolutions of the 2009 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 2009 totalled SEK 5.3 million (SEK 4.1 m), of which SEK 2.5 million (SEK 2.2 m) was paid to the Managing Director.

Remuneration to the Managing Director for the 2009 financial year has been decided by the Board of Directors. Remuneration to other senior executives has been decided by the Managing Director after consultation with the Board's Remuneration Committee. The term, senior executives, refers to the four persons who,

together with the Managing Director, comprise the Group management. For the composition of the Group management at the end of the financial year, see page 91. Members of the Group management have acquired warrants on market terms in accordance with the warrant programme approved by the Annual General Meeting held on 15th April 2008. The total remuneration paid to members of the Group management shall be on market terms. Details of the company's remuneration policy are provided on the [avanza.com](http://avanza.com) website.

SEK k	Basic salary */ Directors' fees	2009		Pension cost	Total
		Variable remuneration			
The Group					
Chairman of the Board	175	–	–	–	175
Members of the Board	861	–	–	–	861
Managing Director	1,773	2,548	19		4,340
Other senior executives	4,814	2,752	84		7,650
Total	7,623	5,300	103		13,026

\* Fixed monthly salaries for the Managing Director and other senior executives are unchanged in comparison with 2008. Discrepancies are due to holiday pay, sick leave and parental leave and to a change in the persons making up the group of senior executives in 2008.

SEK k	2008			
	Basic salary */ Directors' fees	Variable remuneration	Pension cost	Total
The Group				
Chairman of the Board	175	–	–	175
Members of the Board	861	–	–	861
Managing Director	1,810	2,193	18	4,021
Other senior executives	4,627	1,915	84	6,626
Total	7,473	4,108	102	11,683

\* Amount recalculated with regard to salary exchange.

#### Members of the Board

SEK k	2009		2008	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Sven Hagströmer	175	–	175	–
Hans Bergenheim	151	–	151	–
Anders Ellsall	211	–	211	–
Mattias Miksche	116	–	116	–
Mikael Nachemson	116	–	116	–
Andreas Rosenlew	116	–	116	–
Nicklas Storåkers	–	–	–	–
Jaqueline Winberg	151	–	151	–
<b>Total</b>	<b>1,036</b>	<b>–</b>	<b>1,036</b>	<b>–</b>

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

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

## Absence due to sickness

The Group	2009	2008
Absence due to sickness, %	2.6	1.7
men	1.8	1.3
women	3.8	2.5
Absence due to sickness by age interval		
Under 29 years old	2.4	2.0
30 to 49 years old	2.6	1.5
over 50 years old	3.7	1.8
Long-term absence due to sickness*	8.7	9.0

\* Share of total absence due to sickness.

## Financial instruments, warrants

Subsidiary programme 3		Warrants 2007/2010		Market value, SEK k	
SEK k	Number	Value*	Acquisition price	Benefit	31st Dec 09
Managing Director	40,000	172	172	–	349
Other senior executives	28,040	121	121	–	245
<b>Total</b>	<b>68,040</b>	<b>293</b>	<b>293</b>	<b>–</b>	<b>594</b>

Subsidiary programme 1		Warrants 2008/2011		Market value, SEK k	
SEK k	Number	Value*	Acquisition price	Benefit	31st Dec 09
Managing Director	150,000	990	990	–	3,065
Other senior executives	127,880	844	844	–	2,612
<b>Total</b>	<b>277,880</b>	<b>1,834</b>	<b>1,834</b>	<b>–</b>	<b>5,677</b>

Subsidiary programme 2		Warrants 2009/2012		Market value, SEK k	
SEK k	Number	Value*	Acquisition price	Benefit	31st Dec 09
Managing Director	50,070	275	275	–	1,557
Other senior executives	182,090	1,002	1,002	–	5,663
<b>Total</b>	<b>232,160</b>	<b>1,277</b>	<b>1,277</b>	<b>–</b>	<b>7,220</b>

\* Market value at time of acquisition.

Subsidiary programmes 3, 1 and 2 were acquired at market price in August 2007, May 2008 and May 2009, respectively. The market value has been calculated in accordance with the Black & Scholes valuation model.

## Auditors' fees and reimbursement of expenses

The Group, SEK k	2009	2008
<b>Ernst &amp; Young</b>		
Audit engagements	–1,041	–1,463
Other engagements	–933	–724
<b>Total</b>	<b>–1,974</b>	<b>–2,187</b>

The total cost of independent auditing carried out by external consultants during the year was SEK 287 thousand (SEK 312 k).

### *The Parent Company*

The total remuneration payable for the financial year comprises SEK 516 thousand (SEK 551 k) for audit engagements and SEK 172 thousand (SEK 198 k) for other assignments.

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

## Note 8 Leasing charges for operational leasing

SEK m	2009	2008
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-8	-10
<b>Total leasing costs</b>	<b>-8</b>	<b>-10</b>
<i>Agreed future minimum leasing charges in respect of uncancellable contracts and which fall due for payment</i>		
Within one year	-9	-10
Between one and five years	0	-4
<b>Total</b>	<b>-9</b>	<b>-14</b>

## Note 9 Depreciation of tangible and intangible fixed assets

SEK m	2009	2008
Depreciation of intangible fixed assets	-3	-6
Depreciation of tangible assets	-5	-6
<b>Total</b>	<b>-8</b>	<b>-12</b>

## Note 10 Other operating expenses

SEK m	2009	2008
Marketing costs	-22	-31
Other operating expenses	-13	-20
<b>Total</b>	<b>-35</b>	<b>-51</b>

## Note 11 Credit losses, net

SEK m	2009	2008
Year's depreciation of confirmed credit losses	0	0
Reversal of provisions previously made for anticipated credit losses reported in the annual accounts as confirmed losses	-	-
Year's depreciation of anticipated credit losses	-	-
Reversal of provisions for anticipated credit losses no longer required	-	-
<b>Net cost of credit losses for the year</b>	<b>0</b>	<b>0</b>

## Note 12 Profit/loss on Group participations

Parent Company, SEK m	2009	2008
Dividend received (anticipated)	216	118
Group contribution received	7	7
<b>Total</b>	<b>223</b>	<b>125</b>

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

SEK m	The Group		Parent Company	
	2009	2008	2009	2008
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-53	-55	0	0
<b>Total current tax</b>	<b>-53</b>	<b>-55</b>	<b>0</b>	<b>0</b>
<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	1	1	-	-
<b>Total deferred tax</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Total reported tax expense</b>	<b>-52</b>	<b>-54</b>	<b>0</b>	<b>0</b>
<i>Reconciliation of effective tax</i>				
<b>Profit/loss before tax</b>	<b>280</b>	<b>239</b>	<b>216</b>	<b>118</b>
Tax at current rate of taxation	26.3 %	28.0 %	26.3 %	28.0 %
Non-deductible costs	0.4 %	0.4 %	0.0 %	0.0 %
Non-taxable income	-0.1 %	-0.3 %	-26.3 %	-28.0 %
Other tax base in insurance operations	-7.9 %	-5.3 %	-	-
Adjustment of previous year's tax expense	0.0 %	-0.2 %	-	-
<b>Effective tax</b>	<b>18.7 %</b>	<b>22.6 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

There are no loss carry forwards in the Group.

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

The Group	Belopp vid årets utgång	
	2009	2008
Deferred tax receivable	1	1
Deferred tax liability	0	-1
<b>Net</b>	<b>1</b>	<b>0</b>

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

Försäkringsaktiebolaget Avanza Pension has applied for an advance ruling on the way in which fund commissions from external fund managers will be taxed. A response is expected during the first quarter. If the ruling by the Council for Advance Tax Rulings is negative, the company's tax expenses in relation to the 2006–2009 income years would increase by SEK 10 million. No ruling had been received as of 19th February 2010.

## Note 14 Earnings per share

SEK	2009	2008
Earnings per share before dilution	8.27	6.78
Earnings per share after dilution	8.24	6.75

### *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 228 million (SEK 185 m), relative to a weighted average number of shares outstanding before dilution in 2009, which figure totalled 27,577,610 (27,350,713).

### *Earnings per share after dilution*

The calculation of earnings per share after dilution has been based on the profit/loss for the year, which totalled SEK 228 million (SEK 185 m), relative to a weighted average number of shares outstanding after dilution in 2009, which figure totalled 27,655,267 (27,481,023).

Avanza Bank has three outstanding warrant programmes: 2007/2010 (subsidiary programme 3), the exercise price of which is SEK 170.81 per share, 2008/2011 (subsidiary programme 1), the exercise price of which is SEK 138.43 SEK per share, and 2009/2012 (subsidiary programme 2), the exercise price of which is SEK 125.16 SEK per share. The market price, as of 30th December 2009, was SEK 168.50.

Number of shares	2009	2008
Average no. shares before dilution	27,577,610	27,350,713
Average no. shares after dilution	27,655,267	27,481,023
Outstanding no. shares before dilution	27,577,610	27,577,610
Outstanding no. shares after dilution	27,772,877	27,578,145
No. shares on full dilution	29,104,930	28,939,550

## Note 15 Lending to the public

SEK m	31st Dec 09	31st Dec 08
Lending to the public	3,124	1,253
<b>Total</b>	<b>3,124</b>	<b>1,253</b>

Lending to the public is reported after deductions for confirmed and anticipated credit losses. At year-end 31st December 2009, there were no anticipated credit losses. All loans, known as account loans, are secured by collateral in the form of securities.

### **Provisions for bad debts**

SEK m	31st Dec 09	31st Dec 08
Provisions at beginning of year	1	1
Provision for anticipated losses	0	0
<b>Provisions at end of year</b>	<b>1</b>	<b>1</b>

## Note 16 Shares and participations

SEK m	31st Dec 09	31st Dec 08
Shares and participations, quoted	1	4
Shares and participations, unquoted	11	8
<b>Total</b>	<b>12</b>	<b>12</b>

## Note 17 Insurance operations assets and liabilities

SEK m	31st Dec 09	31st Dec 08
<i>Financial assets, insurance operations</i>		
Shares and participations	16,862	5,857
Interest-bearing securities	348	295
Liquid assets	1,430	1,296
<b>Total</b>	<b>18,640</b>	<b>7,448</b>
<i>Financial liabilities, insurance operations</i>		
Conditional bonus	18,640	7,448
<b>Net</b>	<b>0</b>	<b>0</b>

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

## Note 18 Intangible fixed assets

SEK m	31st Dec 09	31st Dec 08
<b>Goodwill</b>		
<i>Acquisition values</i>		
Reported value at beginning of year	26	26
<b>Reported value at end of year</b>	<b>26</b>	<b>26</b>
<b>Other intangible assets</b>		
<i>Acquisition value</i>		
At beginning of year	30	24
Year's investments	0	8
Year's disposals	-1	-2
<b>At end of year</b>	<b>29</b>	<b>30</b>
<i>Depreciation</i>		
At beginning of year	-21	-16
Year's depreciation	-4	-6
Year's disposals	1	1
<b>And end of year</b>	<b>-24</b>	<b>-21</b>
<b>Reported value at end of year</b>	<b>5</b>	<b>9</b>
<b>Total intangible fixed assets</b>	<b>31</b>	<b>35</b>

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

No write-down requirement has been identified in the annual write-down reviews. The net income deriving from the acquisition of Avanza Holding AB exceeds the goodwill value on a per year basis.

## Note 19 Tangible assets

SEK m	31st Dec 09	31st Dec 08
<b>The Group</b>		
<i>Acquisition value</i>		
At beginning of year	29	26
Year's investments	4	3
Year's disposals	-3	-
<b>At end of year</b>	<b>30</b>	<b>29</b>
<i>Depreciation</i>		
At beginning of year	-21	-15
Year's depreciation	-5	-6
Year's disposals	3	-
<b>At end of year</b>	<b>-23</b>	<b>-21</b>
<b>Reported value at end of year</b>	<b>7</b>	<b>8</b>

## Note 20 Other assets

SEK m	31st Dec 09	31st Dec 08
Securities trading receivables*	481	361
Other	20	11
<b>Total</b>	<b>501</b>	<b>372</b>

\* The comparison figures as of 31st December 2008 have been recalculated in respect of net reporting to clearing institutions. This has affected neither the profit/loss for the period nor the shareholders' equity.

## Note 21 Prepaid costs and accrued income

SEK m	31st Dec 09	31st Dec 08
Prepaid costs	12	8
Accrued income	15	8
<b>Total</b>	<b>27</b>	<b>16</b>

## Note 22 Deposits by the public

Over and above the deposits reported in the Balance Sheet, Avanza had deposits in client fund accounts from third parties, corresponding to SEK 747 million (SEK 645 m), as of 31st December 2009.

## Note 23 Other liabilities

SEK m	31st Dec 09	31st Dec 08
Securities trading liabilities*	100	142
Accounts payable	6	6
Other	22	17
<b>Total</b>	<b>128</b>	<b>165</b>

\* The comparison figures as of 31st December 2008 have been recalculated in respect of net reporting to clearing institutions. This has affected neither the profit/loss for the period nor the shareholders' equity.

## Note 24 Accrued costs and prepaid income

SEK m	31st Dec 09	31st Dec 08
Personnel-related liabilities	15	13
Other	14	24
<b>Total</b>	<b>29</b>	<b>37</b>

## Note 25 Shareholders' equity

As of 31st December 2009, the registered share capital comprised 27,577,610 (27,595,843) ordinary shares with a nominal value of SEK 2.50 per share. Avanza Bank has not acquired any of its own shares in 2009.

There are a total of 27,577,610 outstanding shares. Other capital contributed refers to shareholders' equity contributed by the owners. The retained profit, including the net profit/loss for the year includes profits/losses earned in the Parent Company and its subsidiaries.

### *Dividend*

After the closing day, the Board proposed a dividend of SEK 8.00 (SEK 6.00) per share, for a total of SEK 221 million (SEK 165 m). The dividend will be submitted by the Annual General Meeting, to be held on 21st April 2010.

### *Warrants*

The warrants programme comprises 1,527,320 shares, which corresponds to a dilution of 5.5 per cent. The warrants programme is divided up into three subsidiary programmes and the warrants programme as a whole runs from July 2007 to May 2012. Outstanding warrants 2007/2010 (subsidiary programme 3) grant entitlement to subscribe for a total of 380,630 shares at an exercise price of SEK 170.81 per share. The term runs up to and including 30th September 2010. The warrants can be exercised from 1st June 2010 up to and including 30th September 2010. Outstanding warrants 2008/2011 (subsidiary programme 1) grant entitlement to subscribe for a total of 569,690 shares at an exercise price of SEK 138.43 per share. The term runs up to and including 27th May 2011. The warrants can be exercised from 2nd May 2011 up to and including 27th May 2011. Outstanding warrants 2009/2012 (subsidiary programme 2) grant entitlement to subscribe for a total of 577,000 new shares at an exercise price of SEK 125.16 per share. The term runs up to and including 25th May 2012. The warrants can be exercised from 2nd May 2012 up to and including 25th May 2012. The warrants are valued at the market rule in accordance with the Black & Scholes valuation model.

The Group SEK m	Share capital	Other capital contributed	Retained profit/loss	Total
<b>Shareholders' equity, 31st Dec 2007</b>	<b>69</b>	<b>125</b>	<b>379</b>	<b>573</b>
Dividend paid	–	–	–163	–163
Withdrawal of bought back shares	–1	–	1	0
Buy-back of the company's own shares	–	–	–1	–1
Exercise of warrants	1	28	–	29
Warrants issue	–	4	–	4
Net profit/loss for the year (and comprehensive income)	–	–	185	185
<b>Shareholders' equity, 31st Dec 2008</b>	<b>69</b>	<b>157</b>	<b>402</b>	<b>628</b>
Dividend paid	–	–	–165	–165
Warrants issue	–	3	–	3
Net profit/loss for the year (and comprehensive income)	–	–	228	228
<b>Shareholders' equity, 31st Dec 2009</b>	<b>69</b>	<b>160</b>	<b>464</b>	<b>693</b>

Parent Company SEK m	Share capital	Other capital contributed	Retained profit/loss	Total
<b>Shareholders' equity, 31st Dec 2007</b>	<b>69</b>	<b>4</b>	<b>342</b>	<b>415</b>
Dividend paid	–	–	–163	–163
Withdrawal of bought back shares	–1	–	1	0
Buy-back of the company's own shares	–	–	–1	–1
New share issue	1	28	–	29
Warrants issue	–	4	–	4
Net profit/loss for the year	–	–	118	118
<b>Shareholders' equity, 31st Dec 2008</b>	<b>69</b>	<b>36</b>	<b>297</b>	<b>402</b>
Dividend paid	–	–	–165	–165
Warrants issue	–	3	–	3
Net profit/loss for the year	–	–	216	216
<b>Shareholders' equity, 31st Dec 2009</b>	<b>69</b>	<b>39</b>	<b>348</b>	<b>456</b>

No. outstanding shares	
<b>31st Dec 2008</b>	<b>27,577,610</b>
<b>31st Dec 2009</b>	<b>27,577,610</b>

## Note 26 Shares and participations in Group companies

SEK m	2009	2008
<i>Acquisition value</i>		
At beginning of year	442	442
Shareholders' contribution	–	–
Liquidation of subsidiaries	–	–
<b>At end of year</b>	<b>442</b>	<b>442</b>
<i>Accumulated write-downs</i>		
At beginning of year	–228	–228
<b>At end of year</b>	<b>–228</b>	<b>–228</b>
<b>Reported value at end of year</b>	<b>214</b>	<b>214</b>

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

## Note 27 Segment information

Avanza Bank has no segments that meet the criteria of IFRS 8. All operations are conducted in Sweden and both income from external customers and fixed assets are attributable to Sweden.

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

SEK m	2009	2008
Direct savings products	314	210
Indirect savings products	123	23
Other services	15	24
<b>Total income from external customers</b>	<b>452</b>	<b>257</b>
Other income	63	252
<b>Total operating income</b>	<b>515</b>	<b>509</b>

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 28 Terms for assets and liabilities, 31st Dec 2009

Remaining term (book value)

SEK m	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	5,452	–	–	–	–	–	5,452
Lending to the public	–	3,124	–	–	–	–	3,124
Shares and participations	–	–	–	–	–	12	12
Assets in insurance operations*	–	13,564	–	2,089	2,987	–	18,640
Intangible assets	–	–	–	–	–	31	31
Tangible assets	–	–	–	–	–	7	7
Other assets	–	501	–	–	–	–	501
Deferred tax receivables	–	–	–	1	–	–	1
<i>Accrued income and prepaid costs</i>							
prepaid costs	–	27	–	–	–	–	27
<b>Total assets</b>	<b>5,452</b>	<b>17,216</b>	<b>–</b>	<b>2,090</b>	<b>2,987</b>	<b>50</b>	<b>27,795</b>
<i>Liabilities</i>							
Deposits by the public	8,294	–	–	–	–	–	8,294
Insurance operations liabilities*	–	13,564	–	2,089	2,987	–	18,640
Current tax liability	–	11	–	–	–	–	11
Deferred tax liabilities	–	–	–	0	–	–	0
Other liabilities	–	128	–	–	–	–	128
<i>Accrued costs and prepaid income</i>							
prepaid income	–	29	–	–	–	–	29
<b>Total liabilities</b>	<b>8,294</b>	<b>13,732</b>	<b>–</b>	<b>2,089</b>	<b>2,987</b>	<b>–</b>	<b>27,102</b>

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

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

Remaining term (book value)

SEK m	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	2,087	4,500	–	–	–	–	6,587
Lending to the public	–	1,253	–	–	–	–	1,253
Shares and participations	–	–	–	–	–	12	12
Assets in insurance operations*	–	4,383	5	1,603	1,457	–	7,448
Intangible assets	–	–	–	–	–	35	35
Tangible assets	–	–	–	–	–	8	8
Other assets	–	372	–	–	–	–	372
Deferred tax receivables	–	–	–	1	–	–	1
Accrued income and prepaid costs	–	16	–	–	–	–	16
<b>Total assets</b>	<b>2,087</b>	<b>10,524</b>	<b>5</b>	<b>1,604</b>	<b>1,457</b>	<b>55</b>	<b>15,732</b>
<i>Liabilities</i>							
Deposits by the public	7,386	–	–	–	–	–	7,386
Insurance operations liabilities*	–	4,383	5	1,603	1,457	–	7,448
Current tax liability	–	67	–	–	–	–	67
Deferred tax liabilities	–	–	–	1	–	–	1
Other liabilities	–	165	–	–	–	–	165
Accrued costs and prepaid income	–	37	–	–	–	–	37
<b>Total liabilities</b>	<b>7,386</b>	<b>4,652</b>	<b>5</b>	<b>1,604</b>	<b>1,457</b>	<b>–</b>	<b>15,104</b>

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

## Note 29 Pledged assets and contingent liabilities

SEK m	31st Dec 09	31st Dec 08
<b>Pledged assets</b>		
<i>in the form of assets pledged on behalf of customers</i>		
Securities loans	33	88
Collateral requirement, OM derivatives	148	96
<i>Other pledged collateral and security</i>		
Securities liquidation, VPC	200	200
Securities liquidation, EMCF	105	–
Securities liquidation, EMCF, clearing fund	10	–
Securities liquidation, Finska APK	10	11
Securities liquidation, Norges Bank	9	31
Securities liquidation, Danmark VPS	28	29
National Bank of Sweden clearing	100	100
<b>Total pledged assets</b>	<b>643</b>	<b>555</b>

Pledged assets total SEK 643 million, of which SEK 633 million refers to lending to external credit institutions and SEK 10 million to other assets. Assets pledged on behalf of customers refer to security loans. Counterparties to equity loans are Swedish credit institutions. Collateral requirement, OM derivatives, refers to collateral for customers' derivative positions. Securities liquidation EMCF refers to liquid assets pledged as collateral for undertakings arising as a result of the collateral requirements calculated for the participants in the winding up of transactions via a central clearing counterparty. These 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 National Bank of Sweden clearing refer to liquid assets pledged as collateral for external banks' pledging.

Assets managed on behalf of third parties (client trust accounts) not reported in the Balance Sheet total SEK 747 million (SEK 645 m).

### Contingent liabilities

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

If the clearing fund, in which monies have been deposited by all participants in the central counterparty clearing to EMCF proves insufficient to cover losses caused by another clearing member, Avanza Bank is obliged, together with other members, to top up the clearing fund. The undertaking is limited to the amount previously paid into the fund, currently SEK 10 million, per clearing member who fail.

## Note 30 Capital requirement for the financial conglomerate

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

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

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

### The financial conglomerate

SEK m	31st Dec 09	31st Dec 08
<b>Capital base</b>		
Shareholders' equity, the Group	693	628
Proposed dividend	-221	-165
<b>Shareholders' equity, the financial conglomerate</b>	<b>472</b>	<b>463</b>
<i>Less</i>		
Intangible assets and deferred tax receivables	-33	-37
<b>Capital base</b>	<b>439</b>	<b>426</b>
<b>Capital requirement</b>		
Capital requirement for regulated units within the banking and securities sector	212	202
Capital requirement for regulated units in the insurance sector	33	29
Theoretical capital requirement for non-regulated units	11	23
<b>Capital requirement</b>	<b>256</b>	<b>254</b>
<b>Capital surplus</b>	<b>183</b>	<b>172</b>
<b>Capital base/Capital requirement</b>	<b>1.71</b>	<b>1.68</b>

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

## Capital assessment policy

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

### Capital plan

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

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

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

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

### Internal Capital Assessment (IKU)

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

The internal capital assessment for Avanza Bank AB carried out in 2007, which is the IKU most recently approved by the Swedish Financial Supervisory Authority, has resulted in a total capital requirement of SEK 262 million. The legal requirement for Avanza Bank totalled SEK 212 million on 31st December 2009. The shareholders' equity consequently fulfils both the objective of covering the credit risk and operating risks and of constituting credibility capital in relation to banks and other investors.

In the IKU drawn up in December 2009, the estimated capital requirement totalled SEK 265 million. This IKU has not, however, as yet been approved by the Swedish Financial Supervisory Authority.

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

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

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

- Credit risk, including concentration risk
- Operational risk
- Financing risk, including safety margin in excess of legal requirements
- Market risk

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

## **Note 31 Financial risks and financial policies**

### **Risk management**

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

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

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

### **Internal audit**

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

The 2009 independent audit comprised an overall review of the internal controls and a review of the discretionary asset management carried out within Avanza Fonder AB.

### **Risks**

Avanza Bank's operations have grown in scale in 2009 but no major changes to the orientation of the operations have occurred. The growth is primarily focused on savings products.

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

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

## Credit and counterparty risks

The risk inherent in lending to account customers is the most significant credit risk. All customers are checked and assigned a credit limit. All loans are secured by pledges in listed securities. Avanza Bank carries out its own internal assessment of appropriate lending levels, based on the security's liquidity, volatility and net worth. The securities pledged can be called upon when the customer's debt exceeds the lending value of the securities pledged. Avanza Bank is entitled to sell securities to the extent required to rectify the over-borrowing that has occurred. Lending to account customers is monitored on a daily basis. Any over-borrowing that occurs is regulated in accordance with a special routine within a maximum of three to four days. When markets are unstable or other external events dictate, the over-borrowing is regulated through the sale of securities immediately on the date when the over-borrowing occurred. The aim is to avoid credit losses.

Avanza Bank is also entitled, provided that the terms are no stricter, to pledge securities received as security for its own undertakings. This option has not been exercised, as of 31st December 2009.

Securities (SEK m)	31st Dec 09	31st Dec 08
Fair value of securities accepted	4,671	3,098
Of which fair value of re-pledged securities	–	–

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

Ericsson B	238
Swedbank A	162
Volvo B	116
Hennes & Mauritz B	106
SEB A	102
Kinnevik B	71
SKF B	70
Boliden	69
Astra Zeneca	69
Diamyd Medical B	57
<b>Total</b>	<b>1,060</b>

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

Lending to credit institutions comprises receivables from major Nordic credit institutions. The Group's financial instructions state that liquidity may be invested with SHB, SEB, Swedbank, Nordea and Danske Bank. All of these banks have been assigned the best or second best level rating for short-term holdings by all of the leading ratings institutions. As of 31st December 2009, Avanza Bank had major investments with SHB and Danske Bank.

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 18 (8) loans exceeding SEK 10 million, as of 31st December 2009. The combined sum for these loans was SEK 361 million (SEK 180 m), and the largest single loan was for SEK 66 million (SEK 57 m), spread over four customers who are jointly limited.

Over-borrowing, i.e. amounts borrowed in excess of the lending value, totalled SEK 4 million (SEK 7 m), as of 31st December 2009.

Avanza Bank is a member of the Stockholm, Oslo, Copenhagen and Helsinki stock exchanges. Counterparty risks primarily arise as a result of the business flow in these marketplaces. The risks are limited by Avanza Bank's use of recognised clearing organisations in the respective countries, e.g. VPC and OMX in Sweden, for settlement of completed transactions.

Avanza Bank is a member of the EMCF-based central counterparty clearing system offered for transactions in Sweden, Finland and Denmark in types of securities selected by the stock markets. The clearing means, amongst other things, that EMCF collects collateral from the clearing members in order to cover the market risk in, as yet, unliquidated securities transactions. This situation is an improvement on that previously obtaining and entails a reduction of the counterparty risks in this respect.

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

## **Market risks**

### **Exchange rate risks**

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

### **Interest risks**

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

### **Currency risks**

Assets and liabilities in the Balance Sheet are primarily valued in SEK and there are hence no currency risks. The exception to this is that customers can hold foreign currencies in their accounts. Such currency balances are matched in their entirety by corresponding balances in Avanza Bank's bank accounts. The value of these currency balances totalled SEK 58 million (SEK 29 m) on 31st December 2009.

There is no significant currency exposure outside the Balance Sheet.

### **Liquidity risks**

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

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

The deposits are distributed amongst numerous clients and the current liquidity is, therefore, adjudged to be very good. 66 per cent of the deposits can be paid out immediately, and the remaining 34 per cent can be paid after one month.

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

Operational risks are defined as "risk of losses as a result of inexpedient or failed internal processes, human error, faulty systems or external events, including legal risks". During 2009, trading volumes and the number of transactions increased strongly.

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

The competence and training of employees is central as regards management of operational risks. All employees whose work assignments require it, are licensed in accordance with the requirements that SwedSec AB have imposed. Over and above this, certain other employees have been licensed, and at the turn of the year, a total of 41 (45) employees were licensed. A further 18 (11) employees have also received special training in insurance broking.

### **Sensitivity analysis**

Since Avanza Bank has no positions for their own account, changes in market prices have no direct impact on the profit/loss

As of 31st December 2009, there were no fixed term investments. Changes in interest rates hence 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 the profit/loss, because Avanza Bank has no currency exposure.

### **Risk concentrations**

There are no significant risk concentrations, other than that the liquidity is concentrated on a few large Nordic banks. With regard to lending to customers, a limit is set for all borrowers. All borrowers who belong to the same corporate sphere are issued a collective limit in conjunction with lending. The spread of the lending is very good – see above.

### **Fair value**

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

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

The fair value of financial instruments reported at fair value via the Income Statement – principally assets and liabilities in the insurance operations – is determined on the basis of the quoted bid prices of the assets on the closing day. In the absence of an active market, the valuation methods described in Note 2 (i) Financial instruments, are used.

### **Note 32 Related parties**

Related parties have been defined in accordance with IAS 24 Disclosure of Related Party Transactions.

Transactions with related parties are priced on market terms.

#### *Related party transactions with subsidiaries*

The Parent Company's income and expenses from Group companies during the year are shown in Note 5. The Parent Company's receivables from Group companies totalled SEK 232 million (SEK 181 m) at the end of the year, at which time its liabilities to Group companies totalled SEK 0 (SEK 0 m).

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

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

Loans to related parties totalled SEK 549 thousand (SEK 556 k) at the year-end. Deposits from related parties totalled SEK 69,523 thousand (SEK 118,838 k) at the year-end. Income and expenses from transactions with related parties comprise SEK 795 thousand (SEK 1,219 k) in brokerage, SEK 10 thousand (SEK 50 k) in interest income, and SEK 582 thousand (SEK 3,169 k) in interest expenses. Invoicing from related parties' limited companies totals SEK 204 (SEK 0 k).

### **Note 33 Important estimates and assessments**

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

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

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

### **Goodwill impairment test**

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

### **Note 34 Events after the closing day**

No significant events have occurred after the closing day.

# Proposed appropriation of profits

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

Avanza Bank's Board of Directors proposes that the Annual General Meeting approve a cash dividend of SEK 8.00 per share for 2009. This corresponds to a dividend payment totalling SEK 221 million and a dividend ratio of 97 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 buy-back of the company's own shares. The Board is of the opinion that in the long-term, the dividend can comprise a minimum of 70 per cent of the profit for the year.

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

The Board of Avanza Bank has acquired none of the company's own shares in 2009 in accordance with the authorisation received at the Annual General Meeting of the Company's shareholders held on 21st April 2009.

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 2010 Annual General Meeting.

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\* Reference to Note 30 on page 70, Capital requirements for the financial conglomerate

## The Parent Company

The following profits are at the disposal of the Annual General Meeting:	SEK k
Share premium reserve	38,972
Retained profit	132,113
Net profit for the year	216,390
	<b>387,475</b>

The Board of Directors and the Managing Director propose that:	
a dividend of SEK 8.00 per share be paid to the shareholders, totalling	220,621
that the following sum be carried forward,	127,882
and that the following sum be retained in the share premium reserve	38,972
	<b>387,475</b>

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

Stockholm, 22nd February 2010

Sven Hagströmer  
Chairman of the Board

Hans Bergenheim  
Board Member

Anders Ellsell  
Board Member

Mattias Miksche  
Board Member

Mikael Nachemson  
Board Member

Andreas Rosenlew  
Board Member

Nicklas Storåkers  
Managing Director  
Board Member

Jacqueline Winberg  
Board Member

Our Audit Report was submitted on 22nd February 2010

Ernst & Young AB

Lars Träff  
Authorised Public Accountant

# Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Avanza Bank Holding AB (publ.) for the financial year of 2009. The company's Annual Report is included in the printed version of this document on pages 27–77. These accounts and the administration of the company are the responsibility of the Board of Directors and the Managing Director, as is ensuring that the provisions of the Swedish Annual Accounts Act are applied when preparing the annual accounts, and that the international accounting standards, IFRS, as adopted by the EU, and the provisions of the Swedish Annual Accounts for Credit Institutions and Securities Companies Act are applied in conjunction with the preparation of the consolidated accounts. Our responsibility is to express an opinion of the annual accounts, the consolidated accounts and the administration, based on our audit.

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

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

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

Stockholm, 22nd February 2010

Ernst & Young AB  
Lars Träff  
Authorised Public Accountant

# Definitions

## Account

An open account with holdings.

## Brokerage income

Brokerage income less direct costs.

## Brokerage per commission note

Gross brokerage for accounts customers in relation to the number of commission notes excluding investment fund commission notes.

## Capital base

The financial conglomerate's shareholders' equity adjusted for deductions in accordance with the provisions governing credit institutions, fund management companies and insurance companies with regard to the way in which the capital base and capital requirement are determined.

## Commission note

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

## Cost/income ratio

Costs in relation to income.

## Deposits

Deposits including client trust accounts.

## Earnings per share

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

## Equity/assets ratio

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

## Equity per share

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

## Investment fund commission

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

## Net deposits/Savings capital

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

## Net interest items/Savings capital

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

## Net savings

Deposits, less withdrawals, of liquid assets and securities.

## Net savings/Savings capital

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

## Non-brokerage income

Income, excluding brokerage income, less direct costs.

## Operating income/Savings capital

Operating income in relation to the average savings capital during the period.

## Operating margin

Operating profit/loss in relation to operating income.

## Profit margin

Profit/loss after tax in relation to operating income.

## Profit/loss per employee

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

## Return on equity

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

## Savings capital

The aggregate value of accounts with Avanza Bank.

## Transactions

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



# Corporate Governance Report

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

## Shareholders' right of initiation

Approximately 130 shareholders participated in Avanza Bank's Annual General Meeting held on 21st April 2009 in Stockholm, representing 47 per cent of the total number of votes in the company. The entire Board of Directors and the company's auditors were present at the Meeting.

Information on the pending Annual General Meeting and on how shareholders' can exercise their right of initiation is provided on the company's website. Minutes of previous General Meetings are also available on the website.

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

## The Board of Directors

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

The Articles of Association state that the Board shall comprise a minimum of five and a maximum of eight Members. Avanza Bank's Board comprised eight elected Members and no Deputy Members in 2009. The Chairman of the Board is Sven Hagströmer. The Company's Managing Director, Nicklas Storåkers, is also a Member of the Board. The Board held its first meeting following election on 21st April 2009. See the company's website, [avanza.com](http://avanza.com), for details of the individual Board Members.

## Directors' fees

The 2009 Annual General Meeting set the Directors' fees at SEK 871,000. An annual fee of SEK 175,000 is paid to the Chairman of the Board, with fees of SEK 116,000 payable to the other Members. Members of the companies' Boards who attend when the company's management has reporting meetings with the company's Auditor shall receive a further fee of SEK 25,000. The Board Members of the subsidiary companies, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, shall, furthermore, be entitled to receive a fee of SEK 35,000 each for their respective Board duties. Members who are salaried employees of the company shall not, however, receive any fee.

## The Board's rules of procedure

The Board's work is governed by annually adopted rules of procedure that regulate the Board's internal division of labour, the decision-making structure within the company, company signatories, the format of Board meetings, and the duties of the Chairman. The

Board's work follows a fixed procedure designed to fulfil the Board's requirement for information and an appropriate division of labour between the Board and the Managing Director.

The Board held twelve meetings during the 2009 financial year. The Board's work follows an agenda plan that fulfils the Board's requirement for information. The agenda plan is otherwise governed by the rules of procedure adopted by the Board with regard to the division of labour between the Board and the Managing Director. The monitoring duties incumbent upon the Board are addressed both by the Board in its entirety and by the Remuneration Committee. The company's auditors also report their assessments of the company's monitoring in person to the Board. Company employees participate in the Board meetings to present reports or as secretaries.

## Attendance

### Board Members' attendance at minuted Board Meetings

	Present	Not independent/Independent*
Sven Hagströmer, Chairman	12/12	Not independent Member
Hans Bergenheim	12/12	Independent Member
Anders Ellsell	12/12	Not independent Member
Mattias Miksche	12/12	Independent Member
Mikael Nachemson	12/12	Independent Member
Andreas Rosenlew	8/12	Independent Member
Jacqueline Winberg	12/12	Independent Member
Nicklas Storåkers, Managing Director	12/12	Not independent Member

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

## 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 2009 Annual General Meeting. These owners decided that the Nomination Committee shall comprise Erik Törnberg, who represents Investment AB Öresund, Sten Dybeck who represents Sten Dybeck, his family and companies, Eva Qviberg who represents the Qviberg family and the Chairman of the Board, Sven Hagströmer. Erik Törnberg is the Chairman of the Nomination Committee. Two of the Members of the Nomination Committee are deemed, under the terms of the Code, not to be independent of the company and the company management, namely Sven Hagströmer and Erik Törnberg. Avanza Bank thereby deviates from the provisions of the Code where it states that the majority of the Nomination Committee shall be independent in relation to the company and the company management. It should be noted, however, that Sven Hagströmer is the company's Chairman of the Board and is, together with his family and companies, one of the company's biggest shareholders, and that Erik Törnberg represents the company's single biggest shareholder, and the composition of the Nomination Committee may, therefore, be regarded as appropriate.

The Nomination Committee has planned to hold its first minuted meeting on 20th January 2010, which meeting will be attended by all Members.

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, for example, to industry experience and competence, shall also be evaluated. The Nomination Committee also receives an account of the way in which the Board's work was conducted during the financial year from the Chairman of the Board of the company.

The Nomination Committee is tasked with discussing the fees 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 of a similar size and complexity.

Emphasis is placed, in this content, on the importance of the fee being reasonable with regard to the responsibility and the work required and to the contribution the Board can make to the development in the value of the company. The Nomination Committee 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 the way in which the principles governing the structure of the Nomination Committee should be amended.

### Remuneration Committee

The Board of Directors established a Remuneration Committee in March 2004. For the 2009 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, including performance-based remuneration for the company's senior executives. Issues relating to the Managing Director's terms of employment, remuneration and benefits are also prepared by the Remuneration Committee and decided by the Board.

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

The Remuneration Committee has held one minuted meeting, which was attended by all members, and has maintained ongoing contact during the year.

### Audit Committee

The Code requires the Board to establish an Audit Committee comprising at least three Directors. The majority of the Audit Committee members should be independent of the company and senior management and at least one member of the committee shall be independent of the company's major shareholders. According to the Code, in a company with a small Board, the entire Board can fulfil the tasks of the Audit Committee, provided that any Board Member who is a member of the senior management does not participate in this work.

The Board of Directors of Avanza Bank had previously not chosen to establish an Audit Committee, as the Board is of the opinion that this type of issue is best addressed, in a company of Avanza Bank's size, by the entire Board of Directors. However, the 2006 Annual General Meeting resolved that a member of the company's Board shall participate when the senior management of the company has reporting meetings with the company's auditor. The Board has appointed Board Member Anders Elsell to be present at such reporting meetings. During 2009, the Board did not find cause to exclude the company's Managing Director from meetings in which the Board carried out the assignments which are incumbent on an Audit Committee.

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

### External auditors

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

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

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

## Internal audits

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

The 2009 independent audit focused on a general investigation of the company's internal controls and a review of discretionary asset management and PPM management. The focus of the review, with regard to the internal controls, was on the company's control functions and its risk management. At a Board Meeting held on 15th October 2009, which was also attended by the company's external auditors, Atos Consulting AB gave an account of the independent review. The majority of the measures proposed in the review report have now been implemented.

## The Managing Director and Group Management

The Managing Director manages the operations in accordance with the rules of procedure between the Managing Director and the Board of Directors. The Managing Director is responsible for keeping the Board informed 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.

The Managing Director and other members of the Group management hold formal meetings once a month, together with a number of informal meetings in between, to review the previous month's results and to discuss strategic issues. Avanza Bank's Group management has during 2009, consisted of five persons, of whom four are male and one, female.

The Avanza Bank Group comprises the parent company, Avanza Bank Holding AB (publ.), and four 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 2009 Annual General Meeting determined that the fees for the Group management shall consist of a fixed portion and a variable portion. The variable portion may be distributed for performances that exceed those normally expected of members of the Group management after an evaluation of individual performances. The extent to which previously adopted goals for the company and the senior executive have been met is taken into account when determining the variable remuneration.

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

## Internal controls

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

## **Board of Directors' report on internal controls in relation to financial reporting for the 2009 financial year**

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal controls. This report has been prepared in accordance with sections 10.5 and 10.6 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, under section 11 of the Code, shall be appended to the company's Annual Report but which does not constitute part of the formal annual accounts documents.

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

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

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

#### **Control environment**

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

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

#### **Risk assessment**

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

#### **Control activities**

Control activities cover both general and more detailed controls, intended to prevent, discover and correct faults and deviations. Control activities are worked out and documented at company and departmental level. The respective department managers within Avanza Bank are the individuals who are primarily responsible for managing the risks which are

connected to their own department's operations and financial reporting processes. Risk Management carries out ongoing controls to ensure that this risk management works efficiently.

### **Information and communication**

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

### **Following up**

At the end of 2006, Avanza Bank established an internal management organisation, consisting of representatives of Finance, Risk Management, Compliance and Back Office, in order to ensure monitoring of the quality of the financial reporting, the efficiency of the control structure, and the compliance with steering documents in the form of internal policies, guidelines and instructions in relation to the financial reporting. The internal management organisation, which has held three (3) minuted meetings in 2009, comprises representatives of Accounts, Back office, Trading, Risk Management and Compliance.

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

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

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

### **Evaluation of and position on internal audits**

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

# Articles of Association for Avanza Bank Holding AB

Corporate ID No. 556274-8458  
Adopted on 15th April 2008

## § 1 The name of the company

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

## § 2 Registered office

The registered office of the company shall be in Stockholm.

## § 3 Operations

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

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

## § 4 Share capital

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

## § 5 Share

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

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

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

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

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

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

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

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

## **§ 6 Board of Directors**

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

## **§ 7 Auditors**

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

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

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

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

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

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

## **§ 10 Annual General Meeting**

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

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

## **§ 11 Financial year**

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

## **§ 12 Record date provision**

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



From the left: Anders Elsell, Hans Bergenheim, Mattias Miksche, Jacqueline Winberg, Nicklas Storåkers, Andreas Rosenlew, Mikael Nachemson and Sven Hagströmer.

## Board of Directors

### Chairman of the Board

*Sven Hagströmer*, born 1943.

Studied at Stockholm University

Elected: 1997.

Chairman of the Boards of Investment AB Öresund and eWork Scandinavia AB.

Member of the Boards of Bilia AB and Insplanet AB.

Holdings on 31st December 2009 (incl. family and companies): Shares: 2,039,416.

### Members of the Board

*Hans Bergenheim*, född 1960.

Accountancy degree from School of Business, Economics & Law at Gothenburg University

Elected: 2007.

Managing Director of Lateus AB. Chairman of the Board of the PTKs Educational Foundation, Djurönäset. Member of the Boards of White Intressenter AB and White Arkitekter AB.

Holdings on 31st December 2009: Shares: 3,000.

*Anders Elsell*, born 1957.

Degree in Civil Engineering, Royal Institute of Technology, Stockholm, and degree in Business Economics and Management from Stockholm University.

Elected: 2001.

Financial Analyst, Investment AB Öresund.

Holdings on 31st December 2009 (incl. family):

Shares: 392,400.

*Mikael Nachemson*, born 1959.

Degree in Economics and Business Administration from the Stockholm School of Economics.

Elected: 2002.

Founding partner: reciproKapital AB.

Member of the Boards of Arvid Nordquist

Handelsaktiebolag and Investment AB Öresund.

Holdings on 31st December 2009: Shares: 5,000.

*Mattias Miksche*, born 1968.

Degree in Economics and Business Administration from the Stockholm School of Economics.

Elected: 2008.

Managing Director of Stardoll AB. Member of the Boards of Dustin Group AB, Celebmedia Posh24 AB and Enriro AB.

Holdings on 31st December 2009: –

*Andreas Rosenlew*, born 1962.

MSc in Economics & Business Administration from the Swedish School of Economics & Business Administration, Helsinki.

Elected: 2005.

Managing Partner and Chairman of the Board of Grow Partners AB. Member of the Board of Innograf OY.

Holdings on 31st December 2009: Shares: 3,600.

*Nicklas Storåkers*, born 1974.

Degree in Economics and Business Administration from the Stockholm School of Economics and legal studies at Stockholm University.

Managing Director.

Elected: 2000.

Chairman of the Board of Jajja Communications AB.

Member of the Boards of Burgundy AB and the

Swedish Securities Dealers' Association.

Holdings on 31st December 2009 (incl. family):

Shares: 397,475.

Warrants: corresponding to 240,070 shares.

*Jacqueline Winberg*, born 1959.

Degree in Economics and Business Administration from the Stockholm School of Economics

Elected: 2003.

Partner at Stanton Chase International. Member of the Board of Projektplatsen AB.

Holdings on 31st December 2009 (incl. family):

Shares: 3,350.



From the left: Carl Norinder, Henrik Källén, Birgitta Hagenfeldt, Ronnie Bodinger and Nicklas Storåkers.

## Management

*Ronnie Bodinger*, born 1973.

Degree in Civil Engineering, Royal Institute of Technology, Stockholm and economics studies at Södertörn University, Stockholm.

Employed: 1999.

Innovation Manager.

Holdings on 31st December 2009: Shares: 25,000.

Warrants: corresponding to 123,430 shares.

*Birgitta Hagenfeldt*, born 1961.

Degree in Economics and Business Administration from Örebro University.

Employed: 2008.

CFO.

Holdings on 31st December 2009 (incl. family):

Shares: 6,000.

Warrants: corresponding to 50,110 shares.

*Henrik Källén*, born 1968.

LL.B., Stockholm University.

Employed: 2000.

Managing Director of Försäkringsaktiebolaget Avanza Pension.

Holdings on 31st December 2009: Shares: 34,425.

Warrants: corresponding to 109,830 shares.

*Carl Norinder*, born 1974.

Degree in Economics and Business Administration from the Stockholm School of Economics.

Employed: 2008.

Customer Relations Manager.

Holdings on 31st December 2009: Shares: –

Warrants: corresponding to 54,640 shares.

*Nicklas Storåkers*, born 1974.

Degree in Economics and Business Administration from the Stockholm School of Economics and legal studies at Stockholm University

Employed: 1999

Managing Director.

Holdings on 31st December 2009 (incl. family):

Shares: 397,475.

Warrants: corresponding to 240,070 shares.

## Auditors

Ernst & Young AB

Auditor in charge:

*Lars Träff*, born 1954.

Authorised Public Accountant.

# Annual General Meeting

The Annual General Meeting of the shareholders of Avanza Bank will be held in the Auditoriet hall of the Moderna Museet building in Stockholm at 15.00 (CET) on Wednesday, 21st April 2010.

## 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, 15th April 2010;
- have submitted notice of their intention to participate in the Annual General Meeting to Avanza Bank no later than 16.00 (CET) on Thursday, 15th April 2010.

## How to register as a shareholder

Avanza Bank's register of shareholders is maintained by Euroclear Sweden AB (formerly known as VPC AB). Only owner-registered holdings are listed in the shareholder's own name in the register of shareholders. 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, 15th April 2010.

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

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

Any powers of attorney shall be sent by letters in the post to Avanza Bank at Box 1399, SE-111 93 STOCKHOLM, Sweden. Please mark the envelope "Årsstämma" (Annual General Meeting). Powers of attorney shall be submitted to Avanza Bank no later than Friday, 16th April 2010. Power of attorney forms are available from [avanza.com](http://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 Monday, 1st March 2010 and should be sent to Box 1399, SE-111 93 STOCKHOLM, Sweden. Please mark the envelope "Styrelsen i Avanza Bank Holding AB" [The Board of Directors of Avanza Bank Holding AB].

# Financial calendar

Annual General Meeting	21st April 2010
Interim Report, January–March 2010	21st April 2010
Interim Report, January–June 2010	9th July 2010
Interim Report, January–September 2010	14th October 2010
Preliminary Financial Statement, 2010	January 2011



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