

# 2011

**Avanza Bank has a simple idea:  
Avanza Bank customers should have more money over for themselves than they would with any other bank in the Swedish savings market.**

Annual Report 2011

# 2011

---

## Contents

3	Avanza Bank in brief
4	The year in brief
6	Comments from the Managing Director
10	Comments from the Chairman
12	Market and strategy
22	Avanza Bank's CSR
24	Avanza Bank's customers
27	Avanza Bank's employees
30	The Avanza Bank share
33	Directors' Report
43	Five-year overview
44	Consolidated Income Statements
45	Consolidated Balance Sheets
46	Consolidated Cash Flow Statements
47	Parent Company Income Statements
48	Parent Company Balance Sheets
49	Parent Company Cash Flow Statements
50	Notes to the Accounts
86	Proposed Appropriation of Profits
88	Audit Report
90	Definitions
91	Corporate Governance Report
98	Board of Directors
99	Management and Auditors
101	Annual General Meeting

# Avanza Bank in brief

## **Avanza Bank has a simple idea:**

**Avanza Bank customers should have more money over for themselves than they would with any other bank in the Swedish savings market.**

Avanza Bank has no fixed account, yearly or deposit fees. Avanza Bank has the market's lowest rates for loans, for which the customer's securities act as collateral, and the customer is offered securities trading with a brokerage fee ranging from only SEK 9. Avanza Bank also offers its own no-fee investment fund – Avanza Zero.

But it's not all about low fees. Our [avanza-bank.se](http://avanza-bank.se) website not only offers our customers a secure and simple way of bringing all of their savings under a single umbrella, it provides a superior overview of their securities, savings accounts and pensions savings. Avanza Bank has an extensive range of products and offerings suited to various customer groups. There is also a price guarantee under which customers automatically receive better terms, the more of their savings they accumulate with Avanza Bank.

Avanza Bank offers, as part of its efforts to help savers make sensible decisions, the market's best basis for decision-making in the form of tools, analyses, news and software. Customers can obtain up to date, impartial guidance via

[placera.nu](http://placera.nu), the editorially independent online newspaper that focuses on savings and investments. This, in combination with competent customer support, means that Sweden's savers can always feel secure with Avanza Bank.

Saving is all about security and confidence. Levels of risk-taking are low at Avanza Bank. The company is self-financing, via its shareholders' equity and customer deposits. The bank's liquidity level is high and its credit history is very good.

Avanza Bank's primary channel is the Internet and its focus is on the Swedish savings market. Over the course of its ten year history, the company has grown from a small, dedicated stockbroker into a bank that is changing Sweden's savings market and which is challenging the big, established banks and pension companies. Avanza Bank is constantly striving to develop new products and services that serve the best interests of its customers.

Avanza Bank is the Savers' Bank and its main aim is to have the most satisfied customers of any bank in Sweden.

## Sparkonto+

**One of the highest interest rates in the banking market and up to four times the state deposit guarantee**

## Avanza Zero

**Sweden's only fund without any charges**

# The year in brief

- Operating income increased by 12 per cent (21%) to SEK 695 million (SEK 621 m).
- The operating profit before tax increased to SEK 341 million (SEK 331 m).
- Earnings per share increased by 5 per cent (18%) to SEK 10.28 (SEK 9.77).
- The net inflow during the year totalled SEK 6,460 million (SEK 9,570 m).
- Savings capital decreased by 10 per cent (+34%) to SEK 74,200 million (SEK 82,000 m).
- The number of accounts increased by 18 per cent (26%) to 417,200 (352,200).
- The Board proposes a dividend of SEK 10.00 (SEK 9.50) per share.

## Important events by quarter

### First quarter

- Avanza Bank's Android application is launched.
- In March, the world's stock markets are shaken by the earthquake and tsunami in Japan.

### Second quarter

- The Sparkonto+ savings product is expanded with a further two actors, GE Money Bank and Collector. Also, the possibility of investing money at a fixed interest rate with a set term via Klarna.
- Avanza Bank moves to new premises at Regeringsgatan 103 in Stockholm.
- The Supreme Administrative Court rules on Avanza Pension's advance ruling on fund commissions, to the advantage of the Company.

### Third quarter

- The stock market is unsettled and suffers a 20 per cent decline as a result of factors such as the economic stresses in Europe and exposure of banks to Greece.
- Strong demand for Sparkonto+, which doubled its savings capital during the quarter.
- Brokerage fee income before deduction of direct costs has the single best quarter ever in Avanza Bank's history.

### Fourth quarter

- Martin Tiveus takes over as Managing Director. The resigning Managing Director, Nicklas Storåkers, continues as a member of the Board of Directors.
- A survey by Svenskt Kvalitetsindex shows that Avanza Bank has Sweden's most satisfied savers for the second year running.
- The first version of Avanza Bank's new Internet presence is launched.

# **Avanza Bank challenges the established banks and insurance companies**

---



**Avanza Bank  
is to grow  
through having  
satisfied  
customers ”**

Martin Tivéus, Managing Director, Avanza Bank.

## Comments from the Managing Director

### Dear shareholders

2011 was a turbulent year in the stock market. Trading activities and net inflows throughout the savings market were weaker than normal, which is considered to have been due both to the market situation and to interest rates being raised during the first half of the year, which resulted in more people choosing to save by paying off their mortgages. Despite the fact that the stock market fell by 17 per cent, we managed to increase our profit during 2011. Avanza Bank continues to take market shares, which is particularly apparent for savings accounts and pension- and insurance-based savings, where the number of new accounts has grown by 79 and 23 per cent respectively over the past year. We did not reach our growth target, and we are not at all pleased about that. Therefore, we have implemented a cost overview and will reduce cost levels compared with the fourth quarter of 2011.

I would also like to highlight the result of the Svenskt Kvalitetsindex survey of satisfaction levels amongst Sweden's savers which arrived at the end of 2011. Not only did it show that Avanza Bank still has the country's most satisfied savers; levels of satisfaction amongst our savers have actually increased, and we are the only bank in the whole of Sweden to have achieved this!

The fact that our customers like us is, perhaps, our most important growth strategy. Our theory is that satisfied savers remain with us, save more and recommend their bank to other savers. Therefore, we want to be the bank that has the best offerings within savings, within share, fund and pension savings, and for savings accounts. As related in previous annual reports, we make demands on ourselves always to highlight the customer benefit of what we do. By customer benefit is meant how we can make a savings

service at least as good or better than that of our competitors. As the Savers Bank, our absolute ambition is for our customers to have more money over for themselves than they would with any other bank on the Swedish savings market. Among other things, we can say that a 30 year old can, for example, earn twice as big a pension with Avanza Bank than with the biggest pension company in Sweden. We are also very proud of the Avanza Zero fund, which has reached its 5th anniversary. It is the market's only totally no-fee fund, and was chosen as Fund of the Year 2011 by the readers of the Privata Affärer newspaper.

### **We shall offer the best terms**

Generating value for our customers is also the way to generate long-term value for our shareholders. 99 per cent of our customers state that they are satisfied with Avanza Bank and 98 per cent also state that they could imagine recommending Avanza Bank and our services to a friend or colleague. We think that the explanation of our high level of customer satisfaction is a combination of the fact that we have the market's lowest fees, an extensive offering, and that the standard of the service, quality and tools we offer our customers is high. During 2011, we launched, among other things, Sparkonto+ with fixed interest periods at a higher interest rate, and with several partners in Sparkonto+, which enables our customers to be covered by the government deposits guarantee several times. We have also launched a Family Office offering together with a partner, at a low, even charge, for Private Banking customers who desire advice without high or hidden charges. Our view is quite simply that Avanza Bank shall offer the best terms for savings. If we cannot do this ourselves, we ensure that we do it in cooperation with partners. Reception by customers has been very positive.

During the year, we also worked to develop Avanza Bank's future Internet presence. Via our innovation factory, Avanza Labs, our customers have shared ideas and told us what Avanza Bank can do better. Many of these ideas are the basis of the structure of what we call the next generation's banking experience on the Internet, and in December 2011 we released the first version of Avanza Bank's new Internet presence so that our

customers could start to use, test and give their views regarding future development.

The result from satisfied customers is clear. During 2011, the number of accounts increased by 18 per cent, and we now have a total of 417,200 accounts. During 2011, the net inflow of new savings to Avanza Bank totalled SEK 6,460 million, corresponding to 3.8 per cent of the net inflow to the Swedish savings market. With 1.8 per cent of the existing savings market, this means that we are continuing to win market shares. 2011 was, in summary, a good year for Avanza Bank's shareholders, despite the turbulence in the market. Income increased by 12 per cent to SEK 695 million. Earnings per share increased by 5 per cent and profit after tax rose to SEK 291 million. This means that profit has, on average, increased by 45 per cent per annum over the last ten years.

In early January 2012, the new savings form of investment savings account (ISK) was launched. Interest has been considerable, and

## **Creating benefit for customers creates value for the shareholders** ”

during the first seven weeks we received 5,300 new accounts and SEK 1,300 million in net inflow in ISK. Avanza Bank has the lowest rates in the market for ISK, and also is able to offer credit connected to the account, which means that we expect a continued strong growth of ISK. The net inflow in ISK and capital insurance is expected to become considerably more even during the year on account of new tax rules. We expect to have continued strong growth in Sparkonto+ which grew during the last quarter of the year by SEK 1,100 million, and our ambition is to increase the number of cooperation partners further to improve capacity and terms for our customers.

Despite the fact that at the beginning of 2012 savings capital is lower than it was at the beginning of 2011 on account of a negative trend on

the stock market during the year, we consider, provided key interest rates remain unchanged, that we have the opportunity to increase profits during 2012. During the summer, a proposal is expected as regards the right to freely move pension savings, which is expected to mean that, in the long-term, Avanza Bank will have good prospects of achieving the long-term goal of 15–20 per cent growth in profits.

### Future prospects

Prospects for growth continue to be very good in the Swedish savings market. An important subsidiary goal is that the obvious choice for Swedes is to reconsider their savings, and the

## Avanza shall have seven per cent of the Swedish saving market ”

measurement of this progress is to achieve a market share of 7 per cent of net inflow to the Swedish savings market. If we succeed with this, we will take market shares quickly and will be a real challenge to the major established banks in the savings market. Prior to the end of the year, the government launched the simplified savings form of investment savings account, and probably during 2012 will clarify one of the most important savings issues of future years; the legal right to move one's pension savings. This is expected to strengthen Avanza Bank's long-term prospects for growth.

### Prioritised areas during 2012

■ **Strong offerings in pensions.** The difficulty of growing in the pensions market at present is mainly connected with the lack of the right to move freely and a functioning market for moving. A future right to move one's pension will open up half the Swedish savings market, where Avanza Bank has at present less than one per cent of pension savings, despite having the lowest charges in the market. The goal during 2012 is to

strengthen offerings within pension savings and prepare ourselves for a possible right to move savings.

■ **Modernise Avanza Bank's Internet presence.** During 2012, the goal is to continue to develop our Internet presence for both computers and mobile units, by creating a completely new bank experience on the Internet. In connection with this, we will make the background system more efficient to ensure an IT platform which can cope with high growth for many years ahead.

■ **Cost effectiveness.** One of Avanza Bank's strategies is to be a price leader, and this requires cost leadership. The long-term goal is not to increase costs by more than 15–20 per cent. The Company's assessment is, however, that during 2012 we will keep costs more-or-less unchanged on account of the uncertainties that we see in the market.

Finally, I would like to send my heartfelt and sincere thanks to all of Avanza's employees for the effort they have put in during the year, and I would also like to thank Nicklas Storåkers, who left us during the year as Managing Director, for his many successful years in leading the company. We have a strong team with many ambitious, experienced and clever employees who continually challenge established truths for the benefit of our customers. Our employee surveys show a company in which the customer is at the centre and the culture is very strong. All employees are behind the progress for customers and shareholders during 2011. For my own part, I am proud of the privilege of leading Avanza Bank towards continued success and growth in the Swedish savings market.

Stockholm, February 2012



Martin Tivéus  
Managing Director  
E-mail: martin.tiveus@avanzabank.se,  
Telephone: +46 (0) 70 861 80 04



**99 per cent of  
our customers  
say they are  
satisfied with  
Avanza Bank  
and  
98 per cent can  
consider  
recommending  
Avanza Bank**

---



We are  
never content! ”

Sven Hagströmer, Chairman, Avanza Bank.

## Comments from the Chairman

### What do Avanza Bank and Carl Linnaeus have in common?

In 1753, Carl Linnaeus wrote a work with the short title “Cui Bono?” which roughly translated means “Who benefits?” In the spirit of the time, benefit was always in the forefront, to a large extent thanks to scientists like Carl Linnaeus.

Last year, Avanza Bank implemented a survey of what its employees thought were the most important things about Avanza Bank. Customer benefit came at the top of the list! For more “normal” Swedish companies, customer benefit is usually somewhere between thirtieth and fortieth in the list. As shareholder, perhaps you would like to see shareholder value as item number one?

Do not be deceived. How can one continually achieve shareholder value without customer benefit?

Customer benefit is what has guided Avanza Bank since the groundwork was established in 1999. Through efficiency in all its forms, we have been able to reduce the prices of the savings products we offer to our customers, while the shareholders have hardly had anything to complain about. Some examples: brokerage fees have been reduced by 90 per cent, Avanza Zero – the fund which has no charges at all, Sparkonto+ with high interest on deposits and pension savings with the lowest charges in the market.

## Continued expansion is the highest priority of our new Managing Director ¶¶

Last year was not just a successful year for Avanza Bank. It was a very special year in that Nicklas Storåkers, who had personified Avanza Bank for twelve very successful years, chose to leave his daily job as Avanza Bank's Managing Director.

The following figures speak for themselves. Turnover, which was SEK 67 million in 1999, increased to SEK 695 million in 2011. The profit of SEK 15 million during the same period, increased to SEK 291 million.

The fact that Nicklas, at the age of 37, can look back on such success is quite exceptional. On behalf of the Board, I would like to express our very warmest thanks for not only a fantastically successful time, but also a time characterised by creative discussions and never being able to enjoy the luxury of relaxing and resting on his laurels.

The fact that Avanza Bank now has two per cent of the Swedish savings market can seem a mere trifle, but I can promise that it required blood, sweat and also, it has to be admitted, tears of joy to get there. Despite everything, two per cent is 263,000 customers and SEK 74,200 million in savings capital.

In this context, it can be interesting to reflect on the subject of corporate governance during those years. It is interesting to note how compliance issues in Swedish finance have crept into the Boardroom little by little. These issues now take at least half of the Board's time. Regulations have become extraordinarily extensive. To avoid them being desk products in a literary sense, we are now thinking about how regulations can be kept alive and easily accessible for everyone

involved by means of a digital medium. Regulations are, of course, not an end in themselves, but have appeared as a result of the events which occurred in the capital market, primarily during the last decade.

Finally, I would like to express a warm welcome to Martin Tivéus as Managing Director of Avanza Bank. Martin has a successful background within IT and marketing behind him, which certainly supplements our competence. From his first day here, Martin was indoctrinated in the subject of customer benefit – which however, turned out to be superfluous as Martin already has additional ideas as to how customer benefit can be strengthened.

Martin's task, in a climate in which households are increasing their savings, but are more inclined to use them for mortgage repayments, will be to continue Avanza Bank's expansion despite some headwind.

Under the motto "always more, never enough" our aim is now set on conquering a further two per cent of the savings market. To achieve this goal, even more customer benefit will be required!

Carl Linnaeus, you are always in our thoughts!

Stockholm, February 2012



Sven Hagströmer  
*Chairman of the Board*

# Market and strategy

## Mission and vision

Avanza Bank's mission is to make Swedes financially independent. Our vision is to be the natural choice for Swedes who actively monitor their savings. Avanza Bank savers should have more money over for themselves than they would with any other bank in the Swedish savings market.

## Overall goals

Avanza Bank's primary goal is to have the most satisfied savers of any bank in Sweden and one of our subsidiary goals is to achieve a market share of at least 7 per cent of the net inflow to the Swedish savings market in 2010. The long-term goal for profit growth is 15–20 per cent per annum.\*

**Avanza Bank  
wants to  
make Swedes  
financially  
independent**

---

\* Find out more about Avanza Bank's goals on pp. 39–41.

# Avanza Bank's business concept

---

## 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. Avanza Bank can, amongst other things, demonstrate that a 30 year old can earn twice the pension with Avanza Bank that they could earn with the biggest pension company in Sweden.

### 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 1,200 funds from 180 fund management companies, and customers can also open savings accounts with other banks and credit market companies via Avanza Bank's website.

### Simpler products

Avanza Bank has a range of 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. Avanza Bank is the only bank to offer this service online.

# Growth of capital and lower variable costs create profitable growth

---

## Business model

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, combined with a high proportion of fixed costs and the market's lowest costs per customer and transaction, generates excellent potential for long-term growth in profits.

## 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 generate long-term growth in savings capital.

The most important factor is net inflow, 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. The fixed cost base is, however, increasing due to a wider ranging and more competitive offering. To ensure our long-term ability as a price leader with strong profitability, our goal is to have the industry's lowest cost per transaction and customer. Avanza Bank is currently the market's cost leader and works actively to follow up on costs in relation to budgets and forecasts.

## Market

Avanza Bank's focus is on the Swedish savings market. 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 are estimated to carry out at least one equity or investment fund transaction every year

in a normal year. Find out more about Avanza Bank's target groups on page 24.

The total value of the Swedish savings market is SEK 4,300 billion, 53 per cent of which comprises direct savings and 47 per cent, pension-based savings.\* The market is normally expected to grow by around 10 per cent per annum.

	2000–2011	Anticipated growth
Net inflow, % of savings capital at the beginning of the year	5 %	4–6 %
Growth in value	–1 %	4–6 %
<b>Swedish savings market, annual growth</b>	<b>4 %</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 Swedes manage only part of their savings online. The trend is, however, for those customers who already use the Internet, to transfer a greater percentage of their savings to the online savings management systems. Avanza Bank believes that in the long term, over 50 per cent of all savings will be managed online. The fact that an increasing number of the more mature target groups are using the Internet is positive, since this target group is a relatively capital-strong one.

Swedes' concerns about falling property prices, rising interest rates, and amortisation demands pose a threat to a continued high rate of net inflow to the Swedish savings market and

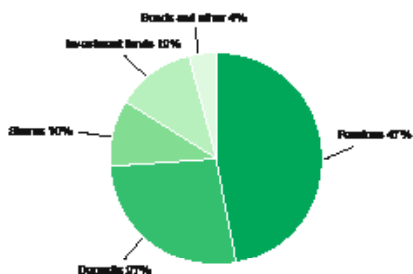
may result in Swedes increasingly opting to save by amortising their housing loans.

Avanza Bank's savings capital has increased by an average of 24 per cent per annum during the period 2001–2011 which is a considerably greater rate of increase than that seen in the savings market as a whole in Sweden. Avanza Bank's goal for the future is a per annum increase in savings capital of 20–25 per cent.

### Trends – share-based saving

The trend in *share-based saving* for private individuals suggests that the Internet's importance will continue and be predominant. New EU legislation has resulted in increased competition between traditional bourses and new marketplaces. Trade in a specific security that was previously conducted on a bourse has now, as a result, become fragmented and the security is now traded simultaneously on several marketplaces. This has, in turn, resulted in a deterioration in liquidity and poorer transparency. There has also been an increase in so-called high frequency trading, (computerised trading using pre-set algorithms) which results in very intensive trading and demands extremely rapid order completion. The increased complexity of the market makes it all the more vital that Avanza Bank connects to more marketplaces and invests in modern systems that can handle parallel trading in multiple marketplaces. The increase in high frequency

\* Source: Sparbarometern 31st December 2011.



The Swedish savings market 31st December 2011\*

trading has also resulted in increased competition for day traders.

### Fund-based saving

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

### Deposits

Levels of saving in the form of *deposits* in accounts have, from an historic perspective, been high during both 2010 and 2011. Savings accounts' interest levels have gradually risen during the year as key interest rates have risen and the banks' interest in deposits as a source of financing has increased. Collectively, these factors are taken to mean that interest in saving in deposits will continue high. In September 2010, Avanza Bank launched Sparkonto+, which enables customers to open savings accounts in external banks and credit market companies via Avanza Bank's website. During 2011, Avanza Bank increased the number of cooperating credit market companies as regards Sparkonto+ and launched the savings account with a fixed term. This enables customers to multiply their state deposit guarantee by opening several savings accounts via Avanza Bank while receiving good

interest on their savings. Interest in Sparkonto+ has been considerable.

### Pension and insurance-based saving

*Pension- and insurance-based saving* is the biggest single savings segment, but also the type of saving that interests Swedes least. Savers perceive the pensions products as complicated. Also, many have difficulty in having a comprehensive overview of their combined pensions savings, which has also contributed to low involvement. The gradual deterioration in the public savings system has, however, led to more and more people realising that their finances in retirement depend on their active savings choices today. This realisation is, in turn, increasing activity levels and awareness on the part of savers, who are demanding cheaper and more flexible pension products. Swedes are still, however, unable to move their pension savings in an unrestricted way. The Ministry of Finance is conducting an extensive review with the aim of extending pension savings transfer rights. The review's conclusions are scheduled for presentation in the summer of 2012.

Avanza Bank anticipates a considerable increase in occupational pension customers. During 2011, Avanza Bank improved its offering to corporate customers through greater functionality in the corporate website where those companies who offer their employees occupational pensions via Avanza Bank can administer their employees' occupational pensions for themselves. During 2011, Avanza Bank also opened up for customers to take out Occupational Pensions direct via the web, and took an active role in the issue of the right to move in several meetings of the right to move enquiry.

Interest in endowment insurance saving has remained high with Avanza Bank throughout 2011. 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 0.75 per cent\*\* of the savings capital.

\* Source: Sparbarometern 31st December 2011.

\*\* As of 1st January 2011.



## Investment savings account

Towards the end of 2011, Avanza Bank worked with preparations for offering the new investment savings account. An investment savings account includes a number of advantages additional to those in endowment insurance saving, such as voting rights for shares held and deposit guarantee. Introduction of investment savings accounts is expected to reduce demand for endowment insurance saving but at the same time will improve Avanza Bank's total competitiveness because the tendency of Swedes to consider alternatives for their savings is expected to increase. The new legislation for investment savings accounts and endowment insurance saving came into force on 1st January 2012.

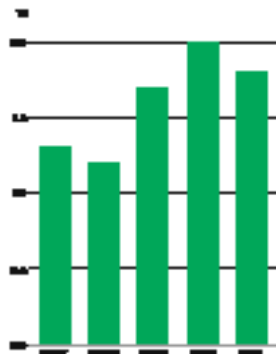
## Competitors

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, stock-brokers and insurance brokers. Avanza Bank is

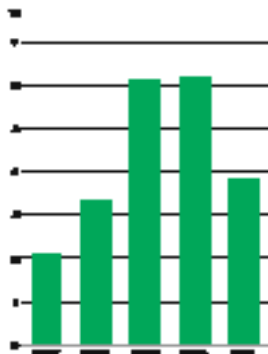
the biggest dedicated player in online saving. The other players with a dedicated online savings profile are Skandiabanken, Nordnet and SAXO-ETRADE.

## Market position

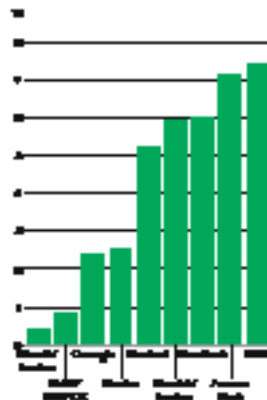
At the end of 2011, Avanza Bank's customers had SEK 74,200 million (SEK 82,000 m) invested in different savings formats corresponding to 1.8 per cent (2.0%) of the total savings market in Sweden. Avanza Bank's share of the net inflow into the Swedish savings market totalled 3.8 per cent (6.2%) in 2011, which means that Avanza Bank is taking significant market shares. Avanza Bank is currently the second biggest player on the NASDAQ OMX Stockholm, First North and Burgundy marketplaces, measured in terms of the number of transactions. In 2011, 7.1 per cent (9.1%) of the total number of transactions were conducted through Avanza Bank. Measured in terms of turnover, Avanza Bank was the third biggest player, with a market share of 4.6 per cent (5.5%).



Market share of the Swedish savings market 2007-2011



Market share of the net inflow to the Swedish savings market 2007-2011



Market share of NASDAQ OMX Stockholm, First North and Burgundy, number of transactions 2011

# SEK 74 billion in savings capital

# The main strategy is satisfied customers

---

## Strategies

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

### 1. 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.

### 2. 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. This 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.

### 3. 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.

### 4. 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.

### 5. 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 important, strategically speaking, that our ambition is to offer the market the lowest fees.

**Avanza Bank  
is the biggest  
dedicated  
player in  
online saving**

---

## Goal fulfilment

Avanza Bank's profit has increased over the last ten years by an average of 45 per cent per annum, thereby substantially exceeding our goals for profit growth.

During 2011 the number of accounts increased by 18 per cent and the net inflow totalled SEK 6,460 million, corresponding to

8 per cent of the savings capital at the beginning of the year. The basis for good growth is satisfied customers, and in 2011 Avanza Bank achieved its primary goal of having the most satisfied customers of any bank in Sweden, for the second year in succession. \*

Annual growth (ca.)	2001–2011	Goal
Net savings, % of savings capital at the beginning of the year	20 %*	13–17 %
Growth in value	5 %*	6–8 %
Savings capital, growth	24 %	20–25 %
Estimated pricing pressure	(4 %)	(3–7 %)
Growth in income	22 %	15–20 %
Increase in costs	15 %	15–20 %
Growth in profits	45 %	15–20 %

\* 2002–2011

Profit grew by 7 per cent in 2011, which is lower than the long-term goal. High interest rate margins resulting from the Riksbank's raising of key interest rates, together with increased interest saving in Sparkonto+ have made positive contributions to the profit performance, which has otherwise been affected negatively by a falling stock market and negative growth of savings capital.

Avanza Bank launched several new products during the year with the aim of achieving more in-depth relationships and dialogues with its customers: saving at fixed terms with higher interest rates on deposits in Sparkonto+ making it possible for customers to deposit money with other banks and credit market companies at better interest on their deposits, cooperation with the Valbay Family Office for advice to Private Banking customers who wish to avoid higher charges, and the first version of a new site with a simplified structure that will also suit less experienced customers.

To make Avanza Bank more competitive and make possible product launches that are even faster and better, the Company decided during 2011 to invest more resources into site and IT development.

Avanza Bank's overall goal is to achieve market share of at least 7 per cent of the net inflow to the Swedish savings market during 2012. A subsidiary goal for 2011 was for this proportion to reach at least 6 per cent. The outcome was 3.8 per cent. The prospects of Avanza Bank achieving the overall goal are considered to be good with normal stock market trends. However, the interest situation and a trend towards paying off mortgages could reduce the net inflow to the Swedish savings market as a whole.

Learn more about Avanza Bank's goals and future on pages 39–41.

\* Source: Svenskt Kvalitetsindex, November 2011.

**Labs  
– A place  
where  
customers  
help develop  
Avanza Bank's  
services in  
accordance  
with their  
wishes**

---

# Avanza Bank's social responsibilities

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

## Socio-economic responsibility

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

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

Avanza Bank is a secure bank that remained stable throughout the most recent financial crises. The company conducts its operations in a way that ensures a low level of financial risk taking in its Balance Sheet, a high level of transparency, good liquidity, and a sound credit history. Avanza Bank does not trade in securities on its own behalf and works both proactively with risk management and preventatively with regard to economic crime.

## Environmental responsibility

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

## Social responsibility

Avanza Bank endeavours to ensure a good working environment, good health and skill development for its employees. The company also promotes such issues as increased equality and diversity, with the aim of making Avanza Bank an even better workplace and employer. Find out more about Avanza Bank's corporate culture, management and recurring evaluations on pages 26–29.

Avanza Bank gives its employees a Christmas present every year in the form of donations to the Hand in Hand aid organisation. The aid provided involves training Indian women to set up and run their own businesses and providing microloans to build up local trades and industries. Avanza Bank also offers customers the chance to donate their share dividends to charitable organisations.

# 24/7/365

---

**Avanza Bank  
is a  
secure  
and stable  
bank**

---

# Avanza Bank's customers

Avanza Bank focuses, at all times, on what is best for the customer. A survey carried out by Svenskt Kvalitetsindex (EPSI) in the autumn of 2011 showed that Avanza Bank had Sweden's most satisfied customers for the second year running.

At the end of the year, Avanza Bank had 263,000 (236,800) customers. There was a total of 417,200 (352,200) accounts, corresponding to an increase of 18 per cent (26%) since 2010.

During 2011 customers made an average of 1.7 (1.9) transactions per month and account, and the average number of transactions per day increased from 36,300 till 36,800. The most common shareholdings amongst Avanza Bank's customers at the end of the year were H&M, Ericsson and Volvo. The number of accounts with fund-based holdings totalled 170,600 (158,300) at the end of the year.

	No. accounts		Savings capital, SEK m	
	31-12-2011	31-12-2010	31-12-2011	31-12-2010
Share and investment fund accounts	214,800	199,800	39,550	48,190
Savings accounts	49,300	27,500	4,550	2,410
of which, deposit accounts	23,000	4,950	3,300	810
Pension- and insurance based accounts	153,100	124,900	30,100	31,400
of which, endowment insurance	89,400	72,100	23,500	24,700
of which, occupational pensions	30,100	22,400	2,040	1,560
<b>Total</b>	<b>417,200</b>	<b>352,200</b>	<b>74,200</b>	<b>82,000</b>
Basic and Premium, other	381,430	321,320	41,550	46,380
Mini	19,200	16,500	1,410	1,560
Private Banking	14,500	12,100	29,100	31,300
Pro	2,070	2,280	2,140	2,760
<b>Total</b>	<b>417,200</b>	<b>352,200</b>	<b>74,200</b>	<b>82,000</b>

## Target groups

Avanza Bank's customers can be divided into two main target groups: enthusiasts and pragmatists. The majority of the customers are enthusiasts who are heavily committed to and very knowledgeable about different types of saving. This target group is estimated to comprise almost 800,000 savers. An increasing number of pragmatists are, however, also becoming Avanza Bank customers. Pragmatists do not have the same amount of time, know-how or interest as the enthusiasts when it comes to managing their saving on an ongoing basis, but they are prepared to review their savings and switch to better solutions. Avanza Bank is seeing strong growth in the pragmatist segment and estimates that this target group comprises almost three million Swedes.

Avanza Bank mainly targets Swedish private investors, but also offers services for professional day traders and corporate customers.

## Private customers

### Basic & 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



# Sweden's most satisfied savers

---

members of a household are customers, their combined savings are aggregated and all members of the family are offered the same terms.

## Mini

Mini-customers receive a stripped back service that lacks many of the account types and functions offered to other customers. In return, Mini customers 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 professional day traders, as they are known, and offers a low brokerage rate (0.034 per cent or lower), training, rapid ordering, a number of specialist services in the financial information field, and personal service from Avanza Bank's customer support and brokerage department.

Pro customers 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 applica-

tions, 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

Corporate customers use Avanza Bank's services to manage their surplus liquidity and for long-term investments. Avanza Bank has conducted equity and derivative transactions with around forty customers in the institutional and asset management sector in 2011.

Avanza Bank also offers corporate solutions for occupational pensions and company-owned endowment insurance, with absolutely no fixed fees, and that enable both large and small companies and their employees to save for their pensions via the wide range of investment funds and other securities. By the end of the year, 3,000 companies with a total of 30,100 employees had chosen to affiliate themselves to Avanza Bank's occupational pension solution, including those with collective agreement-based occupational pensions.

Avanza Bank offers Corporate Finance services to companies in conjunction with stock market IPOs, ownership widening, and new rights issues, and completed around fifteen engagements in 2011 including ten stock market IPOs and ownership widening programmes. Two of these were stock market IPOs on the NASDAQ OMX Stockholm Small Cap list. Avanza Bank enjoys a substantial competitive advantage in the Corporate Finance sphere in that its 263,000 customers provide a strong platform for cost-effective ownership widening.

**Avanza Bank  
encourages  
its employees  
to make  
decisions  
and take  
responsibility**

---

# Avanza Bank's employees

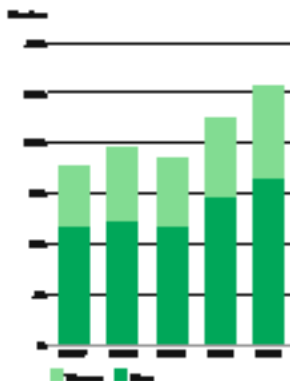
Avanza Bank operates in a rapidly changing market, which demands a great deal of the employees. Massive accountability, commitment and the ability to think outside the box are just some of the challenges Avanza Bank's employees face every day. The ability to perform to these standards while simultaneously 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, legal issues, compliance, finance, HR, back office and other administration.

In 2011, Avanza Bank continued to focus its recruitment activities on IT and certain key positions in other departments. Avanza Bank had an average of 256 (225) employees in 2011, 37 per cent (36%) of whom were women and 63 per cent (64%) of whom were men. At the turn of the year, there was a total of 260 (244) full-time employees (excluding those on leaves of absence and parental leave). The average age of employees was 32 (32) years. The sick leave rate in 2011 was 2.0 per cent (2.0%).

## A corporate culture with a shared value base

Avanza Bank works actively to maintain and develop the corporate culture which forms 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 the right decisions being made and 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. These are the foundations of Avanza Bank and it is by working actively and single-mindedly that the corporate culture can help ensure that



Average number of employees 2007–2011

the company achieves its goals. In the annual employee survey, approximately 80 per cent of all employees said that the cornerstones affected the way they worked.

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

## Avanza Bank's formula for success is:

# A=Can<sup>f</sup>

A = All of us at Avanza Bank

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

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. Based on the findings of employee surveys and external comparisons, Avanza Bank has a strong management team.

All new managers undergo a thorough management training course designed to give them valuable tools in connection with management issues. The basis of the management training provided at Avanza Bank is situationally-adapted management, i.e. that all employees, situations and challenges are unique and impose different demands on the manager's actions and conduct. The focus in 2011 was on improving the connection between leadership and company culture so that Avanza Bank managers can act to contribute to encouraging behaviour which, in turn, strengthens managerial culture. This will, in turn, generate better preconditions for efficiency and continued growth. 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.

## 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, based on the general goals and regular development discussions. In these discussions, individual goals and personal development are among the topics 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.

neration 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 an important issue for Avanza Bank because it forms the basis for innovation, creativity and quality within the company. Greater understanding of cultural differences and greater linguistic skills also enable Avanza Bank to reach out to new customer groups. Other important issues in 2011 have included actively working towards a zero tolerance of discrimination and harassment, and of ensuring there are no unreasonable pay differentials between men and women.

## Recurring evaluations

Avanza Bank endeavours at all times to become an even better workplace and employer. Doing so requires the company to constantly ask where it could improve. Avanza Bank does not believe in being satisfied with the status quo because it makes no contribution to 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 was 97 per cent – proof of a high level of commitment.

# The employees consider that Avanza Bank's strengths are in leadership, relationships and job satisfaction

---

ment amongst the employees and a unique figure amongst medium-sized companies.

The employee satisfaction survey was divided into thirteen sections, where the difference between how important an issue is compared with how well Avanza Bank meets its employees' needs. Of these thirteen sections, twelve had improved compared with the previous year. The areas that proved to be Avanza Bank's strengths were leadership, relationships and job satisfaction. Work environment was the area that improved most compared with the previous year and was largely the result of Avanza Bank having moved to modern, newly renovated premises at

Regeringsgatan 103 in central Stockholm. Skill development also continued to improve which is encouraging after a deliberate programme of activities over several years. The area which had worsened compared with previous surveys was information & dialogue, which constitutes a challenge for a company that is growing quickly. In order to continue with the work of improvement all employees, heads and the senior management group were involved in analysing the results and identifying tangible improvement measures. The next employee satisfaction survey is scheduled for the autumn of 2012.

# The Avanza Bank share

## Price performance

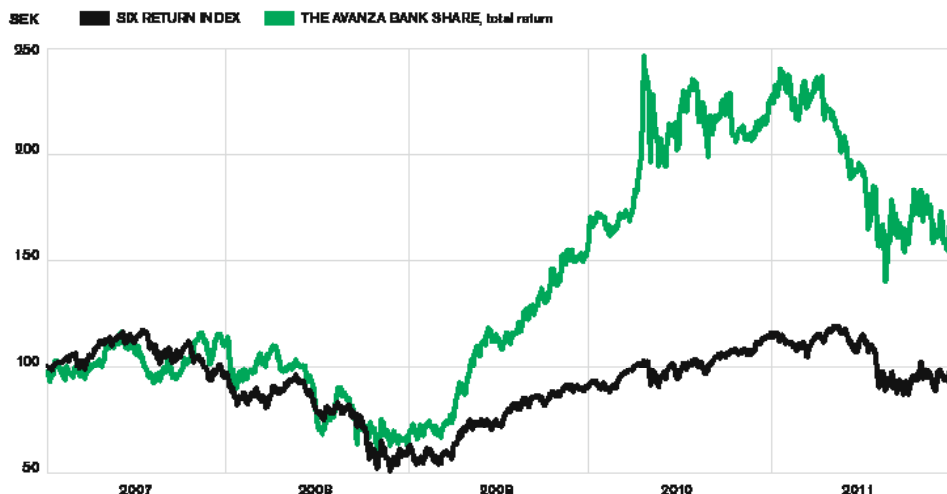
The price performance, including reinvested dividends, of the Avanza Bank share on NASDAQ OMX Stockholm between 2007 and 2011.

## Warrant programme

The warrant programme comprises 1,644,000 shares, corresponding to a dilution of 6 per cent. The warrant programme is divided into three subsidiary programmes and the total warrant programme runs during the period May 2009 till May 2014. Outstanding warrants 2009–2012 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. Outstanding warrants 2010–2013 grant entitlement to subscribe for a total of 577,000 new shares at an exercise price

of SEK 268.46 per share. The term of the programme expires on 24 May 2013. The warrants can be redeemed during the period from 2nd May 2013 up to and including 24th May 2013. Outstanding warrants 2011–2014 grant entitlement to subscribe for a total of 490,000 new shares at an exercise price of SEK 265.16 per share. The term of the programme expires on 30th May 2014. The warrants can be redeemed during the period from 2nd May 2014 up to and including 30th May 2014. The warrants are issued on market terms through the use of the Black & Scholes model to determine the value.

The redemption period of the previous warrant programme 2008–2011 ran from 2nd to 27th May 2011. The exercise price was SEK 136.00 per share. 580,603 shares of a total of 580,972 shares were subscribed for under this subsidiary programme, all shares subscribed for have been issued.



Share data	
Number of outstanding shares, 31st Dec. 2011	28,262,549
Number of outstanding warrants, 31st Dec. 2011	1,644,000
Market capitalisation, 31st Dec. 2011, SEK m	4,650
Share price, 31st Dec. 2011, SEK	164.50
Highest closing price (24th Jan. 2011)	250.50
Lowest closing price (19th Aug. 2011)	140.00

Change in share capital					
Year	Change	Changes in no. share	Total no. shares	Changes in share capital, SEK	Total share capital, SEK
2001	New issue	4,425,907	25,415,478	11,064,767	63,538,695
2001	New issue	1,207,396	26,622,874	3,018,490	66,557,185
2005	New issue	842,800	27,465,674	2,107,000	68,664,185
2007	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
2010	New issue	379,860	27,957,470	949,650	69,893,675
2011	New issue	580,603	28,538,073	1,451,507	71,345,183
2011	Buy-back of own shares	-275,524	28,262,549	-	71,345,183

**SEK 10.00 (SEK 9.50)**  
**per share**

The ten largest shareholders, 31st Dec. 2011	Number of shares	Percentage of share capital and votes, %
Investment AB Öresund	5,969,854	20.9
Lannebo Fonder	2,572,729	9.0
Sven Hagströmer (incl. family and companies)	2,061,034	7.2
Swedbank Robur Fonder	1,406,891	4.9
Sten Dybeck (incl. family and companies)	942,800	3.3
JPM CHASE NA	783,165	2.7
Mats Qviberg (incl. family and companies)	727,267	2.6
Svenskt Näringsliv	700,000	2.5
Enter Fonder	623,170	2.2
SSB CL OMNIBUS AC OM09 (30 PCT)	390,710	1.4
Other owners	12,360,453	43.3
<b>Total</b>	<b>28,538,073</b>	<b>100.0</b>
varav återköpta aktier	275,524	
<b>Utestående antal aktier exklusive återköpta aktier</b>	<b>28,262,549</b>	

Concentration, capital	Percentage of share capital and votes, %
The 10 largest owners	56.7
The 25 largest owners	67.3
The 100 largest owners	78.1

## 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 2011. The percentage of foreign owners is estimated at 2.47 per cent. There was a total of 13,429 shareholders. On 19th January 2012, 5,969,854 shares were transferred from Investment AB Öresund to Creades AB.

## 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 SEK10.00 (SEK 9.50) per share for 2011. This corresponds to a dividend payment totalling SEK 283 million (SEK 266 m) and a dividend ratio of 97 per cent (98%). 24th April 2012. 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, 19th April 2012. 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 27th April 2012.

The formal statement from the Board is presented on page 86.

## Buy back of the company's own shares

The Annual General Meeting held on 14th April 2011 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. During 2011 a total of 275,524 shares were bought back for SEK 46.1 million. This is equivalent to an average price of SEK 167.22. The buybacks were equivalent to 1.0 per cent of the number of shares prior to the buybacks. The company held 275,524 bought back shares as of 31st December 2011.



# 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 2011 financial year. A Corporate Governance is provided separately from the Directors' Report on pages 91–100.

## 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 and Börsveckan.

## Description of operations

Avanza Bank's mission is to make Swedes financially independent. As the Savers' Bank, Avanza Bank's goal is for Avanza Bank customers 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

The stock market was weak in 2011, with a fall of 17 per cent. During the first quarter the world's

markets were shaken by the earthquake and tsunami in Japan and the ensuing risk of damage to nuclear power stations and by concerns about Greece's economy. The market recovered at the end of the second quarter when a new support package for Greece was presented. The third quarter was very weak, with a market fall of 20 per cent caused by the economic stresses in Europe that resulted from the banks' exposure to Greece, for example. The final quarter of the year showed a brighter stock market trend, and indeed, this proved to be the market's best quarter of the year, with an 8 per cent rise.

2011 has seen considerable growth in the Sparkonto+ savings format, with 18,050 new accounts and an increase of SEK 2,490 million in savings capital. Avanza Bank customers can now invest money with four separate savings institutes and the state deposit guarantee, corresponding to EUR 100,000, applies for each of them.

The Riksbank raised the key interest rate on a number of occasions during the year, contributing to the 64 per cent increase in Avanza bank's net interest items during the year. This trend was broken, however, in December when the Riksbank cut the repo rate to 1.75 per cent in response to the weakening global economic outlook and the slow-down in the Swedish economy.

On 9th May the share price of Diamyd Medical fell by 85 per cent. The share was popular with Avanza Bank's customers. A small number of these customers had raised loans against their Diamyd Medical shares as collateral. For some customers the price fall resulted in the value of the collateral being less than the liability. Because of this, the 2011 result has been charged with SEK 6 million in credit losses which is considered to be the likely outcome. Total credit losses in the period 2001–2010 amounted to SEK 1 million. During the year, Avanza Bank worked towards the goal of not having any credit losses in the future and has taken a number of measures to ensure that in similar events in the future the credit losses shall be marginal. On 22nd May, the Avanza Zero fund celebrated its fifth anniversary. Avanza Zero is the only fund in Sweden completely without charges, and it now has over 80,000 unit holders.

In 2011 Avanza Bank had Sweden's most satisfied savers, for the second year running. This is shown by the Svenskt Kvalitetsindex survey of customers' opinions of the various savings services of Swedish banks.

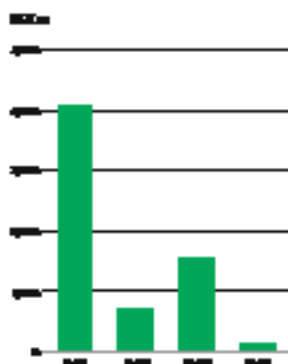
As of 31st December 2011, Avanza Bank had 1.8 per cent (2.0% as of 31st December 2010) of the total savings market in Sweden. During 2011 Avanza Bank had 3.8 per cent (6.2% during 2010) of the total net inflow to the Swedish savings market.

Activity	2011	2010	Change %
Net inflow, equity & investment fund accounts, SEK m	-1,800	2,010	-190
Net inflow, savings accounts, SEK m	2,090	1,210	73
of which, external deposit accounts, SEK m	2,470	810	205
Net inflow, pension- & insurance-based accounts, SEK m	6,170	6,350	-3
of which, endowment insurance, SEK m	5,350	5,620	-5
of which, occupational pensions, SEK m	700	670	4
<b>Net inflow, SEK m</b>	<b>6,460</b>	<b>9,570</b>	<b>-32</b>
Net inflow/Savings capital, %	8	16	-8
No. commission notes per account & month	1.7	2.0	-15
No. transactions per commission note	1.7	1.7	0
Brokerage per commission note, SEK	78	82	-5
Market shares			
NASDAQ OMX Stockholm, First North and Burgundy			
No. transactions, %	7.1	9.1	-2,0
Turnover, %	4.6	5.5	-0,9

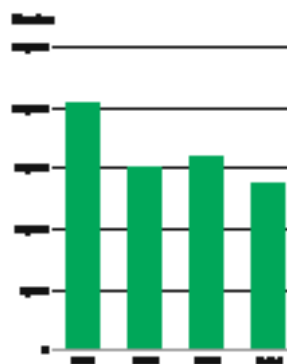
For definitions, see page 90.

In 2011, trading activity declined as the number of trades per account was 15 per cent less than in 2010. This is considered to be due to the 17 per cent decline in the stock market and rising interest rates for most of the year.

Net inflow in 2011 was 32 per cent less than in 2010. It appears that the entire market has contracted because of high interest rates and savers choosing to pay off their mortgages. Net inflow into occupational pension schemes corresponds to 11 per cent (7%) of Avanza Bank's total net inflow during 2011.



Net inflow per quarter 2011



Account inflow per quarter 2011

	31st Dec 11	31st Dec 10	Change %
<b>Savings capital</b>			
Savings capital, equity & investment fund accounts, SEK m	39,550	48,190	-18
Savings capital, savings accounts, SEK m	4,550	2,410	89
of which, external deposit accounts, SEK m	3,300	810	307
Savings capital, pension- & insurance-based accounts	30,100	31,400	-4
of which, endowment insurance, SEK m	23,500	24,700	-5
of which, occupational pensions, SEK m	2,040	1,560	31
<b>Savings capital, SEK m</b>	<b>74,200</b>	<b>82,000</b>	<b>-10</b>
Equities, bonds, derivatives, etc. SEK m	46,860	56,420	-17
Investment funds, SEK m	15,200	17,700	-14
Deposits, SEK m	14,700	11,740	25
of which, external deposits, SEK m	3,300	810	307
Lending, SEK m	-2,560	-3,860	-34
<b>Savings capital, SEK m</b>	<b>74,200</b>	<b>82,000</b>	<b>-10</b>
Deposits/Lending, %	574	304	270
Net deposits/Savings capital, %	16	10	6
Avanza Bank, SEK m	41,550	46,380	-10
Mini, SEK m	1,410	1,560	-10
Private Banking, SEK m	29,100	31,300	-7
Pro, SEK m	2,140	2,760	-22
<b>Savings capital, SEK m</b>	<b>74,200</b>	<b>82,000</b>	<b>-10</b>
Return, average account since Jan 1 st, %	-16	16	-32
OMX Stockholm Price Index since Jan 1 st, %	-17	23	-40
<b>Accounts</b>			
No. equity & investment fund accounts	214,800	199,800	8
No. savings accounts	49,300	27,500	79
of which, no. external deposit accounts	23,000	4,950	365
No. pension- & insurance-based accounts	153,100	124,900	23
of which, no. endowment insurance	89,400	72,100	24
of which, no. occupational pensions	30,100	22,400	34
<b>No. accounts</b>	<b>417,200</b>	<b>352,200</b>	<b>18</b>
Avanza Bank, no. accounts	381,430	321,320	19
Mini, no. accounts	19,200	16,500	16
Private Banking, no. accounts	14,500	12,100	20
Pro, konton, no. accounts	2,070	2,280	-9
<b>No. accounts</b>	<b>417,200</b>	<b>352,200</b>	<b>18</b>
No. accounts per customer	1.59	1.49	7

For definitions, see page 90.

The number of customers amounted to 263,000 (236,800) as of 31st December 2011. This means that the average customer has 1.59 (1.49) accounts with Avanza Bank.

Deposit accounts grew strongly during 2011, when 18,050 new accounts of the Sparkonto+ savings product were opened. The volume of deposits in Sparkonto+ increased by 307 per cent to SEK 3,300 million during 2011. At the end of the year 12 per cent (8%) of Avanza Bank's accounts were savings accounts.

The number of new occupational pension accounts totalled 7,700 (12,610) in 2011, corresponding to 12 per cent (17%) of the total number of new accounts.

## Development

The work on developing Avanza Bank's new Internet presence has continued throughout the year and a beta version of the new website that Avanza Bank has built in Avanza Labs in cooperation with its customers was presented on 22nd December. In 2011 this work took up about 50 per cent of total IT development capacity. The work will continue in 2012 with the aim of creating Sweden's best banking experience in the Internet. It is expected that between 50 and 75 per cent of IT development resources will be used for this project during 2012.

Preparatory work aimed at enabling Avanza Bank to offer the new savings format, the investment savings account, and continuing to offer

endowment insurance in accordance with amended rules and regulations, was carried out during the second half of the year. Customers will continue to be offered the opportunity to borrow within an endowment insurance framework and the new savings format, the investment savings account, will be available as of 1st January 2012.

During the first quarter, an Android app was launched. Together with the existing iPhone app this will make it possible for savers to have a good overview of their savings via their mobiles.

The Sparkonto+ savings product was expanded during the second quarter with a further two players, GE Money Bank and Collector. Savers can now, as a result, invest money with four savings institutions via Avanza Bank. The state deposit guarantee corresponding to EUR 100,000 applies for each savings institution. During the second quarter it also became possible to invest money at a fixed rate of interest with a fixed term, which is at present offered via Klarna which, as before, also accepts deposits at variable interest without fixed term. In total this means that Avanza Bank can offer better flexible, fixed term savings interest than all the major banks and that customers can invest four times as much money with the state deposit guarantee via Avanza Bank than with any other bank.

During the year, Avanza Bank continued to work with developing better system support for credit monitoring. The aim is to continue to avoid having any credit losses.

## Financial overview

	2011	2010	Change %
<b>Income Statement, SEK m</b>			
Brokerage income	305	329	-7
Fund commissions	70	81	-14
Net interest items	258	157	64
Other income, net	62	54	15
<b>Operating income</b>	<b>695</b>	<b>621</b>	<b>12</b>
Personnel	-189	-166	15
Marketing	-23	-23	0
Depreciation	-11	-11	0
Other expenses	-125	-90	37
<b>Operating expenses</b>	<b>-348</b>	<b>-290</b>	<b>20</b>
<b>Profit before tax</b>	<b>347</b>	<b>331</b>	<b>5</b>
Kreditförluster, netto	-6	0	-
<b>Rörelseresultat</b>	<b>341</b>	<b>331</b>	<b>3</b>
Operating margin, %	49	53	-4
Profit margin, %	42	44	-2
Cost/income ratio, %	50	47	3
Earnings per share, SEK	10.28	9.77	5
Earnings per share after dilution, SEK	10.21	9.62	6
Return on shareholders' equity, %	35	37	-2
Investments, SEK m	21	20	5
Brokerage income/Operating income, %	44	53	-9
Non-brokerage income/Operating income, %	56	47	9
of which, Fund commissions/Operating income, %	10	13	-3
of which, Net interest items/Operating income, %	37	25	12
of which, Other income/Operating income, %	9	9	0
Non-brokerage income/Operating expenses, %	112	101	11
of which, Net interest items/Operating expenses, %	74	54	20
Operating income/Savings capital, %	0.88	0.87	0.01
of which, Net interest items/Savings capital, %	0.33	0.22	0.11
Average no. employees	256	225	14
No. trading days	251.0	250.5	0
Web service operational availability, %	99.9	99.9	0
	<b>31st Dec 11</b>	<b>31st Dec 10</b>	<b>Change %</b>
Shareholders' equity per share, SEK	30.97	29.07	7
Capital base/Capital requirement	2.06	1.84	12
No. employees	260	244	7
Market value, SEK	164.50	234.00	-30
Market capitalisation, SEK m	4,650	6,540	-29

For definitions, see page 90.

Net interest items increased by 64 per cent (33%) in 2011 as a result of the Riksbank increasing key interest rates in the first half of the year.

As announced previously, the 2011 earnings were charged with credit losses of SEK 6 million. The estimation of the size of the credit losses remains unchanged.

A Swedish securities company, CTA Lind & Co Scandinavia AB, was declared bankrupt in 2004 and funds were paid to investors from the Swedish compensation scheme. Monies were not funded within the investor compensation scheme and the Swedish National Debt Office has subsequently now begun levying fees in arrears from all institutions which were part of the investor compensation scheme at the time of the bankruptcy, in order to cover costs at the time of the failure. By September 2010 all these institutions had delivered information to the Swedish National Debt Office on customers; assets with each respective institution as of 31st December 2004. In June 2011 the Swedish National Debt Office announced that it had been decided to set Avanza Bank's fee at SEK 9 million. This fee was charged to the 2011 result. In total, SEK 143 million in fees was allocated between 187 institutions which belonged to the investor compensation scheme at the time of the bankruptcy. Avanza Bank has appealed against the Swedish National Debt Office decision and there are prospects of being able to reclaim a substantial portion of Avanza Bank's fee.

Costs before credit losses increased by 20 per cent (23%) in 2011. Excluding the investor compensation fee of SEK 9 million, charged to the 2011 result, costs rose by 17 per cent

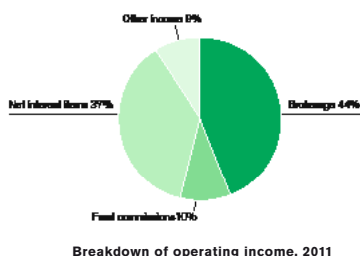
(23%) in 2011. The increase is primarily due to higher IT costs and more employees as a result of the work in developing a new site, increased costs for the deposit guarantee and stability fee and higher costs of premises. This is in line with budget and the long-term goal of a 15–20 per cent increase in costs.

In 2011 non-brokerage income amounted to 112 per cent (101%) per cent of costs before credit losses. Non-brokerage income primarily consists of net interest items, fund commission, net income from currency fluctuations and fees from corporate finance. The high proportion is due mainly to the net interest items.

In mid-May, Avanza Bank moved to new premises at Regeringsgatan 103 in Stockholm. 2011 was charged with one-off costs resulting from the move, amounting to a total of SEK 3.5 million.

Avanza Pension's present management of fund commissions from external fund managers was approved in 2011 in a ruling by the Supreme Administrative Court. With this positive decision there is no longer any risk that the company's effective tax expense will increase in the future on account of this.

In September 2008 Avanza Bank submitted a request to the Swedish Tax Agency for a review of the deductibility of input VAT in respect of 2007, with the aim of recovering the VAT paid. In July 2009, the Tax Agency rejected this request. Avanza Bank appealed the ruling to the Administrative Court which ruled, in September 2010, that it would not overturn the Tax Agency ruling. Avanza Bank's appeal was submitted to the Administrative Court of Appeal in November 2010 which ruled in September 2011 that it would



not overturn the Tax Agency ruling. An appeal was submitted to the Supreme Administrative Court during the fourth quarter of 2011. The 2011 result has been charged with SEK 3.5 million in respect of part of input VAT for the years 2004–2007.

In total the 2011 result has been charged with SEK 22 million in non-recurring costs for credit losses, investor protection, VAT and the move to new premises.

### Financial position

All of Avanza Bank's assets have a high liquidity level. Reinvestments can, therefore, for the main part of the assets be made with one day's delay. The assets are judged to be secure. In 2011 the result was charged with SEK 6 million in credit losses resulting from the 85 per cent fall in the Diamyd Medical share price on 9th May 2011. With that, total credit losses between 2001 and 2011 amounted to SEK 7 million, which as an average is less than 0.03 per cent per annum. Avanza Bank does not and has not engaged in trading in securities for its own account.

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

### The Parent Company

Avanza Bank Holding AB is the Parent Company of the Avanza Bank corporate group. The operating result for 2011 was SEK –7 million (SEK

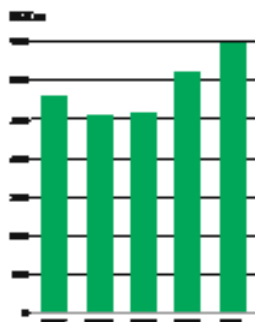
–6 m) The Parent Company reports no turnover. Anticipated dividends from subsidiary companies totalling SEK 280 million (SEK 197 m) have been reported. A dividend totalling SEK 266 million (SEK 221 m) has been paid to shareholders.

### Outlook for the future

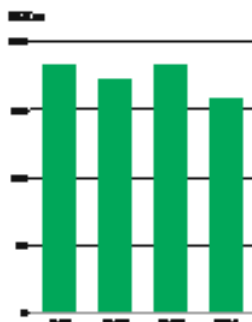
Avanza Bank's goal is for its long-term profit growth to total between 15 and 20 per cent per annum. Growth rates in individual years will, however, vary in line with stock market performance.

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

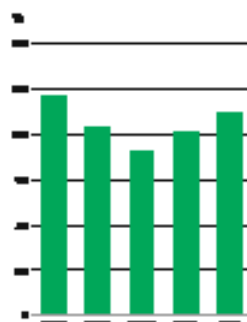
There is a clear long-term link between growth in savings capital and growth in operating income, and underlying growth in savings capital therefore generates the preconditions for growth in income. Pricing pressure is, however, expected to continue, and this will have a negative effect on the rate of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



Operating income, 2007–2011



Operating income per quarter, 2011



Non-brokerage income in relation to operating expenses, 2007–2011

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

Annual growth (ca.)	2001–2011	Goal
Net savings, % of savings capital at the beginning of the year	20 %*	13–17 %
Growth in value	5 %*	6–8 %
<b>Savings capital, growth</b>	<b>24 %</b>	<b>20–25 %</b>
Estimated pricing pressure	(4 %)	(3–7 %)
Growth in income	22 %	15–20 %
Increase in costs	15 %	15–20 %
Growth in profits	45 %	15–20 %

\* 2002–2011.

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.

As a result of the weak stock market trend, during the fourth quarter of 2011 Avanza Bank carried out a review of the rate of cost increases prior to 2012. The company expects costs to remain more or less unchanged during 2012 compared with 2011 because of uncertainty in the market. This means that costs will be reduced compared with the closing rate of cost increases in the fourth quarter of 2011. Adjusted for fees for investor protection of SEK 9 million, costs in 2012 will increase compared with 2011. However, Avanza Bank acts in a rapidly changing market and can therefore also choose to invest more in growth. This may mean higher costs than forecast. The long term goal is not to increase costs by more than 15–20 per cent.

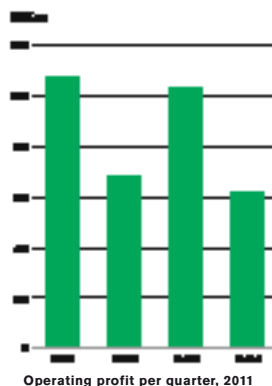
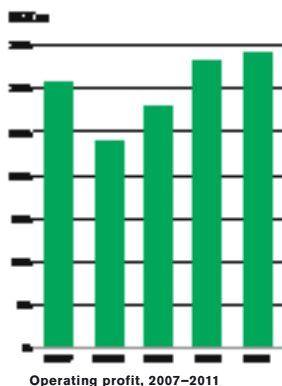
Avanza Bank is continuing to work with the aim of not having any credit losses.

Avanza Bank will be launching new products in 2012 and these are expected to make a positive contribution to the growth rate. The work with the modernisation of Avanza Bank's website, a stronger offering in the area of pensions and working actively with cost efficiency are prioritised for 2012.

The strong offering in Sparkonto+ enables Avanza Bank to offer better savings interest than all the major banks. Therefore, Avanza Bank is today able to offer terms that are among the best in the market in all large savings segments.

The new investment savings account form of saving that was launched on 1st January 2012 is expected to stimulate greater interest and mobility with Swedish savers, and this is expected to benefit Avanza Bank.

During the summer of 2012 the so-called right to move enquiry is expected to present a proposal for greater rights to move pensions sav-





ings. The pensions and insurance market is 90 per cent larger than the market for direct share and fund based saving. Avanza Bank's customers are therefore thought to have more savings in pensions than in direct share and fund based saving. Avanza Bank has the lowest charges in the market for pensions based saving and with greater freedom to move, customers would be able to move all or part of this saving to Avanza Bank.

In total these trends are expected to strengthen Avanza Bank's long-term growth prospects and ability to continue taking market shares.

In 2012 the main objective will be to continue having Sweden's most satisfied savers. Avanza Bank's long-term vision is to be the natural bank of choice for Swedes who actively monitor their savings. One of the Bank's goals is, therefore, to achieve a market share of at least 7 per cent of the total net flow in the Swedish savings market during 2012.

Overall, Avanza Bank is considered to have good potential for achieving profit growth in 2012 provided key interest rates remain unchanged. In the long term Avanza Bank is considered to have good prospects of achieving the long-term goal of 15–20 per cent growth in profit per annum, not least with the introduction of the right to freely move pension savings. However, because operations are dependent on stock market trends, the above shall not be regarded as an income or profit forecast.

## Significant risks and uncertainty factors

In addition to the external risks described previ-

ously 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 on 19th April 2012 at 15.00 (CET) in the Auditoriet hall of the Moderna Museet building in Stockholm, Sweden.

## Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Sven Hagströmer, who represents the Hagströmer family and companies, Erik Törnberg, who represents Investment AB Öresund, (from 19th January 2012 Creades AB), Johan Lannebo, who represents Lannebo Fonder, and Magnus 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, please visit Avanza's website at [avanza.com](http://avanza.com).

## The Avanza Bank share

Investment AB Öresund is, as of 31st December 2011, the largest owner of Avanza Bank's

## Capital surplus

	31st Dec 11	31st Dec 10
Shareholders' equity, the Group	875	813
Intangible fixed assets and deferred tax receivables, SEK m	-25	-27
Capital requirement with reference to Avanza Bank's internal capital assessment process, SEK m	-292	-321
<b>Total capital surplus before dividend, SEK m</b>	<b>558</b>	<b>465</b>
Shareholders' equity, the Group	19.75	16.65

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the equity. See also note 31, page 75.

shares with a holding comprising 20.9 per cent of the share capital and votes. There is a total of 28,538,073 shares in Avanza Bank, including 275,524 shares bought back during 2011. For further information on the Avanza Bank share, please see pages 30–32 of this Annual Report.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 558 million as of 31st December 2011.

### **Dividend**

The Board of Directors proposes that a dividend of SEK 10.00 (SEK 9.50) per share be paid, corresponding to a total of SEK 283 million (SEK 266 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 2011 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. During 2011 Avanza Bank bought back a total of 275,524 of its own shares for SEK 46.1 million. This equates with an average price of SEK 167.22 per share. The buybacks were equivalent to 1.0 per cent of the number of shares prior to the buybacks. The company held 275,524 bought back shares as of 31st December 2011.

### **The Board's proposed guidelines for determining salaries and other remuneration payable to senior executives for the 2011 financial year**

During the 2011 financial year, the Remuneration Committee has comprised the Chairman of the Board, Sven Hagströmer, Anders Elsell and Jacqueline Winberg. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles govern-

ing remuneration, including performance-based remuneration for the company's senior executives.

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

The term, Group management, refers for the 2011 financial year, to the Managing Director and five other people. 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, 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. The variable remuneration paid to other members of the Group management is determined by the Board of Directors on the basis of recommendations by the Managing Director and the Remuneration Committee.

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

Deferred variable remuneration that has not fallen due for payment amounts to SEK 5.7 million. The amount has however been carried as an expense for the financial year the remuneration refers to.

During 2011 the variable remuneration paid to members of the Group management and carried as expenses totalled SEK 5.4 million (SEK 4.8 m) of which SEK 1.7 million (SEK 2.4 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 14th April 2011.

The Board's proposal to the Annual General Meeting to be held on 19th April 2012 will be in line with remuneration principles in previous years. Details of Avanza Bank's remuneration policy are provided on the [avanza.com](http://avanza.com) website.

# Five-year overview

## Summary of the Group's performance

Income statement, SEK m	2011	2010	2009	2008	2007
Net commission	432	473	396	315	381
Net interest items	258	157	118	193	175
Other income	5	-9	1	1	1
<b>Total income</b>	<b>695</b>	<b>621</b>	<b>515</b>	<b>509</b>	<b>557</b>
Kostnader före kreditförluster	-348	-290	-235	-270	-249
<b>Resultat före kreditförluster</b>	<b>347</b>	<b>331</b>	<b>280</b>	<b>239</b>	<b>308</b>
Operating expenses	-6	0	0	0	-1
<b>Operating profit/loss</b>	<b>341</b>	<b>331</b>	<b>280</b>	<b>239</b>	<b>307</b>
Taxes	-50	-60	-52	-54	-74
<b>Net profit/loss for the year</b>	<b>291</b>	<b>271</b>	<b>228</b>	<b>185</b>	<b>233</b>
Balance Sheets, SEK m	2011	2010	2009	2008	2007
Treasury bills eligible for refinancing	-	300	-	-	-
Lending to credit institutions	8,672	6,334	5,452	6,587	4,205
Lending to the public	2,557	3,861	3,124	1,253	2,301
Shares and participations	10	14	12	12	1
Insurance operations assets	27,845	29,093	18,640	7,448	7,280
Other assets	497	641	567	432	662
<b>Total assets</b>	<b>39,581</b>	<b>40,243</b>	<b>27,795</b>	<b>15,732</b>	<b>14,449</b>
Deposits by the public	10,561	10,159	8,294	7,386	6,370
Insurance operations liabilities	27,845	29,093	18,640	7,448	7,280
Other liabilities	300	178	168	270	226
<b>Total liabilities</b>	<b>38,706</b>	<b>39,430</b>	<b>27,102</b>	<b>15,104</b>	<b>13,876</b>
Minority holding	875	813	693	628	573
<b>Shareholders' equity</b>	<b>39,581</b>	<b>40,243</b>	<b>27,795</b>	<b>15,732</b>	<b>14,449</b>
Key ratios	2011	2010	2009	2008	2007
Earnings per share, SEK	10.28	9.77	8.27	6.78	8.51
Earnings per share after dilution, SEK	10.21	9.62	8.24	6.75	8.45
Equity per share, SEK	30.97	29.07	25.14	22.76	21.10
Return on equity, %	35	37	36	32	46
Operating margin, %	49	53	54	47	55
Equity/assets ratio, %	2	2	2	4	4
Capital base/Capital requirement	2.06	1.84	1.71	1.68	1.78
Cash dividend (2009: proposal)					
per share, SEK	10.00	9.50	8.00	6.00	6.00
No. shares at year-end, thousand	28,263	27,957	27,578	27,578	27,160
Average no. shares, thousand	28,263	27,739	27,578	27,351	27,405
Average no. shares after dilution, thousand	28,473	28,177	27,655	27,481	27,610
Market capitalisation at year-end, SEK m	4,650	6,540	4,650	1,960	3,680
Share price at year-end, SEK	164.50	234.00	168.50	71.00	135.50
Average no. employees	256	225	185	196	178
Earnings per employee, SEK k	1,137	1,204	1,232	1,221	1,727

## Consolidated Income Statements \*

SEK m	Note	2011	2010
<b>Operating income</b>			
Commission income	3	504	541
Commission expenses	4	-72	-68
Interest income	5	343	174
Interest expenses	5	-85	-17
Net result of financial transactions	6	1	-9
Other operating income		4	0
<b>Total operating income</b>	<b>27</b>	<b>695</b>	<b>621</b>
<b>Operating expenses</b>			
General administration costs	7,8	-281	-241
Depreciation of tangible and intangible fixed assets	9	-11	-11
Other operating expenses	10	-56	-38
<b>Total operating expenses</b>		<b>-348</b>	<b>-290</b>
<b>Resultat före kreditförluster</b>		<b>347</b>	<b>331</b>
Kreditförluster, netto	11	-6	0
<b>Operating profit/loss</b>		<b>341</b>	<b>331</b>
Tax on the profit/loss for the year	13	-50	-60
<b>Net profit/loss for the year **</b>		<b>291</b>	<b>271</b>
Earnings per share, SEK	14	10.28	9.77
Earnings per share after dilution, SEK	14	10.21	9.62

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

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

## Consolidated Balance Sheets

SEK m	Note	31st Dec 11	31st Dec 10
<b>ASSETS</b>	<b>28</b>		
Treasury bills eligible for refinancing		–	300
Lending to credit institutions		8,672	6,334
Lending to the public	15	2,557	3,861
Shares and participations	16	10	14
Insurance operations assets	17	27,845	29,093
Intangible fixed assets	18	24	26
Tangible assets	19	26	14
Other assets	20	406	567
Deferred tax receivables	13	1	1
Prepaid costs and accrued income	21	40	33
<b>TOTAL ASSETS</b>		<b>39,581</b>	<b>40,243</b>
<b>LIABILITIES</b>	<b>28</b>		
Deposits by the public	22	10,561	10,159
Insurance operations liabilities	17	27,845	29,093
Current tax liability		16	13
Deferred tax liabilities	13	0	0
Other liabilities	23	227	128
Accrued costs and prepaid income	24	57	37
<b>Total liabilities</b>		<b>38,706</b>	<b>39,430</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>25</b>		
Share capital		71	70
Other capital contributed		189	228
Profit/loss carried forward incl. profit/loss for the year		615	515
<b>Total shareholders' equity</b>		<b>875</b>	<b>813</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>39,581</b>	<b>40,243</b>

Pledged assets and contingent liabilities are reported in Note 30 on page 75.

## Changes in the Group's shareholders' equity

The Group SEK m	Share capital	Other capital contributed	Retained profit/loss	Total
<b>Shareholders' equity, 31st Dec 2009</b>	<b>69</b>	<b>160</b>	<b>464</b>	<b>693</b>
Totalresultat för perioden	–	–	271	271
<b>Transaktioner med ägare</b>				
Lämnad utdelning	–	–	–221	–221
Nyemission (utnyttjande av teckningsoptioner)	1	64	–	65
Emission av teckningsoptioner	–	4	–	4
<b>Shareholders' equity, 31st Dec 2010</b>	<b>70</b>	<b>228</b>	<b>515</b>	<b>813</b>
Totalresultat för perioden	–	–	291	291
<b>Transaktioner med ägare</b>				
Lämnad utdelning	–	–	–266	–266
Nyemission (utnyttjande av teckningsoptioner)	1	78	–	79
Warrants issue	–	5	–	5
Återköp av egna aktier	–	–	–46	–46
<b>Shareholders' equity, 31st Dec 2011</b>	<b>71</b>	<b>311</b>	<b>494</b>	<b>875</b>

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

## Consolidated Cash Flow Statements

SEK m	Note	2011	2010
<b>Cash flow from operating activities</b>			
Profit/loss before tax		340	331
<i>varav inbetalda räntor</i>		343	173
<i>varav utbetalda räntor</i>		-85	-17
<i>Adjustment for items not included in cash flow</i>			
Depreciation/write-downs		11	11
Income tax paid		-53	-57
<b>Total</b>		<b>298</b>	<b>285</b>
<b>Changes in operating activities' assets and liabilities</b>			
Increase (-)/decrease (+) in lending to the public		1,304	-737
Increase (-)/decrease (+) in securities		304	-295
Increase (-)/decrease (+) in other assets		160	-73
Increase (+)/decrease (-) in deposits and deposits by the public		401	1,866
Increase (+)/decrease (-) in other liabilities		119	8
<b>Cash flow from operating activities' assets and liabilities</b>		<b>2,289</b>	<b>769</b>
<b>Cash flow from operating activities</b>		<b>2,587</b>	<b>1,054</b>
<b>Cash flow from investment activities</b>			
Acquisition of intangible fixed assets		-	0
Acquisition of financial assets		-	-7
Acquisition of tangible assets		-21	-13
<b>Cash flow from investment activities</b>		<b>-21</b>	<b>-20</b>
<b>Financial activities</b>			
Cash dividend		-266	-221
Warrants issue		5	4
New issue (through exercise of warrants)		79	65
Återköp av egna aktier		-46	-
<b>Cash flow from financial activities</b>		<b>-228</b>	<b>-152</b>
<b>Cash flow for the year</b>		<b>2,338</b>	<b>882</b>
<b>Liquid assets at beginning of year *</b>		<b>6,334</b>	<b>5,452</b>
<b>Liquid assets at end of year *</b>		<b>8,672</b>	<b>6,334</b>
*of which, liquid assets pledged as security	30		
at beginning of year		698	633
at end of year		762	698

## Composition of liquid assets

SEK m	31st Dec 11	31st Dec 10
Treasury bills eligible for refinancing	-	300
Lending to credit institutions	8,672	6,334
<b>Total</b>	<b>8,672</b>	<b>6,634</b>

Se not 2 (s) på sid 58 där grunderna för upprättande av koncernens kassaflödesanalys framgår.

## Parent Company Income Statements \*

SEK m	Note	2011	2010
<b>Operating expenses</b>			
Administration costs		-5	-3
Other operating income		1	0
Other operating expenses		-3	-3
<b>Operating profit/loss</b>		<b>-7</b>	<b>-6</b>
<b>Profit/loss on financial investments</b>			
Profit/loss on participations in Group companies	12	287	396
Profit/loss on other securities		0	-9
Interest income and similar profit/loss items		0	0
Interest expenses and similar profit/loss items		0	0
<b>Profit/loss before tax</b>		<b>280</b>	<b>381</b>
Tax on the profit/loss for the year	13	0	0
<b>Net profit/loss for the year</b>		<b>280</b>	<b>381</b>

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

## Parent Company Balance Sheets

SEK m	Note	31st Dec 11	31st Dec 10
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Shares and participations		9	9
Shares and participations in Group companies	26	408	408
<b>Total fixed assets</b>		<b>417</b>	<b>417</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		320	271
Current tax receivable		0	0
Other receivables		0	0
Prepaid costs and accrued income		1	1
<b>Total current receivables</b>		<b>321</b>	<b>272</b>
<i>Cash and bank balances</i>		0	0
<b>Total current assets</b>		<b>321</b>	<b>272</b>
<b>TOTAL ASSETS</b>		<b>738</b>	<b>689</b>
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' equity</b>	25		
<i>Restricted equity</i>			
Share capital		71	70
<b>Total restricted equity</b>		<b>71</b>	<b>70</b>
<i>Non-restricted equity</i>			
Share premium reserve		185	107
Profit brought forward		197	128
Net profit/loss for the year		280	381
<b>Total non-restricted equity</b>		<b>662</b>	<b>616</b>
<b>Total shareholders' equity</b>		<b>733</b>	<b>686</b>
<b>Current liabilities</b>			
Accounts payable		0	0
Liabilities to Group companies		0	0
Other liabilities		3	2
Accrued costs and prepaid income		2	1
<b>Total current liabilities</b>		<b>5</b>	<b>3</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		<b>738</b>	<b>689</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets		None	None
Contingent liabilities		None	None



## Changes in shareholders' equity

The Parent Company SEK m	Share capital	Other capital contributed	Retained profit/loss	Total
<b>Shareholders' equity, 31st Dec 2009</b>	<b>69</b>	<b>39</b>	<b>348</b>	<b>456</b>
Totalresultat för perioden	–	–	381	381
<b>Transaktioner med ägare</b>				
Lämnad utdelning	–	–	–221	–221
Nyemission (utnyttjande av teckningsoptioner)	1	64	–	65
Emission av teckningsoptioner	–	4	–	4
<b>Shareholders' equity, 31st Dec 2010</b>	<b>70</b>	<b>107</b>	<b>509</b>	<b>686</b>
Totalresultat för perioden	–	–	280	280
<b>Transaktioner med ägare</b>				
Lämnad utdelning	–	–	–266	–266
Nyemission (utnyttjande av teckningsoptioner)	1	78	–	79
Återköp av egna aktier	–	–	–46	–46
<b>Shareholders' equity, 31st Dec 2011</b>	<b>71</b>	<b>185</b>	<b>477</b>	<b>733</b>

## Parent Company Cash Flow Statements

SEK m	2011	2010
<b>Cash flow from operating activities</b>		
Profit/loss before tax	280	381
<i>varav inbetalda räntor</i>	0	0
<i>varav utbetalda räntor</i>	0	0
<i>Adjustment for items not included in cash flow</i>		
Reversal of write-downs/write-downs	0	–184
Anticipated dividend	–280	–197
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	232	158
Increase (+) / decrease (–) in other liabilities	0	1
<b>Cash flow from operating activities' assets and liabilities</b>	<b>232</b>	<b>159</b>
<b>Cash flow from operating activities</b>	<b>232</b>	<b>159</b>
<b>Investment activities</b>		
Acquisition of shares and participations	0	–7
<b>Cash flow from investment activities</b>	<b>0</b>	<b>–7</b>
<b>Financial activities</b>		
Cash dividend	–266	–221
Buy-back of the company's own shares	–	4
Warrants issue	79	65
New issue (through exercise of warrants)	–46	–
<b>Cash flow from financial activities</b>	<b>–232</b>	<b>–152</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 paid	266	223

The bases for preparing the Parent Company's Cash Flow Statements are the same as those used for the Group, see note 2 (s) page 58.

# 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 Mid Cap list of NASDAQ OMX Stockholm. The address of the head office is Klarabergsgatan 60, Box 1399, SE-111 93 Stockholm, Sweden. The Consolidated Accounts for 2011 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 2011 financial year were approved for publication on 28th February 2012 by the Board of Directors and the Managing Director. The Consolidated Accounts and the Annual Report is adopted by the Annual General Meeting on 19th April 2012.

## Note 2 Accounting principles

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

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative comments issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application within the EU. The Swedish Financial Reporting Board Recommendation RFR 1, Complementary accounting regulations for corporate groups, has also been applied, together with the directives and general guidelines issued by the Swedish Financial Supervisory Authority regarding the annual accounts of credit institutions and securities companies (FFFS 2008:25).

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

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

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

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

### (c) New IFRS and interpretations

#### *IFRS and interpretations introduced in 2011*

It is considered that no new or amended IFRS, IFRIC interpretations or amendments resulting from IASB's annual improvement project which came into force on 1st January 2011 have had any material effect on the Group.

*IFRS and interpretations which come into force in 2012 or thereafter*

The new standards, amendments to standards, and interpretations which come into force from the 2011 financial year, or thereafter, and have not been applied when preparing these financial reports. Only the amendments that it is considered may affect the Group are described.

IAS 1, "Presentation of Financial Statements" (amendment). The most significant amendment in the amended IAS 1 is the requirement that the items that are reported in "other comprehensive income" shall be presented in two sections. The division shall be based on whether the items can be reclassified for the profit and loss account (reclassification adjustments) or not. The amendment does not address which items should be presented in "other comprehensive income". As yet the amendment has not been adopted by the EU. Avanza Bank intends to apply the amendment for the financial year which commences on 1st January 2012.

IFRS 7 "Financial Instruments: Disclosures" (amendment). The amendment is intended to increase transparency in information disclosure on transfers of financial assets and improve the user's understanding of the risk exposures related to transfer of financial assets and how these transfers can affect a company's financial reports, especially the transfers of financial assets that comprise securitisation. Avanza Bank intends to apply the amendment for the financial year which commences on 1st January 2012. Advance application is permitted.

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

IFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for subsidiaries, joint arrangements, associates and non-consolidated "structured entities". Avanza Bank intends to apply IFRS 12 for the financial year that commences on 1st January 2013 and has not yet evaluated the full effect on the financial reports. The standard has not yet been adopted by the EU.

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

#### **(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 included in the consolidated accounts as from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as from the date on which the controlling influence ceases to obtain.

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

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

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

The following subsidiary companies – Avanza Bank AB, Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB – are, in accordance with external regulations and legislative requirements, obliged to

maintain a certain amount of shareholders' equity within the company, and restrictions thereby exist on the transfer of funds to the Parent Company, Avanza Bank Holding AB.

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

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

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

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

### **(h) Income**

#### *Commission income*

Commission income primarily comprises brokerage, fund commissions and other commissions. Brokerage is reported as income on the transaction date. Investment fund commission is received from external fund managers and comprises the entry commission reported in conjunction with fund unit purchases and commission based on fund volume, which is recognised as income on a monthly basis, based on actual volume. 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. See Note 29.

*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. Agreements in which significant insurance risks are transferred from the policyholder to the underwriter are referred to as insurance agreements and shall be reported in accordance with IFRS 4. Agreements which have the legal form of an insurance agreement but which do not expose the underwriter to any significant insurance risk are referred to as investment agreements and shall be reported in accordance with IAS 39. 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, with deductions for transaction costs, to avoid differing valuations of insurance-related assets and liabilities. 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 initially by obtaining pricing information from an unofficial market where the issuer values every individual security, and secondarily, by using the most recently completed transaction between 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



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

### *Customer relations*

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

### *Depreciation*

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

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

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

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

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

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

### *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**

Occupational pensions are obtained through defined contribution pension plans, in a manner corresponding to the ITP 1-plan. Pension costs refer primarily to health insurance contributions. Undertakings in respect of payments to defined-contribution plans are reported as a cost in the Income Statement as they arise.

#### **(p) Provisions**

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

#### **(q) Taxes**

Income taxes comprise current tax and deferred tax. Income taxes are reported in the Income Statement other than when the underlying transaction is reported under other comprehensive income or is reported directly to shareholders' equity, at which point the associated fiscal effect is reported in the corresponding manner. Current tax is the tax payable or which is received in respect of the current year, applying the rates of taxation approved, or approved in practice, as of the closing day. This also includes adjustments of current tax attributable to previous periods.

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

Deferred tax receivables in respect of deductible temporary differences and deficit deductions are only reported to the extent that it is likely that it will be possible to utilize them.

### **(r) Contingent liabilities**

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

### **(s) Cash flow statements**

#### *Basis for preparing cash flow statements*

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

#### *Operating activities*

Cash flows attributable to the operating activities derive primarily from the Group's revenue-generating operations. The net of the operating activities' payments received and made are calculated by adjusting the operating profit/loss for the year for items that do not affect the cash flow, for changes in operating assets and operating liabilities during the period, and for other items for which the effect on the cash flow can be attributed to the investment or financial activities.

#### *Investment activities*

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

#### *Financial activities*

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

#### *Liquid assets*

Liquid assets comprise cash and balances held with banks and equivalent institutions that can be reinvested with one day's (or a maximum of one month's) notice. Chargeable treasury bill undertakings with a term of less than three months are included.

### **(t) The Parent Company's accounting principles**

The Parent Company has prepared its Annual Report in accordance with the provisions of the Swedish Annual Accounts Act (1995:1554) and recommendation RFR 2:3, Accounting for legal entities, of the Swedish Financial Reporting Board. Under RFR 2:3, the parent company, in its annual accounts for the legal entity, shall apply all IFRS regulations and statements approved by the EU, as far as possible, within the framework of the Swedish Annual Accounts Act and with regard to the connection between accounting and taxation. The differences between the accounting principles of the Group and the Parent Company are shown below.

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

### *Participations In Group companies*

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

### *Group contributions*

During 2011, the principle for reporting group contributions was changed, so that a group contribution from parent company to subsidiary company is reported as a cost in the Income Statement. The tax effect is reported in the Income Statement in accordance with IAS 12.

The amended accounting principles have not caused any change in the Company's financial position (balance sheet total and total shareholders' equity are intact).

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

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

- Note 29 Financial instruments
- Note 31 Capital requirements and financial risks
- Note 32 Associated parties
- Note 33 Important estimates and evaluations
- Note 34 Events after the closing day

### Note 3 Commission income

SEK m	2011	2010
Brokerage	352	372
Fund commissions	70	81
Other commissions	82	88
<b>Total</b>	<b>504</b>	<b>541</b>

### Note 4 Commission expenses

SEK m	2011	2010
Transaction costs*	-47	-43
Payment services commissions	-8	-6
Other commissions	-17	-19
<b>Total</b>	<b>-72</b>	<b>-68</b>

\* Kostnader som är direkt relaterade till courtageintäkterna.

### Note 5 Net interest items

SEK m	2011	2010
<i>Interest income</i>		
Interest income from lending to credit institutions	159	43
Interest income from lending to the public	177	131
Other interest income	7	0
<b>Total</b>	<b>343</b>	<b>174</b>
<i>Interest expenses</i>		
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-85	-17
Other interest expenses	0	0
<b>Total</b>	<b>-85</b>	<b>-17</b>
<b>Net interest items</b>	<b>258</b>	<b>157</b>

The average lending rate to account customers during the year was 4.85 per cent (3.48). The average deposits rate from accounts with surplus liquidity during the year was 0.78 per cent (0.19).

### Note 6 Net result of financial transactions

SEK m	2011	2010
Realised profit/loss in respect of shares, etc.	1	0
Unrealised profit/loss in respect of Burgundy*	0	-9
Exchange rate fluctuations	0	0
Change in value of insurance operations assets*	-6,253	3,905
Change in value of insurance operations liabilities*	6,253	-3,905
<b>Total</b>	<b>1</b>	<b>-9</b>

\* 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	2011	2010
Salaries and other remuneration	-136	-119
Pension costs	-2	-2
Social insurance charges	-40	-35
Other staff overheads	-11	-10
Consultancy services purchased	-23	-18
Market information costs	-12	-12
Other general administration costs	-57	-45
<b>Total</b>	<b>-281</b>	<b>-241</b>

### Salaries, other remuneration and payroll overhead

SEK m	2011		2010	
	Salaries and other remuneration	Payroll overhead (of which pension costs)	Salaries and other remuneration	Payroll overhead (of which pension costs)
<i>The Group</i>	136	42	119	37
		(2)		(2)
of which the Board of Directors and senior executives	18	6	13	4
		(0)		(0)
<i>Parent Company</i>	3	1	2	1
		(-)		(-)
of which the Board and MD	3	1	2	1
		(-)		(-)

Average no. employees	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	1	1	1	1
Subsidiaries	255	160	224	144
<b>Total</b>	<b>256</b>	<b>161</b>	<b>225</b>	<b>145</b>

The Group has no employees outside Sweden. At the end of the year there was a total of 260 (244) Group employees. Normal employment terms comprise salary and benefits. Occupational pensions are obtained through defined contribution pension plans, and were obtained for employees from 1st October 2010 and for employees before 1st October 2010 via optional individual salary exchange. Pension costs refer primarily to service pension premiums for employees with employment contracts entered into as from 01-10-2010 and health insurance contributions. For employment contracts entered into before 01-10-2010 the concept of total compensation is applied which means the total of monthly salary and monthly allocation to service pension where allocation to service pension is made through optional individual salary exchange.

#### Information regarding senior executives

The term, senior executive, refers to the present Managing Director and the Managing Director who left in October 2011 and five (five) other persons who hold senior positions. Together, they make up the Group management.

#### Remuneration to senior executives during the financial year

Fees have been paid to the Chairman of the Board and Board Members in accordance with the resolutions of the 2011 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 2011 totalled SEK 5.4 million (SEK 4.8 m) of which SEK 1.7 million (SEK 2.4 m) was paid to the Managing Director.

Remuneration to the Managing Director for the 2011 financial year has been decided by the Board of Directors. Remuneration to other senior executives has been decided by the Board of Directors after recommendations by the Managing Director and the Board's Remuneration Committee. The term, senior executives, refers to the five persons who, together with the Managing Director, comprise the Group management at the end of the financial year. For the composition of the Group management at the end of the financial year, see page 99. Members of the Group management have acquired warrants on market terms in accordance with the warrant programme approved by the Annual General Meeting held on 14th April 2011. The total remuneration paid to members of the Group management shall be on market terms. Details of the company's remuneration policy are provided on the [avanza.com](http://avanza.com) website.

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

SEK k	2010			
	Basic salary / Directors' fees	Variable remuneration	Pension cost	Total
<b>The Group</b>				
Chairman of the Board	177	–	–	177
Members of the Board	793	–	–	793
Managing Director	1,949	2,387	17	4,353
Other senior executives	6,371	2,387	113	8,871
<b>Total</b>	<b>9,290</b>	<b>4,774</b>	<b>130</b>	<b>14,194</b>

#### Members of the Board

SEK k	2011		2010	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Sven Hagströmer	202	–	177	–
Hans Bergenheim	50	–	153	–
Anders Ellsell	252	–	214	–
Lisa Lindström	117	–	–	–
Mattias Miksche	155	–	117	–
Mikael Nachemson	–	–	39	–
Andreas Rosenlew	155	–	117	–
Nicklas Storåkers	–	–	–	–
Jaqueline Winberg	155	–	153	–
<b>Total</b>	<b>1,086</b>	<b>–</b>	<b>970</b>	<b>–</b>

Director' fees carried as expenses and not disbursed total SEK 18,000 for 2010.

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

The Managing Director has a 6-month period of notice if the contract of employment is terminated by the Managing Director himself, and 12 months if the contract of employment is terminated by the company. The period of notice for other senior executives if they themselves terminate their contracts of employment is 6 months, and 6 months if the contracts of employment are terminated by the company. There are no severance pay agreements for the Managing Director or senior executives. The retirement age for the Managing Director and other senior executives is 65. Avanza Bank has no pension commitments for senior executives.

## Financial instruments, warrants

Delprogram 2009–2012 SEK k	Warrants			Market value SEK k	
	Number	Value*	Acquisition	Benefit	31st Dec 11
Managing Director	50,070	275	275	–	1,484
Other senior executives	182,090	1,002	1,002	–	5,396
<b>Total</b>	<b>232,160</b>	<b>1,277</b>	<b>1,277</b>	<b>–</b>	<b>6,880</b>

Delprogram 2010–2013 SEK k	Warrants			Market value SEK k	
	Number	Value*	Acquisition	Benefit	31st Dec 11
Managing Director	97,400	701	701	–	12
Other senior executives	164,950	1,188	1,188	–	21
<b>Total</b>	<b>262,350</b>	<b>1,889</b>	<b>1,889</b>	<b>–</b>	<b>33</b>

Delprogram 2011–2014 SEK k	Warrants			Market value SEK k	
	Number	Value*	Acquisition	Benefit	31st Dec 11
Managing Director	25,000	322	322	–	25
Other senior executives	116,810	1,507	1,507	–	116
<b>Total</b>	<b>141,810</b>	<b>1,829</b>	<b>1,829</b>	<b>–</b>	<b>141</b>

\* Market value on acquisition date.

Subsidiary programmes were acquired at market price in May 2009, May 2010 and May 2011 respectively. The market value has been calculated in accordance with the Black & Scholes valuation model. For terms and exercise prices, see note 25.

## Auditors' fees and reimbursement of expenses

The Group SEK k	2011	2010
<b>Ernst &amp; Young</b>		
Audit engagements	–	–1,031
Audit business over and above audit engagements	–	–132
Tax consultancy	–	–982
Other services	–	0
<b>Total</b>	<b>–</b>	<b>–2,145</b>
<b>Öhrlings PricewaterhouseCoopers</b>		
Audit engagements	–925	–
Audit business over and above audit engagements	–183	–
Tax consultancy	–227	–
<b>Total</b>	<b>–1,335</b>	<b>–</b>

The Parent Company SEK k	2011	2010
<b>Ernst &amp; Young</b>		
Audit engagements	–	–417
Audit business over and above audit engagements	–	–132
Tax consultancy	–	–23
<b>Total</b>	<b>–</b>	<b>–572</b>
<b>Öhrlings PricewaterhouseCoopers</b>		
Audit engagements	–480	–
Tax consultancy	–54	–
Other services	–35	–
<b>Total</b>	<b>–569</b>	<b>–</b>

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

### Note 8 Leasing charges for operational leasing

SEK m	2011	2010
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-13	-9
<b>Total leasing costs</b>	<b>-13</b>	<b>-9</b>
<i>Agreed future minimum leasing charges in respect of uncancelable contracts and which fall due for payment</i>		
Within one year	-15	-13
Between one and five years	-61	-60
Later than five years	-6	-22
<b>Total</b>	<b>-81</b>	<b>-95</b>

### Note 9 Depreciation of tangible and intangible fixed assets

SEK m	2011	2010
Depreciation of intangible fixed assets	-2	-3
Write-downs of goodwill	-	-3
Depreciation of tangible assets	-9	-5
<b>Total</b>	<b>-11</b>	<b>-11</b>

### Note 10 Other operating expenses

SEK m	2011	2010
Marketing costs	-23	-23
Other operating expenses	-33	-15
<b>Total</b>	<b>-56</b>	<b>-38</b>

### Note 11 Credit losses, net

SEK m	2011	2010
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	-6	-
Reversal of provisions for anticipated credit losses no longer required	-	-
<b>Net cost of credit losses for the year</b>	<b>-6</b>	<b>0</b>



## Note 12 Profit/loss on Group participations

The Parent Company SEK m	2011	2010
Dividend received (anticipated)	280	197
Group contribution received	9	6
Write-downs	-2	-
Reversal of write-downs (Avanza Bank AB)	-	-7
Återföring av nedskrivningar (Avanza Bank AB) *	-	200
<b>Total</b>	<b>287</b>	<b>396</b>

\* The reason for reversal of write-downs of participations in Avanza Bank AB is due to the profitability in the bank.

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

SEK m	The Group		The Parent Company	
	2011	2010	2011	2010
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-51	-61	0	0
<b>Total current tax</b>	<b>-51</b>	<b>-61</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>-50</b>	<b>-60</b>	<b>0</b>	<b>0</b>
<i>Reconciliation of effective tax</i>				
<b>Profit/loss before tax</b>	<b>341</b>	<b>331</b>	<b>381</b>	<b>381</b>
Tax at current rate of taxation	26.3 %	26.3 %	26.3 %	26.3 %
Non-deductible costs	0.1 %	0.1 %	0.0 %	0.0 %
Non-taxable income	0.0 %	0.9 %	-26.3 %	-26.3 %
Other tax base in insurance operations	-11.8 %	-9.2 %	-	-
<b>Effective tax</b>	<b>14.6 %</b>	<b>18.0 %</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	Amount at years and	
	2011	2010
Deferred tax receivable	1	1
Deferred tax liability	0	0
<b>Net</b>	<b>1</b>	<b>1</b>

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

As previously announced, Avanza Pension has appealed to the Supreme Administrative Court against the ruling from the Council for Advance Tax Rulings on the way in which fund commissions from external fund managers will be taxed. In June 2011 the Supreme Administrative Court ruled in its judgment that Avanza Pension's present procedure is approved. With this positive decision there is no longer any risk that the Company's effective tax rate will increase in the future on account of this. The judgment by the Supreme Administrative Court cannot be appealed against.

## Note 14 Earnings per share

SEK	2011	2010
Earnings per share before dilution	10.28	9.77
Earnings per share after dilution	10.21	9.62

### *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 291 million (SEK 271 m) relative to a weighted average number of shares outstanding before dilution in 2011, amounting to 28,263,055 (27,738,621) shares.

### *Earnings per share after dilution*

The calculation of earnings per share after dilution has been based on the profit/loss for the year, after tax, which totalled SEK 291 million (SEK 271 m), relative to a weighted average number of shares outstanding after dilution in 2011, amounting to 28,472,892 (28,177,215) shares.

Avanza Bank has three outstanding warrant programmes: 2009–2012 the exercise price of which is SEK 125.16 per share, 2010–2013 the exercise price of which is SEK 268.46 per share and 2011–2014 the exercise price of which is SEK 265.16 per share. The market price, as of 30th December 2011 was SEK 164.50.

Number of shares	2011	2010
Average no. shares before dilution	28,263,055	27,738,621
Average no. shares after dilution	28,472,892	28,177,215
Outstanding no. shares before dilution	28,262,549	27,957,470
Outstanding no. shares after dilution	28,400,538	28,458,521
No. shares on full dilution	29,906,549	29,681,160

## Note 15 Lending to the public

SEK m	31st Dec 11	31st Dec 10
Lending to the public	2,557	3,861
<b>Total</b>	<b>2,557</b>	<b>3,861</b>

Lending to the public is reported after deductions for confirmed and anticipated credit losses. At year-end 31st December 2011, probable credit losses amounted to SEK 7 million. All loans in the table, so-called account loans, are secured by collateral in the form of securities.

### Provisions for bad debts

SEK m	31st Dec 11	31st Dec 10
Provisions at beginning of year	1	1
Provision for anticipated losses	6	0
<b>Provisions at end of year</b>	<b>7</b>	<b>1</b>

## Note 16 Shares and participations

SEK m	31st Dec 11	31st Dec 10
Shares and participations, quoted	1	5
Shares and participations, unquoted	9	9
<b>Total</b>	<b>10</b>	<b>14</b>

## Note 17 Insurance operations assets and liabilities

SEK m	31st Dec 11	31st Dec 10
<i>Financial assets, insurance operations</i>		
Shares and participations	23,905	26,801
Interest-bearing securities	412	363
Liquid assets	3,528	1,929
<b>Total</b>	<b>27,845</b>	<b>29,093</b>
<i>Financial liabilities, insurance operations</i>		
Conditional bonus	27,845	29,093
<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 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 11	31st Dec 10
<b>Goodwill</b>		
<i>Acquisition values</i>		
At beginning of year	26	26
<b>At end of year</b>	<b>26</b>	<b>26</b>
<i>Write-downs</i>		
At beginning of year	-3	-
Year's write-downs	-	-3
<b>At end of year</b>	<b>-3</b>	<b>-3</b>
<b>Reported value at end of year</b>	<b>23</b>	<b>23</b>
<b>Other intangible assets</b>		
<i>Acquisition values</i>		
At beginning of year	27	29
Year's investments	0	0
Year's disposals	0	-2
<b>At end of year</b>	<b>27</b>	<b>27</b>
<i>Depreciation</i>		
At beginning of year	-24	-24
Year's depreciation	-2	-2
Year's disposals	-	2
<b>At end of year</b>	<b>-26</b>	<b>-24</b>
<b>Reported value at end of year</b>	<b>1</b>	<b>3</b>
<b>Total intangible fixed assets</b>	<b>24</b>	<b>26</b>

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

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

### Note 19 Tangible assets

SEK m	31st Dec 11	31st Dec 10
<b>The Group</b>		
<i>Acquisition value</i>		
At beginning of year	42	30
Year's investments	21	12
Year's disposals	-2	0
<b>At end of year</b>	<b>61</b>	<b>42</b>
<i>Depreciation</i>		
At beginning of year	-28	-23
Year's depreciation	-9	-5
Year's disposals	2	0
<b>At end of year</b>	<b>-35</b>	<b>-28</b>
<b>Reported value at end of year</b>	<b>26</b>	<b>14</b>

### Note 20 Other assets

SEK m	31st Dec 11	31st Dec 10
Securities trading receivables	369	542
Other	37	25
<b>Total</b>	<b>406</b>	<b>567</b>

### Note 21 Prepaid costs and accrued income

SEK m	31st Dec 11	31st Dec 10
Prepaid costs	28	13
Accrued income	12	20
<b>Total</b>	<b>40</b>	<b>33</b>

### Note 22 Deposits by the public

Over and above the deposits reported in the Balance Sheet, as of 31 st December 2011 Avanza Bank had deposits in client fund accounts from third parties, corresponding to SEK 823 million (SEK 776 m).

### Note 23 Other liabilities

SEK m	31st Dec 11	31st Dec 10
Securities trading liabilities	180	89
Accounts payable	17	10
Other	31	29
<b>Total</b>	<b>227</b>	<b>128</b>

## Note 24 Accrued costs and prepaid income

SEK m	31st Dec 11	31st Dec 10
Personnel-related liabilities	14	22
Other	43	15
<b>Total</b>	<b>57</b>	<b>37</b>

## Note 25 Shareholders' equity

As of 31st December 2011, the registered share capital comprised 28,538,073 (27,957,470) ordinary shares with a quota value of SEK 2,50 per share. During 2011, Avanza Bank acquired 275,524 of its own shares at a value of SEK 46 million. There is a total of 28,262,549 (27,957,470) outstanding shares. 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 10.00 (SEK 9.50) per share for a total of SEK 283 million (SEK 266 m). The dividend will be submitted to the Annual General Meeting, to be held on 19th April 2012.

### Warrants

The warrants programme comprises 1 644 000 shares, which corresponds to a dilution of 6 per cent. The warrants programme is divided up into three subsidiary programmes and the warrants programme as a whole runs from May 2009 to May 2014. Outstanding warrants 2009–2012 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 25 May 2012. The warrants can be exercised from 2nd May 2012 up to and including 25 May 2012. Outstanding warrants 2010–2013 grant entitlement to subscribe for a total of 577,000 shares at an exercise price of SEK 268.46 per share. The term runs up to and including 24th May 2013. The warrants can be exercised from 2nd May 2013 up to and including 24th May 2013. Outstanding warrants 2011–2014 grant entitlement to subscribe for a total of 490 000 shares at an exercise price of SEK 265.16 per share. The term runs up to and including 30th May 2014. The warrants can be exercised from 2nd May 2014 up to and including 30th May 2014. The warrants are issued at the market rate by using the Black & Scholes model to determine their value.

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

- Risk-free interest – defined as the interest on a municipal bond with the same maturity as the option.
- Exercise price – by resolution of the General Meeting set at 120 per cent of a weighted average of the share price during a period established by the General Meeting.
- Volatility – based on the historical volatility of the Avanza Bank Holding share on the stock exchange during normal conditions.
- Dividend – consideration has been given to the estimated dividend that will be paid during the life of the option.
- Liquidity discount – as a result of the options not being traded on an active market a discount for illiquidity has been applied.

No. outstanding shares	
31-12-2010	27,957,470
New issue (exercise of warrants)	580,603
Återköp	-275,524
<b>31-12-2011</b>	<b>28,262,549</b>

## Note 26 Shares and participations in Group companies

SEK m	2011	2010
<i>Acquisition value</i>		
At beginning of year	414	414
Shareholders' contribution	0	–
<b>At end of year</b>	<b>414</b>	<b>414</b>
<i>Accumulated write-downs</i>		
At beginning of year	–7	–200
Reversal of write-down of shares in subsidiary (Avanza Bank AB)*	–	200
Write-down of shares in subsidiary (Placera Media Stockholm AB)	–	–7
Liquidation of subsidiary	–	–
<b>At end of year</b>	<b>–7</b>	<b>–7</b>
<b>Reported value at end of year</b>	<b>408</b>	<b>408</b>

\* Anledningen till återföring av nedskrivning av andelar i Avanza Bank AB beror på den lönsamhet som finns i banken.

	Corporate ID no.	Registered office	No. shares	% of shares	Book value
Avanza Bank AB	556573-5668	Stockholm	550,000	100	366
Avanza Fonder AB	556664-3531	Stockholm	31,000	100	3
Försäkringsaktiebolaget Avanza Pension	516401-6775	Stockholm	350,000	100	39
Placera Media Stockholm AB	556642-9592	Stockholm	1,000	100	0
Avanza Förvaltning AB	556840-0286	Stockholm	50,000	100	0
<b>Total</b>					<b>408</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	2011	2010
Direct savings products	352	376
Indirect savings products	161	188
Other services	22	21
<b>Total income from external customers</b>	<b>535</b>	<b>586</b>
Other income	160	36
<b>Total operating income</b>	<b>695</b>	<b>621</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

Återstående löptid (bokfört värde)

SEK m 31st Dec 11	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Per- petual	Total
<i>Assets</i>							
Lending to credit institutions	8,672	–	–	–	–	–	8,672
Lending to the public	–	2,557	–	–	–	–	2,557
Shares and participations	–	–	–	–	–	10	10
Assets in insurance operations*	–	20,653	141	1,785	5,266	–	27,845
Intangible assets	–	–	–	–	–	24	24
Tangible assets	–	–	–	–	–	26	26
Other assets	–	406	–	–	–	–	406
Deferred tax receivables	–	–	–	1	–	–	1
<i>Accrued income and prepaid costs</i>							
	–	40	–	–	–	–	40
<b>Total assets</b>	<b>8,672</b>	<b>23,656</b>	<b>141</b>	<b>1,786</b>	<b>5,266</b>	<b>60</b>	<b>39,581</b>
<i>Liabilities</i>							
Deposits by the public	10,560	–	–	–	–	–	10,560
Insurance operations liabilities*	–	20,653	141	1,785	5,266	–	27,845
Current tax liability	–	16	–	–	–	–	16
Deferred tax liabilities	–	–	–	–	–	–	0
Other liabilities	–	228	–	–	–	–	228
<i>Accrued costs and prepaid income</i>							
	–	57	–	–	–	–	57
<b>Total liabilities</b>	<b>10,560</b>	<b>20,954</b>	<b>141</b>	<b>1,785</b>	<b>5,266</b>	<b>0</b>	<b>38,706</b>

\* Kapitalförsäkring fördelas med 100 procent inom < 3 mån. Kapitalpension 2 procent < 3 månader, 6 procent 3–12 månader, 70 procent 1–5 år och 22 procent > 5 år.  
Privat pensionsförsäkring 10 procent 1–5 år och 90 procent > 5 år. Tjänstepension 5 procent 1–5 år och 95 procent > 5 år.

Remaining term (book value)

SEK m 31st Dec 10	Upon request	<3 months	3–12 months	1–5 yrs	>5 yrs	Per- petual	Total
<i>Assets</i>							
Belåningsbara statsskuld- förbindelser	–	300	–	–	–	–	300
Lending to credit institutions	6,334	–	–	–	–	–	6,334
Lending to the public	–	3,861	–	–	–	–	3,861
Shares and participations	–	–	–	–	–	14	14
Assets in insurance operations*	–	22,041	218	2,050	4,784	–	29,093
Intangible assets	–	–	–	–	–	26	26
Tangible assets	–	–	–	–	–	14	14
Other assets	–	567	–	–	–	–	567
Deferred tax receivables	–	–	–	1	–	–	1
<i>Accrued income and</i>							
prepaid costs	–	33	–	–	–	–	33
<b>Total assets</b>	<b>6,334</b>	<b>26,802</b>	<b>218</b>	<b>2,051</b>	<b>4,784</b>	<b>54</b>	<b>40,243</b>
<i>Liabilities</i>							
Deposits by the public	10,159	–	–	–	–	–	10,159
Insurance operations liabilities*	–	22,041	218	2,050	4,784	–	29,093
Current tax liability	–	13	–	–	–	–	13
Deferred tax liabilities	–	–	–	0	–	–	0
Other liabilities	–	128	–	–	–	–	128
<i>Accrued costs and</i>							
prepaid income	–	37	–	–	–	–	37
<b>Total liabilities</b>	<b>10,159</b>	<b>22,219</b>	<b>218</b>	<b>2,050</b>	<b>4,784</b>	<b>–</b>	<b>39,430</b>

\* Kapitalförsäkring fördelas med 100 procent inom < 3 mån. Kapitalpension 3 procent < 3 månader, 8 procent 3–12 månader, 68 procent 1–5 år och 21 procent > 5 år.  
Privat pensionsförsäkring 10 procent 1–5 år och 90 procent > 5 år. Tjänstepension 5 procent 1–5 år och 95 procent > 5 år.



## Note 29 Financial instruments

### Classification of financial information

SEK m, 31st Dec 11	Financial instruments valued at fair value via Income Statement	Loan receiva- bles and accounts receivable	Other financial liabilities	Non- financial instru- ments	Total
<i>Assets</i>					
Lending to the public	–	8,672	–	–	8,672
Shares and participations	–	2,557	–	–	2,557
Insurance operations assets	10,,	–	–	–	10
Intangible fixed assets	27,845	–	–	–	27,845
Tangible assets	–	–	–	24	24
Other assets	–	–	–	26	26
Deferred tax receivables	–	406	–	–	406
Uppskjutna skattefordringar	–	–	–	1	1
Prepaid costs and accrued income	–	29	–	11	40
<b>Total assets</b>	<b>27,855</b>	<b>11,664</b>	<b>0</b>	<b>62</b>	<b>39,581</b>
<i>Liabilities</i>					
Deposits by the public	–	–	10,560	–	10,560
Insurance operations liabilities	27,845	–	–	–	27,845
Current tax liability	–	–	–	16	16
Deferred tax liabilities	–	–	–	–	0
Other liabilities	–	–	228	–	228
Accrued costs and prepaid income	–	–	43	14	57
<b>Total liabilities</b>	<b>27,845</b>	<b>0</b>	<b>10,831</b>	<b>30</b>	<b>38,706</b>

### Financial instruments valued at fair value

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

### Level 3

<b>31-12-2010</b>	<b>9</b>
Buy	0
Change in value, unrealised	0
<b>31-12-2011</b>	<b>9</b>

## Classification of financial information

SEK m, 31st Dec 10	Financial instruments valued at fair value via Income Statement	Loan receptiva- bles and accounts receivable	Other financial liabilities	Non- financial instru- ments	Total
<i>Assets</i>					
Treasury bills eligible for refinancing		300			300
Lending to credit institutions	–	6,333	–	–	6,333
Lending to the public	–	3,861	–	–	3,861
Shares and participations	14	–	–	–	14
Insurance operations assets	29,093	–	–	–	29,093
Intangible fixed assets	–	–	–	26	26
Tangible assets	–	–	–	14	14
Other assets	–	568	–	–	568
Deferred tax receivables	–	–	–	1	1
Prepaid costs and accrued income	–	20	–	13	33
<b>Total assets</b>	<b>29,107</b>	<b>11,082</b>	<b>–</b>	<b>54</b>	<b>40,243</b>
<i>Liabilities</i>					
Deposits by the public	–	–	10,159	–	10,159
Insurance operations liabilities	29,093	–	–	–	29,093
Current tax liability	–	–	–	13	13
Deferred tax liabilities	–	–	–	–	–
Other liabilities	–	–	128	–	128
Accrued costs and prepaid income	–	–	21	16	37
<b>Total liabilities</b>	<b>29,093</b>	<b>–</b>	<b>10,308</b>	<b>29</b>	<b>39,430</b>

## Financial instruments valued at fair value

SEK m, 31st Dec 10	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	17,875	161	9	18,045
Fund units	1,384	6,950	–	8,334
Bonds and other interest-bearing securities	563	218	–	781
Other securities	2	16	–	18
Liquid assets	–	–	–	1,929
<b>Total assets</b>	<b>19,824</b>	<b>7,345</b>	<b>9</b>	<b>29,107</b>
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	29,093	–	29,093
<b>Total liabilities</b>	<b>–</b>	<b>29,093</b>	<b>–</b>	<b>29,093</b>

## Fair value

All financial instruments are initially reported at the instrument's fair value, which corresponds to the acquisition cost. Subsequent reporting is determined by the valuation category within which the financial instrument has been classified.

The book value and fair value of financial instruments reported at accrued acquisition value and which carry a variable interest rate, or where the term is short, correspond.

The fair value of those financial instruments that are reported at fair value via the Income Statement, primarily comprising assets and liabilities within the insurance operations, is determined on the basis of the listed bid prices on the closing day of the assets in question. If no active market exists, the valuation methods described in Note 2 to Avanza Bank's annual accounts are used.

## Note 30 Pledged assets and contingent liabilities

SEK m	31st Dec 11	31st Dec 10
<b>Pledged assets</b>		
<i>in the form of assets pledged on behalf of customers</i>		
Securities loans	39	54
Collateral requirement, OM derivatives	108	149
<i>Other pledged collateral and security</i>		
Securities liquidation, Euroclear	200	200
Securities liquidation, EMCF	273	154
Securities liquidation, EMCF, clearing fund	9	9
Securities liquidation, Finska APK	9	9
Securities liquidation, Norges Bank	8	8
Securities liquidation, Danmark VPS	24	24
Säkerheter Kanadahandel	1	–
National Bank of Sweden clearing	100	100
<b>Total pledged assets</b>	<b>771</b>	<b>707</b>

Pledged assets total SEK 771 million, of which SEK 762 million refers to lending to external credit institutions and SEK 9 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 823 million (SEK 776 m).

### Contingent liabilities

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 9 million, per failing clearing member.

## Note 31 Capital requirements and financial risks

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

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

### The financial conglomerate

In 2008, the Swedish Financial Supervisory Authority ruled that Avanza Bank Holding AB (corporate ID no. 556274-8458) and its subsidiary companies constitute a financial conglomerate. As a result of this ruling, the financial corporate group ceased to exist. The financial conglomerate comprises all companies within the Group. Capital adequacy has also been calculated at a solo level for the Avanza Bank AB (corporate ID no. 556573-5668) and Avanza Fonder AB (corporate ID no. 556664-3531) subsidiary companies.

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.

#### The conglomerate's capital base and capital requirements

The Swedish Financial Conglomerates (Special Supervision Act) (2006:531) and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2006:6) concerning special supervision of financial conglomerates apply when determining the statutory capital requirement of the financial conglomerate. The conglomerate's capital requirement has been calculated using the consolidation method. The conglomerate's capital based complies with the capital requirements for the financial conglomerate.

#### The financial conglomerate

SEK m	31st Dec 11	31st Dec 10
<b>Capital base</b>		
Shareholders' equity, the Group	875	813
Proposed dividend	-283	-266
<b>Shareholders' equity, the financial conglomerate</b>	<b>592</b>	<b>547</b>
<i>Less</i>		
Intangible assets and deferred tax receivables	-25	-27
<b>Capital base</b>	<b>567</b>	<b>520</b>
<b>Capital requirement</b>		
Capital requirement for regulated units within the banking and securities sector	240	242
Capital requirement for regulated units in the insurance sector	31	36
Theoretical capital requirement for non-regulated units	4	4
<b>Capital requirement</b>	<b>275</b>	<b>282</b>
<b>Capital surplus</b>	<b>292</b>	<b>238</b>
<b>Capital base/Capital requirement</b>	<b>2.06</b>	<b>1.84</b>

#### Insurance

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

#### Strategy and method

##### *Capital assessment policy*

Almost all operations that require capital are conducted within the banking and securities sector in the biggest company within the financial conglomerate, 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 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.

*Capital base and capital requirements at solo level*

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

**Avanza Bank AB**

<b>SEK m</b>	<b>31st Dec 11</b>	<b>31st Dec 10</b>
Share capital	55	55
Profit carried forward	399	311
Net profit/loss for the year less estimated dividend	5	88
<b>Total shareholders' equity</b>	<b>459</b>	<b>454</b>
<i>Less</i>		
Intangible assets and deferred tax receivables	-2	-3
Deferred tax receivables	-1	-1
<b>Capital base, net</b>	<b>457</b>	<b>450</b>
<b>Capital requirements</b>		
<i>Credit risk using standard method</i>		
Exposures to governments and central banks	-	-
Institutional exposure	139	101
Corporate exposure	3	8
Household exposure	17	56
Other items	10	9
<b>Total capital requirement for credit risks</b>	<b>170</b>	<b>174</b>
<i>Risks in trading portfolio</i>		
Share price risks		
- Specific risk	0	0
- General risk	0	0
Settlement risks	0	0
<b>Total capital requirement for risks in trading portfolio</b>	<b>0</b>	<b>0</b>
<i>Operating risks</i>		
Base method	70	67
<b>Total capital requirement</b>	<b>240</b>	<b>241</b>
<b>Capital surplus</b>	<b>217</b>	<b>209</b>
<b>Capital adequacy ratio</b>	<b>1,90</b>	<b>1,86</b>
<b>Start-up capital</b>	<b>47</b>	<b>47</b>

## Avanza Fonder AB

SEK m	31st Dec 11	31st Dec 10
Share capital	3	3
Profit carried forward	0	0
Net profit/loss for the year less estimated dividend	–	–
<b>Total shareholders' equity</b>	<b>3</b>	<b>3</b>
<i>Less</i>		
Intangible assets and deferred tax receivables	–	–
Deferred tax receivables	–	–
<b>Capital base, net</b>	<b>3</b>	<b>3</b>
<b>Capital requirements</b>		
<i>Credit risk using standard method</i>		
Exposures to governments and central banks	–	–
Institutional exposure	0	0
Corporate exposure	–	–
Household exposure	–	–
Other items	0	0
<b>Total capital requirement for credit risks</b>	<b>0</b>	<b>0</b>
<i>Risks in trading portfolio</i>		
Share price risks		
– Specific risk	–	–
– General risk	–	–
Settlement risks	–	–
<b>Total capital requirement for risks in trading portfolio</b>	<b>–</b>	<b>–</b>
<i>Operating risks</i>		
Base method	0	1
<b>Total capital requirement</b>	<b>0</b>	<b>1</b>
<b>Capital surplus</b>	<b>3</b>	<b>2</b>
<b>Capital adequacy ratio</b>	<b>6.07</b>	<b>4.16</b>
<b>Start-up capital</b>	<b>1</b>	<b>1</b>

### Internal capital assessment (IKU)

An internal capital assessment (IKU) is drawn up 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 submitted to 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.

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

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

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

The most recent internal capital assessment for Avanza Bank AB, which was carried out in January 2012 in respect of 31 December 2011, has resulted in a total capital requirement of SEK 256 million (SEK 279 m). The legal requirement for Avanza Bank AB totalled SEK 241 million on 31 December 2011. The shareholders' equity consequently fulfils both the objective of covering the credit risk and operating risks and of constituting credibility capital in relation to banks and other investors.

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

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

The market risks are insignificant and Avanza Bank AB is, in every significant respect, only obliged to manage credit risks, concentration risks and operational risks in the course of its day-to-day operations, and these three main areas are assumed to be completely uncorrelated. Operational risks have been assessed in accordance with a model for probability and consistency. The most important thing, alongside the need to comply with the legal capital 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.

## **Risk management objectives and guidelines per risk category**

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

### **Risk management**

The nature of Avanza Bank's operations entails exposure, primarily to credit and counterparty risks, market 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 other 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 monitoring and control of all risks. The function is independent of the commercial operations and reports to the CFO. The risk management function and the Compliance Officer have permanent items on the agenda at Board Meetings, and can report directly to the Chairman of the Board.

During 2011, the Board decided that the entire Avanza Group shall work in accordance with the view of the regulations as regards division of responsibility between business lines, independent control and internal auditing, so-called Three Lines of Defence.

#### *The first line of defence*

The business line has full responsibility for the risks created by its own operations. The business line is closest to the operations or customers and therefore knows best about the operations or customers and the specific risk.

#### *The second line of defence*

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

#### *The third line of defence*

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

Risk management is conducted in each department in accordance with the three lines of defence, under the supervision of, and in communication with, risk management. Operational responsibility for following up and control lies with the Risk Management Department, as regards all risks.

The Credit and Finance Function is responsible for counterparty and credit risks. All decisions on large credits and important new counterparties are made by the Board of Directors or the company's Credit Committee. Responsibility for compliance with regulations and respective legal risks rests with the Compliance Officer and the Company Lawyer.

### **Internal auditing**

An independent auditing function evaluates and carries out reviews on behalf of the Board of Directors, ensuring that the respective companies within the Avanza Bank 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). The independent audit was carried out in 2010 by the external consulting company, Grant Thornton Sweden AB, who were directly commissioned by the Board of Directors.

### **Risks**

Avanza Bank's operations have grown in scale in 2011 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 and these products, hence, 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. The company manages Avanza Zero – the no fee fund. This is an index fund that tracks SIX30RX. The management consequently replicates the index performance and is not based on the manager's personal view of the market performance. Avanza Fonder AB also conducts discretionary management of customers' portfolios where the amount managed is at present small. The management is not individualised but the customers can choose between portfolios with differing risk profiles. This systematic approach keeps down operational risks in management.

### **Information on the credit portfolio**

#### *Credit and counterparty risks*

The risk inherent in lending to account customers, so-called securities credits, and lending to financial institutions is the most significant credit risk. All counterparties are checked and assigned a credit limit. All securities credits are secured by pledges in listed securities. Avanza Bank carries out its own internal assessment of appropriate lending levels, based on the security's liquidity, volatility and net worth. The securities pledged can be 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 extreme 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.



All lending to customers has a one month notice period. The interest rate is a floating one and is only adjusted, during normal market conditions, in conjunction with changes to lending rates by the Riksbank (Swedish central bank). Credit is only granted to customers resident outside the Nordic region in exceptional circumstances. The majority of all exposures are to customers resident in Sweden and there is no reason to break this down to a lower level. The composition of the securities received is of considerable importance. 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 during 2011.

Avanza Bank AB suffered credit losses during the year in securities credits of SEK 6.5 million based on a single event in a single security. As a result of this, Avanza Bank has adopted a number of improvement measures for handling credit risks. Avanza Bank AB has implemented a new credit risk management system to handle, measure and report credit risks in securities credits. The daily stress tests ensure that the Bank lies within the set risk appetite. The Board of Directors of Avanza Bank AB has also set out new instructions as regards handling credit risks.

The market turbulence that occurred in August 2011, with steep falls in prices on the stock market, meant that many customers lacked full security in borrowing against securities. The situation was managed through customers or Avanza disposing of financial collateral to the extent required to eliminate the collateral deficiency. Avanza Bank succeeded well in this "real stress test" without any anticipated or actual credit losses. This was largely due to good control and risk measurement of pledged portfolios in accordance with measures taken for handling credit risks as described above and through good crisis-preparedness in the organisation.

#### *Credit quality*

Avanza Bank's exposure to financial institutions is at the highest credit quality step according to the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2007:1) concerning capital adequacy and large exposures. Exposures to households and companies in securities credits lack credit classification.

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

Financial collateral provided for pledging of securities (MSEK):

Finansiella säkerheter	Viktad exponering	Marknadsvärde	Belåningsvärde	Viktad exponering av marknadsvärde	Andel av viktad exponering
Aktier	2.482	11.386	6.932	22 %	89 %
Fonder	280	1.064	680	26 %	10 %
Övriga säkerheter	37	187	71	20 %	1 %
<b>Total</b>	<b>2.799</b>	<b>12.637</b>	<b>7.683</b>	<b>22 %</b>	<b>100 %</b>

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

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

	SEK m
Volvo B	158
Hennes & Mauritz B	113
Lundin Petroleum	82
Ericsson B	80
Boliden	73
Swedbank A	66
ABB Ltd	52
SEB A	49
Skanska B	48
Avanza Zero	46
<b>Total</b>	<b>767</b>

Lending to credit institutions consists of receivables against Nordic credit institutions which are of systematic importance. According to financial instructions, liquidity over and above the Swedish government may be invested with Nordic credit institutions of systematic importance. As of 31st December 2011, Avanza Bank had major investments with Handelsbanken and Danske Bank.

Exposures to these banks are risk weighted at 20 per cent. The institutional exposures comprise lending to credit institutions and totalled SEK 8,672 million (SEK 6,334 m) on the closing day. The average lending to credit institutions in 2011 totalled 6,738 million (SEK 5,974 m).

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 12 (19) loans exceeding SEK 10 million, as of 31st December 2011. The combined sum for these loans was SEK 244 million (SEK 410 m) and the largest single loan was for SEK 35 million (SEK 65 m) spread over four customers who are jointly limited.

A lending value is set for shares and funds and varies between 0 per cent and 90 per cent. Over-borrowing, i.e. amounts borrowed in excess of the lending value, totalled SEK 3 million (SEK 6 m), as of 31st December 2011. Provision for these probable credit losses is made if collateral does not cover the loaned amount as regards loan amount and interest. Provision for these receivables totalled SEK 7 million, as of 31st December 2011. There are no changes in value as a result of exchange rate differences or other revaluations. See also Note 11 Credit losses, net and Note 15 Provision for doubtful customer receivables. Lending to customers continues as long as over-borrowing does not occur. Over-borrowing is classified as a past due receivable and the customers in question are contacted as soon as it occurs with details of the date by which the over-borrowing must be rectified. The customer can action the over-borrowing by depositing money or securities or by selling securities. If the customer fails to take action, Avanza Bank will settle the over-borrowing by selling securities.

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

Lending to the public totalled SEK 2,557 million (SEK 3,861 m) on the closing day. The average lending in 2011 totalled 3,792 million (SEK 3,698 m).

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

##### *Credit risk protection*

- The credit risk protection applied comprises the 95 or so most liquid shares on the Stockholm Stock Exchange. They are included in the Stockholm Benchmark Index and are discounted by just over 78 per cent of the market value.
- Securities received are re-valued daily in line with the current market value. The lending value comprises a fixed percentage of this market value. The way in which any over-borrowing that occurs is managed is described above under "Information on the Credit portfolio".
- The majority of the securities comprise shares and fund units.
- No guarantees are received or issued for customers or other parties. Nor are there any OTC dealings with regard to any types of derivative.
- The lending spread is substantial; see above under "Information on the Credit portfolio".
- There are, however, certain concentrations of securities received; see table above under "Information on the Credit portfolio".
- The total discounted exposure amount dependent on discountable securities is SEK 2,803 million.

Lending to the public totalled SEK 2,557 million (SEK 3,861 m). The amounts include exposures to both households and companies. The corporate exposure before deducted collateral totals SEK 341 million (SEK 526 m). All lending is made against collateral in the form of financial instruments. Companies and households provide collateral in the same way and are subject to the same lending routines. A guarantee undertaking from the owner to the company also exists for the vast majority of the corporate exposures.

#### **Information on counterparty risks**

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

### **Information on operational 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 2011 the Bank implemented a new way of handling and evaluating operational risks. In the new evaluation method, the risks are measured in accordance with probability and consequence. The Bank has chosen to use 4 levels for probability and consequence. Together, these form a risk level for each individual risk in the operations. Risk-taking shall be limited within the framework of what is financially defensible. Risk tolerance is determined by the Board of Directors, and the bank shall work to keep operational risks at low levels. The measures have been introduced to reduce risks that are not considered acceptable.

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

An extensive external and internal regulatory framework applies to 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 56 (41) employees were licensed. A further 10 (14) employees have also received special training in insurance broking.

### **Market risks**

#### *Exchange rate risks*

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

#### *Interest risks*

Financial assets and liabilities on the Balance Sheet mainly run without time limits. To make possible efficient investment of liquidity, the Board of Directors sets a limit for the amount of interest risk that may be taken in investing liquidity. The maximum change in value of holdings of treasury bills, certificates of deposit or time deposits with approved banks may together amount to a maximum of SEK 10 million with a change in market interest rates of 1 basis point. During the year, Avanza Bank has not had any investments of longer duration than to the following banking day and the interest rate risk has been negligible. On the other hand, a market interest rate that falls towards zero can have a negative effect on Avanza Bank's interest margins.

#### *Currency risks*

Assets and liabilities in the Balance Sheet are primarily valued in SEK. The exception to this is that customers can hold foreign currencies in their accounts. These foreign currency balances are still relatively small and their value on 31st December 2011 totalled SEK 39 million (SEK 133 m). Such currency balances are matched in their entirety by corresponding balances in Avanza Bank's bank accounts. There is no significant currency exposure outside the Balance Sheet.

#### *Share risk*

The total exposure in respect of shares not included in the trading portfolio, see Exchange rate risks above, is SEK 9 million and refers to the Group's holdings of shares in Burgundy. The accounting principles are shown in Note 2.

## 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) or on the following day. 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. 69 per cent of the deposits can be paid out immediately, and the remaining 31 per cent can be paid after one month.

	Amount	Term
Deposits, excluding client funds	10.560	Avista
Lending	2.557	1 month
Bank balances	8.672	1 day

SEK 771 million of the bank balances has been pledged as security. As a consequence, bank balances, excluding pledged security, of SEK 7,901 million comprise the amount that can be withdrawn by the customers not later than the following banking day.

## Sensitivity analysis

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

During 2011 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 against Individual financial security, counterparties, sectors or regions. There are risk concentrations against credit institutions but the Bank only has liquidity placed on demand or the following day with a few Nordic banks of system importance. 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.

## 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 318 million (SEK 271 m) at the end of the year, at which time its liabilities to Group companies totalled SEK 0 million (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 324 thousand (SEK 7 k) at the year-end. Deposits from related parties totalled SEK 41,108 thousand (SEK 52,741 k) at the year-end. Income and expenses from transactions with related parties comprise SEK 422 thousand (SEK 347 k) in brokerage, SEK 4 thousand (SEK 9 k) in interest income, and SEK 1,353 thousand (SEK 191 k) in interest expenses. Invoicing from related parties' limited companies totals SEK 699 thousand (SEK 309 k).

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

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

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

The reported value of goodwill is however controlled with an impairment test at least once a year to assess any write-down requirements, in which a number of assumptions are made concerning such aspects as discount rate, cash flow and growth in order to calculate the fair value of the underlying asset. See also Note 9.

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.

### **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 approves a cash dividend of SEK 10.00 per share for 2011. This corresponds to a dividend payment totalling SEK 283 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 buyback of the company's own shares. The Board is of the opinion that in the long-term, the dividend can comprise a minimum of 70 per cent of the profit for the year.

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

During 2011 the Board of Avanza Bank acquired 275,524 of the company's own shares for a total of SEK 46 million in accordance with the authorisation received at the Annual General Meeting of the company's shareholders held on 14th April 2011.

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 2012 Annual General Meeting.

---

\* Reference to Note 31 on page 75, Capital requirements and financial risks.

## The Parent Company

The following profits are at the disposal of the Annual General Meeting:	SEK k
Share premium reserve	184,571
Retained profit	197,102
Net profit for the year	279,584
	<b>661,257</b>

The Board of Directors and the Managing Director proposes that:	
a dividend of SEK 10.00 per share be paid to the shareholders, totalling	282,625
that the following sum be carried forward,	194,061
and that the following sum be retained in the share premium reserve	184,571
	<b>661,257</b>

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

Stockholm, 28th February 2012

Sven Hagströmer  
Chairman of the Board

Anders Ellsell  
Board Member

Lisa Lindström  
Board Member

Mattias Miksche  
Board Member

Martin Tivéus  
Managing Director

Andreas Rosenlew  
Board Member

Nicklas Storåkers  
Board Member

Jacqueline Winberg  
Board Member

Our Audit Report was submitted on 28th February 2012

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorised Public Accountant

# Audit Report

Till årsstämman i Avanza Bank Holding AB (publ), org.nr 556274-8458

## Rapport om årsredovisningen och koncernredovisningen

Vi har reviderat årsredovisningen och koncernredovisningen för Avanza Bank Holding AB (publ) för år 2011. Bolagets årsredovisning och koncernredovisning ingår i detta dokument på sidorna 33–87.

*Styrelsens och verkställande direktörens ansvar för årsredovisningen och koncernredovisningen*  
Det är styrelsen och verkställande direktören som har ansvaret för att upprätta en årsredovisning som ger en rättvisande bild enligt årsredovisningslagen och en koncernredovisning som ger en rättvisande bild enligt internationella redovisningsstandarder IFRS, såsom de antagits av EU, och enligt lagen om årsredovisning i kreditinstitut och värdepappersbolag, och för den interna kontroll som styrelsen och verkställande direktören bedömer är nödvändig för att upprätta en årsredovisning och koncernredovisning som inte innehåller väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel.

### *Revisorernas ansvar*

Vårt ansvar är att uttala oss om årsredovisningen och koncernredovisningen på grundval av vår revision. Vi har utfört revisionen enligt International Standards on Auditing och god revisionsssed i Sverige. Dessa standarder kräver att vi följer yrkesetiska krav samt planerar och utför revisionen för att uppnå rimlig säkerhet att årsredovisningen och koncernredovisningen inte innehåller väsentliga felaktigheter.

En revision innefattar att genom olika åtgärder inhämta revisionsbevis om belopp och annan information i årsredovisningen och koncernredovisningen. Revisorn väljer vilka

åtgärder som ska utföras, bland annat genom att bedöma riskerna för väsentliga felaktigheter i årsredovisningen och koncernredovisningen, vare sig dessa beror på oegentligheter eller på fel. Vid denna riskbedömning beaktar revisorn de delar av den interna kontrollen som är relevanta för hur bolaget upprättar årsredovisningen och koncernredovisningen för att ge en rättvisande bild i syfte att utforma granskningsåtgärder som är ändamålsenliga med hänsyn till omständigheterna, men inte i syfte att göra ett uttalande om effektiviteten i bolagets interna kontroll. En revision innefattar också en utvärdering av ändamålsenligheten i de redovisningsprinciper som har använts och av rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen, liksom en utvärdering av den övergripande presentationen i årsredovisningen och koncernredovisningen.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

### *Uttalanden*

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av moderbolagets finansiella ställning per den 31 december 2011 och av dess finansiella resultat och kassaflöden för året enligt årsredovisningslagen, och koncernredovisningen har upprättats i enlighet med lagen om årsredovisning i kreditinstitut och värdepappersbolag och ger en i alla väsentliga avseenden rättvisande bild av koncernens finansiella ställning per den 31 december 2011 och av dess resultat och kassaflöden enligt internationella redovisningsstandarder, såsom de antagits av EU, och enligt lagen om årsredovisning i kreditinstitut och värdepappersbolag. Förvaltningsberättelsen är förenlig med årsredovisningens och koncernredovisningens övriga delar.



Vi tillstyrker därför att årsstämman fastställer resultaträkningen och balansräkningen för moderbolaget och koncernen.

#### *Övriga upplysningar*

Årsredovisningen och koncernredovisningen för år 2010 reviderades av en annan revisor som i sin revisionsberättelse daterad 22 februari 2011 uttalade sig enligt standardutformningen om denna årsredovisning.

### **Rapport om andra krav enligt lagar och andra författningar**

Utöver vår revision av årsredovisningen och koncernredovisningen har vi även reviderat förslaget till dispositioner beträffande bolagets vinst samt styrelsens och verkställande direktörens förvaltning för Avanza Bank Holding AB (publ) för år 2011.

#### *Styrelsens och verkställande direktörens ansvar*

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst, och det är styrelsen och verkställande direktören som har ansvaret för förvaltningen enligt aktiebolagslagen.

#### *Revisorernas ansvar*

Vårt ansvar är att med rimlig säkerhet uttala oss om förslaget till dispositioner beträffande bolagets vinst och om förvaltningen på grundval av vår revision. Vi har utfört revisionen enligt god revisionssed i Sverige.

Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Som underlag för vårt uttalande om ansvarsfrihet har vi utöver vår revision av årsredovisningen och koncernredovisningen granskat väsentliga beslut, åtgärder och förhållanden i bolaget för att kunna bedöma om någon styrelseledamot eller verkställande direktören är ersättningskyldig mot bolaget.

Vi har även granskat om någon styrelseledamot eller verkställande direktören på annat sätt har handlat i strid med aktiebolagslagen, lag om bank- och finansieringsrörelse, årsredovisningslagen, lagen om årsredovisning i kreditinstitut och värdepappersbolag eller bolagsordningen.

Vi anser att de revisionsbevis vi inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

#### *Uttalanden*

Vi tillstyrker att årsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Stockholm, 28th February 2012

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
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.

## External deposits

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

## Investment fund commission

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

## 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 inflow

Deposits, less withdrawals, of liquid assets and securities.

## Net inflow/Savings capital

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

## Stock market

Refers to the OMXSPI share index, which comprises all shares listed on the Stockholm Stock Exchange.

## Transactions

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

# Corporate Governance Report

Avanza Bank Holding AB (publ.) ("Avanza Bank") is governed by means of the Annual General Meeting of the shareholders of the company, the Board of Directors and the Managing Director, pursuant to the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (1995:1554), and in accordance with the Articles of Association and the Swedish Corporate Governance Code ("the Code"). The Corporate Governance Report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the Code. For further information on corporate governance, see [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

The Code is based on the principle of comply or explain, which means that it is permissible to deviate from the Code. Avanza Bank deviates from the Code in that Avanza Bank has decided not to establish an audit committee. This deviation is explained in more detail below, together with the solution that has been chosen, and the justification.

## Annual General Meeting

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

151 shareholders participated in Avanza Bank's Annual General Meeting held on 14th April 2011 in Stockholm, representing 53 per cent of the total number of shares and votes in the company. Every share grants entitlement to one vote and there are no limitations on the number of votes that a shareholder may use. The company's auditors and the entire Board

of Directors, with the exception of Jacqueline Winberg and Mattias Miksche, were present at the Meeting. Avanza Bank has only one owner, Investment AB Öresund, which, either directly or indirectly represents at least one tenth of the total number of votes for all shares in the company. Investment AB Öresund represented 20.92 per cent of Avanza Bank's shares and votes as of 31st December 2011. On 19th January 2012 the entire holding of 20.92 per cent was conveyed to Creades AB from Investment AB Öresund.

In the Directors' Report, under the item "Buy-back of the company's own shares" it is stated that the 2011 Annual General Meeting resolved to authorise the Board of Directors to decide on buying back the company's own shares.

Details of impending Annual General Meetings and of the way in which shareholders can exercise their right of initiation can be found on the company's website no later than in conjunction with the publication of the Q3 Interim Report before the Annual General Meeting is held. Minutes of previous Annual General Meetings are also available on the website.

## The Board of Directors

Avanza Bank's Board of Directors decides on issues that relate to Avanza Bank's strategic orientation, investments, financing, organisational issues, acquisitions and disposals, 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 and that of the Managing Director.

The Articles of Association state that the Board shall comprise a minimum of five and a maximum of eight Members. During 2011 Avanza Bank's Board comprised seven Members elected by the Annual General Meeting and no Deputy Members. Prior to the Annual General Meeting, Hans Bergenheim declined to stand for re-election, and at the Annual General Meeting

of 14th April 2011, Lisa Lindström was elected to the Board of Directors. The Chairman of the Board is Sven Hagströmer. During 2011, Nicklas Storåkers stepped down as Managing Director of Avanza Bank, but will remain on the Board of Directors. The Board held its first meeting following election on 14th April 2011. See the company's website, [avanzabank.se](http://avanzabank.se) for details of the individual Board Members.

### The work of the Board in 2011

The Board held a total of 19 meetings during the year, 6 of which were ordinary meetings, three were special meetings, one was the Board Meeting following election, and 10 were per capsulam.

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

### Directors' fees

The 2011 Annual General Meeting set the Directors' fees at SEK 1,053,000. An annual fee of SEK 178,000 is paid to the Chairman of the Board, with fees of SEK 175,000 payable to the other Members. Members of the companies' Boards who attend when the company's management has reporting meetings with the com-

pany's Auditor shall receive a further fee of SEK 25,000. The Board Members of the subsidiary companies, Avanza Fonder AB and Försäkringssaktiebolaget Avanza Pension, shall, furthermore, be entitled to receive a fee of SEK 36,000 each for their respective Board duties. Members who are salaried employees of the company, whether of the parent company or a subsidiary 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 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 company's auditors also report their assessments of the company's monitoring in person at certain Board Meetings, after completion of a review. Company employees participate in the Board Meetings to present reports or as secretaries.

### Attendance at minuted Board Meetings

Board Members' attendance at minuted Board Meetings and their dependence in relation to the company and its management and in relation to the company's major shareholders in accordance with the Code.

	Present	I relation till bolaget och dess ledning	Not independent/Independent
Sven Hagströmer, Chairman	19/19	Independent Member	Not Independent Member
Hans Bergenheim	5/5	Independent Member	Independent Member
Anders Ellsäll	17/19	Independent Member	Not Independent Member
Mattias Miksche	19/19	Independent Member	Independent Member
Nicklas Storåkers	19/19	Not Independent Member	Not Independent Member
Andreas Rosenlew	19/19	Independent Member	Independent Member
Jacqueline Winberg	18/19	Independent Member	Independent Member
Lisa Lindström	12/14	Independent Member	Independent Member

## The Managing Director and Group Management

The Managing Director manages the operations in accordance with the rules of procedure for the Managing Director. The Managing Director is responsible for keeping the Board informed of the company's operations and for ensuring that the Board has, as far as possible, the necessary and comprehensive basis it requires for decision-making. The Managing Director also maintains an ongoing dialogue with the Chairman of the Board in order to keep the Chairman informed with regard to the Group's performance. 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 2011, consisted of six persons, of whom five are male and one, female.

The Avanza Bank Group comprises the parent company, Avanza Bank Holding AB (publ.), and five subsidiary companies. All subsidiary companies report continuously on a monthly basis. The Members of the subsidiaries' Boards are, preferably, members of the Group management and the Avanza Bank Board of Directors.

The 2010 Annual General Meeting determined that the fees for the Group management shall consist of a fixed portion and a variable, performance-based portion. The variable portion may be disbursed for performances that exceed those normally expected of members of the Group management after an evaluation of individual performances and Avanza Bank's reported profits. The extent to which previously adopted goals for the company and the senior executive have been met is taken into account when determining the variable remuneration. Persons included in the Group management have been allocated warrants in accordance with the warrant programme approved at the Extraordinary General Meeting of 15th April 2008 and at the Annual General Meeting of 14th April 2011. The total remuneration for persons in the company management shall be on market terms.

## 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 2011 Annual General Meeting. These owners decided that the Nomination Committee shall comprise Erik Törnberg, who represents Investment AB Öresund, (from 19th January 2012, Creades AB), Johan Lannebo who represents Lannebo Fonder, and Magnus Dybeck, who represents the Dybeck family and its companies, and the Chairman of the Board, Sven Hagströmer, who represents the Hagströmer family and its companies. Erik Törnberg has been appointed Chairman of the Nomination Committee.

The Nomination Committee elected at the 2011 Annual General Meeting held two minuted meetings, of which one in January 2012 at which all members were present. The Nomination Committee is tasked with, amongst other things, conducting an evaluation of the Board and its work. The size of the Board and its composition, with regard, 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 whether the prin-

ciples governing the structure of the Nomination Committee should be amended.

### Remuneration committee

For the 2010 financial year, this Committee has comprised Sven Hagströmer, Anders Ellsell 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 six meetings, which were attended by all members, and has maintained ongoing contact during the year.

### Audit Committee

The provisions of the Swedish Companies Act and the Code require the Boards of public limited companies to appoint an Audit Committee. The majority of the Audit Committee members should be independent of the company and senior management and at least one member of the committee shall be independent of the company's major shareholders. The Board may, under the provisions of the Swedish Companies Act, decide not to appoint an Audit Committee if at least one Member is independent and has accounting or auditing expertise. The Board of Directors of Avanza Bank is of the opinion that the composition of the Board is such that the exception specified in the Swedish Companies Act is applicable and has, therefore, elected not to establish an Audit Committee in that the Board is of the opinion that this type of issue is best addressed by the entire Board of Directors. The 2006 Annual General Meeting resolved, however, that one member of the company's Board shall participate when the senior management of the company has reporting meetings with the company's auditors. The Board has appointed Board Member, Anders

Elsell, to be present at such reporting meetings.

The Board found no cause, during 2011, to exclude the company's Managing Director from meetings in which the Board carried out the duties which are incumbent upon an Audit Committee.

The Board has ongoing contact with the company's auditors in order to familiarise 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. Öhrlings PricewaterhouseCoopers were elected as Avanza Bank's auditors at the 2011 Annual General Meeting, with Catarina Ericsson 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 and the Corporate Governance Report.

The auditors report the results of their audit to the shareholders in the form of the Audit Report and a report detailing their review of the administration of the company, 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 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.

The internal control work is divided up as follows:

#### *Risk Management*

Risk Management is Avanza Bank's function for independent risk monitoring. The head of the function reports directly to the CFO and has a

permanent item on the agenda at Board meetings, and can report directly to the Managing Director and the Chairman of the Board. Risk Management is responsible for providing the Board, management and others in need thereof with information on risk-related issues. Risk Management is also responsible for the establishment and monitoring of a fit for purpose risk policy and of rules and routines for the company's risk management.

Risk management is carried out within every department in accordance with the principle of three lines of defence, involving clear divisions of responsibility between business lines, independent control and internal audits. Risk management is conducted under the supervision of, and communication with, Risk Management. Avanza Bank's risks are divided into the following categories: credit and counterparty risks, market risks, liquidity risks and operational risks.

#### *Compliance*

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

Compliance shall inform the Managing Director, the Board of Directors and employees of the rules obtaining at any given time with regard to the operations conducted by Avanza Bank and which require licencing. Knowledge of applicable

regulations can be disseminated through the company's internal instructions, training programmes and other types of information.

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

#### *Independent review*

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

The independent review is carried out by a group of external consultants in order to ensure the quality and independence of the evaluation and review. The Board of Directors has commissioned the external consulting company, Grant Thornton Sweden AB, to carry out this independent review.

The independent review in respect of the 2011 financial year focused primarily on a review of credit management and IT control, and the review also covered countering money laundering, compliance, risk management, and following up the observations from the independent review of 2010. Grant Thornton Sweden AB reported the results of its independent review to the various Boards within the Avanza Bank Group at the Board Meeting held on 19th October 2011.

#### *The Finance Department's controller function*

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



# The Board of Directors' report on internal controls and risk management in relation to financial reporting for the 2011 financial year

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal controls of both the Avanza Bank Group and Avanza Bank Holding AB (publ). This report has been prepared in accordance with section 7.4 of the Code and is, therefore, limited to internal controls with regard to financial reporting. The report constitutes part of the Corporate Governance Report which shall be appended to the company's Annual Report.

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

Internal control in relation to financial reporting is a process which is formulated in order to 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 companies whose transferable securities are listed for trading in a regulated market.

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

### Control environment

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

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

### Risk assessment

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

### Control activities

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



## Information and communication

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

## Following up

At the end of 2006, Avanza Bank established an internal management organisation in order to ensure monitoring of the quality of the financial reporting, the efficiency of the control structure, and the compliance with steering documents in the form of internal policies, guidelines and instructions in relation to the financial reporting. The internal management organisation, which has held five minuted meetings in 2011 comprises representatives of Accounts, Back office, Trading, Risk Management and Compliance. The Board receives monthly financial reports, and the company's and Group's financial situation is addressed at each Board Meeting. Prior to each Board Meeting, the Board receives a report from Risk Management and Compliance. All of these reports are based on an evaluation of the Group's activities and the reporting covers the entire organisation.

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

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

## Evaluation of and position on internal audits

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

# Board of Directors



## Chairman of the Board

*Sven Hagströmer*, born 1943. Studied at Stockholm University. Elected: 1997. Chairman of the Board of Creades AB. Member of the Board of eWork Scandinavia AB. Holdings on 31st December 2011 (incl. family and companies): Shares: 2,061,034.



*Anders Ellsell*, born 1957. Degree in Civil Engineering, Royal Institute of Technology, Stockholm, and degree in Business Economics and Management from Stockholm University. Elected: 2001. Financial Analyst, Creades AB. Holdings on 31st December 2011 (incl. family): Shares: 251,433.



*Lisa Lindström*, born 1973. Business & Management, Hyper Island School of New Media. Elected: 2011. Managing Director of Doberman AB. Member of the boards of Nobel Media AB, Hyper Island Capital AB, AB avtal 24 and SOS Barnbyar. Holdings on 31st December 2011: Shares: –



*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, Headweb AB and Sportamore AB. Holdings on 31st December 2011: Shares: 1,000.



*Andreas Rosenlew*, born 1962. MSc in Economics & Business Administration, The Swedish School of Economics & Business Administration, Helsinki. Elected: 2005. Managing Partner and Chairman of the Board of Grow Partners AB. Member of the boards of Acne Studios Holding AB, Polarica Holding AB and Innograf OY. Holdings on 31st December 2011: 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. Elected: 2000. Chairman of the Board of Jajja Communications AB. Holdings on 31st December 2011 (incl. family): Shares: 358,475. Warrants: corresponding to 172,470 shares.



*Jacqueline Winberg*, born 1959. Degree in Economics and Business Administration from the Stockholm School of Economics. Elected: 2003. Partner at Stanton Chase International. Holdings on 31st December 2011 (incl. family): Shares: 1,700.

# Management



## Managing

### Director

*Martin Tivéus*,  
born 1970.  
Degree in Economics and  
Business Administration  
from the Stockholm  
School of Economics.  
Employed 2011.  
Holdings on 31st Decem-  
ber 2011:  
Shares: 4,000.  
Warrants: –

*Ronnie Bodinger*,  
born 1973.  
Degree in Civil Engineer-  
ing, Royal Institute of  
Technology, Stockholm  
and economics studies at  
Södertörn University,  
Stockholm.  
Employed 1999.  
IT Manager  
Holdings on 31st Decem-  
ber 2011:  
Shares: 43,840.  
Warrants: corresponding  
to 138,820 shares.

*Birgitta Hagenfeldt*,  
born 1961.  
Degree in Economics and  
Business Administration  
from Örebro University.  
Employed 2008.  
CFO.  
Holdings on 31st Decem-  
ber 2011 (incl. family):  
Shares: 31,480.  
Warrants: corresponding  
to 67,100 shares.

*Henrik Källén*,  
born 1968.  
LL.B., Stockholm Uni-  
versity  
Employed 2000.  
Managing Director of  
Försäkringsaktiebolaget  
Avanza Pension.  
Holdings on 31st Decem-  
ber 2011:  
Shares: 10,940.  
Warrants: corresponding  
to 129,080 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 Decem-  
ber 2011:  
Shares: –  
Warrants: corresponding  
to 95,760 shares.

*Hans Toll*,  
born 1970.  
Degree in Economics and  
Business Administration  
from the Stockholm  
School of Economics.  
Employed 2010.  
Deputy Managing Direc-  
tor of Avanza Bank AB  
and  
Bank & Investments  
Manager.  
Holdings on 31st Decem-  
ber 2011:  
Shares: –  
Warrants: corresponding  
to 33,090 shares.

## Auditors

Öhrlings Pricewater-  
houseCoopers AB  
*Catarina Ericsson*,  
born 1966.  
Authorised Public  
Accountant.

Stockholm, 28th February 2012

Sven Hagströmer  
Chairman of the Board

Anders Ellsell  
Member of the Board

Lisa Lindström  
Member of the Board

Mattias Miksche  
Member of the Board

Martin Tivéus  
Managing Director

Andreas Rosenlew  
Member of the Board

Nicklas Storåkers  
Member of the Board

Jacqueline Winberg  
Member of the Board

## Revisors yttrande om bolagsstyrningsrapporten

Till årsstämman i Avanza Bank Holding AB (publ), org.nr 556274-8458

Det är styrelsen som har ansvaret för bolagsstyrningsrapporten för år 2011 på sidorna 91–100 och för att den är upprättad i enlighet med årsredovisningslagen.

Vi har läst bolagsstyrningsrapporten och baserat på denna läsning och vår kunskap om bolaget och koncernen anser vi att vi har tillräcklig grund för våra uttalanden. Detta innebär att vår lagstadgade genomgång av bolagsstyrningsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionsssed i Sverige har.

Vi anser att en bolagsstyrningsrapport har upprättats, och att dess lagstadgade information är förenlig med årsredovisningen och koncernredovisningen.

Stockholm, 28th February 2012

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
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 Thursday 19th April 2012.

## 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 Friday 13th April 2012.
- have submitted notice of their intention to participate in the Annual General Meeting to Avanza Bank no later than 16.00 (CET) on 13th April 2012.

## How to register as a shareholder?

Avanza Bank's register of shareholders is maintained by Euroclear Sweden 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 Friday 13th April 2012.

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). 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 Thursday, 1st March 2012 and should be sent by post to Avanza Bank Holding AB, Att: Caroline Pettersson, Box 1399, SE-111 93 STOCKHOLM.

# Financial calendar

Interim Report, January–March 2012	19th April 2012
Annual General Meeting	19th April 2012
Interim Report, January–June 2012	11th July 2012
Interim Report, January–September 2012	11th October 2012
Preliminary Financial Statement, 2012	January 2013



Regeringsgatan 103, Box 1399, SE-111 93 Stockholm, Sweden.  
Tel: +46 (0)8 562 250 00, [avanzabank.se](http://avanzabank.se)