

# 011

## Avanza Bank Preliminary Financial Statement 2011

- Operating income increased by 12 per cent (21 %) to SEK 695 million (SEK 621 m)
- The profit after tax increased by 7 per cent (19 %) to SEK 291 million (SEK 271 m)
- Earnings per share increased by 5 per cent (18 %) to SEK 10.28 (9.77)
- Net inflow totalled SEK 6,460 million (SEK 9,570 m), corresponding to 8 per cent (16 %) of the total savings capital at the beginning of the year
- The number of accounts increased by 18 per cent (26 %) to 417,200 (352,200), and the total savings capital decreased by 10 per cent (+34 %) to SEK 74,200 million (SEK 82,000 m)
- The Board proposes that a dividend of SEK 10.00 (9.50) per share be paid

### Fourth quarter

- Operating income decreased by 6 per cent (+15 %) to SEK 157 million (SEK 167 m)
- The profit after tax decreased by 19 per cent (+6 %) to SEK 55 million (SEK 68 m)
- Earnings per share decreased by 21 per cent (+6 %) to SEK 1.94 (SEK 2.45)



# Preliminary Financial Statement, 2011

## Comments from the Managing Director

"The year 2011 has been a turbulent year on the stock market. Trading activity as well as net inflows in the savings market has been weaker than normal, which is expected to depend on the poor performance of the stock market as well as the increase in interest rates during the first half of the year. As a result, more people are choosing to save by amortize their mortgage loans. In spite of the stock market falling 17 per cent during the year, we managed to increase profits in 2011. Avanza Bank continues to win market shares, which is especially visible for savings accounts and pension- and insurance savings, where the number of new accounts grew by 79 per cent respective 23 per cent during 2011. Still, we did not manage to achieve our growth targets for 2011. We are not satisfied with that and have conducted a thorough cost review going into 2012. We expect to reduce costs significantly during 2012 compared to the fourth quarter of 2011", says Martin Tivéus, Managing Director of Avanza Bank.

"In early January, the new investment savings account (ISK) was launched in the market. The ISK has been well received and for the first two weeks we have received 2 300 accounts and SEK 580 million in net inflows in ISK. As Avanza Bank offers the lowest fees for ISK in the market and also able to provide credit associated with the account, we expect a continued strong growth in ISK in 2012. Net inflows in ISK and the endowment insurance is expected to be far less volatile this year due to new tax rules. We expect continued strong growth in Sparkonto+ which during the last quarter of the year grew by SEK 1 100 million and our ambition is to expand the number of partners to enhance both the capacity and the customer offering during 2012."

"Although the savings capital at the beginning of 2012 is lower than at the beginning of 2011 due to a negative stock market trend during the year, we believe, given unchanged key interest rates, that we have a opportunity to increase profits in 2012. Early this summer, the so-called Transfer Right Committee is expected to present a proposal regarding extended transfer rights for pension savings. The pensions and insurance market is 90 per cent bigger than the market for direct equity and investment fund-based saving. Avanza Bank has the market's lowest fees for pension saving and an extended transfer right would enable the customers to move all or part of this savings to Avanza Bank. This is expected to strengthen Avanza Bank's long-term growth potential and, over time, good ability to reach its long-term profit growth to total between 15 and 20 per cent per annum."

"Finally, I would like to highlight the 2011 result of the Swedish Quality Index survey of customer satisfaction among Swedish savers. It showed not only that Avanza Bank still has the by far most satisfied savers in the market, they have become even more satisfied during the year, which is unique among Swedish banks during 2011."

### For additional information:

Martin Tivéus, Managing Director of Avanza Bank, tel: +46 (0)70 861 80 04

Birgitta Hagenfeldt, CFO of Avanza Bank, tel: +46 (0)73 661 80 04

## Operations

### Market and sales

The 2011 stock market year was a weak, with a fall of 17 per cent. The world's markets were shaken not only by the earthquake and tsunami in Japan and the ensuing risk of damage to nuclear power stations, but 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, but 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. The last 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 has raised the repo 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 price of the Diamyd Medical share fell by 85 per cent. The share was popular among Avanza Bank's customers and a small group of these customers had borrowed, using the Diamyd Medical share as collateral and some of these customers found that the value of their collateral was less than their liability. SEK 6 million in credit losses – a figure estimated most likely outcome – has been charged to the result of 2011. The total credit losses for the period from 2001 to 2010 total SEK 1 million. During the year Avanza Bank has worked towards its goal of zero credit losses in future and has taken a number of steps to ensure that any credit losses in conjunction with similar future events will be of a marginal nature.

On 22nd May, Avanza Zero celebrated its fifth anniversary. Avanza Zero is Sweden's only zero-fee investment fund and now has over 80,000 fund unit holders.

The Swedish Quality Index survey of customers' opinions of the various savings services offered by Swedish banks for 2011 showed that for the second year in succession, Avanza Bank had Sweden's most satisfied savers in 2011.

Avanza Bank held 1.8 per cent of the total savings market in Sweden as of 30th September 2011 (2.0 % as of 31st December 2010). During the period from October 2010 to September 2011, Avanza Bank held 4.5 per cent of the total net inflow into the Swedish savings market (6.2 % during 2010).

	2011	2010	Change	2011	2010	Change
	Oct-Dec	Oct-Dec	%	Jan-Dec	Jan-Dec	%
<b>Activity</b>						
Net inflow, equity & investment fund accounts, SEK m	180	2,440	-93	-1,800	2,010	-190
Net inflow, savings accounts, SEK m	1,370	1,340	2	2,090	1,210	73
of which, external deposit accounts, SEK m	1,090	570	91	2,470	810	205
Net inflow, pension- & insurance-based accounts, SEK m	-1,430	-2,650	46	6,170	6,350	-3
of which, endowment insurance, SEK m	-1,610	-2,780	42	5,350	5,620	-5
of which, occupational pensions, SEK m	140	120	17	700	670	4
<b>Net inflow, SEK m</b>	<b>120</b>	<b>1,130</b>	<b>-89</b>	<b>6,460</b>	<b>9,570</b>	<b>-32</b>
Net inflow/Savings capital, %	1	6	-5	8	16	-8
No. commission notes per account & month	1.5	1.8	-17	1.7	2.0	-15
No. transactions per commission note	1.8	1.7	6	1.7	1.7	0
Brokerage per commission note, SEK	77	81	-5	78	82	-5
<b>Market shares</b>						
NASDAQ OMX Stockholm, First North and Burgundy						
No. transactions, %	6.2	9.4	-3.2	7.1	9.1	-2.0
Turnover, %	4.7	5.5	-0.8	4.6	5.5	-0.9

For definitions, see page 9.

Trading activity measured in terms of the number of commission notes per account was 15 per cent lower in 2011 than 2010 as a result of the 17 per cent fall in the stock market and rising interest rates during the main part of the year.

The net inflow in 2011 was 32 per cent down on 2010. The total market is adjudged to have shrunk as a consequence of higher interest rates and savers opting to amortise more of their housing loans. The net inflow into occupational pensions corresponds to 11 per cent (7 %) of Avanza Bank's total net inflow in 2011.

	31-12-2011	30-09-2011	Change	31-12-2010	Change
			%		%
<b>Savings capital</b>					
Savings capital, equity & investment fund accounts, SEK m	39,550	37,030	7	48,190	-18
Savings capital, savings accounts, SEK m	4,550	3,170	44	2,410	89
of which, external deposit accounts, SEK m	3,300	2,200	50	810	307
Savings capital, pension- & insurance-based accounts	30,100	30,100	0	31,400	-4
of which, endowment insurance, SEK m	23,500	24,000	-2	24,700	-5
of which, occupational pensions, SEK m	2,040	1,830	11	1,560	31
<b>Savings capital, SEK m</b>	<b>74,200</b>	<b>70,300</b>	<b>6</b>	<b>82,000</b>	<b>-10</b>
Equities, bonds, derivatives, etc. SEK m	46,860	44,520	5	56,420	-17
Investment funds, SEK m	15,200	14,700	3	17,700	-14
Deposits, SEK m	14,700	13,900	6	11,740	25
of which, external deposits, SEK m	3,300	2,200	50	810	307
Lending, SEK m	-2,560	-2,820	-9	-3,860	-34
<b>Savings capital, SEK m</b>	<b>74,200</b>	<b>70,300</b>	<b>6</b>	<b>82,000</b>	<b>-10</b>
Deposits/Lending, %	574	493	81	304	270
Net deposits/Savings capital, %	16	16	0	10	6
Avanza Bank, SEK m	41,550	39,160	6	46,380	-10
Mini, SEK m	1,410	1,320	7	1,560	-10
Private Banking, SEK m	29,100	27,800	5	31,300	-7
Pro, SEK m	2,140	2,020	6	2,760	-22
<b>Savings capital, SEK m</b>	<b>74,200</b>	<b>70,300</b>	<b>6</b>	<b>82,000</b>	<b>-10</b>
Return, average account since Jan 1 st, %	-16	-21	5	16	-32
OMX Stockholm Price Index since Jan 1 st, %	-17	-23	6	23	-40

For definitions, see page 9.

	31-12-2011	30-09-2011	Change %	31-12-2010	Change %
<b>Accounts</b>					
No. equity & investment fund accounts	214,800	211,900	1	199,800	8
No. savings accounts	49,300	42,200	17	27,500	79
of which, no. external deposit accounts	23,000	17,100	35	4,950	365
No. pension- & insurance-based accounts	153,100	149,400	2	124,900	23
of which, no. endowment insurance	89,400	88,000	2	72,100	24
of which, no. occupational pensions	30,100	28,800	5	22,400	34
<b>No. accounts</b>	<b>417,200</b>	<b>403,500</b>	<b>3</b>	<b>352,200</b>	<b>18</b>
Avanza Bank, no. accounts	381,430	368,300	4	321,320	19
Mini, no. accounts	19,200	18,700	3	16,500	16
Private Banking, no. accounts	14,500	14,300	1	12,100	20
Pro, konton, no. accounts	2,070	2,200	-6	2,280	-9
<b>No. accounts</b>	<b>417,200</b>	<b>403,500</b>	<b>3</b>	<b>352,200</b>	<b>18</b>
No. accounts per customer	1.59	1.56	2	1.49	7

For definitions, see page 9.

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

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

A total of 7,700 (12,610) new occupational accounts were opened during 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 developed, through Avanza Labs and in cooperation with its customers, was presented on 22nd December. This work will continue in 2012 with the goal of creating Sweden's best online banking experience.

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 associated to endowment insurance framework and the new savings format, the investment savings account, from 1st January 2012.

The first quarter saw the launch of an Android app which, together with the existing iPhone app, enables savers to maintain a good overview of their savings via their mobile phones.

The Sparkonto+ savings product expanded during the second quarter to include two new players, GE Money Bank and Collector, and savers can now, therefore, invest liquid funds with four savings institutions via Avanza Bank. The state deposit guarantee corresponding to EUR 100,000 for each savings institution applies. The option of investing liquid funds at a fixed rate of interest for a fixed term was added during the second quarter – an option currently being offered via Klarna that already offers deposits at a variable rate for a non-fixed term. Overall, this means that Avanza Bank can offer better variable and fixed term savings rates than any of the major banks and that customers can invest four times as much liquid funds with a state deposit guarantee via Avanza Bank than via any other bank.

Avanza Bank has continued to work, throughout 2011, on developing better system support for credit monitoring. The goal is to continue to avoid credit losses.

## Financial overview

	2011	2010	Change	2011	2010	Change
	Oct-Dec	Oct-Dec	%	Jan-Dec	Jan-Dec	%
<b>Income Statement, SEK m</b>						
Brokerage income	67	85	-21	305	329	-7
Fund commissions	14	21	-33	70	81	-14
Net interest items	66	50	32	258	157	64
Other income, net	10	11	-9	62	54	15
<b>Operating income</b>	<b>157</b>	<b>167</b>	<b>-6</b>	<b>695</b>	<b>621</b>	<b>12</b>
Personnel	-52	-46	13	-189	-165	15
Marketing	-7	-10	-30	-23	-23	0
Depreciation	-3	-3	0	-11	-11	0
Other expenses	-33	-24	38	-125	-91	37
<b>Operating expenses before credit losses</b>	<b>-95</b>	<b>-83</b>	<b>14</b>	<b>-348</b>	<b>-290</b>	<b>20</b>
<b>Profit before credit losses</b>	<b>62</b>	<b>84</b>	<b>-26</b>	<b>347</b>	<b>331</b>	<b>5</b>
Credit losses, net	0	0	0	-6	0	-
<b>Operating profit</b>	<b>62</b>	<b>84</b>	<b>-26</b>	<b>341</b>	<b>331</b>	<b>3</b>
Operating margin, %	39	50	-11	49	53	-4
Profit margin, %	35	41	-6	42	44	-2
Cost/income ratio, %	61	50	11	50	47	3
Earnings per share, SEK	1.94	2.45	-21	10.28	9.77	5
Earnings per share after dilution, SEK	1.93	2.41	-20	10.21	9.62	6
Return on shareholders' equity, %	6	9	-3	35	37	-2
Investments, SEK m	5	4	25	21	20	5
Brokerage income/Operating income, %	43	51	-8	44	53	-9
Non-brokerage income/Operating income, %	57	49	8	56	47	9
of which, Fund commissions/Operating income, %	9	13	-4	10	13	-3
of which, Net interest items/Operating income, %	42	30	12	37	25	12
of which, Other income/Operating income, %	6	7	-1	9	9	0
Non-brokerage income/Operating expenses, %	95	99	-4	112	101	11
of which, Net interest items/Operating expenses, %	69	60	9	74	54	20
Operating income/Savings capital, %	0.22	0.21	0.01	0.88	0.87	0.01
of which, Net interest items/Savings capital, %	0.09	0.06	0.03	0.33	0.22	0.11
Average no. employees	263	244	8	256	225	14
No. trading days	63.5	63.5	0	251.0	250.5	0
Web service operational availability, %	100.0	99.9	0.1	99.9	99.9	0

	31-12-2011	30-09-2011	Change	31-12-2010	Change
			%		%
Shareholders' equity per share, SEK	30.97	29.60	5	29.07	7
Capital base/Capital requirement	2.06	2.08	-1	1.84	12
No. employees	260	266	-2	244	7
Market value, SEK	164.50	164.00	0	234.00	-30
Market capitalisation, SEK m	4,650	4,650	0	6,540	-29

For definitions, see page 9.

Avanza Bank also publishes an Excel document containing financial history. The information is presented in English and can be viewed at [avanzabank.se/keydata](http://avanzabank.se/keydata).

Net interest items increased by 64 per cent (33 %) during 2011 in response to the Riksbank's raising of key interest rates over the first half of the year.

As previously announced, credit losses totalling SEK 6 million were charged to the result of 2011. Calculations of the scale of the credit losses remain unchanged.

A Swedish securities company, CTA Lind & Co Scandinavia AB, was declared bankrupt in 2004 and funds were paid to investors from the Swedish compensation scheme. Monies were not funded within the investor compensation scheme and the Swedish National Debt Office has consequently now begun levying fees in arrears from all institutions which were part of the investor compensation scheme at the time of the bankruptcy, in order to cover costs. All of these institutions submitted information on their customers' assets with the respective institutions on 31st December 2004 to the Swedish National Debt Office in September 2010. On 17th June 2011, the Swedish National Debt Office announced that Avanza Bank's fee had been set at SEK 9 million – a sum that has been charged to the result of 2011. A total of SEK 143 million in fees has been divided between the 187 institutions that were part of the investor protection scheme at the time of the bankruptcy. Avanza Bank has appealed the Swedish National Debt Office's decision and there is every likelihood that a substantial part of Avanza Bank's fee can be recovered.

Costs before credit losses increased by 20 per cent (23 %) during 2011. If the SEK 9 million investor compensation fee that was charged to the result of 2011 is excluded, costs increased by 17 per cent (23 %) during 2011. The increase is primarily due to a combination of higher IT costs and new recruitment necessitated by the new website development work, increased costs arising from the deposit guarantee and stability charge, and increased office costs. This increase is in line both with budget and with the long-term goal of a 15-20 per cent increase in costs.

Non-brokerage income totalled 112 per cent (101 %) of costs before credit losses during 2011. Nonbrokerage income primarily consists of net interest items, fund commissions, net income from currency fluctuations and fees from corporate finance. The high percentage is primarily due to the increase in net interest items.

In mid-May, Avanza Bank moved to new premises at Regeringsgatan 103 in Stockholm. Non-recurring costs arising from the move and totalling SEK 3.5 million have been charged to the result of 2011.

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

In September 2008 Avanza Bank submitted a request to the Swedish Tax Agency for a review of the deductibility of input VAT in respect of 2007, with the aim of recovering the VAT paid. In July 2009, the Tax Agency rejected this request. Avanza Bank appealed the ruling to the Administrative Court, which ruled, in September 2010, that it would not overturn the Tax Agency ruling. This ruling was appealed to the Administrative Court of Appeal in November 2010 and in September 2011, the Court of Appeal ruled that it would not overturn the Administrative Court's ruling. The appeal was submitted to the Supreme Administrative Court during the fourth quarter of 2011. The result of 2011 was charged with SEK 3.5 million in respect of input VAT for the years from 2004 to 2007.

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

## Capital surplus

	31-12-2011	31-12-2010
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 evaluation (IKU), SEK m	-292	-321
<b>Total capital surplus before dividend, SEK m</b>	<b>558</b>	<b>465</b>
Capital surplus per share, SEK	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 3, page 12.*

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 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, or 97 per cent (98 %) of the profit for the year. It is calculated that in the long-term, Avanza Bank will be able to distribute a minimum of 70 per cent of its profits to the shareholders.

## Financial position

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

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

## The Parent Company, Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company of the Avanza Bank corporate group. The operating profit for 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 total dividend payment of SEK 266 million (SEK 221 m) has been made to the shareholders.

## Outlook for the future

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

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

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

## Annual growth (ca.)

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

	2001–2011	Goal
Net savings, % of savings capital at 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 %)
<b>Growth in income</b>	<b>22 %</b>	<b>15–20 %</b>
Cost increase	15 %	15–20 %
<b>Growth in profit</b>	<b>45 %</b>	<b>15–20 %</b>

\* 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 performance, the fourth quarter of the year saw Avanza Bank review its rate of cost increases ahead of 2012. The company estimates that market uncertainty will see costs remain more or less unchanged in 2012 compared to 2011. This means that costs will be reduced compared to the outgoing charge rate during the fourth quarter 2011. If the investor protection fee of SEK 9 million and credit losses of SEK 6 million are excluded, the costs for 2012 will increase compared to 2011. Avanza Bank operates in a rapidly changing market, however, and can, therefore, also choose to invest more in growth. This may entail higher costs than forecast. The long-term goal is to limit cost increases to between 15 and 20 per cent.

Avanza Bank will continue to work towards its goal of zero credit losses.

Avanza Bank will launch new products in 2012 that it expects to make a positive contribution to the Bank's growth rate. The Bank will also be prioritising its work on modernising the Bank's internet presence, strengthening its offering in the pensions sphere, and working actively with cost-effectiveness in 2012.

The enhanced offering provided by Sparkonto+ enables Avanza Bank to offer better savings rates than any of the major banks, which means that Avanza Bank can now offer some of the market's best terms and conditions when it comes to all of the major savings segments.

The new savings format, the investment savings account, which was launched on 1st January, is expected to increase interest in saving and savings mobility amongst Swedish savers, which is expected to benefit Avanza Bank.

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

Taken as a whole, these trends are expected to strengthen Avanza Bank's long-term growth potential and ability to continue taking market shares.

The primary goal for 2012 is to continue to have Sweden's most satisfied savers. Avanza Bank's long-term vision is to be the natural bank of choice for Swedes who actively monitor their savings. One goal for 2012 is, therefore, to achieve a market share of 7 per cent of the total net inflow into the Swedish savings market.

Overall, Avanza Bank is thought to have potential in 2012 to increase the profit given unchanged interest rates. In time Avanza Bank judged to have good potential for achieving its long-term profit growth goals of between 15 and 20 per cent per year, especially with the introduction of the free right of transfer of pensions. The above should not, however, be regarded as an income or profit forecast, in that operations are dependent on stock market trends.

## Other corporate events

### Significant risks and uncertainty factors

Avanza Bank's operations entail day-to-day risks that are quantified, monitored and, if necessary, acted upon in order to protect the company's capital and reputation. The ways in which Avanza Bank identifies, follows up on and manages these risks are important to the health of the company and its long-term profitability. Note 31 of Avanza Bank's 2010 Annual Report provides a detailed description of the Group's risk exposure and risk management. No significant risks over and above the risks described in the Annual Report and in this Interim Report are adjudged to have arisen.

### Transactions with associated parties

Avanza Bank's transactions with associated parties are shown in Note 32 of the 2010 Annual Report. No significant changes have subsequently occurred.

### Executive management

Martin Tivéus took over as new Managing Director after Nicklas Storåkers as of 14th October 2011. Nicklas Storåkers will continue as a Member of the Boards of Avanza Bank Holding AB and the subsidiary company, Avanza Bank AB.

### 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 Moderna Museet museum in Stockholm. The Annual Report is scheduled to be available at the company's offices and on the company's website at [avanza.com](http://avanza.com), as of week 11 2012.

### Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Sven Hagströmer, Erik Törnberg, who represents Investment AB Öresund, 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 Bank's website at [avanza.com](http://avanza.com).

### Incentives programme

Avanza Bank implemented an incentives programme for the Group's employees in the spring in accordance with a resolution passed by the Annual General Meeting held on 14th April 2011. The stock option programme is the first of a total of three stock option programmes approved for implementation between 2011 and 2013. This year's programme comprises warrants corresponding to the entitlement to subscribe for 490,000 new shares, and the redemption price is SEK 265.16. The term expires on 30th May 2014. The stock option programme has been implemented on market terms.

The redemption period of subsidiary programme 1 of the previous 2008–2010 stock option programme had redemption period from 2nd to 27th May 2011. The redemption price was SEK 136.00 per share. 580,603 of a total of 580,972 shares have been subscribed for in respect of this subsidiary programme, and all shares subscribed for have been issued.

### Buyback of the company's own shares

The Annual General Meeting of the company's shareholders held on 14th April 2011 authorised the Board of Directors to effect the acquisition of the company's own shares up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB. Avanza Bank has, during 2011 as a whole, acquired 275,524 of the company's own shares for a total expenditure of SEK 46.1 million, corresponding to an average price of SEK 167.22. The buybacks correspond to 1.0 per cent of the total number of shares before the buybacks began. The company holds 275,524 of its own shares as of 31st December 2011.

### Financial calendar

Annual Report 2011	March 2012
Interim Report January – March 2012	19th April 2012
Annual General Meeting	19th April 2012
Interim Report January – June 2012	11th July 2012
Interim Report January – September 2012	11th October 2012

## Definitions

<b>Account:</b>	An account opened with holdings.
<b>Brokerage income:</b>	Brokerage income less direct costs.
<b>Brokerage per commission note:</b>	Gross brokerage income for account customers in relation to the number of commission notes excluding investment fund commission notes.
<b>Capital base:</b>	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.
<b>Commission note:</b>	Daily compilation of the buying and selling commissions completed by a customer and involving a specific security. A commission note may include one or more transactions. Brokerage fees are charged on the basis of the commission notes.
<b>Commission notes per account:</b>	Commission notes per account excluding savings accounts.
<b>Cost/income ratio:</b>	Costs before credit losses in relation to income.
<b>Deposits:</b>	Deposits, including client accounts.
<b>Earnings per share:</b>	Profit/loss after tax in relation to the average number of shares during the period.
<b>Equity per share:</b>	Shareholders' equity in relation to the number of outstanding ordinary shares before dilution at the end of the period.
<b>External deposits:</b>	Savings accounts in external banks and credit market companies opened and managed by customers via Avanza Bank's website.
<b>Net deposits/Savings capital:</b>	Deposits, including client accounts, minus lending, in relation to the savings capital at the end of the period.
<b>Net interest items/Savings capital:</b>	Net interest items in relation to average savings capital during the period.
<b>Net inflow:</b>	Deposits, less withdrawals, of liquid assets and securities.
<b>Net inflow/Savings capital:</b>	The period's net inflow on an annual basis in relation to savings capital at the beginning of the period.
<b>Non-brokerage income:</b>	Income excluding brokerage income less direct costs.
<b>Operating expenses:</b>	Operating expenses before credit losses.
<b>Operating income/Savings capital:</b>	Operating income in relation to average savings capital during the period.
<b>Operating margin:</b>	Operating profit/loss in relation to operating income.
<b>Profit margin:</b>	Profit/loss after tax in relation to operating income.
<b>Savings capital:</b>	The combined value of accounts held with Avanza Bank.
<b>Return on equity:</b>	Profit/loss after tax in relation to the average shareholders' equity during the period. The return on shareholders' equity for interim periods is not recalculated at a yearly rate.
<b>Stock market:</b>	Refers to the OMXSPI share index, which comprises all shares listed on the Stockholm Stock Exchange.
<b>Transactions:</b>	Buying and selling transactions completed in different markets and involving different securities.

## Consolidated Income Statements (SEK m) \*

	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
<b>Operating income</b>				
Commission income	108	144	504	541
Commission expenses	-19	-18	-72	-68
Interest income	92	59	343	174
Interest expenses	-26	-9	-85	-17
Net result of financial transactions***	1	-9	1	-9
Other operating income	1	0	4	0
<b>Total operating income</b>	<b>157</b>	<b>167</b>	<b>695</b>	<b>621</b>
<b>Operating expenses</b>				
General administrative costs	-79	-66	-280	-240
Depreciation of tangible and intangible fixed assets	-3	-3	-11	-11
Other operating expenses	-13	-14	-57	-39
<b>Total operating expenses before credit losses</b>	<b>-95</b>	<b>-83</b>	<b>-348</b>	<b>-290</b>
<b>Operating profit before credit losses</b>	<b>62</b>	<b>84</b>	<b>347</b>	<b>331</b>
Credit losses, net	0	0	-6	0
<b>Operating profit</b>	<b>62</b>	<b>84</b>	<b>341</b>	<b>331</b>
Tax on profit for the period	-7	-16	-50	-60
<b>Net profit/loss for the period **</b>	<b>55</b>	<b>68</b>	<b>291</b>	<b>271</b>
Earnings per share, SEK	1.94	2.45	10.28	9.77
Earnings per share after dilution, SEK	1.93	2.41	10.21	9.62
Average no. shares before dilution, thousand	28,341	27,943	28,263	27,739
Average no. shares after dilution, thousand	28,490	28,412	28,473	28,177
Outstanding no. shares before dilution, thousand	28,263	27,957	28,263	27,957
Outstanding no. shares after dilution, thousand	28,401	28,459	28,401	28,459
No. shares upon full dilution, thousand	29,907	29,681	29,907	29,681

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

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

\*\*\* SEK 9 million in 2010 relating to valueadjustment of the holding in the Exchange Burgundy.

## Consolidated Balance Sheets (SEK m)

	31-12-2011	31-12-2010
<b>Assets</b>		
Treasury bills eligible for refinancing	-	300
Loans to credit institutions	8,672	6,334
Loans to the public	Note 1 2,557	3,861
Shares and participations	10	14
Assets in insurance operations	27,990	29,093
Intangible fixed assets	24	26
Tangible assets	26	14
Other assets	407	568
Prepaid costs and accrued income	40	33
<b>Total assets</b>	<b>39,726</b>	<b>40,243</b>
<b>Liabilities and shareholders' equity</b>		
Deposits by the public	Note 2 10,561	10,159
Liabilities in insurance operations	27,990	29,093
Other liabilities	243	141
Accrued costs and prepaid income	57	37
Shareholders' equity	875	813
<b>Total liabilities and shareholders' equity</b>	<b>39,726</b>	<b>40,243</b>

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

	2011 Jan–Dec	2010 Jan–Dec
<b>Shareholders' equity at the beginning of the period</b>	<b>813</b>	<b>693</b>
Dividend	–266	–221
Warrants issue	5	4
Exercise of share warrants	79	65
Buyback of own shares	–46	–
Net profit/loss for the period	291	271
<b>Shareholders' equity at the end of the period</b>	<b>875</b>	<b>813</b>

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

## Consolidated Cash Flow Statements (SEK m)

	2011 Oct–Dec	2010 Oct–Dec	2011 Jan–Dec	2010 Jan–Dec
Cash flow from operating activities	11	39	298	285
Cash flow from operating activities' assets and liabilities	–482	–439	2,289	769
Cash flow from investment operations	–5	–3	–21	–20
Cash flow from financial operations	–20	15	–228	–152
<b>Cash flow for the period</b>	<b>–496</b>	<b>–388</b>	<b>2,338</b>	<b>882</b>
<b>Liquid assets at the beginning of the period *</b>	<b>9,168</b>	<b>6,722</b>	<b>6,334</b>	<b>5,452</b>
<b>Liquid assets at the end of the period *</b>	<b>8,672</b>	<b>6,334</b>	<b>8,672</b>	<b>6,334</b>

\* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 771 (698) million of consolidated liquid assets are pledged as collateral.

## Parent Company Income Statements (SEK m)

	2011 Jan–Dec	2010 Jan–Dec
Operating income	1	0
Operating expenses	–8	–6
<b>Operating profit/loss</b>	<b>–7</b>	<b>–6</b>
<b>Profit/loss from financial investments</b>	<b>287</b>	<b>387</b>
Tax on profit/loss for the period	0	0
<b>Net profit/loss for the period</b>	<b>280</b>	<b>381</b>

## Parent Company Balance sheets (SEK m)

	31-12-2011	31-12-2010
<b>Assets</b>		
Financial fixed assets	417	417
Current receivables *	321	272
Liquid assets	0	0
<b>Total assets</b>	<b>738</b>	<b>689</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	733	686
Current liabilities	5	3
<b>Total shareholders' equity and liabilities</b>	<b>738</b>	<b>689</b>

\* Of which receivables from subsidiaries 320 (271).

## Accounting principles

The Consolidated Preliminary Financial Statement has been prepared in accordance with IAS 34, Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Preliminary Financial Statement for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Accounting principles and calculation methods remain unchanged from those applied in the 2010 Annual Report.

## Notes

### Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. All loans, known as account credits, are secured by collateral in the form of securities.

### Note 2 – Funds managed on behalf of third parties

In addition to the deposits reported in the Balance Sheet, Avanza also has, as of 31st December 2011, deposits by third parties in client fund accounts totalling SEK 823 (776) million.

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

	31-12-2011	31-12-2010
<b>Capital base</b>		
Shareholders' equity, the Group	875	813
Proposed dividend 10.00 (9.50) SEK per share	-283	-266
<b>Shareholders' equity, financial conglomerate</b>	<b>592</b>	<b>547</b>
<i>Less</i>		
Intangible fixed 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 requirements 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>

The above table refers to the financial conglomerate, including Avanza Bank Holding AB and all of its subsidiary companies. The financial conglomerate's capital base and capital requirement have been calculated using the consolidation method.

When calculating the capital base during the course of an ongoing year, audited profits only are included in the calculations. If the profit/loss for the period has been audited, adjusted for the assumed dividend. Assumed dividend refers to the current period and the proposed dividend is the Board of Directors to the Annual General Meeting proposed dividend for the full financial year.

Stockholm, 19th January 2012

The Board of Directors

This report has not been subject to review by the company's auditors.

The information contained in this report comprises information both that Avanza Bank Holding AB (publ.) is obliged to provide and that it has chosen to provide in accordance with the provisions of the Swedish Securities Market Act and the Swedish Financial Instruments Trading Act. The information has been released to the market for publication at 08.15 (GET) on 19th January 2012.

Avanza Bank also publishes an Excel document containing its financial history. The information is provided in English and is updated quarterly. The document can be accessed at [avanzabank.se/keydata](http://avanzabank.se/keydata).

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

Avanza Bank Holding AB ▪ Box 1399, SE-111 93 Stockholm, Sweden ▪ Street address: Regeringsgatan 103

Tel: +46 8 562 250 00 ▪ Fax: +46 8 562 250 41

Registered office: Stockholm ▪ Corporate ID no: 556274-8458 ▪ [avanzabank.se](http://avanzabank.se)