

Avanza

Interim Report

January – June 2014

- Net inflow totaled SEK 9,560 million (SEK 6,150 m), corresponding to 8 (7 %) per cent of the total savings capital at the beginning of the year
- The number of customers increased by 8 (5 %) per cent to 342,500 (316,500 as of 31 December 2013)
- The total savings capital increased by 16 (10 %) per cent to SEK 130,100 million (SEK 112,600 m as of 31 December 2013)
- Operating income increased by 17 (–6 %) per cent to SEK 337 million (SEK 287 m)
- Operating margin was 42 (31 %) per cent
- The profit after tax increased by 57 (–21 %) per cent to SEK 121 million (SEK 77 m)
- Earnings per share increased by 57 (–22 %) per cent to SEK 4.18 (SEK 2.67)

Second Quarter

- Operating income increased by 20 percent (–3 %) to SEK 164 million (SEK 137 m)
- The profit after tax increased by 75 percent (–16 %) to SEK 56 million (SEK 32 m)
- Earnings per share increased by 73 percent (–17 %) to SEK 1.92 (1.11)

This is Avanza

- Sweden's leading internet bank for savings and investments, with Sweden's most satisfied savings customers four years in a row*
- Largest on the Stockholm Stock Exchange**
- Low risk profile; no trading on its own behalf, self-financed via equity and customer deposits
- Avanza falls under the supervision of the Swedish Financial Supervisory Authority and is covered by the state-provided deposit insurance guarantee
- Best internet broker in Sweden***
- Primary focused on private savers in Sweden
- No fixed account charges, yearly fees or depositing fees
- Brokerage fees from SEK 7
- The widest range of savings products and pension solutions on the market
- Trading in over 1,200 funds in 130 fund companies
- Trading on all the Nordic stock exchanges, as well as those of the United States and Canada via the internet and on other exchanges via telephone
- Tools, analyses, news and software to support you in all of your decisions
- Topical news and impartial advice from the independent online magazine Placera and the weekly financial magazine Börsveckan
- Selection of products:
 - Avanza Zero – Sweden's first free-of-charge fund
 - Super Loan – the lowest interest rates on the market, with the customers' securities as collateral.
 - Super Mortgage – the lowest mortgage interest rates on the Swedish market, linked to the repo rate and with unique flexibility
 - Sparkonto+ – better interest rates and up to five times the state-provided deposit insurance guarantee
 - FX Trading – currency positions quickly and easily
- Up to 50 per cent more pension****



Quarterly Summary

	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Avanza								
Operating income, SEK m	164	173	162	148	137	150	131	125
Operating profit, SEK m	67	76	64	73	35	54	38	42
Operating margin, %	41	44	40	49	26	36	29	34
Earnings per share, SEK	1.92	2.26	1.85	2.15	1.11	1.55	1.04	1.11
Return on shareholders' equity, %	7	8	7	9	4	5	4	4
Net inflow, SEK m	4,040	5,520	2,490	2,260	2,860	3,290	1,420	970
Savings capital at the end of the period, SEK m	130,100	121,800	112,600	105,000	94,600	93,400	85,800	82,200
No. customers at the end of the period	342,500	331,000	316,500	306,900	298,300	292,200	283,300	278,900
No. accounts at the end of the period	597,900	573,600	544,900	524,000	507,200	492,200	471,600	458,800

* Source: Swedish Quality Index (SKI)

** Measured as number of transaction on NASDAQ OMX Stockholm incl First North, January–December 2013

*** Source: Aktiespararen magazine, February 2013

**** We can show that a 30-year-old can get 50 per cent pension with us compared to the largest pension company in Sweden

Comments from the CEO

"Our brand promise, *more money for you, less for the bank*, continues to attract new customers to Avanza. With a new website, a new office in Gothenburg and a broader customer offering, it is with pride that we can look back over a first half year characterised by the highest growth ever in terms of the number of customers and net inflow of capital. During June, we launched, as the first bank in Sweden, foreign exchange trading, and we also launched a new website for our corporate customers within our Occupational Pension offering.

That our efforts in occupational pensions bear fruit can be seen on the amount of pension capital transferred to Avanza which increased by 45 percent during the first half of the year. After the first quarter we were the fourth largest pension company in the country in terms of net transferred capital.

Raising our growth ambitions

After having welcomed 11,500 new active customers during the second quarter, we can summarise growth after the first half year at 26,000 net new customers, an increase of 73 percent compared with the first half year 2013. Thereby, we have by the end of June already reached our long-term annual growth target of 20,000–30,000 customers. Our customer growth is usually positively impacted by a strong stock market and low interest rates. At the same time, we believe that the higher growth rate during the first half year is to a large part structural. We see this as a result of our new website and a more competitive customer offering as well as a higher brand awareness and increased market presence. Consequently, we have decided to increase our long-term growth target to 30,000–40,000 new customers per year. We will also increase our annual long-term target to attract at least 5 percent of the total net inflow to the Swedish savings market to at least 7 percent, which is in line with the 7.5 percent that we have attracted during the last 12 months. The total net inflow during the first half year amounted to 9.6 billion, 55 percent higher than in the same period 2013.

An increased growth rate places high demands on both the organisation and its processes and systems. In order to ensure the highest possible quality of service to our customers while raising our growth ambitions, we intend, during the forthcoming year, to expand our IT development capacity to more quickly undertake possible improvements of efficiency and quality, as well as continue to further develop our customer offering and customer interface. As a result, we foresee cost

increases of 6 percent for 2014 compared with the previously communicated 3–5 percent, with an increase in costs of 6–8 percent in 2015.

Decrease in the repo interest rate presses net interest income

The Swedish Central Bank's decrease of the repo rate at the beginning of July will impact net interest negatively during the remainder of the year and, most likely, during all of 2015. At the same time, this can have a positive effect on the stock market as the yield on interest will be less attractive. The repo rate decrease also implies that we lower interest rates on the Super Mortgage, our mortgage products aimed at Private Banking customers, to a record low level of 1.24 percent. At the same time, we raised the ceiling on the lending volume by SEK 1 billion to be able to meet the demand and, thereby, further improve our value proposition to an important customer segment."

Stockholm, 11 July 2014



Martin Tivéus, CEO Avanza



Operations

Market and sales

The Stockholm Stock Exchange developed positively during the second quarter. The yield was 4 percent and the total yield during the first half year reached 9 percent. Turnover declined during the second quarter somewhat compared with the previous quarter which can partially be explained by seasonal variations. Totally during the first half year, turnover was 8 percent higher than in the previous year.

The trend towards customers choosing mutual funds as their form of saving continued during the entire first half year. At the end of the period, 28 percent of Avanza's customers' capital was invested in funds, which was 4 percentage points higher than one year before. The interest in short-term fixed income funds continued to be high but savers were also interested in Swedish small-cap funds.

The investment savings account (ISK) continued to be popular during the first half year. Nearly half of Avanza's net inflow went into ISK and the number of accounts increased by 51 percent.

The net inflow into Avanza's Occupational Pension products continued to be strong during the first half year in terms of both capital and new accounts. The inflow of capital amounted to SEK 970 million which was 33 percent higher than in the first half year 2013. Avanza Pension has slightly more than 1 percent of the premium inflow to the occupational pension market and is steadily increasing its share. During the first six months, more than 1,200 companies chose Avanza as their supplier of Occupational Pensions. Avanza's customers

transferred SEK 320 m in occupational pension capital from other insurance companies during the first half of the year, an increase of 45 percent compared to the corresponding period last year.

During the first quarter, Avanza Pension doubled its sales organisation in the occupational pension market and established offices in Gothenburg.

At the end of March, Avanza decreased its brokerage fees on trading in American shares. After this, the interest amongst Avanza's customers for these shares expanded even further and the number of customers trading in these shares was 73 percent greater during the second quarter 2014.

At the beginning of July, after the end of the reporting period, the Swedish Central Bank decreased the repo rate by 0.50 percentage points. Avanza chose to match the Central Bank's decrease and lowered the interest on its mortgage product, Super Mortgage, to 1.24 percent. At the same time, the ceiling on the lending volume was expanded by a further SEK 1 billion to SEK 2.5 billion in order to meet the demand from customers.

As of 31 March 2014, Avanza had 2.3 (1.9) percent of the total savings market in Sweden. During the first quarter Avanza's share of the total net inflow to the Swedish savings market amounted to 15.1 (6.7) percent which was well in excess of Avanza's goal to achieve a minimum of 5 percent of the net inflow.

Activity	2014 Apr-Jun	2013 Apr-Jun	Change %	2014 Jan-Jun	2013 Jan-Jun	Change %	2013-2014 Apr-Mar	2013 Jan-Dec
Net inflow, equity & investment fund accounts, SEK m	2,530	1,690	50	6,040	3,560	70	9,980	7,510
of which, investment savings accounts, SEK m	1,960	1,140	72	4,500	2,940	53	7,080	5,520
Net inflow, savings accounts, SEK m	310	410	-24	560	640	-73	380	460
of which, external deposit accounts, SEK m	280	390	-28	630	730	-14	420	520
Net inflow, pension- & insurance-based accounts, SEK m	1,200	760	58	2,960	1,950	52	3,940	2,930
of which, endowment insurance, SEK m	620	320	94	1,880	1,160	62	2,120	1,400
of which, occupational pensions, SEK m	510	380	34	970	730	33	1,570	1,330
Net inflow, SEK m	4,040	2,860	41	9,560	6,150	55	14,300	10,900
Net inflow, Bas & Premium, SEK m	3,270	1,950	68	7,450	4,820	55	10,940	8,330
Net inflow, Mini, SEK m	-10	20	-150	20	60	-67	30	70
Net inflow Private Banking, SEK m	790	880	-10	2,090	1,230	70	3,170	2,310
Net inflow, Pro, SEK m	-10	10	-200	0	40	-100	160	190
Net inflow, SEK m	4,040	2,860	41	9,560	6,150	55	14,300	10,900
Net inflow/Savings capital, %	13	12	1	17	14	3	15	13
No. commission notes per customer & month	2.1	1.9	11	2.2	2.0	10	2.2	2.1
No. transactions per commission note	1.5	1.6	-6	1.6	1.6	0	1.6	1.7
Brokerage per commission note, SEK	69	70	-1	70	71	-1	71	71
Market shares								
NASDAQ OMX Stockholm and First North								
No. transactions, %	7.4	6.2	1.2	7.5	6.8	0.7	7.6	7.3
Turnover, %	4.2	3.3	0.9	4.2	3.7	0.5	4.3	4.1

For definitions see page 15.

The net inflow during the quarter continued to be very strong. Totally during the first half of the year, the net inflow amounted to SEK 9.6 billion which was 55 percent more than in the

equivalent period in 2013. A majority of the inflow continued to go into investment savings accounts but endowment insurance also continues to see large inflows.

During the first half year, the customers' trading activity increased and the number of transactions per customer and month was 10 percent higher than in the equivalent period last year. However, the activity is still somewhat restricted and a major portion of the new net inflow is invested in funds.

Avanza's share of the total number of trades on the Stockholm stock exchange increased and amounted to 7.5 (6.8) percent. Brokerage per commission note was 1 (-7) percent lower than in the same period last year.

Savings Capital	30-06-2014	31-03-2014	Change		Change		Change	
			%	31-12-2013	%	30-06-2013	%	
Savings capital, equity & investment fund accounts, SEK m	71,490	67,110	7	61,680	16	49,930	43	
of which, investment savings accounts, SEK m	18,200	15,100	21	11,700	56	7,340	148	
Savings capital, savings accounts, SEK m	6,110	5,790	6	5,520	11	5,670	8	
of which, external deposit accounts, SEK m	5,360	5,060	6	4,690	14	4,880	10	
Savings capital, pension- & insurance-based accounts, SEK m	52,500	48,900	7	45,400	16	39,000	35	
of which, endowment insurance, SEK m	39,300	36,900	7	34,200	15	29,600	33	
of which, occupational pensions, SEK m	6,510	5,710	14	5,150	26	4,110	58	
Savings capital, SEK m	130,100	121,800	7	112,600	16	94,600	38	
Equities, bonds, derivatives, etc. SEK m	79,600	76,480	4	70,390	13	58,510	36	
Investment funds, SEK m	35,900	31,300	15	27,900	29	22,600	59	
Deposits, SEK m	19,100	18,100	6	17,600	9	16,400	16	
of which, external deposits, SEK m	5,360	5,060	6	4,690	14	4,880	10	
Lending, SEK m	-4,500	-4,080	10	-3,290	37	-2,910	55	
of which, mortgage loans, SEK m	-1,200	-760	58	-90	1,233	-	-	
Savings capital, SEK m	130,100	121,800	7	112,600	16	94,600	38	
Deposits/Lending, %	424	444	-20	535	-111	564	-140	
Net deposits/Savings capital, %	11	12	-1	13	-2	14	-3	
Bas & Premium, SEK m	71,930	66,930	7	61,900	16	53,120	35	
Mini, SEK m	1,860	1,830	2	1,780	4	1,570	18	
Private Banking, SEK m	53,000	50,000	6	46,100	15	37,600	41	
Pro, SEK m	3,310	3,040	9	2,820	17	2,310	43	
Savings capital, SEK m	130,100	121,800	7	112,600	16	94,600	38	
Return, average account since Jan 1 st, %	7	3	4	17	-10	3	4	
SIX Return Index since Jan 1 st, %	9	5	4	28	-19	9	0	

For definitions see page 15.

Savings capital grew significantly during the first half year 2014, driven by the high customer and net inflows, in combination with the positive stock market development. The customers' savings

capital in Avanza at the end of the period amounted to SEK 130 billion which was an increase of 16 percent compared with year-end.

Customers and Accounts	30-06-2014	31-03-2014	Change		Change		Change	
			%	31-12-2013	%	30-06-2013	%	
Bas & Premium, no. customers	307,780	296,920	4	283,570	9	267,110	15	
Mini, no. customers	21,000	21,000	0	20,800	1	20,300	3	
Private Banking, no. customers	9,180	8,760	5	8,280	11	7,560	21	
Pro, no. customers	4,540	4,320	5	3,850	18	3,330	36	
No. customers	342,500	331,000	3	316,500	8	298,300	15	
No. accounts per customer	1.75	1.73	1	1.72	1	1.70	3	
No. equity & investment fund accounts	309,500	295,800	5	277,600	11	255,900	21	
of which, no. investment savings accounts	55,300	47,000	18	36,600	51	25,200	119	
No. savings accounts	83,200	80,100	4	76,900	8	71,700	16	
of which, no. external deposit accounts	52,900	50,100	6	47,200	12	42,800	24	
No. pension- & insurance-based accounts	205,200	197,700	4	190,400	8	179,600	14	
of which, no. endowment insurance	106,200	103,900	2	100,800	5	96,900	10	
of which, no. occupational pensions	54,800	50,500	9	47,600	15	43,400	26	
No. accounts	597,900	573,600	4	544,900	10	507,200	18	

For definitions see page 15.

Growth in the number of customers continued to be strong during the second quarter. The total number of customers at the end of the period was 342,500 which represented an increase of 11,500 during the second quarter and of 26,000 compared

with the beginning of 2013. The number of accounts increased during the first half of the year by 53,000.

The number of accounts per customer is a good measure of the savers' engagement in Avanza and, thereby, also of the

share of customers' savings. The number of accounts per customer increased during the period and now amounts to 1.75 (1.70).

Development

During the first half year, development work was focused on polishing and further development of Avanza's new website which was launched during 2013. A number of measures aimed at increasing efficiency and increased stability were taken, for example, increased efficiency in the administration of client companies within Occupational Pension. A large number of

The number of new Occupational Pension accounts during the first half year totalled 7,200 (5,000) which is equivalent to 14 (14) percent of the total number of new accounts.

smaller functions were introduced, mainly based on customer feedback.

In June, Avanza launched foreign exchange trading for all customers, as the first Swedish bank. The product makes it possible to quickly and easily take foreign exchange positions in the currencies most in demand.

Financial overview

	2014 Apr–Jun	2013 Apr–Jun	Change %	2014 Jan–Jun	2013 Jan–Jun	Change %	2013–2014 Jul–Jun	2013 Jan–Dec
Income Statement, SEK m								
Brokerage income	60	51	18	138	115	20	268	245
Fund commissions	27	20	35	51	38	34	95	82
Net interest items	56	50	12	108	100	8	213	205
Other income, net	21	16	31	40	34	18	71	65
Operating income	164	137	20	337	287	17	647	597
Personnel	-58	-58	0	-116	-110	5	-216	-210
Marketing	-6	-7	-14	-11	-13	-15	-21	-23
Depreciation	-2	-3	-33	-4	-6	-33	-8	-10
Other expenses	-31	-34	-9	-63	-69	-9	-121	-127
Operating expenses before credit losses	-97	-102	-5	-194	-198	-2	-366	-370
Profit before credit losses	67	35	91	143	89	61	281	227
Credit losses, net	0	0	-	0	0	-	-1	-1
Operating profit	67	35	91	143	89	61	280	226
Operating margin, %	41	26	15	42	31	11	43	38
Profit margin, %	34	23	11	36	27	9	37	32
Cost/income ratio, %	59	74	-15	58	69	-11	57	62
Earnings per share, SEK	1.92	1.11	73	4.18	2.67	57	8.18	6.67
Earnings per share after dilution, SEK	1.90	1.11	71	4.14	2.67	55	8.14	6.67
Return on shareholders' equity, %	7	4	3	15	10	5	31	25
Investments, SEK m	3	2	50	5	3	67	6	4
Brokerage income/Operating income, %	37	37	0	41	40	1	41	41
Non-brokerage income/Operating income, %	63	63	0	59	60	-1	59	59
of which, Fund commissions/Operating income, %	16	15	1	15	13	2	15	14
of which, Net interest items/Operating income, %	34	36	-2	32	35	-3	33	34
of which, Other income/Operating income, %	13	12	1	12	12	0	11	11
Non-brokerage income/Operating expenses, %	107	84	23	103	87	16	104	95
of which, Net interest items/Operating expenses, %	58	49	9	56	51	5	58	55
Operating income/Savings capital, %	0.13	0.15	-0.02	0.28	0.31	-0.03	0.57	0.61
of which, Net interest items/Savings capital, %	0.04	0.05	-0.01	0.09	0.11	-0.02	0.19	0.21
Average no. employees	282	271	4	276	270	2	272	269
No. trading days	57.5	59.0	-3	119.5	120.5	-1	247.0	248.0
Web service operational availability, %	99.6	99.9	-0.3	99.7	99.9	-0.1	99.7	99.9

	30-06-2014	31-03-2014	Change %	31-12-2013	Change %	30-06-2013	Change %
Shareholders' equity per share, SEK	23.67	29.75	-20	27.49	-14	23.49	1
Capital base/Capital requirement	1.59	1.69	-6	1.82	-13	2.21	-28
No. employees	281	282	0	264	6	265	6
Market value, SEK	280.00	248.50	13	209.00	34	137.00	104
Market capitalisation, SEK m	8,080	7,180	13	6,030	34	3,960	104

For definitions see page 15.

Avanza also publishes an Excel document containing financial history. The information is presented in English and can be viewed at avanza.se/keydata.

Operating revenue increased during the first half year 2014 by 17 (-6) percent compared with the equivalent period last year. Revenues during the second quarter increased by 20 percent (-3) compared with the second quarter 2013. Brokerage revenues increased as a result of the larger customer base and higher trading activity, which was counter-acted somewhat by a decrease in brokerage per commission note. Fund commissions increased primarily due to increased interest in investing in mutual funds and the resulting increase in fund capital. Net interest increased compared with the previous year, primarily thanks to a higher level of lending, which was partly a result of the introduction of mortgage products. The base lending interest rate was, on average, 0.25 percentage points lower than during the first half year 2013, something that impacted net interest negatively. At the beginning of July, after the end of the period, the Swedish Central Bank lowered the base lending rate by a further 0.50 percentage points, which will negatively affect net interest going forward.

Expenses before credit losses decreased during the first half year by 2 (+8) percent compared with the previous year, primarily thanks to lower costs for purchased services. Personnel costs increased by 5 percent, partly as a result of the increased investment in Occupational Pensions and the associated sales organisation.

During the first half year, non-brokerage revenue was equivalent to 103 (87) percent of total costs. Non-brokerage revenue is comprised primarily of net interest, mutual funds commission and currency exchange net. The long-term goal is that total non-brokerage revenue shall be in excess of 100 percent of total expense.

During the spring Avanza has received an enquiry from the Swedish Tax Agency concerning reverse VAT charges. An investigation has been initiated which can lead to additional costs as a one-off effect of SEK 4–8 m. Provisions are expected to be made during the third quarter when the amount can be estimated with more certainty.

Capital surplus

	30-06-2014	31-12-2013
Shareholders' equity, the Group	683	794
Intangible fixed assets and deferred tax receivables, SEK m	-24	-24
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	-357	-318
Total capital surplus before dividend, SEK m	302	452
Capital surplus per share, SEK	10.45	15.67

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 4, Page 13.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 302 million as of 30 June 2014.

As a result of new rules concerning equity within the financial sector, the capital requirement for the Group will increase by SEK 65 m from August 2014. From September 2015 additional equity requirements of SEK 29 m are expected. These increased capital requirements is covered by the capital surplus available already today.

Financial position

All of Avanza's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within one day. The assets are deemed to be secure. Between 2001 and the second quarter of 2014 total credit losses amounted to SEK 9 million, which is the equivalent, on average, to less than 0.03 percent per year. Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf.

The statutory protection and guarantees (such as the state deposit guarantee) apply to customers in Avanza in the same manner as applying to other Swedish banks and insurance

companies. Additional information on Avanza and security matters can be found on avanza.se.

The Parent Company Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company in the Avanza Group. The operating result for the first quarter was SEK -3 (-3) million. The Parent Company does not report any sales. A dividend payment of SEK 231 million (SEK 231 m) has been made to the shareholders.

Outlook for the future

Growth possibilities on the Swedish savings market are deemed to be positive. In order to generate long-term value for our shareholders, Avanza's activities are concentrated on those areas we can impact and which drive the underlying growth of the company, in combination with the thorough monitoring of expenses – good scalability in the operations, strong net inflow, good growth in customers and customer satisfaction.

Factors impacting Avanza's possibilities for future growth include:

Growth of the savings market

We estimate that the Swedish savings market will grow by 6–8 per cent per year in the long-term, which is in line with the growth experienced over the last ten years. Normally, pension and insurance savings account for half of that growth. Increased demands for repayment and worries about falling housing prices, in combination with uncertainty regarding the stock market, may imply that more Swedes will choose to save by paying off their mortgages, which may have a negative impact on the growth of the Swedish savings market.

Avanza's growth opportunities are not, however, limited to the growth of the Swedish savings market. This is because Avanza currently has a market share of only 2.3 per cent of the Swedish savings market, and is also due to the fact that capital transferred from other savings institutions to Avanza is not included in the net inflow to the Swedish savings market.

Net inflow and growth in value

An important factor generating long-term growth in savings capital is the net inflow.

The growth in net inflow is explained by increased savings on behalf of existing customers and deposits from new customers. We believe the increased rate of growth during the first six months of 2014 to be partially structural as a result of the launching of a new website, a strengthening of the customer offering, increased brand awareness and improved capabilities for targeted customer communication. Consequently, Avanza has decided to raise its long-term growth target to 30,000–40,000 net new customers a year (previously 20,000–30,000). We also believe that Avanza will increase its total share of customer's savings over time by utilising our competitive advantages in terms of offering the market's widest range of savings products, best tools and lowest fees. We estimate that our customers have, today, approximately fifty per cent of their transferrable savings in Avanza. In addition to the net inflow, the value increase also generates growth in customers' savings capital.

As a result of the new target regarding customer growth, Avanza has also decided to increase the annual target of attracting at least 5 per cent of the net inflow into the savings market to a minimum of 7 per cent. This is in line with Avanza's share of the net inflow to the Swedish savings market during the last 12 months which was 7.5 per cent.

Relationship between growth in savings capital and growth in operating income

From a long-term perspective, there is a clear correlation between growth in savings capital and growth in operating

income, for which reason an underlying growth in savings capital creates the conditions necessary for increased income. Income is primarily generated through brokerage income from trading in securities, net interest income from borrowing and lending activities, from fund commission and in the form of other compensation from suppliers of savings products. The income to savings capital ratio has fallen by 10 per cent per year over the last five years due to falling short-term interest rates, price pressure, combined with the effects of the product mix of savings and fluctuations in trading activity on the stock market. Our assessment is that the income to savings capital ratio, with an unchanged repo rate, will fall from its current level at a lower rate than the historical rate. This assessment is based on our forecast of the continued effects of the product mix of savings capital, as we believe that fund savings will increase in the future, in conjunction with an increase in pension capital. Price pressure due to competition is, however, deemed to be limited.

Outlook for 3–5 years

The savings behaviour we have observed during the previous two years has mainly been characterized by a lower risk appetite than has historically been the case. We have also seen a gradual shift in savings in funds towards funds with lower fees, partly as a consequence of an increasing cost consciousness amongst customers. We see no reason to expect any structural change for the foreseeable future even if risk aversion will appear cyclically. We, therefore, do not expect, and do not plan for, a return to the same level of income to savings capital ratio as the industry was used to experiencing a few years ago. However, we believe that a continued focus on low fees and innovative products is well suited to such an environment and that Avanza remains well positioned for growth in savings from both new and existing customers. Our assessment is that the price pressure in coming years may continue, to a limited extent, from the current income to savings capital ratio of 55 basis points, if the current low interest rates and stock market activity remain.

To ensure competitiveness and profitability by reducing the cost to savings capital ratio will, therefore, be a challenge for the industry as a whole, not least in light of the upward cost pressure due to statutory and regulatory compliance requirements in the wake of the financial crisis and due to increased accessibility requirements on behalf of customers, through various channels and mobile devices. Avanza is well equipped to meet this future with the significant scalability of its IT systems, IT development and continued efficiency enhancement measures.

An increased growth rate places high demands on both the organisation and its processes and systems. In order to ensure the highest possible quality of service to our customers while raising our growth ambitions, we intend, during the forthcoming year, to expand our IT development capacity to more quickly undertake possible improvements of efficiency and quality, as well as continue to further develop our customer offering and customer interface. As a result, we presume that cost increases of 6–8 per cent per year will apply during forthcoming years, an increase from the previously communicated 3–5 per cent. This can change and be reassessed if the growth premises are changed. Given a

continued growth in customers and savings capital, we see that costs per unit during the next 3–5 years will decline towards 25 basis points as a direct effect of continued growth in customers and savings capital.

The pension and insurance market is almost twice the size of the market for direct savings in shares and funds. Today's transfer rights only cover pensions which have been subscribed to after 2007, and transferable capital today is, thus, limited to only a fraction of the total pension and insurance market, although this fraction will gradually increase with time. During the spring and summer of 2014, the political debate regarding the right of transfer of pension savings has taken off and the

government has expressed a clear ambition to achieve a less restrictive right of transfer within, primarily, fund and deposit insurance, as well as achieving increased transparency as regards the mediation of insurance products. In case of an extended right to transfer pension funds, customers would have the ability to transfer all or part of their savings to Avanza and, thus, receive a larger pension on retirement, as we offer the lowest fees and the widest range of products for retirement savings. A Parliamentary decision in favour of an extended transfer right would, therefore, have a positive effect on Avanza's growth prospects.

Other corporate events

Significant risks and uncertainly factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, acted upon, in order to protect the Company's capital and reputation. The manner in which Avanza identifies, follows up and manages these risks has a bearing on the soundness of the business and on the Company's long-term profitability. A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2013, Note 34 and pages 30–32. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this interim report.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2013, Note 35. No significant changes have taken place since the publication of the Annual Report.

Incentives program

The Extraordinary General Meeting on June 13, 2014 resolved, deviating from the shareholders' preferential rights, to issue a total maximum number of 1,470,000 warrants. These warrants will be distributed among three different programs (Sub-program 1–3) comprising a maximum of 490,000 warrants each. The three sub-programs are part of the same incentive program.

Upon full exercise of all of the warrants included in the Board's proposal (1,470,000 warrants), the company's share capital will increase by a maximum of SEK 3,675,000 distributed on 1,470,000 shares, each with a quotient value of SEK 2.5, corresponding to a dilution effect of maximum 5.1 percent (1.7 percent per sub-program).

Subsidiary program 1 of the 2011–2014 stock option program had redemption period from 2 May to 30 May 2014. The redemption price was SEK 265.16 per share. No shares were subscribed for in respect of this subsidiary program.

Repurchase of the company's own shares

On 29 April 2014, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 percent of the shares in Avanza Bank Holding AB. No shares were repurchased during the first half of 2014 and the company holds no repurchased shares as of 30 June 2014.

Financial calendar

Interim Report, January – September 2014	16 October 2014
Preliminary Financial Statement 2014	January 2015

Consolidated Income Statements *

SEK m	2014 Apr–Jun	2013 Apr–Jun	2014 Jan–Jun	2013 Jan–Jun	2013–2014 Jul–Jun	2013 Jan–Dec
Operating income						
Commission income	127	104	270	222	513	465
Commission expenses	-19	-18	-41	-36	-79	-74
Interest income	68	62	132	123	262	253
Interest expenses	-12	-12	-24	-23	-49	-48
Net result of financial transactions	0	1	0	1	0	1
Other operating income	-	0	-	0	-	0
Total operating income	164	137	337	287	647	597
Operating expenses						
General administrative costs	-83	-88	-166	-169	-315	-318
Depreciation of tangible and intangible fixed assets	-2	-3	-4	-6	-8	-10
Other operating expenses	-12	-11	-24	-23	-43	-42
Total operating expenses before credit losses	-97	-102	-194	-198	-366	-370
Operating profit before credit losses	67	35	143	89	281	227
Credit losses, net	0	0	0	0	-1	-1
Operating profit	67	35	143	89	280	226
Tax on profit for the period	-11	-3	-22	-12	-43	-33
Net profit/loss for the period **	56	32	121	77	237	193
Earnings per share, SEK	1.92	1.11	4.18	2.67	8.18	6.67
Earnings per share after dilution, SEK	1.90	1.11	4.14	2.67	8.14	6.67
Average no. shares before dilution, thousand	28,874	28,874	28,874	28,874	28,874	28,874
Average no. shares after dilution, thousand	29,159	28,874	29,142	28,874	29,028	28,874
Outstanding no. shares before dilution, thousand	28,874	28,874	28,874	28,874	28,874	28,874
Outstanding no. shares after dilution, thousand	29,223	28,874	29,223	28,874	29,223	29,009
No. shares upon full dilution, thousand	29,854	30,344	29,854	30,344	29,854	30,344

* 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 Sheet

SEK m		30-06-2014	31-12-2013
Assets			
Treasury bills eligible for refinancing		160	165
Loans to credit institutions		8,992	9,078
Loans to the public	Note 1	5,676	4,188
Shares and participations		6	0
Assets in insurance operations		49,244	42,573
Intangible fixed assets		23	23
Tangible assets		12	11
Other assets		243	509
Prepaid costs and accrued income		51	88
Total assets		64,407	56,635
Liabilities and shareholders' equity			
Deposits by the public	Note 2	14,030	12,987
Liabilities in insurance operations		49,244	42,573
Other liabilities		360	186
Accrued costs and prepaid income		73	78
Provisions		17	17
Shareholders' equity		683	794
Total liabilities and shareholders' equity		64,407	56,635

Changes in the Group's shareholders' equity

SEK m	2014	2013	2013
	Jan–Jun	Jan–Jun	Jan–Dec
Shareholders' equity at the beginning of the period	794	828	828
Dividend	-231	-231	-231
Warrants issue	-	4	4
Net profit/loss for the period (also total comprehensive income)	121	77	193
Shareholders' equity at the end of the period	683	678	794

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

Consolidated Cash Flow Statements

SEK m	2014	2013	2014	2013
	Apr–Jun	Apr–Jun	Jan–Jun	Jan–Jun
Cash flow from operating activities	66	37	105	42
Cash flow from operating activities' assets and liabilities	71	883	41	489
Cash flow from investment operations	-4	-2	-6	-3
Cash flow from financial operations	-226	-227	-226	-227
Cash flow for the period	-93	691	-86	301
Liquid assets at the beginning of the period *	9,085	7,599	9,078	7,989
Liquid assets at the end of the period *	8,992	8,290	8,992	8,290

* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 648 million (SEK 574 m) of consolidated liquid assets are pledged as collateral.

Parent Company Income Statements

SEK m	2014	2013
	Jan–Jun	Jan–Jun
Operating expenses		
Administration expenses	-2	-2
Other operating expenses	-1	-1
Operating profit/loss	-3	-3
Profit/loss from financial investments		
Profit/loss from participations in Group companies	3	-
Interest income and similar items	0	0
Profit/loss before tax	3	-3
Tax on profit for the period	0	1
Net profit/loss for the period	0	-2

Parent Company Balance sheets

SEK m	30-06-2014	31-12-2013
	Assets	
Financial fixed assets	408	408
Current receivables *	1	234
Liquid assets	0	0
Total assets	409	642
Shareholders' equity and liabilities		
Shareholders' equity	408	639
Current liabilities	1	3
Total shareholders' equity and liabilities	409	642

* Of which receivables from subsidiaries SEK 1 million (SEK 234 m).

Accounting principles

The Interim Report for the Group 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 Interim for

the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the supplementary accounting rules for legal entities (RFR 2) issued by the Swedish Financial Reporting Board. Accounting principles and calculation methods remain unchanged from those applied in the 2013 Annual Report.

Notes

Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. SEK 1,180 million (SEK 902 m as of 31 December 2013) of loans to the public as of 30 June 2014, so-called account credits, are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. This portion of the lending does not impact the net interest items, as the interest on deposits is the same as the lending rate. SEK 1,195 million (94 as of 31 December 2013) of loans to the public are mortgage loans. Collateral for the remainder of the loans to the public is 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 30 June 2014, deposits by third parties in client fund accounts totalling SEK 844 million (SEK 813 m as of 31 December 2013).

Note 3 – Financial instruments

Classification of financial information

SEK m, 30-06-2014	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
Assets						
Treasury bills eligible for refinancing	–	160	–	–	–	160
Lending to credit institutions	–	–	8,992	–	–	8,992
Lending to the public	–	–	5,676	–	–	5,676
Shares and participations	6	–	–	–	–	6
Assets in insurance operations	49,244	–	–	–	–	49,244
Intangible assets	–	–	–	–	23	23
Tangible assets	–	–	–	–	12	12
Other assets	–	–	175	–	68	243
Prepaid costs and accrued income	–	–	33	–	18	51
Total assets	49,250	160	14,876	–	121	64,407
Liabilities						
Deposits by the public	–	–	–	14,030	–	14,030
Insurance operations liabilities	49,244	–	–	–	–	49,244
Other liabilities	–	–	–	360 *	–	360
Accrued costs and prepaid income	–	–	–	51	22	73
Provisions	–	–	–	–	17	17
Total liabilities	49,244	–	–	14,441	39	36,724

* Net payment of SEK 7 m to clearing house for derivatives trading included.

Financial instruments valued at fair value

SEK m, 30-06-2014	Level 1	Level 2	Level 3	Total
Assets				
Equities	25,316	0	0	25,316
Fund units	1,511	15,259	–	16,770
Bonds and other interest-bearing securities	661	440	–	1,101
Other securities	132	232	–	364
Liquid assets	–	–	–	5,699
Total assets	27,620	15,931	0	49,250
Liabilities				
Liabilities in insurance operations (investment agreements)	–	49,244	–	49,244
Total liabilities	–	49,244	–	49,244

Fair value

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

The fair value of those financial instruments reported at fair value through profit and loss is determined as shown below. During the period, no transfers between the levels have taken place. Pension and insurance customers (assets in the insurance operations) are, in principle, only permitted to hold securities traded on a regulated market or a multilateral trading facility, investment funds or securities on unlisted securities markets managed electronically by Avanza.

Financial assets valued at fair value via the Income Statement

The majority of the securities in this category, primarily comprising assets within the insurance operations, comprise listed securities and the fair value is determined by using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the net asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

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

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

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

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

Note 4 – Capital requirement for the financial conglomerate

SEK m	30-06-2014	31-12-2013
Capital base		
Shareholders' equity, the Group	683	794
Less, unaudited profits	-121	-
Assumed/Proposed dividend	-	-231
Shareholders' equity, financial conglomerate	562	563
Less		
Intangible fixed assets and deferred tax receivables	-24	-24
Capital base	-538	539
Capital requirement		
Capital requirement for regulated units within the banking and securities sector	302	260
Capital requirement for regulated units in the insurance sector	33	33
Theoretical capital requirements for non-regulated units	3	3
Capital requirement	338	296
Capital surplus	200	243
Capital base/Capital requirement	1.59	1.82

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 for the period has been audited, adjustments are made for the assumed dividend. Assumed dividend refers to the current period and the proposed dividend is dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

The Board of Directors and the CEO ensures that the interim report gives a fair overview of the company and group activities, balance and results, and describes the material risks and uncertainties that the company and the companies of the group is facing.

Stockholm, 11 July 2014

Sven Hagströmer
Chairman of the Board

Andreas Rosenlew
Board Member

Lisa Lindström
Board Member

Mattias Miksche
Board Member

Birgitta Klasén
Board Member

Martin Tivéus
Managing Director

Jacqueline Winberg
Board Member

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

The information contained in this report comprises information that Avanza Bank Holding AB (publ.) is obliged to provide as well as that which 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 (CET) on 11 July 2014.

Avanza 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 avanza.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.

Definitions

Account	An account opened with holdings.
Brokerage income	Brokerage income less direct costs.
Brokerage per commission note	Gross brokerage income for account 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 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.
Commission notes per account	Commission notes per account excluding savings accounts.
Cost/income ratio	Costs before credit losses in relation to income.
Deposits	Deposits by the public as per balance sheet with deduction for the portion which are covered in their entirety by cash pledged on endowment insurance accounts which entirely corresponds to the lending to the public and the addition of client fund deposits and external deposits.
Earnings per share	Profit/loss after tax in relation to the average number of shares during the period.
Equity per share	Shareholders' equity in relation to the number of outstanding ordinary shares before dilution at the end of the period.
External deposits	Savings accounts in external banks and credit market companies, Sparkonto+, opened and managed by customers via Avanza's website.
Lending	Loans to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts.
Net deposits/Savings capital	Deposits, including client accounts and external deposits, minus lending, in relation to the savings capital at the end of the period.
Net interest items/Savings capital	Net interest items in relation to 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 an annual basis in relation to savings capital at the beginning of the period.
Non-brokerage income	Income excluding brokerage income less direct costs.
Operating expenses	Operating expenses before credit losses.
Operating income/Savings capital	Operating income in relation to 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.
Savings capital	The combined value of accounts held with Avanza.
Return on equity	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.
Stock market	Refers to the SIX Return Index share index, which shows the average development on the Stockholm Stock Exchange, including dividends.
Transactions	Buying and selling transactions completed in different markets and involving different securities.



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