



## Interim Report, 1<sup>st</sup> January–30<sup>th</sup> September 2006

- Operating income increased by 67.0% (29.5%) to SEK 336.6 million (SEK 201.5 m).
- The profit after tax was SEK 134.1 million (SEK 75.3 m).
- Earnings per share increased to SEK 4.88 (SEK 2.76).
- Net deposits totalled SEK 4,450 million (SEK 3,600 m), corresponding to 14.9% (22.2%) of the total value of custodian accounts at the beginning of the year.

### Comments from the Managing Director

“Our customers should feel that they have chosen Sweden’s best bank for savings. If Avanza is to achieve this position, we must constantly develop better and better savings products. This spring Avanza launched the market’s first occupational pension with absolutely no fixed charges, along with Avanza Zero – the no-fee index fund. During the third quarter, we launched Placera Nu, which is Sweden’s only web magazine focusing on savings and investments. And we will be introducing more completely new savings concepts later in the autumn, too,” says Nicklas Storåkers, Managing Director of Avanza.

“The expansion of Avanza is yielding clear results in the form of more new customers. And it is absolutely critical to our long-term growth that there is a in-depth confidence in us amongst Swedish savers, so it’s enormously flattering to find that in a recent major survey, Avanza was declared to be Sweden’s third most respected company, after IKEA and TetraPak.”

“The downward adjustment of the stock market during the late spring and early summer calmed the market down, and as a result, net deposits were low in Q3. The inflow of customers has, however, been good, and net deposits revived once more towards the end of September. We believe that the vigorous trend will see out the rest of the year.”

**For additional information, please contact Nicklas Storåkers, Managing Director of Avanza, tel: +46 70 861 80 01.**

### Business performance

Avanza has continued its rapid rate of development with the aim of further strengthening its potential for growth. To date this autumn, Avanza has launched new savings services, such as the savings magazine, Placera Nu, and online trading on Nordic stock markets. Avanza Zero has also helped ensure a strong inflow of new customers. Net deposits were, however, considerably down during the third quarter, due partly to the weak stock market performance during the early part of the summer, and partly to higher interest rates.

Net deposits totalled SEK 4,450 million (SEK 3,600 m) during the first nine months of the year, corresponding to an increase of 23.6% (71.4%) in comparison with the same period last year. Net deposits during the third quarter totalled SEK 520 million (SEK 1,260 m), but did, however, increase substantially in late September. The total value of net deposits corresponds to 14.9% (22.2%) of the total value of custodian accounts at the beginning of the year.

The total number of custodian account customers increased by a net of 16,600 (8,700) to 122,500 during the period from January to September (105,900 as of 31<sup>st</sup> December 2005), corresponding to an increase of 15.7% (9.7%). The no-fee index fund, Avanza Zero, made a substantial contribution to the inflow of new customers.

Avanza's occupational pension was launched in the spring and attracted considerable interest, with a total of 100 companies and a total of 160 underlying custodian accounts joining the Avanza occupational pension scheme to date. The market is characterised by long selling-in times and more complex selling-in processes than for Avanza's other products, but Avanza considers the long-term potential to be good, and will, therefore, continue its adaptation of the product in line with market requirements. Avanza intends, amongst other things, to apply for affiliation to the collective agreement-based occupational pension plans, known as the tick-box markets, during the autumn.

Avanza will be launching various other products, such as group insurance policies for the private pension market during the fourth quarter, with the aim of strengthening its product offering. As of 30<sup>th</sup> September 2006, the total value of custodian accounts invested in pension products has increased by 52.6% to SEK 3,770 million (SEK 2,470 m), corresponding to 10.1% (8.3%) of the total value of custodian accounts.

The trend of fund-based savings transferring to Avanza is continuing. Interest is being boosted by, amongst other things, the fact that Avanza's portfolio report gives customers a good overview of their entire savings portfolio. The range of funds on offer has increased, and now comprises 720 different funds from 50 fund management companies.

May saw the launch of Avanza Zero – the no-fee index fund. The fund can only be bought via direct savings in Avanza custodian accounts, pension savings with Avanza, or via PPM. To date, Avanza Zero has 6,490 unit holders with Avanza and SEK 240 million in fund capital. The return on Avanza Zero has totalled 14.6% since its launch, in comparison with the OMXS30 index, which rose by 14.7% during the same period.

The total value of custodian accounts invested in funds totalled SEK 5,370 million, as of 30<sup>th</sup> September 2006 (SEK 3,810 m as of 31<sup>st</sup> December 2005), corresponding to 14.4% of the total value of custodian accounts (12.8% as of 31<sup>st</sup> December 2005).

The increase in the value of the average Avanza portfolio during the first nine months of 2006 totalled 9.4% (32.5%), in comparison with the OMX Stockholm Price Index, which increased by 10.4% (22.7%).

The total value of custodian accounts increased by 24.8% (59.3%) to SEK 37,200 million, as of 30<sup>th</sup> September 2006 (SEK 29,800 m as of 31<sup>st</sup> December 2005). The total value of custodian accounts in Avanza Private Banking increased by 52.7% during the period to SEK 10,400 million (SEK 6,810 m as of 31<sup>st</sup> December 2005). The total value of custodian accounts in Aktiespar.se increased to SEK 650 million (SEK 350 m as of 31<sup>st</sup> December 2005).

September saw the launch of Placera Nu, which is a web magazine focusing on savings and investments. The magazine is published at [www.placera.nu](http://www.placera.nu), which is integrated with Avanza's web service. Placera Nu is editorially independent and the editorial team comprises seven experts in the field of shares, funds and pensions. The operations are financed through advertising and, together with the other media products, Börsveckan and Börsguiden, are expected to post a deficit of between SEK 1 and 2 million in 2006. The long-term goal is for the operations to be profitable.

Avanza's market share of First North, the market for small growth companies, totals 17.9% of turnover and 25.9% of the number of transactions to date this year. This market-dominant position means that Avanza is an attractive alternative for listings, secondary offerings and new issues of shares in small growth companies. Avanza Corporate Finance has completed nine transactions to date this year. The latter part of the year will see Avanza Corporate Finance implement several more transactions.

Q3 development work within Avanza has focused on, amongst other things, trading on Nordic stock markets, the launch of Placera Nu, and the continued development of occupational pension administrative systems. The operational availability of Avanza's web service during the first nine months of the year was 99.8% (99.5%).

Avanza's custodian account customers averaged 2.01 (1.49) commission notes per month during the period from January to September 2006, corresponding to an increase of 34.9% (14.6%) in comparison with the same period last year. The corresponding figure during the third quarter was 1.51 (1.69) commission notes per custodian account customer and month. The lower level of activity during Q3, relatively speaking, was due to the weak performance by the stock market during the early part of the summer. The average brokerage fee per commission note for custodian account customers during the period was SEK 93 (SEK 96). Operating income per custodian account customer increased to SEK 3,000 (SEK 2,200) during the period.

Borrowing, including client funds, increased to SEK 5,034 million as of 30<sup>th</sup> September 2006 (SEK 3,526 m as of 31<sup>st</sup> December 2005). Lending fell by 1.8% to SEK 2,015 million (SEK 2,052 m as of 31<sup>st</sup> December 2005). Borrowing and lending correspond to 13.5% (11.8% as of 31<sup>st</sup> December 2005) and 5.4% (6.9% as of 31<sup>st</sup>

December 2005), respectively, of the total value of custodian accounts. Customers' net liquidity hence totalled 8.1 per cent of the total value of custodian accounts (4.9% as of 31<sup>st</sup> December 2005), which is relatively high.

Avanza's market share of the Stockholm Stock Exchange during the first nine months of the year was 10.2% (9.4%) of the total number of transactions and 2.6% (2.0%) of turnover. In terms of the number of transactions, Avanza was hence the largest member overall of the Stockholm Stock Exchange.

## Result and position

Operating income increased by 67.0% (29.5%) during the nine-month period to SEK 336.6 million (SEK 201.5 m). The growth in income is due both to higher levels of customer activity and to underlying growth. Operating income totalled 0.97% (0.99%) of the total value of custodian accounts during the period. Net interest items totalled SEK 100.4 million (SEK 58.0 m) during the period from January to September 2006, corresponding to an increase of 73.1% (29.5%) in comparison with the same period last year. Reduced lending volumes in recent months have been compensated by increased borrowing volumes.

Brokerage income, less deduction for direct costs, comprised 54% (54%) of total operating income during the period, whilst non-brokerage income (net interest income, investment fund commissions and other income) made up the remaining 46% (46%).

Non-brokerage income during the first nine months of 2006 comprised 102% (94%) of operating expenses, and Avanza has hence exceeded its goal of non-brokerage income totalling a minimum of 90–100% of operating expenses. The corresponding figure in Q3 was 108% (106%). The increase in non-brokerage income is mainly due to rising volumes of borrowing and lending and to increased investment fund commissions.

Operating expenses during the period from January to September totalled SEK 152.2 million (SEK 99.4 m), corresponding to an increase of 53.1% (29.3%) in comparison with the same period last year. Operating expenses during the third quarter totalled SEK 40.6 million (SEK 30.9 m), corresponding to an increase of 31.4% (29.8%) in comparison with the same period last year. This does, however, correspond to a decrease in comparison with previous quarters in 2006, and is due both to costs being relatively high during the second quarter and to costs being seasonally low during the third quarter. Marketing costs increased during the nine-month period to SEK 29.7 million (SEK 10.8 m).

The number of full-time employees (excluding those on leaves of absence and parental leave) at the end of September was 143 (93 as of 31<sup>st</sup> December 2005). The recruitment requirement is currently low.

The pre-tax profit for the first nine months of 2006 was SEK 184.4 million (SEK 102.1 m), corresponding to an operating margin of 54.8% (50.7%). The tax expense was SEK 50.3 million (SEK 26.8 m).

The result after tax for the period was SEK 134.1 million (SEK 75.3 m). Earnings per share totalled SEK 4.88 (SEK 2.76). The return on equity during the period was 33.6% (26.3%).

Depreciation of tangible and intangible assets totalled SEK 6.0 million (SEK 4.6 m) and investments totalled SEK 15.2 million (SEK 3.0 m).

Shareholders' equity totalled SEK 434.9 million as of 30<sup>th</sup> September 2006 (SEK 353.7 m as of 31<sup>st</sup> December 2005), or SEK 15.83 (SEK 12.88) per share, and the capital adequacy ratio was 12.2% (11.1%). The Group's liquid assets totalled SEK 2,682.4 million (SEK 802.9 m as of 31<sup>st</sup> December 2005).

### The Parent Company, Avanza AB

Avanza AB is the Parent Company of the Avanza Group. The operating result for the first nine months of 2006 was -SEK 4.5 million (-SEK 2.9 m). The Parent Company reports no turnover. Dividends totalling SEK 54.9 million have been paid to the shareholders.

## Outlook for the future

Avanza is the Savers' Bank, and its goal is to offer what are far and away Sweden's best savings services. Avanza has a market share of just over 1% of the Swedish savings market, and it aims to at least double its market share by 2008.

Achieving this goal requires a rapid tempo in terms of development and sales. After a number of launches to date this year, Avanza is heavily focused on selling in these products. Avanza will further expand its product range in

latter part of the autumn with the launch of new savings services that will enable Avanza to reach out to a broader group of savers. This approach is expected to improve the potential for long-term customer growth.

Avanza also intends to affiliate with collective agreement occupational pension plans. Trading on Nordic stock exchanges will be complemented with separate FX trading. There is a trend for Avanza's customers to invest an increasingly large percentage of their savings with Avanza, both directly and in the form of pension savings, and Avanza will accordingly be introducing an improved portfolio report covering the full range of the customer's savings with Avanza – a concept that is absolutely unique to Avanza in the market as a whole. Avanza will also be offering customers the chance to subscribe for a couple of new IPO's during the autumn.

Underlying growth is expected to be strong during the fourth quarter, which is normally the seasonally most active period of the year. Net deposits during the first nine months of the year comprised 14.9% of the total value of custodian accounts at the beginning of the year. There is a reasonable chance of achieving the long-term goal of annual net deposits totalling 25–30% of this figure in 2006; uncertainty remains, however, in the light of the weak savings market during the third quarter.

Avanza will, as usual, engage in active marketing and sales activities during the final months of the year. The marketing of Avanza Zero, amongst others, is thought to offer excellent potential for attracting new customers to Avanza.

As previously noted, costs are expected to increase by 40–50% in 2006 in comparison with last year. Overall, Avanza expects to post a strong increase in profits in 2006 in comparison with previous years.

The above should not, however, be regarded as an income or profit forecast for 2006, due to the operations' reliance on stock market trends. The goal is for non-brokerage income, i.e. operating income not directly dependent on the stock market, to total a minimum of 90–100% of operating expenses, thereby ensuring healthy stability in results, even during less favourable market conditions. To date this year, this figure has reached 102%.

## **Other information**

### **Annual General Meeting**

The Annual General Meeting will be held on 22<sup>nd</sup> March 2007 at 15.00 (CET) in the Auditorium hall of the Moderna Museet in Stockholm. The Annual Report will be available from the company's offices and on the company's website at [www.avanza.com](http://www.avanza.com), as of early March, and will also be sent out to the company's shareholders.

### **Election Committee**

The Election Committee comprises the Chairman of the Board, Sven Hagströmer, Erik Törnberg, who represents Investment AB Öresund, Eva Qviberg, who represents the Qviberg family, and Jack Junel, who represents Aktiespararnas Service AB. Erik Törnberg is the Chairman of the Election Committee.

## **Financial calendar**

Preliminary Financial Statement	19 <sup>th</sup> January 2007
Annual Report	March 2007
Annual General Meeting	22 <sup>nd</sup> March 2007

Stockholm, 11<sup>th</sup> October 2006

Nicklas Storåkers  
Managing Director

## The Group's quarterly performance

	01-07-06 30-09-06	01-04-06 30-06-06	01-01-06 31-03-06	01-10-05 31-12-05	01-07-05 30-09-05	01-04-05 30-06-05	01-01-05 31-03-05
SEK m							
Operating income	87.2	125.5	123.9	83.6	74.2	66.2	61.1
Operating expenses	-40.6	-63.8	-47.8	-39.0	-30.9	-35.0	-33.5
Pre-tax profit/loss	46.6	61.7	76.1	44.6	43.3	31.2	27.6
Custodian account value, SEK m	37,200	34,900	36,400	29,800	25,800	21,800	18,900
Operating income/custodian account value, %	0.24	0.35	0.38	0.30	0.31	0.33	0.35
Net deposits, SEK m	520	1,610	2,320	2,060	1,260	800	1,540
No. custodian account customers	122,500	117,900	113,300	105,900	98,500	94,700	93,000
No. commission notes per custodian account customer and month	1.51	2.18	2.35	1.79	1.69	1.41	1.38
No. transactions per commission note	1.69	1.70	1.70	1.71	1.68	1.62	1.65
Average no. employees	145	123	110	103	97	92	82

## Key financial figures for the Group

	01-07-06 30-09-06	01-01-06 30-09-06	01-01-05 30-09-05	01-10-05 30-09-06	01-01-05 31-12-05
Earnings per share, SEK	1.23	4.88	2.76	6.06	3.88
Earnings per share after dilution, SEK	1.22	4.85	2.74	6.03	3.86
Operating margin, %	53.4	54.8	50.7	54.5	51.5
Equity per share, SEK	15.83	15.83	11.76	15.83	12.88
Return on equity, %	8.1	33.6	26.3	43.5	35.3
Capital adequacy ratio, %	12.2	12.2	12.6	12.2	11.1
Average no. shares before dilution	27,465,674	27,465,674	27,254,974	27,465,674	27,297,114
Average no. share after dilution	27,656,185	27,635,595	27,453,056	27,610,160	27,440,992
Outstanding no. shares before dilution	27,465,674	27,465,674	27,465,674	27,465,674	27,465,674
Outstanding no. shares after dilution	27,651,186	27,651,186	27,508,418	27,651,186	27,578,537
No. shares on full dilution	28,301,494	28,301,494	27,889,874	28,301,494	27,889,874

## Definitions

### Earnings per share

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

### Operating margin

Operating profit/loss in relation to operating income.

### Equity per share

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

### Return on equity

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

### Capital adequacy ratio

The capital base in relation to the risk-weighted capital.

### Custodian account customer

An account opened with holdings.

### Transactions

Buying and selling transactions completed in different markets and involving different securities.

### 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.

### Operating income/custodian account value

Operating income in relation to average custodian account value during the period.

## Consolidated Income Statements (SEK m)

	01-07-06 30-09-06	01-07-05 30-09-05	01-01-06 30-09-06	01-01-05 30-09-05
<b>Operating income</b>				
Commission income	73.4	62.3	283.1	166.0
Commission expenses	-20.1	-9.0	-48.0	-24.7
Interest income	45.5	23.3	126.0	66.5
Interest expenses	-11.9	-2.5	-25.6	-8.5
Net result of financial transactions	0.1	0.0	0.2	0.2
Other operating income	0.2	0.1	0.9	2.0
<b>Total operating income</b>	<b>87.2</b>	<b>74.2</b>	<b>336.6</b>	<b>201.5</b>
<b>Operating expenses</b>				
General administrative costs	-32.5	-23.8	-109.0	-78.1
Depreciation of tangible and intangible fixed assets	-2.1	-1.6	-6.0	-4.6
Other operating expenses	-6.0	-5.5	-37.2	-16.7
Net credit losses	0.0	0.0	0.0	0.0
<b>Total operating expenses</b>	<b>-40.6</b>	<b>-30.9</b>	<b>-152.2</b>	<b>-99.4</b>
<b>Operating profit</b>	<b>46.6</b>	<b>43.3</b>	<b>184.4</b>	<b>102.1</b>
Taxes on the profit for the period	-12.7	-11.1	-50.3	-26.8
<b>Net profit/loss for the year</b>	<b>33.9</b>	<b>32.2</b>	<b>134.1</b>	<b>75.3</b>
Earnings per share, SEK	1.23	1.17	4.88	2.76
Earnings per share after dilution, SEK	1.22	1.17	4.85	2.74

## Consolidated Balance Sheets (SEK m)

		30-09-2006	31-12-2005
<b>Assets</b>			
Loans to credit institutions		2 682.4	802.9
Loans to the public	Note 1	2 015.4	2 052.4
Shares and participations		0.0	0.6
Assets in insurance operations		2 619.3	1 553.8
Intangible fixed assets		32.8	25.0
Tangible assets		13.2	7.2
Other assets		118.6	52.0
Prepaid costs and accrued income		57.4	10.8
<b>Total assets</b>		<b>7 539.1</b>	<b>4 504.7</b>
<b>Liabilities and shareholders' equity</b>			
Borrowing and lending from the public	Note 2	4 355.2	2 287.0
Liabilities in insurance operations		2 619.3	1 553.8
Other liabilities		103.4	294.4
Accrued costs and prepaid income		26.3	15.8
Shareholders' equity		434.9	353.7
<b>Total liability and shareholders' equity</b>		<b>7 539.1</b>	<b>4 504.7</b>

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

	01-01-2006 30-09-2006	01-01-2005 30-09-2005	01-01-2005 31-12-2005
<b>Shareholders' equity at the beginning of the year</b>	<b>353.7</b>	<b>275.8</b>	<b>275.8</b>
New share issue	-	11.8	11.8
Dividend	-54.9	-41.2	-41.2
Warrants issue	2.0	1.4	1.4
Profit for the year	134.1	75.3	105.9
<b>Shareholders' equity at the end of the year</b>	<b>434.9</b>	<b>323.1</b>	<b>353.7</b>

## Consolidated Cash Flow Statements (SEK m)

	01-01-2006 30-09-2006	01-01-2005 30-09-2005
Cash flow from current operations	180.9	102.7
Cash flow from current operations' assets and liabilities	1 766.7	619.9
Cash flow from investment operations	-15.2	-3.0
Cash flow from financing operations	-52.9	-27.9
<b>Cash flow for the period</b>	<b>1 879.5</b>	<b>691.7</b>
<b>Liquid assets at the beginning of the period*</b>	<b>802.9</b>	<b>489.8</b>
<b>Liquid assets at the end of the period*</b>	<b>2 682.4</b>	<b>1 181.5</b>

\* Liquid assets are defined as the sum of cash in hand, loans to credit institutions and, where relevant, with deductions for liabilities to credit institutions.

## Accounting principles

Avanza's Interim Report has been formulated in accordance with the IFRS standards adopted by the EU and with the interpretations of applicable standards, IFRIC, adopted by the EU. This report has been formulated in accordance with IAS 34, Interim Reporting, 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 2004:20), and RR 31 Consolidated Interim Financial Reporting. Accounting principles and calculation methods remain unchanged from those applied in the 2005 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 custodian account credits, are secured by collateral in the form of securities, up to a fixed lending value.

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

In addition to the borrowing reported in the Balance Sheet, Avanza also has, as of 30<sup>th</sup> September 2006, borrowing from third parties in client fund accounts of SEK 679.0 million (SEK 1,239.6 million as of 31<sup>st</sup> December 2005).

*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 govern.*