



## Interim Report, 1<sup>st</sup> January-31<sup>th</sup> March 2007

- Operating income increased by 9.5 per cent (103 %) to SEK 135.7 million (SEK 123.9 m).
- The profit after tax was SEK 55.9 million (SEK 55.3 m).
- Earnings per share increased to SEK 2.04 (SEK 2.01).
- Net deposits totalled SEK 1,720 million (SEK 2,320 m), corresponding to 4.0 per cent (7.8 %) of the total value of custodian accounts at the beginning of the year.

### Comments from the Managing Director

“Avanza gained almost 10,000 new custodian account customers during Q1 – a record for a single quarter. One of the main reasons for our success is that Avanza now offers a complete range of saving products. One of the results of expanding our product range is that pension- and insurance based savings accounted for almost 30 per cent of net deposits during the period. The number of fund customers has also increased to over 50,000, and growth was also boosted by the fact that one fifth of all new custodian accounts come from existing customers who are transferring more of their savings to Avanza,” says Nicklas Storåkers, Managing Director of Avanza.

“Both operating income and the net profit achieved record levels for an individual quarter. It’s also particularly gratifying to note that non-brokerage income covered 109 per cent of costs, which is in line with our goals for 2007.

“The opening weeks of the second quarter have seen a strong inflow of new customers and new capital. Interest in endowment insurance, which constitutes an attractive alternative, tax-wise, to direct savings, has increased dramatically since the announcement that wealth tax is to be abolished. This spring, Avanza will be working actively on the sales front, amongst other things, with new product launches, more IPO’s than ever before, and a continued focus on developing Sweden’s best savings services. We also anticipate a substantially lower rate of cost increases during the second quarter.”

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

### Business performance

Cutting edge product innovation is vital if Avanza is to strengthen its position as The Savers’ Bank and to increase its lead over the competition. Products launched by Avanza during the first quarter include FX trading and management services for PPM-based savings (Premium Pension Authority). Avanza has also conducted an intensive programme of sales activities targeting private customers and has strengthened its distribution channels in the field of occupational pensions.

Net deposits totalled SEK 1,720 million (SEK 2,320 m) during the first quarter of 2007, corresponding to 4.0 per cent (7.8 %) of the total value of custodian accounts at the beginning of the year. Net deposits in pension and insurance-based savings totalled 28.2 per cent (20.7 %) of total net deposits.

The total number of custodian account customers increased during Q1 2007 by a net of 9,600 (7,400) to 139,600 (130,000 as of 31<sup>st</sup> December 2006), corresponding to an increase of 7.4 per cent (7.0 %). Pension- and insurance-based custodian accounts accounted for 25.4 per cent (19.2 %) of the total number of new custodian account customers.

The average custodian account customer’s portfolio increased in value by 3.8 per cent (13.7 %) during the quarter, in comparison with an increase by the OMX Stockholm Price Index of 5.9 per cent (12.0 %).

The total value of custodian accounts increased by 7.9 per cent (22.1 %) to SEK 46,600 million, as of 31<sup>st</sup> March 2007 (SEK 43,200 m as of 31<sup>st</sup> December 2006). The total value of custodian accounts in Avanza Private Banking increased by 13.0 per cent (33.0 %) during the period to SEK 15,000 million (SEK 13,300 m as of 31<sup>st</sup> December 2006). The total value of custodian accounts in Aktiespar.se increased to SEK 850 million (SEK 750 m as of 31<sup>st</sup> December 2006).

In the pension and insurance-based savings sphere, considerable interest in endowment insurance was seen in conjunction with the announcement of the abolition of wealth tax, making endowment insurance an extremely attractive and popular alternative to direct saving in shares and investment funds. Saving through endowment insurance allows the customer to invest in shares and investment funds without incurring a capital gains tax liability and without having to declare individual securities transactions. The customer can now also withdraw their money immediately. The only tax that the customer pays is a tax based on the value of the insurance, which currently comprises 0.97 per cent of the value of the insurance.

A number of steps were taken within the Avanza Occupational Pension scheme at the start of the first quarter. Avanza's affiliation to the two largest collective agreement-based occupational pension plans (SAF-LO and PA03) was approved, and cooperation agreements have also been signed with a couple of major insurance brokers. At the beginning of February, the government put a temporary legislative block on the right to transfer pension insurance, which had a negative effect on Avanza. This legislative block is, however, expected to be removed at the end of this year and may result in the opening up of a bigger transfer market than before. There is, however, considerable uncertainty with regard to the way in which this issue will play out.

To date, 300 companies with a total of 520 employees (custodian account customers) have joined the Avanza Occupational Pension scheme and demand remains good at present amongst potential customers. The total value of custodian accounts invested in the Avanza Occupational Pension scheme was SEK 70 million, as of 31<sup>st</sup> March 2007.

The total value of custodian accounts invested in pension products on 31<sup>st</sup> March 2007 was SEK 5,510 million (SEK 4,800 as of 31<sup>st</sup> December 2006), corresponding to 11.8 per cent (11.1 % as of 31<sup>st</sup> December 2006) of the total value of custodian accounts. Avanza's goal is for pension-based savings to correspond to a minimum of 13 per cent of the total value of custodian accounts by the end of 2007.

The range of investment funds offered has been expanded and now comprises 800 funds from over 60 fund management companies. Interest in investing in funds and equity-linked bonds is constantly increasing and customers are transferring more and more of this type of saving to Avanza. Avanza has also begun selling external equity-linked bonds during the first quarter. Interest in Avanza Zero, the no-fee index fund, is an important factor in the increase in fund-based savings with Avanza, and Avanza executed 250,000 fund commission notes during the first quarter of 2007. To date, Avanza Zero has 15,700 unit holders with Avanza and SEK 640 million in fund capital, including PPM. The return on Avanza Zero has totalled 34.9 per cent since its launch in May 2006, in comparison with the OMXS30 index which rose by 34.6 per cent during the same period.

The total value of custodian accounts invested in funds totalled SEK 7,380 million, as of 31<sup>st</sup> March 2007 (SEK 6,600 m as of 31<sup>st</sup> December 2006), corresponding to 15.8 per cent of the total value of custodian accounts (15.3 % as of 31<sup>st</sup> December 2006). The number of custodian accounts with fund holdings totalled 50,400 as of 31<sup>st</sup> March 2007 (43,200 as of 31<sup>st</sup> December 2006), corresponding to 36.1 per cent (33.2 %) of all custodian accounts.

Avanza launched asset management services at the beginning of the year. The asset management refers to customers' PPM savings, to which the customers have access via Avanza's website. The asset management service follows the investment advice provided by the stock and fund experts on Avanza's on-line investment magazine, Placera Nu. Sales of these management services are currently in a developmental phase and the tempo of sales is expected to increase during the latter part of the spring.

Avanza's market share of the Stockholm Stock Exchange (including First North) was 9.5 per cent (10.8 %) of the total number of transactions and 2.7 per cent (2.5 %) of turnover. In terms of the number of transactions, therefore, Avanza continued to be the biggest member overall of the Stockholm Stock Exchange (including First North).

The operational availability of Avanza's web service during the first quarter of 2007 was 99.7 per cent (99.9 %).

Avanza's custodian account customers averaged 2.39 (2.35) commission notes per month during the first quarter of 2007, corresponding to an increase of 1.7 per cent (70.3 %) in comparison with the same period last year. The average brokerage fee per commission note (excluding fund transactions) for custodian account customers during the quarter was SEK 104 (SEK 126). Operating income per custodian account customer totalled SEK 1,180 (SEK 1,130) during the period.

Borrowing, including client funds, increased to SEK 5,953 million as of 31<sup>st</sup> March 2007 (SEK 5,281 m as of 31<sup>st</sup> December 2006). Lending fell by 3.6 per cent to SEK 2,207 million (SEK 2,290 m as of 31<sup>st</sup> December 2006). Borrowing and lending correspond to 12.8 per cent (12.2 % as of 31<sup>st</sup> December 2006) and 4.7 per cent (5.3 % as of 31<sup>st</sup> December 2006), respectively, of the total value of custodian accounts. Customers' net liquidity hence totalled 8.0 per cent of the total value of custodian accounts (6.9 % as of 31<sup>st</sup> December 2006).

## Result and position

Operating income increased by 9.5 per cent (103 %) during the first quarter to SEK 135.7 million (SEK 123.9 m). The growth in income is primarily due to underlying growth in the number of custodian accounts customers and custodian account value, but pricing pressure is having a negative effect. Operating income totalled 0.30 per cent (0.38 %) of the total value of custodian accounts during the period. Net interest items totalled SEK 40.7 million (SEK 30.6 m) during the first quarter of 2007, corresponding to an increase of 33.0 per cent (73.9 %) in comparison with the same period last year.

Brokerage income, less deductions for direct costs, comprised 53 per cent (57 %) of total operating income during the first quarter of 2007, whilst non-brokerage income made up the remaining 47 per cent (43 %).

Non-brokerage income during the first quarter of 2007 comprised 109 per cent (112 %) of expenses, which is largely in line with Avanza's goal of non-brokerage income totalling a minimum of 110 per cent of operating expenses. Non-brokerage income primarily comprises net interest income, investment fund commissions and fees from corporate finance.

Expenses during the first quarter of 2007 totalled SEK 59.3 million (SEK 47.8 m), corresponding to an increase of 24.1 per cent (42.7 %) in comparison with the same period last year. Market costs increased during the quarter to SEK 14.3 million (SEK 6.5 m) and this, coupled with increased staff overheads, accounted for the majority of the increase in operating expenses.

The number of full-time employees (excluding those on leaves of absence and parental leave) at the end of March was 161 (157 as of 31<sup>st</sup> December 2006). Avanza will continue to recruit new employees, primarily within the sales functions.

The pre-tax profit for the first quarter of 2007 was SEK 76.4 million (SEK 76.1 m), corresponding to an operating margin of 56.3 per cent (61.4 %). The tax expense was SEK 20.5 million (SEK 20.8 m).

The result after tax for the first quarter of 2007 was SEK 55.9 million (SEK 55.3 m). Earnings per share totalled SEK 2.04 (SEK 2.01). The return on equity during the period was 12.1 per cent (14.5 %).

Depreciation of tangible and intangible assets totalled SEK 2.2 million (SEK 1.8 m) and investments totalled SEK 3.0 million (SEK 3.0 m). In the first quarter of 2007, compared to previous years, Avanza has started to capitalise some of its internal development costs. These investments totalled SEK 2.0 million (SEK - m) during the first quarter.

Shareholders' equity totalled SEK 434.8 million as of 31<sup>st</sup> March 2007 (SEK 488.8 m as of 31<sup>st</sup> December 2006), or SEK 15.83 (SEK 17.80) per share, and the capital adequacy ratio was 2.33. The Group's liquid assets totalled SEK 3,644.5 million (SEK 2,880.2 m as of 31<sup>st</sup> December 2006).

New capital adequacy ratio regulations were introduced as of 1<sup>st</sup> February 2007. Under the new system, a capital adequacy requirement is calculated, and it is hence not possible to provide figures enabling comparisons with previous capital adequacy ratios. The new capital adequacy ratio is calculated as the capital base in relation to the capital requirement. Avanza's capital base totals SEK 343.9 million and its estimated capital requirement is SEK 147.5 million, yielding a capital adequacy ratio of 2.33.

## Outlook for the future

Avanza's vision is to be The Savers' Bank and our business concept is to help our customers do better business. In concrete terms, our ambition is for an Avanza customer to have more money over for themselves than they would anywhere else.

Our goal is to have 200,000 custodian accounts customers and a market share of 2 per cent of the Swedish savings market by the end of 2008. Our objective is hence a long-term increase in income of between 15 and 30 per cent per annum. The focus of Avanza's operations in 2007 is to get existing customers to transfer more of their savings to Avanza and on making it easier for a broader segment of private individuals to start saving with Avanza. Growth to date in 2007 has been strong amongst both existing and new customers.

Our ambition is to increase Avanza's lead on traditional players in terms of pricing, functionality and service for web-based savings systems. We anticipate continued stiff pricing competition and our goal is to continue putting pressure on prices. Avanza will be launching a number of new services during the second quarter of the year and will be expanding its direct selling activities with regard both to savings products that target private individuals and with regard to occupational pensions. We also intend to strengthen our distribution network through insurance brokers and, to this end, an improved system support structure will be launched during the second quarter. Avanza will also lead and participate in more and larger IPO's than ever before.

Overall, Avanza believes that the preconditions for customer growth will remain good for the rest of the year.

The increase in costs in comparison with the corresponding period last year is expected to be substantially lower during the second quarter than was the case during Q1. The previous estimate that costs will not increase by more than 10-15 per cent in 2007 holds good. The goal is for non-brokerage income, i.e. operating income not directly dependent on the stock market, to total a minimum of 110 per cent of operating expenses in 2007, thereby ensuring a healthy stability in results, even during less favourable market conditions. Avanza does, however, have the option of investing in growth to a greater or lesser extent than planned, and this may entail a deviation from forecast costs.

## **Other information**

### **Annual General Meeting**

The Annual General Meeting was held on 22<sup>nd</sup> March 2007 at 15.00 (CET) in the Auditorium hall of the Moderna Museet museum in Stockholm. The Annual General Meeting approved the Board's proposed dividend of SEK 4.00 per share (SEK 2.00/share) and authorised the Board to implement a buy-back programme totalling a maximum of 10 per cent of the shares in Avanza AB. The authorisation is valid until the next Annual General Meeting.

Sven Hagströmer, Jeanette Almberg, Anders Ellsell, Mikael Nachemson, Andreas Rosenlew, Jacqueline Winberg and Niklas Storåkers were re-elected to the Board in line with the proposal by the Nominating Committee. Hans Bergheim was elected as a new Member of the Board of Directors.

### **Financial calendar**

Interim Report, 1 <sup>st</sup> January-30 <sup>th</sup> June	11 <sup>th</sup> July 2007
Interim Report, 1 <sup>st</sup> January-30 <sup>th</sup> September	16 <sup>th</sup> October 2007

Stockholm, 18<sup>th</sup> April 2007

Nicklas Storåkers  
Managing Director

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

## The Group's quarterly performance (SEK m)

	01-01-07 31-03-07	01-10-06 31-12-06	01-07-06 30-09-06	01-04-06 30-06-06	01-01-06 31-03-06
Operating income	135.7	118.1	87.2	125.5	123.9
Operating expenses	-59.3	-58.7	-40.6	-63.8	-47.8
Pre-tax profit/loss	76.4	59.4	46.6	61.7	76.1
Custodian account value, SEK m	46,600	43,200	37,200	34,900	36,400
Operating income/custodian account value, %	0.30	0.30	0.24	0.35	0.38
Net deposits, SEK m	1,720	1,580	520	1,610	2,320
No. custodian account customers	139,600	130,000	122,500	117,900	113,300
No. commission notes per custodian account customer and month	2.39	1.98	1.51	2.18	2.35
No. transactions per commission note	1.72	1.67	1.69	1.70	1.70
Average no. employees	155	141	145	123	110
Operating income	161	157	143	130	101

## Key financial figures for the Group

	01-01-07 31-03-07	01-01-06 31-03-06	01-04-06 31-03-07	01-01-06 31-12-06
Earnings per share, SEK	2.04	2.01	6.87	6.85
Earnings per share after dilution, SEK	2.02	2.00	6.82	6.80
Operating margin, %	56.3	61.4	52.3	53.6
Equity per share, SEK	15.83	14.89	15.83	17.80
Return on equity, %	12.1	14.5	43.5	45.1
Capital adequacy ratio	2.33	-	2.33	-
Capital adequacy ratio, %	-	11.0	-	11.8
Average no. shares before dilution	27,465,674	27,465,674	27,465,674	27,465,674
Average no. shares after dilution	27,652,001	27,615,005	27,653,569	27,637,109
Outstanding no. shares before dilution	27,465,674	27,465,674	27,465,674	27,465,674
Outstanding no. shares after dilution	27,660,838	27,651,474	27,660,838	27,643,164
No. shares on full dilution	28,309,424	27,889,874	28,309,424	28,309,424

## 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 capital requirement.

### 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)

	01-01-07 31-03-07	01-01-06 31-03-06	01-01-06 31-12-06
<b>Operating income</b>			
Commission income	111.7	106.2	373.0
Commission expenses	-16.9	-13.1	-58.3
Interest income	63.4	35.7	180.7
Interest expenses	-22.7	-5.1	-43.0
Net result of financial transactions	0.2	0.0	0.7
Other operating income	0.0	0.2	1.6
<b>Total operating income</b>	<b>135.7</b>	<b>123.9</b>	<b>454.7</b>
<b>Operating expenses</b>			
General administrative costs	-39.6	-36.4	-151.1
Depreciation of tangible and intangible fixed assets	-2.2	-1.8	-8.2
Other operating expenses	-17.0	-9.6	-51.6
Net credit losses	-0.5	0.0	0.0
<b>Total operating expenses</b>	<b>-59.3</b>	<b>-47.8</b>	<b>-210.9</b>
<b>Operating profit</b>	<b>76.4</b>	<b>76.1</b>	<b>243.8</b>
Taxes on the profit for the period	-20.5	-20.8	-55.8
<b>Net profit/loss for the year</b>	<b>55.9</b>	<b>55.3</b>	<b>188.0</b>
Earnings per share, SEK	2.04	2.01	6.85
Earnings per share after dilution, SEK	2.02	2.00	6.80

## Consolidated Balance Sheets (SEK m)

		31-03-2007	31-12-2006
<b>Assets</b>			
Loans to credit institutions		3,644.5	2,880.2
Loans to the public	Note 1	2,206.9	2,290.3
Shares and participations		2.3	6.9
Assets in insurance operations		3,958.3	3,430.7
Intangible fixed assets		34.2	32.9
Tangible assets		11.3	12.2
Other assets		104.6	53.6
Prepaid costs and accrued income		47.1	14.6
<b>Total assets</b>		<b>10,009.2</b>	<b>8,721.4</b>
<b>Liabilities and shareholders' equity</b>			
Borrowing and lending from the public	Note 2	5,239.1	4,545.3
Liabilities in insurance operations		3,958.3	3,430.7
Other liabilities		353.0	234.3
Accrued costs and prepaid income		24.0	22.3
Shareholders' equity		434.8	488.8
<b>Total liability and shareholders' equity</b>		<b>10,009.2</b>	<b>8,721.4</b>

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

	01-01-2007 31-03-2007	01-01-2006 31-03-2006	01-01-2006 31-12-2006
<b>Shareholders' equity at the beginning of the year</b>	<b>488.8</b>	<b>353.7</b>	<b>353.7</b>
New share issue	-	-	-
Dividend	-109.9	-	-54.9
Warrants issue	-	-	2.0
Profit for the year	55.9	55.3	188.0
<b>Shareholders' equity at the end of the year</b>	<b>434.8</b>	<b>409.0</b>	<b>488.8</b>

## Consolidated Cash Flow Statements (SEK m)

	01-01-2007 31-03-2007	01-01-2006 31-03-2006
Cash flow from current operations	20.3	68.8
Cash flow from current operations' assets and liabilities	856.9	967.7
Cash flow from investment operations	-3.0	-3.0
Cash flow from financing operations	-109.9	0.0
<b>Cash flow for the period</b>	<b>764.3</b>	<b>1,033.5</b>
<b>Liquid assets at the beginning of the period*</b>	<b>2,880.2</b>	<b>802.9</b>
<b>Liquid assets at the end of the period*</b>	<b>3,644.5</b>	<b>1,836.4</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 2006:16), and RR 31 Consolidated Interim Financial Reporting. Accounting principles and calculation methods remain unchanged from those applied in the 2006 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.

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

In addition to the borrowing reported in the Balance Sheet, Avanza also has, as of 31<sup>st</sup> March 2007, borrowing from third parties in client fund accounts of SEK 714.0 million (SEK 735.4 million as of 31<sup>st</sup> December 2006).

*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.*