

# 006

AVANZA ANNUAL REPORT 2006

## The year in brief

- Strong growth during the year, with record inflow of new customers and net deposits.
- Operating income increased by 59.5 per cent (35.4%) to SEK 454.7 million (SEK 285.1 m).
- Operating profit increased to SEK 243.8 million (SEK 146.7 m).
- Earnings per share improved to SEK 6.85 (SEK 3.88).
- Net deposits during the year totalled SEK 6,030 million (SEK 5,660 m).
- The value of custodian accounts increased by 45.0 per cent (84.0%) to SEK 43,200 million (SEK 29,800 m).
- Custodian account customers increased by 22.8 per cent (17.9%) to 130,000 (105,900).
- Launch of AVANZA ZERO – the mutual fund without charges.
- Supplementation of product portfolio with occupational pensions savings and the opportunity for customers to managing their PPM savings via Avanza.
- Launch of the Placera Nu investment site.
- The Board proposes a dividend of SEK 4.00 (SEK 2.00) per share.

**The Savers' Bank.** Avanza's goal is to be the Savers' Bank and to offer Sweden's best savings, with the best return. Today, Avanza offers the market's lowest prices for share-based, mutual fund, and pension savings. Avanza also wants to help customers do better business, and therefore offers a number of aids for the customer, such as tax return support and portfolio reports.



**Double pension.** Avanza wants customers to have as much over for their pensions as possible. Therefore, Avanza has removed all fixed charges on pension savings. The customer pays no custody account fees, management or insurance charges. In the long-term, charges are of great importance. A 35 year-old who saves for a pension with Avanza can receive double the pension compared with some of the major players!



**AVANZA ZERO – the mutual fund without charges.** AVANZA ZERO is the first mutual fund without charges in Sweden. The fund is a passively managed index fund, which has as its goal to follow OMXS30. With AVANZA ZERO, Avanza offers something completely unique – a mutual fund and pensions savings without any charges at all!



**Placera Nu.** Placera Nu is an independent savings newspaper on the Internet in which the reader has access to analyses and buying and selling tips on shares, mutual funds and pensions. The reader also has access to interesting articles, exciting interviews and quick announcements – all focusing on giving good advice about savings. The journalists on Placera Nu are some of Sweden's leading journalists within the area of share-based, mutual fund, and pension savings.



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# Our ambition – Sweden's best savings

## Dear shareholders,

During 2006, Avanza took several major steps in line with its vision of becoming the Saver's Bank and offering Swedish private individuals the best savings products on the market. Proof that we succeeded is that with Avanza a saver now has more money left over for him or herself than anywhere else.

That is Avanza's business concept in summary, and I cannot think of a better way of creating benefit for savers. More and more Swedes have discovered this, and last year there were over 24 000 new savers with Avanza – that is more than ever before.

The business model is actually quite simple: Avanza offers the market's best service and lowest charges, at the same time as the Internet enables us as a Company to have the lowest costs. Seen as a whole, Avanza has never been more competitive than it is now! And this clear customer benefit is an absolute prerequisite for creating strong growth and profitability for our shareholders.

But what does being the Saver's Bank mean? What does it give the savers? Here are some examples from 2006:

■ *Double pension.* A 35 year-old who saves for a pension with Avanza today, can, at normal pension age, receive double the pension he would receive from some of the biggest participants. Because with Avanza, the saver can avoid over 2 per cent per year in charges. This difference in charges gives back double as much to the saver in the long term.

■ *AVANZA ZERO – the mutual fund without charges.* With AVANZA ZERO, we offer something absolutely unique – a mutual fund and pension savings without any charges at all. The business model is built partly on Avanza having very low management costs, and partly on AVANZA ZERO attracting capital to Avanza. In this way, good opportunities are created for additional sales.

■ *Placera Nu.* Savers demand correct advice. At the same time, most savers are suspicious of "good advice" from "their bankman" or the bank's analysis department. Avanza has instead chosen to start an independent network newspaper, Placera Nu, for savers. The only purpose of the newspaper is to give good advice about savings and investment. The editorial section, which has some of Sweden's best and most experienced stock-exchange journalists, produces articles on shares, mutual funds and pensions.

With such a strong offering, Avanza is ready for a considerably broader market and

more customers. Our ambitious goal is to have a market share of at least 2 per cent of the total Swedish savings market by the end of 2008. If we succeed with this, excellent conditions will be created for giving value to our shareholders as well.

## **2006 – from niche participant to full savings offerings**

During the past year, we have reaped many successes. But the most important one is that we prepared Avanza for even stronger growth in the future. Prior to 2006, we prepared for this by establishing three important sub-goals, which we can now tick off as well:

- *Collect all savings with Avanza.* The customer can now collect all his or her savings with Avanza – from short-term share investments to long-term pension savings. During the first quarter, we launched occupational pension savings, and at the end of the year we, as first smaller insurance company, were adopted for the pension plan for the Swedish Employers Federation/LO collective. Furthermore, in December, we supplemented this with a service which gives the customer access to his or her PPM savings via Avanza.

- *Help customers with investment decisions.* During the first quarter, Avanza launched a completely new web-based service, which is considerably easier to use, and gives the customer a better overview. And the big step for helping the customer was the launch of the network newspaper, Placera Nu, which has already attracted considerable appreciation.

- *Increase awareness of Avanza.* Avanza has invested a great deal in reaching out more broadly through more marketing and sales activities than ever before. Among other things, we have had 200 customer events throughout Sweden to enable customers to get to know Avanza better. And the most efficient tool for demonstrating the advantages of saving with Avanza was the launch of AVANZA ZERO – the mutual fund without charges.

The fact that Avanza has in general succeeded with what we set out to do means that 2006 was a record year. The widening of the product offering had its effect, and the number of customers increased by 22.8 per cent.

Income increased by a full 59.5 per cent during the year, to SEK 454.7 million and pre-tax earnings climbed to SEK 243.8 million. This is the equivalent of an operating margin of 53.6 per cent. The positive assistance from the stock exchange, which improved by 23.6 per cent during 2006, was a contributory factor in the strong growth. And customer activity increased by 27.4 per cent as an effect of the stock market trend. But the greatest part of the improvement is contributed by the strong underlying growth.

Total value of custodian accounts increased by 45 per cent to SEK 43,200 million, which means that we exceeded our goal of a 25–35 per cent annual increase in the total value of custodian accounts. The increase is explained both by an increase in value, which is due to the stock market trend, and also due to strong net deposits. Net deposits amounted to

SEK 6, 030 million, and were higher than ever before, even if we did not quite reach our goal on account of a weaker savings market during the second half year.

During the year, Avanza continued to reduce its charges for Swedish savers with, among other things, lower brokerage fees for share trading. This price pressure was compensated by increased investment by customers in such things as mutual fund units and guarantee products. Together with increased activity, this meant that Avanza's income in relation to the total value of custodian accounts was generally unchanged. Our market shares compared with those of our closest competitors, increased. With this, Avanza strengthened its position as the leading challenger in the Swedish savings market.

### **Avanza's ambitions**

The Swedish savings market is a market undergoing considerable change, not least within the area of pensions. Avanza's goal is to reach 200,000 customers and increase market share to at least 2 per cent by the end of 2008. In present terms, this is the equivalent of a total value of custodian accounts of about SEK 70,000 million.

And our long-term ambitions do not stop there with Avanza's strong offerings, but we ask ourselves, "How can we obtain several times the number of customers that we have at present?" We are convinced this is possible. In order to further increase tempo, we need to take the following important steps during 2007:

- *Make Avanza more easily accessible.* Doubling your pension is interesting, irrespective of how much awareness the customer has of his or her savings. Therefore, there is considerable potential in making it easier for more people to become, and continue to be customers with Avanza. In order to open this door for more savers, Avanza will, among other things, launch capital management services, simplify the price structure and improve the user interface.

- *Take the next step in pension savings.* Avanza now has a full range in pension savings. The ambition for 2007 is to reach out as regards sales, not least within occupational pensions. The goal is that net deposits in pension and insurance savings shall constitute 30 per cent of total net deposits during 2007. This means that investment in pension savings shall amount to at least 13 per cent of the total value of custodian accounts by the end of the year.

- *Sell even more actively.* Avanza has a very competitive basic product. By widening of mutual fund and pension savings, prerequisites are created for selling more actively to existing and new customers alike. Therefore, during 2007, Avanza will invest in new sales channels and activities in order to increase the rate of growth. Our goal is that net deposits shall amount to 20–25 per cent of the total value of custodian accounts at the beginning of the year, and that income shall increase on a long-term basis by 15–30 per cent per year.

But of course, there are always clouds on the horizon. Competition from the major



banks is becoming more intensive, and one can reasonably expect that this trend will continue. Our basic view is, however, that the more participants that invest in online saving the better for Avanza. The Internet makes savers more aware, independent and involved. Also, the Internet increases mobility among savers. But this also places higher demands on us.

A recurring question is also, of course, the general trend of the stock market. During 2006, the stock exchange rose for the fourth year in succession, and this has given Avanza a positive climate. In order also to be prepared for an impaired stock exchange climate, it is Avanza's goal to continue to be the most cost efficient, and that costs shall therefore not increase by more than 10–15 per cent during 2007.

### **A big thanks to all employees!**

We, the employees of Avanza, have never worked harder than we did last year. And I dare to claim that we have never been better. This basically is about having the will to transform the Swedish savings market into something better. This desire, even if not unique is a very special, and valuable characteristic of Avanza's enthusiastic, responsible employees. When we were chosen in the autumn of 2006 as Sweden's third most respected company, with only such stars as IKEA and TetraPak ahead of us, I think that we were given a great honour, and also a well-earned tribute for the employees.

Many companies talk about having the customer at the centre of things. In Avanza we say, "help a colleague to help a customer". We have organised ourselves with this motto, and we work on the basis of it every day. Avanza's savers are also generous, and give praise and constructive criticism every day. And this sets a clear stamp on Avanza. It is the customers who inspire us and drive us ahead.

I cannot think of anything better than to work for very demanding savers, who also give a lot back. I really do think that we have Sweden's best customers!

Finally, I take enormous pride in feeling that Avanza today gives our customers the market's best savings services – and this work continues. We can, and will be even better, and it is therefore our hope that you as shareholders will also share in Avanza's advantages as a customer in – The Saver's Bank!

Stockholm, February 2007

Nicklas Storåkers, Managing Director

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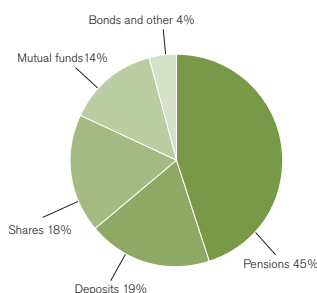
The background of the slide features a large, stylized red heart and the word 'TRADE' in a bold, black, hand-drawn font on a light-colored wall. A semi-transparent white horizontal band is positioned across the middle of the image, containing the text.

## Business concept

Avanza's business concept, and most important task, is to help Swedish private investors to do better business. The goal is that Avanza's customers shall have more money over for themselves compared with anywhere else.

# Market and strategy

At present, the Swedish savings market amounts to SEK 3,700 billion, of which 55 per cent is in the form of direct savings and 45 per cent in the form of pension savings. The market is still dominated by the four big banks and the major insurance companies, even though there are specialised niche participants within the areas of pension savings, banking activities, asset management and fund management.



**The Swedish savings market.**  
Source: Sparbarometern, fourth quarter 2006.

## The market and competitors

In total, 74 per cent of the population, or 6.7 million Swedes, invest directly or indirectly in shares or mutual funds.\* During 2006, 15 per cent of Swedes in the age bracket 15–79 invested in shares on the Internet, and 29 per cent invested in mutual fund units on the Internet.\*\*

The trend within share investment is that the importance of the Internet has increased markedly during the year. The major banks have invested more in the Internet, increasing competition. Brokerage charges have continued to be under pressure during the year, and Avanza has led this development. At the same time, this means increased savings through the Internet, increased requirements as regards functionality, simplicity and decision support.

The trend within mutual funds is that more and more people are seeing the advantage of the fund market, i.e., open solutions in which the customer can him or herself choose between a large number of mutual funds. Traditionally, the major banks have only offered their own mutual funds to the customers. With the emergence of the fund market, which, apart from a broad offering, also has the advantage of overview and comparability, customers have become more active, and competition has increased. As the savings market grows and the numbers of savers also increase, the need to be given help and guidance with one's investment decisions also increases. Therefore, during the first quarter of 2007, Avanza will offer, among other things, capital management services to customers who do not wish to look after their savings themselves.

Pension savings is the largest single savings segment, but it is also the form of saving which interest Swedes the least. Savers perceive pension products as complicated and

\* Source: TEMO.

\*\* Source: SIFO.

involved. Also, many have difficulty in taking an overview of their combined pension savings, which also contributes to resistance and reduced engagement.

Because the state pension system is being gradually eroded, more and more people are recognising that their economic situation when they become pensioners will depend on active saving today. This in turn increases activity and awareness by savers, who demand cheaper, more flexible pension products.

Avanza's goal is to be the leading challenger within pension savings as well, and at present has a complete offering of pension products. Extensive work is ongoing to make Avanza one of the choices in the collectively agreed occupational pension plans. In December 2006, Avanza was adopted for the pension plan for the Swedish Employers Federation/LO collective, which consists of over 2 million present and former privately employed workers.

Changes in the tax system will affect the pension market in the future. During the autumn of 2006, the new government announced that wealth tax would be abolished, which has noticeably affected the pension products of capital pension and capital assurance.

## Avanza's market position

Today, our customers have SEK 43,200 million in various forms of saving and investment with Avanza, which is equivalent to about 1.2 per cent of the total savings market. Today, Avanza is the biggest participant on the Stockholm Stock Exchange. 10.0 per cent of the number of trades on the Stockholm Stock Exchange (including First North) during 2006, were completed by Avanza.\*

At the turn of the year, Avanza's customers had SEK 6,600 million invested in mutual fund units, making 0.4 per cent of total fund investment in Sweden.\*\*

The total custodian account value of Avanza's pension products amounted to SEK 4,800 million on 31 December 2006, equivalent to a 0.3 per cent share of the pension savings market.\*\*\*

With the launch by Avanza of the Avanza Occupational Pension in March 2006, Avanza's customers can now collect all their savings with Avanza, and Avanza is thus the niche player with the most complete offering of savings products on the Swedish market.

## Avanza's strategy

With a steady increase of activity on the Internet, Avanza estimates that at least 50 per cent of all long-term saving and investment in Sweden will be made via the Internet. During 2006, Avanza strengthened its position as the leading challenger on the Swedish

\* Source: Stockholm Stock Exchange.

\*\* Source: The Swedish Investment Fund Association.

\*\*\* Sparbarometern, fourth quarter 2006.

savings market, and still does not have more than about 1.2 per cent of the market. The prospects for growth are therefore considered to be very good in the long-term, and our ambition is to offer the broadest, most competitive savings products, offering the best value for money, on the market. Avanza wishes to become the Saver's Bank, and the strategy is to retain our focus on the Swedish savings market. Avanza is therefore a niche bank which focuses fully on savings.

Avanza shall achieve the set goals through:

- Lower charges
- Simpler products
- Better help
- Greater freedom of choice

### **Lower charges**

The importance of charges for value performance, primarily of long-term pension savings, is a subject which received increased attention during 2006. In May, AVANZA ZERO was launched – the mutual fund without charges. This is a completely unique fund without charges, the first of its kind. Through saving for one's pension in AVANZA ZERO, a 35 year-old can more than double his or her pension.

Today, Avanza offers savings products with the market's lowest charges within all product areas – shares, mutual fund units and pensions.

### **Simpler products**

It will always be possible for Avanza's customers to choose the form of saving which best suits them, irrespective of whether it is in shares, mutual fund units or pension products. Avanza's motto is simplicity and overview.

Today, Avanza has various offerings which are adapted to the requirements of different customer segments:

- Avanza – for the committed private investor
- Avanza Private Banking – for the wealthy saver
- Avanza Pro – for day traders
- Aktiespar.se – for small investors

### **Better help**

Avanza aims to give customers the support they need in order to be able to make their investment decisions. Because Avanza's customers demand qualitative and quantitative support in their saving decisions, Avanza launched important aids during 2006.

In March, an improved, simplified website was introduced. This gives the customer a better overview, increased decision-making support and simpler navigation.

In September, the Placera Nu was launched, this being a completely independent web newspaper, to support and guide Swedish private investors within all areas of savings.

In order to help the customer even more, Avanza offers a broad offering of news, share analyses and statistics, and also more sophisticated aids such as portfolio reports and help with filling in tax return forms.

### Greater freedom of choice

Avanza's strategy is that the customers shall themselves be able to choose the investment alternatives that suit them best with respect to their individual wishes. Therefore, today, Avanza offers over 780 mutual funds from 60 fund companies, among other things.

If the customers need help in choosing, Avanza offers, among other things, guidance through articles and general information in Placera Nu and through ready-packaged mutual fund products on the basis of risk assessment. In early 2007, Avanza will also launch capital management services.

Avanza also offers structured products from several players, including share index bonds and various certificates.

## Financial goals

The market amounts to SEK 3,700 billion, and is in the process of considerable change, not least within the area of pensions. With a custodian account value of SEK 43,200 million, Avanza has a market share of about 1.2 per cent. The goal is to have a market share of at least 2 per cent, and 200,000 custodian account customers, by the end of 2008.

Avanza's long-term goal of doubling income in 2008 compared with 2005, remains.

In the long-term, there is a clear connection between the growth in the value of custodian accounts and growth of operating income, for which reason, underlying growth creates conditions for growth of income. At the same time, price pressure is forecast to continue, which will affect the rate of growth negatively.

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

	Annual increase
Net deposits, new and existing custodian account customers	20–25%
Normal increase in value	6–8%
<b>Value of custodian accounts, growth (ca.)</b>	<b>25–35%</b>
Estimated pricing pressure	(5–10%)
<b>Growth in income (ca.)</b>	<b>15–30%</b>

The biggest threat to the goals being achieved would be a long-term negative stock market trend, with lower custodian account value and less interest in saving. However, this

direct dependence on the stock market is reduced by the increased level of mutual fund and pensions savings.

Competition from traditional participants has also increased. Avanza considers that increased online saving is positive, but at the same time it places greater demands on Avanza.

Through Avanza's broadening of its product base, the customer can collect all his or her savings with Avanza – from short-term share investments to long-term pension savings. This creates good prospects for growth. During 2007, Avanza has two areas of focus; to sell more savings products to existing customers and to make it easier for new customers to choose Avanza.

Avanza's business model involves the greatest proportion of costs being fixed. Marketing and sales costs are, however, mainly flexible costs that depend on how Avanza assesses the market situation.

The investment in growth that Avanza plans will mean higher fixed costs. The increase in costs consists to a large extent of increased staffing. All investments are, however, based on the present system and organisation, and cost awareness within Avanza is high.

In order to implement the planned activities during 2007, it is forecast that operating expenses will increase by 10–15 per cent during 2007. However, Avanza is operating in a market which is subject to rapid change, and can therefore choose to invest further in growth. This could mean higher costs than forecast.

Seasonally, operating expenses during the first and fourth quarters are normally higher than during the other quarters.

The above, however, shall not be seen as an income or earnings forecast for 2007, because of the dependence of operations on stock market trends. The goal is, however, that non-brokerage income, i.e., operating income that is not directly dependent on the stock exchange, shall amount to at least 110 per cent of operating expenses, which gives good earnings stability, even in a worsened stock exchange climate.







# Avanza's customers

With 130,000 customers, Avanza has at present 23 per cent more customers than it did a year ago. Most are private individuals who invest in shares and mutual fund units.

Pension savings constitute a growing proportion of Avanza's customers.

The greatest proportion of saving is carried out via the website [www.avanza.se](http://www.avanza.se), while trade via telephone today is only a small proportion. The website offers more opportunities for updated stock exchange and mutual fund information, news and analyses.

With Avanza, the customer pays no fixed charges. Nor are there any requirements regarding minimum deposit. It is only when a customer makes a trade that a charge is made, a brokerage fee, which is the lowest on the market with Avanza. For mutual fund trading and pension savings, the customers pay the mutual fund companies' charges.

## Private investors (share and mutual fund investors and pensions savers)

Private individuals who are actively involved in their savings constitute the largest customer group with Avanza. There are 126,400 persons, with an average custodian account value of SEK 229 thousand.

During 2006, the interest of Swedish people in shares visibly increased. The number of trades increased from 24,000 to 34,000 per day\*. The number of changes of mutual fund also increased strongly. Avanza assesses that the number of changes of mutual fund during the year increased from 5,000 to 12,000 changes per day.

The most common shareholdings of savers in Avanza are in the shares of Ericsson, Astra Zeneca and Telia Sonera. During the year, customers made considerable net purchases of the shares of Boliden, Scania and Volvo. The most common mutual fund purchase during 2006 was of mutual fund units that focus on China, India and Russia. Interest in investment in share index bonds increased during the year.

During 2006, the Nordic stock exchange was introduced for Avanza's investors. During the autumn, trade in this reached over 2 per cent of the total number of trades.

Today, Avanza offers a complete range of all forms of pension savings; private pension insurance, IPS (Individual Pension Savings) and capital assurance. During 2006, there was also the opportunity of managing one's PPM savings through Avanza. In total Avanza's customers have SEK 4,800 million in pension and insurance products with Avanza.

\* Source: The Stockholm Stock Exchange.

## Affluent investors

Avanza has developed a special offering for affluent investors, called Avanza Private Banking. Those private individuals and companies with over SEK 3 million in shareholders' equity are offered an exceptionally low brokerage fee (0.055 per cent), more personal service via telephone, tax advice and better interest terms. The target group is the affluent private investor who prefers to make his or her own investment decisions.

Avanza's brokerage fees are 70–90 per cent lower than in traditional private banking. Also, the customers have access to Avanza's tax return support, with K4 forms already filled in, and Avanza's portfolio reports, which makes things easier for those who have a broader portfolio. On [www.avanzaprivatebanking.se](http://www.avanzaprivatebanking.se), the customer has a full overview of his or her account, and control of commission notes.

At the turn of the year, there were 3,100 custodian account customers with Avanza Private Banking, each of whom had an average of SEK 4,300 thousand with Avanza.

## Professional private individuals

The group of private individuals who make most trades are among Avanza's 500 so-called day traders. They make over 100 trades per month and have share trading as their main occupation. Many day traders also invest in warrants, options and futures, in addition to shares. They also pledge their securities to a considerably greater extent than do Avanza's other customers.

This customer group is very demanding, and Avanza offers them extra low brokerage fees, personal telephone service and a wider range of financial information. The day traders are dependent on good tools for rapid placing of orders, and have access to some of the business applications, free of charge, Avanza Trader, Avanza Online Trader and Avanza Eco Trader. Also, this group demands sophisticated programs for technical analysis and so-called stop loss.

A unique offering is the *Avanza Trading Station*, which involves Avanza providing a computer, free Internet connection via broadband, financial applications, and technical support for the computer and all programs.

## Corporate customers

Businesses, for example, self-employed businessmen and women, asset managers and stock exchange-listed companies, are also customers of Avanza. Self-employed businessmen and women use Avanza for long-term investment and management of excess liquidity. Since 2006, Avanza has also offered occupational pension savings, which are intended for small and large companies alike. Up to now, 230 companies with a total of 360 employees have joined the Avanza Occupational Pension.

Institutions and asset managers can make commission notes directly via the *Avanza Inst* service, on [www.avanza.se](http://www.avanza.se), by telephone or via so-called business applications.

Another corporate service is *Avanza Corporate Finance*, which offers services in the areas of new introductions, issues and ownership-widening for stock exchange-listed companies. Avanza Corporate Finance completed 10 assignments during the year. Avanza has a considerable competitive advantage in being able to market such things as a new introduction directly to over 130,000 customers with cost efficient distribution and information both via Avanza's website and via advertisements in the investment newspaper *Placera Nu*, which has over 50,000 readers each week.

Number of custodian account customers	Number of custodian account customers		Value of custodian accounts, in SEK millions	
	2006	2005	2006	2005
Avanza	120,200	100,500	28,250	21,980
Aktiespar.se	6,200	3,400	750	360
Avanza Private Banking	3,100	1,600	13,300	6,800
Avanza Pro	500	400	900	660
<b>Total</b>	<b>130,000</b>	<b>105,900</b>	<b>43,200</b>	<b>29,800</b>



# Avanza's employees

Avanza's greatest success factor is the ability of its employees to create the best solutions and give the best service on the basis of customer needs. Avanza's ambition is therefore, to attract and develop the best talent within the sector.

Avanza strives to be a company that offers its employees a stimulating environment, in which the employee can develop both through his or her work and as an individual. During 2006, Avanza has expanded to the extent of 50 new employees. Avanza will have a continued need for recruitment within most areas in the future as well.

Avanza is a relatively small organisation. Thanks to the website and efficient cooperation, Avanza can nevertheless handle the hundreds of thousands of transactions that customers make each month. The employees work within three major areas: service directly in relation to the various customer groups, development of products and services, and support functions such as administration, risk management, finance and human resources.

In 2006, Avanza had an average of 129 employees. Of these, 39 per cent were women and 61 per cent men. At the turn of the year, the number of full-time employees (excluding those on service leave and parental leave) amounted to 157 (94) persons. The average age is 32 (32). Sickness absenteeism during 2006, was 2 (2) per cent.\*

## The development of competence

Avanza is continually developing new products and offerings for various customer groups, which places considerable demands on employee competence. During the past year, Avanza invested a great deal of time in developing competence in general and individually. This has involved training managers and experts, and also broadening the employees' knowledge of various forms of savings and investment.

It is important to introduce new employees efficiently into Avanza's company culture and methods of working. Therefore, all new employees participate in an introduction programme during the first six months at Avanza. It is a prerequisite for the development of Avanza and its employees that all employees have recurrent development discussions. In these discussions, the work situation is discussed, together with individual goals, personal development, and relations and cooperation.

An important part of Avanza's development of competence is investment in internal recruitment, in which all vacant positions are advertised internally, and employees are encouraged to apply. Internal recruitment is important both in order to be able to offer opportunities of development for employees, and to increase cooperation and contact between different departments.

\* The percentage refers to sickness absenteeism in hours.



## Management

The recruitment of managers in Avanza involves all new managers undergoing external evaluation in order to ensure ability to manage well. After that, all managers undergo basic managerial training. Also, there is ongoing development of the managerial group in order to strengthen its role in Avanza's development. Recruitment, training and development for managers are issues which have been emphasised during 2006, and will also be given priority in the future.

During 2007, the management group will be evaluated. The goal is to strengthen Avanza's management competence and identify general or specific development needs.

## Company culture

In order to recruit and retain able employees, it is important to be an attractive employer. Working at Avanza shall be challenging, developing and fun.

During 2006, all employees at Avanza have been involved in identifying and strengthening the company culture. The guiding principles for Avanza as a company are cooperation, taking responsibility, being challenging, daring to think differently, and to enjoy working together.

Avanza is an expanding company but it is also characterised by having a small company climate. This successful culture is something which it is important to retain. The recruitment process is characterised by the Company's guiding principles, where new employees shall also be given the opportunity of participating in Avanza's unique company culture.

## Satisfied employees

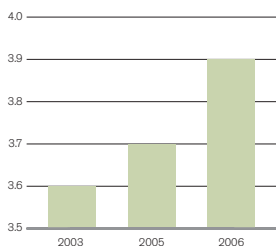
During 2006, Avanza's employees were more satisfied at work than ever before. According to the employee survey of 2006, seven out of ten employees thought that Avanza exceeded their expectations as an employer.

Of the thirteen areas that were surveyed, twelve have developed positively compared with the previous year. The working environment developed the most positively of all. This

was a result of Avanza's move to new, modern, functional premises at Klarabergsgatan in central Stockholm.

Leadership is another area which developed positively, and is a result of many years of long-term investment in strengthening Avanza's management.

During 2007, Avanza will focus on further improvement of competence development. This is an area in which the employees have in general shown interest in continued investment.



**The extent to which employees' needs were satisfied within 13 different areas, on a scale of 1-5.**









# Avanza's history

## **A growing market**

Online saving began with a few stockbrokers launching their services on the Internet in 1996. To start off with, only trade on the Stockholm Stock Exchange with low brokerage fees. The services had a limited offering of information, and quality varied. At first only cost-aware, active share investors were attracted to this. Despite the narrow offering, growth was strong, as the charges were low, and the stock market showed a strong positive trend during the late 1990s.

With the long downturn in the stock market that began in 2000, growth among network brokers weakened. The quality and offerings were not sufficiently good to attract a broader segment of share investors. As an effect of the weak stock market trend, the market was consolidated during 2000–2001.

When the stock exchange began to develop positively in early 2003, interest in online investment revived. At the same time, the quality of the Internet services had improved, and the product range considerably increased. The result was strong growth in online investment. A contributory reason was that mature age groups began to become accustomed to using the Internet.

The ongoing trend is that those companies that began as stockbrokers on the Internet are now taking an increasingly larger share of the market. Additionally, they are expanding into adjacent areas, such as mutual funds, pension savings and banking services.

## **Avanza – the leading challenger**

The Avanza of today consists of the amalgamated companies, HQ.SE Fondkommission, Aktiespar Fondkommission and Avanza. These companies began during the period 1996–1999 and were merged during 2000–2001.

Avanza's offerings originally consisted of share trading on the Stockholm Stock Exchange. Today, Avanza offers trade in Swedish and foreign shares, mutual fund units, share index bonds and derivatives. The savings product portfolio is complete, because the Company also offers pension savings and the opportunity for customers to manage their PPM savings through Avanza.

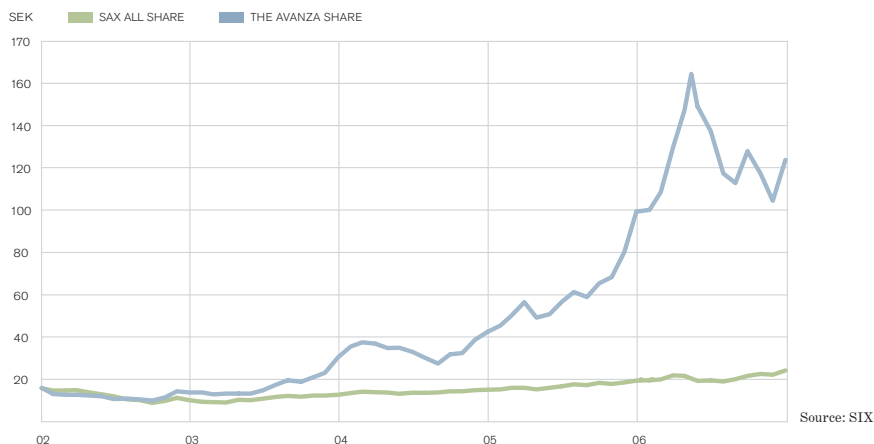
Avanza acquired Börsveckan AB (the name of which was changed to Placera Media Stockholm AB) during the spring of 2006. In September 2006, Placera Nu was launched, an Internet-based investment newspaper with continually updated stock exchange information, analyses and buying and selling tips from some of Sweden's most experienced stock exchange journalists.

Today, Avanza has the market's widest product range and lowest charges. Many people therefore consider Avanza to be the leading challenger in the Swedish savings market.

# The Avanza share

## Share price trend

The share price trend of the Avanza share on the Stockholm Stock Exchange during the period 2002–2006.



### Share data

Number of shares	27,465,674
Number of outstanding warrants	843,750
Market value, SEK million, 31-12-06	3,385.1
Share price, SEK 31-12-06	123.25
Highest closing price 11-05-06	163.00
Lowest closing price 18-01-06	86.25

### Warrants programme

The warrants programme comprises 1,294,200 shares, which corresponds to a dilution of 4.5 per cent. The warrants programme is divided up into three subsidiary programmes and the warrants programme as a whole runs from July 2005 until September 2010. Outstanding warrants 2005/2008 (subsidiary programme 1) grant entitlement to subscribe for a total of 424,200 new shares at an exercise price of SEK 70.20 per share. The term is up to and including 30th September 2008, and the warrants can be redeemed from 1st June 2008 up to and including 30th September 2008. Outstanding warrants 2006/2009 (subsidiary programme 2) grant entitlement to subscribe for a total of 419,550 shares at an exercise price of SEK 168.78 per share. The term is up to and including 30th September 2009, and the warrants can be redeemed from 1st June 2009 up to and including 30th September 2009. Subsidiary programme 3 starts in July 2007 and runs until September 2010. The last subsidiary programme has the same structure as subsidiary programmes 1 and 2. The warrants are valued at the market rate in accordance with the Black & Scholes valuation model.

### Change in share capital

Year	Change	Total number of shares	Change in the number of shares	Change in share capital, SEK	Total share capital, SEK
2001	New share	25,415,478	4,425,907	11,064,767	63,538,695
2001	New share	26,622,874	1,207,396	3,018,490	66,557,185
2005	New share	27,465,674	842,800	2,107,000	68,664,185

## The biggest shareholders

According to the shareholders register maintained by VPC (the Swedish CSB), the following institutions and individuals were the largest registered owners at the turn of the year 2006/2007. The proportion of foreign owners is estimated at 8.3 per cent. There was a total of 11,987 shareholders.

The ten biggest ownerst 31-12-06	Number shares	Percentage of share capital and votes
Investment AB Öresund	4,909,047	17.9
Sven Hagströmer (incl. family and companies)	2,017,670	7.3
Mats Qviberg (incl. family and companies)	1,469,089	5.3
Aktiesaver's Service AB	900,000	3.3
AMF Pension	895,650	3.3
Sten Dybeck (including companies)	810,400	3.0
Swedbank Robur mutual fund units	738,150	2.7
SEB mutual fund units	670,200	2.4
Skandia Global Funds	521,650	1.9
RAM One Fund	465,000	1.7
Other	14,068,818	51.2
Total	27,465,674	100.0

Concentration, capital	Percentage of share capital and votes
The 10 biggest shareholders	48.8
The 25 biggest shareholders	63.3
The 100 biggest shareholders	74.2

## Dividend policy

The Board of Directors of Avanza AB has drawn up a dividend policy whereby the dividends paid to the shareholders by Avanza shall be made from that portion of the Company's profit which is not deemed necessary to consolidate or develop the business. In the long-term, at least 50 per cent of the profit shall be paid in dividends.

## The justification of the proposed dividend

The opinion of the Board is that the dividend is justified with reference to the requirements of the nature of the business, its extent, and the risks imposed by the size of the Parent Company's and Group's shareholders equity, and the consolidation requirements, liquidity and position in general of the Parent Company and Group operations.

## Dividend

The Board proposes that the Annual General Meeting of the shareholders of the Company approve the payment of a dividend of SEK 4.00 (SEK 2.00) per share for 2006.

### **Payment of dividend**

If the Annual General Meeting of the shareholders of the Company to be held on 22 March 2007 accepts the Board's proposal, it is calculated that the dividend will be disbursed by VPC AB on 30 March 2007.

### **Buy-back programme**

Avanza's assessment is that the new rules regarding capital adequacy ratio (Basel II) that came into force on 1 February 2007, give a lower capital requirement. In order to attain flexibility as regards the size of shareholders' equity during the year, the Board will propose to the Annual General Meeting of shareholders that the Board be authorised to carry out a buy-back programme of up to a maximum of 10 per cent of the shares of Avanza AB. Because there is uncertainty regarding application of the law, it may be difficult to determine the exact capital requirement. This means that a lower number of shares may be repurchased, or even no shares at all.

# Directors' Report

The Board of Directors and Managing Director of Avanza AB (publ), corporate ID no. 556274-8458, hereby submit the Annual Report for the 2006 financial year.

## Group Structure

Avanza AB is the parent company of the Avanza Group. The operational activities are conducted by the wholly-owned subsidiaries, Bankaktiebolaget Avanza, Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB, which are under the supervision of the Swedish Financial Supervisory Authority, and Placera Media Stockholm AB (name changed from Börsveckan AB), a media company that consists of the network newspaper Placera Nu, Börsveckan, and Börsguiden.

## Description of operations

Avanza's business concept and most important task is to help Swedish investors do better business. Avanza offers efficient solutions for online saving in the Swedish savings market. Customers are offered simple and cost-effective means of saving in shares, mutual funds, share index bonds, derivatives and pension products, for example, capital assurance and private pension insurance.

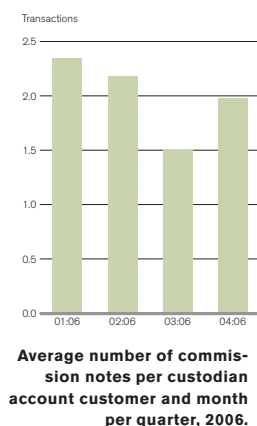
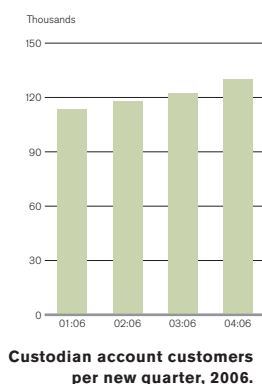
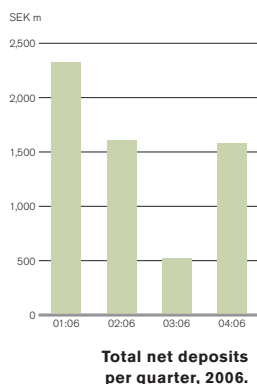
Avanza aims to offer the market's best decision-making support for saving. This entails giving the customers both qualitative and quantitative information that supports them in their investment decisions. Avanza accordingly offers everything from real time share prices and news to more sophisticated decision-making support, such as share analysis, portfolio reports, and tax return support. Avanza primarily targets Swedish private investors, but also offers advanced services for professional daytraders and corporate customers, such as self-employed businessmen and women, institutions, and asset managers.

## The operations

Avanza reported strong growth in all customer groups during 2006. Net deposits increased by 6.5 per cent (71.5%) to 6,030 (5,660). This corresponds to 20.2 (34.9) per cent of the total value of custodian accounts at the beginning of the year.

The total value of custodian accounts increased by 45.0 per cent (84.0%) to SEK 43,200 million as of 31st December 2006 (SEK 29,800 m, as of 31st December 2005). Demand within Avanza Private Banking throughout the year was very strong, and the total value of custodian accounts increased by 71.8 per cent to SEK 11,700 million (SEK 6,810 m, as of 31st December 2005)\*. Total value of custodian accounts within Aktiespar.se increased to SEK 750 million (SEK 350 m, as of 31st December 2005).

\* Excluding the value of pension products.



Avanza also increased its market shares and further confirmed its position as the leading contender in the Swedish savings market. As regards the number of transactions, Avanza was the biggest overall member on the Stockholm Stock Exchange (including First North) during 2006.

Avanza's share of the Stockholm Stock Exchange market (including First North) comprised 10.0 per cent (9.5%) in terms of the number of transactions, and 2.7 per cent (2.0%) in terms of turnover.

The total the number of custodian account customers increased by 22.8 per cent (17.9%) to 130,000 (105,900, as of 31st December 2005).

Avanza's custodian account customers averaged 2.00 commission notes (1.57) per month. The average brokerage fee per commission note for custodian account customers in 2006 was SEK 94 (SEK 94). Operating income per custodian account customer comprised SEK 4,100 (SEK 3,000) during the year. The increase in value for the average custodian account customer amounted in 2006 to 22.1 per cent (42.0%) compared with the Stockholm Stock Exchange All Share-index, which increased by 23.6 per cent (32.6%).

## Processes

Avanza's processes comprise both the ongoing administration work and the commercial and technical development activities. The contact between Avanza and the customers is primarily via Avanza's website at [www.avanza.se](http://www.avanza.se). The website gives the customer a complete overview of their custodian account, with its holdings, transactions, and current market values. The customer also has access to extensive market information, such as share prices, news, analyses and fundamental data.

Avanza's website is directly linked, through its underlying IT systems, to a variety of stock markets, information providers, and settlement systems. If the customer places an order and carries out a trade, the transaction is, in the majority of cases, completely automatic. The working processes with a manual element are kept to a minimum. This yields economies

of scale and ensures that Avanza can offer its customers both low prices and high quality. Customers can also contact Avanza by phone to place orders, receive up to date market information, or obtain support on a range of customer queries.

The day to day administration is evaluated by means of customer satisfaction surveys and measurements of such factors as capacity utilisation, response times, and error frequencies, both within the organisation and on system platforms. Commercial and technical development is controlled by the management group.

The development projects are heavily customer-orientated and are hence prioritised and evaluated by means of, amongst other things, ongoing customer surveys.

The degree of availability of Avanza's website during the year was 99.7 per cent (99.6%). Good availability and speed are key competition parameters for the online service.

## Financial overview

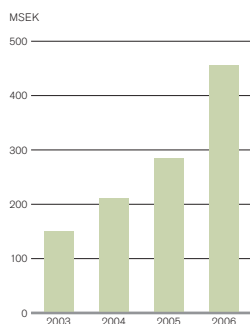
Operating income increased by 59.5 per cent (35.4%) to SEK 454.7 million (SEK 285.1 m). Operating income was the equivalent of 1.26 per cent (1.29%) of the total value of custodian accounts during the year. Net interest items totalled SEK 137.7 million (SEK 81.7 m), corresponding to an increase of 68.5 per cent (35.3%) in comparison with the previous year. Higher volumes have compensated for lower interest margins.

Brokerage income, less direct costs, comprised 53 per cent (54%) of total operating income, while non-brokerage income (net interest items, custodian account charges and other income) comprised the remaining 47 per cent (46%). Brokerage income from institutional customers comprised 3.9 per cent (4.1%) of the total brokerage income. Non-brokerage income comprised 102 per cent (94%) of operating expenses, and Avanza consequently surpassed its goal of non-brokerage income comprising a minimum of 90–100 per cent of operating expenses. The increase in non-brokerage income is largely due to rising deposit and lending volumes, higher custodian account charges, and fees from corporate finance.

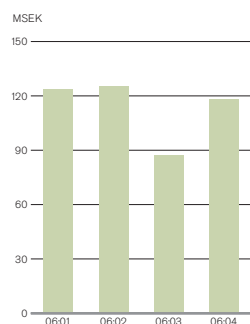
Operating expenses totalled SEK 210.9 million (SEK 138.4 m), which corresponds to an increase of 52.4 per cent (26.6%) compared with 2005. The greatest proportion of the increase in costs is explained by higher staffing and augmented marketing activities. Marketing costs increased to SEK 42.7 million (SEK 19.4 m).

The number of full-time employees (excluding those on leave of absence or parental leave) at the end of December was 157 employees (94 as of 31st December 2005). The number of employees has increased as a result of the vigorous growth and launch of new products and services. During the early part of 2007, Avanza continued to recruit in order to strengthen the organisation and attract new competence.

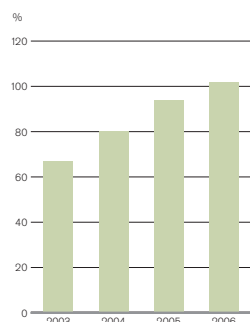
The pre-tax profit amounted to SEK 243.8 million (SEK 146.7 m), which equates to an operating margin of 53.6 per cent (51.5%). The tax expense was SEK 55.8 million (SEK 40.8 m), equivalent to an effective tax rate of 22.9 per cent (27.8%). The low current tax rate is



**Operating income 2003–2006.**



**Operating income per quarter, 2006.**



**Non-brokerage income in relation to operating expenses, 2003–2006. (Excluding goodwill amortisation for 2003).**

explained by a decision from the Taxation Authorities to accept the 2005 tax return, in which deduction was claimed for loss due to liquidation of a Group company.

The profit after tax amounted to SEK 188.0 million (SEK 105.9 m). Earnings per share totalled SEK 6.85 (SEK 3.88). The return on shareholders' equity was 45.1 per cent (35.3%). Depreciation of fixed assets and amortisation of intangible assets amounted to SEK 8.2 million (SEK 6.4 m), and investments amounted to SEK 16.2 million (SEK 5.0 m).

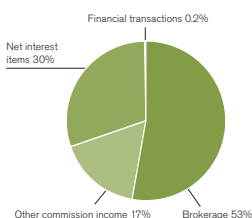
### Capital structure and financial position

The Balance Sheet total was SEK 8,721.4 million (SEK 4,504.7 m), as of 31st December 2006. Deposits totalled SEK 4,545.3 million (2,287.0 m) at the turn of the year. Funds managed on behalf of third parties totalled SEK 735.4 million (SEK 1,239.6 m) in addition to this sum.

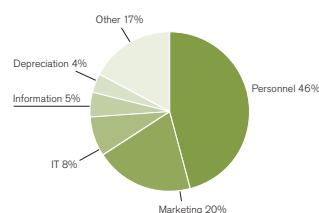
Lending to the public increased by 11.6 per cent (86.6%) to SEK 2,290.3 million (SEK 2,052.4 m).

Deposits, including client funds and lending respectively, corresponded to 12.2 per cent (11.8 per cent as of 31st December 2005), and 5.3 per cent (6.9 per cent, as of 31st December 2005) of the total value of custodian accounts as of 31st December 2006.

Shareholders' equity as of 31st December 2006 totalled SEK 488.8 million (SEK 353.7 m, as of 31st December 2005) or SEK 17.80 (SEK 12.88) per share, and the capital adequacy margin was 11.8 per cent (11.1%). The Group's liquid assets totalled SEK 2,880.2 million (SEK 802.9 m, as of 31st December 2005).



**Breakdown of operating income, 2006.**



**Breakdown of operating expenses, 2006.**



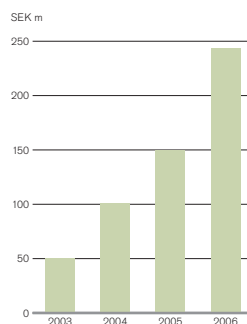
## The Parent Company

Avanza AB reported a pre-tax profit for the financial year of SEK 129.6 million (SEK 46.6 m). The company's liquid assets as of 31st December 2006 totalled SEK 0.7 million (SEK 0.3 m). The company's net turnover was SEK 0.0 million (SEK 0.0 m). Shareholders' equity as of 31st December 2006 totalled SEK 339.3 million (SEK 262.6 m).

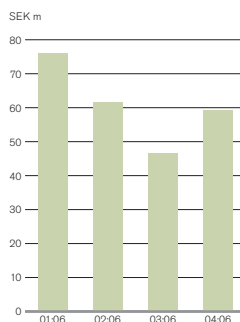
## The future

Avanza's goal is to be the Saver's Bank. In concrete terms, our ambition is that each customer of Avanza shall have more money over for him or herself than anywhere else.

The Swedish savings market amounts to SEK 3,700 billion, and the need of Swedish people for independent saving is increasing, not least within the area of pensions. With a total value of custodian accounts of SEK 43,200 million, Avanza has a market share of about 1.2 per cent. During the year, Avanza has supplemented with an occupational pension and PPM service, which means that Swedish savings and investment customers can now collect all their savings with Avanza. Investment in advice



Operating income 2003–2006.



Operating income per quarter, 2006.

## The Group's quarterly performance 2005–2006

SEK m	2006	04:06	03:06	02:06	01:06	2005	04:05	03:05	02:05	01:05
Operating income	454.7	118.1	87.2	125.5	123.9	285.1	83.6	74.2	66.2	61.1
Operating expenses	-210.9	-58.7	-40.6	-63.8	-47.8	-138.4	-39.0	-30.9	-35.0	-33.5
<b>Operating profit/loss</b>	<b>243.8</b>	<b>59.4</b>	<b>46.6</b>	<b>61.7</b>	<b>76.1</b>	<b>146.7</b>	<b>44.6</b>	<b>43.3</b>	<b>31.2</b>	<b>27.6</b>
Net deposits, SEK m	6,030	1,580	520	1,610	2,320	5,660	2,060	1,260	800	1,540
Custodian account value, SEK m	43,200	43,200	37,200	34,900	36,400	29,800	29,800	25,800	21,800	18,900
Operating income/custodian account value, %	1.26	0.30	0.24	0.35	0.38	1.29	0.30	0.31	0.33	0.35
No. commission notes per custodian account										
customer and month	2.00	1.98	1.51	2.18	2.35	1.57	1.79	1.69	1.41	1.38
Transactions per commission note	1.69	1.67	1.69	1.70	1.70	1.66	1.71	1.68	1.62	1.65
Custodian account customers	130,000	130,000	122,500	117,900	113,300	105,900	105,900	98,500	94,700	93,000
Average no. employees	129	141	145	123	110	93	103	97	92	82

and guidance given through the network newspaper Placera Nu also contributes to this. The combination of the market's cheapest savings products, good assistance and broad investment offerings mean that Avanza continues to hold the position of being the country's best savings service on the Internet.

The long-term growth opportunities as regards new customers and new capital alike are therefore considered to be very good. The goal is that by the end of 2008, we should have a market share of at least 2 per cent and 200,000 custodian account customers. In this growth phase, Avanza has two areas of focus during 2007; to sell more savings products to existing customers and to make things easier for new customers to choose Avanza.

Already, during the first quarter of 2007, Avanza has invested more in direct sales activities. Avanza also has as its goal to offer an even broader distribution during the first half-year as regards occupational pensions in the form of participation in several collectively agreed plans and cooperation with insurance intermediaries. During the first quarter, Avanza will also begin to offer management of capital as a supplement to those customers who do not wish to look after their savings themselves. Placera Nu will continue to be developed in order to become an even better network newspaper about savings. Over and above this, Avanza will launch a number of new products and services during the spring.

Underlying growth for Avanza as regards total value of custodian accounts creates opportunities for growth of income, because in the long-term there is a clear connection between growth of the total value of custodian accounts and growth of operating income. In order for customers to have more money over for themselves, Avanza is continuing to put pressure on prices, which in itself will affect income growth negatively. The goal is in the long-term to increase income by 15–30 per cent per year. Looking one year ahead, which can be considered to be a very short view in the savings market, the stock market trend has, however, had a strong influence on growth as regards the total value of custodian accounts and income.

Net deposits are expected to amount to 20–25 per cent of the total value of custodian accounts annually at the beginning of each year. Seasonal variations, stock exchange climate and individual input from Avanza means that net deposits vary between different quarters. Net deposits amounted to 20 per cent, and this is due, among other things, to the fact that the number of custodian account customers increased by 22.8 per cent during the year.

An increase in value should normally amount to 6–8 per cent per year taking into account the distribution between shares and interest-bearing assets of custodian account customers. During 2006, growth in value was high at 22 per cent.

Annual price pressure (defined as operating income in relation to total value of custodian accounts) is expected to be 5–10 per cent. Avanza continued to reduce brokerage charges for share trading, among other things with the introduction of Mikro-depån with

SEK 39 in minimum brokerage. Through the launch of AVANZA ZERO, Avanza also reduced charges for mutual fund units. These price reductions were, however compensated through customers investing more capital in actively managed mutual funds and guarantee products, and that trading activity increased during the year. Price pressure therefore did not amount to more than 2.4 per cent.

The long-term growth target as regards operating income can be summarised as follows:

	Annual increase
Net deposits, new and existing custodian account customers	20–25%
Normal increase in value	6–8%
<b>Value of custodian accounts, growth (ca.)</b>	<b>25–35%</b>
Estimated pricing pressure	(5–10%)
<b>Growth in income (ca.)</b>	<b>15–30%</b>

The biggest threat to goals not being achieved lies in a long-term negative stock market trend, which would give a lower level of custodian accounts and lower interest in saving. However, this direct dependence on the stock exchange is being reduced through increased mutual fund and pension savings. Competition from traditional participants has also increased. Avanza's assessment is that increased Internet penetration as regards savings is positive, but at the same time, it makes higher demands on Avanza.

The greatest part of Avanza's costs consist of fixed costs. In the new sales phase that Avanza is in at present, costs are estimated to increase by 10–15 per cent during 2007. The cost increase consists largely of increased staffing. All investments are made, however, on the basis of the existing system and organisation, and cost awareness is high within Avanza. Marketing and sales costs are, however, mainly flexible costs, and Avanza is working in a market which is subject to rapid change. Avanza can therefore choose to invest more or less in growth than planned, which can produce deviations as compared with forecast costs. Seasonally, operating expenses during the first quarter and the fourth quarter are normally higher than during the other two quarters.

The above should not, however, be regarded as an income or profit forecast for 2007, in that operations are dependent on stock market trends. The goal is, however, for non-brokerage income, i.e., operating income that is not directly dependent on the stock exchange, to total at least 110 per cent of operating expenses, thereby ensuring good earnings stability, even in a weaker market climate.

An account of corporate governance and the work of the Board of Directors is presented in the Corporate Governance Report on page 70.

# Five-year overview

## Summary of the Group's performance

2002–2003 have not been recalculated in accordance with IFRS. The total affect of IFRS means that annual goodwill amortisation of SEK 8,727 thousand should not be charged to the profit/loss for the years 2002 and 2003. The value of intangible assets should increase by an equivalent amount.

Income Statements, SEK m	2006	2005	2004	2003	2002
Net commission	314.7	200.6	147.8	101.2	76.9
Net interest items	137.7	81.7	60.4	45.5	40.1
Other income	2.3	2.8	2.3	3.2	5.6
<b>Total income</b>	<b>454.7</b>	<b>285.1</b>	<b>210.5</b>	<b>149.9</b>	<b>122.6</b>
Operating expenses	-210.9	-138.4	-109.3	-99.6	-104.5
<b>Operating profit/loss</b>	<b>243.8</b>	<b>146.7</b>	<b>101.2</b>	<b>50.3</b>	<b>18.1</b>
Tax	-55.8	-40.8	-27.0	-14.2	-4.6
Minority holding	–	–	–	0.2	–
<b>Profit/loss for the year</b>	<b>188.0</b>	<b>105.9</b>	<b>74.2</b>	<b>36.3</b>	<b>13.5</b>
Balance Sheets, SEK m	2006	2005	2004	2003	2002
Lending to credit institutions	2,880.2	802.9	489.8	677.4	514.2
Lending to the public	2,290.3	2,052.4	1,100.0	491.2	247.9
Shares and participations	6.9	0.7	0.2	0.1	0.1
Insurance business assets	3,430.7	1,553.8	–	–	–
Other assets	113.3	94.9	117.4	207.9	142.1
<b>Total assets</b>	<b>8,721.4</b>	<b>4,504.7</b>	<b>1,707.4</b>	<b>1,376.6</b>	<b>904.3</b>
Deposits from the public	4,545.3	2,287.0	1,357.8	1,107.0	686.7
Insurance business liabilities	3,430.7	1,553.8	–	–	–
Other liabilities	256.6	310.2	73.8	41.2	25.3
<b>Total liabilities</b>	<b>8,232.6</b>	<b>4,151.0</b>	<b>1,431.6</b>	<b>1,148.2</b>	<b>712.0</b>
Minority holdings	–	–	0.0	0.0	0.3
Shareholders' equity	488.8	353.7	275.8	228.4	192.0
<b>Total liabilities and shareholders' equity</b>	<b>8,721.4</b>	<b>4,504.7</b>	<b>1,707.4</b>	<b>1,376.6</b>	<b>904.3</b>
Key ratios	2006	2005	2004	2003	2002
Earnings per share, SEK	6.85	3.88	2.79	1.36	0.51
Earnings per share after dilution, SEK	6.80	3.86	2.74	1.35	0.50
Equity per share, SEK	17.80	12.88	10.36	8.58	7.21
Return on equity, %	45.1	35.3	30.2	17.6	7.3
Operating margin, %	53.6	51.5	48.1	39.4	21.9
Equity/assets ratio, %	5.6	7.9	16.2	16.6	21.2
Capital adequacy ratio, %	11.8	11.1	14.2	25.9	37.2
Cash dividend (2006 proposal)					
per share, SEK	4.00	2.00	1.50	1.00	0.00
Number of shares, UB	27,465,674	27,465,674	26,622,874	26,622,874	26,622,874
Average no. shares	27,465,674	27,297,114	26,622,874	26,622,874	26,622,874
Average no. shares after dilution	27,637,109	27,440,992	27,108,283	26,802,374	26,703,504
Market value/market value at year-end, SEK m	3,385	2,719	1,131	753	359
Share price at year-end	123.25	99.00	42.50	28.30	13.50
Average number of employees	129	93	74	56	62
Profit/loss per employee, SEK k	1,890	1,577	1,368	899	292

Definitions are given on page 69.



## Consolidated Income Statement

SEK k	Note	2006	2005
<b>Operating income</b>			
Commission income	2	373,001	236,022
Commission expenses	3	-58,320	-35,437
Interest income	4	180,726	92,978
Interest expenses	4	-43,065	-11,264
Net profit/loss on financial transactions	5	726	304
Other operating income		1,635	2,480
<b>Total operating income</b>		<b>454,703</b>	<b>285,083</b>
<b>Operating expenses</b>			
General administration expenses	6,7	-152,248	-106,408
Depreciation of tangible and intangible fixed assets	8	-8,170	-6,366
Other operating expenses	9	-50,484	-25,760
Credit losses, net	10	–	100
<b>Total operating expenses</b>		<b>-210,902</b>	<b>-138,434</b>
<b>Operating profit/loss</b>		<b>243,801</b>	<b>146,649</b>
Tax on the profit/loss for the year	12	-55,770	-40,760
<b>Net profit/loss for the year</b>		<b>188,031</b>	<b>105,889</b>
Earnings per share, SEK	13	6.85	3.88
Earnings per share after dilution, SEK	13	6.80	3.86

## Consolidated Balance Sheet

SEK k	Note	31-12-06	31-12-05
<b>ASSETS</b>			
Lending to credit institutions		2,880,172	802,907
Lending to the public	14	2,290,327	2,052,412
Shares and participations	15	6,917	668
Insurance business assets	16	3,430,719	1,553,794
Intangible fixed assets	17	32,886	25,013
Tangible assets	18	12,178	7,190
Other assets	19	52,605	41,150
Deferred tax receivables	12	917	10,832
Prepaid expenses and accrued income	20	14,640	10,768
<b>TOTAL ASSETS</b>		<b>8,721,361</b>	<b>4,504,734</b>
<b>LIABILITIES</b>			
Deposits by the public	21	4,545,325	2,287,000
Insurance business liabilities	16	3,430,719	1,553,794
Current tax liability		46,404	8,911
Deferred tax liabilities	12	885	–
Other liabilities	22	187,740	285,485
Accrued costs and pre-paid income	23	21,443	15,783
<b>Total liabilities</b>		<b>8,232,516</b>	<b>4,150,973</b>
<b>SHAREHOLDERS' EQUITY</b>			
	24		
Share capital		68,664	68,664
Other capital contributed		123,198	121,214
Adjusted profit/loss, including net profit/loss for the year		296,983	163,883
<b>Total shareholders' equity</b>		<b>488,845</b>	<b>353,761</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,721,361</b>	<b>4,504,734</b>

## Changes in the Group's shareholders' equity (Note 24)

SEK k	2006	2005
<b>Shareholders' equity at the beginning of the year</b>	<b>353,761</b>	<b>275,789</b>
New share issue	–	11,858
Dividend	-54,931	-41,198
Warrant issue	1,984	1,423
Net profit/loss for the year	188,031	105,889
<b>Shareholders' equity at the end of the year</b>	<b>488,845</b>	<b>353,761</b>

## Consolidated Cash Flow Statements

SEK k	Note	2006	2005
<b>Cash flow from operating activities</b>			
Profit/loss before tax		243,801	146,649
<i>Adjustment for non-cash items</i>			
Depreciation/write-downs		8,170	6,366
Income tax paid		-8,401	16
<b>Total</b>		<b>243,570</b>	<b>153,031</b>
<b>Changes in assets and liabilities of current operations</b>			
Increase/decrease in lending to the public		-237,915	-952,382
Increase / decrease in securities		-6,249	-459
Increase / decrease in other assets		-14,661	-11,128
Increase / decrease in deposits and borrowing from the public		2,258,325	929,177
Increase / decrease in other liabilities		-96,646	227,714
<b>Cash flow from operating activities' assets and liabilities</b>		<b>1,902,854</b>	<b>192,922</b>
<b>Cash flow from operating activities</b>		<b>2,146,424</b>	<b>345,953</b>
<b>Cash flow from investment activities</b>			
Acquisition of intangible fixed assets		-1,921	-946
Acquisition of tangible assets		-11,897	-3,991
Acquisition of subsidiary companies	25	-2,394	-
<b>Cash flow from investment activities</b>		<b>-16,212</b>	<b>-4,937</b>
<b>Financial activities</b>			
New share issue		-	11,858
Cash dividend		-54,931	-41,198
Warrant issue		1,984	1,423
<b>Cash flow from financing activities</b>		<b>-52,947</b>	<b>-27,917</b>
<b>Cash flow for the year</b>		<b>2,077,265</b>	<b>313,099</b>
<b>Liquid assets at the beginning of the year*</b>		<b>802,907</b>	<b>489,808</b>
<b>Liquid assets at the end of the year*</b>		<b>2,880,172</b>	<b>802,907</b>
Interest received		180,726	92,978
Interest paid		-43,065	-11,264

\* Liquid assets comprise cash in hand and immediately available balances at bank or equivalent institute, together with short-term liquid investments with a term from the time of acquisition of less than three months, which are only subject to an insignificant risk of fluctuation in value.



## Parent Company Income Statements

SEK k	Note	2006	2005
<b>Operating expenses</b>			
Administration costs	6	-2,889	-3,347
Other operating income		–	1,400
Other operating expenses		-3,246	-2,959
<b>Operating profit/loss</b>		<b>-6,135</b>	<b>-4,906</b>
<b>Profit/loss on financial investments</b>			
Profit/loss on participations in Group	11	135,213	51,045
Profit/loss from other securities		395	–
Interest income and similar profit/loss	4	174	483
Interest expenses and similar profit/loss	4	-8	-1
<b>Profit/loss before tax</b>		<b>129,639</b>	<b>46,621</b>
Tax on profit/loss for the year	12	0	0
<b>Net profit/loss for the year</b>		<b>129,639</b>	<b>46,621</b>

## Parent Company Balance Sheets

SEK k	Note	31-12-06	31-12-05
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Shares and participations in Group	28	202,002	202,335
<b>Total fixed assets</b>		<b>202,002</b>	<b>202,335</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		137,495	71,288
Current tax receivable		87	87
Other receivables		9	–
Prepaid costs and accrued income		710	491
<i>Total current receivables</i>		<i>138,301</i>	<i>71,866</i>
<i>Cash and bank</i>		<i>691</i>	<i>266</i>
<b>Total current assets</b>		<b>138,992</b>	<b>72,132</b>
<b>TOTAL ASSETS</b>		<b>340,994</b>	<b>274,467</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	24		
<i>Restricted equity</i>			
Share capital		68,664	68,664
Share premium reserve		117,386	117,386
<b>Total restricted equity</b>		<b>186,050</b>	<b>186,050</b>
<i>Non-restricted shareholders' equity</i>			
Retained profits		23,643	29,969
Net profit/loss for the year		129,639	46,621
<b>Total non-restricted equity</b>		<b>153,282</b>	<b>76,590</b>
<b>Total shareholders' equity</b>		<b>339,332</b>	<b>262,640</b>
<b>Current liabilities</b>			
Accounts payable		1	65
Liabilities to Group companies		–	10,608
Other liabilities		107	105
Accrued costs and pre-paid income		1,554	1,049
<b>Total current liabilities</b>		<b>1,662</b>	<b>11,827</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>340,994</b>	<b>274,467</b>
<b>Pledged assets and contingent liabilities on the part of the Parent Company, SEK k</b>			
Pledged assets		None	None
Contingent liabilities		None	None

## Change in shareholders' equity (Note 24)

SEK k	2006	2005
<b>Shareholders' equity at the beginning of the year</b>	<b>262,640</b>	<b>243,936</b>
New share issue	–	11,858
Dividend	-54,931	-41,198
Warrant issue	1,984	1,423
Net profit/loss for the year	129,639	46,621
<b>Shareholders' equity at the end of the year</b>	<b>339,332</b>	<b>262,640</b>

## Parent Company Cash Flow Statements

SEK k	2006	2005
<b>Cash flow from operating activities</b>		
Profit/loss before tax	129,639	46,621
<i>Adjustment for non-cash items</i>		
Depreciation/write-downs	–	7
Realised profit/loss on sale of subsidiaries	-407	-1,468
Anticipated dividend	-95,000	-45,000
Income tax paid	0	-87
<b>Total</b>	<b>34,232</b>	<b>73</b>
<b>Changes assets and liabilities of current operations</b>		
Increase / decrease in other assets	28,566	48,428
Increase / decrease in other liabilities	-10,153	-5,912
<b>Cash flow from operating activities' assets and liabilities</b>	<b>18,413</b>	<b>42,516</b>
<b>Cash flow from operating activities</b>	<b>52,645</b>	<b>42,589</b>
<b>Investment activities</b>		
Shareholders' contribution made	-3,000	-15,000
Acquisition of subsidiary companies	-6,750	–
Liquidation of subsidiary companies	10,477	42
<b>Cash flow from investment activities</b>	<b>727</b>	<b>-14,958</b>
<b>Financial activities</b>		
New share issue	–	11,858
Cash dividend	-54,931	-41,198
Warrant issue	1,984	1,423
<b>Cash flow from financial activities</b>	<b>-52,947</b>	<b>-27,917</b>
<b>Cash flow for the year</b>	<b>425</b>	<b>-286</b>
<b>Liquid assets at the beginning of the year</b>	<b>266</b>	<b>552</b>
<b>Liquid assets at the end of the year</b>	<b>691</b>	<b>266</b>
Interest received	174	483
Interest paid	-8	-1
Dividend received	45,000	65,000

# Notes to the Accounts

Amounts in SEK thousand, unless otherwise indicated.

## **Note 1 Accounting principles**

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

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative comments by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application within the EU. The Swedish Financial Accounting Standards Council Recommendation RR 30 Complementary accounting regulations for corporate groups have also been applied, together with the directives and general guidelines issued by the Swedish Financial Supervisory Authority regarding the annual accounts of credit institutions and securities companies (FFFS 2005:33).

The Parent Company applies the same accounting principles as the Group, other than in the cases stipulated below under the section entitled, Parent Company Accounting Principles.

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

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

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

### **(c) New IFRS and interpretations which have not yet been applied**

IFRS 7 Financial Instruments: Information and associated changes in IAS 1 Presentation of Financial Statements comes into effect as from the 2007 financial year, and has not been applied in preparing these financial reports. IFRS 7 imposes requirements regarding disclosure and the importance that financial instruments have for the company's financial position and profit/loss, and qualitative and quantitative information regarding the character and extent of risks.

#### **(d) Segment reporting**

A segment is a part of the Group that can be identified in accounting terms and which either supplies products or services (business segments), or goods or services within a given economic area (geographical area), and which is exposed to risks and opportunities that differ from those of other segments.

Avanza has only one segment, namely savings services involving share-based, mutual fund and pension products, and conducts all of its operations in Sweden

#### **(e) Classification**

Fixed assets and long-term liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that the Parent Company or Group expects to recover or to be paid more than twelve months after the closing day. Current assets and current liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that the Parent Company or Group expects to recover or to be paid within twelve months from the closing day.

#### **(f) Consolidation principles**

Subsidiaries are companies over which Avanza AB has a decisive influence. Decisive influence means a direct or indirect right to formulate a company's financial and operational strategies in order to obtain economic advantages.

Subsidiaries are reported in accordance with the acquisition method of accounting. Under this method, the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated acquisition value is determined by means of an acquisition analysis in conjunction with the operational acquisition. The analysis determines the acquisition value of the participations or the operations and the true value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The difference between the acquisition value of the subsidiary company shares and the true value of the assets acquired, and the liabilities and contingent liabilities assumed, constitutes consolidated goodwill.

Subsidiaries' financial reports are included in the consolidated accounts as of the acquisition date, up to the date when the decisive influence ceases to obtain.

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

Intra-Group receivables and liabilities, income or expenses, and unrealised profits or losses arising from intra-Group transactions between Group companies are eliminated in their entirety in conjunction with the preparation of the consolidated accounts.

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

Intra-Group receivables and liabilities, income or expenses, and unrealised profits or losses arising from intra-Group transactions between Group companies are eliminated in their entirety in conjunction with the preparation of the consolidated accounts.

### **(h) Income**

#### *Commission income*

Commission income comprises brokerage, custodian account charges, fund commissions and other commissions. Brokerage is reported as income on the transaction date. Other commission income is reported as income at the rate it is earned.

#### *Interest income and interest expenses*

Financial assets and financial liabilities bear a variable rate of interest.

#### *Profit/loss from financial transactions*

The profit/loss from financial transactions comprises realised and unrealised profits/losses from the sale of shares and participations.

### **(i) Financial instruments**

Financial instruments are valued and reported within the Group in accordance with the regulations of IAS 39. Financial instruments reported in the Balance Sheet include, on the assets side, lending to credit institutions, lending to the public, accounts receivable, securities settlement receivables, shares and loan receivables. Liabilities include accounts payable, securities settlement liabilities, deposits by the public, and insurance contracts according to the Swedish Financial Supervisory Authority's definition. All insurance contracts have conditional returns whereby the counterparty bears the risk of changes in value. By definition, therefore, the insurance contracts constitute financial instruments, so-called investment agreements. Financial instruments are initially reported at the acquisition value, corresponding to the instrument's true value plus transaction costs for all financial instruments other than in respect of those that fall into the category of financial assets, which are reported at their true value via the Income Statement. Instruments are hence reported on the basis of how they are classified, as shown below.

A financial asset or financial liability is booked in the Balance Sheet on the trade date, i.e., when the company becomes a party to the instrument's contractual terms and conditions.

A financial asset is eliminated from the Balance Sheet when the rights in the agreement are realised, expire or the company loses control over them. The same applies to parts of a financial asset. A financial liability is eliminated from the Balance Sheet when the under-

taking in the agreement is fulfilled or otherwise expires. The same applies to parts of a financial liability.

The true value of listed financial assets corresponds to the asset's listed bid price on the closing day.

The company carries out an evaluation in conjunction with every financial report to determine whether there are any objective indications that write-downs are required for a financial asset or group of financial assets.

Avanza holds financial instruments in the following categories.

#### *Financial assets valued at their true value via the Income Statement*

Assets in this category consist of shares and participations held for securities trading purposes, and shares, participations and interest-bearing securities held for insurance business purposes, which Avanza has elected to report in this category. All securities in this category consist of listed securities and the true value is equivalent to the listed bid price on the Balance Sheet date.

#### *Loan receivables and accounts receivable*

Loan receivables and accounts receivable comprise Lending to credit institutions, Lending to the public, securities settlement receivables, and accounts receivable. These receivables are valued at accrued acquisition value less any anticipated credit losses. Assessments are made individually.

Lending to the public is reported after deductions of confirmed and anticipated credit losses. All loans, so-called custodian account loans, have security provided in the form of securities.

#### *Financial liabilities valued at true value via the Income Statement*

In this category, Avanza's investment agreements, financial liabilities within the insurance business are reported, i.e., the financial commitments, the true value of which is dependent on the true value of the underlying financial asset's true value. The underlying assets and associated liabilities are valued at true value via the income statement.

#### *Other financial liabilities*

Financial liabilities in this category are reported under the Balance Sheet items Deposits by the public, Accounts payable and Other liabilities. Other financial liabilities are valued at accrued acquisition value.

### **(j) Tangible fixed assets**

Tangible fixed assets are reported as assets in the Balance Sheet if it is likely that future



economic benefits will accrue to the company and the acquisition value of the asset can be reliably calculated.

Tangible fixed assets are reported in the Group at their acquisition value after deductions for accumulated depreciation and any write-downs. The acquisition value includes the purchase price and costs directly attributable to the asset. The accounting principles for write-downs are shown below.

Tangible fixed assets are eliminated from the Balance Sheet in conjunction with retirement or disposal. Profits and losses are reported as Other operating income/expenses.

#### *Depreciation principles*

Depreciation is effected linearly over the estimated useful life of the asset.

Estimated useful life:

- computers and other technical installations 3 years
- equipment 5 years

The residual value and useful life of an asset is assessed annually.

### **(k) Intangible assets**

#### *Goodwill*

Goodwill represents the difference between the acquisition value of the operational acquisition and the true value of assets acquired, liabilities assumed, and any contingent liabilities.

The Group has not, in conjunction with the transition to IFRS and with regard to goodwill in acquisitions that took place before 1st January 2004, applied IFRS retroactively; rather, as of 1st January 2004, the reported value will henceforth comprise the Group's acquisition value, after evaluation for write-downs. Goodwill is valued at the acquisition value less any accumulated write-downs. Goodwill is tested annually for any write-down requirement, or as soon as there are indications that the asset has depreciated.

#### *Development charges*

Charges for development, where knowledge is applied to achieve new or improved products or processes, are reported as an asset in the Balance Sheet, if the product or process is technically and commercially viable and the company has sufficient resources to complete the development and, thereafter, to use or sell the intangible asset. Development charges within Avanza normally constitute capitalisable expenses.

#### *Customer relations*

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

### *Depreciation*

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

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

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

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

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

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

### *Calculation of the recoverable value*

The recoverable value of assets associated with loan receivables and accounts receivable reported at the accrued acquisition value is calculated at the current value of future cash flows, discounted by the effective interest rate that applied when the asset was first reported. Assets with a short duration are not discounted.

The recoverable value of other assets is whichever is the higher of the true value minus sale costs, and the value in use. When calculating the value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest rates and the risk associated with the specific asset. The recoverable value for the cash-generating unit to which the asset belongs is calculated for any asset that does not generate cash flows that are significantly independent of other assets.

### *Reversal of write-downs*

Write-downs of investments held until expiry or loan receivables and accounts receivable reported at the accrued acquisition value are reversed if a subsequent increase in the recoverable value can objectively be attributed to an event that occurred after the write-down had occurred.

Write-downs on goodwill are not reversed.

### **(m) Leased assets**

Leasing is classified in the consolidated accounts as either financial or operational leasing. Financial leasing exists when the economic risks and benefits associated with ownership

have, in every significant respect, been transferred to the lessee. If this is not the case, operational leasing is deemed to exist. The only type of leasing in which Avanza is engaged is operational leasing.

Under operational leasing, the leasing charge is booked linearly over the duration of the lease, starting from the day when use began, which can differ from the sum de facto paid as a leasing charge during the year.

#### **(n) Dividend paid**

Dividends are reported as liabilities once the Annual General Meeting of the shareholders of the company has approved the Board's dividend proposal.

#### **(o) Remuneration to employees**

Avanza exclusively implements defined-contribution pension plans via individual salary exchange. Undertakings in respect of payments to defined-contribution plans are reported as a cost in the Income Statement as they arise.

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

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

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

Income taxes comprise current tax and deferred tax. Income taxes are reported in the Income Statement other than when underlying transactions are reported directly to shareholders' equity, at which point the associated fiscal effect is reported under shareholders' equity.

Current tax is the tax payable or which is received in respect of the current year, applying the rates of taxation approved, or approved in practice, as of the closing day. This also includes adjustments of current tax attributable to previous periods.

Deferred tax is calculated using the Balance Sheet method on the basis of temporary differences between the reported and fiscal values of assets and liabilities. The following temporary differences are not taken into account: temporary differences that arose in conjunction with the first reporting of goodwill, the first reporting of assets and liabilities that do not constitute operational acquisitions and which, at the time of the transaction, did not affect either the reported or the fiscal profit/loss. Temporary differences attributable to participations in subsidiaries and associated companies for which reversal is not expected with-

in the foreseeable future are also not taken into account. The valuation of deferred tax is based on the way in which the reported values of assets or liabilities are expected to be realised or regulated. Deferred tax is calculated by applying the rates of taxation and taxation rules approved, or approved in practice, as of the closing day.

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

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

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

### **(s) The Parent Company's accounting principles**

The Parent Company has prepared its Annual Report in accordance with the provisions of the Swedish Annual Accounts Act (1995:1554) and recommendation RR 32, Accounting for legal entities, of the Swedish Financial Accounting Standards Council. Under RR 32, the parent company, in its annual accounts for the legal entity, shall apply all IFRS regulations and statements approved by the EU, as far as possible, within the framework of the Swedish Annual Accounts Act and with regard to the connection between accounting and taxation. The differences between the accounting principles of the Group and the Parent Company are shown below.

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

#### *Amended accounting principles*

Amended accounting principles in the Parent Company have had no effect on the accounts.

#### *Participations in Group companies*

Participations in Group companies are reported in the Parent Company in accordance with the acquisition value method of accounting. Dividends received are only reported as income when they derive from profits earned after the acquisition. Dividends that exceed these profits earned are regarded as a refund of the investment and reduce the reported value of the participation. Dividend income is reported when the right to receive payment is adjudged to be certain.

### *Group contributions and shareholders' contributions*

Group contributions that shall be equated to a dividend are reported as a dividend. Group contributions received, and their relevant fiscal effects, are consequently reported over the Income Statement. Group contributions, and their relevant fiscal effects, are reported directly to retained profits.

Group contributions that shall be equated to a shareholder's contribution are reported, taking into account the relevant fiscal effect, directly by the recipient against retained profits. The donor reports the Group contribution, and its relevant fiscal effect, as an investment in participations in Group companies, to the extent that write-downs are not required.

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

Note 26 Durations for assets and liabilities

Note 27 Pledged assets and contingent liabilities

Note 29 Capital adequacy analysis

Note 30 Financial risks and financial policies

Note 31 Related parties

Note 32 Important estimates and evaluations

## Note 2 Commission income

SEK k	2006	2005
Brokerage	279,200	177,652
Other commissions	93,801	58,370
<b>Total</b>	<b>373,001</b>	<b>236,022</b>

## Note 3 Commission expenses

SEK k	2006	2005
Transaction costs	-39,442	-23,355
Payments services commissions	-2,266	-1,829
Other commissions	-16,612	-10,253
<b>Total</b>	<b>-58,320</b>	<b>-35,437</b>

## Note 4 Net interest items

SEK k	2006	2005
<i>Interest income</i>		
Interest income from lending to credit institutions	66,050	24,881
Interest income from lending to the public	114,568	68,088
Other interest income	108	9
<b>Total</b>	<b>180,726</b>	<b>92,978</b>
<i>Interest expenses</i>		
Interest expenses for liabilities to credit institutions	0	-96
Interest expenses for deposits by the public	-43,044	-11,154
Other interest expenses	-21	-14
<b>Total</b>	<b>-43,065</b>	<b>-11,264</b>
<b>Net interest items</b>	<b>137,661</b>	<b>81,714</b>

The average lending rate to custodian account customers during the year was 5.32 per cent (4.89%). The average borrowing rate from custodian accounts with surplus liquidity during the year was 0.95 per cent (0.43%). SEK 154 (SEK 475) of the Parent Company's interest income/expenses refers to income from Group companies and SEK 0 (SEK 0) to interest expenses from Group companies.

## Note 5 Net profit/loss on financial transactions

SEK k	2006	2005
Realised profit/loss as regards shares, etc.	727	44
Exchange-rate fluctuations	-1	260
<b>Total</b>	<b>726</b>	<b>304</b>



## Note 6 General administration expenses

SEK k	2006	2005
Salaries and other remuneration	-67,787	-46,239
Pension costs	-1,252	-511
Social insurance charges	-21,256	-15,010
Other staff overheads	-6,829	-3,470
Consultancy services purchased	-11,778	-7,412
Marketing information expenses	-10,085	-8,354
Other general administrative expenses	-33,261	-25,412
<b>Total</b>	<b>-152,248</b>	<b>-106,408</b>

### Salaries, other remuneration and social security contributions

SEK k	2006		2005	
	Salaries and other remuneration	Social Security contributions (of which pension)	Salaries and other remuneration	Social Security contributions (of which pension)
<i>The Group</i>	67,787	22,508	46,239	15,521
		(1,252)		(511)
of which the Board and MD	3,965	1,296	3,583	1,193
		(16)		(14)
<i>Parent Company</i>	2,256	712	2,160	839
		(-)		(-)
of which the Board and MD	1,632	527	1,465	476
		(-)		(-)

Average no. employees	Number of employees	Of whom men	Number of employees	Of whom men
<i>Parent Company</i>	1	1	1	1
<i>Subsidiaries</i>	128	78	92	52
<b>Total</b>	<b>129</b>	<b>79</b>	<b>93</b>	<b>53</b>

The Group has no employees outside Sweden. At the end of the year there was a total of 157 (94) Group employees. Normal employment terms comprise salary and benefits. Occupational pensions are obtained through defined-contribution pension plans, via individual salary exchange. Therefore, pension costs refer exclusively to health insurance premiums.

### Remuneration to senior executives

Fees are payable to the Chairman of the Board and Board Members in accordance with the resolutions of the 2006 Annual General Meeting. The Chairman of the Board has not received any remuneration in addition to Director's fees. Remuneration to the Managing Director and other senior executives comprises the basic salary and variable remuneration. Variable remuneration can be paid after the evaluation of individual performances and financial results. Remuneration to the Managing Director for the 2006 financial year has been decided by the Board of Directors. Remuneration to other senior executives has been decided by the Managing Director after consultation with the Board's Remuneration Committee. The term, senior executives, refers to the five persons who, together with the Managing Director, comprise the Group management. See page 83.

SEK k	Basic salary/ Directors' fees	2006	Pension costs	Total
		Variable remuneration		
The Group				
Chairman of the Board	158	–	–	158
Members of the Board	722	–	–	722
Managing Director	1,497	1,588	16	3,101
Other senior executives	5,557	2,300	94	7,951
Total	7,934	3,888	110	11,932

		2005		
SEK k	Basic salary/ Directors' fees	Variable remuneration	Pension costs	Total
The Group				
Chairman of the Board	150	–	–	150
Members of the Board	500	–	–	500
Managing Directors	1,421	1,512	14	2,947
Other senior executives	4,679	1,935	61	6,675
Total	6,750	3,447	75	10,272

There were 7 (7) senior executives in the Group during the greater part of the year, 4 (4) of whom were men. The Board has 8 (7) members, 6 (6) of whom are men.

The Managing Director has a 6-month period of notice if the contract of employment is terminated by the Managing Director himself, and 12 months if the contract of employment is terminated by the company. The periods of notice for other senior executives if they themselves terminate their contracts of employment vary between 3 and 6 months, and between 6–12 months if the contracts of employment are terminated by the company. There are no severance pay agreements for the Managing Director or senior executives. The retirement age for the Managing Director and other senior executives is 65. Avanza has no pension commitments. The employees have the opportunity of private pension insurance through optional, individual salary exchange.

#### Financial instruments, warrants

Subsidiary programme 1	Warrants, 2005/2008				Market value SEK k 31-12-2006
	Number	Value*	Acquisition price	Benefit	
Managing Directors	10,100	33	33	–	471
Other senior executives	145,000	479	479	–	6,755
<b>Total</b>	<b>155,100</b>	<b>512</b>	<b>512</b>	<b>–</b>	<b>7,226</b>

Subsidiary programme 2	Warrants, 2006/2009				Market value SEK k 31-12-2006
	Number	Value*	Acquisition price	Benefit	
Managing Director	13,400	62	62	–	81
Other senior executives	127,820	588	588	–	780
<b>Total</b>	<b>141,220</b>	<b>650</b>	<b>650</b>	<b>–</b>	<b>861</b>

\*Market value at time of acquisition.

Subsidiary programmes 1 and 2 were acquired at market price in July 2005 and in August 2006 respectively. The market value has been calculated in accordance with the Black & Scholes valuation model.

## Auditor's fees and remuneration of expenses

The Group	2006	2005
<i>KPMG Bohlins AB</i>		
Audit engagements	998	577
Other engagements	230	109
<i>Öhrlings PricewaterhouseCoopers / BDO</i>		
Audit engagements	214	219
<b>Total</b>	<b>1,442</b>	<b>905</b>

The total cost of independent auditing carried out by external consultants during the year was SEK 336 thousand (SEK 154 k).

### *The Parent Company*

The total remuneration payable to KPMG for the financial year comprises SEK 486 thousand (SEK 384 k) for audit engagements and SEK 87 thousand (SEK 72 k) for other assignments.

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

## Note 7 Leasing charges for operational leasing

SEK k	2006	2005
<i>Assets held via operational leasing agreements (refers to the leasing of premises)</i>		
Minimum leasing charges	4,542	3,598
<b>Total leasing costs</b>	<b>4,542</b>	<b>3,598</b>

*Agreed future minimum leasing charges relating to contracts that cannot be cancelled, and where payment is due:*

Within one year	6,802	4,854
Between one and five years	18,750	19,464
<b>Total</b>	<b>25,552</b>	<b>24,318</b>

## Note 8 Depreciation of tangible and intangible fixed assets

SEK k	2006	2005
Depreciation of tangible fixed assets	-5,570	-3,662
Depreciation of intangible fixed assets	-2,600	-2,704
<b>Total</b>	<b>-8,170</b>	<b>-6,366</b>

## Note 9 Other operating expenses

SEK k	2006	2005
Marketing expenses	-42,737	-19,420
Other operating expenses	-7,747	-6,340
<b>Total</b>	<b>-50,484</b>	<b>-25,760</b>

## Note 10 Credit losses, net

SEK k	2006	2005
Reversal of provisions for anticipated credit losses no longer required	–	100
<b>Net cost of credit losses for the year</b>	<b>–</b>	<b>100</b>

## Note 11 Profit/loss from participations in Group

The Parent Company (SEK k)	2006	2005
Dividend received (anticipated)	95,000	45,000
Group contribution received	39,806	4,577
Realised profit/loss on liquidation of subsidiaries	407	1,468
<b>Total</b>	<b>135,213</b>	<b>51,045</b>

## Note 12 Tax on profit/loss for the year

SEK k	The Group		The Parent Company	
	2006	2005	2006	2005
<i>Current tax expenses (-)/tax income (+)</i>				
Tax expenses for the period (-)/tax income (+)	-45,813	-8,562	0	–
Adjustment of tax attributable to previous years	–	-45	–	–
<b>Total current tax</b>	<b>-45,813</b>	<b>-8,607</b>	<b>0</b>	<b>–</b>

<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	-9,957	-9,984	–	–
Deferred tax expense as a result of utilisation of prev. capitalised fiscal value in deficit deductions	0	-22,169	–	–
<b>Total deferred tax</b>	<b>-9,957</b>	<b>-32,153</b>	<b>–</b>	<b>–</b>
<b>Total reported tax expense</b>	<b>-55,770</b>	<b>-40,760</b>	<b>–</b>	<b>–</b>

### *Reconciliation of effective tax*

<b>Profit/loss before tax</b>	<b>243,801</b>	<b>146,649</b>	<b>129,639</b>	<b>46,621</b>
Applicable tax rate	28.0%	28.0%	28.0%	28.0%
Non-deductible costs	0.1%	1.4%	–	1.5%
No-taxable income	-0.8%	0.0%	-20.6%	-29.5%
Deductible depreciation of goodwill arising from purchase of net assets of a legal entity	-0.6%	-1.6%	–	–
Increase in deficit deductions without capitalisation of deferred tax	-3.8%	–	-7.4%	–
<b>Effective tax</b>	<b>22.9%</b>	<b>27.8%</b>	<b>0%</b>	<b>–</b>

The low effective tax is explained by a decision from the Swedish Tax Agency regarding an accepted tax return for 2005 in which deduction was claimed for loss in liquidation of a Group company.

### Change in deferred tax in temporary differences and deficit deduction

The Group 2006	Amounts at the beginning of the year	Acquisitions	Reported over income statements	Amounts at the end of the year
Intangible assets	10,007	-903	-9,500	-396
Tangible assets	825	–	-344	481
Deficit deductions	–	–	–	–
Other	–	60	-113	-53
<b>Total</b>	<b>10,832</b>	<b>-843</b>	<b>-9,957</b>	<b>32</b>

Deferred tax recoverable	917
Deferred tax expense	-885
<b>Net</b>	<b>32</b>

The Group 2005	Amounts at the beginning of the year	Acquisitions	Reported over income statements	Amounts at the end of the year
Intangible assets	19,830	–	-9,823	10,007
Tangible assets	986	–	-161	825
Deficit deductions	22,169	–	-22,169	–
<b>Total</b>	<b>42,985</b>	<b>–</b>	<b>-32,153</b>	<b>10,832</b>

### Note 13 Earnings per share

SEK	2006	2005
<b>Earnings per share before dilution</b>	<b>6.85</b>	<b>3.88</b>
<b>Earnings per share after dilution</b>	<b>6.80</b>	<b>3.86</b>

#### *Earnings per share before dilution*

The calculation of earnings per share has been based on the profit/loss for the year after tax, which totalled SEK 188.0 million (SEK 105.9 m) relative to a weighted average number of shares outstanding before dilution during 2006, which figure totalled 27,465,674 (27,297,114).

#### *Earnings per share after dilution*

The calculation of earnings per share after dilution has been based on the profit/loss for the year after tax, which totalled SEK 188.0 million (SEK 105.9 m) relative to a weighted average number of shares outstanding after dilution during 2006, which figure totalled 27,637,109 (27,440,992).

Avanza has two outstanding warrant programmes 2005/2008 (subsidiary programme #1), the exercise price of which is SEK 70.20 per share and the warrant programme 2006/2009 (subsidiary programme #2), the exercise price of which is SEK 168.78 per share. The market price, as of 29th December 2006 was SEK 123.25.

Number of shares	2006	2005
Average no. shares before dilution	27,465,674	27,297,114
Average no. shares after dilution	27,637,109	27,440,992
Outstanding no. shares before dilution	27,465,674	27,465,674
Outstanding no. shares after dilution	27,643,164	27,578,537
No. shares after full dilution	28,309,424	27,889,874

## Note 14 Lending to the public

SEK k	31-12-06	31-12-05
Lending to the public	2,290,327	2,052,412
<b>Total</b>	<b>2,290,327</b>	<b>2,052,412</b>

Loans to related parties total 2,696 (990).

Lending to the public is reported after deductions for confirmed and anticipated credit losses. At year-end 31st December 2006 there were no anticipated credit losses. All loans, known as custodian account loans, are secured by collateral in the form of securities.

## Note 15 Shares and participations

SEK k	31-12-06	31-12-05
Shares and participations, quoted	6,917	668
<b>Total</b>	<b>6,917</b>	<b>668</b>

## Note 16 Insurance operations assets and liabilities

SEK k	31-12-06	31-12-05
<i>Financial insurance operations assets</i>		
Shares and participations	2,582,448	881,761
Interest-bearing securities	88,708	17,746
Liquid assets	759,563	654,287
<b>Total</b>	<b>3,430,719</b>	<b>1,553,794</b>
<i>Financial insurance operations liabilities</i>		
Conditional bonus	3,430,719	1,553,794
<b>Net</b>	<b>0</b>	<b>0</b>

All insurance operations' assets refer to assets for which the policyholders carry direct investment risk. All liabilities in the insurance operations refer to conditional bonus for which the policyholders carry direct risk. This means that the policyholders receive yield but also cover the risk that the assets and liabilities in the insurance operations involve. The Group has no right to cash flow referring to invested funds. Both the assets and liabilities are valued in accordance with the category of financial assets and liabilities valued at true value via the income statement. The effect on profit/loss as regards acquired securities, unrealised changes in value, realised changes in value, interest and dividends received and paid-in premiums and changes in value of the liability is net zero.



## Note 17 Intangible fixed assets

SEK k	31-12-06	31-12-05
<b>Goodwill</b>		
<i>Accumulated acquisition values</i>		
Book value at the beginning of the year	22,545	22,545
Acquisition of subsidiary company	3,000	–
<b>Book value at the end of the year</b>	<b>25,545</b>	<b>22,545</b>
<b>Other intangible assets</b>		
<i>Accumulated acquisition value</i>		
At the beginning of the year	13,181	12,235
Acquisition of subsidiary company	4,122	–
Investments during the year	3,383	946
Disposals during the year	-759	–
<b>At the end of the year</b>	<b>19,927</b>	<b>13,181</b>
<i>Accumulated depreciation</i>		
At the beginning of the year	-10,713	-8,009
Depreciation during the year	-2,600	-2,704
Disposals during the year	727	–
<b>At the end of the year</b>	<b>-12,586</b>	<b>-10,713</b>
<b>Book value at the end of the year</b>	<b>7,341</b>	<b>2,468</b>
<b>Total intangible fixed assets</b>	<b>32,886</b>	<b>25,013</b>

The goodwill total within the Group derives from the acquisition of Avanza Holding in 2001, and the acquisition of Börsveckan AB (name changed to Placera Media Stockholm AB). Other intangible assets comprise software licences and customer relations from the acquisition of Börsveckan AB.

No write-down requirement has been identified in the annual write-down reviews. Write-down reviews carried out show that the net income attributable to acquired goodwill exceeds the goodwill value on an annual basis.

## Note 18 Tangible assets

SEK k	31-12-06	31-12-05
<b>The Group</b>		
<i>Acquisition value</i>		
At the beginning of the year	20,464	16,474
Acquired acquisition value	109	–
Investment during the year	10,585	3,990
Disposals during the year	-9,258	–
<b>At the end of the year</b>	<b>21,900</b>	<b>20,464</b>
<i>Accumulated depreciation</i>		
At the beginning of the year	-13,274	-9,612
Acquired depreciation	-17	–
Depreciation during the year	-5,570	-3,662
Disposals during the year	9,139	–
<b>At the end of the year</b>	<b>-9,722</b>	<b>-13,274</b>
<b>Reported value at the end of the year</b>	<b>12,178</b>	<b>7,190</b>

## Note 19 Other assets

SEK k	31-12-06	31-12-05
Securities settlement	45,352	39,037
Other	7,253	2,113
<b>Total</b>	<b>52,605</b>	<b>41,150</b>

## Note 20 Prepaid costs and accrued income

SEK k	31-12-06	31-12-05
Prepaid costs	8,267	4,668
Accrued income	6,373	6,100
<b>Total</b>	<b>14,640</b>	<b>10,768</b>

## Note 21 Deposits by the public

Over and above the deposits reported in the Balance Sheet, Avanza had deposits in client fund accounts from third parties, as of 31st December 2006, equivalent to SEK 735.4 million (SEK 1 239.6 m).

## Note 22 Other liabilities

SEK k	31-12-06	31-12-05
Securities settlement	155,096	270,522
Accounts payable	7,333	5,754
Other	25,311	9,209
<b>Total</b>	<b>187,740</b>	<b>285,485</b>

## Note 23 Accrued expenses and deferred income

SEK k	31-12-06	31-12-05
Personnel related liabilities	9,913	5,660
Other	11,530	10,123
<b>Total</b>	<b>21,443</b>	<b>15,783</b>

## Note 24 Shareholders' equity

As of 31st December 2006, the registered share capital comprised 27,465,674 (27,465,674) ordinary shares with a nominal value of SEK 2.50 per share. Other capital contributed refers to shareholders' equity contributed by the owners. The retained profit, including the net profit/loss for the year includes profits /loss earned in the Parent Company and its subsidiaries.

### Dividend

After the closing day, the Board proposed a dividend of SEK 4.00 (SEK 2.00) per share, giving a total of 109,863 (54,931). The dividend will be submitted for approval by the Annual General Meeting of the shareholders of the company, to be held on 22nd March 2007.

### Warrants

The warrants programme comprises 1,294,200 shares, which corresponds to a dilution of 4.5 per cent. The warrants programme is divided up into three subsidiary programmes, and the warrants programme as a whole runs from July 2005 to September 2010. Outstanding warrants 2005/2008 (subsidiary programme #1) grant entitlement to subscribe for a total of 424,200 new shares at an exercise price of 70.20 SEK per share. The term is up to and including 30th September 2008. The warrants can be exercised from 1st June 2008 up to and including 30th September 2008. Outstanding warrants 2006/2009 (subsidiary programme #2) grant entitlement to subscribe for a total of 419,550 shares at an exercise price of SEK 168.78 per share. The term is up to and including 30th September 2009. The warrants can be exercised from 1st June 2009 up to and including 30th September 2009. Subsidiary programme #3 starts in July 2007 and the term is to September 2010. These subsidiary programmes have the same structure as subsidiary programmes #1 and #2. The warrants are valued at the market rate in accordance with the Black & Scholes valuation model.

The Group	Share capital	Other capital contributed	Retained profit/loss	Total
<b>Shareholders' equity 31 Dec. 2004</b>	<b>66,557</b>	<b>110,040</b>	<b>99,192</b>	<b>275,789</b>
New share issue	2,107	9,751	–	11,858
Dividend paid	–	–	-41,198	-41,198
Warrant issue	–	1,423	–	1,423
Profit/loss for the year	–	–	105,889	105,889
<b>Shareholders' equity 31 Dec. 2005</b>	<b>68,664</b>	<b>121,214</b>	<b>163,883</b>	<b>353,761</b>
Adjustments	–	–	–	–
Dividend paid	–	–	-54,931	-54,931
Warrant issue	–	1,984	–	1,984
Profit/loss for the year	–	–	188,031	188,031
<b>Shareholders' equity 31 Dec. 2006</b>	<b>68,664</b>	<b>123,198</b>	<b>296,983</b>	<b>488,845</b>

The Parent Company	Share capital	Share premium reserve	Statutory reserve	Non-restricted equity	Total
<b>Shareholders' equity 31 Dec. 2004</b>	<b>66,557</b>	<b>81,947</b>	<b>24,265</b>	<b>71,167</b>	<b>243,936</b>
New share issue	2,107	9,751	–	–	11,858
Dividend paid	–	–	–	-41,198	-41,198
Warrant issue	–	1,423	–	–	1,423
Transfer from share premium to statutory reserve	–	-93,121	93,121	–	–
Net profit/loss for the year	–	–	–	46,621	46,621
<b>Shareholders' equity 31 Dec. 2005</b>	<b>68,664</b>	<b>0</b>	<b>117,386</b>	<b>76,590</b>	<b>262,640</b>
Dividend paid	–	–	–	-54,931	-54,931
Warrant issue	–	–	–	1,984	1,984
Net profit/loss for the year	–	–	–	129,639	129,639
<b>Shareholders' equity 31 Dec. 2006</b>	<b>68,664</b>	<b>0</b>	<b>117,386</b>	<b>153,282</b>	<b>339,332</b>

## Parent Company information

Avanza AB is a Swedish registered limited company whose registered offices are in Stockholm. The Parent Company's shares are registered on the Stockholm Stock Exchange. The head office address is Klarabergsgatan 60, Box 1399, SE-111 93 Stockholm, Sweden. The consolidated accounts for 2006 comprise the Parent Company and its subsidiaries, collectively referred to as the Group.

## Note 25 Acquisition of subsidiaries

The Group (SEK k)	2006	2005
Liquid funds	4,356	–
Intangible fixed assets	7,122	–
Other assets	746	–
Liabilities	-5,474	–
<b>Acquired net assets</b>	<b>6,750</b>	<b>–</b>
Purchase sum	6,750	–
Deduct liquid funds in acquired subsidiary	-4,356	–
<b>Effect on cash flow</b>	<b>2,394</b>	<b>–</b>

On 2nd June 2006, Avanza acquired all the shares in Börsveckan AB (name changed to Placera Media Stockholm AB). The main activities of Börsveckan consist of publication of the newspaper, Börsveckan, the emphasis of which is on share analysis. The newspaper is published weekly, and has a circulation of 2,600 copies. Avanza's aim with the acquisition is to increase the offering of analysis and decision support as regards investment in shares, mutual fund units and pensions. The purchase sum amounted to SEK 6 750 thousand, and was paid entirely in cash.

Börsveckan has contributed to the year's profit/loss before tax to the extent of SEK -1,139 thousand. If Börsveckan had been acquired on 1st January 2006, the company would have contributed to the extent of SEK 10 thousand to the year's profit/loss before tax.

## Note 26 Maturity of assets and liabilities, 31 Dec. 2006

Remaining term (book value)

SEK k	On demand	<3 months	3-12 months	1-10 years	Perpetual	Total
<i>Assets</i>						
Lending to credit institutions	2,880,172	–	–	–	–	2,880,172
Lending to the public	2,290,327	–	–	–	–	2,290,327
Shares and participations	–	–	–	–	6,917	6,917
Insurance operations	–	30,463	91,390	3,308,866	–	3,430,719
Intangible assets	–	–	–	–	32,886	32,886
Tangible assets	–	–	–	–	12,178	12,178
Other assets	–	52,605	–	–	–	52,605
Deferred tax receivables	–	–	–	917	–	917
Prepaid costs and accrued income	–	14,640	–	–	–	14,640
<b>Total assets</b>	<b>5,170,499</b>	<b>97,708</b>	<b>91,390</b>	<b>3,309,783</b>	<b>51,981</b>	<b>8,721,361</b>
<i>Liabilities</i>						
Deposits by the public	4,545,325	–	–	–	–	4,545,325
Insurance operations	–	30,463	91,390	3,308,866	–	3,430,719
Current tax liability	–	46,404	–	–	–	46,404
Deferred tax liability	–	–	–	885	–	885
Other liabilities	–	187,740	–	–	–	187,740
Accrued costs and prepaid income	–	21,443	–	–	–	21,443
<b>Total liabilities</b>	<b>4,545,325</b>	<b>286,050</b>	<b>91,390</b>	<b>3,309,751</b>	<b>–</b>	<b>8,232,516</b>

## Maturity of assets and liabilities 31 Dec. 2005

Remaining term (book value)

SEK k	On demand	<3 months	3-12 months	1-10 years	Perpetual	Total
<b>Assets</b>						
Lending to credit institutions	802,907	–	–	–	–	802,907
Lending to the public	2,052,412	–	–	–	–	2,052,412
Shares and participations	–	–	–	–	668	668
Insurance operations	–	15,176	55,530	1,483,088	–	1,553,794
Intangible assets	–	–	–	–	25,013	25,013
Tangible assets	–	–	–	–	7,190	7,190
Other assets	–	41,150	–	–	–	41,150
Deferred tax receivables	–	–	–	–	10,832	10,832
Prepaid costs and accrued income	–	10,768	–	–	–	10,768
<b>Total assets</b>	<b>2,855,319</b>	<b>67,094</b>	<b>55,530</b>	<b>1,483,088</b>	<b>43,703</b>	<b>4,504,734</b>
<b>Liabilities</b>						
Deposits by the public	2,287,000	–	–	–	–	2,287,000
Insurance operations	–	15,176	55,530	1,483,088	–	1,553,794
Current tax liability	–	8,911	–	–	–	8,911
Other liabilities	–	285,485	–	–	–	285,485
Accrued costs and prepaid income	–	15,783	–	–	–	15,783
<b>Total liabilities</b>	<b>2,287,000</b>	<b>325,355</b>	<b>55,530</b>	<b>1,483,088</b>	<b>–</b>	<b>4,150,973</b>

## Note 27 Pledged assets and contingent liabilities

SEK k	31-12-06	31-12-05
<b>Pledged assets</b>		
<i>In the form of pledged assets for own liabilities</i>		
Securities loans	62,912	36,087
<i>Other pledged assets and liabilities</i>		
Securities liquidation, VPC	110,200	86,300
Securities liquidation, OF	91,060	78,572
Bank guarantee, rental contract	–	1,745
<b>Total pledged assets</b>	<b>264,172</b>	<b>202,704</b>

Assets managed on behalf of third parties (trust accounts) not reported in the Balance total SEK 735,369 thousand (SEK 1,239,631 k).

### Contingent liabilities

The Swedish Deposit Guarantee Board has advised that a loss has arisen which shall be covered by the investor protection. A Swedish securities company, CTA Lind & Co Scandinavia AB, has been declared bankrupt, and funds have been paid to investors from the Swedish investor cover. Because funds were not available funded within the investor protection, the Deposit Guarantee Board will consequently require payments from all institutions, the customers of which were covered by the investor protection, in order to cover the costs. The legal situation is unclear, and the Deposit Guarantee Board has therefore requested new legislation from the Ministry of Finance.

## Note 28 Shares and participations in Group

SEK k	2006	2005
<i>Acquisition value</i>		
At the beginning of the year	478,600	501,809
Shareholders' contribution	3,000	15,000
Acquisition of subsidiaries	6,750	–
Liquidation of subsidiaries	-59,308	-38,209
<b>At the end of the year</b>	<b>429,042</b>	<b>478,600</b>
<i>Accumulated write-downs</i>		
At the beginning of the year	-276,265	-312,265
Write-downs during the year	–	–
Liquidation of subsidiaries	49,225	36,000
<b>At the end of the year</b>	<b>-227,040</b>	<b>-276,265</b>
<b>Book value at the end of the year</b>	<b>202,002</b>	<b>202,335</b>

	Corp. ID No.	Reg. Office	No. shares	No. participations, %	Book value
Bankaktiebolaget Avanza	556573-5668	Stockholm	450,000	100	165,794
Avanza International AB	556540-6179	Stockholm	999	99.9	0
Avanza Vikingen AB	556653-1298	Uppsala	10,000	100	2,800
Avanza Fonder AB	556664-3531	Stockholm	1,000	100	3,100
Försäkringsaktiebolaget Avanza Pension	516401-6775	Stockholm	100,000	100	23,558
Placera Media Stockholm AB	556642-9592	Stockholm	1,000	100	6,750
<b>Total</b>					<b>202,002</b>

## Note 29 Capital adequacy analysis

SEK k	31-12-06	31-12-05
<i>1. Calculation of total capital base</i>		
Total primary capital, gross*	378,983	298,832
Less goodwill	-22,545	-22,545
Less deferred tax receivables	-917	-10,832
Less other intangible assets	-4,369	-2,468
Primary capital, net	351,152	262,987
<b>Total capital base</b>	<b>351,152</b>	<b>262,987</b>

### 2. Calculation of capital requirement for credit

#### Items included and not included in the Balance

Groups	Total investments 31 Dec. 2006	Risk-weighted amount 31 Dec. 2006	Total investments 31 Dec. 2005	Risk-weighted amount 31 Dec. 2005
Group A (0%)	2,784,814	–	1,008,848	–
Group B (20%)	2,880,172	576,034	1,457,194	291,439
Group C (50%)	–	–	–	–
Group D (100%)	2,390,721	2,390,721	2,081,253	2,081,253
Total	8,055,707	2,966,755	4,547,295	2,372,692
<b>Total risk-weighted amount for credit risks</b>		<b>2,966,755</b>		<b>2,372,692</b>



Groups	Risk-weighted amount 31 Dec. 2006	Risk-weighted amount 31 Dec. 2005
<i>3. Calculation of capital requirement for market risks</i>		
Risk-weighted amounts for interest risks	–	–
of which specific risks	–	–
of which general risks	–	–
<b>Risk-weighted amounts for share price risks</b>	<b>10,367</b>	<b>1,001</b>
of which specific risks	3,456	334
of which general risks	6,911	667
<b>Risk-weighted amounts for wind-up risks</b>	<b>272</b>	<b>508</b>
Risk-weighted amounts for counterparty risks and other risks	–	–
Risk-weighted amounts for exchange-rate risks	–	–
<b>Total risk-weighted amounts for market risks</b>	<b>10,639</b>	<b>1,509</b>
<i>4. Calculation of total capital adequacy ratio</i>		
Total capital base	351,152	262,987
Total risk-weighted amount for credit risks and market risks	2,977,394	2,374,201
<b>Total capital adequacy ratio, %</b>	<b>11.79</b>	<b>11.08</b>
<i>5. Cost risks</i>		
Total capital base		262,987
Less: 25% of fixed overheads		30,543
<b>Surplus</b>		<b>232,444</b>

The statutory minimum capital adequacy ratio is a minimum of eight per cent as of 31st December 2006. New capital adequacy ratio rules in accordance with Basel II will be introduced during 2007.

\* Shareholders' equity less proposed dividend.

## Note 30 Financial risks and financial policies

### Risk management

The nature of Avanza's operations entails exposure to credit and counterparty risks, market risks, liquidity risks and operational risks. The way in which Avanza identifies, follows up and manages its risks is crucial in terms of the commercial health of the company and its long-term profitability.

The Board determines the general goals for capital adequacy ratio and liquidity, and for exposure to credit risks and financial risks. The Board has also ultimate responsibility for ensuring the establishment of functions that monitor and manage the Group's risks. Authority with regard to these issues is dispersed throughout the organisation with the aid of the Group's risk policy, credit policy, financial policy and other parts of the internal regulatory framework. The guidelines for risk management are evaluated and updated on an ongoing basis. Risk management is an overall risk control function. The risk management department also includes the credit department, the Compliance Officer and the Chief Legal Counsel. The function is independent of the commercial operations and reports to the Managing Director. Risk management has a permanent item on the agenda at Board Meetings, and can report directly to the Chairman of the Board.

Risk management is carried out within every department under the supervision of and in communication with the risk management function and the Managing Director. Operational responsibility for follow up and control work with regard to all risks lies with the risk management department. Risk management monitors a number of variables in order to control the quality of both the business flow and the subsequent administrative work. The credit function is responsible for counterparty and credit risks. All decisions with regard to major loans and significant new counterparties are taken by the Board or the company's credit committee. Responsibility for compliance with regulations lies with the Compliance Officer, whilst the Chief Legal Counsel is responsible for the remaining legal risks

The independent audit is commissioned by the Board to evaluate and review the company's risk management, in order to ensure its compliance with the general guidelines of the Swedish Financial Supervisory Authority regarding the guidance and control of financial companies (FFFS 2005:1). This independent audit is carried out by external consultants directly commissioned by the Board of Directors.

## Risks

Avanza's operations were expanded during 2006 within the areas of insurance and fund management. Fund management has commenced within Avanza Fonder AB. Management of AVANZA ZERO – the mutual fund without charges, an index fund which follows the OMX Stockholm 30 Index (OMXS30). The OMXS30 is constructed around the 30 most active shares as regards value on the Stockholm Stock Exchange. This management has as its aim to give the unit holders an asset growth, which as far as possible, follows the development of the OMXS30.

Avanza's definition of risks and the breakdown by risk area complies with generally accepted criteria.

### Insurance risks

Several insurance products produced by Försäkringsaktiebolaget Avanza Pension have been added to the range. The products all have conditional bonus, which means that the insurance liabilities by definition follow the development of value of the insurance assets. Because the value of assets and liabilities in insurance activities through the structure of the insurance follow one another, these products do not have any effect on financial risks. The new products mainly involve increased legal risks. During the year, uncertainty as regards the legal and tax conditions for Avanza Pension's products has increased.

### Credit and counterparty risks

The risk inherent in lending to custodian account customers is the most significant credit risk. All customers are checked and assigned a credit limit, and all loans are secured by pledges in listed securities. Avanza carries out its own internal assessment of suitable lending levels based on the share's liquidity, volatility and net worth.

Lending to credit institutions comprises receivables from Nordic credit institutions.

During the year, Avanza became a member of the stock exchanges in Oslo, Copenhagen and Helsinki. Counterparty risks arise primarily as a result of business flow. These are limited through Avanza using recognised clearing organisations in each respective country, for example, VPC and OM in Sweden, for settling completed transactions. There are no OTC dealings of any kind.

## Market risks

### Exchange rate risks

Avanza takes negligible direct exchange rate risks since the company only conducts trading activities on behalf of customers. Avanza does not conduct proprietary trading activities of any kind.

### Interest risks

The Balance Sheet's financial assets and liabilities apply a floating interest rate, and hence no fixed interest terms apply.

### Currency risks

Assets and liabilities in the Balance Sheet are valued in SEK and there are hence no currency risks. There is no currency exposure outside the Balance Sheet.

### Liquidity and refinancing risks

Good current liquidity requires liquidity on the part of the assets side of the Balance Sheet. Avanza's assets primarily comprise liquid assets or lending against collateral in listed securities. These securities can, under the terms of agreements with the customers, be pledged as security for Avanza's own financing. Avanza also had, as of the turn of the year, and in addition to the liquidity reserve apparent from the Balance Sheet, a credit limit with the bank of SEK 1,000 million.

### Operational risks, including legal risks

Operational risks are defined as "risk of losses as a result of inexpedient or failed internal processes, human error, faulty systems or external events, including legal risks".

During 2006, trading volumes and the number of transactions increased strongly. As a result of the higher volumes, the costs of operational mistakes during the year increased, but are still at a relatively low level. An extensive external and internal regulatory framework applies to operations. Over and above this, there are general external requirements that operations are conducted in such a way as to maintain confidence.

The independent audit during the year has focused on compliance with the regulatory framework within all operations. The audit examined the organisation and competence within the compliance area, and information and communication concerning compliance issues. The audit also focused on eight key processes within compliance. The auditors have assessed objectivity as regards the organisation, information, and the eight key processes. The auditors expressed the opinion that a more centralised method of working should be considered, and that money laundering controls should be intensified. Other items were considered to be objectively adequate or had some improvement potential. The competence and training of employees is central as regards management of operational risks. All employees whose work assignments require it, are licensed in accordance with the requirements that SwedSec AB have imposed. Over and above this, certain other employees have been licensed, and at the turn of the year, a total of 34 employees were licensed. A further 6-7 employees will be licensed during 2007 according to plan.

### **Sensitivity analysis**

Avanza has no proprietary positions and hence changes in market prices have no substantial direct effect on the profit/loss. The same is true of changes in interest rates, in that the fixed interest terms are the same for assets and liabilities alike. Exchange rate fluctuations also have no impact on the profit/loss, because Avanza has no currency exposure.

The effect of insolvency on the part of individual customers is declining due both to the collateral pledged and to the broad lending spread. There is no concentration of credit risks that could entail a significant exposure to credit losses. As of 31st December 2006, there were 12 lending limits in excess of SEK 10 million. The combined amount lent under these lending limits is SEK 260 million, and the largest single loan is for SEK 69.9 million.

### **True value**

Financial, intangible and tangible fixed assets are reported at their acquisition value, less accumulated depreciation and any write-downs. Deferred tax receivables are valued at nominal amounts. The book value of other Balance Sheet items is not adjudged to deviate to any significant extent from their true value.

### **Note 31 Related parties**

Related parties comprise the Board of Directors and senior executives, and their families, according to the insider trading regulations of the Swedish Financial Supervisory Authority. Transactions with related parties are priced on strictly business terms. Loans to related parties as of the closing day are shown in Note 14. No transactions over and above normal custodian account management have occurred. Remuneration to related parties is shown in Note 6. Senior executives participate in the Group's warrants programme on strictly business terms (see Note 6).

### **Note 32 Important estimates and assessments**

Establishing the financial reports in accordance with IFRS requires that the company management shall make judgements and assessments and make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and costs. The actual outcome can deviate from these assessments and judgements.

The assessments and assumptions are reviewed regularly. Changes in assessments are reported in the period in which the change is made if the change has only had effect during that period, or in the period in which the changes made and future periods if the change affects both the period in question and future periods.

The company management has discussed performance, the choice of and information regarding the Group's important accounting principles and estimates, together with the application of these principles and estimates, with the Board of Directors.

### **Write-down review of goodwill**

When calculating cash-generating units' recoverable value for the purposes of assessing and write-down for goodwill, assumptions have been made with regard to future circumstances and estimates of parameters. A presentation thereof can be found in Note 17.

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This Annual 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.



# Proposed appropriation of profits

Amounts i SEK thousand

## Justification of the dividend proposal

The Board believes that the dividend is justified with reference to the requirements that the nature of the business, its scope and inherent risks make of the size of the shareholders' equity of the Parent Company and the Group, and to the consolidation requirements, liquidity, and position in general of the Parent Company and Group operations.

## The Parent Company

The following profits are at the disposal of the Annual General Meeting:	
Retained profit	23,643
<b>Net profit for the year</b>	<b>129,639</b>
	<b>153,282</b>

The Board of Directors and the Managing Director propose that:	
a dividend of SEK 4.00 per share be paid to the shareholders, totalling	109,863
and that the following sum be carried forward	43,419
	<b>153,282</b>

The profit/loss of the Group and the Parent Company, and their financial position in general, are shown in the following Income Statements and Balance Sheets, Cash Flow statements, and Accounting principles.

The Board of Directors and the Managing Director hereby attest that the Annual Report has been prepared in accordance with generally accepted accounting principles for stock market companies. The information provided corresponds to actual circumstances and nothing of significance has been omitted that might influence the impression of the Group and Parent Company created by the Annual Report.

Stockholm, 14th February 2007

Sven Hagströmer  
Chairman of the Board

Jeanette Almberg      Johan Brenner      Anders Ellsell      Mikael Nachemson

Andreas Rosenlew      Nicklas Storåkers      Jacqueline Winberg  
Managing Director

Our Audit Report was submitted on 14th February 2007

KPMG Bohlins AB, Anders Bäckström  
Authorised Public Accountant



# Auditors' Report

To the Annual General Meeting of the shareholders of Avanza AB (publ)

Corporate ID No. 556274-8458

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Avanza AB (publ) for the financial year of 2006. The company's Annual Report is included in the printed version of this document on pages 25-66. These accounts and the administration of the company are the responsibility of the Board of Directors and the Managing Director, as is ensuring that the provisions of the Swedish Annual Accounts Act are applied when preparing the annual accounts, and that the international accounting standards, IFRS, as adopted by the EU, and the provisions of the Swedish Annual Accounts for Credit Institutions and Securities Companies Act are applied in conjunction with the preparation of the consolidated accounts. Our responsibility is to express an opinion of the annual accounts, the consolidated accounts and the administration, based on our audit.

We conducted our audit in accordance with generally accepted accounting standards in Sweden. Those standards require that we plan and perform the audit to obtain a high, albeit not absolute, level of assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts, and appraising the significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and the consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board Member or the Managing Director. We also examined whether any Board Member or the Managing Director has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act, or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international

accounting standards, IFRS, as adopted by the EU and the provisions of the Swedish Annual Accounts Act and, thereby, give a true and fair view of the Group's financial position and results of operations. The Directors' Report is compatible with the other portions of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the Income Statement and the Balance Sheet for the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Directors' Report, and that the Members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 14th February 2007

KPMG Bohlins AB

Anders Bäckström

Authorised Public Accountant

# 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 period end, i.e. 27,465,674 (27,465,674).

## **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 risk-weighted capital.

## **Equity/assets ratio**

Shareholders' equity (including minority holdings in 2002) as a percentage of the Balance Sheet total.

## **Custodian account customer**

An open custodian account with holdings.

## **Transactions**

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

## **Assignment (commission note)**

Daily summary of the buying and selling assignments by a customer involving a specific security. A commission note may comprise one or more transactions. A commission note constitutes the basis on which brokerage charges are levied.

## **Operating income/total value of custodian accounts**

Operating income in relation to average total value of custodian accounts during the period.

## **Profit/loss per employees**

Operating profit/loss in relation to the average number of employees.



# Corporate governance report

Avanza AB is governed by means of the Annual General Meeting of the shareholders of the company, the Board of Directors and the Managing Director, pursuant to the provisions of the Swedish Companies Act, and in accordance with the Articles of Association and the Swedish Corporate Governance Code. Avanza's supreme decision-making body is the Annual General Meeting. The Annual General Meeting elects the company's Board of Directors. The Annual General Meeting's duties also include adopting the company's Balance Sheets and Income Statements, determining the appropriation of operational profits/losses, and deciding on discharges from liability for the Members of the Board and the Managing Director. The Annual General Meeting also elects Avanza's auditors.

Approximately 110 shareholders participated in Avanza's Annual General Meeting held on 5th April 2006 in Stockholm, representing 43 per cent of the total number of votes in the company. The entire Board of Directors and the company's auditors were present at the Meeting.

## **The Board of Directors**

Avanza's Board of Directors decides on issues that relate to Avanza's strategic orientation, investments, financing, organisational issues, acquisitions and disposals, and the more important policies. The Board's work is regulated by, amongst other things, the Swedish Companies Act, the Articles of Association, and the rules of procedure adopted by the Board for their work.

The Articles of Association state that the Board shall comprise a minimum of five and a maximum of eight Members. Avanza's Board in 2006 comprised seven Members elected by the General Meeting without deputies. Sven Hagströmer is the Chairman of the Board. The Board held its first meeting following election on 5th April 2006. See page 82 for details of the individual Board Members.

## **Directors' fees**

The 2006 Annual General Meeting set the Directors' fees at SEK 787,500. An annual fee of SEK 157,500 is paid to the Chairman of the Board, with fees of SEK 105,000 payable to the other Members. Also, the Board Members of the subsidiary companies, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension shall be entitled to receive a fee of SEK 25,000 each for their respective Board duties. Members of the companies' Boards who attend when the companies' management have reporting meetings with the company's Auditor shall receive a further fee of SEK 25,000. Members who are salaried employees of the company shall not, however, receive any fee.

## The Board's rules of procedure

The Board's work is governed by annually adopted rules of procedure that regulate the Board's internal division of labour, the decision-making structure within the company, company signatories, the format of Board meetings, and the duties of the Chairman. The Board's work follows a fixed procedure designed to fulfil the Board's requirement for information and an appropriate division of labour between the Board and the Managing Director.

The Board held seven meetings during the 2006 financial year, in contrast to nine in the previous year. The Board's work follows an agenda plan that fulfils the Board's requirement for information. The agenda plan is otherwise governed by the rules of procedure adopted by the Board with regard to the division of labour between the Board and the Managing Director. The monitoring duties incumbent upon the Board are addressed both by the Board in its entirety and by the Remuneration Committee. The company's auditors also report their assessments of the company's monitoring in person to the Board. Company employees participate in the Board meetings to present reports or as secretaries.

Avanza complies with the terms of its listing agreement with the Stockholm Stock Exchange and with the Swedish Corporate Governance Code with regard to the requirement for independent Members of the Board.

## Attendance

### Composition of the Board and number of minuted meetings

	Attendance	Not independent/Independent <sup>1)</sup>
Sven Hagströmer, Chairman	7/7	Not independent member
Jeanette Almberg <sup>2)</sup>	5/7	Independent member
Johan Brenner	6/7	Independent member
Anders Elsell	7/7	Not independent member
Mikael Nachemson	7/7	Independent member
Andreas Rosenlew	7/7	Independent member
Jacqueline Winberg	7/7	Independent member
Nicklas Storåkers, Managing Director	7/7	Not independent member

<sup>1)</sup> Independent is defined as independent of the company, its management and major shareholders according to the definition given in the "Swedish Code for Corporate Governance".

<sup>2)</sup> Minuted at the Annual General Meeting of 5th April 2006.

## Election Committee

An Election Committee comprising representatives of each of the four largest owners and the Company's Chairman of the Board was appointed in accordance with the resolution of Avanza's 2006 Annual General Meeting. These owners decided that the Election Committee shall comprise 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 was

appointed Chairman of the Election Committee. The Election Committee has addressed the issues incumbent upon it in accordance with the provisions of the “Swedish Code for Corporate Governance”. The Election Committee has held four minuted meetings during the year, and has maintained ongoing contact between these meetings.

The Election Committee has conducted an evaluation of the Board and its work, as a basis for its work. The Election Committee has also received an account of the way in which the Board’s work is conducted from the Chairman of the Board of the company. The size of the Board and its composition, with regard, for example, to industry experience and competence, has been discussed.

The Election Committee has discussed the fees paid to the Chairman of the Board of the company and the Members of the Board, in which context comparisons have been made with companies operating in similar spheres and of a similar size and complexity. Emphasis has been placed on the importance of the fee being reasonable with regard to the responsibility and the work required and to the contribution the Board can make to the development in the value of the company.

The Election Committee has evaluated the company’s auditors, and met auditors who have given quotations for the assignment.

The Election Committee has also evaluated the need of remuneration for committee work. Finally, Avanza’s Election Committee has discussed who should chair the company’s Annual General Meeting and the way in which the principles governing the structure of the Election Committee should be structured.

### **Remuneration Committee**

The Board of Directors established a Remuneration Committee in March 2004. For the 2006 financial year, this Committee has comprised the Chairman of the Board, Sven Hagströmer, and Anders Elsell and Jaqueline Winberg, both Members of the Board. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles governing remuneration, including performance-based remuneration for the company’s senior executives. Issues relating to the Managing Director’s terms of employment, remuneration and benefits are prepared by the Remuneration Committee and decided by the Board.

The pay structure for the Managing Director comprises a fixed portion and a variable portion. The variable portion, which is reviewed annually, is dependent on the company and the Managing Director achieving the goals set for the company.

### **Audit Committee**

The Code requires the Board to establish an Audit Committee consisting of at least three Directors. The majority of the Audit Committee members should be independent of the

company and senior management. At least one member of the committee shall be independent of the company's major shareholders. According to the Code in a company with a small Board, the entire Board can fulfil the tasks of the Audit Committee, provided that any Board Member who is a member of the senior management does not participate in this work. The Board of Directors of Avanza had previously not chosen to establish an Audit Committee, as the Board is of the opinion that this type of issue is best addressed, in a company of Avanza's size, by the entire Board of Directors. However, the 2006 Annual General Meeting resolved that a member of the company's Board shall participate when the senior management of the company has reporting meetings with the company's auditor. The Board has appointed Board Member Anders Elsell to be present at such reporting meetings. During 2006, the Board did not find cause to exclude the company's Managing Director from meetings in which the Board carried out the assignments which are incumbent on an Audit Committee.

The Board has ongoing contact with the company's auditors in order to familiarise itself with the scope of the audit and to discuss views of the company's risks.

### **External auditors**

Avanza's auditors are elected by the Annual General Meeting for a period of four years. The current period began in March 2003 and therefore there will be a new election of auditor in conjunction with the 2007 Annual General Meeting. Avanza's auditors are KPMG Bohlins AB and the principal auditor for Avanza's accounts is Anders Bäckström. The auditors audit the Board's and the Managing Director's administration of the company and the quality of the company's accounting documents.

The auditors report the results of their audit to the shareholders in the form of the Auditors' Report, which is presented at the Annual General Meeting. The auditors also submit detailed accounts to the Board at least twice a year, or as necessary.

### *Internal audits*

The independent audit is commissioned by the Board of Directors to evaluate and audit the company's compliance with the general guidelines of the Swedish Financial Supervisory Authority regarding the governance and control of financial companies (FFFS 2005:1). This independent audit is carried out by external consultants directly commissioned by the Board of Directors.

The 2006 independent audit focused on Försäkringsaktiebolaget Avanza Pension, in which the goals of the audit were to ensure high security in the handling of insurance, and to ensure that the insurance system can produce necessary information for the legal reporting. Additionally, the compliance function within the Group was audited. The risk levels of the most important activities have been assessed to be within the respective

audited areas. The risk levels within each area have been adjudged to be low or slightly raised.

### **The Managing Director and the Group management**

The Managing Director manages the operations in accordance with the rules of procedure between the Managing Director and the Board of Directors, and the Board's instructions. The Managing Director is responsible for keeping the Board informed and for ensuring that the Board has, as far as possible, the necessary and comprehensive basis it requires for decision-making. The Managing Director is a Member of the Board. The Managing Director also maintains an ongoing dialogue with the Chairman of the Board with regard to the Group's performance.

The Managing Director and other members of the Group management hold formal meetings once a month, together with a number of informal meetings, to review the previous month's results and to discuss strategic issues. Avanza's Group management has, during the greater part of 2006, consisted of 7 persons, of whom 3 were women. As from the end of 2006, Avanza's Group management comprises 6 persons, of whom 2 are women.

The Avanza Group comprises the parent company, Avanza AB, and a number of subsidiaries which are listed in Note 28 of the Annual Report. All operational subsidiaries report directly to the Managing Director. Reporting is made continuously on a monthly basis. The Members of the subsidiaries' Boards are, preferably, members of Avanza's corporate management.

The 2006 Annual General Meeting determined that fees for the Group management shall consist of a fixed portion and a flexible portion. The flexible portion is available for performance which is in excess of that which is normally expected. Persons who are included in the Group management have been allocated warrants in accordance with the warrant programme which was decided upon at the company meeting of 4th July 2005. The warrants are issued on market terms. Total compensation for persons in the Group management shall be on market terms.

### **Internal control**

The Board of Directors is responsible for ensuring the existence of an efficient system for internal control and risk management. Responsibility for generating good conditions for working with these issues is delegated to the Managing Director. Both the Group management and managers at various levels within the company are assigned this responsibility within their respective areas. Authority and responsibilities are defined in policies, guidelines, descriptions of responsibilities, and authorisation rights instructions.

# The Board's report on internal control as regards financial reporting

This report has been prepared in accordance with sections 3.7.2 and 3.7.3 of the Swedish Code for Corporate Governance (the Code), and Instruction 1-2006 of the Swedish Corporate Governance Board. The report constitutes part of the Corporate Governance Report, which shall be appended to the company's Annual Report according to section 5.1 of the Code.

## **The way in which internal control regarding financial reporting is organised**

Internal control as regards financial reporting is a process which is formulated in order to give reasonable security as regards the reliability of the external financial reporting, and the extent to which the financial reporting is produced in conformity with good accounting practice, applicable laws and regulations, and other requirements as regards a listed company.

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

## **Control environment**

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

The basis of internal control as regards financial reporting consists of a control environment with organisation, decision routes, authority and responsibility which is documented and communicated in steering documents such as internal policies, guidelines and instructions, and job descriptions of controlling functions. As examples, the following can be mentioned: the work assignments of the Board and Managing Director; instructions regarding Risk Management and Compliance, instructions regarding internal control and reporting, information policy, credit instructions, and attestation instructions.

### **Risk assessment**

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

### **Control activities**

Control activities cover both general and detailed controls, intended to prevent, discover and correct faults and deviations. Control activities are worked out and documented at company and departmental level. The respective department manager within Avanza is the person who is primarily responsible for managing the risks which are connected to his or her own department's operations and financial reporting processes. Risk management constitutes ongoing controls to ensure that this risk management functions.

### **Information and communication**

The company has information and communication routes intended to promote full coverage and correctness of the financial reporting, for example, through steering documents in the form of internal policies, guidelines and instructions as regards financial reporting being made available and known to the persons affected via Avanza's Intranet. Internal rules and regulations regarding policies, guidelines and instructions constitute the most important tool for giving information and instructions in order to secure financial reporting. Together with this, a standardised reporting package is used for all departments in order to ensure consistent application of Avanza's principles and coordinated financial reporting.

### **Following up**

At the end of 2006, Avanza established an internal management organisation, consisting of representatives of Finance, Risk Management, Compliance and Back Office, in order to ensure monitoring of the quality of the financial reporting, efficiency of the control structure, and conformity with steering documents in the form of internal policies, guidelines and instructions.

The Board receives monthly financial reports, and at each Board Meeting is informed regarding the company's and Group's financial situation. Prior to each Board Meeting, the Board receives a report from Risk Management and Compliance. All these reports are based on an evaluation of the activities and reporting covers the entire organisation.

Internal control as regards financial reporting is included as one of many processes in the evaluation of operations.

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

### **Evaluation and position regarding internal audits**

Avanza has chosen not to establish an internal audit. Instead, an independent review function evaluates and reviews that the company follows the general advice (FFFS 2005:1) of Finansinspektionen (the Swedish Financial Supervisory Authority) regarding management and control of financial companies, at the behest of the Board. This independent review is carried out by external consultants at the direct request of the Board, and the object of the Board's decision in using external auditors instead of establishing an internal audit within the company is to ensure quality and independence of evaluation and review.



# Articles of Association of Avanza AB

Corporate ID No. 556274-8458

Adopted at the General Meeting held on 5th April 2006.

## **§ 1 The name of the company**

The name of the company is Avanza AB. The company is a public company (publ.).

## **§ 2 Registered office**

The registered office of the company shall be in Stockholm.

## **§ 3 Operations**

The object of the company's operations shall be to own and manage shares and participations in companies engaged in financial operations, such as securities operations, banking operations or mutual fund operations, and to engage in any and all activities compatible therewith.

The company shall also be entitled to issue guarantees, guarantee commitments and other sureties to secure Group companies' undertakings to third parties. The company shall, furthermore, be entitled to issue guarantees to third parties if such guarantees are necessitated by operations conducted by Group companies.

## **§ 4 Share capital**

The company's share capital shall comprise a minimum of SEK 30,000,000 and a maximum of SEK 120,000,000.

## **§ 5 Shares**

The number of shares shall be not less than 12,000,000 and a maximum of 48,000,000.

Shares may be issued in two classes: ordinary shares and subordinated shares, also referred to as class C shares. Ordinary shares may be issued in a number not exceeding 48,000,000 and subordinated shares in a number not exceeding 10,000,000. Each ordinary share shall entitle the holder to one vote and each subordinated share shall entitle the holder to one tenth of a vote.

Subordinated shares shall not entitle the holder to dividends. In the event of the dissolution of the company, subordinated shares shall entitle the holders to a share in the

assets that is equal to those of the other shareholders, although the amount shall not exceed the nominal value of the share on the day of dissolution, plus an interest factor corresponding to STIBOR 180 days plus three percentage points. The interest factor shall be determined every year both six months and twelve months after the day when calculation commenced (or if this day is not a banking day, on the banking day immediately preceding it). Calculation shall begin on the day when payment was made for the subordinated shares.

If the company adopts a resolution in respect of a cash or set-off issue, of new ordinary shares and subordinated shares, holders of ordinary shares and subordinated shares shall have preferential rights to subscribe for new shares of the same class in relation to the number already held (primary preferential rights). Shares not subscribed for pursuant to primary preferential rights shall be offered for subscription to all shareholders (secondary preferential rights). Where shares offered in this manner are insufficient to meet the demand for subscription pursuant to secondary preferential rights, the shares shall be allotted between the subscribers in relation to the number of shares already held. If this cannot be done, the shares shall be allotted through the drawing of lots.

If the company adopts a resolution concerning a cash or set-off issue, of ordinary shares or subordinated shares only, all shareholders shall have preferential right to subscribe for new shares in proportion to the number of shares already held, irrespective of whether such shares are ordinary shares or subordinated shares.

Subordinated shares shall not entitle their holder to participate in bonus issues.

The above provisions shall not entail any restriction on the possibility of adopting resolutions in respect of cash issues, or set-off issues, performed by way of derogation from shareholders' preferential rights.

That which is stipulated regarding preferential rights in this clause shall also apply as regards any new share issue of warrants and convertibles.

## **§ 6 The Board of Directors**

The Board of Directors shall consist of a minimum of five and a maximum of eight Members, and shall be elected by the Annual General Meeting.

## **§ 7 Auditors**

One or two auditors, and a maximum of two deputy auditors, or a registered accounting firm, shall be appointed by the Annual General Meeting of shareholders in the company.

## **§ 8 Notice to attend General Meetings**

Notices to attend General Meetings shall be published in Post- och Inrikes Tidningar (the Official Swedish Gazette) and in Svenska Dagbladet.

## **§ 9 Applications to attend General Meetings**

In order to participate at a General Meeting of shareholders in the company, shareholders shall be included in a printout or other reproduction of the entire shareholders' register as it applies five weekdays prior to such a Meeting, and shall notify the company, no later than 16.00 CET on the day stipulated in the Notice to attend the Meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall fewer than five weekdays before the Meeting.

Shareholders may be accompanied at General Meetings by one or two assistants, but only if the shareholder has notified the company of the number of assistants in the manner specified in the preceding paragraph.

## **§ 10 Annual General Meeting**

The following items shall be on the agenda of matters to be addressed at the Annual General Meeting:

1. Election of a Chairman of the Meeting
2. Preparation and approval of the register of voters
3. Approval of the Agenda
4. Election of one or two persons to check the Minutes
5. Determination of whether the Meeting has been duly convened
6. Presentation of the Annual Report and the auditors' report and, where applicable, of the consolidated accounts and the consolidated auditors' report
7. Resolutions regarding
  - a) the adoption of the Income Statement and the Balance Sheet and, where applicable, of the Consolidated Income Statement and the Consolidated Balance Sheet
  - b) the appropriation of the company's profit or loss in accordance with the Balance Sheet adopted
  - c) discharge from liability for Members of the Board and the Managing Director
8. Resolutions regarding the number of Members of the Board
9. Determination of fees to the Board of Directors
10. Where applicable, determination of auditors' fees
11. Election of the Board of Directors
12. Where applicable, election of auditors
13. Other matters duly referred to the Annual General Meeting.

### **§ 11 Financial year**

The company's financial year shall be the calendar year.

### **§ 12 Record date provision**

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Act (1998:1479) regarding Account Management of Securities.



**Jacqueline Winberg, Andreas Rosenlew, Mikael Nachemson, Anders Ellsäll, Sven Hagströmer, Nicklas Storåkers, Jeanette Almberg and Johan Brenner.**

## The Board of Directors

### **Chairman of the Board**

*Sven Hagströmer*, born in 1943.

Elected: 1997.

Chairman of the Board of Investment AB Öresund and eWork Scandinavia AB.

Member of the Boards of Bilja AB and Skanditek Industriförvaltning AB.

Holdings on 31 Dec. 2006 (including family and company): Shares: 2,017,670.

### **Members of the Board**

*Jeanette Almberg*, born in 1965.

Elected: 2006.

Novare Act, Senior Konsult

Business & Leadership Development.

Holdings on 31 Dec. 2006: Shares: 1,500.

*Johan Brenner*, born in 1961.

Elected: 2002.

General Partner Benchmark Capital.

Member of the Boards of Redeye AB,

Gourmondo GmbH, Zopa Holding Ltd,

Dropshop GmbH, Sulake Corporation OY,

Rebtel Networks AB and Igglo Oy.

Holdings on 31 Dec. 2006: Shares: 68,000.

*Anders Ellsäll*, born in 1957.

Elected: 2001.

Finansanalytiker Investment AB Öresund.

Holdings on 31 Dec. 2006

(including family): Shares: 392,400.

*Mikael Nachemson*, born in 1959.

Elected: 2002.

Managing Director of Bure Equity AB.

Member of the Boards of Framtidsgymnasiet

i Göteborg AB, IT Gymnasiet Sverige AB,

Mercuri International Group AB and Vittra AB.

Holdings on 31 Dec. 2006: Shares: 5,000.

*Andreas Rosenlew*, born in 1962.

Elected: 2005.

Managing Partner and Chairman of the Board of

Grow Partners AB. Member of the Board of

Innograf OY.

Holdings on 31 Dec. 2006: Shares: 3,600 Shares.

*Nicklas Storåkers*, born in 1974.

Managing Director.

Elected: 2000.

Chairman of the Board of Jajja Communications

AB. Member of the Boards of Addicom AB,

Insplanet AB and Svenska Fondhandlare-

föreningen.

Holdings on 31 Dec. 2006

(including family): Shares: 386,500.

Warrants: equivalent to 23,500 shares.

*Jacqueline Winberg*, born in 1959.

Elected: 2003.

Partner Stanton Chase International.

Holdings on 31 Dec. 2006: Shares: 1,900.



**Ronnie Bodinger, Claes Hemberg, Nicklas Storåkers, Anna Frölander, Susan Lindkvist and Henrik Källén.**

## Management

*Ronnie Bodinger*, born in 1973.

Employed 1999.

IT Manager.

Holdings on 31 Dec. 2006: Shares: 17 500.

Warrants: equivalent to 66,160 Shares.

*Anna Frölander*, born in 1975.

Employed 2005.

Marketing and Sales Manager.

Holdings on 31 Dec. 2006: Shares: 0.

Warrants: equivalent to 6,590 Shares.

*Claes Hemberg*, born in 1968.

Employed 2000.

Head of Information.

Holdings on 31 Dec. 2006: Shares: 61,600.

Warrants: equivalent to 80,000 Shares.

*Henrik Källén*, born in 1968.

Employed 2000.

Managing Director of Försäkringsaktiebolaget

Avanza Pension.

Holdings on 31 Dec. 2006: Shares: 15,000.

Warrants: equivalent to 55,070 Shares.

*Susan Lindkvist*, born in 1960.

Employed 1999.

Chief Financial Officer.

Holdings on 31 Dec. 2006: Shares: 38,000.

Warrants: equivalent to 65,000 Shares.

*Nicklas Storåkers*, born in 1974.

Employed 1999.

Managing Director.

Holdings on 31 Dec. 2006 (including family):

Shares: 386,500.

Warrants: equivalent to 23,500 Shares.

## Auditors

KPMG Bohlins AB

Principal auditor:

*Anders Bäckström*, born in 1966.

Authorised Public Accountant.

# Annual General Meeting

Avanza's Annual General Meeting of the shareholders will be held in the Auditoriet auditorium, Moderna Museet, Stockholm, on Thursday, 22nd March 2007 at 15.00 CET.

## **The right to attend the Annual General Meeting**

Shareholders have the right to attend the Annual General Meeting if they:

- are entered in the shareholders' register no later than Friday, 16th March 2007.
- have submitted notice of their intention to participate at the Annual General Meeting to Avanza no later than 16.00 CET on Monday, 19th March 2007.

## **How to register as a shareholder**

Avanza's shareholders' register is maintained by Värdepapperscentralen VPC AB. Only owner-registered holdings are listed in the shareholder's own name in the shareholders' register.

In order for shareholders with nominee-registered shares to be entitled to participate in the Annual General Meeting, the shares must be registered in the shareholder's own name by 16th March 2007.

The nominee can assist with re-registration.

## **How to submit an application**

Applications to participate at the Annual General Meeting can be submitted by telephone on 08-562 250 02 or e-mail at: [arsstamma@avanza.se](mailto:arsstamma@avanza.se).

# Financial calendar

Annual General Meeting	22nd March 2007
Interim report, January–March 2007	18th April 2007
Interim report, January–June 2007	11th July 2007
Interim report, January–September 2007	16th October 2007







## Avanza in brief

Avanza is the Savers' Bank. The business concept and most important task is to help Swedish private investors to do better business. The goal is for Avanza's customers to have more over for themselves than anywhere else. Avanza offers a complete offering of savings services with share-based, mutual fund, and pension savings. This enables customers to have a good overview and control of their entire savings with Avanza. Avanza offers the lowest charges for all products in the market.

Avanza is the leading contender in the Swedish savings market. Our goal is to increase market share to a minimum of 2 per cent by 2008. During 2006, net deposits amounted to SEK 6,030 million, and the number of customers increased by 22.8 per cent.

Operating income increased during 2006 by 59.5 per cent to SEK 454.7 million, and the total value of custodian accounts at the end of the year was SEK 43,200 million. Avanza reported a profit for 2006 of SEK 188.0 million, corresponding to SEK 6.85 per share. The company had a total of 157 employees at the end of the year.

The Avanza share is quoted on the Stockholm Stock Exchange, and the company's biggest single owner is Investment AB Öresund.



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