



Preliminary financial statement 2005

- Operating income increased by 35.4% (40.4%) to SEK 285.1 million (SEK 210.5 m).
- The profit after tax was SEK 105.9 million (SEK 74.3 m).
- Earnings per share totalled SEK 3.88 (SEK 2.79).
- Net deposits totalled SEK 5,660 million (SEK 3,300 m), corresponding to 34.9% (30.0%) of the total value of custodian accounts at the beginning of the year.
- The Board of Directors proposes that a dividend of SEK 2.00 (SEK 1.50) per share be paid.

Comments from the Managing Director

“The advantages Avanza offers have now seriously reached the colossal pensions savings market. The increased interest has its roots in a stable rise in stock market prices and a rapidly growing understanding of the significance of charges. During the fourth quarter, Avanza’s “Double your pension” offer helped bring about an increase of over 100% in pension savings with Avanza to almost SEK 2,500 million.”

“Overall growth has also been very strong - Avanza gained more new custodian account customers in Q4 2005 than in the whole of 2004. The impending launch of occupational pension products in early 2006 will enable Avanza to offer a comprehensive range of savings products, and we believe, therefore, that the potential for growth next year is very good indeed.”

“Avanza Private Banking has also continued to provide pleasant surprises. The new capital pension savings format, in particular, has persuaded a number of wealthy individuals to move their money,” says Nicklas Storåkers, Managing Director of Avanza.

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

Business performance

Avanza reported strong growth during the fourth quarter. The growth was due to an underlying trend whereby more and more people are transferring their savings to internet-based services and to a positive stock market climate, coupled with significant marketing and sales activities. Avanza also substantially increased its market shares, further confirming its position as the leading contender in the Swedish savings market. In terms of the number of transactions, Avanza was the biggest member, overall, of the Stockholm Stock Exchange in 2005.

Net deposits increased by 71.5% (98.8%) to SEK 5,660 million (SEK 3,300 m) in 2005. Net deposits in the fourth quarter totalled SEK 2,060 million (SEK 1,200 m), corresponding to an increase of 71.7% (81.8%). Net deposits were strong in all customer groups; Avanza, Avanza Private Banking, Avanza PRO and Aktiespar.se. Interest in investments in Avanza’s pension products was particularly marked. Total net deposits correspond to 34.9% (30.0%) of the total value of custodian accounts at the beginning of the year.

The high level of demand for cost-effective pension savings products saw the custodian account value of Avanza’s pension products increase by 106% during the fourth quarter alone. Seasonal variations mean that demand for these products is strongest during the fourth quarter. On 31st December 2005, the value of custodian accounts invested in pension products was SEK 2,470 million (SEK 380 m).

Avanza already offered individual pension savings (IPS), capital pensions and capital assurance, and November saw the product range augmented with the launch of private pension insurance. The products are marketed under the “Double your pension” offer, because with the market’s lowest charges, the returns that Avanza can offer its customers long-term are twice those of many of the market’s established alternatives. Avanza also intends to launch occupational pension insurance during the first quarter of 2006.

The increase in the value of the average Avanza portfolio in 2005 was 42.0% (16.4%), compared with the increase of 32.6% (17.6%) reported by the Stockholm Stock Exchange's All Share index. The steep increase in the value of custodian account customers' holdings was due to, amongst other things, a relatively high level of exposure to growth markets, telecoms and the oil industry.

The total value of custodian accounts increased by 84.0% (47.3%) to SEK 29,800 million, as of 31st December 2005 (SEK 16,200 m as of 31st December 2004). Demand remained very strong within Avanza Private Banking throughout the year, and the total value of custodian accounts increased by 255% to SEK 6,810 million in 2005 (SEK 1,920 m as of 31st December 2004). Aktiespar.se has gained 3,390 custodian account customers with a custodian account value of SEK 350 million since its launch in March 2005.

Avanza's IT development work is focusing on building up an insurance system within Avanza Pension, together with a range of other new projects, and on the further development of the capacity of the IT systems. Efforts to improve quality have resulted in the operational availability of Avanza's web service achieving 100.0% during the autumn.

On 6th December 2005, Avanza was licensed to conduct banking operations. This gives Avanza greater flexibility to conduct its current operations and to develop new products and services. Avanza Fondkommission AB is consequently changing its trading name to Bankaktiebolaget Avanza.

On 7th December 2005, Avanza Fonder AB submitted an application to the Swedish Financial Supervisory Authority to conduct investment fund operations. The operations are scheduled to be up and running before the end of June.

The total number of custodian account customers increased by 17.9% (9.0%) during 2005 to 105,900 (89,800 as of 31st December 2004). The inflow of customers was very strong during the fourth quarter, with a net increase in customer numbers of 7,400 (3,300).

Avanza's custodian account customers averaged 1.57 (1.28) commission notes per month in 2005, corresponding to an increase in activity of 22.7% (30.6) in comparison with last year. Trading increased during the fourth quarter to 1.79 (1.21) commission notes per customer per month, corresponding to an increase of 47.9% (-4.0) in comparison with the same period last year. The increased activity during the fourth quarter was mainly due to the positive performance by the stock market. The average brokerage fee per commission note for custodian account customers in 2005 was SEK 94 (SEK 103). Operating income per custodian account customer totalled SEK 3,000 (SEK 2,400) in 2005.

Borrowing, including client funds, increased, as of 31st December 2005, to SEK 3,526 million (SEK 1,766 m as of 31st December 2004). The increase in borrowing is largely due to the underlying growth in the total value of custodian accounts. Lending increased by 86.5% to SEK 2,052 million (SEK 1,100 m as of 31st December 2004). Borrowing and lending corresponded to 11.8% (10.9% as of 31st December 2004) and 6.9% (6.8% as of 31st December 2004), respectively, of the total custodian account value.

Avanza's market share of the Stockholm Stock Exchange in 2005 totalled 9.5% (8.5%) of the number of transactions and 2.0% (1.7%) of turnover. Measured in terms of the number of transactions, therefore, Avanza was the biggest member overall of the Stockholm Stock Exchange.

Financial results and status

All comparative figures for 2004 have been recalculated in accordance with International Financial Reporting Standards (IFRS).

Operating income increased by 35.4% (40.4%) to SEK 285.1 million (SEK 210.5 m) in 2005. Operating income totalled 1.27% (1.51%) of the value of custodian accounts during the year, and increased by 52.3% (18.1%) to SEK 83.6 million (SEK 54.9 m) during the fourth quarter. This fourth quarter increase is due to higher levels of customer activity and underlying growth. Net interest items totalled SEK 81.7 million (SEK 60.4 m) in 2005, corresponding to an increase of 35.3% (32.7%) in comparison with last year. Higher volumes have compensated for lower interest margins.

Brokerage income, less deductions for direct costs, comprised 54% (58%) of the total operating income in 2005, whilst non-brokerage income (net interest items, custodian account fees and other income) comprised the remaining 46% (42%). Brokerage income from institutional customers totalled 4.1% (4.0%) of the total brokerage income.

Non-brokerage income totalled 94% (80%) of operating expenses in 2005, and Avanza consequently exceeded its goal for non-brokerage income to comprise a minimum of 80-90% of operating expenses during the past year. Non-brokerage income during the fourth quarter comprised 97% (76%) of operating expenses. The increase in non-brokerage income is primarily due to rising volumes of borrowing and lending.

Operating expenses totalled SEK 138.4 million (SEK 109.3 m) in 2005, corresponding to an increase of 26.6% (20.4%) over 2004. The majority of the increase in costs was due to higher staffing levels and augmented marketing and sales activities. Operating expenses totalled SEK 39.0 million (SEK 32.4 m) during the fourth quarter. Marketing costs increased to SEK 19.4 million (SEK 10.1 m) in 2005, of which SEK 8.6 million (SEK 5.9 m) was expended during the fourth quarter.

The number of full-time positions (excluding employees on leaves of absence or parental leave) totalled 94 at the end of December (73 as of 31st December 2004). The workforce has increased as a result of the vigorous growth and the launch of new products and services. Avanza will continue to recruit in early 2006 with the aim of strengthening the organisation and attracting new skills.

The result before tax for 2005 was SEK 146.7 million (SEK 101.2 m), yielding an operating margin of 51.5% (48.1%). The tax cost totalled SEK 40.8 million (SEK 26.9 m), of which tax paid comprised SEK 9.9 million (SEK 0.4 m). The remaining tax cost refers to the utilisation of deficit deductions booked as assets in the previous year's Balance Sheet.

The result after tax for 2005 was SEK 105.9 million (SEK 74.3 m). Earnings per share totalled SEK 3.88 (SEK 2.79). The return on equity for 2005 was 35.3% (30.2%).

Depreciation of tangible and intangible assets totalled SEK 6.4 million (SEK 4.4 m), and investments during the year totalled SEK 5.0 million (SEK 5.7 m).

Shareholders' equity totalled SEK 353.7 million as of 31st December 2005 (SEK 275.8 m as of 31st December 2004), or SEK 12.88 per share (SEK 10.36), and the capital adequacy ratio was 11.1% (14.2%). As of 31st December 2005, Avanza reported SEK 10.8 million in deferred tax receivables (SEK 45.4 m as of 31st December 2004). The Group's liquid assets totalled SEK 802.9 million (SEK 489.8 m as of 31st December 2004).

Outlook for the future

The savings market in Sweden is worth in excess of SEK 3,000 billion, 55% of which comprises direct savings, with the remaining 45% comprising pensions savings. With a custodian account value of approximately SEK 30 billion, Avanza has a market share of 1%.

The preconditions for continued vigorous growth in internet-based savings are judged to be very favourable, with an increasing number of Swedes seeing the advantages of lower prices and control over their savings that the internet offers. The trend whereby private individuals move their savings over to the internet is consequently constantly being reinforced. Avanza is convinced that over 50% of all savings will, in the long-term, be made using the internet.

Avanza currently has the market's lowest prices, coupled with the widest range of savings services - share trading, a broad range of mutual funds and pension savings. The launch of the occupational pension products in early 2006 will enable the customers to bring all of their savings under Avanza's umbrella. The combination of the market's cheapest savings products and the wide range of investment opportunities ensures that Avanza has an extremely competitive offering.

Overall, and thanks to its position as the leading contender in the Swedish savings market, Avanza has excellent potential for growth. The company's goal is, therefore, to more than double its market share to over 2% of the Swedish savings market within the next three years.

A number of new products, including occupational pension saving, will be launched in 2006, and are expected to provide a further boost to Avanza's potential for growth. Avanza will increase its investments in marketing and sales in conjunction with these launches.

Avanza's goal is to double its 2005 income by 2008. This corresponds to an annual growth in income of 20-30% over the next three years. The growth goal for operating income is based on an underlying growth in custodian account value, because there is, in the long-term, a clear link between custodian account value and growth in operating income. At the same time, pricing pressure is expected to continue, which will have a negative effect on the rate of growth.

Annual net deposit growth is estimated at 25-30% of the custodian account value at the beginning of the year. In 2005, net deposit growth totalled 35% and was attributable both to an 18% increase in the number of custodian account customers and to existing customers moving and ever-increasing share of their savings to Avanza.

Value should normally grow by between 5 and 7% per annum, taking into account the custodian account customers' distribution of shares and interest-bearing assets. In 2005, value growth levels were very high at 42%.

The annual pricing pressure (defined as operating income in relation to total value of custodian accounts) is estimated at between 5 and 10%. In 2005, Avanza removed the fixed fees for pension saving and abolished the minimum brokerage fee for Aktiespar.se, amongst other things. The pricing pressure in 2005 was 16%.

The growth targets for operating income can be summarised as follows:

	Annual growth
Net deposits, new and existing custodian account customers	25-30%
<u>Normal value growth</u>	<u>5-7%</u>
Custodian account value, growth (ca)	30-40%
<u>Estimated pricing pressure</u>	<u>(5-10%)</u>
Growth in income (ca)	20-30%

The biggest threat to continued strong growth lies in a long-term negative stock market trend which would reduce levels of interest in savings. This direct reliance on the stock market is, however, being reduced by the increasing level of savings in mutual funds and pensions.

Avanza's business model means that the majority of the costs comprise fixed costs. Marketing and sales costs are, however, primarily variable costs that depend on Avanza's assessment of the market climate.

The expansion of the product range planned by Avanza into, amongst other things, occupational pensions and its own mutual fund operations, will, however, entail higher fixed costs. The increase in costs is primarily due to higher staffing levels and higher system costs. Growth targets will also entail higher marketing and sales costs. All of these ventures are, however, based on current systems and organisations, and on high levels of cost-awareness within Avanza. Operating expenses are expected to increase by between 10 and 20% in 2006. Seasonal variations mean that operating costs are higher during the first and fourth quarters than during the other quarters.

The above should not, however, be regarded as an income or profit forecast for 2006, in that operations are dependent on stock market trends. The goal, however, is for non-brokerage income, i.e. operating income that is not directly market-dependent, to total at least 90-100% of operating expenses, thereby ensuring good earnings stability, even in a weaker market climate.

Other

Dividends

The Board of Directors proposes that a dividend of SEK 2.00 (SEK 1.50) per share be paid.

Annual General Meeting

The Annual General Meeting of the shareholders of the company will be held on 5th April 2006 at 3 p.m. (CET) in the Auditorium conference facility of the Museum of Modern Art in Stockholm. The Annual Report will be available from the company's offices and on the company's website, www.avanza.com, from 20th March, and will also be sent out to the shareholders.

Nomination Committee

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

Financial calendar

Annual Report	March 2006
Annual General Meeting	5 th April 2006
Interim Report, 1 st January - 31 st March	11 th April 2006
Interim Report, 1 st January - 30 th June	11 th July 2006
Interim Report, 1 st January - 30 th September	11 th October 2006

Stockholm, 19th January 2006

The Board of Directors

The Group's quarterly performance

SEK m	01-10-05 31-12-05	01-07-05 30-09-05	01-04-05 30-06-05	01-01-05 31-03-05	01-10-04 31-12-04	01-07-04 30-09-04	01-04-04 30-06-04	01-01-04 31-03-04
Operating income	83.6	74.2	66.2	61.1	54.9	40.5	49.6	65.5
Operating expenses	-39.0	-30.9	-35.0	-33.5	-32.4	-23.8	-25.3	-27.8
Pre-tax profit/loss	44.6	43.3	31.2	27.6	22.5	16.7	24.3	37.7
Custodian account value, SEK m	29,800	25,800	21,800	18,900	16,200	14,500	14,300	13,900
Operating income/custodian account value, %	0.30	0.31	0.33	0.35	0.36	0.29	0.35	0.51
Net deposits, SEK m	2,060	1,260	800	1,540	1,200	360	550	1,190
No. custodian account customers	105,900	98,500	94,700	93,000	89,800	86,500	85,700	85,800
No. commission notes per custodian account customer and month	1.79	1.69	1.41	1.38	1.21	0.88	1.11	1.93
No. transactions per commission note	1.71	1.68	1.62	1.65	1.71	1.69	1.55	1.56
Average no. employees	103	97	92	82	77	74	73	69

Key financial figures for the Group

	01-10-05 31-12-05	01-10-04 31-12-04	01-01-05 31-12-05	01-01-04 31-12-04
Earnings per share, SEK	1.18	0.59	3.88	2.79
Earnings per share after dilution, SEK	1.18	0.58	3.86	2.74
Operating margin %	53.3	41.0	51.5	48.1
Equity per share, SEK	12.88	10.36	12.88	10.36
Return on equity, %	9.6	5.9	35.3	30.2
Capital adequacy ratio, %	11.1	14.2	11.1	14.2
Average number of shares before dilution	27,465,674	26,622,874	27,297,114	26,622,874
Average number of shares after dilution	27,543,477	27,131,130	27,440,992	27,108,283
Outstanding number of shares before dilution	27,465,674	26,622,874	27,465,674	26,622,874
Outstanding number of shares after dilution	27,578,537	27,186,658	27,578,537	27,186,658
Number of shares on full dilution	27,889,874	27,465,674	27,889,874	27,465,674

Definitions

Earnings per share

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

Operating margin

Operating profit/loss in relation to operating income.

Equity per share

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

Return on equity

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

Capital adequacy ratio

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

Custodian account customer

An account opened with holdings.

Transactions

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

Commission note

Daily compilation of the buying and selling assignments completed by a customer and involving a specific security. A commission note may include one or more transactions. Brokerage fees are charged on the basis of the commission notes.

Operating income/custodian account value

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

Consolidated Income Statement (SEK million)

	01-10-05 31-12-05	01-10-04 31-12-04	01-01-05 31-12-05	01-01-04 31-12-04
Operating income				
Commission income	70.0	44.9	236.0	176.2
Commission expenses	-10.7	-7.0	-35.4	-28.4
Interest income	26.5	18.3	93.0	68.6
Interest expenses	-2.8	-2.7	-11.3	-8.2
Net result of financial transactions	0.1	0.3	0.3	0.8
Other operating income	0.5	1.1	2.5	1.5
Total operating income	83.6	54.9	285.1	210.5
Operating expenses				
General administrative costs	-28.3	-22.3	-106.4	-88.9
Depreciation of tangible and intangible fixed assets	-1.8	-1.4	-6.4	-4.4
Other operating expenses	-9.0	-8.7	-25.7	-16.0
Net credit losses	0.1	0.0	0.1	0.0
Total operating expenses	-39.0	-32.4	-138.4	-109.3
Operating profit/loss	44.6	22.5	146.7	101.2
Taxes	-12.2	-6.8	-40.8	-26.9
Net profit/loss for the year	32.4	15.7	105.9	74.3
of which minority holding	-	0.0	-	0.2
Earnings per share, SEK	1.18	0.59	3.88	2.79
Earnings per share after dilution, SEK	1.18	0.58	3.86	2.74

Consolidated Balance Sheet (SEK million)

		31 st Dec. 2005	31 st Dec. 2004
Assets			
Loans to credit institutions		802.9	489.8
Loans to the public	Note 1	2 052.4	1 100.0
Shares and participations		0.6	0.2
Assets in the assurance operations		1 553.8	-
Intangible fixed assets		25.0	26.7
Tangible assets		7.2	6.9
Other assets	Note 2	52.0	78.0
Prepaid costs and accrued income		10.8	5.8
Total assets		4 504.7	1 707.4
Liabilities and shareholders' equity			
Lending and borrowing from the public	Note 3	2 287.0	1 357.8
Liabilities in the assurance operations		1 553.8	-
Other liabilities		294.4	62.6
Accrued costs and prepaid income		15.8	11.2
Shareholders' equity		353.7	275.8
Total liabilities and shareholders' equity		4 504.7	1 707.4

Changes in the Group's shareholders' equity (SEK million)

	01-01-2005 31-12-2005	01-01-2004 31-12-2004
Shareholders' equity as per Balance Sheet adopted	267.0	228.3
Effect of conversion to IFRS	8.8	-
Adjusted opening balance	275.8	228.3
New share issue	11.8	-
Dividend	-41.2	-26.6
Share warrants issue	1.4	-
Acquisitions from minority	-	-0.2
Net profit/loss for the year	105.9	74.3
Shareholders' equity at the end of the year	353.7	275.8

Consolidated Cashflow Statement (SEK million)

	01-01-2005 31-12-2005	01-01-2004 31-12-2004
Cashflow from current operations	153.1	105.1
Cashflow from assets and liabilities of current operations	192.9	-257.5
Cashflow from investment operations	-5.0	-8.6
Cashflow from financing operations	-27.9	-26.6
Cashflow for the year	313.1	-187.6
Liquid assets at the beginning of the year*	489.8	677.4
Liquid assets at the end of the year*	802.9	489.8

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

Accounting principles

Limited companies throughout the European Union are required, in accordance with the IAS Directive adopted by the EU in 2002, to apply international accounting standards, IFRS, in their consolidated accounts, as of 2005.

Avanza's Interim Report has consequently been compiled in accordance with the IFRS standards adopted by the EU and with the interpretations of applicable standards, IFRIC, adopted by the EU. This Report has been compiled in accordance with IAS 34, Interim Reporting, and with the Swedish Financial Supervisory Authority's regulations and the general guidelines regarding the Annual Reports of credit institutions and securities companies (FFFS 2004:20).

Avanza's Annual Report for the 2004 financial year presented a description of the accounting principles affected by the transition to IFRS. For a description of the accounting principles applied by Avanza in its Interim Reports for 2005, see Note 28, "Transition to International Financial Reporting Standard" of the 2004 Annual Report.

Notes

Note 1 – Loans to the public

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

Note 2 – Other assets

The Balance Sheet item, Other assets, comprises SEK 10.8 million (SEK 45.4 m) in deferred tax receivables.

Note 3 – Funds managed on behalf of third parties

In addition to the borrowing reported in the Balance Sheet, Avanza also has borrowing from third parties on client fund accounts totalling SEK 1,239.5 million (SEK 408.1 m), as of 31st December 2005.

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

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