

# Corporate governance report

A prerequisite for realising our vision of creating a better future for millions of people is that our stakeholders trust how we act and how we manage our business.

This corporate governance report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). Avanza Bank Holding AB (publ), hereafter "Avanza", does not deviate from the Code. As a publicly listed Swedish limited liability company, Avanza's operations are also governed by other laws and regulations, including the Swedish Companies Act, the Nasdaq rules for issuers and the International Financial Reporting Standards (IFRS).

Avanza is motivated by a desire to challenge accepted structures and create customer value through offers that are less expensive, better, and simpler than our competitors'. We inspire and educate our customers to be better informed and help them with their investment decisions. Our promise to customers is that they should get a better return on their savings with Avanza than with any other bank. In the long term, what we do for our stakeholders and the Swedish savings market will also benefit society as a whole.

The ability to achieve our vision and make long-term improvements in the savings market is built on the trust of our stakeholders. They include our customers, employees, owners, investors, partners, suppliers, government authorities and regulators, all of whom affect and are affected by our operations.

## A. Ownership and voting rights

The share capital consists of one class of shares, whereby all shares confer the same rights. There are no limitations on the right to transfer shares or how many votes a shareholder may cast. The share capital at the end of 2016 amounted to SEK 74,597,305, represented by 29,838,922 shares and votes. The ownership is presented on page 25 of the Annual Report for 2016. The largest shareholders, Creades AB and Sven Hagströmer with family and company, are represented on the Nomination Committee and thus in the nomination process for the election of Board members and the auditor, see the table below.

## B. Nomination process for election of Board members and auditor

The AGM 2016 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2017.

The names of the Nomination Committee members, as well as the shareholders they represent, were published on 21 September 2016, which was six (6) months prior to the AGM 2017. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. The appointment was based on ownership participations known immediately before the announcement, i.e. 31 August.

The Nomination Committee is mandated to serve until a new committee is appointed. The Chairman of the Committee is, in accordance with the nomination process, the member representing the largest shareholder, unless the Nomination Committee has agreed otherwise. If, after the publication of the Committee members, a shareholder represented on the Committee is no longer among the four largest shareholders, its representative is to vacate his or her seat in favour of the shareholder who has become one of the four largest. Marginal changes do not need to be considered. Shareholders appointing a representative to the Committee have the right to dismiss this representative and appoint a new representative in their stead. Any change in the composition of the Committee shall be published.

The Nomination Committee prepares proposals on the following issues for resolution at the AGM:

- Chairman of the Meeting
- Board of Directors and Chairman of the Board
- Board fees, distributed between the Chairman and other Board members, and any remuneration for committee work
- auditors and fees for the Company's auditors
- any changes in the Nomination Committee

### Composition of the Nomination Committee

Name	Representing	Holding 31-08-2016	Holding 31-12-2016
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	3,000,000 (10.1%)	3,040,000 (10.2%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	2,994,246 (10.0%)	2,999,246 (10.1%)
Sten Dybeck	Dybeck family and companies	1,283,579 (4.3%)	1,283,600 (4.3%)
Henrik Didner	Didner & Gerge Fonder	1,131,210 (3.8%)	804,339 (2.7%)

Although Committee members are not remunerated for their work, Avanza will fund reasonable costs deemed necessary for them to undertake their duties.

The Committee has agreed that Erik Törnberg, Creades AB, will remain in the position of Chairman of the Committee. The Nomination Committee's proposals, as well as a report on its work, are published in conjunction with the notice of the AGM. Shareholders may contact the Committee with proposed nominations. Such proposals may be sent by email to [valberedningen@avanza.se](mailto:valberedningen@avanza.se) or by post to:

Avanza Bank Holding AB  
F.A.O.: Valberedningen  
Box 1399  
111 93 Stockholm

The Nomination Committee held three recorded meetings during 2016, at which all members were present. The Nomination Committee also conducted an evaluation of the Board and its work, where the size and composition of the Board were evaluated with regard to industry experience and competence.

When preparing its proposal for Board fees, the Nomination Committee makes comparisons with companies operating in similar spheres and of a similar size and complexity. Emphasis is placed on the reasonability of the remuneration based on the responsibility and the work required and on the contribution the Board can make to the Company's value.

### C. Annual General Meeting (AGM)

Shareholders exercise influence over Avanza through active participation at the AGM, which is Avanza's most senior decision-making body. In accordance with the Articles of Association, the AGM elects the Company's Board members and appoints Avanza's auditors. In addition, decisions are made on the adoption of the income statement and balance sheet, consolidated income statement and consolidated balance sheet, dividends and other profit distributions, the discharge from liability of members of the Board and the CEO, finalisation of the nomination process, the guidelines for remuneration to senior management and other important issues.

The AGM is held in Stockholm during the spring and notice is issued no earlier than six weeks and no later than four weeks prior to the AGM.

In order to exercise their vote at the AGM, shareholders must be present at the meeting either in person or through a proxy. Furthermore, the shareholders must be registered in their own name in the share register on a specified date prior to the meeting and also have registered to attend the meeting in accordance with the notice.

Decisions at the meeting are normally made by a simple majority, i.e.

more than half of the total number of votes cast, unless the Swedish Companies Act specifies otherwise. Shareholders wishing to add a matter to the agenda at the AGM may submit a written request. Such requests must be received by the date indicated on Avanza's website, which for the AGM 2017 was 31 January 2017. Requests are to be sent to:

Avanza Bank Holding AB  
F.A.O: Bolagsjuridik  
Box 1399  
111 93 Stockholm

The date and time of the next AGM, and information on how the shareholders can exercise their right of initiative, are made available on the Company's website under the Corporate Governance section at the latest in conjunction with the publication date of the third interim report of the year preceding the AGM. Minutes and supporting documentation from previous AGMs are also available in the same section.

Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares request such a meeting.

At Avanza's AGM held on 5 April 2016, 248 shareholders were represented, corresponding to 55 per cent of the total number of shares and votes. The AGM was webcast live on Avanza's website. The Company's auditor and all Board members were present at the Meeting.

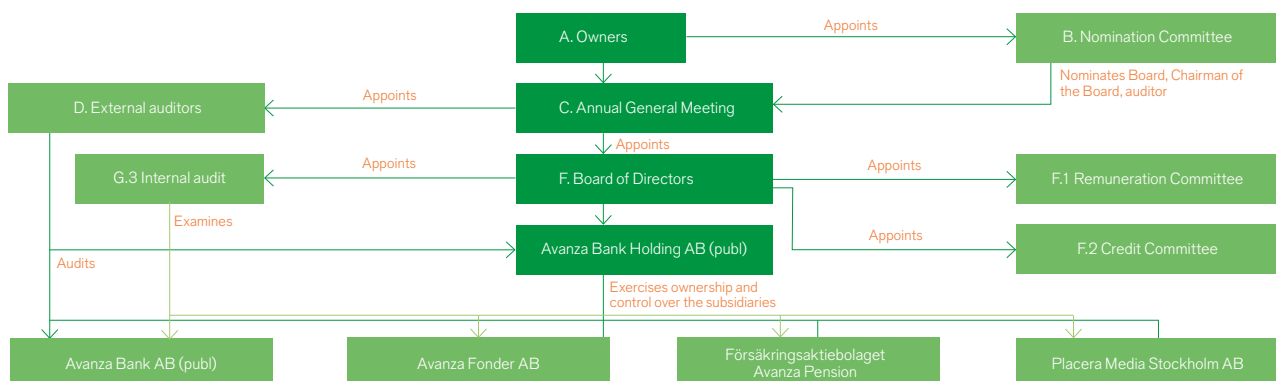
At the AGM 2016, the following resolutions were adopted:

- adoption of Avanza's income statement and balance sheet and the consolidated income statement and balance sheet
- appropriation of profit according to the adopted balance sheet
- discharge from liability for the Board and the CEO
- determination of the number of Board members
- determination of Board fees and auditor's fees
- election of the Board of Directors and Chairman of the Board and appointment of the auditor
- authorisation for the Board to acquire own shares
- determination of the nomination process
- establishment of guidelines for remuneration to Group Management

### D. External auditor

The external auditor is an independent reviewer of Avanza's financial statements and determines whether they in all material respects are correct and provide a fair presentation of the Company and its financial position and results.

At the AGM 2016, Öhrlings PricewaterhouseCoopers AB (PwC), with Catarina Ericsson as Auditor-in-Charge, was re-appointed auditor for the period until the AGM 2017.



The auditor presents at the AGM an audit report on Avanza's annual report and consolidated financial statements, the appropriation of the Company's profit or treatment of its loss, and the administration of the Board and the CEO, and offers an opinion on the corporate governance report. In addition, the auditor submits reports addressing ongoing management and internal control, in writing as well as orally to Avanza's Board, at least twice a year and delivers a report on their audit of the annual accounts and the annual report.

The audit is conducted in accordance with the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC).

The auditor's fees are charged on an on-account basis. In 2016, fees paid to PwC for auditing activities amounted to SEK 1,556k.

## E. Avanza Group

Avanza strives to ensure that it has a clear and transparent organisational structure.

Reporting from subsidiaries takes place on a monthly basis. The Boards of the subsidiaries consist of members of Group Management and Avanza's Board.

### CEO and Group Management

The CEO is responsible for the daily management of the company in accordance with the Swedish Companies Act and Avanza's instructions for the CEO, which is laid down by the Board. The CEO is responsible for keeping the Board informed of the operations and ensuring that the Board has the information the members need to undertake informed decisions. In addition, the CEO ensures that the Chairman is continuously kept abreast of the Group's development.

Avanza Group Management consisted at year-end 2016 of:

- Johan Prom, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Henrik Källén, COO and Deputy CEO of Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO
- Peter Strömberg, CIO
- Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension
- Peter Westling, Marketing Director
- Maria Christofi Johansson, Head of Customer Service
- Gustav Berggren, Head of the Private Bank

More information on Group Management is available on Avanza's website and on pages 44-45.

Group Management holds formal meetings every two weeks, as well as informal meetings when necessary. The meetings involve discussions regarding results and strategy, and priority discussions and status of major projects and initiatives as well as regular reports from Compliance and Risk Control.

### Suitability assessment

Avanza has internal guidelines on the suitability assessment of the CEO and other members of Group Management as well as the heads of control functions. Suitability assessments are made in conjunction with new appointments and regularly as required. The assessment

evaluates whether the person in question has adequate knowledge, insight, and experience and is suited to the role, as well as assessing any potential conflicts of interest. Background checks are conducted at least once a year.

### Remuneration to Group Management

Group Management's remuneration is to reflect each individual's experience, competence and performance. Remuneration comprises a fixed salary and a variable portion based on performance. The variable remuneration is based on a qualitative assessment of individual performance in relation to established individual targets and the Company's earnings. There will be an appropriate balance between the fixed salary and variable remuneration, and it will be possible to set the variable remuneration at SEK 0. Variable remuneration to members of Group Management may never exceed 100 per cent of their fixed salary for the same financial year.

Criteria which govern the potential for variable remuneration must not encourage irresponsible risk-taking or behaviour that may cause conflicts of interest in relation to customers, partners, other companies in the Group or other activities within Avanza.

Members of Group Management have acquired warrants, in accordance with prevailing market conditions, in the warrant programme that was decided upon at an Extraordinary General Meeting held on 13 June 2014.

Matters concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and decided on by the Board. Remuneration to other members of Group Management is determined by the Board, based on proposals from the Committee, following consultation with the CEO.

### Corporate culture and diversity

Avanza's corporate culture draws its energy from a vision to create a better future for millions of people. The basic assumption is that what we achieve should be meaningful and important. The climate is characterised by collaboration and humility, and to constantly challenge and think differently. Decision-making channels are short and there is room to grow.

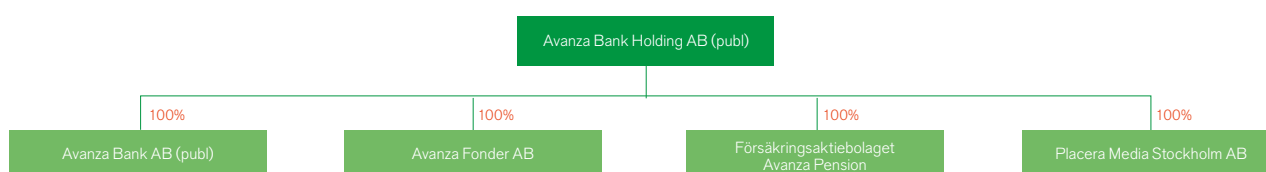
Avanza has a Group-wide diversity and equality policy. For us, diversity and equality mean capitalising on the knowledge, experiences and views of all our employees in order to enrich and influence every area of the Company. Avanza feels that groups of individuals with different experiences and perspectives are more effective and dynamic than those that are more alike. The policy also ensures that all employees are treated fairly and that there is no discrimination. Issues of equal treatment are monitored through employee surveys.

Occupational health and safety is a priority. Healthy employees produce a better, more effective organisation and higher profitability. The overarching goal of our occupational health and safety work is to create and maintain an environment where employees have an opportunity to thrive and meet their goals.

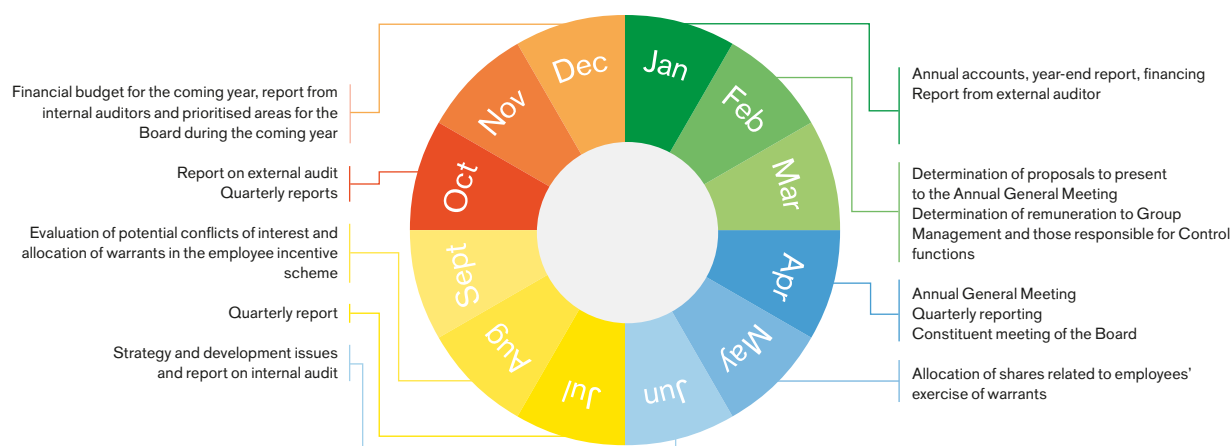
Avanza has an occupational health and safety committee that works with the overarching structure for systematic occupational health and safety work and issues of equal treatment.

Taken together, this produces higher quality and a positive working climate that strengthens Avanza.

## E. The Avanza Group



## Board meetings 2016



## F. Board of Directors

The Board of Directors sets forth the business framework, appoints the CEO and exercises control over the Company's management. The Board's duty is to manage the Group's affairs in the best interests of Avanza and its shareholders in order to create the best conditions for a sustainable business. The duties of the Board are governed by the Swedish Companies Act, the Code and the formal plan that the Board has established for its work.

Avanza's Board makes decisions on matters concerning the Group's strategic direction, major investments, organisational issues, acquisitions and divestments. Furthermore, the Board determines policies and guidelines, as well as the terms of reference for the CEO and for those responsible for Risk Control, Compliance, Internal Audit and the Actuarial function.

The Board shall consist of no fewer than five and no more than eight members. Avanza's Board of Directors in 2016 consisted of eight elected Board members and no deputies until the AGM, after which it consisted of seven elected members and no deputies. At the AGM 2016 all previous Board incumbents were re-elected, with the exception of Martin Tivéus, who declined re-election after stepping down as CEO during the year. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 6 April 2016. Information about the members of the Board can be found on Avanza's website and on pages 42-43.

### Diversity and suitability

A policy is in place to ensure diversity on the Board, along with guidelines for suitability assessment of Board members. The aim of the diversity policy is to produce a Board of varying educational and professional backgrounds and with differing characteristics, all contributing to an independent, critical and inquisitive Board. The Board shall also consist of members of varying age with an equal gender distribution.

The guidelines stipulate how Avanza evaluates the suitability of appointees for their assignments while at the same time assessing conflicts of interest. The Board's composition shall contribute to understanding relevant regulations and be capable of identifying the risks that the business entails and faces. When assessing their suitability, new members are also evaluated in terms of the number of executive and/or non-executive positions they hold, to ensure they have the time needed for Board work. These assessments are made in conjunction with new appointments and regularly when necessary. Background checks were made of all Board members in 2016.

## Work of the Board in 2016

Over the course of the year, the Board held a total of 15 meetings, including 6 scheduled meetings, 1 extra meeting, 1 meeting following election and 7 telephone/mail meetings. Board meetings by telephone/mail mainly addressed decisions relating to Avanza's incentive scheme and appointment of a new CEO.

At scheduled meetings, the following are always discussed:

- financial reporting
- operational reporting
- reporting from the control functions
  - Risk Control and Compliance
- credit reporting

In addition to the permanent items on the agenda, the Board during the year discussed the matters in the illustration above. At the end of each calendar year, a Board evaluation is undertaken with the aim of developing the Board's work procedures and competence, whereby each member is asked to complete two evaluation documents. The results of the evaluation are transmitted to the Nomination Committee and compiled in a report, which then forms the basis for the implementation of any changes or skills development.

## Competence development of the Board of Directors

Training requirements for Board members were assessed in 2016 and a couple of information and education initiatives were organised. They focused on corporate governance, IT and information security, risk management and new rules and included all members. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas.

New members receive introductory training to quickly gain an overview of the Group and its operations and an understanding of Avanza's values and culture.

## Formal work plan of the Board of Directors

The Board operates according to a formal work plan, reviewed and adopted on an annual basis, regulating the division of duties, decision-making, signatories, meeting procedures and the duties of the Chairman. In addition, the Board's responsibilities and duties are regulated, and the identification and management of potential conflicts of interest addressed.

The work of the Board follows a reporting plan fulfilling the Board's information requirements. The plan is otherwise governed by the Board's established procedures for division of duties between the Board and the CEO. In addition, the auditor presents their audit and observations to the Board. In 2016, the Company's auditor was present and reported to the Board at two Board meetings. Company employees participate in the meetings to present reports or to act as secretary.

### Remuneration for Board members and attendance at Board meetings

The AGM 2016 resolved that the Chairman and other Board members are each to receive annual remuneration of SEK 268,000. The fee for work undertaken on the Boards of the subsidiaries Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension was set at SEK 40,000 each for respective Board assignments. In addition, fees of SEK 40,000 were set for members of the Credit Committee and of SEK 36,000 for members of the Remuneration Committee. Board members who receive a salary through their employment with the Company are not entitled to a Board fee.

### F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which consisted of Sven Hagströmer and Jacqueline Winberg during the financial year 2016. The Committee is responsible for evaluating and recommending the principles for remuneration.

The Committee prepares all proposals for fixed and variable remuneration to Group Management and to the management of the subsidiaries Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, and to the managers of the control functions Risk Control and Compliance. Remuneration is determined by the Board.

In addition, the Committee prepares items relating to the CEO's terms of employment and benefits, which are approved by the Board. The CEO's variable salary is reviewed annually and is dependent on achievement of the CEO's individual goals.

In 2016, the Committee held five meetings, at which all members participated, and also kept regular contact.

### F.2 Credit Committee

The Board appoints the members of the Credit Committee, which during the financial year 2016 consisted of the Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions in credit matters that have previously been resolved by the entire Board, with the exception of credit matters where there is a potential conflict of interest, where the entire Board will still take the decisions. The Committee's meetings and decisions are recorded, and the minutes provided to the Board at each subsequent Board meeting.

In 2016, the Credit Committee held seven meetings, at which all members participated, and also kept regular contact.

### F.3 Audit Committee

Under the Swedish Companies Act and the Code, the board of a public limited liability company is required to have an audit committee, or, alternatively, the board is to perform the work of the committee. The majority of the committee members must be independent of the company and its management, and at least one member of the committee is to be independent in relation to major shareholders. In addition, at least one member must have competence in accounting or auditing. Avanza's Board has chosen not to establish an Audit Committee, and, instead, the Board performs the work of such a committee. The Audit Committee's responsibilities were expanded in 2016 when the EU's audit reforms took effect. In fulfilling the Audit Committee's duties, the Board must ensure that the financial reporting maintains high quality and evaluate the work of the auditors. Guidelines for procuring services from the Group's accounting firm have been established. The Board also assists the Nomination Committee in preparing the proposal to the AGM on the auditors' election.

At the AGM 2006, it was decided that a member of Avanza's Board is to participate in the meetings where the auditor reports to Group Management. Chairman Sven Hagströmer has fulfilled this role since 2013.

The Board has ongoing contact with the Company's auditor to stay informed about the scope of the audit and to discuss the auditor's view of the Company's risks. The auditor reported on the progress of her audit to the Board and presented her recommendations on two occasions in 2016. On two occasions in 2016, the internal audit function reported on the results of the year's independent review to the Board.

### G. Internal control and risk management

The guidelines established by the Board of Directors stipulate that the Avanza Group is to be characterised by good internal governance and control. This implies that the operations are conducted in an ethically responsible and professional manner while upholding a sound risk culture.

An important part of risk work is to promote a good risk culture and risk awareness at the Board, management and operating levels by ensuring that the necessary risk management processes, control systems and reporting are in place. This is done by continuously reviewing and improving internal rules, routines and processes.

As a rule, the subsidiaries apply the same values and principles for internal governance and control at an individual, company-specific level as those established at Group level, unless otherwise bound by legal or supervisory requirements or when such principles or values are considered disproportionate to the nature, extent or complexity of the subsidiary's operations.

### Attendance at recorded Board meetings 2016

Member of the Board	Attendance	In relation to the company and its management	In relation to the company's largest shareholders
Sven Hagströmer, Chairman	15/15	Independent member	Not independent member
Sophia Bendz	15/15	Independent member	Independent member
Jonas Hagströmer	15/15	Independent member	Not independent member
Birgitta Klasén	15/15	Independent member	Independent member
Mattias Miksche	15/15	Independent member	Independent member
Martin Tivéus*	3/3	Not independent member	Independent member
Hans Toll	15/15	Independent member	Not independent member
Jacqueline Winberg	15/15	Independent member	Independent member

\* Martin Tivéus resigned as a member of the Board at the Annual General Meeting on 5 April 2016.

## Internal regulatory framework for internal governance and control

The regulatory framework for internal governance and control is tailored to the nature, scope and complexity of the operations, taking into account the structure of the Group and the risks to which it is exposed. The framework is applicable to the entire Group, including the work undertaken by business, support and control functions, and aims to provide effective monitoring of the subsidiaries' operations.

### Three lines of defence principle

The three lines of defence principle is central to risk management and risk control in the Group and its subsidiaries. The three lines comprise the business operations, Risk Control, Compliance and the Actuarial function, which are independent of each other and independent of other parts of the operations, and Internal Audit.

#### 1. First line of defence – risk management by business operations

Risk management primarily takes place in the first line of defence, which consists of the operations' business and support functions, with specific responsibilities for each department. Within the regulatory framework for internal governance and control is a sub-framework for risk management with guidelines, instructions, routines, processes and limits.

Risk management is to take place under the supervision of and in communication with Risk Control. For more information on the Group's risks, refer to page 28 in the Annual Report for 2016.

#### 2.1 Second line of defence – Risk Control

The Risk Control function is independent of the operations and is responsible for monitoring, identifying, quantifying, analysing and reporting all risks. Furthermore, the Risk Control function is responsible for risk information and the establishment and follow-up of risk policy and the internal framework for risk management. Avanza establishes annual goals and the approach to risk management to ensure that a low risk profile is maintained.

The Risk Control function works with independent control of the business as follows:

- governance and risk culture
- risk appetite and risk tolerance
- risk models and integration of risk management
- approval process for new products

The Chief Risk Officer reports directly to the CEO and presents reports at all scheduled Board meetings, in addition to providing regular reports to Group Management. The CRO can also report directly to the CEO or the Chairman of the Board if necessary.

#### 2.2 Second line of defence – Compliance

Compliance verifies that those operations requiring a licence are undertaken in accordance with applicable laws, regulations, internal directives and accepted practice. Compliance monitors and regularly assesses whether the measures and routines at Avanza are appropriate and effective. Compliance proposes internal rules, routines and measures that are needed to minimise the risk of regulatory non-compliance and to enable the Swedish Financial Supervisory Authority to exercise efficient supervision. In 2016, the Swedish Financial Supervisory Authority conducted supervisory visits in Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB. Avanza did not receive any sanctions in 2016 for failure to comply.

Compliance informs the CEO, the Board and employees of the applicable rules in effect for those of Avanza's operations requiring a licence. Knowledge of applicable rules is disseminated, for example, through internal regulations, training programmes and other types of information.

Compliance is directly under the supervision of the CEO and reports at all scheduled Board meetings and regularly to Group Management, in addition to reporting directly to the CEO and the Chairman of the Board if necessary.

#### 2.3 Second line of defence – Actuarial function

The Actuarial function is responsible for coordinating and verifying that the actuarial calculations done by the subsidiary Försäkringsaktiebolaget Avanza Pension meet established limits and assist the Board and the CEO on matters involving methods, calculations and assessments of technical provisions and insurance risks as well as reinsurance protection and other risk reduction techniques.

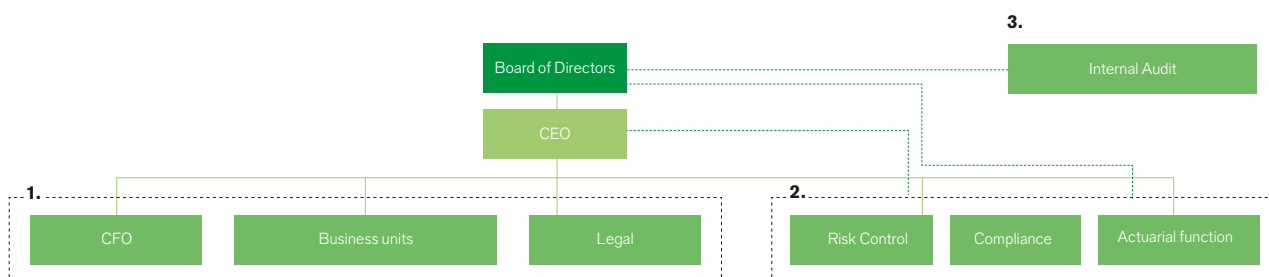
The Actuarial function, which has been outsourced to Försäkringsmatematik AB, reports to the CEO. When necessary, the Actuarial function reports at the board meetings of Försäkringsaktiebolaget Avanza Pension.

#### 3. Third line of defence – Internal Audit

The internal audit function is appointed by and directly under the supervision of the respective Boards of Directors. The work of the internal audit function is based on an audit plan decided by the Board. The plan is based on risk analysis and the work comprises an examination and assessment of whether systems, internal control activities and routines are appropriate and effective, including work performed by the control functions in the second line of defence. The internal audit function also issues recommendations and verifies that these recommendations are followed, reporting at least once a year in writing to the CEO and the Board of Directors.

Internal auditing is performed by external consultants to ensure the quality and independence of the evaluation and review. In 2016, the Board of Directors commissioned the external consultancy OMEQ Financial Consulting AB (OMEO) to execute the internal audit.

## G. Internal control and risk management, Three lines of defence





During 2016, Internal Audit focused its investigation on questions relating to Avanza's processes and procedures for compliance with anti-money laundering rules, the introduction of a system for more effective risk and incident management, and the Group's profit and capital simulation model.

At Board meetings in June and December 2016, OMEO reported its findings from the year's independent review to the Board of Directors.

### **Board of Directors' report on internal controls in relation to financial reporting**

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (SFS 1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal controls regarding both Avanza Bank Holding AB (publ), referred to below as "Avanza", and the entire Avanza Group. This report is limited to internal controls regarding financial reporting, and constitutes a part of the Corporate Governance Report which shall be appended to the Company's Annual Report.

### **System of internal controls and risk management in relation to financial reporting**

Internal control in relation to financial reporting is a process, the purpose of which is to ensure compliance with the established principles for internal controls and financial reporting and that the Company's financial reports are prepared in accordance with laws, regulations, applicable accounting standards and generally accepted accounting principles, as well as all other requirements regarding companies with transferable securities listed for trade in a regulated market.

### **Control environment**

Fundamental to Avanza's internal control of the financial reporting is the control environment described in the Corporate Governance Report, a clear and transparent organisational structure, allocation of responsibilities, and governing internal documents such as policies, guidelines and instructions. Examples include the work plans for the Board and CEO and work procedures for Risk Control, Compliance, the Actuarial function and the Internal Auditors. In addition, the documents include guidelines for internal governance and control, reporting, authorisation instructions and the information policy.

Another component of the control environment is risk assessment, i.e. the identification and management of risks that may affect financial reporting, as well as control activities aiming to prevent, identify and rectify errors and discrepancies.

### **Risk management**

Risk management within Avanza, which includes risks related to financial reporting, is proactive by nature and carried out on an ongoing basis, with an emphasis on continuous assessments, controls and training programmes. Avanza applies the techniques and methods currently available in a cost-effective manner. Risk management is an integral part of the business operations. Refer to previous page for further information.

### **Control activities**

Control activities are integrated into the process for financial reporting. They include both general and more detailed controls, intended to prevent, identify and rectify errors and discrepancies. Control activities are formulated and documented at a company-wide and departmental level, based on a reasonable level related to the risk of errors and their effects. Each departmental manager is primarily responsible for managing the risks associated with their department's operations and financial reporting processes.

Furthermore, a high level of IT security is a prerequisite for effective internal control of financial reporting. For this reason, rules and guidelines have been established to ensure the accessibility, accuracy, confidentiality and traceability of information in the business systems.

### **Information and communication**

The purpose of Avanza's information and communication channels is to promote completeness and accuracy in the financial reporting. Governing documents applying to financial reporting have been made available and known to the appropriate employees through the Company's Intranet and have been supplemented by descriptions of relevant routines and processes. Regular sharing of information, dialogue, training programmes and controls ensure that the employees are aware of and understand the internal regulations. This should ensure a high standard of financial reporting. The entire Group applies the same system for financial reporting.

### **Follow-up**

Avanza's Controller function compiles and reports financial and operational figures and analyses to departmental managers, Group Management and the Board. Furthermore, the accounting and control department actively follows up operational expenses in relation to budgets and forecasts. This work is undertaken in close cooperation with Group Management and managers within the organisation.

The control functions Risk Control, Compliance and Internal Audit follow up on compliance with policies, guidelines and instructions.

Additionally, since 2006, Avanza has an internal management organisation for the purpose of following up and assessing internal control and risk management with a focus on the financial reporting, including the quality and efficiency of the control structure and compliance with internal governing documents. The internal management organisation, which held four recorded meetings in 2016, consists of representatives from Finance, Back Office, Trade, Pension, IT, Risk Control and Compliance.

The Board receives financial reports on a monthly basis, and the Company's and Group's financial situation is addressed at each Board Meeting. Prior to each Board Meeting, the Board receives reports from the control functions Risk Control and Compliance. All of these reports are based on an evaluation of the Group's activities and cover the entire organisation. The Board also reviews the interim financial reports and annual accounts, as well as the observations and conclusions of the external auditors and the internal auditors.

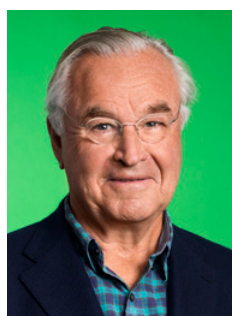
The Group's information and communication channels are followed up on an ongoing basis to ensure they are appropriate for financial reporting.

### **Assessment and positions regarding internal audits**

Avanza's Internal Audit function is appointed by and is directly under the supervision of the Boards of Directors. The work of the internal audit function is based on an audit plan decided annually by the Board. The plan is based on risk analysis and the work comprises examining and assessing whether systems, internal control mechanisms and routines are appropriate and effective, issuing recommendations, checking that these recommendations are followed and reporting at least once a year in writing to the Board of Directors and the CEO.

Internal auditing is performed by external consultants for the purpose of ensuring the quality and independence of the evaluation and review. The Chairman of the Board is responsible for the procurement of the internal audit and has meetings with the internal auditors about issues to focus on.

# Board of Directors and Auditors



**Sven Hagströmer**

Chairman

Born

1943

Elected

1997

Committees

Remuneration & Credit Committee

Education

Studies at Stockholm University

Diversity and suitability

Over 40 years of experience in the finance industry. Highly skilled business executive and entrepreneur who has founded several companies and co-financed others outside the finance industry. Strongly engaged in various social projects, including projects in gender equality and diversity. Thorough knowledge of and keen feel for the financial markets.

Relevant employment history

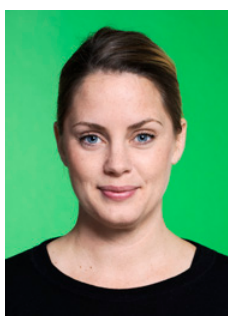
Founded Sven Hagströmer Fondkommission AB 1981. Chairman of Avanza's Board of Directors since 1999

Other significant assignments

Chairman of Creades AB and Biovestor AB, Board member of Doberman AB and Doberman Group AB

Holdings on 31 December 2016 (incl. family and companies)

6,039,246 (of which Creades 3,040,000)



**Sophia Bendz**

1980

2015

—

Business Management and Marketing at Stockholm University, Arts at Baruch College, New York and studies at Hyper Island, New York

Experience in public relations and e-commerce, including helping to build and grow the groundbreaking company Spotify. Contributes a valuable perspective on the digital future.

2013-2016 Board member of Norstedts, 2007-2014 Global Marketing Director at Spotify, 2010-2011 Board member of Happy Socks, 2010-2011 Board member and co-founder of AllBright.se, 2006-2007 PR consultant at Prime PR, 2005-2006 Risk Management Consultant at Deloitte, 2000-2005 Trading Assistant at Handelsbanken Capital Markets

Executive in Residence at Atomico, Board member of Kindred Group

0



**Jonas Hagströmer**

1982

2015

—

MBA from Lund University, studies at Hong Kong University of Science and Technology

Experience from corporate finance, investment companies and board assignments for a number of companies. Broad knowledge of the financial market. Contributes an investor's and shareholder's perspective as well as expertise in the inner workings of the financial services sector.

2012- Investment Manager at Creades AB, 2007-2011 Associate and analyst in Corporate Finance at Keystone Advisers

Chairman of Inet AB, Board member of Biovestor AB and DigiExam Solutions Sweden AB

3,000 and indirect shareholding via Biovestor and Creades



**Birgitta Klasén**

1949

2014

Credit Committee

MSc Engineering Physics from the Royal Institute of Technology in Stockholm, Economics at Stockholm University and MA Education from the Stockholm Institute of Education




Extensive IT experience and expertise. 19 years as an executive at IBM, a member of a number of boards in the banking and IT industries, and experience as an IT consultant for corporate managements and boards. Realistic and fact-based understanding of the technology Avanza uses and what is required for Avanza to stay on the technological forefront.


2008-2016 Board member of Acando AB, 2009-2016 Board member of IFS AB, 2006-2008 Board member of Telelogic AB, 2005-2008 Board member of OMX AB, 2004-2005 CIO at EADS, 2000-2005 Board member of Föreningsparbanken, 1996-2001 CIO at Pharmacia & Upjohn, 1995-1996 CIO at Telia, 1976-2004 Various executive positions at IBM, including VP of its wholly owned outsourcing company Responsor AB

Senior IT Advisor, Board member of Assa Abloy AB

8,000



			
	<b>Mattias Miksche</b>	<b>Hans Toll</b>	<b>Jacqueline Winberg</b>
Born	1968	1970	1959
Elected	2008	2014	2003
Committees	—	Credit Committee	Remuneration Committee
Education	Master of Science in Business and Economics, Stockholm School of Economics	Master of Science in Business and Economics, Stockholm School of Economics	Master of Science in Business and Economics, Stockholm School of Economics
Diversity and suitability	Extensive expertise in Internet and mobile services. Experience developing and improving digital interaction with customers and users in various industries. Entrepreneur and executive who has built successful companies in the digital world and experience from various board assignments.	20 years of experience from the financial sector with broad network of contacts. Thorough understanding of Avanza's operations and challenges after his previous role as Deputy Managing Director at Avanza Bank. Background as financial analyst with deep understanding of the financial services sector, its players and financial instruments.	Broad expertise in corporate governance, the impact of corporate culture and different types of leadership. Experience from the banking sector and with board assessments and directors' duties. Contributes knowledge in succession planning, executive search and compensation issues.
Relevant employment history	2005-2016 Founder and CEO of Glorious Games Group AB (formerly Stardoll), 2009-2016 Board member of Sportmore AB, 2003-2005 Founder and CEO of Boxman AB (now Lovefilm Nordic), 2003-2005 Board member of E*TRADE Sverige, 2002-2003 CEO of E*TRADE BANK AG (Germany), 2000-2002 CEO of E*TRADE Sverige	2010-2013 Deputy Managing Director and Bank and Investments Manager at Avanza Bank, 2002-2010 Portfolio Manager at RAM One – Rational Asset Management AB, 1999-2002 Analyst at Investor Trading AB, 1995-1999 Financial Analyst at Investor AB	1996-2005 Partner at Ray & Berndtson in Sweden, 1995-1996 Consultant at Michael Berglund Chefsrekrytering, 1985-1990 Handelsbanken, 1984-1985 PK-banken
Other significant assignments	Chairman of Glorious Games Group AB (formerly Stardoll), Board member of Dustin Group AB, Euroflorist Intressenter AB and PriceRunner Group AB	Board member of Creades AB and Bright Sunday AB	CEO, Founder, Managing Partner and board member of Stanton Chase International AB
Holdings on 31 December 2016 (incl. family and companies)	2,790	25,000	1,700


<b>AUDITORS</b>
<b>Öhrlings Pricewaterhouse Coopers AB</b>
Auditor-in-Charge Catarina Ericsson
Born 1966 Authorised Public Accountant

# Group Management



**Johan Prom**

Born	1972
Position	CEO
Employed	2016
Education	Master of Science in Business and Economics, Stockholm School of Economics with majors in financial economics and managerial finance, including programs at New York University, Catholic University of Louvain and University of Cologne
Employment history	2014-2016 Commercial Director at Menigo (formerly ICA Meny), 2010-2014 Business Area Director at ICA, 2009-2010 Associate Partner at Boston Consulting Group, 2005-2009 Business Area Director at ICA, 1997-2005 Associate Partner at McKinsey & Company
Holdings on 31 December 2016 (incl. family)	
Shares	1,000
Warrants (corresponding number of shares)	10,000



**Gustav Berggren**

Born	1980
Position	Head of the Private Bank
Employed	2007
Education	LL.M. European Law from Ghent University, Law at Stockholm University, Political Science at Stockholm University, Business Administration and Leadership at Suffolk University
Employment history	2006-2007 Management Trainee Blendow Consulting
Holdings on 31 December 2016 (incl. family)	
Shares	600
Warrants (corresponding number of shares)	69,030



**Maria Christofi Johansson**

Born	1970
Position	Head of Customer Service
Employed	2000
Education	LL.M. Stockholm University
Employment history	1996-2000 Account Manager for external funds at SEB
Holdings on 31 December 2016 (incl. family)	
Shares	8,600
Warrants (corresponding number of shares)	36,010



**Birgitta Hagenfeldt**

Born	1961
Position	CFO
Employed	2008
Education	MBA, Örebro University
Employment history	2002-2008 Head of Administration at RAM One Rational Asset Management AB, 1980-2002 Authorised Public Accountant and Head of Financial Auditing at KPMG
Holdings on 31 December 2016 (incl. family)	
Shares	66,820
Warrants (corresponding number of shares)	64,500



**Henrik Källén**

Born	1968
Position	COO, Deputy CEO
Employed	2000
Education	LL.M. Stockholm University



**Annika Saramies**

Born	1975
Position	CEO Försäkringsaktiebolaget Avanza Pension
Employed	2007
Education	Studies at University of Western Sydney and Örebro University



**Peter Strömberg**

Born	1972
Position	CIO
Employed	2014
Education	MSc Business Administration & Information Technology, Gotland University College/ Stockholm University



**Peter Westling**

Born	1971
Position	Head of Innovation and Marketing
Employed	2012
Education	MBA, Stockholm University

Employment history

1997-2000 Stockbroker at Orkla Securities, 1995-1997 Team manager stock trading at Stadshypotek Bank

2005-2007 Corporate Sales at SEB TryggLiv, 2001-2004 Pension insurance broker at Max Mat-thiessen, 2000-2001 Pension insurance broker at Jahaya AB, 1998-2000 Insurance advisor at Capena Fond och Försäkring

2010-2014 IT Director IT-Service Management RSA Scandinavia 1998-2010 Vice President OMX Technology Nasdaq OMX

2002-2011 CEO, Partner and Communication Strategist at Garbergs advertising firm

Holdings on 31 December 2016 (incl. family)

Shares	33,622
Warrants (corresponding number of shares)	66,670

Shares	99
Warrants (corresponding number of shares)	11,670

Shares	0
Warrants (corresponding number of shares)	27,700

Shares	0
Warrants (corresponding number of shares)	50,210

Shares	0
Warrants (corresponding number of shares)	50,210

**Stockholm, 23 February 2017**

Sven Hagströmer  
Chairman of the Board

Sophia Bendz  
Board member

Jonas Hagströmer  
Board member

Birgitta Klasén  
Board member

Mattias Miksche  
Board member

Hans Toll  
Board member

Jacqueline Winberg  
Board member

Johan Prom  
CEO

**Auditor's statement on the Corporate governance report**

To the general meeting of the shareholders in Avanza Bank Holding AB, Corporate Identity Number 556274-8458.

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 34-46 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 23 February 2017

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorized Public Accountant