

Corporate governance report

Avanza's vision is to create a better future for millions of people. To achieve this it is important that we listen to what our stakeholders want and that they can trust how we act and manage our business.

Avanza's 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's business is subject to supervision by the Swedish Financial Supervisory Authority, which requires strict application of various financial and ethical rules and guidelines, which are based on Swedish and European law and the Swedish Securities Dealers Association's guidelines in Securities Institutes.

Avanza is motivated by a desire to challenge accepted structures and create customer value through a strategy of offering products 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 will 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 also benefits society as a whole.

To achieve our vision and promote a better savings market in the long term, we have to listen to what our stakeholders want, live up to their expectations and earn their trust. These stakeholders 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 2017 amounted to SEK 74,990,555, represented by 29,996,222 shares and votes. An ownership distribution is presented on page 25 of the Annual Report for 2017. The largest shareholders – Sven Hagströmer with family and companies, and Creades AB – are represented on the Nomination Committee and thus in the nomination process for the election of Board members and the auditor; see table below.

B. Nomination process for election of Board members and auditor

The AGM 2017 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2018.

The names of the Nomination Committee members, and the shareholders they represent, were published on 20 September 2017, which was six (6) months prior to the AGM 2018. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. The appointments were based on ownership interests known immediately before the announcement, i.e. 31 August. The Nomination Committee is the AGMs' governing body with the sole purpose of preparing the AGM's resolutions on election and remuneration issues.

The Nomination Committee is mandated to serve until a new committee is appointed. In accordance with the nomination process, the Chairman of the Committee is 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, its representative must 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 instead. 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
- auditor and fees for the Company's auditors
- any changes in how the Nomination Committee is appointed

The Nomination Committee's proposal to the Board of Directors is presented in its entirety to ensure that the Board meets competence, diversity and independence requirements. Shareholders with views on

Composition of the Nomination Committee

Name	Representing	Holding 31-08-2017	Holding 31-12-2017
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	3,060,000 (10.3%)	3,060,000 (10.2%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	3,048,246 (10.2%)	3,078,246 (10.3%)
Magnus Dybeck	Dybeck family and companies	1,136,550 (3.8%)	1,284,600 (4.3%)
Per Colleen	Fjärde AP-fonden	1,014,249 (3.4%)	1,024,249 (3.4%)

the Board's composition or proposals for new members may submit them to the Nomination Committee well in advance of the AGM. Nomination proposals received by the Nomination Committee from shareholders are reviewed as part of the nomination process. Proposals can be sent by email to valberedningen@avanza.se or by post to:

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

Although Committee members are not remunerated for their work, Avanza refunds 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.

The Nomination Committee held two recorded meetings in 2017, 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 in terms of industry experience and competence.

When preparing its proposal for Board fees, the Nomination Committee uses comparisons to companies operating in similar spheres and with a similar size and complexity. Attention is paid to the reasonability of the remuneration based on the responsibility and 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 taken 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 in advance.

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

The AGM's resolutions normally pass with a simple majority, i.e. more than half of the total number of votes cast, unless otherwise specified by the Swedish Companies Act. 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 2018 was 30 January 2018. 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 shareholders can exercise their right of initiative, are posted 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.

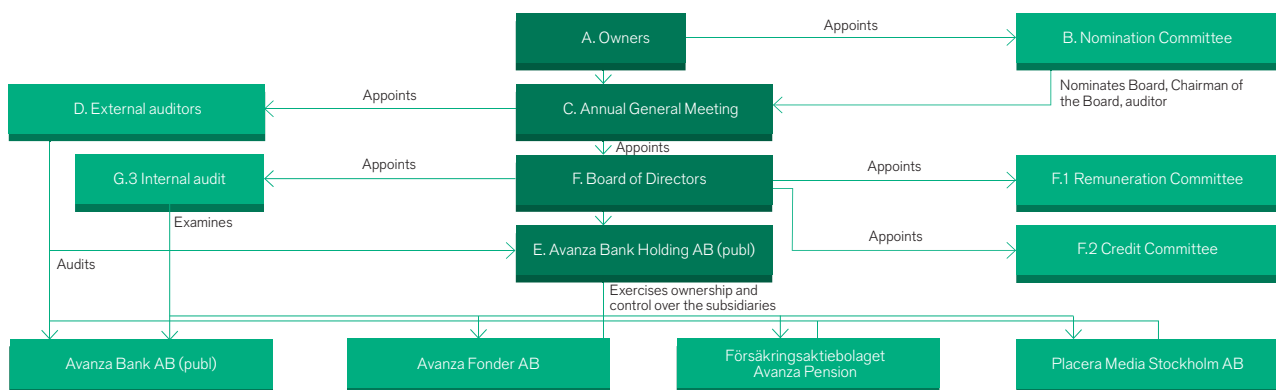
Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares requests such a meeting.

At Avanza's AGM held on 31 March 2017, 238 shareholders were represented, corresponding to 51 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 2017, 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
- establishment of nomination procedures
- establishment of remuneration guidelines for Group Management

The proposal to issue warrants for the incentive programme for employees of the Avanza Group did not receive the support of a sufficient majority. Consequently, an Extraordinary General Meeting was held on 5 July 2017. The EGM resolved to establish a new incentive programme based on warrants for employees of the Avanza Group. The



incentive programme expires in August 2020 and comprises a total of 450,000 warrants that grant entitlement to subscribe for an equal number of shares. If all the warrants are exercised, the dilution effect will be 1.5 per cent. A total of 147 shareholders were represented at the EGM, or 52 per cent of the total number of shares and votes.

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 2017, Öhrlings PricewaterhouseCoopers AB (PwC), with Catarina Ericsson as Auditor-in-Charge, was re-appointed auditor for the period until the AGM 2018. PwC, with Catarina Ericsson as Auditor-in-Charge, has performed the auditing duties since the AGM on 14 April 2011.

The auditor presents the AGM with 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 on day-to-day management and internal control, in writing as well as orally to Avanza's Board, at least twice a year and delivers an audit report on the annual accounts and 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 2017, fees paid to PwC for auditing duties totalled SEK 2,208 thousand. The total remuneration paid to PwC is shown in Note 10.

E. Avanza Group

Avanza strives to maintain a clear and transparent organisational structure. Reporting from subsidiaries takes place on a monthly basis. Avanza's Board of Directors is also the Board of Directors of the subsidiary Avanza Bank. The Boards of other subsidiaries consist of both internal and external members to ensure independence and a high level of overall competence for each company.

CEO and Group Management

The CEO is responsible for the day-to-day management of the company in accordance with the Swedish Companies Act and Avanza's instruction for the CEO, which is laid down by the Board. The CEO is responsible for keeping the Board informed on the Company's operations and ensuring that the Board has the information that members need to make informed decisions. In addition, the CEO ensures that the Chairman is continuously kept abreast of the Group's development. In 2017, the Board of Directors appointed Rikard Josefson as the new CEO. He took over the position from Johan Prom in November.

Avanza Group Management consisted at year-end 2017 of:

- Rikard Josefson, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Gustav Berggren, Head of the Private Banking
- Maria Christofi Johansson, Head of Customer Relations
- Teresa Schechter, Chief Legal Officer
- Peter Strömberg, CIO
- Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension
- Peter Westling, Marketing Director

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 as needed. The meetings address Avanza's results and strategy, priorities and status of major projects and initiatives, with regular reports from Compliance and Risk Control.

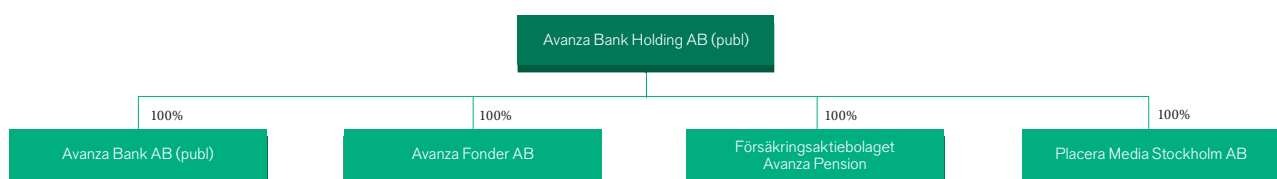
Suitability assessment

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. Assessments are made in conjunction with new appointments and regularly as required, to determine whether the person in question has adequate knowledge, insight and experience and is suited to the role. Potential conflicts of interest are also taken into consideration. Background checks are conducted at least once a year. Internal suitability assessments are done as well of persons with responsibility for the Group's AML work, which is a consequence of the Fourth Anti-Money Laundering Directive and the new anti-money laundering law. This is done to ensure that the risk analysis and work are performed correctly.

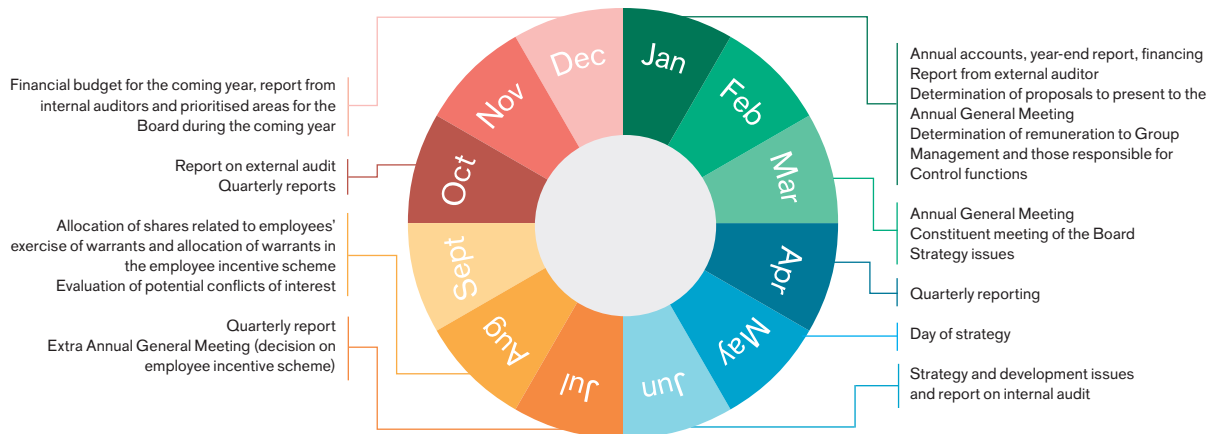
Remuneration to Group Management

Group Management's remuneration shall 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. An appropriate balance is struck between fixed salary and variable remuneration, and it must be possible to set the variable remuneration at SEK 0. Variable remuneration for members of Group Management may never exceed 100 per cent of fixed salary for the same financial year.

E. The Avanza Group



Board meetings 2017



The criteria governing 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 on prevailing market terms in accordance with the warrant programme approved by the Extraordinary General Meeting on 5 July 2017.

Matters concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved 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 policies

Avanza's corporate culture draws its energy from a vision to create a better future for millions of people. The key is that what we achieve is 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, experience and views of all our employees in order to enrich and influence every area of the Company. Avanza feels that groups of employees 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. Gender equality is reflected in every part of the business. Avanza's management has an even gender distribution with 4 women and 4 men. Among the managers, 20 are women and 32 men; see also Note 9 and page 94–95.

Occupational health and safety is a priority. Healthy employees make for a better, more effective organisation and higher profitability. The overarching goal of Avanza's occupational health and safety work is to create and maintain an environment where employees have the right opportunities given their position and goals. Avanza has an occupational health and safety committee that works with the overall structure for systematic occupational health and safety and issues of equal treatment.

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

Regulatory training

Avanza has a code of conduct that includes our ethical guidelines. This code applies to all employees and provides guidance on how we build long-term relationships with our stakeholders by describing the responsibility that comes with being an employee. The code contains Avanza's views on business ethics and routines for reporting as well as how we expect employees to act in ethical dilemmas. An important aspect is preventing unethical behaviour, which is why we encourage our employees to report improprieties. Avanza has a whistleblower function where they can anonymously report suspected improper behaviour.

All employees have a responsibility to understand the laws and internal rules that affect and are pertinent to their work. After they are hired, new employees are informed of current rules, which is then followed up on a regular basis. In addition, individual departments arrange separate training in specific areas.

As a company in the financial market, we have an obligation to help maintain trust in the market. Avanza abides by Sweden's anti-corruption laws and practices and under no circumstances accepts active or passive bribery or other illegal payments. The Avanza Group works continuously to fight corruption and has an internal anti-bribery policy that complies with Swedish law. The anti-bribery policy applies to every employee of the Avanza Group and is established by the Board of Directors. The policy is included in Avanza's Code of Conduct and in the mandatory compliance training for new employees. Supplemental training is provided every three years for all employees. The compliance training also provides information on the work being done in the areas of anti-money laundering and terrorist financing as well as on central laws and regulations and other key guidelines and policies. The purpose is to stress the importance of these policies, increase understanding and address any questions. Neither the Avanza Group nor any of Avanza's employees or senior management have been convicted of bribery or other crimes related to corruption. Avanza works proactively to fight money laundering and terrorist financing, with all employees sharing a responsibility to prevent the company from being exploited and to report suspicious activity. We have an anti-money laundering programme that includes a Group-wide policy and a risk and vulnerability analysis. We also have internal training programmes for affected departments. All customers are managed using a risk-based assessment, where identity information is obtained when opening an account and verified on a regular basis.

All of Avanza's policies are easily available to employees, and it is their responsibility to stay updated on internal and external regulations as well as policies and instructions. As part of this, Avanza is affiliated to Swedsec, which sets proficiency requirements, issues licenses and requires compliance of those who work in the securities market. All employees in brokerage operations, corporate finance and control functions have Swedsec licenses, in addition to several in management, Pro/PB and our savings coaches.

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 takes decisions on matters concerning the Group's strategic direction, major investments, organisational issues, acquisitions and divestments. Furthermore, each Board establishes policies and guidelines, as well as the terms of reference for the CEO. Where applicable, subsidiaries establish work plans for those responsible for Risk Control, Compliance, Internal Audit and the Actuarial function.

The AGM 2017 re-elected all current Board members. According to the Articles of Association, the Board shall consist of no fewer than five and no more than eight members. Avanza's Board consisted in 2017 of seven members elected until the next AGM and no deputies. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 22 March 2017. Information about the members of the Board can be found on Avanza's website and on pages 42–43.

Diversity and suitability

Avanza has a policy to achieve diversity on the Board and guidelines on suitability assessments for Board members. The aim of the diversity policy is to produce a Board with a range of educational and professional backgrounds and qualities, together contributing to an independent, critically thinking body. The Board shall also consist of members of varying age with an equal gender distribution. Information on the Board's composition, age and background is shown on pages 42–43.

The suitability guidelines set forth how Avanza evaluates appointees for their assignments, while taking into account possible conflicts of interest. The Board shall be made up of members who collectively contribute to an understanding of relevant regulations and have the ability to identify the risks caused and faced by the Company. 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 periodically as needed. Background checks were made on all Board members in 2017.

The boards of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension follow the policy on board diversity and strive to maintain an even gender and age distribution. Subsidiary boards consist of members with varying experience and education, which raises their overall competence, and are made up of 50 per cent women and 50 per cent men.

Work of the Board in 2017

During the year, the Board held a total of 24 meetings, including 6 scheduled meetings, 4 extra meetings, 1 meeting following election and 13 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 for the subsidiary Avanza Bank

In addition to the permanent items on the agenda, the Board during the year discussed the matters in the illustration presented at the previous page. The Board also focused on the implementation in the Group of the EU's new rules and the measures being taken to fully comply with them, which affects Group operations in different ways. These rules include MiFID 2, GDPR and PRIIP.

The Board also worked on and participated in the process that led to Avanza Bank's distribution of mortgages through the cooperation with Stabelo as well as the investment in Stabelo, where Avanza owns nearly 20 per cent.

At the end of each calendar year, an evaluation is undertaken to improve the Board's work procedures and competence, where each member is asked to fill in two documents. The results are communicated to the Nomination Committee and compiled in a report, which then forms the basis for any changes or upskilling.

Competence development in the Board of Directors

Each year the Board establishes a training plan that is appended to its work plan to give members a better understanding of the various areas, future rules and risks that affect the business as well as new products and services Avanza is launching. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas. The Board's training needs are reviewed and specific measures are taken as needed to provide information and improve competence in key areas. In 2017, the Board underwent training with a focus on future regulations and risk management.

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.

Attendance at recorded Board meetings 2017

Member of the Board	Attendance	In relation to the company and its management	In relation to the company's largest shareholders
Sven Hagströmer, Chairman	24/24	Independent member	Not independent member
Sophia Bendz	24/24	Independent member	Independent member
Jonas Hagströmer	24/24	Independent member	Not independent member
Birgitta Klasén	24/24	Independent member	Independent member
Mattias Miksche	24/24	Independent member	Independent member
Hans Toll	24/24	Independent member	Not independent member
Jacqueline Winberg	24/24	Independent member	Independent member

Formal work plan of the Board of Directors

The Board operates according to a formal work plan, which is reviewed and adopted on an annual basis and regulates the division of duties, decision-making, signatories, meeting procedures and the duties of the Chairman. The Board's responsibilities and duties are also covered, as are identification and management of potential conflicts of interest. The work of the Board follows a plan that fulfils the Board's information requirements and is otherwise governed by established procedures for division of duties between the Board and the CEO. In addition, the auditor presents the audit and observations to the Board. In 2017, the Company's auditor was present and reported to the Board at two Board meetings. Company employees participate in the meetings as rapporteurs and secretary.

Remuneration for Board members and attendance at Board meetings

The AGM 2017 resolved that the Chairman and other Board members are each to receive annual remuneration of SEK 300,000. In addition, fees of SEK 42,000 were set for members of Avanza Bank's Credit Committee and of SEK 38,000 for members of the Company's Remuneration Committee. Board members who receive a salary through their employment with the Company are not entitled to Board fees.

Board work requires all members to engage and participate in issues concerning the Company's and the Group's organisation and management of its affairs, establishment of qualitative and quantitative operating goals, and approval of the Company's strategy to achieve these goals. This is in addition to Avanza's long-term financial interests, the risks Avanza and its subsidiaries are and may potentially be exposed to, and the capital required to cover these risks. The duties of the Board are delegated to the committees as described below. On issues that require specific expertise and integrity, the Board discusses which of its members are the most qualified to oversee or investigate them. The Board continuously evaluates the competence needs of each committee.

Board members have no individual areas of responsibility other than the above and the committees specified below.

F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which in the financial year 2017 consisted of Sven Hagströmer and Jacqueline Winberg (Chairman), and since October with Mattias Miksche as a deputy. The Committee is responsible for evaluating and recommending the principles for remuneration.

The Committee prepares proposals for fixed and variable remuneration for Group Management and the managements of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, and for the heads of the control functions Risk Control and Compliance. Remuneration is set by the Board.

The Committee also prepares issues relating to the CEO's terms of employment and benefits for approval by the Board. The CEO's variable salary is reviewed annually and is dependent on achievement of the

CEO's individual goals, which are closely tied to Avanza's overarching goals with a focus on customer satisfaction, employee engagement and growth. To ensure that the decisions achieve long-term results the CEO has no goals tied to revenue or profit generation.

In 2017, the Committee held 14 meetings, at which all members participated, and also kept regular contact.

F.2 Credit Committee

The Board of Directors of Avanza Bank AB appoints the members of the Credit Committee, which during the financial year 2017 consisted of Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions on credit matters that the entire Board has previously resolved, with the exception of credit matters involving a potential conflict of interest, in which case the entire Board will still take the decision. The Committee's meetings and decisions are recorded, and the minutes provided to the Board at its next meeting.

In 2017, the Credit Committee held 11 meetings, at which all members participated, and also kept regular contact.

F.3 Audit Committee

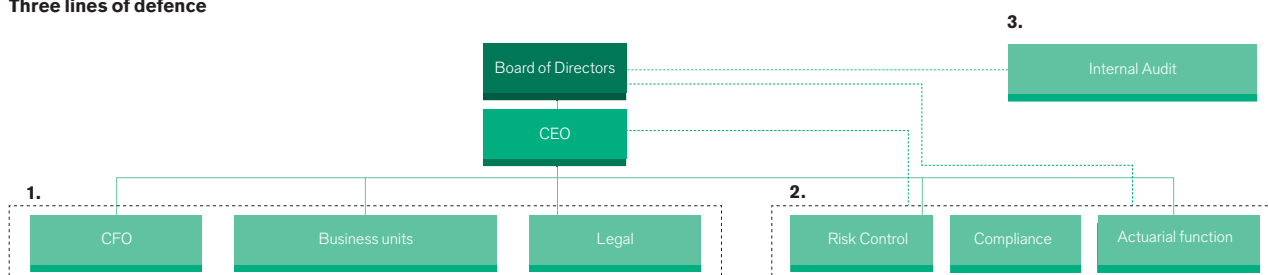
The Board of Directors of Avanza has chosen not to establish an Audit Committee. Instead, the Board as a whole performs the work of the committee. The Board meets the independence requirements of the Swedish Companies Act and the Code, as well as accounting or auditing competence requirements. To fulfil the committee's duties, the Board must ensure that the financial reporting is of high quality and evaluate the work of the auditors. Guidelines for procuring services from the Group's accounting firm have been set forth. The Board also assists the Nomination Committee in preparing the proposal to the AGM on the auditor's election. One Board member – Chairman Sven Hagströmer since 2013 – always participates when Group Management has reporting meetings with the Company's auditor, in accordance with a previous AGM resolution.

The Board maintains contact with the Company's auditor to stay informed on 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 and presented her recommendations to the Board on two occasions in 2017. Internal Audit reported the results of the year's independent review to the Board on two occasions in 2017.

G. Internal control and risk management

The Avanza Group is distinguished by good internal governance, risk management and control, and operates in an ethically responsible and professional manner with clearly defined roles and areas of responsibility. The risk management processes are designed to be effective and purposeful and include an independent risk control function with responsibility for governance, follow-up and reporting of the Group's aggregate risks.

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



As a rule, the subsidiaries apply the same principles for governance, risk management and control at an individual, company-specific level as those at the Group level. Exceptions are made for specific legal or supervisory requirements and, in terms of proportionality, for the subsidiary's operations, scope and/or complexity.

Three lines of defence principle

Risk management and risk control in the Group and its subsidiaries are based on the three lines of defence principle. The first line of defence is comprised of the business operations. The second line of defence is comprised of Risk Control, Compliance and, for Försäkringsaktiebolaget Avanza Pension, the Actuarial function, which are independent of each other and independent of other operations. The third line of defence is comprised of Internal Audit, which reports directly to each board.

1. First line of defence – risk management in the business operations

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

2. Second line of defence

2.1 Risk Control

An important part of risk management is to promote a sustainable risk culture and risk-taking that never threatens the Company's survival. The culture is based on the Board's and management's approach to governance and decision-making. Within the framework of the Group's financial capacity, the Board has formulated a risk appetite, which has been further broken down into CEO limits and governing documents (risk framework). To ensure that risk-taking stays within the risk appetite and limit structures, risk management and control processes have been put in place to identify, value, manage, report and monitor every type of risk that the Company, including its subsidiaries, is exposed to.

Risk follow-up and control are performed in among other ways through validation of risk measurement models, testing and evaluation of the internal control environment, evaluation of risk maturities and, not least, approval of major changes by Risk Control. Risk Control provides an overview of the Group's risk exposure and limit utilisation to management and the Board on both a monthly and quarterly basis.

The Chief Risk Officer reports directly to the CEO and presents reports at all scheduled Board meetings, in addition to regularly reporting to Group Management. The CRO also reports directly to the CEO or the Chairman of the Board if needed.

2.2 Compliance

Compliance verifies that subsidiaries with licensing requirements follow applicable laws, regulations, internal directives and accepted practices. Compliance monitors and regularly assesses whether the measures and routines that Avanza and its subsidiaries have introduced are appropriate and effective. Compliance proposes internal rules, routines and measures that are needed to minimise the risk of non-compliance and to facilitate the Swedish Financial Supervisory Authority (SFS) in its supervisory capacity.

Compliance is also responsible for training Avanza's employees on the applicable rules for subsidiaries with licensing requirements. These rules are disseminated, for example, through the Group's internal regulations, training programmes and other types of information.

Compliance is directly under the supervision of the CEO of each subsidiary 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 needed.

The subsidiaries Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB since 2017 have their own compliance functions, which previously had been outsourced within the Group.

In 2017, the SFS conducted two supervisory visits to Försäkringsaktiebolaget Avanza Pension. Avanza has not received any sanctions for failure to comply. The SFS in 2017 upgraded the subsidiary Avanza Bank to supervisory category 2. This mainly means expanded supervision and a more continuous dialog with the SFS, including semiannual risk reviews. Moreover, the SFS has reversed its previous decision to simplify Avanza Bank's obligations with regard to its recovery plan.

2.3 Actuarial function

The Actuarial function is responsible for formulating and verifying that the actuarial calculations by the subsidiary Försäkringsaktiebolaget Avanza Pension meet established limits, and to 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 needed, 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 board of directors. Internal Audit's work is based on an audit plan established by the Board. The plan is based on a 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 they are followed, reporting in writing at least once a year to the CEO and the Board of Directors.

Internal auditing has been outsourced to external consultants to ensure the quality and independence of the evaluation and review. In 2017, the Board of Directors commissioned the external consultancy OMEQ Financial Consulting AB (OMEQ) to perform the internal audit.

Internal Audit's reviews of Avanza Bank in 2017 comprised lending, counterparty risk management and cash management. For Avanza Pension, Internal Audit primarily reviewed regulations regarding notification of changes in major shareholdings, investment rules, counterparty evaluations and Solvency II rules. For Avanza Fonder, transparency and counterparty evaluations and the fund management process were the focus of the review.

The results of the year's internal audits were reported at the Board meetings in June and December 2017.

Board of Directors' report on internal control over 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 control for both Avanza Bank Holding AB (publ), referred to below as "Avanza", and the entire Avanza Group. This description is limited to internal control over financial reporting and constitutes a part of the Corporate Governance Report, which is appended to the Company's Annual Report.

System of internal control and risk management over financial reporting

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

Control environment

The keys to Avanza's internal control over financial reporting are the control environment described in the Corporate Governance Report, a clear and transparent organisational structure, the distribution of responsibilities, and governing internal documents such as policies, guidelines and instructions. Examples include the work plans for the Board and CEO as well as for Risk Control, Compliance, the Actuarial function and Internal Audit. Guidelines are also in place for internal governance, control and reporting, along with authorisation instructions and the information policy.

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

Risk management

Management within Avanza of risks related to financial reporting is proactive and emphasises continuous assessments, controls and training. Avanza applies available techniques and methods 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 financial reporting process. They include both general and more detailed controls, which are designed to prevent, identify and rectify errors and discrepancies. Control activities are formulated and documented at a Company-wide and department level, based on a reasonable level of risk of errors and their impacts. Each department manager has primary responsibility for managing the risks associated with the department's operations and financial reporting processes.

A high level of IT security is also crucial to effective internal control over financial reporting. For this reason, rules and guidelines have been established to ensure the availability, accuracy, confidentiality and traceability of the information in the business systems.

Information and communication

Avanza's information and communication channels are designed to promote thoroughness and accuracy in the financial reporting. Governing documents applying to the financial reporting have been made available and known to appropriate employees through the Company's intranet and have been supplemented with relevant routines and process descriptions.

Continuous information, dialogue, training and controls ensure that the employees are aware of and understand the internal regulations. This ensures 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 operating data and analyses to department managers, Group Management and the Board. Moreover, the accounting and control department actively monitors operating expenses in relation to budgets and forecasts. This work is undertaken in close cooperation with Group Management and managers in the organisation.

The control functions Risk Control, Compliance and Internal Audit monitor compliance with policies, guidelines and instructions. Additionally, Avanza has an internal management organisation to follow up and evaluate internal control and risk management with a focus on the financial reporting. The internal management organisation, which consists of representatives from Finance, Back Office, Trade, Pension, IT, Risk Control and Compliance, held four recorded meetings in 2017.

The Board receives monthly financial reports, and the financial situation is addressed at every Board meeting. Prior to each meeting, the Board receives a report from Risk Control and Compliance. All these reports are based on an evaluation of the Group's activities and cover the entire organisation.

The Board also reviews the quarterly financial reports and annual accounts, as well as the observations and conclusions of the external and internal auditors.

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

Assessment and position on internal audits

Internal Audit's work is based on an audit plan established annually by the Board of each subsidiary. The plan is based on a risk analysis and the work comprises an examination and assessment of whether systems, internal control activities and routines are appropriate and effective, as well as issuing recommendations, controlling that these recommendations are followed and reporting in writing at least once a year to the CEO and the Board of Directors.

Internal auditing is managed by external consultants for the purpose of ensuring the quality and independence of the evaluation and review. The Chairman of the Board of each subsidiary meets with the internal auditors to discuss which 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 2017 (incl. family and companies)	6,138,246 (of which Creades 3,060,000)



Sophia Bendz

Born	1980
Elected	2015
Committees	–
Education	Business Management and Marketing at Stockholm University, Arts at Baruch College, New York and studies at Hyper Island, New York
Diversity and suitability	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.
Relevant employment history	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
Other significant assignments	Executive in Residence at Atomico, Board member of Kindred Group, Telia Division X's Advisory and Race for the Baltic
Holdings on 31 December 2017 (incl. family and companies)	0



Jonas Hagströmer

Born	1982
Elected	2015
Committees	–
Education	MBA from Lund University, studies at Hong Kong University of Science and Technology
Diversity and suitability	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.
Relevant employment history	2012– Investment Manager at Creades AB, 2007–2011 Associate and analyst in Corporate Finance at Keystone Advisers
Other significant assignments	Chairman of Inet AB, Board member of Biovestor AB and Apotea AB
Holdings on 31 December 2017 (incl. family and companies)	3,000 and indirect shareholding via Biovestor and Creades



Birgitta Klasén

Born	1949
Elected	2014
Committees	Credit Committee
Education	MSc Engineering Physics from the Royal Institute of Technology in Stockholm, Economics at Stockholm University and MA Education from the Stockholm Institute of Education
Diversity and suitability	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.
Relevant employment history	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 Föreningssparbanken, 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
Other significant assignments	Senior IT Advisor, Board member of Assa Abloy AB
Holdings on 31 December 2017 (incl. family and companies)	9,000



Mattias Miksche

Born	1968
Elected	2008
Committees	Remuneration Committee deputy
Education	Master of Science in Business and Economics, Stockholm School of Economics



Hans Toll

Born	1970
Elected	2014
Committees	Credit Committee
Education	Master of Science in Business and Economics, Stockholm School of Economics



Jacqueline Winberg

Born	1959
Elected	2003
Committees	Remuneration Committee
Education	Master of Science in Business and Economics, Stockholm School of Economics



Auditors

**Öhrlings
Pricewaterhouse
Coopers AB**

Auditor-in-Charge
Catarina Ericsson
Born 1966
Authorised Public
Accountant

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 Sportamore 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 Head of Bank and Investments 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	2006–ff Managing Partner, Stanton Chase, 1996–2005 Partner at Ray & Berndtson in Sweden, 1995–1996 Consultant at Michaël 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 Intres-senter 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, Board member of Aktie-bolaget Fastator and Offentliga Hus i Norden AB
Holdings on 31 December 2017 (incl. family and companies)	2,790	25,000	1,700

Group Management



Rikard Josefson

Born	1965
Position	CEO
Employed	2017
Education	B.A Economics Stockholm University



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 Univer- sity, Business Administration and Leadership at Suffolk University



**Maria Christofi
Johansson**

Born	1970
Position	Head of Customer Relations
Employed	2000
Education	LL.M. Stockholm University



Birgitta Hagenfeldt

Born	1961
Position	CFO, Deputy CEO
Employed	2008
Education	MBA, Örebro University

Employment history	2011–2017 CEO of Länsförsäkringar Bank, 2000–2004 CEO of SEB Finans, 2011 Head of Global Transaction Services at SEB, 2004–2010 Deputy Head of Retail Sverige SEB, 1999–2000 CEO of Latvijas Unibanka (SEB), 1998–1999 Project Manager at SEB	2006–2007 Management Trainee Blendow Consulting	1996–2000 Account Manager for external funds at SEB	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	2,000	600	8,600	62,660
Warrants (corresponding number of shares)	10,000	66,380	43,090	58,570

* Gustav Berggren left Avanza on 31 December 2017.
Gunnar Olsson will take over as COO and a member of Group Management by 1 March 2018.



Annika Saramies



Teresa Schechter



Peter Strömberg



Peter Westling

Born
Position
Employed
Education

1975
CEO Försäkringsaktiebolaget Avanza Pension
2007
Studies at University of Western Sydney and Örebro University

1970
CLO
2006
LL.M. University of Gothenburg

1972
CIO
2014
MSc Business Administration & Information Technology, Gotland University College/ Stockholm University

1971
Head of Innovation and Marketing
2012
MBA, Stockholm University

Employment history

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

2006–2017 Head of Com- pliance/Legal/Surveillance at Avanza Bank AB, 2004– 2006 Compliance Officer and Corporate counsel at Aktie- invest FK AB, 2002–2004 Legal Council at Swedish Shareholders' Association, 1999–2001 Corporate Council at Aktiesparinvest / HQ.se AB

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

2002–2011 CEO, Partner and Communication Strate- gist at Garbergs advertising firm

Holdings on 31 December 2016 (incl. family)

99
12,570

0
5,120

0
26,360

800
63,520

Shares
Warrants (corresponding number of shares)

Stockholm, 22 February 2018

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

Rikard Josefson
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

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 34–46 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. 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.

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 regarding the parent company and with the Annual Accounts Act for Credit Institutes and Securities Companies regarding the consolidated accounts.

Stockholm, 22 February 2018

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorized Public Accountant