

Corporate governance report

We want to create a better future for millions of people. This is why it is important that we listen to our stakeholders at the same time that we stay on the forefront of the industry. The critical factor for a company like Avanza is earning the trust of customers, employees and the world around us. They have to feel confident in how we act and why, and that we manage our business in the best way and in compliance with applicable laws and regulations.

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 the supervision of the Swedish Financial Supervisory Authority, which requires strict application of various financial and ethical rules and guidelines based on Swedish and European law and the Swedish Securities Dealers Association's guidelines.

Avanza is motivated by a desire to challenge established structures and create customer value by offering products that are cheaper, better and simpler than the competition. We also inspire and educate customers to be better informed and to facilitate their investment decisions. Our promise is that customers will have more money left in their own pockets with Avanza than with any other bank. In the long term, what we do, especially for our customers, benefits the Swedish savings market and the industry's development, which in turn has a positive effect on society as a whole.

To achieve our vision and promote a better savings market in the long term, we have to dialogue with and listen to our customers, employees and other stakeholders. We have to understand them and what they want, preferably so that we can surpass their expectations and earn their trust. These stakeholders include customers, employees, owners, partners, suppliers, 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, all of which confer the same rights. There are no limitations on the right to transfer shares or how many votes a shareholder may cast. The Avanza share is listed on Nasdaq Stockholm's Large Cap list. The share capital at the end of 2018 amounted to SEK 75,682,490, represented by 30,272,996 shares and votes. An ownership distribution is presented on page 29 of the Annual Report for 2018. The largest shareholders – Sven Hagströmer with family and companies, and Creades AB – are represented on the Nomination Committee and in the nomination process for the election of Board members and the auditor; see table below. Avanza has outstanding warrant programmes comprising 1,390,000

warrants with a dilution effect of below five per cent. Of these warrants, 62.4 per cent were transferred to employees at year-end. For further information on the Avanza share, see pages 26–29 and Note 30 Equity.

B. Nomination process for election of Board members and auditor

The AGM 2018 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2019.

The names of the Nomination Committee's members, and the shareholders they represent, were published on 19 September 2018, which was six months prior to the AGM 2019. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. Appointments were based on ownership interests known immediately before the announcement, i.e. 31 August. The Nomination Committee is a governing body of the AGM with the sole purpose to prepare the AGM's resolutions on election, and directors as well as auditors fees.

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 have to be considered. Shareholders appointing a representative to the Committee have the right to dismiss this representative and appoint a replacement. Any changes to the composition of the Committee shall be publicly announced.

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

Composition of the Nomination Committee

Name	Representing	Holding 31-08-2018	Holding 31-12-2018
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	3,060,000 (10.2%)	3,060,000 (10.1%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	3,083,246 (10.3%)	3,083,246 (10.2%)
Sean Barrett	HMI Capital, LLC	1,544,571 (5.1%)	1,855,175 (6.1%)
Magnus Dybeck	Dybeck family and companies	1,038,737 (3.5%)	1,285,600 (4.2%)

The Nomination Committee's proposal to the Board of Directors is presented in its entirety to ensure that the compositions of the Board meets competence, diversity and independence requirements. Shareholders with views on 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 minuted meetings in 2018, 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 adoption of the income statement and balance sheet, consolidated income statement and consolidated balance sheet, dividends and other profit distributions, discharge from liability of the members of the Board and the CEO, decide upon the nomination procedure, remuneration guidelines for 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. To exercise their vote at the AGM, shareholders must be present at the meeting 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 2019 was 29 January 2019. 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 Avanza's website under the 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.

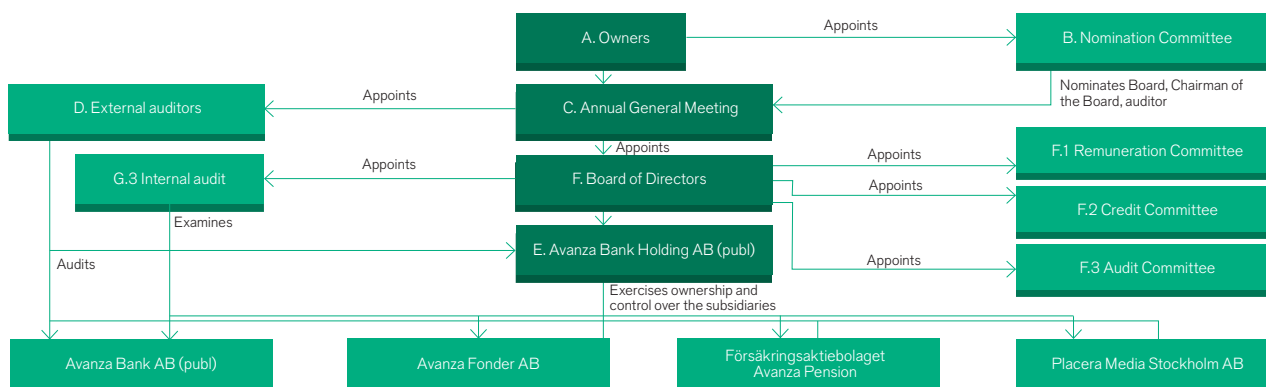
Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares requests such a meeting.

Avanza's AGM on 20 March 2018 was attended by 240 shareholders, representing 58 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 except Mattias Miksche were present at the Meeting.

At the AGM 2018, the following resolutions were adopted:

- adoption of Avanza's income statement and balance sheet as well as the consolidated income statement and consolidated 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
- approval of the issue of warrants for an incentive programme for employees
- authorisation for the Board to acquire own shares
- establishment of nomination procedures
- establishment of remuneration guidelines for Group Management

The above mentioned incentive programme expires in August 2021 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 maximum dilution effect will be 1.5 per cent.



D. External auditor

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

The AGM 2018 re-appointed Öhrlings PricewaterhouseCoopers AB (PwC) as auditor, with Helena Kaiser de Carolis as Auditor-in-Charge, through the AGM 2019. PwC has performed the auditing duties since the AGM held on 14 April 2011, with Helena Kaiser de Carolis as Auditor-in-Charge since 2018.

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 2018, fees paid to PwC for auditing duties totalled SEK 2,125 thousand. 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 is done 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 CEO instruction, which is adopted by the Board. The CEO is responsible for keeping the Board informed of the Company's operations and ensuring that Board members have all the information they need. The CEO also keeps the Chairman updated on the Group's development.

In 2018, Åsa Mindus Söderlund, Gunnar Olsson and Malin Nybladh became new members of Group Management. Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension, left Avanza in November. Åsa Mindus Söderlund succeeded Annika as CEO of the pension company on November 1. In December, it was announced that Jesper Bonnier, incoming CEO of Avanza Fonder, will also join Group Management. Jesper Bonnier will take up his new post by summer 2019. Avanza Group Management consisted at year-end 2018 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)
- Maria Christofi Johansson, Head of Customer Relations

- Åsa Mindus Söderlund, CEO of Försäkringsaktiebolaget Avanza Pension (CEO of Avanza Fonder until 1 November 2018)
- Malin Nybladh, Head of Human Resources
- Gunnar Olsson, COO
- Teresa Schechter, Chief Legal Officer
- Peter Strömberg, CIO
- Peter Westling, Head of Innovation and Marketing

More information on Group Management is available on Avanza's website and on pages 46–47.

Group Management holds formal meetings every two weeks and informal meetings as needed. The meetings address Avanza's results and strategy, priorities and the status of major projects and initiatives, with regular reports from Compliance and Risk Control.

Suitability assessment

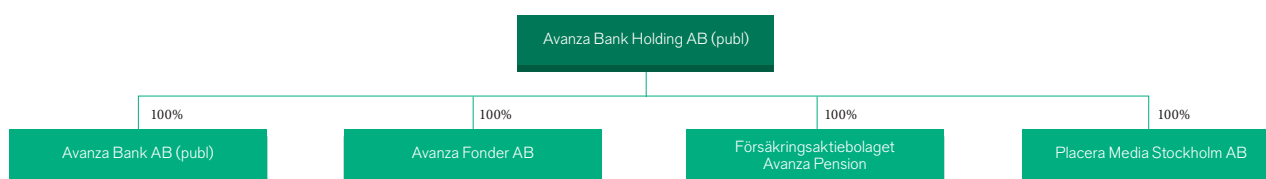
Avanza has internal guidelines for suitability assessments of the CEO, other members of Group Management, the heads of control functions and those responsible for the Group's AML work. Assessments are made in conjunction with new appointments and followed at least annually to determine whether the person in question has adequate knowledge, insight and experience and is suited to the role. Potential conflicts of interest are evaluated as well. Background checks are conducted at least once a year. Based on the suitability assessments, annual training plans are then formulated.

Remuneration to Group Management

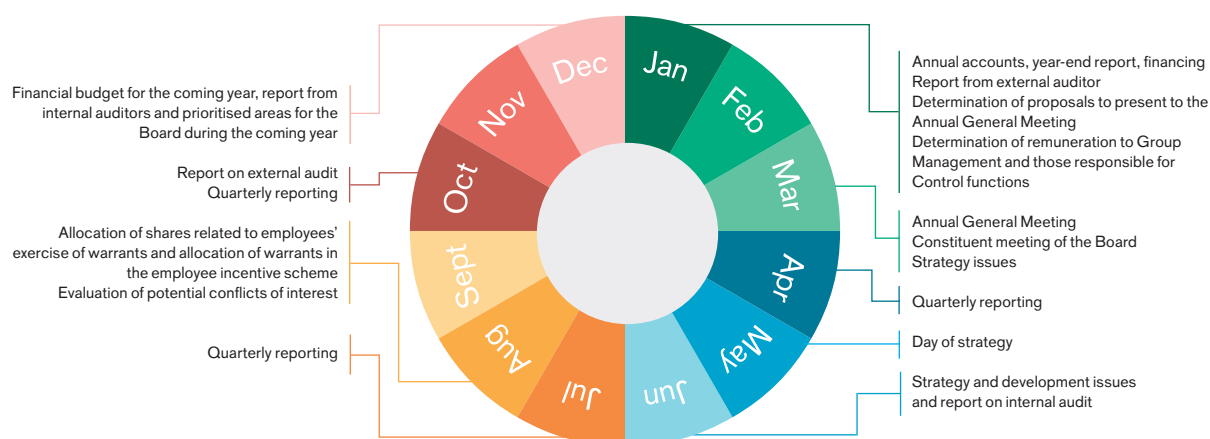
Group Management's remuneration shall reflect each person's experience, competence and performance. Remuneration comprises a fixed salary and a variable portion based on performance. The variable remuneration is based on a qualitative performance assessment relative to individual goals, tied to the Group's goals, as well as the Company's earnings. An appropriate balance is struck between fixed and variable remuneration, and the variable remuneration can be set at SEK 0. Variable remuneration paid to members of Group Management shall never exceed 100 per cent of fixed remuneration for the same financial year.

In 2018, the Board's Remuneration Committee proposed a transition from the remuneration model for the CEO and Group Management to one with only fixed remuneration while retaining the possibility to purchase warrants. The rationale for eliminating the variable remuneration for the CEO and Group Management is that no single individual in Group Management has such an influence over the Group's results that variable remuneration can be motivated or withheld without cause. The Board resolved, in accordance with the Remuneration Committee's proposal, to transition to a remuneration model with only fixed remuneration and reduce variable remuneration to zero. To compensate for the lost opportunity for variable remuneration, the fixed remuneration for the CEO and Group Management was adjusted for 2018. The revised remuneration model with only fixed remuneration means, based on the variable remuneration paid in recent years, lower costs and greater predictability. Avanza's remuneration policy can be found at investors.avanza.se/en under Governance.

E. The Avanza Group



Board meetings 2018



Members of Group Management have acquired warrants on prevailing market terms in accordance with the warrant programme approved by the AGM on 20 March 2018.

Questions 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 the Committee's proposal, following consultation with the CEO. Remuneration guidelines for senior management are adopted by the AGM and presented in Note 9 Employees and personnel costs.

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 we have created is one of collaboration and humility, where we constantly challenge ourselves to 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 utilising everyone's knowledge, experience and views to enrich and influence every part of the Company. We feel that groups of employees with different experiences and perspectives are more effective and dynamic than those that are too alike. The policy also ensures that all employees are treated fairly and that there is no discrimination. Gender equality is reflected in every part of the business. The CEO has overarching responsibility for diversity and gender equality. The work is done systematically with updated documentation, analysis, active measures, evaluations and follow-ups. Equality issues are tracked through employee surveys. Avanza's management at the end of 2018 was comprised of 5 women and 4 men. Among managers, 25 are women and 32 men; see also Note 9 and the section on employees and our social engagement on pages 20–25.

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 health and safety work is to create and maintain an environment where employees have the right opportunities given their position and goals. Avanza has a dedicated committee that deals with the overall structure for systematic occupational health and safety work and equality issues.

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

Regulatory training

Avanza has a code of conduct that includes our ethical guidelines. The 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 stance on business ethics and reporting routines as well as how we expect employees to act in ethical dilemmas. Avanza has a whistleblower function where employees can anonymously report suspected improprieties.

All employees have a responsibility to understand the laws and internal rules that affect and are relevant to their work. After hiring, new employees are introduced to current rules, which is then followed up on a regular basis. In addition, individual departments arrange separate, in-depth training in specific areas. In 2018, employees received web-based training in IT and information security and the GDPR regulation as well as follow-up training in MiFID II.

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 all employees of the Avanza Group and is adopted by the Board of Directors. Compliance has overarching responsibility for compliance with the policy, which is part of Avanza's Code of Conduct and mandatory compliance training for new employees. Supplemental training is provided every three years for all employees. Compliance training includes the work being done in anti-money laundering and terrorist financing, central laws and regulations, and other key guidelines and policies. The aim is to stress the importance of these policies, increase understanding and address any questions. Neither Avanza nor any of Avanza's employees have been convicted of bribery or other crimes related to corruption.

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. Avanza is also affiliated with Swedsec, which sets proficiency requirements, issues licenses and requires compliance of those who work as specialists, with mortgages or with management or control functions.

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 2018 re-elected all previously elected Board members, in addition to which Viktor Fritzén was elected as a new member. 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 2018, as of the AGM, of eight 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 21 March 2018. Information about the members of the Board can be found on Avanza's website and on pages 44–45.

Diversity and suitability

The guidelines on suitability assessments set forth how Avanza evaluates appointees for their assignments, how conflicts of interest are addressed and how a suitably diverse board is achieved. The Board's composition of individuals of varying age, with gender parity and with varying educational and professional backgrounds should contribute to that the Board collectively has the ability to critically review and understand relevant regulations and can 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 the Board's work. These assessments are made in conjunction with new appointments and followed up at least annually. Based on the suitability assessments, annual training plans are then formulated. Background checks were made of all Board members in 2018. Information on the Board's composition, age and background is shown on pages 44–46.

The boards of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension follow their own guidelines on suitability assessments adapted to the requirements of a suitable composition and collective competence for the board of each company. Subsidiary boards consist of members with varying experience and education, which contributes to a suitable composition of competences.

Work of the Board in 2018

During the year, the Board held a total of 18 meetings, including 6 scheduled meetings, 1 following election and 11 by telephone/mail. Board meetings by telephone/mail mainly addressed decisions relating to Avanza's incentive scheme.

At scheduled meetings, the following are always discussed:

- financial reporting
- operational reporting
- reporting from 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 on the previous page. The Board also focused on the Group's implementation of and alignment with new rules affecting various parts of its operations.

The Board also worked on and participated in strategic business planning in order to continuously adapt and improve Avanza's customer offering.

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 for 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 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 2018, the Board underwent training with a focus on new regulations, mortgages 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.

Formal work plan of the Board of Directors

The Board follows a formal work plan it adopts on an annual basis, which regulates the division of duties, decision-making, signatories, meeting procedures and the Chairman's duties. It also covers the Board's responsibilities and duties as well as how to identify and manage potential conflicts of interest.

Attendance at recorded Board meetings 2018

Member of the Board	Attendance	In relation to the company and its management	In relation to the company's largest shareholders
Sven Hagströmer, Chairman	18/18	Independent member	Not independent member
Sophia Bendz	18/18	Independent member	Independent member
Viktor Fritzén	14/14	Independent member	Independent member
Jonas Hagströmer	18/18	Independent member	Not independent member
Birgitta Klasén	18/18	Independent member	Independent member
Mattias Miksche	18/18	Independent member	Independent member
Hans Toll	18/18	Independent member	Not independent member
Jacqueline Winberg	18/18	Independent member	Independent member

The Board's work follows a plan that meets the Board's information needs and is otherwise governed by established procedures for dividing duties between the Board and the CEO. In addition, the Company's auditor attends and reports to the Board at one Board meeting as well as to the Audit Committee at one meeting in 2018. Company employees participate in the Board's meetings as rapporteurs and secretary.

Remuneration for Board members and attendance at Board meetings

The AGM 2018 resolved to pay annual remuneration of SEK 350,000 each to the Chairman of the Board and other Board members. In addition, a fee of SEK 50,000 was set for members of Avanza Bank's Credit Committee and SEK 40,000 for members of the Company's Remuneration Committee. For the Audit Committee, SEK 160,000 was paid to the Chairman and SEK 80,000 to each member. Board members who receive a salary through their employment with the Company are not entitled to Board fees. See Note 9 for more information on the Board's remuneration.

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 2018 consisted of Sven Hagströmer, Jacqueline Winberg (Chairman) and Mattias Miksche. The Committee is responsible for evaluating and recommending remuneration principles.

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.

In 2018, the Committee held 15 meetings, which all members attended, and also maintained 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 2018 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 minuted, and the minutes provided to the Board at its next meeting.

In 2018, the Credit Committee held 6 meetings, which all members attended, and also maintained regular contact.

F.3 Audit Committee

After the AGM 2018, the Board of Directors of Avanza appointed an Audit Committee, whose duties were previously performed by the entire Board. The Audit Committee consists of Birgitta Klasén (Chairman), Hans Toll and Viktor Fritzén and meets the independence requirements of the Swedish Companies Act and the Code, as well as accounting or auditing competence requirements. The Audit Committee maintains regular contact with the Company's auditor to stay informed on the scope of the audit and discuss the auditor's view of the Company's risks. The Audit Committee monitors to ensure that the financial reporting maintains high quality, receives reports from the auditor, reviews and monitors the auditor's impartiality and independence, evaluates the auditor's auditing performance and provides input to the Nomination Committee on the AGM proposal on the auditor's election.

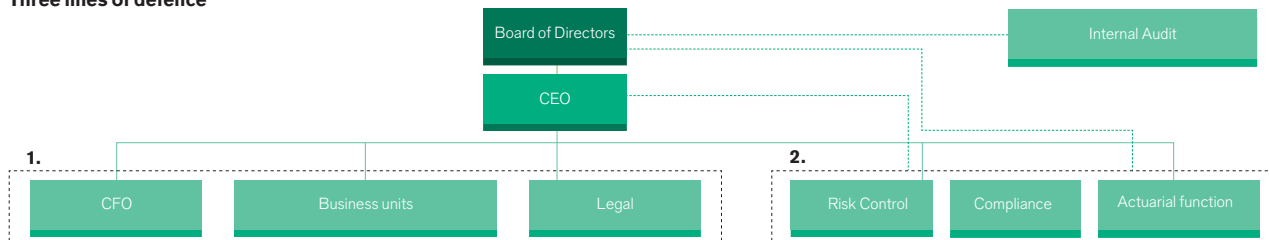
The auditor reported on the audit and presented recommendations to the Board through the Audit Committee on one occasion in 2018. Internal Audit reported twice in 2018 on the results of the year's independent review to the Board and the Audit Committee.

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, monitoring and reporting on the Group's aggregate risks.

As a rule, the subsidiaries apply the same principles for governance, risk management and control at a 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, and when specific types of risk only exist in a single subsidiary.

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



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 Company's regulatory framework are specific frameworks for risk management with policies, guidelines, instructions, risk appetites 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 derived from the Board's and management's 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 in the form of CEO limits. 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 monitoring and control are performed in among other ways by limiting and measuring financial risks, self-assessments of non-financial risks, incident reporting and follow-ups, and risk analysis and approval of major changes by Risk Control. Risk Control provides an overview of the Group's risk exposure and limit utilisation to management on a monthly basis and to the Board a 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 and the Chairman of the Board as 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 assist the Swedish Financial Supervisory Authority (SFS) in its supervisory capacity.

Compliance is also responsible for educating 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 falls 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 as needed.

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 Northern Actuarial AB, reports to the CEO. The Actuarial function regularly 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. Internal Audit 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 2018, the Board of Directors hired the external consultancy OMEGA Financial Consulting AB to perform the internal audit.

Internal Audit's reviews of Avanza Bank in 2018 covered governance of operational risks, remuneration policy, AML/CTF work, implementation of IFRS 9, implementation of mortgage amortisation rules, key cooperation agreements and assessments of important counterparties, the equity trading process, regulatory reporting processes and management of conflicts of interest. For Avanza Pension, Internal Audit primarily reviewed remuneration policy, AML/CTF work, the outcome of adaptations to the Solvency II rules, regulatory reporting processes, the Risk function's work and the Actuarial function's work. For Avanza Fonder, Internal Audit has primarily reviewed the investment process, AML/CTF work, regulatory reporting processes and the Risk function's work.

The results of the year's internal audits were reported at the meetings of the Board of Directors and the Audit Committee in June and December 2018.

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.

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 and control, reporting, 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 more 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 2018.

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 monitored 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: Founder of 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 2018 (incl. family and companies): 6,143,246 (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 Norstedts, Board member. 2007–2014 Spotify, Global Marketing Director. 2010–2011 Happy socks, Board member. 2010–2011 AllBright.se, Board member and co-founder. 2006–2007 Prime PR, PR consultant. 2005–2006 Deloitte, Risk Management Consultant. 2000–2005 Handelsbanken Capital Markets, Trading Assistant

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 2018 (incl. family and companies): 426



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– Creades AB, Investment Manager. 2007–2011 Keystone Advisers, Corporate Finance Associate and analyst

Other significant assignments: Chairman of Inet AB, Board member of Biovestor AB and Apotea AB

Holdings on 31 December 2018 (incl. family and companies): 3,000 and indirect shareholding via Biovestor and Creades



Viktor Fritzen

Born: 1985
Elected: 2018

Committees: Audit Committee

Education: Master of Science, Stockholm School of Economics, Major in Finance

Diversity and suitability: Background in the financial industry and experience from growth companies, building strong company culture, IT and compliance.

Relevant employment history: 2018– LeoVegas Group, Senior Advisor. 2012–2018 LeoVegas Group, CFO. 2011–2012 GP Bullhound, Corporate Finance Analyst. 2007–2011 Goldman Sachs, Global Investment research analyst

Other significant assignments: Board member of Appjobs Sweden AB

Holdings on 31 December 2018 (incl. family and companies): 1,000



Birgitta Klasén

Born: 1949

Elected: 2014

Committees: Credit & Audit 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 Acando AB, Board member. 2009–2016 IFS AB, Board member. 2006–2008 Telelogic AB, Board member. 2005–2008 OMX AB, Board member. 2004–2005 EADS, CIO. 2000–2005 Förenings Sparbanken, Board member. 1996–2001 Pharmacia & Upjohn, CIO. 1995–1996 Telia, CIO. 1976–2004 IBM, Various executive positions including VP of its wholly owned outsourcing company Responsor AB

Other significant assignments: Senior IT Advisor and Board member of Assa Abloy AB and Benefie Ltd.

Holdings on 31 December 2018 (incl. family and companies): 10,000



Mattias Miksche

Born: 1968

Elected: 2008

Committees: Remuneration Committee

Education: Master of Science in Business and Economics, Stockholm School of Economics

Diversity and suitability: Extensive expertise in Internet and mobile services. Operational experience from developing and improving digital interaction with customers and users in various industries. Experience from various board assignments and private investments in tech-companies

Relevant employment history: 2005–2016 Glorious Games Group AB (formerly Stardoll), Founder and CEO. 2009–2016 Sportamore AB, Board member. 2008–2011 Eniro AB, Board member. 2003–2005 Boxman AB (later on Lovefilm Nordic), Founder and CEO. 2003–2005 E*TRADE Sverige AB, Board member. 2002–2003 E*TRADE Bank AG (Germany), CEO. 2000–2002 E*TRADE Sverige AB, CEO

Other significant assignments: Chairman of Hem och Design Studio AB, Board member of Dustin Group AB, Euroflorist Intressenter AB and PriceRunner Group AB, Advisor on technical issues to Altor Equity Partners.

Holdings on 31 December 2018 (incl. family and companies): 2,790



Hans Toll

Born: 1970

Elected: 2014

Committees: Credit & Audit Committee

Education: Master of Science in Business and Economics, Stockholm School of Economics

Diversity and suitability: 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.

Relevant employment history: 2010–2013 Avanza Bank AB, Deputy Managing Director and Head of Bank and Investments. 2002–2010 RAM One – Rational Asset Management AB, Portfolio Manager. 1999–2002 Investor Trading AB, Analyst. 1995–1999 Investor AB, Financial Analyst

Other significant assignments: Board member of Creades AB and Bright Sunday AB

Holdings on 31 December 2018 (incl. family and companies): 25,000



Jacqueline Winberg

Born: 1959

Elected: 2003

Committees: Remuneration Committee

Education: Master of Science in Business and Economics, Stockholm School of Economics

Diversity and suitability: 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: 2010–Stanton Chase, Managing Partner. 1996–2005 Ray & Berndtson in Sweden, Partner. 1995–1996 Michaël Berglund Chefsrekrytering, Consultant. 1985–1990 Handelsbanken. 1984–1985 PK-banken

Other significant assignments: CEO, Founder, Managing Partner and Board member of Stanton Chase International AB, Board member of Aktiebolaget Fastator and Offentliga Hus i Norden AB

Holdings on 31 December 2018 (incl. family and companies): 1,700



Auditors

**Öhrlings
Pricewaterhouse
Coopers AB**

Auditor-in-Charge: Helena Kaiser de Carolis

Born: 1971

Authorised Public Accountant

Group Management



Rikard Josefson, CEO

Born: 1965

Employed: 2017

Education: B.A Economics Stockholm University

Employment history: 2011–2017 Länsförsäkringar Bank, CEO. 2011 SEB, Head of Global Transaction Services. 2004–2010 SEB, Deputy Head the Swedish retail banking operations. 2000–2004 SEB Finans, CEO. 1999–2000 Latvijas Unibanka (SEB), Deputy CEO. 1998–1999 SEB, Project Manager

Holdings on 31 December 2018 (incl. family and companies):

Shares: 3,000

Warrants (corresponding number of shares): 20,000



Maria Christofi Johansson, Head of Customer Relations

Born: 1970

Employed: 2000

Education: LL.M. Stockholm University

Employment history: 1996–2000 SEB, Account Manager for external funds

Holdings on 31 December 2018 (incl. family and companies):

Shares: 8,701

Warrants (corresponding number of shares): 38,980



Birgitta Hagenfeldt, CFO, Deputy CEO

Born: 1961

Employed: 2008

Education: MBA, Örebro University

Employment history: 2002–2008 RAM One –Rational Asset Management AB, Head of Administration. 1980–2002 KPMG, Authorised Public Accountant and Head of Financial Auditing

Holdings on 31 December 2018 (incl. family and companies):

Shares: 62,260

Warrants (corresponding number of shares): 53,090



Åsa Mindus Söderlund, CEO Försäkringsaktiebolaget Avanza Pension

Born: 1965

Employed: 2017

Education: Bachelor Financial Economics, Stockholm School of Economics and Business Administration

Employment history: 2017–2018 Avanza Fonder, CEO. 2012–2017 SPP, CEO SPP Consultant and member of Group Management SPP Pension & Insurance. 2010–2012 mindUS Consulting, Project leader with focus on international outsourcing within the fund and asset management industry. 2005–2010 Atos Consulting, Director and CEO. 1998–2005 Capgemini Ernst&Young, Senior Manager Ernst & Young Management Consulting. 1991–1997 Ministry of Finance, Head of Section.

Holdings on 31 December 2018 (incl. family and companies):

Shares: 50

Warrants (corresponding number of shares): 2,040



Malin Nybladh, Head of Human Resources

Born: 1965

Employed: 2018

Education: The HR Programme, at Stockholm University

Employment history: 2014–2018 Swedavia AB, HR Change leader. 2010–2014 Swedavia AB, Head of HR Strategy. 2007–2010 Telenor Sweden AB, Head of HR. 2005–2007 Telenor AB, Head of HR

Holdings on 31 December 2018 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 2,250



Gunnar Olsson, COO

Born: 1972

Employed: 2018

Education: MBA, Mittuniversitetet

Employment history: 2012–2018 Länsförsäkringar Bank AB, Head of business development and products. 2000–2012 SEB, Head of third party sales and Business developer. 1998–2000 PAR AB (Now Bisnode), Account Manager

Holdings on 31 December 2018 (incl. family and companies):

Shares: 500

Warrants (corresponding number of shares): 2,720



Teresa Schechter, CLO

Born: 1970

Employed: 2006

Education: LL.M. University of Gothenburg

Employment history: 2006–2017 Avanza Bank AB, Head of Compliance, Legal and Surveillance. 2004–2006 Aktieinvest FK AB, Compliance Officer and Corporate counsel. 2002–2004 Swedish Shareholders' Association, Legal Council. 1999–2001 Aktiesparinvest / HQ.se AB, Corporate Counsel

Holdings on 31 December 2018 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 6,340



Peter Strömberg, CIO

Born: 1972

Employed: 2014

Education: MSc Business Administration & Information Technology, Gotland University College/ Stockholm University

Employment history: 2010–2014 RSA Scandinavia IT-Service Management, IT Director. 1998–2010 Nasdaq OMX, Vice President OMX Technology

Holdings on 31 December 2018 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 22,340



Peter Westling, Head of Innovation and Marketing

Born: 1971

Employed: 2012

Education: MBA, Stockholm University

Employment history: 2002–2011 Garbergs advertising firm, CEO, Partner and Communication Strategist

Holdings on 31 December 2018 (incl. family and companies):

Shares: 800

Warrants (corresponding number of shares): 60,770

Stockholm, 25 February 2019

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Board member

Viktor Fritzen
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 2018 on pages 36–48 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.

Stockholm, 25 February 2019

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant