

# Corporate Governance Report

Avanza Bank Holding AB (publ.) ("Avanza Banks") is governed by means of the Annual General Meeting of the shareholders of the company, the Board of Directors and the Managing Director, pursuant to the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (1995:1554), and in accordance with the Articles of Association and the Swedish Corporate Governance Code ("the Code"). The Corporate Governance Report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the Code. For further information on corporate governance, see [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

## Annual General Meeting

Avanza Bank's supreme decision-making body is the Annual General Meeting. The Annual General Meeting elects the company's Board of Directors and appoints Avanza Bank's auditors, in accordance with the Articles of Association. The Annual General Meeting's duties also include adopting the company's Balance Sheets and Income Statements, amending the Articles of Association, determining the appropriation of operational profits/ losses, and deciding on discharges from liability for the Members of the Board and the Managing Director.

165 shareholders participated in Avanza Bank's Annual General Meeting held on 21st April 2010 in Stockholm, representing 51 per cent of the total number of shares and votes in the company. Every share grants entitlement to one vote and there are no limitations on the number of votes that a shareholder may use. The company's auditors and the entire Board of Directors, with the exception of Mattias Miksche, were present at the Meeting. Avanza Bank has only one owner, Investment AB Öresund, which, either directly or indirectly represents at least one tenth of the total number of votes for all shares in the company. Investment AB Öresund represented 21.35 per cent of Avanza Bank's shares and votes, as of 31st December 2010. The section of the Directors' Report entitled "Buy-back of the company's own shares", notes that the 2010 Annual General Meeting authorised the Board to approve the acquisition of the company's own shares.

Details of impending Annual General Meetings and of the way in which shareholders can exercise their right of initiation can be found on the company's website no later than in conjunction with the publication of the Q3 Interim Report before the Annual General Meeting is held. Minutes of previous Annual General Meetings are also available on the website.

## The Board of Directors

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

The Articles of Association state that the Board shall comprise a minimum of five and a maximum of eight Members. Avanza Bank's Board initially comprised eight Members elected by the Annual General Meeting and no Deputy Members, but the number of Members fell to seven when Mikael Nachemson prematurely resigned his seat on 26th May. The Chairman of the Board is Sven Hagströmer. The Company's Managing Director, Nicklas Storåkers, is also a Member of the Board. The Board held its first meeting following election on 21st April 2010. See the company's website, [avanza.se](http://avanza.se), for details of the individual Board Members.

## The work of the Board in 2010

The Board held a total of 17 meetings during the year, 6 of which were ordinary meetings, one was the Board Meeting following election, and 10 were per capsulam. All of the Members of the Board were present at all of the Meetings. Mikael Nachemson was present at 6 of the 6 regular meetings held before he left the Board at his own request on 26th May.

The following items are always on the agenda at ordinary Board Meetings: operational reports, financial reports, reports from the Risk Management function, reports from Compliance, and credit reporting.

## Directors' fees

The 2010 Annual General Meeting set the Directors' fees at SEK 886,000. An annual fee of SEK 178,000 is paid to the Chairman of the Board, with fees of SEK 118,000 payable to the other Members. Members of the companies' Boards who attend when the company's management has reporting meetings with the company's Auditor shall receive a further fee of SEK 25,000. The Board Members of the subsidiary companies, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, shall, furthermore, be entitled to receive a fee of SEK 36,000 each for their respective Board duties. Members who are salaried employees of the company, whether of the parent company or a subsidiary company, shall not, however, receive any fee.

## The Board's rules of procedure

The Board's work is governed by annually adopted rules of procedure that regulate the Board's internal division of labour, the decision-making structure within the company, company signatories, the format of Board meetings, and the duties of the Chairman.

The Board's work follows an agenda plan that fulfils the Board's requirement for information. The agenda plan is otherwise governed by the rules of procedure adopted by the Board with regard to the division of labour between the Board and the Managing Director. The company's auditors also report their assessments of the company's monitoring in person at certain Board Meetings, after completion of a review. Company employees participate in the Board Meetings to present reports or as secretaries.

## Attendance at minuted Board Meetings

Board Members' attendance at minuted Board Meetings.

	Present	Not independent/Independent*
Sven Hagströmer, Chairman	17/17	Independent Member
Hans Bergenheim	17/17	Independent Member
Anders Elsell	17/17	Independent Member
Mattias Miksche	17/17	Independent Member
Andreas Rosenlew	17/17	Independent Member
Jacqueline Winberg	17/17	Independent Member
Nicklas Storåkers, Managing Director	17/17	Not independent Member
Mikael Nachemson	6/6	Independent Member

\* Independent is defined as independent of the company and its management.

Four of the Board Members who are independent of the company and the company's management are also independent of the company's major shareholders. They are: Hans Bergenheim, Mattias Miksche, Andreas Rosenlew and Jacqueline Winberg.

## The Managing Director and Group Management

The Managing Director manages the operations in accordance with the rules of procedure for the Managing Director. The Managing Director is responsible for keeping the Board informed of the company's operations and for ensuring

that the Board has, as far as possible, the necessary and comprehensive basis it requires for decision-making. The Managing Director also maintains an ongoing dialogue with the Chairman of the Board in order to keep the Chairman informed with regard to the Group's performance.

The Managing Director and other members of the Group management hold formal meetings once a month, together with a number of informal meetings in between, to review the previous month's results and to discuss strategic issues. Avanza Bank's Group management has during 2010, consisted of six persons, of whom five are male and one, female.

The Avanza Bank Group comprises the parent company, Avanza Bank Holding AB (publ.), and four subsidiary companies. All subsidiary companies report continuously on a monthly basis. The Members of the subsidiaries' Boards are, preferably, members of the Group management and the Avanza Bank Board of Directors.

The 2010 Annual General Meeting determined that the fees for the Group management shall consist of a fixed portion and a variable, performance-based portion. The variable portion may be disbursed for performances that exceed those normally expected of members of the Group management after an evaluation of individual performances. The extent to which previously adopted goals for the company and the senior executive have been met is taken into account when determining the variable remuneration.

Persons included in the Group management have been allocated warrants in accordance with the warrant programme approved at the Extraordinary General Meeting of 4th July 2005 and at the Annual General Meeting of 15th April 2008. The warrants are issued on market terms.

The total remuneration for persons in the company management shall be on market terms.

## Nomination Committee

A Nomination Committee comprising representatives of the four largest owners and the Company's Chairman of the Board was appointed in accordance with the resolution of Avanza Bank's 2010 Annual General Meeting. These owners decided that the Nomination Committee shall comprise Erik Törnberg, who represents Investment AB Öresund, Johan Lannebo, who represents Lannebo Fonder, and Magnus Dybeck, who represents the Dybeck family and its companies, and the Chairman of the Board, Sven Hagströmer, who represents the Hagströmer family and its companies. Erik Törnberg is the Chairman of the Nomination Committee.

The Nomination Committee held its first minuted meeting in January 2011, which was attended by all members.

The Nomination Committee is tasked with, amongst other things, conducting an evaluation of the Board and its work. The size of the Board and its composition, with regard, for example, to industry experience and competence, shall also be evaluated. The Nomination Committee also receives an account of the way in which the Board's work was conducted during the financial year from the Chairman of the Board of the company.

The Nomination Committee is tasked with discussing the fees payable to the Chairman of the Board of the company and the Members of the Board, in which context comparisons are made with companies operating in similar spheres and of a similar size and complexity. Emphasis is placed, in this content, on the importance of the fee being reasonable with regard to the responsibility and the work required and to the contribution the Board can make to the development in the value of the company. The Nomination Committee also submits proposals regarding the election of Auditors and the fees payable to them.

The Nomination Committee also evaluates the need of remuneration for committee work. Finally, Avanza Bank's Nomination Committee discusses who should chair the company's Annual General Meeting and whether the principles governing the structure of the Nomination Committee should be amended.

### Remuneration Committee

For the 2010 financial year, this Committee has comprised Sven Hagströmer, Anders Elsell and Jacqueline Winberg. The Committee is tasked with reviewing and issuing recommendations to the Board with regard to the principles governing remuneration, including performance-based remuneration for the company's senior executives. Issues relating to the Managing Director's terms of employment, remuneration and benefits are also prepared by the Remuneration Committee and decided by the Board.

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

The Remuneration Committee has held one minuted meeting, which was attended by all members, and has maintained ongoing contact during the year.

### Audit Committee

The provisions of the Swedish Companies Act and the Code require the Boards of public limited companies to appoint an Audit Committee. The majority of the Audit Committee members should be independent of the company and senior management and at least one member of the committee shall be independent of the company's major shareholders. The Board may, under the provisions of the Swedish Companies Act, decide not to appoint an Audit Committee if at least one Member is independent and has accounting or auditing expertise. The Board of Directors of Avanza Bank is of the opinion that the composition of the Board is such that the exception specified in the Swedish Companies Act is applicable and has, therefore, elected not to establish an Audit Committee in that the Board is of the opinion that this type of issue is best addressed by the entire Board of Directors. The 2006 Annual General Meeting resolved, however, that one member of the company's Board shall participate when the senior management of the company has reporting meetings with the company's auditors. The Board has appointed Board Member, Anders Elsell, to be present at such reporting meetings.

The Board found no cause, during 2010, to exclude the company's Managing Director from meetings in which the Board carried out the duties which are incumbent upon an Audit Committee.

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

## External auditors

Avanza Bank's auditors are elected by the Annual General Meeting for a period of four years. Ernst & Young AB were elected as Avanza Bank's auditors at the 2007 Annual General Meeting, with Public Authorised Accountant, Lars Träff, as the auditor in charge, for the next four-year period.

The auditors audit the Board's and the Managing Director's administration of the company and the quality of the company's accounting documents and the Corporate Governance Report.

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

## Internal controls

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

The internal control work is divided up as follows:

### *Risk Management*

Risk Management is Avanza Bank's function for independent risk monitoring. The head of the function reports directly to the CFO and has a permanent item on the agenda at Board meetings, and can report directly to the Chairman of the Board. Risk Management is responsible for providing the Board, management and other in need thereof with information on risk-related issues. Risk Management is also responsible for the establishment and monitoring of a fit for purpose risk policy and of rules and routines for the company's risk management.

Risk management is carried out within every department under the supervision of and in communication with Risk Management. The bank's risks are divided into the following categories: credit and counterparty risks, market risks, liquidity risks and operational risks (the risk of losses resulting from internal processes and routines that are incorrect or not fit for purpose, human error, incorrect systems, or external events, including legal risks).

### *Compliance*

Compliance is responsible for ensuring that those operations for which licences are required are conducted in accordance with legislative and regulatory requirements, internal regulations, and good practice. The head of the function reports directly to the CFO and has a permanent item on the agenda at Board meetings, and can report directly to the Chairman of the Board. Compliance proposes to the Managing Director and the Board of Directors the guidelines, routines and measures that must be introduced in order to minimise the risk of deficient regulatory compliance and in order to enable the Swedish Financial Supervisory Authority to exercise efficient supervision. Compliance monitors and

regularly assesses whether the measures and routines that Avanza Bank has introduced are appropriate and efficient and evaluates measures taken to rectify any deficiencies in the company's regulatory compliance. When performing services in operations monitored by Compliance, the work is carried out independently of such operations.

Compliance shall inform the Managing Director, the Board of Directors and employees of the rules obtaining at any given time with regard to the operations conducted by Avanza Bank and which require licencing. Knowledge of applicable regulations can be disseminated through the company's internal instructions, training programmes and other types of information.

Compliance's responsibility does not extend to accounting regulations or tax regulations.

#### *Independent review*

Avanza Bank's Internal Audit function comprises an independent review function which is commissioned by the Board to investigate and determine whether systems, internal control mechanisms and routines are appropriate and effective, and which issues recommendations, checks that these recommendations are followed, and reports at least once a year to the Managing Director and the Board.

The independent review is carried out by a group of external consultants in order to ensure the quality and independence of the evaluation and review. The Board of Directors has commissioned the external consulting company, Grant Thornton Sweden AB, to carry out this independent review.

The independent review in respect of the 2010 financial year focused on a review of compliance, risk management, measures to counter fraud and internal improprieties, continuity planning and the incidence of infringement tests. The review also focused on the management of conflicts of interest, engagement agreements and the composition of the Board.

Grant Thornton Sweden AB reported the results of its independent review to the various Boards within the Avanza Bank Group at the Board Meeting held on 13th December 2010.

#### *The Finance Department's controller function*

Avanza Bank's Controller Function compiles and reports financial and operating figures and analyses to department managers, management and Boards of Directors. The Accounting and Controller Department works actively with ongoing monitoring of the business' operating costs in relation to budgets and forecasts. The work is carried out in close cooperation with the management group and the managers throughout the organisation. Avanza Bank has also, in addition to the above-mentioned control functions, established an internal manager organisation to monitor internal control and risk management with regard to financial reporting – see below for further details.

# **The Board of Directors' report on internal controls and risk management in relation to financial reporting for the 2010 financial year**

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal controls of both the Avanza Bank Group and Avanza Bank Holding AB (publ). This report has been prepared in accordance with sections 10.5 and 10.6 of the Code and is, therefore, limited to internal controls with regard to financial reporting. The report constitutes part of the Corporate Governance Report which, under section 11 of the Code, shall be appended to the company's Annual Report but which does not constitute part of the formal annual accounts documents.

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

Internal control in relation to financial reporting is a process which is formulated in order to give reasonable security with regard to the reliability of the external financial reporting, and the extent to which the financial reporting is produced in conformity with good accounting practice, applicable laws and regulations, and other requirements in relation to companies whose transferable securities are listed for trading in a regulated market.

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

### **Control environment**

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

The basis of internal control in relation to financial reporting consists of a control environment with organisation, decision-making pathways, authority and responsibility, which are documented and communicated in steering documents such as internal policies, guidelines and instructions, and job descriptions of controlling functions. Examples include the work procedures for the Board and Managing Director, instructions on Risk Management and Compliance, instructions on internal control and reporting, information policy, authorisation instructions and reporting instructions.

### **Risk assessment**

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

## Control activities

Control activities cover both general and more detailed controls, intended to prevent, discover and correct faults and deviations. Control activities are worked out and documented at company and departmental level. The respective department managers within Avanza Bank are the individuals who are primarily responsible for managing the risks which are connected to their own department's operations and financial reporting processes. Risk Management carries out ongoing controls to ensure that this risk management works efficiently.

## Information and communication

The company has information and communication pathways intended to promote full coverage and correctness in the financial reporting, e.g. through steering documents in the form of internal policies, guidelines and instructions in relation to financial reporting being made available and known to the persons affected, via Avanza Bank's Intranet. Internal rules and regulations regarding policies, guidelines and instructions constitute the most important tool for providing information and instructions in order to ensure a high standard of financial reporting.

## Following up

At the end of 2006, Avanza Bank established an internal management organisation in order to ensure monitoring of the quality of the financial reporting, the efficiency of the control structure, and the compliance with steering documents in the form of internal policies, guidelines and instructions in relation to the financial reporting. The internal management organisation, which has held four minuted meetings in 2010, comprises representatives of Accounts, Back office, Trading, Risk Management and Compliance. The Board receives monthly financial reports, and the company's and Group's financial situation is addressed at each Board Meeting. Prior to each Board Meeting, the Board receives a report from Risk Management and Compliance. All of these reports are based on an evaluation of the Group's activities and the reporting covers the entire organisation.

Internal control in relation to financial reporting is one of many processes involved in evaluating the operations.

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

## Evaluation of and position on internal audits

Avanza Bank' internal audit function comprises an independent audit function which evaluates and reviews the company's compliance with the general guidelines issued by the Swedish Financial Supervisory Authority with regard to the management and control of financial companies (FFFS 2005:1), the regulations issued by the Swedish Financial Supervisory Authority concerning securities operations (FFFS 2007:16) and with regard to investment funds (FFFS 2008:11), at the behest of the Board of Directors. This independent review is carried out by external consultants at the direct request of the Board, and the purpose of the Board's decision to use external auditors, rather than establishing an internal audit within the company, is to ensure the quality and independence of the evaluation and review process.





Top row from left: Anders Elsell, Mattias Miksche, Jacqueline Winberg and Sven Hagströmer.  
Bottom row from left: Nicklas Storåkers, Hans Bergenheim and Andreas Rosenlew.

## Board of Directors

### Chairman of the Board

*Sven Hagströmer*, born 1943.  
Studied at Stockholm University.  
Elected: 1997.  
Chairman of the Boards of Investment AB Öresund and Klarna Holding AB.  
Member of the Boards of eWork Scandinavia AB and Insplanet AB.  
Holdings on 31st December 2010 (incl. family and companies):  
Shares: 2,039,416.

### Members of the Board

*Hans Bergenheim*, born 1960.  
Accountancy degree from School of Business, Economics & Law at Gothenburg University.  
Elected: 2007.  
Managing Director of Lateus AB. Chairman of the Boards of STF Ingenjörsutbildning AB and PTK's Educational Foundation, Djurönäset. Member of the Boards of AB Svenska Spel, White Intressenter AB and White Arkitekter AB.  
Holdings on 31st December 2010:  
Shares: 3,000.

*Anders Elsell*, born 1957.  
Degree in Civil Engineering, Royal Institute of Technology, Stockholm, and degree in Business Economics and Management from Stockholm University.  
Elected: 2001.  
Financial Analyst, Investment AB Öresund.  
Holdings on 31st December 2010 (incl. family):  
Shares: 334,433.

*Mattias Miksche*, born 1968.

Degree in Economics and Business Administration from the Stockholm School of Economics.  
Elected: 2008.  
Managing Director of Stardoll AB. Member of the Boards of Eniro AB, Dustin Group AB, Celebmedia Posh24 AB and Sportamor AB.  
Holdings on 31st December 2010:  
Shares: 1,000.

*Andreas Rosenlew*, born 1962.

MSc in Economics & Business Administration, The Swedish School of Economics & Business Administration, Helsinki  
Elected: 2005.  
Managing Partner and Chairman of the Board of Grow Partners AB.  
Member of the Boards of Polarica Holding AB and Innograf OY.  
Holdings on 31st December 2010 :  
Shares: 3,600.

*Nicklas Storåkers*, born 1974.

Degree in Economics and Business Administration from the Stockholm School of Economics and legal studies at Stockholm University.  
Managing Director.  
Elected: 2000.  
Chairman of the Board of Jajja Communications AB.  
Member of the Board of the Swedish Securities Dealers Association.  
Holdings on 31st December 2010 (incl. family):  
Shares: 307,475.  
Warrants: corresponding to 297,470 shares.

*Jacqueline Winberg*, born 1959.

Degree in Economics and Business Administration from the Stockholm School of Economics.  
Elected: 2003.  
Partner at Stanton Chase International.  
Holdings on 31st December 2010 (incl. family):  
Shares: 1,700.



Top row from left: Birgitta Hagenfeldt, Ronnie Bodinger and Henrik Källén.  
Bottom row from left: Carl Norinder, Nicklas Storåkers and Hans Toll.

## Management

*Ronnie Bodinger*, born 1973.  
Degree in Civil Engineering, Royal Institute of Technology, Stockholm and economics studies at Södertörn University, Stockholm.  
Employed: 1999.  
IT Manager  
Holdings on 31st December 2010:  
Shares: 29,000.  
Warrants: corresponding to 148,860 shares.

*Birgitta Hagenfeldt*, born 1961.  
Degree in Economics and Business Administration from Örebro University.  
Employed: 2008.  
CFO.  
Holdings on 31st December 2010 (incl. family):  
Shares: 13,040.  
Warrants: corresponding to 67,140 shares.

*Henrik Källén*, born 1968.  
LL.B., Stockholm University  
Employed: 2000.  
Managing Director of Försäkringsaktiebolaget Avanza Pension.  
Holdings on 31st December 2010:  
Shares: 15,000.  
Warrants: corresponding to 144,120 shares.

*Carl Norinder*, born 1974.  
Degree in Economics and Business Administration from the Stockholm School of Economics.  
Employed: 2008.  
Customer Relations Manager  
Holdings on 31st December 2010:  
Shares: –  
Warrants: corresponding to 95,270 shares.

*Nicklas Storåkers*, born 1974.  
Degree in Economics and Business Administration from the Stockholm School of Economics and legal studies at Stockholm University  
Employed: 1999.  
Managing Director  
Holdings on 31st December 2010 (incl. family):  
Shares: 307,475.  
Warrants: corresponding to 297,470 shares.

*Hans Toll*, born 1970.  
Degree in Economics and Business Administration from the Stockholm School of Economics.  
Employed: 2010.  
Deputy Managing Director of Avanza Bank AB and Bank & Investments Manager.  
Holdings on 31st December 2010:  
Shares: –  
Warrants: corresponding to 19,530 shares.

## Auditors

Ernst & Young AB  
Auditor in charge:  
*Lars Träff*, born 1954.  
Authorised Public Accountant.

Stockholm, 22nd February 2011

Sven Hagströmer  
Chairman of the Board

Hans Bergenheim  
Member of the Board

Anders Ellsell  
Member of the Board

Mattias Miksche  
Member of the Board

Andreas Rosenlew  
Member of the Board

Nicklas Storåkers  
Managing Director  
Member of the Board

Jacqueline Winberg  
Member of the Board

## **Auditors' statement concerning the Corporate Governance Report**

To the Annual General Meeting of Avanza Bank Holding AB (publ)  
Corporate ID no. 556274-8458

The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it is prepared in accordance with the provisions of the Swedish Companies Act.

As a basis for our statement that the Corporate Governance Report has been prepared and that it is consistent with the annual accounts and the consolidated annual accounts, we have read the 2010 Corporate Governance report on pages 88-98 and have evaluated its statutory content on the basis of our knowledge of the company.

We consider that a Corporate Governance Report has been prepared and that its statutory information is consistent with the annual accounts and the consolidated annual accounts.

Stockholm, 22nd February 2011

Ernst & Young AB

Lars Träff  
Authorised Public Accountant