

Presentation of Avanza's 2016 remuneration policy

Background

Avanza's remuneration regulations are formulated in accordance with the requirements imposed by external regulations applicable to the operational spheres in which the Avanza Group companies operate. The principal regulations in this context are the Swedish Financial Supervisory Authority regulations, FFFS 2011:1, and amendments in accordance with FFFS 2016:25, the delegated regulation, (EU) 604/2014, on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (risk takers), Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and the delegated regulation, (EU) 575/2013 on prudential requirements for credit institutions and investment firms, together with the provisions governing managers of securities funds set forth in FFFS 2013:9 and for AIF managers in FFFS 2013:10.

The term, Avanza, refers to Avanza Bank Holding AB (publ.) and its subsidiary companies.

This presentation refers to Avanza's remuneration policy for the 2016 financial year. The remuneration policy has applied to all companies and employees within Avanza and there are, over and above these companies and their employees, no other stakeholders in the remuneration system.

The applicable and approved guidelines for remuneration to senior executives at any given time are, over and above Avanza's remuneration policy, applicable to remuneration payable to the CEO and other employees of Avanza Bank Holding AB (publ.).

This presentation shall be published no later than in conjunction with the publication of the annual accounts.

The figures shown refer to conditions as of 31 December 2016.

Decision-making process

Avanza's remuneration regulations and remuneration system are adopted by the Boards of Directors for the Parent Company and the respective subsidiary companies. Avanza's legal counsels monitor regulatory changes and propose ongoing updates to Avanza's remuneration regulations. The regulations are reviewed at least once a year and, additionally, in conjunction with changes to external regulations or internal conditions.

The guidelines for remuneration to the Group management were most recently adopted by the Annual General Meeting of the shareholders of Avanza Bank Holding AB (publ.) held on 5 April 2016.

Remuneration Committee

The 2016 Remuneration Committee has comprised Sven Hagströmer and Jacqueline Winberg.

The 2016 Remuneration Committee was tasked with:

- conducting an independent assessment of Avanza's remuneration policy and remuneration system;

- preparing the Board's resolution concerning guidelines for remuneration to the Group management;
- preparing the Board's resolution concerning measures for monitoring the implementation of Avanza's remuneration policy and remuneration system;
- preparing the Board's resolution concerning remuneration to senior executives;
- preparing the Board's resolution concerning remuneration to employees with overall responsibility for any of Avanza's control functions.

The preparation of the Board's resolutions takes into account the long-term interests of shareholders, investors and other stakeholders.

The Remuneration Committee has held 5 minuted meetings in 2016 and the members have also been in ongoing contact with each other.

No external consultants have been engaged for the drafting of the remuneration regulations.

Characteristics of the remuneration system

Avanza's remuneration regulations are structured to encourage good performances and to attract new employees. They shall, at the same time, counteract excessive risk-taking and conflicts of interest and shall promote sound and efficient risk management.

Balance between salary and variable remuneration

Avanza endeavours to maintain a reasonable balance between an individual's fixed salary and variable remuneration, such that the fixed salary accounts for a sufficiently large share of the employee's total remuneration package that it is possible to set the variable remuneration at SEK 0.

The scale and cost of the capital required to conduct the operations and the risk that future income expectations cannot be realised shall be taken into account in conjunction with decisions on the percentage of the remuneration package that shall comprise variable remuneration. The risk that the variable remuneration may entail risks being taken in order to influence the period's profits, the scale and cost of the liquidity risk (the extra capital required to conduct the operations in question) shall also be taken into account.

The variable remuneration payable to an employee per annum shall never exceed 100% of the fixed annual salary for the employee in question.

Criteria for fixed remuneration

Fixed remuneration shall be determined in advance for the work that the employee is employed to perform and shall reflect relevant professional experience and organisational responsibility, as stated in the employee's contract of employment and job description.

Criteria for variable remuneration

The fundamental principle of Avanza's guidelines for remuneration states that only those employees who are members of the Group management and employees of the Brokerage and Corporate Finance sections shall be eligible to receive variable remuneration over and above their basic salary. No exceptions to this fundamental principle were approved for 2016. The variable remuneration,

which is not pre-determined either by amount or scale, is determined for every individual employee on the basis of a qualitative evaluation of the results of the employee's individual performance in relation to the individual goals set for that employee. The individual goals are based on the overall goals of the department and the company.

Both financial and non-financial criteria shall be taken into account when assessing the employee's results. If the results for Avanza are negative, the fundamental principle states that no variable remuneration shall be paid to the Group management employee for the calendar year in question.

The total variable remuneration disbursed to Avanza's employees may not be so large that it limits Avanza's ability to maintain an adequate capital base or, where necessary, to strengthen the capital base.

Basic principles for individual goals

All employees have individual goals that are set for each year and which focus on the employee's primary duties. The individual goals shall be specific, quantifiable, accepted by both manager and employee, realistic but challenging, and time-limited. The individual goals shall reflect the overall goals of Avanza, which shall be broken down by the respective department and, ultimately, into individual goals.

Risk analysis

Avanza's operations are characterised by a low level of risk-taking, and Avanza substantially reduces its risk exposure by avoiding such activities as proprietary trading.

All variable remuneration is determined in a discretionary manner on the basis of a qualitative assessment of individual performances in relation to individual goals. Avanza works actively to ensure that no individual goals, or the associated variable remuneration, encourage excessive risk-taking. Avanza does not guarantee disbursement of any variable remuneration.

The Board conducts annual reviews and determinations to establish which employees may affect Avanza's risk level, based on an analysis that identifies the positions that may have a material impact on Avanza's risk profile.

Risk takers

Avanza has identified all employees on the basis of the following employee categories in that individuals in these positions have typically been adjudged to be capable of having a material impact on Avanza's risk profile:

- senior executives;
- employees with responsibility for control functions;
- other risk takers who are adjudged to be capable of having a material impact on Avanza's risk profile; and
- employees with a total remuneration package corresponding to the minimum that a Group management employee would receive for the same calendar year.

Deferment and disbursement of variable remuneration

The fundamental rule states that at least 40% of the variable remuneration to risk takers whose variable remuneration during the calendar year totals a minimum of SEK 100,000 shall be deferred for between three and five years before disbursement or before title transfers to the employee.

At least 60% of the variable remuneration to employees in a senior executive position and to other risk takers whose variable remuneration for the calendar year totals the average of the variable remuneration paid to the Group management for the same calendar year shall be deferred for between three and five years before disbursement or before title transfers to the employee.

When Avanza determines the percentage of the disbursement to be deferred and the period for which it is to be deferred, consideration shall be given to the company's business cycle, the risks entailed by the commercial operations, the employee's responsibilities and duties, and the size of the variable remuneration payment.

When determining the period for which disbursement is to be deferred, the scale of the employee's responsibilities and of the risk the employee may take shall be considered in relation to the point in time when such potential risks may materialise, together with the point in time when the long-term result can definitively be established. The aim is to ensure any risks have materialised before disbursement occurs.

Avanza disburses the retained portion of the remuneration once a year, evenly spread over the period for which the remuneration has been deferred (pro rata). The first payment may not be made until a year after the variable remuneration has been established.

Criteria for disbursement of retained remuneration

Retained variable remuneration will only be disbursed to the employee when such disbursement is justifiable with due consideration for Avanza's financial position and when it is motivated by Avanza's and the employee's results. Such remuneration may also be totally revoked.

Should it, furthermore, subsequently become apparent that a previous decision regarding variable remuneration to a risk taker was based on incorrect data, the decision shall be reviewed. An evaluation of the criteria that formed the basis for the original decision shall, therefore, be conducted in order to permit the identification of any such incorrect data prior to every occasion on which retained variable remuneration is to be disbursed. If a previously confirmed variable remuneration payment is revised after review, a reduction in the retained portion of the variable remuneration shall initially be effected. A reduction in the variable remuneration for the current calendar year is a secondary option, and, finally, a reduction in variable remuneration for future calendar years.

Remuneration for 2016

Avanza has carried the following remunerations as expenses for the 2016 financial year, broken down as follows:

Avanza does not steer its operations towards any specific products or areas; rather the Group as a whole comprises a single business area, and the amounts carried as expenses and shown below consequently refer to the Group as a whole.

A sum total of SEK 31 million in salary costs (including commission-based salary) has been carried as an expense for employees in senior positions and employees who are adjudged to be capable of having a material impact on Avanza's risk profit. SEK 13 million and SEK 18 million of this sum comprise the salary costs of 8 members of the Group management and of 24 other identified risk takers, respectively.

A sum total of SEK 7 million in variable remuneration for these employees has also been carried as an expense, SEK 6 million of which comprises remuneration to 8 members of the Group management and SEK 1 million remuneration to 24 other identified risk takers.

Avanza has carried a sum total of SEK 153 million in salary costs (including commission-based salaries) for other employees as an expense, together with a further SEK 3 million in variable remuneration.

The company had a total of 365 employees at the year-end.

Avanza carried a salary liability of SEK 9 million for variable remuneration as an expense in 2016, SEK 6 million of which will be retained for 8 members of the Group management and SEK 1 million for 24 other identified risk takers.

Deferred salary liabilities for variable remuneration retained for previous financial years total SEK 9 million.

No variable remuneration guarantees have been issued in 2016.

No approved remuneration payments have, to date, been subject to adjustment after the event.

The variable remuneration is payable in full in cash. No variable remuneration has been paid in the form of rights to financial instruments, either in 2016 or in previous financial years. Members of the Group management have, however, acquired share warrants on market terms in accordance with the incentive programme approved at the Extraordinary General Meeting held on 13 June 2014.

A total of SEK 111,000 has, furthermore, been carried as an expense and disbursed in severance pay in 2016. A further total of SEK 0 has been guaranteed in severance pay. The highest single severance payment guaranteed totals SEK 111,000. Severance pay in conjunction with new recruitments is not applied.