

Report on Avanza's remuneration policy 2014

Background

Avanza's remuneration rules are framed in accordance with the requirements that are established in external regulations for the activities in which the Avanza group operates. These primarily include the Swedish Financial Supervisory Authority's provisions FFFS 2011:1 with amendments in accordance with FFFS 2014:22, the general advice in FFFS 2011:2, the delegated regulation (EU) 604/2014 on criteria for establishing risk takers, the provisions enacted for AIF-administrators of security funds in FFFS 2013:9, the provisions enacted for AIF-administrators in FFFS 2013:10 as well as the delegated regulation (EU) no 575/2013 on inspection requirements for credit institutions and securities companies.

Avanza means Avanza Bank Holding AB (publ) and its subsidiaries.

This report concerns Avanza's remuneration policy for the accounting year 2014. The remuneration policy has applied to all companies and employees within Avanza and, apart from these companies and employees, there are no other interested parties in the remuneration system.

With regards to remunerations for the CEO and other people in Avanza Bank Holding AB (publ), applicable and established guidelines for remuneration of holders of senior positions also apply, in addition to Avanza's remuneration policy at any one time.

This report will be published at the latest together with the publication of the annual report.

The information stated in figures below concerns the situation per 31 December 2014.

The decision process

Avanza's remuneration protocols and remuneration system are established by the board of the parent company and respective subsidiaries. Avanza's lawyers monitor changes in regulations and propose continuous updates to Avanza's remuneration rules. An overview of the regulations occurs at least once per year and also when changes in external rules and internal conditions occur.

The guidelines for remuneration of the group management were last established by the Annual General Meeting of Avanza Bank Holding AB (publ) on 29 April 2014.

The Remuneration Committee

The Remuneration Committee consisted of Sven Hagströmer and Jacqueline Winberg during the financial year 2014.

The Remuneration Committee's duties for the financial year 2014 were to:

- Perform an independent assessment of Avanza's remuneration policy and remuneration system.
- Prepare the Board of Director's decision on guidelines for remuneration of the group management.

- Prepare the Board of Director's decision on measures to follow up the application of Avanza's remuneration policy and remuneration system.
- Prepare the Board of Director's decision on remuneration of the executive management.
- Prepare the Board of Director's decision on remuneration for employees who have overarching responsibility for any of Avanza's monitoring roles.

Consideration is given to the shareholders', investors' and other interested parties' long-term interests when preparing the Board of Director's decision.

The Nomination Committee has had five minuted meetings and also maintained continuous contact during 2014.

No external consultants have been engaged for preparation of the remuneration protocols.

Specific features of the remuneration system

Avanza's remuneration rules are designed to encourage good performance and to attract new colleagues. They also counteract excessive risk taking and conflicts of interest, as well as promote healthy and effective risk management.

Balance between salary and variable remuneration

Avanza strives to achieve an appropriate balance between fixed salary and variable remuneration, where the fixed salary will be a sufficiently large proportion of the employee's total remuneration to make it possible to establish the variable remuneration at SEK 0.

When deciding how much of the remuneration will be variable, the size and cost of the capital that is required to operate activities, and the risk that future income expectations will not be realised, must be taken into consideration. The risk that the variable remuneration involves risks being taken in order to affect the earnings for the period, and the size and cost of the liquidity risk (the extra capital that is required to operate the relevant activities), is also taken into consideration.

The variable remuneration of an employee per year must never exceed 100% of the fixed annual salary for the employee.

Criteria for fixed salary

Fixed salaries must be determined in advance for the work which the employee is employed to perform, and reflect relevant occupational experience and organisational responsibility in accordance with the conditions in the employee's employment contract and work description.

Criteria for variable remuneration

Employees in Avanza have the chance to receive performance-related pay in addition to the fixed salary for results achieved during the financial year 2014. The variable remuneration, the sum or size of which is not determined in advance, is established for each individual employee based on a qualitative assessment of the results of the employee's individual performance in relation to the employee targets. The individual targets are based on the department's and the company's overarching targets.

Both financial and non-financial criteria are considered when assessing employees' results. If Avanza makes a loss, as a key principle no variable remuneration will be paid to employees in the group management for the calendar year.

The total variable remuneration that is paid to Avanza's employees must not be so great that it limits Avanza's capacity to maintain a sufficient capital basis or to strengthen the capital basis as required.

Fundamental principles for individual targets

All employees have individual targets, which are established for each year and which focus on the individual's primary work assignments. The individual targets must be specific, measurable, accepted by both manager and employee, realistic but also challenging and time-bound. The individual targets must reflect Avanza's overarching targets, which are broken down for the respective departments and finally broken down into individual targets.

Risk analysis

Avanza's activities are characterised by low risk taking. Avanza's risk exposure is considerably reduced by avoiding activities such as proprietary trading.

All variable remuneration is established on a discretionary basis, based on a qualitative assessment of individual performances in relation to individual targets. Avanza actively works so that no individual targets and connected variable remuneration will encourage excessive risk taking. Avanza does not guarantee that any variable remuneration will be paid.

The Board of Directors performs an annual review and establishes which employees may affect Avanza's risk level based on an analysis of which positions may have a significant impact on Avanza's risk profile.

Risk takers

Avanza has identified all employees based on the following employee categories, as people in these positions have typically been considered to be able to have a significant impact on Avanza's risk profile:

- executive management;
- employees with responsibility for supervisory functions;
- other risk takers who are assessed as being able to have a significant impact on Avanza's risk profile; and
- employees with a total remuneration equivalent to that which an employee in group management receives as a minimum for the same calendar year.

Deferment and payment of variable remuneration

The key principle is that at least 40% of variable remuneration for risk takers, whose variable remuneration during the calendar year amounts to a minimum SEK 100,000, will be deferred by up to three to five years before it is paid out or the ownership right is transferred to the employee.

At least 60% of the variable remuneration for employees in the executive management and other risk takers whose variable remuneration for the calendar year amounts to the average of the variable

remuneration of group management for the same calendar year will be deferred by up to three to five years before it is paid out or the ownership right is transferred to the employee.

When deciding how much of the payment of the variable remuneration will be deferred and how long the deferment will last, Avanza will take into consideration the company's business cycle, the risks the business activity entails, the employee's responsibility and work assignments, as well as the size of the variable remuneration.

When determining the length of payment deferment, consideration will be given to how much responsibility the employee has and the level of risk the employee may take in relation to when such potential risks may materialise, as well as when the long-term results of these can be definitively established. The purpose is that risks will materialise before payment.

Avanza pays out the retained part of the remuneration once per year, evenly divided over the time in which the remuneration was deferred (pro rata). The first payment will only be made one year after the variable remuneration has been set.

Criteria for payment of remuneration that has been retained

Variable remuneration that has been retained will only be paid to employees to the extent this is justified with regards to Avanza's financial situation, and to the extent this is motivated with consideration to Avanza's and the employee's results. Such compensation may also completely lapse.

In addition, if with hindsight it appears that a previous decision on variable remuneration of a risk taker was based on incorrect grounds, the decision will be reconsidered. In order to have the chance to identify such incorrect grounds, an assessment will be made of the criteria that formed the basis of the original decision, before each payment of the retained variable remuneration. If previously established variable remuneration is revised following reassessment, the retained share of the variable remuneration must first be reduced. Secondly the variable remuneration for the current calendar year will be reduced and finally the variable remuneration for future calendar years will be reduced.

Remunerations 2014

Avanza has recorded costs for remunerations for the financial year 2014 as follows:

Avanza does not gear activities towards any specific products or areas, the group as a whole constitutes a single business unit, which is why the sums recorded below concern the group as a whole.

For employees in senior positions and employees who are considered to be able to significantly affect Avanza's risk profile, costs totalling SEK 25m have been recorded for salary costs (including commission-based wages), of which SEK 10m concerns salary costs for 8 people in the group management and SEK 15m concern 18 other identified risk takers.

In addition, costs totalling SEK 10m for variable remuneration of these employees have been recorded, of which SEK 7m concern variable remuneration of 8 people in the group management and SEK 3m concern 18 other identified risk takers.

For other employees Avanza has recorded costs totalling SEK 114m for salary costs (including commission-based wage) and SEK 9m for variable remuneration.

At the end of the year the company had 291 employees in total.

Avanza has recorded costs for wage debts of SEK 18m for 2014 for the retained part of the variable remuneration.

Deferred wage debt for variable remuneration retained for the previous financial year amounted to SEK 8m.

No guaranteed variable remunerations were pledged during 2014.

No remunerations granted have so far required subsequent adjustment.

The variable remuneration consists of 100 per cent cash. No variable remuneration has occurred in the form of rights concerning financial instruments, either during 2014 or during the previous financial year. People who are part of the group management have, however, acquired warrants at market conditions according to the option programme that was decided at the Extraordinary General Meeting on 13 June 2014.

During 2014 costs totalling SEK 607K have also been recorded and paid in severance pay. In addition, a further total SEK 80K has been pledged in severance pay. The severance pay relates to certain employees who are considered to be able to significantly affect Avanza's risk profile. The highest individual severance pay that has been pledged amounts to SEK 201K. Severance pay does not apply to new employees. In order to avoid revealing individuals' financial situation and personal circumstances, Avanza has chosen not to state the number of people who are covered by the stated payment pledge.