

## **Presentation of Avanza's 2018 remuneration policy**

### **Background**

This presentation has been drawn up with reference to article 450 of the delegated regulation (EU) 575/2013 and to item 10.3 of the Swedish Code of Corporate Governance.

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. These include the Swedish Financial Supervisory Authority regulations, FFFS 2011:1, delegated regulation (EU) 604/2014 on criteria for identifying risk takers, EU Directive 2013/36, regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (the Capital Requirements Regulation, CRR), applicable guidelines from EBA and ESMA, and 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 2018 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 members of Avanza's group management.

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 2018.

### **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 after preparation by the Remuneration Committee. 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. Representatives from HR, Risk, and Compliance have also participated in the updating of the remuneration policy and remuneration guidelines.

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 20 March 2018.

## Remuneration Committee

The 2018 Remuneration Committee has comprised Sven Hagströmer, Jacqueline Winberg and Mattias Miksche.

The 2018 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 held 15 minuted meetings in 2018, and the members have also been in ongoing contact with each other.

## 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, Corporate Finance and Private Banking/Pro-support sections shall be eligible to receive variable remuneration over and above their basic salary. Exceptions to the fundamental principle shall be approved by the CEO. 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.

Variable remuneration is based on a qualitative assessment of individual performances in relation to individual goals set. Commission models also include quantitative criteria. Commission models differ from one company and position to another, but the parameters taken into account include customer satisfaction, individual selling activities, and the number of meetings booked.

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.

The purpose of variable remuneration is to motivate, engage and retain employees in positions where a variable remuneration model is deemed to be justified.

In 2018, the Remuneration Committee discussed and decided to discontinue the variable remuneration of the members of Group management in favour of a model with only fixed remuneration.

## 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 limits its risk exposure by avoiding such activities as proprietary trading, and by means of conservative secured lending.

All variable remuneration is determined in a discretionary manner based on 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 or conflicts of interest. 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<sup>1</sup>**

Avanza has identified all employees based on 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 disbursal 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 in full 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 in full 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 one year after the variable remuneration has been established.

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<sup>1</sup> The term, Risk taker, is synonymous within Avanza with specifically regulated and identified personnel.

## 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 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 2018

Avanza has carried the following remunerations as expenses for the 2018 financial year, broken down as follows.

Reported by personnel in MSEK:

Group	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			17
Additional	237	2	0
Disbursed	-237		-9
Interest		0	0
Bal.c/f 2018-12-31	0	2	8

Management	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			13
Additional	21	0	0
Disbursed	-21		-6
Interest		0	0
Bal.c/f 2018-12-31	0	0	7

Risk takers	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			2
Additional	18	0	0
Disbursed	-18		-1
Interest		0	0
Bal.c/f 2018-12-31	0	0	1

Others	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			2
Additional	198	1	0
Disbursed	-198		-2
Interest		0	0
Bal.c/f 2018-12-31	0	1	0

Reported by company in MSEK:

Avanza Bank Holding (publ.)	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			3
Additional	5	0	0
Disbursed	-5		-2
Interest		0	0
Bal.c/f 2018-12-31	0	0	1

Avanza Bank AB (publ.)	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			13
Additional	191	2	0
Disbursed	-191		-7
Interest		0	0
Bal.c/f 2018-12-31	0	2	6

Försäkringsaktiebolaget Avanza Pension	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			1
Additional	27	0	0
Disbursed	-27		-1
Interest		0	0
Bal.c/f 2018-12-31	0	0	1

Avanza Fonder AB	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			0
Additional	7	0	0
Disbursed	-7		0
Interest		0	0
Bal.c/f 2018-12-31	0	0	0

Others	Wage cost	Variable remuneration 2018	Deferred variable remuneration from previous years
Bal.b/f 2017-12-31			0
Additional	7	0	0
Disbursed	-7		0
Interest		0	0
Bal.c/f 2018-12-31	0	0	0

During 2018, the Remuneration Committee has discussed the difficulties with justifying a performance-based variable remuneration for the Group management when the company's results to a greater extent are affected by external factors than by the performance of individual executives. Variable remuneration based on results that are not affected by performance of individual executives is thus just as ineffective as a reduction would be unfair and difficult to justify if, instead, external factors were to affect company results negatively. The Remuneration Committee has therefore assessed that it is in the company's long-term interest to reduce the performance-based variable remuneration to zero and adjust the fixed remuneration to the Group management including the CEO with a percentage of the maximum possible variable remuneration. Based on the outcome of the performance-based variable remuneration in recent years, the aforementioned adjustment means lower costs and greater predictability for the company. A long-term ownership interest in the company is encouraged by the Group management being able to purchase warrants in the long-term incentive programme that is aimed at all employees.

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 2018 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 Annual General Meeting held on 20 March 2018.

A total of SEK 211,000 has, furthermore, been carried as an expense and disbursed in severance pay in 2018. A further total of SEK 644,000 has been guaranteed in severance pay. Severance pay in conjunction with new recruitments is not applied.