

# Annual Report 2015



**IKANO**  
**BANK**



# The year in brief

## HIGHLIGHTS

- The outcome for 2015 is impacted by the merger with the German fellow subsidiary bank.
- Business volume expanded by 32 percent to bnSEK 55.1 (41.8).
- Lending including leasing increased by 37 percent to bnSEK 30.1 (22.0).
- Deposits up by 34 percent to bnSEK 20.2 (15.1).
- Operating profit rose by 26 percent to mSEK 562 (447). The merged German and Polish units contributed mSEK 148 to the increase.
- Return on equity increased marginally to 11.4 percent (11.3).
- Merger with fellow subsidiary Ikano Bank GmbH. Ikano Bank GmbH with operations in Germany, Austria and Poland, 170 staff and some 580,000 customers, became part of Ikano Bank AB in August. The two banks have very similar business models and customer offerings, after being part of the same business area within the Ikano group for several years.
- The Danish leasing business signed its biggest single deal to date in Trucks & Containers.
- The Finnish leasing operation is growing rapidly. Major collaborative deals were signed in this year with partners including IKEA Finland.
- High growth in leasing and direct lending was apparent in Norway. Several new collaborative agreements were secured in Construction & Civil Engineering.
- The UK business experienced increased demand in sales finance services. It started collaborations with several small and mid-sized furnishing and building supply resellers.
- New collaborative agreements were secured across all business areas in Sweden. Ikano Bank signed an agreement on the Preem MasterCard with Preem, an extension and expansion of an established partnership. Ikano Bank's consumer loans were nominated as the best in the sector in the Swedish Quality Index, SKI, for the third consecutive year in 2016.
- Ikano Bank intends to build a Nordic-wide customer care centre in Malmö. This initiative is part of Ikano Bank's growth plans. The aim is to provide customers with leading-edge quality of service in all the Nordic languages, while simultaneously building a more effective and flexible organisation.

## BUSINESS VOLUME IN SEK BILLIONS

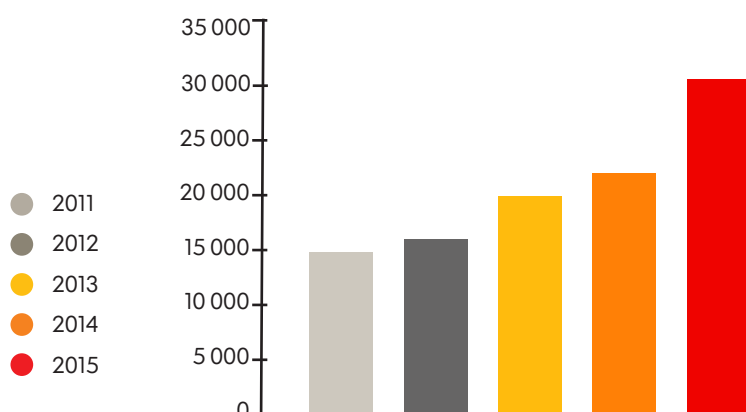
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## OPERATING PROFIT IN SEK MILLIONS

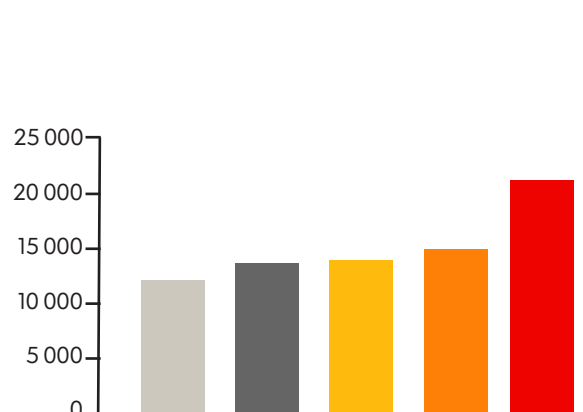
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| KEY RATIOS                   | 2015  | 2014  |
|------------------------------|-------|-------|
| Total Capital ratio          | 16.8% | 17.8% |
| Common equity Tier 1 ratio   | 14.1% | 15.1% |
| Investment margin            | 6.4%  | 5.1%  |
| Return on adjusted equity    | 11.4% | 11.3% |
| Leverage ratio               | 9.4%  | 10.4% |
| C/I-ratio before loan losses | 65.6% | 64.4% |
| Loan loss ratio              | 1.6%  | 1.5%  |

## LENDING INCLUDING LEASING IN SEK MILLION



## DEPOSITS IN SEK MILLION



# This is Ikano Bank

Our services in financing solutions are for consumers and businesses, offered directly and indirectly via partners. We also provide savings solutions for consumers. We operate in Sweden, Norway, Denmark, Finland, the United Kingdom, and since August, Germany, Austria and Poland.

Ikano Bank is part of the Ikano Group, which has been an independent group since 1988, where Ikano Bank is part of Ikano's business area Finance. The Ikano Group was previously part of IKEA. In addition to Finance, the Ikano Group also has real estate, insurance and retail operations.

Ikano is driven by a collective vision and values. We work together to deliver on our promise to customers, partners and each other—everything we do should be done on fair terms. Our vision is to create possibilities for better living.

## BUSINESS LINES

### Consumer

We offer private customers simple and smart banking services for savings and loans, such as loans for private consumption, car loans, mortgages, credit cards and savings accounts.

### Sales finance

We offer sales supporting finance solutions, including loyalty programmes, loyalty cards and instalment payment solutions, to retail trade partners. Our services enable our partners to increase loyalty and generate additional sales, as well as offer their end-customers increased financial flexibility.

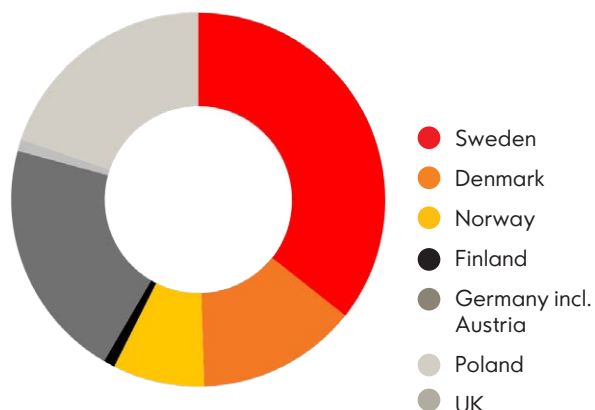
### Corporate

We offer leasing and factoring services to companies through direct sales as well as via partners. Our services give customers greater financial flexibility. Our solutions enable customers to free up capital and finance their growth. In turn, our partners increase their sales.

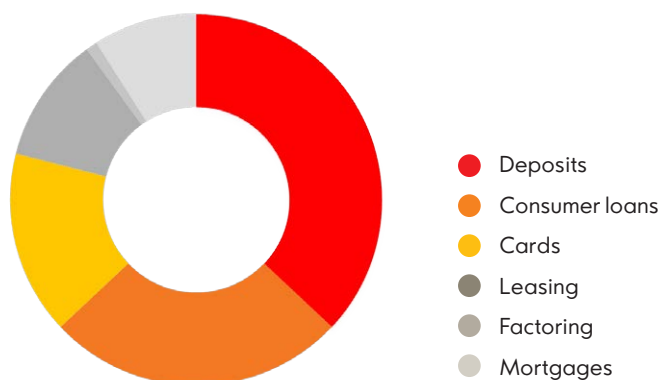
## GEOGRAPHIC PRESENCE



## LENDING PER COUNTRY



## BUSINESS VOLUME PER PRODUCT AREA





# Expansion on strategic markets and change process continues

2015 was a positive year. Operating profit was in line with our expectations, increasing by 26 percent to mSEK 562, partly explained by the merger with our German fellow subsidiary. Our overall earnings will be subject to short-term charges for continued investments in greater competitiveness and customer benefit. We saw a sharp increase in our overall business volume, from bnSEK 42 to bnSEK 55, partly due to the completed merger, but also, as a result of healthy growth on other markets, led by the UK and our Nordic business segment. Our 2014 product launches in Norway, Denmark and Finland performed better than expected in the year.

We'll be continuing to expand our offering on the UK market in 2016 by offering personal loans, and we'll keep expanding our offering in line with our strategy of delivering an increasingly consistent product portfolio across our markets.

## Continued expansion brings growth opportunities

Our merger with Ikano Bank GmbH means that Ikano Bank AB has operations in eight European countries, including the UK, Germany and Poland, which are large markets compared to Sweden. This brings us significant growth opportunities and the potential to further rationalize the strategic evolution of the Bank and our offering to customers.

## Putting customer benefit first

Ikano Bank's growth strategy is based on continuously improving the customer's experience of us across all markets and channels. We are constantly striving to put customer benefit and the customer's experience first. We should offer the services our customers want, and they should be satisfied with our service and our offering. That's why I'm delighted to see the trust our customers are putting in us.

We're really pleased to place in the Best Bank category for personal loans for the third consecutive year in the Swedish Quality Index, SKI, to be nominated for Best Savings Account and Best Loan Product at the Berlin Bank Award in Germany, as well as the IKEA card winning the German Fairness Prize.

## Shared platforms increase efficiency

The whole Bank now has a collective brand platform, which is enabling coordinated marketing initiatives. The first marketing campaigns based on this collective concept were launched in 2015. The advertising campaigns attracted sector attention, with Ikano Bank winning several Midas Awards in November 2015.

Simultaneously, we're continuing our work on bringing all the operations in the Bank onto a shared digital platform with consistent design and interactivity. The restructuring and consolidation of our IT solutions will continue in 2016. Overall, this will bring us a consistent appearance and expression for customers on all channels and markets.



‘Our vision is to be the bank for the many and offer products which simplify their everyday life.’

#### **Customer awareness setting the right course**

Our vision is to be the bank for the many that offers services that make life easier. We want to help our business customers and partners deliver long-term sustainable financial solutions that create customer loyalty and increased sales. The banking sector is evolving and changing at an accelerating rate. New market players, services and channels are appearing. Customers are experiencing a constant expansion of suppliers and services to choose from. Obviously, the competition for our customers is increasing, and we have to be the bank that best satisfies customer expectations.

We’re convinced that the bank with the best knowledge of its customers, which delivers simple and understandable services on fair terms, and which is most available, will win in the competition for customers. For many years, we’ve been working on increasing our knowledge of our customers by developing analysis models and tools, often in collaboration with partners in sales finance. In the year, marketing strategist Ikano Insight became a subsidiary of the Bank, and we’re introducing shared working methodologies for analysis-based customer communication and development across all markets.

#### **Continued investment in efficiency**

Our investment programme for greater competitiveness and customer benefit continued in 2015, and we’ll be continuing this work in the coming years.

By relocating our Swedish operations to our new, shared office at Hyllie, Malmö, we have great potential to keep streamlining and clarifying central functions, and achieve better working methods and flows. In the autumn, we took a decision to build a Nordic-wide customer care centre located in Malmö, and this work will be completed by summer 2016.

We’re delighted and pleased to have people that engage in our development work with commitment and enthusiasm, and share our vision of being the bank for the many. Meanwhile, we view the fact that employee satisfaction has actually increased over the past two years despite the major ongoing change process, as clear evidence that we’re moving in the right direction.

#### **Expectations for 2016**

We’re looking forward to a continued development process in 2016, in terms of our digital presence, efficiency, marketing activities and offering. Our outlook remains positive. We have a strong financial position, with good liquidity, and favourable market positioning. Our investments in greater competitiveness and customer benefit are continuing in 2016. We’re moving in the right direction.

I’d like to say a warm thank you to our customers, partners and people for their efforts to make us so well prepared for growth and onward progress.



Stefan Nyrinder  
Managing Director, Ikano Bank AB (publ)

Hyllie, Sweden, February 2016

# We simplify our customers' everyday lives

Common sense and simplicity are one of the fundamental values that run through our whole business. Understanding our customers' needs and finding solutions that make life easier is our way of achieving our desired position—as the bank for the many.

## **A more simple everyday life**

We continuously strive to provide simple and relevant products. On fair terms means we are available and reliable, and we deliver what we promise, on time. Our products are easy to understand and we have no hidden fees or charges. Our goal is to offer solutions that make life easier for people and create growth opportunities for businesses. We want to create value for the customers we have a direct relationship with, as well as those we encounter indirectly via partners.

For retailers, we offer sales finance with tailored card, account or payment instalment solutions, which increase sales and create greater purchasing freedom for customers. Our business solutions are for companies that want a long-term and effective leasing and factoring partner.

## **Customer insight and loyalty**

We're experts at analysing customer data, gaining insights that drive measurable results for our customer's businesses, generating greater customer loyalty. By maintaining a continuous dialogue with our customers on what creates added value for them, and given our experiences of multiple markets and sales channels, we have built an excellent process for raising awareness of our own customer base needs, and that of our partners.

We've also developed sales support that helps boost sales and customer loyalty for retailers: research, segmentation models and systematic communication and campaigns through channels that are relevant to each customer group, to strengthen customer relationships.

## **Encountering customers through new channels**

The banking sector is constantly evolving in terms of new services and communication channels. Ikano Bank is striving to stay at the leading edge of technological progress, and offer competitive services featuring our high standards of simplicity and security, through those channels that suit our customers best.

We will be consolidating our digital presence in 2016 through a range of initiatives that focus on the customer's experience of banking services.





# Our customers and partners

Solid understanding of customers and their needs is becoming increasingly important and within Ikano Bank we have since long worked according to the principle that better insight also leads to better products and offerings towards our customers.

## **Continued development**

The banking sector is continuously evolving in terms of its market players, services and channels. Customers are experiencing the advantages of being able to choose between banks and negotiate terms, as well as the disadvantages of market players and services becoming more complex and harder to compare.

At Ikano Bank, we realise that it's more important than ever to really know our customers, their wants and needs. We want to be the bank for the many, and simplify people's lives. It should be easy to get in touch with us, and get clear, straightforward answers.

## **Banking services for consumers**

We offer personal loans in Sweden, Denmark and Norway that enable customers to make a range of investments for their everyday lives. In Sweden and Denmark, we provide savings accounts with varying flexibility and returns. We also offer mortgages on the Swedish market, in partnership with SBAB. We provide solutions for customers that want to consolidate borrowing into a single loan with better terms. Towards the end of the year, we also launched savings accounts for consumers in the UK.

For a better understanding of our target groups and the client segments who use our products and services, our expert marketing strategy and data analysis subsidiary company, Ikano Insight, is consistently working to develop our analysis tools and models.

## **Sales finance for retailers**

Our research models also provide our collaborative partners in sales finance with the tools and methods to gather valuable knowledge about their customers, enabling them to offer the best finance solutions for their specific needs.

We offer simple and relevant card and payment solutions that help retailers understand their customers better, improve customer loyalty and increase sales. We have long-term experience of the International retail sector—our customers are retail leaders and other partners on various markets. IKEA is an important partner that we collaborate with on all our markets.

## **Corporate leasing**

Leasing is an attractive type of finance, which when combined with our insurance solution, creates security and flexibility for the customer. We have short decision paths and constantly endeavor to make decisions quickly. We also offer advisory services and tailored payment plans. Leasing is one of Ikano Bank's fastest-growing business segments.

## **Factoring and invoice purchasing for businesses**

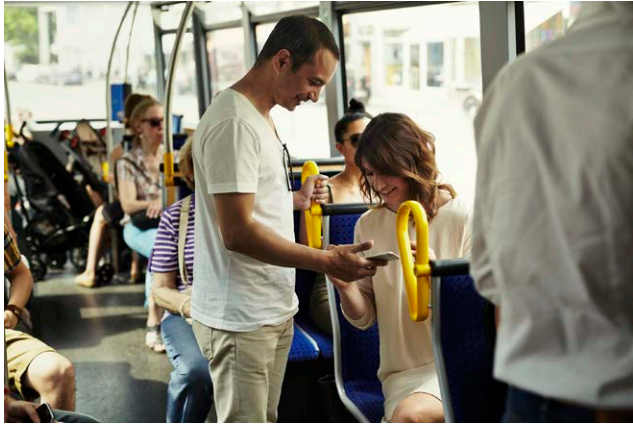
Our factoring services, including purchasing or lending on invoices, is a simple type of finance that helps companies convert receivables into cash quickly. The process is swift, and we can normally turn around a case within a day.

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## **Insight brings better business**

Ikano Insight has been a subsidiary of Ikano Bank AB since 1 October 2015. Ikano Insight is a company consisting of marketing strategists that help customers understand their customer needs and behaviors by analysing the supporting data customers capture themselves.

Ikano Insight integrates the knowledge gained from methodical data capture and analysis with the creative challenge of transforming data into insight, and insight into action. Profound knowledge and insight of customer needs and wishes offers the greatest potential to manage customer relationships for all parties, for the long term.



# A fair employer and good neighbour

Ikano Banks sustainability work is carried out in three dimensions to provide the best possible result and each dimension encompasses different priorities to create added value. There is a financial, an environmental and a social dimension.

## **On fair terms**

We're always asking ourselves the question 'are we doing this on fair terms?' because we think this is a must for building strong relationships, creating value and developing our business. Doing things on fair terms is our pledge to our customers, partners and to each other. We're convinced that by delivering on this pledge, we build the best relationships.

For us, doing things on fair terms means getting the right balance between different stakeholders in matters of risk-taking, work and profitability. We're open and clear about how we do business and delivering on our promises at the agreed time.

Doing things on fair terms is also the starting-point of our work on sustainability and corporate responsibility. We want to be a responsible business, a fair employer and good neighbour. By taking responsibility for social consideration, finances and the environment, we're working for a sustainable future.

## **3D sustainability**

Ikano Bank conducts its sustainability work in three dimensions; financial, environmental and social. Each dimension includes a range of priorities and initiatives to create value for our stakeholders: our customers, people, owner and partners.

### **Financial sustainability—relationships built on trust**

Clear communication, clear internal regulation and a healthy risk culture are imperatives for maintaining good management and control of the bank's operations, and ensuring that we deliver on our pledge to customers—that we do things on fair terms.

Our most important tool for delivering fair terms for customers is responsible lending. We conduct an individual credit check on every new borrower. It's especially important for consumers that loans are based on overall picture of the individual's repayment capacity.

The concept of financial sustainability also covers our own financial position, how we view risk and how the company's long-term access to capital is secured. Ikano Bank has a strong capital base and good liquidity, our owner thinks long term, and our earnings are re-invested in our business. Our growth is self-financed. Long-term thinking and financial stability mean we will be able to deliver sensible financial services to a broad consumer base. And do so on fair terms.

## **The environment and natural resources—being economical and considerate**

The key initiatives of our environmental work are integrated in the Green Offices concept, which covers energy issues, recycling, selecting suppliers, environmental equipment and electronics that are designed to improve measurability and environmental performance. The Green Offices concept was implemented at all new branches effective January 2015, and is being progressively rolled out at existing sites.

Ikano Bank's Swedish operations were re-located to a new office in Malmö's new climate-smart Hyllie district in the year, which integrates all aspects of the Green Offices concept from day one, and has multiple environmental certifications. Its energy consumption is way below applicable norms, and all building materials were carefully selected to satisfy stringent environmental and health standards.

Travel is another important part of Ikano Bank's environmental work. We want all business travel and commuting to be on public transport. We will be mapping our people's travel to generate understanding and the will to change.

## **Social commitment—initiatives that make a difference**

We're pleased and proud to have people who show such great commitment to social issues. Together, we want to contribute to long-term change and better conditions in vulnerable people's lives, locally and globally. Each year, we take a decision on which social initiatives to support, based on data produced by a collective forum. These proposals are often generated by our people, who we also encourage to engage actively in projects and initiatives that they really care about.

We prioritise initiatives that involve self-help, have links to our business, and that are consistent with the Group's charity policy, which is mainly about helping vulnerable women and children. Partnerships in this segment should be for the long term, and we should be able to document their effects.

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**Partnership with Hand in Hand—village project in Chandrasekarapuram, Tamil Nadu, India**

The charity Hand in Hand is conducting village projects based on a detailed, tried-and-tested methodology with focused initiatives to combat poverty through entrepreneurship. Hand in Hand supports a whole village for two years jointly with a donor. Sustainability reports from completed projects demonstrate that this starts a strong virtuous circle that continues and generates long-term results. When the population of a village emerges from poverty, things only get better. A new way of life is created, with hope, dignity and options.

Ikano Bank's Chandrasekarapuram village project concluded in summer 2015. The final report stated that 184 women had undergone education, and 93 businesses had started. It is likely that another 30-40 enterprises will start in the short term. All children now go to school, and the village has been declared "Child Friendly Panchayat".

A daycare centre has opened, and 47 children go to night school to catch up on their education. Extensive health checks and treatments have been conducted, many of the local children are in specific programs to deal with malnourishment, and a lot of women have been treated for anaemia. The project was highly successful. Ikano Bank has decided to keep supporting Hand in Hand's operations by committing to a new project in Rajasthan. The partnership with the new village will continue until summer 2018.

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**Green Office Assessment, Denmark**

We want to grow our business, but not without consideration to the footprint we leave. We all have a responsibility for the environment, and Ikano strives to make growth as sustainable as possible. Green Office Assessment is a tool to measure our involvement in our planet, people and society and is one of the focus areas in the overall goals for Ikano. Sustainability is the key word, and the place to start is by looking at our daily life.

Beginning with our offices, we've initiated a dialogue with our landlord to investigate what environmental aspects are taken into consideration within the landlord's property management. In 2016 we will focus on space efficiency when parts of the organization moves to Hyllie.

The office is well located with public transportation within a two minute walk and ample space for bicycle parking. Within the office we have initiated changing all lights to LED and adjusted the settings on our printers. Luncheon orders are adjusted to the specific number of employees and guests present in the office each day.

Outside of the office, we encourage our employees to use public transportation and bikes to get to and from work. In May there is a competition between companies in Denmark where employees contribute by cycling to work, saving the planet from 142 tons of CO2 in just one month (2015). Employees are also encouraged to be physically active by participating in Marathons etc where we sponsor their participation fees. In 2016 we're initiating a Social Day, thus improving our contribution to the community and society in general.

All in all our Green Office Assessment score in 2015 was 41, bringing us to silver level. We will shortly be initiating an action plan to further improve our Green Office score.



**'Clear communication, clear internal rules and a sound risk culture.'**

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**Wiesbaden Engagiert!**

Ikano Bank in Germany has taken active part in „Wiesbaden Engagiert!“ since 2013, a charity project connected to a local corporate citizenship strategy of Wiesbaden, initiated in 2004.

This yearly event brings together non-profit organizations and committed companies who work together on a project during one summer week, supporting the organizations with resources and knowledge. These can be very hands-on initiatives like maintenance work in kindergarten or facilitating a workshop for their own social-media presence.

In 2014 165 companies supported 128 initiatives of 94 non-profit organisations with 1.350 employees during their social day. In the same year "Wiesbaden Engagiert!" was awarded with the "European Enterprise Promotion Award".

In 2015 more than 60 of the approximately 120 employees in Ikano Bank's German organization took active part in "Wiesbaden Engagiert!" truly living up to our values of working together, fairness and simplicity. This strengthens Ikano Bank's corporate culture as well as each individual's awareness of our social responsibility. It is also a fun experience that gives everyone the chance to look beyond one's nose.

The "Manna mobil" initiative is one example. This non-profit organisation, who cooks and provides food for deprived children, was supported by Ikano co-workers in 2015. This was the beginning of a unique partnership, today consisting of a monthly social day opportunity for co-workers in cooperation with "Manna mobil".



# Our markets

Ikano Bank has operations in Sweden, Norway, Denmark, Finland and the UK, Germany, Austria and Poland. The Swedish business represents 54.5 percent (72) of total business volumes.

The increased business volume achieved through the merger of Ikano Bank's German, Austrian and Polish operation with Ikano Bank AB offers long-term cost benefits and greater efficiency. Our broader geographical presence expands existing markets, and opens new ones, where our ambition is to deliver the full breadth of our product portfolio for consumers and business customers in time.

| 2015 forecast                  | United Kingdom | Sweden  | Norway  | Denmark | Finland | Germany  | Poland  |
|--------------------------------|----------------|---------|---------|---------|---------|----------|---------|
| GDP, bnSEK                     | 21,639.1       | 4,022.4 | 2,825.5 | 2,758.5 | 1,709.5 | 25,368.3 | 3,589.2 |
| GDP, growth, %                 | 2.5            | 2.8     | 8.7     | 1.6     | -0.4    | 3.5      | 1.5     |
| Private consumption, growth, % | 2.7            | 2.2     | 2.0     | 0.7     | 0.5     | 0.9      | 2.5     |
| Unemployment, %                | 5.6            | 7.7     | 4.2     | 6.2     | 9.5     | 4.7      | 7.5     |
| Population, millions           | 64.9           | 9.9     | 5.2     | 5.7     | 5.5     | 81.7     | 38.0    |
| Households' savings ratio      | 5.4            | 17.7    | 14.3    | 4.4     | 7.1     | 9.8      | 1.9     |

\* Based on the IMF's growth forecast for 2015 with fixed exchange rate

\*\* IMF's growth forecast for 2015

Sources: EC (Eurostat), ECB, SCB, SSB Norway, IMF

## DENMARK



### Business lines:

Consumer, Corporate, Sales finance

### Country Manager:

Henrik Staulund

### In Denmark we offer:



In Denmark, Ikano Bank offers savings accounts, credit facilities and loans for consumers, sales finance and loyalty programs for retailers, and leasing for businesses.

Economic sentiment and market conditions in Denmark improved gradually in 2015. Overall, we expect continued improvement in 2016. However, we do not anticipate the increase in private consumption to trigger higher borrowing. Households' view of their futures remains unstable, although some improvement is apparent. Within leasing, we expect fewer insolvencies and generally improved order trends across many sectors, supporting our growth ambitions, even if competition in this segment is intense.

The Bank enjoyed healthy and positive growth in 2015, in the consumer and leasing markets. Our leasing offering made especially rapid progress, thanks to our excellent web platform and skilled people. Our current services are continuing to achieve positive results, while more recent service segments, like Construction & Civil Engineering for example, performed well. Within Trucks & Containers, we signed our biggest deal to date.

We expect continued positive progress in leasing in 2016 by developing existing customer relations and securing new ones, and by developing our leasing offering. Refined analysis methods, and more evolved customer insight services, will improve our offering, and thus also enhance the customer's experience.

Intensified branding work, developing our responsible lending efforts, and refinancing and improved communication relating to our Visa credit card offering will also feature in the year, alongside intensified marketing work regarding sales finance, where we are developing our successful focus on the retail segment, with relevant product offerings and fast credit decisions.

## FINLAND



**Business lines:**  
Corporate, Sales finance

**Country Manager:**  
Ulla Parkkali

In Finland we offer:



In Finland we provide sales finance and loyalty programs to retail partners, as well as leasing services to businesses.

The Finnish economy is continuing to make poor progress due to several factors including a sharp contraction of its balance of trade with Russia, decreasing exports, weak public finances and an uncompetitive labor market. Consumer expectations of economic progress are also low, and accordingly, private consumption is weak.

Demand for retail finance services increased very slowly in 2015, but we still saw a modest increase in our collaboration with IKEA. Two loan campaigns in 2015 in partnership with IKEA were highly successful. The leasing portfolio in Finland is in high growth, although increased competition is apparent in this segment.

We initiated major leasing partnerships in the year, including Pelican Rouge Coffee Solutions, IKEA Finland and Genano Oy. For 2016, we expect growth, primarily within leasing. We will be focusing on developing our digital presence and service.

## GERMANY, AUSTRIA



**Business lines Germany:**  
Consumer, Sales finance

**Business lines Austria:**  
Sales finance

**Country Manager:** Philipp Siebert

In Germany we offer:



In Austria we offer:



We provide finance solutions for consumers, mainly sales finance. In collaboration with partners, we are endeavoring to increase customers' financial freedom, and thus capture new business opportunities and achieve sustainable growth. We also offer the deposit services that consumers want.

The past year featured expansion through the 2014 acquisition of two active consumer loan portfolios in indirect lending. In sales finance, our services related to our partnership with IKEA made really positive progress, with very high customer satisfaction. The IKEA Family store card achieved a shared first place in its category in the German Fairness Prize.

2016 looks to be an exciting year, when we continue to develop our business across all service segments. We are also planning to develop successful existing products and offerings and will be developing new credit card offerings. In the low interest rate environment and growing competition in the banking sector, we will be reviewing our pricing and services to ensure continued growth. Our ambition is to achieve good profitability, generate higher sales volumes and sharpen our offering further to attract new customers.

## NORWAY



**Business lines:**  
Consumer, Corporate, Sales finance

**Country Manager:**  
Morten Grusd

In Norway we offer:



We offer international credit cards and personal loans for consumers, sales finance and loyalty programs for retailers, as well as leasing and invoice administration for businesses.

As a direct consequence of decreasing oil prices in recent years, Norwegian economic growth has slowed, unemployment is rising and consumption is being reined in. We expect this progress to continue in 2016, while the economy adapts to the new market conditions.

For Ikano Bank, 2015 was a year of high growth in our two focus segments—leasing and direct lending to consumers. Growth in leasing is mainly sourced from generic growth in existing product segments. One new product segment, Construction & Civil engineering, also made a positive contribution, and is expected to achieve strong growth going forward. Several new partnerships have been signed, and we expect this segment to keep growing. Growth in consumer loans is partly the result of robust market growth, although the Bank's own process optimisation is playing its part through greater business capacity and shorter response times for customers.

Our own Ikano Visa credit card is performing well. Several new in-demand card features, including travel insurance, will be launched in 2016. We put a big emphasis the customer's experience of all the Bank's business segments. Our net promoter score (NPS) also increased notably in the year.

We expect continued high growth for the Bank in 2016. Direct lending to consumers and leasing will remain in focus, through upscaled marketing and several partnerships

## POLAND



**Business lines:**  
Sales finance

**Country Manager:**  
Sylwester Pedowicz

In Poland we offer:



In Poland Ikano Bank cooperate with IKEA and offer sales finance. The Polish operation continued strong in 2015, with very strong overall growth and the highest ever sales numbers. Ikano Bank sales numbers were supported by a successful nation-wide IKEA kitchen campaign in Poland.

Poland's real GDP in 2015 achieved 3.6% and has increased cumulatively by 19% since 2008, which is exceptional in an EU perspective. Private consumption is expected to remain strong, supported by solid real wage and employment growth. In effect, GDP growth is expected to be robust in the near term.

## SWEDEN



**Business lines:**  
Consumer, Corporate, Sales finance

**Country Manager:**  
Joachim Lindow

In Sweden we offer:



We make a broad offering of products and services on the Swedish market, including sales finance and loyalty programs for retailers, savings accounts and loans for consumers, as well as leasing and factoring for businesses.

The Swedish economy is progressing well, and its growth numbers for 2016 look really strong, even if numerous uncertainty factors across Europe and internationally mean the outlook may change quickly.

In the year, Ikano Bank Sweden signed several collaborative agreements across all business areas. It reached an agreement on the Preem MasterCard with PREEM, which launched in the autumn, an extension and expansion of a previous partnership. Consistent with our strategy of increasing our partner base for intermediating products, we signed agreements with several loan intermediaries. The discount calendar of the Ikano Card was substantially expanded with a raft of new offers in the year. We also reviewed the terms and conditions of our personal loans in the year to sharpen our competitiveness. Factoring sustained its high growth with a large number of new clients, while leasing is growing as planned.

We also achieved consistent high scores in customer satisfaction surveys in 2015. For the third consecutive year, our bank loans were also nominated for best in the sector in the annual Swedish Quality Index, SKI. For 2016, we anticipate continued intense competition, where ensuring a positive customer experience will remain critical. We will be consolidating our digital offering to improve our capacity to reach customers. Partnerships will remain a priority segment. We will sharpen our offering for retail partners by focusing on customer understanding, customer strategy and customer loyalty.

## UK



**Business lines:**  
Consumer, Sales finance

**Country Manager:**  
Dan Joy

In the UK we offer:



We currently offer sales finance and loyalty programs for retailers in the UK, and savings accounts since the end of 2015.

The economic recovery continued in 2015, with more growth, a lower unemployment and low inflation. The outlook for 2016 remains positive, in terms of growth and employment.

Ikano Bank's sales finance services are in demand, mainly in the furnishing and home decoration sector, and we have partnerships with most of the UK's ten largest furniture resellers. We also initiated partnerships with a number of small and mid-sized home furnishing and building supplies resellers.

Meanwhile, new legislation with more stringent standards applying to administrative routines dissuaded some retailers from offering finance solutions for customers.

Two important launches in the Retail market are scheduled for 2016. We will also extend market penetration in sales finance through significant marketing initiatives in building supplier retailing, small and mid-sized regional retailers in sport & leisure and department stores, through channels including the launch of the Ikano store card.







# Working together

At Ikano Bank each and every employee is expected to show leadership in their role and work towards and open and value based work place. This way the employees will grow with the Bank.

## Cooperation creates success

We employ accountants, salespeople, marketers, IT specialists and lawyers. In 2015, the bank had an average of 821 (709) employees, of which 434 (385) were women and 387 (324) were men. In Sweden, our largest market and the base of our group-wide support functions, there were 374 (335) employees. There are three fundamental values that direct all our operations: common sense and simplicity, working together, and daring to be different. Accordingly, our HR concept, which we share with all Ikano companies, is to encourage open and enthusiastic people to collaborate, develop and create a successful Ikano together.

## International environment

We offer our people good developmental opportunities in a multinational environment. Operations in eight countries, strong competition, rapid technology development and extensive regulatory structures put challenging demands on our people. All of us are driven by a willingness to work together. We dare to be different, and we're convinced that common sense and simplicity create the best outcomes.

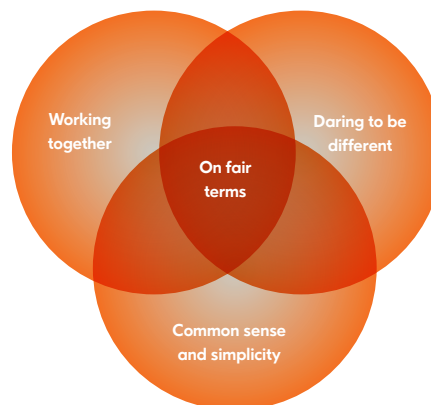
Our people like working with each other and respect each other's efforts. We want to create an environment where everyone's different backgrounds, qualities and competences are equally important, and where everyone shares their valuable knowledge, experience and ideas. We genuinely listen to each other, take on new knowledge and create continuous improvement.

## Values a key success factor

The key to success in these efforts is the combination of good leadership with our values. Everyone is expected to demonstrate leadership at work, both in sharing their knowledge and experience, and in a willingness to develop themselves, and others, and by showing curiosity and seeing new opportunities. All our new managers take a training package that focuses on values and leadership.

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## OUR VALUES









# Ikano Bank and MINE – business benefits of diversity

MINE's vision is for every employer to capture the opportunities a multi-cultural society offers. Greater ethnical diversity in the private sector is beneficial for everyone, private businesses and public organisations alike.

## **Mentorship, Inspiration, Networking and Education**

MINE stands for Mentorship, Inspiration, Networking and Education, which are the four cornerstones that this organisation rests on. MINE was formed in 2003, and is now southern Sweden's largest network of diversity-promoting businesses and public sector organisations, which are striving to increase diversity and inclusion at work. This organisation's working methods link diversity to organisational development and business benefit. Its vision is for every employer to utilise the opportunities offered by a multicultural society.

Greater ethnic diversity in the business community will benefit all parties—the region's businesses and public sector bodies. MINE is now continuing to promote an integrated working environment, where diversity is associated with growth, in southern Sweden and the rest of the country. MINE is working to change attitudes, form opinions, and for practical and concrete change to increase diversity and create inclusive workplaces.

MINE is an organisation that now has over 60 members. Its members can receive regular advice, inspirational lectures and participate at networking events. Member organisations include Ikano Bank, IKEA, PWC, Vinge and the City of Malmö. Some of the services MINE delivers include mentorship programs, training packages, workshops and support during recruitment processes.

## **Mentorships that affirm diversity and inclusion**

Sushma Schwerdt is originally from India. She joined Ikano Bank as an intern, and is now responsible for recruitments. During her internship, she worked under the guidance of a member of MINE's mentorship programme.

Sushma said: "In my experience, the biggest difference between India and Sweden is that people take far less notice of hierarchies. In India, the managers decided, and we followed their decisions. But here, everyone is expected to participate actively in the decision-making processes, and also contribute their own ideas and there is a lot of freedom under responsibility."

With the help of her mentor, Sushma quickly learned to navigate through Swedish corporate culture. "My mentor is great, and I still turn to her when I need support and advice. Her name is Ica Olofsson, and she's got lots of experience of working within HR on the Swedish labour market. She has been very unselfish in teaching me all the tips and tricks, tap into her network to help me get job interviews, and finally, the opportunity of an internship at Ikano Bank.

At Ikano, she helped me get as much exposure as possible, and to learn how HR works in a Swedish organisation. Without MINE, without Ica, without Fredrik Krüeger (Ica's manager and Chairman of MINE), and without Ikano's initiative supporting ethnical diversity, I wouldn't have found a job I really love in Sweden.

"Being a mentee is an interesting experience. Even if I do have a mentor that's really committed, I'm still responsible for taking initiative. Early on, I felt that I was always being a nuisance to Ica, taking up so much of her time, asking for help and doing all this without having anything to give in return. But I said to myself, with all the help she's providing me, something will come back to her at some point. In other words, karma." Sushma is now taking a MINE training programme to become a mentor herself, and help new mentees get a foot into the Swedish labour market. Her own experiences will be a great benefit in her interaction with mentees:

"I've been in a very similar situation, so I'm in a good position to understand how my mentee feels, and what help he or she needs. I've learnt the art of asking for help shamelessly, how important it is to always build networks and that visibility creates opportunities. I've also learnt to be positive, not to give up and how important it is to have a plan B, so you have something to look forward to and hope for. I hope be able to give my mentee all this and much more."

For her part, Sushma thinks she's become a better co-worker and colleague thanks to MINE: "Firstly, without MINE, I wouldn't have a job. So I'm grateful and haven't forgotten where I've come from, and the challenges I've faced. This has given me inspiration and motivation to give something back to MINE and Ikano Bank. I've been forced to adapt and learn a lot in a short time, which means it's easier for me to keep changing and thinking in new ways, which I definitely think makes me a better employee of Ikano."

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The MINE mentor programme in figures:

- A total of nearly 600 mentors and mentees have gone through one of the mentorship programmes since 2007.
- Programmes have resulted in some 160 employment opportunities directly related to the programme.
- Virtually all 300 mentees think they expanded their contact networks, have a greater insight into the labour market, practical opportunities and new perspectives.





# Administration report

*The Board of Directors and the Managing Director of Ikano Bank AB (publ), Corporate Registration Number 516406-0922, hereby present the annual accounts for the period from 1 January to 31 December 2015.*

## Owner and operating structure

Ikano Bank AB (publ) conducts banking business with registered domicile in Älmhult, Sweden, and head office in Malmö, Sweden. Ikano Bank is owned by Ikano S.A. with its registered office in Luxembourg. Originally part of IKEA, Ikano S.A. (the Ikano Group) became a separate Group in 1988 and now has four business areas – Insurance, Finance, Real Estate and Retail. Ikano Bank, which was granted a banking license for its operations in 1995, is included in the Ikano Group's Business area Finance. The bank carries out banking operations in Sweden, Denmark, Norway, Finland, the UK, Germany, Austria and Poland. The foreign operations are branches of the Swedish operations, with the exception of the Austrian operations, which are conducted as cross-border operations.

## Mergers and acquisition

On August 3, 2015 Ikano Bank AB merged with sister bank Ikano Bank GmbH with banking operations in Germany, Austria and Poland. The merged company's net result and balance sheet are included in both net income and indicators for 2015. After the merger, the operations in Germany and Poland are conducted as branches of Ikano Bank AB and the Austrian operation are conducted as cross-border operation. As of October 1 also the sister company Ikano Insight Ltd was acquired and is now a subsidiary of the bank. Ikano Insight is a marketing consulting company that works with analysis based customer communication.

## Operations

The bank's operations are followed up on the basis of geographic markets; see Note 6, Operating segments, for further details.

There are three business lines within these operations: Corporate, Sales Finance and Consumer.

## Corporate

Within the Corporate business line financial solutions for corporate clients in the form of leasing agreements, object financing, invoice purchasing and factoring are offered. These operations are primarily conducted through partner arrangements. This business line is represented in Sweden, Denmark, Norway and Finland.

## Sales finance

Services for financing and sales support, mainly to retail, are managed and marketed within the Sales Finance business line. This business line is represented in all geographic markets. The services offered comprise consumer finance for sales

support in the form of store cards and credit cards with Visa and MasterCard, loyalty cards, bonus management and information services for sales support.

The largest partner within Sales Finance is IKEA.

## Consumer

The Consumer business line is aimed at private individuals and offers simple, beneficial products and services for savings and loans. The customers carry out part of the work themselves on the internet or by telephone, which enables efficient and timely handling and the bank can offer customers cost-efficient and competitive products.

Lending is offered as unsecured loans, mortgage loans and Visa credit cards. Mortgage loans are offered in cooperation with SBAB Bank AB (publ), which means that loans are intermediated to and provided by SBAB under the bank's "Ikano Bolån" brand. Lending is provided as unsecured loans and card products in Sweden, Denmark Norway and Germany. Deposits are offered in the Swedish, Danish, German and British markets and mortgage loan products are only offered in the Swedish market.

## Significant events in the operations

During the year, as previously announced the branch in the Netherlands was closed down. On August 3 2015, the bank merged with the sister bank Ikano Bank GmbH with banking operations in Germany, Poland and Austria. The merger will create growth opportunity for Ikano Bank and economies of scale achieved by the inclusion of the activities of branches of Ikano Bank AB. The sister company Ikano Insight Ltd was acquired on 1 October 2015.

During the year the head office was moved from Lund to new premises in Hyllie, Malmö. A decision has also been taken to build a common customer center for the Nordic operations based in Hyllie, Malmö. The initiative is part of Ikano Bank's growth plans. The change is primarily affecting customer service in Älmhult and Sundbyberg in Sweden, Glostrup, Denmark and Asker in Norway.

In late April Arja Taaveniku resigned as CEO of Ikano S.A. and thus also as a board-member of the board of the Bank.

## Total assets and business volumes

The bank's total assets increased by SEK 10.1 bn to SEK 36.3 bn (26.2), of which 6.9 billion relate to the merged operations in Germany and Poland. The remaining increase is attributable to the UK operations, increase business segment and

increased liquidity portfolio. The Bank's equity increased by SEK 1.1 bn to SEK 3.8 bn (2.7).

The total business volume consisting of lending to the public, deposits from the public, leasing assets and mortgage loans increased 32 percent to SEK 55.1 bn (41.8).

Lending to the public grew 45 percent to SEK 24.1 bn (16.6), after provisions for loan losses. Of this increase SEK 6.6 bn relates to the German and Polish operations which merged during the year. The remaining increase was attributable to growth in the UK business and corporate segment. In other geographic markets, volumes were stable.

Leasing assets held on behalf of customers increased by 10 percent to SEK 6.0 bn (5.4). On the foreign market volumes increased due to good demand for financing from our partners within Corporate, while the Swedish volume was stable.

Deposits from the public increased by 34 percent to SEK 20.2 bn (15.1). Of the increase of SEK 5.1 bn, SEK 3.8 bn is attributable to the German operations and the deposits in the Danish operations increased with SEK 1.4 bn. Volumes in the Swedish market were stable during the year. At the end of the year borrowing activities on the British market started.

Deposits constitute an important part of the bank's financing, and the stable growth over several years shows that Ikano Bank has gained customers' confidence in managing their savings. At the end of the year, deposits from the public accounted for 56 percent of the bank's total financing.

The bank finances parts of its operations on the capital market. Demand for the bank's short-term certificate programs as well as on the bank's bond program (Medium Term Note Programme) has been good. In 2015, a total of three bonds with maturities of three to four years were issued with good results and the bank's short-term certificate has been traded actively.

The bank's development over a five-year period is reported on page 23.

The bank's liquidity portfolio totalled SEK 4.5 bn as of 31 December 2015 (3.3), which corresponds to 22 percent of the bank's total deposits from the public.

## Result

Operating result for 2015 increased by 26 percent to SEK 562 m (447). The merged operations in Germany and Poland contributed to this performance increase with SEK 148 m and operations in the UK increased its operating profit, supported by good volume and profitability. The operating result was positively affected by a VAT refund, attributed to the year 2011, but negatively affected by higher costs for staff, external services related to the ongoing improvement projects, as well as a decreasing positive effect of change in accounting currency compared to 2014.

Net interest income increased by 59 percent to SEK 2.0 bn (1.3), which is mainly explained by the contribution from the merged operations in Ger-

many and Poland. A strong growth in the UK branch contributes greatly to the increase. Lower costs for deposit and borrowings and slightly better margins on lending also impacted net interest income. The return on the bank's liquidity portfolio decreased due to lower Swedish market interest rates.

Net leasing decreased by 4 percent to SEK 303 m (316). Leasing income decreased slightly in the Swedish market partly because of lower volumes and was also negatively affected by the declining positive effect of change in accounting currency. The positive effect totals SEK 6.3 m (18.5). In other markets leasing income increased supported by volume growth.

Net commissions rose marginally to SEK 367 m (356). Operations in Germany and Poland contributed positively to the bank's net commission, while lower income from brokered insurance and higher commission costs in other markets contributed negatively.

The operating expenses increased by 20 percent to SEK 4.0 bn (3.3). A part of this increase relates to costs in the merged operations but is also explained by higher costs of increased amortization of lease assets on behalf of customers. This is due to the volume growth in the business area Corporate and investments in increased competitiveness and customer value.

Net loan losses increased by 34 percent to SEK 412 m (308). Loan losses as a percentage of average total loans increased slightly to 1.6 percent (1.5). The nominal increase is mainly explained by the ongoing provisions for loan losses in the German and Polish operations which merged during the year.

## Employees

The bank works continuously with competence development. In 2015, a development program for managers, Management Development Program, and a program for employees, the Personnel Development Program, were carried out. In addition, newly appointed and newly hired managers participated in Ikano's Culture and Leadership Program. We have also started up a common introduction program for all the business area Finance for other employees and managers called Ikanoway.

The Works Council, which is the bank's forum for participation in transnational HR topics, met on two occasions during the year. The Works Council consists of elected representatives from each country, together with the Managing Director and Head of HR.

The number of employees, based on full-time workers, totalled 821 (709) as an average during the year. The merged operations are included in these figures as of the merger in August.

Information regarding principles and processes relating to remuneration and benefits to key personnel can be found in note 13 General administrative expenses.

## Risks and risk management

Risk management is a well-integrated part of the daily work of the bank. In its business operations, the bank is exposed to several risks such as credit risk, operational risk and business risk, but it also has to manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and Managing Director are ultimately responsible for risk management at Ikano Bank. Risk management aims to ensure that the risks do not exceed the risk levels established by the Board of Directors. The bank's risks are controlled centrally, but the responsibility for risk management rests primarily on the local business units. This means that the operative business owns and manages risk in the daily operations. The central risk control function is responsible for monitoring and evaluating risk management.

Credit risk is the bank's largest risk and is defined as the risk that the counterparty (the borrower) does not fulfil his obligations. Through good management of credit risk, profitability in the lending operations is optimised.

Operational risk is the risk of direct or indirect loss resulting from inadequate or defective internal processes, procedures and systems, administrative errors or external events and factors. Operational risk also includes legal risk. The goal is to ensure effective processes and maintain a high level of security and accessibility for the bank's customers and other stakeholders.

Business risk is the risk that the bank's earnings deteriorate and are not sufficient to cover operating expenses. Business risk also includes reputation risk, which is the risk of financial loss due to customers, partners and/or lenders losing confidence in the bank, its brand, or the industry as a whole, for example due to adverse publicity or periods of system stress.

Objectives and policies for the bank's risk management are further described in note 3, Risks and risk management. In recent years, the bank's operation has been affected by the introduction of a variety of new and changing regulatory frameworks for the financial sector. Further increase in the regulatory burden is expected in future years. In response to these changes, the bank has strengthened the organisation for monitoring, evaluating and implementing the new regulations.

In the various geographic markets in which the bank operates, there are risk departments that report the risks that the bank faces locally to the local management groups. The risk's second line of defence is also present in each country, which reports to the central risk function. The bank's central risk function is an independent risk control of all the bank's risks. These are reported monthly to the bank's management and quarterly to the Board of Directors. The bank's Internal Capital Adequacy Assessment Process (ICAAP) and future liquidity needs are updated quarterly and presented to the management group and Board of Directors.

## Capital adequacy and leverage ratio

The common equity Tier 1 capital ratio for 2015 was 14.1 percent (15.1) and the total capital ratio was 16.8 percent (17.8). For more information about the capital adequacy calculation, see note 40 Capital analysis.

The leverage ratio for the bank was of 9.4 percent for 31 December 2015. The Bank therefore considers itself to have a comfortable level of capital strength.

The combined buffer requirement for Ikano Bank is made up of the capital conservation buffer and a countercyclical capital buffer that was introduced in 2015.

## Liquidity

At year-end, the bank's liquidity coverage ratio (LCR) totalled 160 percent. This measure shows how the bank's highly liquid assets are related to net cash outflows over a thirty-day period during very strained market conditions. A limit value for the liquidity coverage ratio of 60 percent applies since 1 October 2015, which and increasing phasing to 100 percent on January 1, 2018. For a healthy and stable liquidity management the bank has decided to hold an internal limit of over 100 percent already today.

The measure of stable financing (NSFR), has been introduced through Basel III, but as of 31 December 2015, had not been adopted in Sweden.

## Corporate Governance Report

Ikano Bank's corporate governance report for 2015 is attached to this Annual Report on page 76.

## Outlook

In 2016, we anticipate a continued development both in terms of digital presence, efficiency, marketing activities and promotions. Our outlook remains positive. We have a strong financial position with good liquidity and a favourable market position. Our investment in increased competitiveness and customer value will continue in 2016. We are on the right path.

## Proposal appropriation of profits

The following amount is available for distribution by the Annual General Meeting (SEK):

|                                |                    |
|--------------------------------|--------------------|
| Fund for fair value            | -724 221           |
| Retained earnings              | 3 061 569 043      |
| <u>Net result for the year</u> | <u>507 245 712</u> |
| Total                          | 3 568 090 534      |

The Board of Directors proposes that the profits be appropriated as follows (SEK):

|                       |               |
|-----------------------|---------------|
| To be carried forward | 3 568 090 534 |
|-----------------------|---------------|

## 5-year summary

| SEK m  | 2015          | 2014          | 2013          | 2012          | 2011          |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Income statement</b>  |               |               |               |               |               |
| Net interest income  | 2 011         | 1 262         | 1 080         | 915           | 879           |
| Leasing income   | 2 427         | 2 275         | 2 039         | 1 777         | 1 528         |
| Net commission   | 367           | 356           | 356           | 351           | 383           |
| Net gains and losses on financial transactions                               | -8            | -7            | 7             | -34           | -33           |
| Other operating income   | 159           | 192           | 143           | 280           | 168           |
| <b>Total operating income</b>  | <b>4 956</b>  | <b>4 078</b>  | <b>3 625</b>  | <b>3 290</b>  | <b>2 925</b>  |
| General administrative expenses  | -1 575        | -1 194        | -1 020        | -872          | -788          |
| Depreciation/ amortisation and impairments of tangible and intangible assets | -2 167        | -1 991        | -1 756        | -1 541        | -1 256        |
| Other operating expenses   | -241          | -138          | -121          | -115          | -121          |
| Loan losses  | -412          | -308          | -295          | -242          | -229          |
| <b>Other operating expenses</b>  | <b>-4 395</b> | <b>-3 631</b> | <b>-3 192</b> | <b>-2 770</b> | <b>-2 394</b> |
| <b>Operating result</b>  | <b>561</b>    | <b>447</b>    | <b>433</b>    | <b>520</b>    | <b>531</b>    |
| Appropriations   | -             | -             | -178          | -196          | -31           |
| Taxes  | -54           | -130          | -64           | -90           | -107          |
| <b>Net result for the year</b>   | <b>507</b>    | <b>317</b>    | <b>190</b>    | <b>234</b>    | <b>393</b>    |
| <b>Balance Sheet</b>   |               |               |               |               |               |
| Cash   | 25            | 0             | 0             | 0             | 0             |
| Loans to credit institutions   | 1 747         | 1 068         | 828           | 621           | 515           |
| Loans to the public  | 24 105        | 16 573        | 14 887        | 11 584        | 11 175        |
| Interest-bearing securities  | 2 805         | 2 225         | 2 126         | 2 787         | 2 556         |
| Tangible assets  | 6 037         | 5 487         | 5 002         | 4 280         | 3 511         |
| Other  | 1 567         | 833           | 940           | 835           | 654           |
| <b>Total assets</b>  | <b>36 286</b> | <b>26 186</b> | <b>23 783</b> | <b>20 107</b> | <b>18 413</b> |
| Liabilities to credit institutions   | 4 128         | 2 258         | 1 699         | 977           | 1 331         |
| Deposits from the public   | 20 209        | 15 063        | 14 084        | 13 847        | 12 181        |
| Other  | 6 511         | 4 758         | 4 295         | 2 197         | 2 242         |
| Provisions   | 107           | 93            | 87            | 81            | 70            |
| Subordinated liabilities   | 792           | 579           | 551           | 542           | 531           |
| <b>Total liabilities and provisions</b>                                      | <b>31 747</b> | <b>22 751</b> | <b>20 715</b> | <b>17 644</b> | <b>16 355</b> |
| Untaxed reserves   | 698           | 698           | 698           | 520           | 324           |
| Equity   | 3 841         | 2 737         | 2 370         | 1 944         | 1 734         |
| <b>Total liabilities , provisions and equity</b>                             | <b>36 286</b> | <b>26 186</b> | <b>23 783</b> | <b>20 107</b> | <b>18 413</b> |

2011-2012 has been converted from EURO to SEK at the rate of 8.5615 (ECB rate for the last Swedish banking day of 2012).



# 5-year summary

| SEK m  | 2015   | 2014   | 2013   | 2012   | 2011   |
|--|--------|--------|--------|--------|--------|
| <b>Volumes</b>   |        |        |        |        |        |
| Business volume  | 55 119 | 41 777 | 38 918 | 35 085 | 32 337 |
| <i>Change during the year, %</i>   | 31.9%  | 7.3%   | 10.9%  | 8.5%   | 5.9%   |
| <i>Customer-related loans and deposits, leasing and mediated mortgage loans</i>  |        |        |        |        |        |
| Loans to the public  | 24 105 | 16 573 | 14 887 | 11 584 | 11 175 |
| <i>Change during the year, %</i>   | 45.4%  | 11.3%  | 28.5%  | 3.7%   | -2.0%  |
| Deposits from the public   | 20 209 | 15 063 | 14 084 | 13 847 | 12 181 |
| <i>Change during the year, %</i>   | 34.2%  | 7.0%   | 1.7%   | 13.7%  | 19.6%  |
| <b>Capital</b>   |        |        |        |        |        |
| Equity ratio <sup>1)</sup>   | 12.1%  | 12.5%  | 12.3%  | 11.7%  | 10.7%  |
| <i>Taxed equity +78 % of untaxed reserves in relation to total assets</i>  |        |        |        |        |        |
| Return on total assets   | 1.4%   | 1.2%   | 0.8%   | 1.2%   | 2.1%   |
| <i>Net result as % of total assets</i>   |        |        |        |        |        |
| Total Capital ratio  | 16.8%  | 17.8%  | 16.7%  | 16.5%  | 15.1%  |
| <i>Own funds in relation to risk exposure amount</i>   |        |        |        |        |        |
| Common equity Tier 1 ratio   | 14.1%  | 15.1%  | 14,0%  | 13.5%  | 11.7%  |
| <i>Common Equity Tier 1 capital in relation to risk exposure amount</i>  |        |        |        |        |        |
| <b>Liquidity</b>   |        |        |        |        |        |
| Liquidity portfolio in relation to deposits from the public  | 22.3%  | 21.9%  | 21.0%  | 24.6%  | 25.2%  |
| Deposits from the public in relation to total assets   | 55.7%  | 57.5%  | 59.2%  | 68.9%  | 66.2%  |
| Liquidity coverage ratio (LCR)   | 160%   | 167%   | -      | -      | -      |
| <b>Result</b>  |        |        |        |        |        |
| Investment margin  | 6.4%   | 5.1%   | 4.9%   | 4.7%   | 5,0%   |
| <i>Net interest income in relation to average total assets</i>   |        |        |        |        |        |
| Return on adjusted equity <sup>1)</sup>  | 11.4%  | 11.3%  | 12.8%  | 17.8%  | 22.1%  |
| <i>Operating result after standard tax rate in relation to average equity</i>  |        |        |        |        |        |
| C/I-ratio before loan losses   | 65.6%  | 64.4%  | 61.9%  | 58.6%  | 55.5%  |
| <i>Operating expenses in relation to operating income with lease operations offset in operating income</i>                         |        |        |        |        |        |
| <b>Credit quality</b>  |        |        |        |        |        |
| Provision for non performing loans, %  | 61.0%  | 63.9%  | 56,0%  | 54.5%  | 51.1%  |
| <i>Total provision for probable loan losses in relation to non performing loans, gross</i>   |        |        |        |        |        |
| Share of non performing loans, %   | 2.2%   | 1.8%   | 2.3%   | 2.9%   | 3,0%   |
| <i>Non performing loans, in relation to total loans to the public, credit institutions (excluding banks) and lease receivables</i> |        |        |        |        |        |
| Loan loss ratio  | 1.6%   | 1.5%   | 1.7%   | 1.6%   | 1.6%   |
| <i>Loan losses in relation to average loans to the public, credit institutions (excluding banks) and lease receivables</i>         |        |        |        |        |        |
| <b>Other information</b>   |        |        |        |        |        |
| Average number of employees  | 821    | 709    | 719    | 479    | 440    |

1) Calculated according to each year's applicable tax rate. 2011-2012 has been converted from EURO to SEK at the rate of 8.5615 (ECB rate for the last Swedish banking day of 2012).

## Income statement

| SEK 000   | Note   | 2015              | 2014              |
|---|--------|-------------------|-------------------|
| Interest income   | 7      | 2 405 079         | 1 627 942         |
| Interest expense  | 7      | -394 030          | -366 150          |
| <b>Net interest income</b>  |        | <b>2 011 049</b>  | <b>1 261 792</b>  |
| Leasing income  | 8      | 2 427 472         | 2 274 816         |
| Commission income   | 9      | 692 555           | 600 078           |
| Commission expense  | 9      | -325 815          | -243 936          |
| <b>Commission, net</b>  |        | <b>366 740</b>    | <b>356 142</b>    |
| Net gains and losses on financial transactions                              | 10     | -7 791            | -7 234            |
| Other operating income  | 11     | 158 679           | 192 347           |
| <b>Total income</b>   |        | <b>4 956 149</b>  | <b>4 077 863</b>  |
| General administrative expenses   | 13     | -1 574 825        | -1 194 145        |
| Depreciation/amortisation and impairments of tangible and intangible assets | 23, 24 | -2 166 987        | -1 991 164        |
| Other operating expenses  | 14     | -240 467          | -137 844          |
| <b>Total expenses before loan losses</b>                                    |        | <b>-3 982 279</b> | <b>-3 323 153</b> |
| <b>Profit before loan losses</b>  |        | <b>973 870</b>    | <b>754 710</b>    |
| Loan losses, net  | 15     | -412 347          | -307 691          |
| <b>Operating result</b>   |        | <b>561 523</b>    | <b>447 019</b>    |
| Tax expense   | 16     | -54 277           | -130 304          |
| <b>Net result for the year</b>  |        | <b>507 246</b>    | <b>316 715</b>    |

## Report on total comprehensive income for the year

| SEK 000   | 2015           | 2014           |
|---|----------------|----------------|
| <b>Net result for the year</b>  | <b>507 246</b> | <b>316 715</b> |
| <b>Other comprehensive income</b>   |                |                |
| <b>Items that can be reclassified to net profit for the year</b>                      |                |                |
| Translation difference for the year, foreign branches                                 | -83 956        | 48 975         |
| Changes in fair value on financial assets available-for-sale                          | -8 893         | 1 374          |
| Tax related to financial assets available-for-sale                                    | 3 601          | -              |
| Tax attributable to change in fair value of financial assets available for sale       | 1 956          | -302           |
| Tax related to items which has been or can be reclassified to the result for the year | -792           | -              |
| <b>Other comprehensive income for the year, net of tax</b>                            | <b>-88 084</b> | <b>50 047</b>  |
| <b>Total comprehensive income for the year, net of tax</b>                            | <b>419 162</b> | <b>366 762</b> |

# Balance sheet

| SEK 000   | Note | 2015              | 2014              |
|---|------|-------------------|-------------------|
| <b>Assets</b>   |      |                   |                   |
| Cash  |      | 24 816            | 19                |
| Treasury bills  | 17   | 1 120 183         | 952 514           |
| Loans to credit institutions  | 18   | 1 746 993         | 1 068 239         |
| Loans to the public   | 19   | 24 105 331        | 16 573 488        |
| Bonds and other interest-bearing securities                         | 20   | 1 685 179         | 1 272 433         |
| Shares and participations   | 21   | 4 323             | 3 585             |
| Shares and participations in group companies                        | 22   | 13 322            | -                 |
| Intangible assets   | 23   | 187 930           | 44 366            |
| Tangible assets   | 24   | 6 036 797         | 5 487 364         |
| - <i>Equipment</i>  |      | 69 807            | 61 573            |
| - <i>Leasing assets</i>   |      | 5 966 990         | 5 425 791         |
| Other assets  | 26   | 870 163           | 591 597           |
| Deferred tax assets   | 16   | 205 990           | 65 245            |
| Prepaid expenses and accrued income                                 | 27   | 284 735           | 126 692           |
| <b>Total assets</b>   |      | <b>36 285 762</b> | <b>26 185 542</b> |
| <b>Liabilities, provisions and equity</b>                           |      |                   |                   |
| Liabilities to credit institutions                                  | 28   | 4 127 651         | 2 257 529         |
| Deposits from the public  | 29   | 20 200 755        | 15 047 587        |
| Change in fair value on interest-rate hedged items in the portfolio | 30   | 8 630             | 15 466            |
| Issued securities   | 31   | 4 217 938         | 2 984 873         |
| Other liabilities   | 32   | 981 407           | 751 204           |
| Accrued expenses and deferred income                                | 33   | 1 311 339         | 1 022 195         |
| Provisions  |      | 106 633           | 93 358            |
| - <i>Provisions for pensions</i>                                    | 34   | 32 317            | 31 611            |
| - <i>Deferred tax liabilities</i>                                   | 16   | 74 316            | 61 747            |
| Subordinated liabilities  | 35   | 792 512           | 578 566           |
| <b>Total liabilities and provisions</b>                             |      | <b>31 746 865</b> | <b>22 750 778</b> |
| <b>Untaxed reserves</b>   | 36   | <b>698 157</b>    | <b>698 157</b>    |
| <b>Equity</b>   | 37   |                   |                   |
| <b>Restricted equity</b>  |      | <b>272 649</b>    | <b>272 633</b>    |
| Share capital   |      | 78 994            | 78 978            |
| Statutory reserve   |      | 193 655           | 193 655           |
| <b>Non-restricted equity</b>  |      | <b>3 568 091</b>  | <b>2 463 974</b>  |
| Fund for fair value   |      | -724              | 87 358            |
| Retained earnings   |      | 3 061 569         | 2 059 901         |
| Net result for the year   |      | 507 246           | 316 715           |
| <b>Total equity</b>   |      | <b>3 840 740</b>  | <b>2 736 607</b>  |
| <b>Total liabilities, provisions and equity</b>                     |      | <b>36 285 762</b> | <b>26 185 542</b> |
| <b>Memorandum items</b>   |      |                   |                   |
| Pledged assets  | 38   | none              | none              |
| Contingent liabilities  |      | 646               | 632               |
| Commitments   |      | 41 151 201        | 27 022 871        |



# Statement of changes in equity

| SEK 000  | Restricted equity |                   | Non-restricted equity |                     |                         |                             |                         | Total equity     |
|--|-------------------|-------------------|-----------------------|---------------------|-------------------------|-----------------------------|-------------------------|------------------|
|  | Share capital     | Statutory reserve | Fund for fair value   |                     |                         | Retained earnings or losses | Net result for the year |                  |
|  |                   |                   | Fair value reserve    | Translation reserve | Cash flow hedge reserve |                             |                         |                  |
| <b>Opening balance 2014-01-01</b>              | <b>78 978</b>     | <b>193 655</b>    | <b>3 390</b>          | <b>33 921</b>       | -                       | <b>1 869 525</b>            | <b>190 376</b>          | <b>2 369 845</b> |
| Appropriation of profits                       | -                 | -                 | -                     | -                   | -                       | 190 376                     | -190 376                | -                |
| Net result for the year                        | -                 | -                 | -                     | -                   | -                       | -                           | 316 715                 | 316 715          |
| Other comprehensive income for the year        | -                 | -                 | 1 072                 | 48 975              | -                       | -                           | -                       | 50 047           |
| <b>Total comprehensive income for the year</b> | -                 | -                 | <b>1 072</b>          | <b>48 975</b>       | -                       | -                           | <b>316 715</b>          | <b>366 762</b>   |
| <b>Closing balance 2014-12-31</b>              | <b>78 978</b>     | <b>193 655</b>    | <b>4 462</b>          | <b>82 896</b>       | -                       | <b>2 059 901</b>            | <b>316 715</b>          | <b>2 736 607</b> |
| <b>Opening balance 2015-01-01</b>              | <b>78 978</b>     | <b>193 655</b>    | <b>4 462</b>          | <b>82 896</b>       | -                       | <b>2 059 901</b>            | <b>316 715</b>          | <b>2 736 607</b> |
| Bonus issue                                    | 16                | -                 | -                     | -                   | -                       | -                           | -                       | 16               |
| Merger difference                              | -                 | -                 | -                     | -                   | -                       | 762 953                     | -                       | 762 954          |
| Appropriation of profits                       | -                 | -                 | -                     | -                   | -                       | 316 715                     | -316 715                | -                |
| Net result for the year                        | -                 | -                 | -                     | -                   | -                       | -                           | 507 246                 | 507 246          |
| Other comprehensive income for the year        | -                 | -                 | -6 936                | -83 956             | 2 809                   | -                           | -                       | -88 083          |
| <b>Total comprehensive income for the year</b> | -                 | -                 | <b>-6 936</b>         | <b>-83 956</b>      | <b>2 809</b>            | -                           | <b>507 246</b>          | <b>419 163</b>   |
| Group contributions paid                       | -                 | -                 | -                     | -                   | -                       | -100 000                    | -                       | -100 000         |
| Tax regarding group contributions              | -                 | -                 | -                     | -                   | -                       | 22 000                      | -                       | 22 000           |
| <b>Closing balance 2015-12-31</b>              | <b>78 994</b>     | <b>193 655</b>    | <b>-2 473</b>         | <b>-1 060</b>       | <b>2 809</b>            | <b>3 061 569</b>            | <b>507 246</b>          | <b>3 840 740</b> |

# Cash flow statement

| SEK 000   | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>Operating activities</b>   |                   |                   |
| Operating result  | <b>+561 523</b>   | <b>+447 019</b>   |
| <i>Of which interest paid</i>   | -331 644          | -325 440          |
| <i>Of which interest received</i>   | +2 400 802        | +1 629 468        |
| <b>Adjustment for non-cash items</b>  |                   |                   |
| Depreciation /amortisation and impairment                                     | +42 017           | +32 561           |
| Loan losses   | +545 038          | +428 327          |
| Other adjustments   | +8 764            | +58 746           |
| Income tax paid   | -74 561           | 6 753             |
| <b>Cash flows from operating activities before changes in working capital</b> | <b>+1 082 781</b> | <b>+973 406</b>   |
| <b>Cash flows from changes in working capital</b>                             |                   |                   |
| Changes in loans to the public  | -1 426 153        | -2 111 504        |
| Changes in securities   | -580 416          | -95 662           |
| Changes in deposits from the public   | +754 941          | +979 276          |
| Changes in leasing assets   | -487 655          | -456 544          |
| Changes in other assets   | -471 646          | -16 440           |
| Changes in other liabilities  | -144 884          | -439 891          |
| <b>Cash flows from operating activities</b>                                   | <b>-1 273 032</b> | <b>-1 167 359</b> |
| <b>Investing activities</b>   |                   |                   |
| Investment in financial assets  | -13 322           | 0                 |
| Aquisition of intangible assets   | -118 760          | -21 020           |
| Sale of tangible assets   | +0                | +49               |
| Acquisition of tangible assets  | -59 968           | -29 373           |
| <b>Cash flows from investing activities</b>                                   | <b>-192 050</b>   | <b>-50 344</b>    |
| <b>Financing activities</b>   |                   |                   |
| Issue of interest-bearing securities  | +2 217 203        | +1 829 332        |
| Repayment of interest-bearing securities                                      | -990 000          | -930 000          |
| Borrowing from credit institutions  | +83 013           | +553 849          |
| <b>Cash flows from financing activities</b>                                   | <b>+1 310 216</b> | <b>+1 453 181</b> |
| <b>Cash flow for the year</b>   | <b>-154 866</b>   | <b>+235 478</b>   |
| Cash and cash equivalents at beginning of the year                            | +1 057 905        | +822 427          |
| Cash and cash equivalents from merger   | +863 347          | -                 |
| <b>Cash and cash equivalents at the end of the year</b>                       | <b>+1 766 386</b> | <b>+1 057 905</b> |

The cash flow statement has been prepared using the indirect method. The reported cash flow includes only transactions that involve incoming or outgoing payments. Liquid assets are defined as Cash as well as Loans to credit institutions,

SEK 1 772 m, with deductions for current liabilities to credit institutions SEK 6 m. The corresponding amounts for the previous year were SEK 1 068 m and SEK 10 m.

# Notes

## 1 General information

The annual report is as of 31 December 2015 and relates to Ikano Bank AB (publ), which is a limited liability company with registered office in Älmhult, corporate registration number 516406-0922. The head office is located in Malmö with the address Hyllie Boulevard 27, 200 49 Malmö, Sweden. The annual report has been approved for disclosure by the Board on 27 April 2016. The income statement and balance sheet are subject to approval at the Annual General Meeting on which will be held by 27 April 2016 at the latest.

The owner of the bank is Ikano S.A. with corporate registration number B87.842. The address of

the parent company is: 1, rue Nicolas Welter L-2740 Luxembourg. Ikano S.A. prepares the consolidated financial statements for the Group in which the bank is a subsidiary.

The bank operates under a banking license from the Swedish Financial Supervisory Authority to carry out banking business in accordance with the law on banking and finance.

All amounts reported in the financial statements are in Swedish kronor (SEK), rounded to the nearest thousand (SEK 000) unless otherwise stated.

## 2 Accounting principles

The annual report is prepared in accordance with the Annual Accounts Act for credit institutions and securities companies (AACS), the Financial Supervisory Authority and general advice on Annual Reports in credit institutions and securities companies (FFFS 2008: 25), in accordance with the amendment provisions of FFFS 2009: 11, FFFS 2011: 54; FFFS 2013: 2, FFFS 2013: 24 and FFFS 2014: 18 as well as the Swedish Financial Reporting Board's recommendation, RFR 2, Accounting for legal entities. On this basis, the bank applies statutory IFRS. This refers to standards adopted for application with the limits imposed by RFR 2 and FFFS 2008: 25 in accordance with the amending regulations. This means that all EU-endorsed IFRS and statements, to the extent possible, within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation, have been applied. The following accounting principles have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

### Basis for valuation in the preparation of the bank's financial reports

Assets and liabilities are reported at historical acquisition cost. Financial assets and liabilities are valued at the amortised cost, except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities are reported at fair value constituted by:

- Derivatives
- financial instruments classified as financial assets or liabilities at fair value in the income statement
- financial assets that can be sold

### Foreign branches

The bank has six overseas operations that are operated as branches. The functional currencies

of these foreign entities are Danish kronor, Norwegian kronor, British pounds, Euros and Zloty. Translation of income statements and balance sheets for the foreign branches is done from the foreign branch's functional currency to Swedish kronor. Assets and liabilities are valued at the closing rate. Revenues and expenses are translated at the period's average exchange rate. The resulting translation differences are reported in other comprehensive income.

### Transactions in foreign currencies

Transactions in foreign currencies have been translated into the functional currency based on the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies have been translated into the functional currency using the exchange rate on the balance sheet date. Non-monetary assets and liabilities that are reported at acquisition cost are translated to the prevailing exchange rate on the transaction date. The resulting exchange rate differences are reported in the income statement.

### Assessments and estimations in the financial reports

In order to prepare the financial reports in accordance with IFRS rules, as limited by statutes, the company's management must make assessments and estimations, and make assumptions that affect the application of the accounting principles and the reported amount of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and various other factors, which under current circumstances seem reasonable.

The bank's management has taken into consideration the development of, and information regarding, the bank's important accounting prin-



principles and taken a position on the selection and application of these.

### Impairment of loan losses

Collective loss reserves are applied to loan losses for portfolios of a similar financial nature where the objective indications suggest that there is a risk of loss in the portfolio. When assessing the need for collective loan loss reserves, factors, such as credit quality, customer behaviour, portfolio size, concentrations, historical experience and other financial factors are taken into consideration. For quantitative information see note 3 Risks and risk management. Individual loss reserves are based on estimates of the present value of the expected cash flows. In estimating these cash flows, an assessment of the client's financial situation and the value of any collateral is carried out.

Models and assumptions applied in the impairment of loan losses are regularly checked by the bank's independent function for risk control.

### Changed accounting principles

Amendments to IFRSs and interpretations effective from January 1, 2015 had no impact on the Bank's financial position, result or disclosures.

### New IFRS and interpretations not yet implemented

A number of new or amended standards and interpretations that initially will come into effect during coming financial year have not been preliminarily adopted in the preparation of these financial reports. The following describes the standards that may affect the bank's financial reports. In addition to these, no other new features are expected to have a significant impact on the bank's financial reports in 2015 or later.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Reporting and valuation as of January 1, 2018 in accordance with the current rules taking effect. IASB has divided the project into three parts. The first part deals with classification and valuation of financial instruments. The second part deals mostly with depreciation models, and the third part deals with simplified conditions for hedge accounting. The standard has not yet been approved for application within the EU. An assessment of the standard's potential impact on the financial reports has started.

A new leases standard IFRS 16 was published on 13 January 2016 and will take effect from 2019. This will replace IAS 17. The impact of this standard will be analysed but the effects of the new standard is expected to result in changes to lessee accounting for leases, while the lessor is expected to accounts that essentially consistent with the current provisions of IAS 17.

## Segment reporting

Ikano Bank carries out business using seven operating segments that coincide with the geographic markets. The geographic segments are Sweden, Denmark, Norway, Finland, UK, Germany and Poland. The operation in the Netherlands was closed down during the year and the operations in Germany and Poland has merged into Ikano Bank AB during the year. Each segment submits an internal monthly report to the bank's management group and Board of Directors.

The business in Denmark, Norway, Sweden and Finland, offer financing solutions to corporate customers. This through leasing agreement in all four operating areas, as well as factoring in Sweden and Norway. In addition, the business in Sweden, Denmark and Germany offer loans and savings products to private individuals. Loan products to private individuals are also offered by the Norwegian business. Saving products to public is also offered in the UK market since 2015. All segments offer sales supporting financing to retailers in the form of credit cards and loan products to consumers.

The operating segments are monitored on the basis of operating results. Income and expenses are attributed directly to the operating segments to which they relate or are distributed based on affiliation. Central expenses that have not been allocated are reported under the Common functions and consist primarily of other expenses. Eliminations relate primarily to the borrowing and lending between the central treasury function and the segment, IT services and other administrative services. Pricing of internal interest rates is determined based on the bank's actual cost of funds, administration and financial risk. For IT services and other administrative services, pricing is based on actual costs.

The performance follow up on segments does not include net income from financial transactions nor the currency effect of SEK 7 m relating to the leasing portfolio in Sweden due from the change in accounting currency that was made in the beginning of 2013.

### Income

The income is reported when the income can be considered reliable and it is probable that the financial benefits associated with the transaction will be paid to the bank.

### Interest incomes and expenses

Interest incomes on receivables and interest expenses on liabilities are calculated and reported using the effective interest method. The effective interest rate is the interest rate applied to ensure that the present value of all estimated future payments received and made during the expected fixed interest rate period are equal to the reported value of the receivables or liabilities.

Interest income and interest expenses include, when applicable, fees received, allocated over a

period of time, which are taken into account in the effective interest rate, transaction costs and other differences between the original value of the receivable or liability and the amount settled on maturity. Interest expenses include direct transaction costs allocated over a period of time.

### **Income from commissions and fees**

Income not treated as interest is included here and consists primarily of commissions and fees related to payment settlements, clearing transactions and account administration. Income from commissions and fees is reported as revenue when the revenue can be measured reliably, it is probable that the financial benefits associated with the transaction will be paid to the bank and the expenditures incurred and the remaining expenses can be calculated reliably.

### **Commission expenses**

Commission expenses are reported as costs for services received, such as the cost of credit information and the cost of cards and transactions to the extent that they are not to be regarded as interest. Transaction costs that are taken into account when calculating the effective interest rate are not reported here.

### **Net result from financial transactions**

The item Net result on financial transactions includes the realised and unrealised changes in value arising due to financial transactions. Net result on financial transactions consists of:

- realised results from financial assets available for sale
- when applicable, impairment of financial assets available for sale
- realised and unrealised changes in the value of derivatives which are economic hedging instruments but where hedge accounting is not applied
- unrealised changes in fair value of derivatives where hedge accounting to fair value is applied
- unrealised changes in fair value of a hedged item in relation to a hedged risk in hedging of fair value
- exchange rate fluctuations

### **Classification of leasing agreements and reporting of leasing income**

Leases are classified as operating leases or financial leases based on an assessment of the economic substance of the contractual agreements. If the economic substance of the contractual agreement is that the contract involves financing of an acquisition or an asset, the contract is classified as financial. If the economic substance of the contract is equivalent to a rental contract, the lease is classified as operational. The main factor in assessing the economic substance of the contract is an assessment of whether the risks and

economic rewards associated with the tangible asset are essentially transferred from the lessor to the lessee. All leases at the bank have been classified as financial leases.

Financial leases are reported in the income statement and balance sheet as if they were operating leases, in accordance with the regulations in RFR2. In the item, leasing income is reported gross, i.e. before depreciation according to plan. Depreciation according to plan is distributed over time and reported according to the annuity method over the term of the lease contract (see also depreciation principles under Tangible assets).

### **Taxes**

The company's income tax comprises current and deferred tax. Income tax is reported in the income statement except where the underlying transaction is reported directly in other comprehensive income or equity.

Current tax is the tax payable or refundable for the current year, using tax rates that have been established on the balance sheet date. This also includes the adjustment of current tax attributable to previous periods.

Deferred tax is calculated based on temporary differences between reported and fiscal values on assets and liabilities. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated at the tax rates and in accordance with the tax laws that have been established on the balance sheet date.

Deferred prepaid tax regarding deductible temporary differences and deficit deductions are only reported to the extent that it is likely that these will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Tax on net result for the year includes current tax, deferred tax and tax for previous years.

### **Financial instruments**

Financial instruments reported in the balance sheet on the assets side include loans receivable, accounts receivable, accrued income, interest-bearing securities, stocks and shares as well as derivatives. Among liabilities and equity there are accounts payable, loan liabilities, issued securities and derivatives.

### **Recognition and derecognition in the balance sheet**

A financial asset is reported in the balance sheet when the bank becomes a party to the commercial terms and conditions of the instrument.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire or the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from

the agreement has been met or has ceased for other reasons.

A financial asset and a financial liability are offset and reported with a net amount in the balance sheet only when there is a legally enforceable right to offset the amounts and that there is an intention to settle on a net basis or to realise the asset and settle the liability.

The acquisition and sale of a financial asset is reported on the transaction date, which is the date on which the company commits to acquiring or selling the asset. Loan commitments are not reported in the balance sheet. Loans are reported in the balance sheet when the loan amount is disbursed to the borrower.

### **Classification and valuation**

Financial instruments are initially valued at the instrument's actual value with additions for transaction costs except for derivatives and those instruments that are in the category, financial assets, which are reported at the actual value via the income statement, which are reported at the actual value exclusive transaction costs. A financial instrument is classified at the time of acquisition partly based on the purpose of acquiring the instrument but also on the options contained in IAS 39. The classification determines how the financial instrument is valued after its initial reporting.

Ikano Bank classifies financial assets into the following three categories at the time of acquisition: Financial assets valued at fair value in the income statement, Loan receivables and accounts receivable and also financial assets that can be sold.

Ikano Bank classifies financial liabilities into the following two categories at the time of acquisition: Financial liabilities valued at actual value in the income statement and Other financial liabilities.

### **Financial assets valued at fair value in the income statement**

This category includes interest rate and currency swaps for which hedge accounting is not applied. Financial instruments in this category are valued on an ongoing basis at the actual value with changes in value reported in the income statement.

### **Loan receivables and accounts receivable**

Loan receivables and accounts receivable are financial assets with fixed or determinable payments and are not listed on an active market. In the balance sheet, these are represented by the balance sheet items, Loans to credit institutions, Loans to consumers and Accrued income and Other assets. These assets are valued at the accrued acquisition value. The accrued acquisition value is determined using the effective interest rate calculated at the date of acquisition. Accounts receivable and loan receivables report-

ed at the amounts expected to be received, in other words, after deductions for reserves of non-performing loans.

### **Financial assets available for sale**

In the category Financial assets available for sale, interest-bearing securities and shares and participations are included. Assets in this category are valued at fair value with value changes reported in other comprehensive income and accumulated in the fund for fair value in equity. Shareholdings that are not listed on an active market and whose fair value cannot be reliably measured are valued at the acquisition cost.

Changes in value due to impairment or exchange rate differences on monetary items (interest-bearing securities) are reported in the income statement. When an asset is liquidated, the accumulated gain or loss, which was previously reported in other comprehensive income, is reported in the income statement.

### **Financial liabilities valued at actual value in the income statement**

This category includes interest rate and currency swaps that are not used in hedge accounting.

### **Other financial liabilities**

This category includes, among other things, liabilities to credit institutions, deposits from the public, issued securities, subordinated debt, and other financial liabilities. Other financial liabilities are mainly items relating to other liabilities and accrued expenses. These assets are valued at the accrued acquisition value.

### **Loan commitments and unused credit**

Loan commitments refer to a unilateral commitment to provide a loan with predetermined conditions such as the interest rate, in which the borrower can choose whether he or she wants the loan.

Non-utilised credit refers to credit facilities granted to our customers. All approved unused credit card accounts can be terminated effective immediately to the extent this is permitted under the Consumer Credit Act. Granted irrevocable loan commitments are valid for two weeks. Loan commitments and unused credits are not reported in the balance sheet. Loans are reported in the balance sheet when the loan amount is disbursed to the borrower.

### **Derivatives**

Derivatives are used to hedge the risk of interest rate and currency exposures that the bank is exposed to. The derivatives that the bank uses are interest-rate swaps to manage interest rate risk, and currency swaps to hedge the bank's exposure to exchange rate fluctuations.



Derivatives are initially and subsequently valued at fair value in the balance sheet. If hedge accounting is not applied, changes in value are reported in the income statement and derivatives are categorised on the basis of the provisions of IAS 39 as holdings for trading purposes, even in the case that they financially hedge risk, but where hedge accounting is not applied. If hedge accounting is applied, changes in value of the derivative and the hedged item are reported as described below.

### Hedge accounting

The bank applies hedge accounting in accordance with IAS 39 in those cases the income effect would be too misleading if hedge accounting was not applied. For the bank's hedging relationships, hedging is applied at fair value and cash flow hedge.

### Fair value hedge

Change in fair value of hedging instruments and hedged items with respect to the hedged risk are reported in the income item, Net income from financial transactions. For hedging of fixed-rate deposits, the derivative is reported at fair value in the balance sheet. The hedged liability's book value is adjusted taking into consideration the change in value of the hedged risk. Change in fair value of the derivative is reported in the income statement as well as the change in fair value of the hedged item under Net income from financial transactions.

Hedging instruments consist of interest rate swaps to hedge interest rate risk. Those items that are hedged, and where hedge accounting is applied, are fixed rate deposits (portfolio hedging). The hedged risk is the risk of changes in fair value due to interest rate fluctuations.

The portfolio method applied for hedge accounting of fixed rate deposits means that the deposits are distributed in different time intervals based on expected maturity dates. In each time span, an appropriate amount is allocated to hedging based on the bank's risk management strategy. An efficiency test of the hedge relationships is performed every month by comparing the change in fair value of the hedged instrument with the change in fair value of the hedged amount in relation to the hedged risk in each time period. If efficiency is within the 80-125% range, an adjustment of the value of the hedged amount equivalent to the calculated change in fair value is reported on a separate line in the balance sheet. If the hedge relationship is no longer efficient, the relation is discontinued and previously reported value adjustments on the hedged item, up to the hedged item's expected maturity date, are distributed over time. If the hedging relationship is discontinued and the hedged item no longer appears on the balance sheet, the previously reported value adjustment of the hedged item is immediately posted to the result.

### Cash flow hedge

Cash flow hedging is applied for borrowings at variable rates as the hedged risk is the uncertainty in future interest cash flows. For hedging, interest rate swaps are used. Swaps are measured at fair value in the balance sheet. In the income statement, and accrued interest paid as interest expense and other changes in value of interest rate swap are recognized in other comprehensive income and accumulated in the fair value reserve in equity to the extent that the hedge has been effective until the hedged item affects profit or loss. All the ineffectiveness of the hedge is recognized in the income statement in Net income from financial transactions.

If hedge accounting is discontinued, but the hedged cash flow is still expected, the fair value of the hedging-instrument is accrued and accounted in other comprehensive income and accumulated in the fair value reserves until the hedging relationship last met the criteria for hedge accounting, over the period of the expected cash flow is expected to affect profit or loss. If the hedging is cancelled but the hedged cash flow is no longer expected, the unrealized changes in value of the derivative are accounted as recognized in other comprehensive income and accumulated in the fair value reserve.

### Methods for determining fair value

Below is a summary of methods for determining fair value.

#### Financial instruments listed on an active market

For financial assets that are listed on an active market, the actual value is determined by the asset's listed bid price on the balance sheet day. A financial instrument is considered to be listed on an active market if the listed prices are easily available on an exchange or with a broker, and that these prices represent actual and regularly occurring market transactions under professional business conditions. For financial liabilities, the actual value is based on the listed offer price. Information about fair value reported in the balance sheet is based on prices from an active market (level 1) is provided in note 39, Financial assets and liabilities.

#### Financial instruments not listed on an active market

If the market for a financial instrument is not active, valuation techniques are used to determine the fair value. The input data used in valuation techniques are based, to the extent possible, on market information.

The fair value of derivative instruments is calculated using established valuation techniques and observable market interest rates. Fair value of financial instruments that are not derivative instruments is based on future cash flows and current market rates on the balance sheet date. The discount rate used is the market-

based interest rate for similar instruments on the balance sheet date. Information about fair value that is reported in the balance sheet is based on valuation techniques provided in note 39, Financial assets and liabilities. The bank's valuation of derivatives at fair value is solely based on input data that is directly or indirectly observable in the market.

Where the fair value of unlisted shares cannot be determined reliably, the acquisition value, adjusted for possible impairment, is used as an approximation of fair value. The bank has no intention to dispose of the unlisted shares in the foreseeable future.

Instruments that are not listed on an active market can be found in the balance sheet item, Treasury bills etc., Shares, Bonds and other interest-bearing securities, deposits and borrowings from the public and other assets and liabilities (derivatives).

### Loan losses and impairment of financial instruments

At each reporting date, the bank evaluates whether there is objective evidence that a financial asset or group of assets needs to be impaired. Objective evidence of the need for impairment includes observable data, for example, whether the debtor has financial difficulties and has made late payments or missed payments. Objective evidence may also be identified as adverse changes in the payment status of a group of financial assets with a similar risk profile.

#### Financial assets carried at amortised cost

A loan is classified as non-performing if one or more events have occurred that have an impact on the estimated future cash flows from the asset or group of assets. Payments more than 45–90 days overdue, depending on the product and market, are generally considered by the bank as objective evidence that a loan is non-performing. Other objective evidence may be information about significant financial difficulties. The bank assesses whether the need for impairment exists for non-performing loans and whether a credit loss shall be reported on an individual basis for all loans that are overdue and also for significant, individual loans.

When no need for impairment can be identified for loans evaluated in relation to the need for impairment on an individual basis, an additional assessment is carried out along with other loans with similar credit-risk properties to investigate whether a need for impairment exists at the group level. An assessment to establish group-wide impairment is carried out using statistical models, which calculate the probability that a receivable in the different groups will not be settled in accordance with the original contract.

The reported value of assets after impairment is calculated as the present value of future cash flows discounted by the effective interest rate that

was applicable when the asset was initially reported. Short-term assets are not discounted. Impairment is charged to the income statement.

#### Financial assets available for sale

Financial assets available for sale consist mainly of bonds and other interest-bearing securities. These are subject to impairment if objective evidence has been identified, see above.

#### Reversal of impairments

Impairment is reversed if evidence of a need for impairment no longer exists. Reversals of impairments on loans are reported as a reduction of loan losses and are specified individually in note 15. Impairments of interest-bearing securities are reversed in the income statement if the fair value increases and such increase can objectively be attributed to an event taking place after the impairment was done.

#### Write-off of loan receivables

Loan receivables classified as non-performing are written off from the balance sheet when the loan loss is considered to be realised. A loan loss is considered to be realised upon bankruptcy or when the debt has been waived or disposed of. After the write-off, the loan receivables are no longer reported in the balance sheet. Reversals of previously reported write-offs are reported as a reduction of loan losses in the income statement item, Loan losses, net.

#### Intangible assets

Intangible assets are reported at the acquisition cost less accumulated amortisation and impairment. The bank's intangible assets consist of capitalised expenditures for internally generated and acquired software and IT systems.

An asset is capitalised in the balance sheet only if all of the conditions listed below are met:

- The asset is identifiable
- The bank has control over the asset in the form of legal rights
- The asset is likely to generate future financial benefits that accrue to the bank
- The acquisition cost of the asset can be calculated reliably

Expenditures relating to maintenance and investigative work are reported as an expense in the income statement.

The reported acquisition value is reduced by straight-line depreciation over the asset's estimated useful life. Depreciation commences from the date the asset is ready for use. A general depreciation period of four years is applied, but the useful life is evaluated for each individual asset. The depreciation methods and residual values that are used are reviewed at the end of each year.

## Tangible assets

Tangible assets consist of equipment and leasing objects. Equipment is reported at acquisition cost less straight-line depreciation over the asset's estimated useful life.

The depreciation periods of 3-5 years are applied as shown below.

- IT equipment 3 years
- Furniture 5 years

The depreciation methods and residual values of the assets that are used are reviewed at the end of each year.

Any profit or loss arising when an asset is sold or disposed of comprises the difference between the selling price and the asset's reported value less direct selling costs. Gains and losses are reported as other operating income or expense.

Leasing agreements are reported in accordance with the rules of statutory IFRS as operating leases. Assets for which the leasing agreement has been entered into where the bank is the lessor are reported in the balance sheet on the line, tangible assets. The leasing fee, when the bank is the lessee, is expensed over the term of the agreement.

Fixed assets which are leased assets in financial leases where the bank is the lessor are reported in the income statement and balance sheet as operating leases and are depreciated using the annuity method. Office equipment and other equipment is normally financed for 36 months, with a residual value between 0 and 10%.

## Impairment of intangible and tangible assets

The need for impairment of an intangible or tangible asset is tested when there is any indication that the asset's value may have declined. For assets that are under development and not yet finished, an impairment assessment is carried out annually. The test is carried out by calculating the recoverable amount. The recoverable amount is the higher of the fair value less selling costs and the utilisation value.

In the case of impairment or reverse impairment of a leased asset, the rules for financial leasing agreements apply.

Impairment is reversed if there is an indication that the need for impairment no longer exists and there has been a change in the assumptions constituting the basis for calculating the recoverable amount.

## Remuneration to employees

### Post-employment benefits

The bank's pension plans for collective occupational pensions consist of defined contribution and defined benefit plans. Pension costs for defined contribution plans are reported as expenses in the income statement as they are earned.

The information required for defined benefit plans contained in collective agreements in ac-

cordance with IAS 19 is not obtainable and the bank therefore applies the exception specified in UFR 10, which entails that defined benefit plans insured through Alecta are reported as defined contribution plans.

There is a provision in the bank's own balance sheet for portions of the pension plans. The Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations for estimating the size of commitments apply. This is a prerequisite for the right to deduct tax.

The bank's obligations to pay pensions in the future have been valued in the balance sheet at the present value of future expected pension payments. The calculation has been made for each employee and is based on assumptions such as the current salary level and the degree to which the pension is earned. The cost of insurance premiums for the year is reported in note 34 Provisions for pensions.

### Severance pay

An expense for payments in conjunction with termination of personnel is reported only if the bank is unquestionably obliged to prematurely terminate employment in a formal, detailed plan.

When payments are made as an offer to encourage voluntary resignations, these are reported as expenses if it is likely that the offer will be accepted and if the number of employees that will accept the offer can be reliably estimate.

### Variable remuneration

Ikano Bank pays variable remuneration comparatively seldomly and the amounts paid out are low. It is considered that this, along with the criteria existing in order for variable remuneration to be paid, will not contribute to encouraging unsound risk-taking in the operations.

Information on remuneration which is required to be disclosed in accordance with the Swedish Financial Supervisory Authority's regulations is provided on the bank's website: [www.ikanobank.se](http://www.ikanobank.se).

## Provisions

Provisions differ from other liabilities with regard to uncertainty concerning the payment date or the size of the amount for the regulation of the provision. Provisions are reported in the balance sheet when there is a legal or informal obligation due to a past event, and when it is likely that a flow of economic resources will be required for the settlement of the provision, and when the amount can be estimated in a reliable manner.

Provisions are made in the amounts representing the best estimates of the amounts required for the settlement of the obligations existing on the closing date. When the effect of the timing of the payment is significant, provisions are calculated by discounting the expected future cash flows at a pre-tax interest rate reflecting current market assessments of the time value of money and, if



appropriate, the risks associated with the liability in question.

Provisions for pensions and deferred tax liabilities are included in this balance sheet item.

### Group contributions

Group contributions paid are reported in accordance with the Swedish Financial Reporting Board, RFR2 Accounting for legal entities. As a general rule, group contributions are reported directly against retained earnings after deduction for

current tax effects and are considered equivalent to dividends paid to the parent company.

### Contingent liabilities

A contingent liability is reported when there is a possible obligation arising from past events, the existence of which can only be confirmed by one or more uncertain future events, or when there is an obligation that is not reported as a liability or provision, as it is not probable that an outflow of resources will be required.

## 3 Risks and risk management

In its operations, the bank is exposed to various types of risk, such as credit risk, operational risk, liquidity risk, and market risk. The bank also manages other types of risk, such as strategic risk and reputation risk. The bank's risk appetite is generally low and all volume growth takes place with controlled and conscious risk-taking.

The Board of Directors and Managing Director are ultimately responsible for risk management at Ikano Bank. To ensure sound risk management, the Board of Directors establishes policies relating to such matters as risk appetite and risk tolerance.

Risk management aims to ensure that the risks do not exceed the risk tolerance levels established by the Board of Directors and management.

The bank's control organisation comprises three lines of defence with respect to management and control of the company's risks.

The first line of defence is the operating units that are exposed to and manage the risks in daily operations. This includes the Managing Director/management and business line managers, as well as support functions. Each business area and support function has a compliance and risk coordinator who is responsible for reporting and dialogue with the Compliance and Risk Control function in the second line of defence.

The second line of defence is the independent control function responsible for identifying, quantifying and reporting risks. Compliance is responsible for monitoring the policies and rules determined by the Board of Directors. This function also provides advice and support for the business functions. The independent Risk Control function monitors exposures to Board-approved limits.

The third line of defence is the internal audit, which independently audits the first and second lines of defence. By testing and evaluating the efficiency in the risk management and control functions, the internal audit function is to ensure the quality in the bank's management of risks. The function reports directly to the Board of Directors.

The bank's risk strategy aims to identify, measure, report and mitigate the risks that the bank deems material. The risk strategy is updated annually and this is done in conjunction with

the bank's business planning and internal capital assessment. The risk strategy is approved annually by the Board. The bank's CRO (Chief Risk Officer) annually presents a strategy for the development of the bank's tools and processes to improve the bank's risk management. All new processes and products that are introduced in the bank go through the bank's New Product Approval Committee (NPAC). The NPAC identifies any new risks and ensures that these can be measured, reported and mitigated.

### Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or defective internal processes, procedures and systems, management errors or external events and factors. This definition includes legal risk, but excludes strategic risk and reputation risk.

Ikano Bank, as an Internet bank, is strongly dependent on IT systems and telephony. Follow-up of incidents and improvements in accessibility are priority areas. The bank has an incident reporting system where incidents are reported and monitored. Risks are analysed continuously and policies, guidelines and procedure descriptions are available to prevent and limit damages due to operational risks.

Risk Control coordinates the work with operational risk but the respective managers in each business operation are responsible for operational risk. Annual risk reviews are carried out by the management for the different operations, where the greatest risks are measured and managed in an action plan. New products, partners and IT systems undergo a risk assessment that includes operational risk. The goal is to ensure efficient processes and minimise operational risks so that the bank's customers and other stakeholders are ensured that Ikano Bank has a high level of security and accessibility. The bank's risk appetite in regard to operational risks is defined based on three different criteria:

1. The bank's contingency plan - Business Continuity Planning, shall be updated and tested,
2. All new products must go through the NPAC and
3. Areas where the bank's Operational Risk Assessment has identified a potential risk that

may cost the bank more than SEK 2 m. In this case, the action plan shall be set in motion and be completed within 12 months.

All criteria are to be followed up.

## Credit risk

Credit risk is the bank's largest risk and is defined as the risk that the counterparty (the borrower) does not fulfil his obligations. Credit risk arises in lending operations, the investment of the bank's operating liquidity, overnight investment and also for derivatives with positive market values.

The bank's lending operations consist of products leasing, factoring, credit card debts and unsecured loans. All products are designed for quantity management. The bank has applied scoring models in the assessment of credit risk for many years. During the application process, the risk of default is calculated before credit is granted. The result of the initial application gives a score on a scale reflecting the probability of default. The assessment is supplemented with details from credit information agencies before the credit is finally approved. If the risk exceeds the internally accepted maximum risk exposure, the credit is denied. In addition to application scoring, Ikano Bank utilises various types of behavioural scoring models.

The bank's models to assess the need for provisions, is based on Basel Committee's principles for advanced models called PD (Probability of Default) and LGD (Loss Given Default) models.

The business line Corporate primarily comprises leasing of office equipment. The business line also includes factoring, which is the purchase or borrowing of invoices and is a form of financing that helps companies quickly convert accounts receivable into cash. Ikano Bank has a long-standing cooperation with multiple partners. In many cases, there are repurchase agreements in the event of default by the end customer and also residual value guarantees when the leasing agreement expires. Operations have been concentrated on a few object types, where there is good internal expertise regarding secondary markets where repurchase guarantees are lacking.

The business line Sales Finance consists of credit card loans with small revolving credit and loan products. Credit card loans include store cards with or without either VISA or MasterCard attached. This business line is represented in all geographic markets. Credit and loans are generated by the partners within trade that the bank cooperates with.

The business line Consumer lending consists of loans from credit cards linked to VISA and unsecured loans to individuals. Sales of the various products are made via the Internet and telephone. Follow-up of the different sales channels is carried out regularly. Most products are sold by individual pricing where the price is a reflection of the risk class that the customer is deemed to belong to at the time of application.

Credit assessment takes place on the basis of the credit information agency's scoring and rating models and customary credit information. Limits for larger engagements are determined in the local credit committees and the largest engagements are forwarded to the central credit and risk committee. The established limits on partners and large engagements are followed up continuously during the year. The independent risk control function also monitors exposures against set limits. The bank's risk appetite to credit risk is defined based on indicative regulatory capital and updated annually by the Board. The indicative capital is divided into three different exposure types - card lending, loans to individuals and corporate customers who have separate limits and are monitored separately.

The bank's credit risk exposure, gross and net, concentrations regarding counterparties, as well as loan receivables by category of borrower are shown in the following table. Leasing receivables are reported as tangible fixed assets in the balance sheet.

## Credit risk exposure, gross and net

| 2015<br>SEK 000                             | Total credit risk exposure (before impairment) |                  |          | Carrying amount   | Value of securities regarding balance sheet items | Total credit risk exposure after value of securities |
|---|--|------------------|----------|-------------------|---|--|
|   | impairment)                                    | Impairment       |          |                   |   |  |
| Treasury bills                              | 1 120 183                                      | -                | -        | 1 120 183         | -   | 1 120 183  |
| - AAA                                       | 639 815  | -                | -        | 639 815           | -   | 639 815  |
| - AA  | 480 368  | -                | -        | 480 368           | -   | 480 368  |
| Loans to credit institutions                | 1 746 994                                      | -                | -        | 1 746 994         | -   | 1 746 994  |
| - AA  | 1 116 571                                      | -                | -        | 1 116 571         | -   | 1 116 571  |
| - A   | 568 473  | -                | -        | 568 473           | -   | 568 473  |
| - BB  | 282  | -                | -        | 282               | -   | 282  |
| - no rating                                 | 61 668   | -                | -        | 61 668            | -   | 61 668   |
| Loans to the public                         | 25 243 477                                     | 1 138 145        | -        | 24 105 332        | -   | 24 105 332   |
| Leasing receivables                         | 6 324 915                                      | 59 904           | -        | 6 265 011         | 788 441   | 5 476 570  |
| Bonds and other interest-bearing securities | 1 685 179                                      | -                | -        | 1 685 179         | -   | 1 685 179  |
| - AAA                                       | 961 601  | -                | -        | 961 601           | -   | 961 601  |
| - AA  | 35 414   | -                | -        | 35 414            | -   | 35 414   |
| - A   | 452 879  | -                | -        | 452 879           | -   | 452 879  |
| - BBB or lower                              | 85 169   | -                | -        | 85 169            | -   | 85 169   |
| - no rating                                 | 150 116  | -                | -        | 150 116           | -   | 150 116  |
| Derivatives                                 | 313 861  | -                | -        | 313 861           | -   | 313 861  |
| - AA  | 95 825   | -                | -        | 95 825            | -   | 95 825   |
| - A   | 226 489  | -                | -        | 226 489           | -   | 226 489  |
| - no rating                                 | -8 453   | -                | -        | -8 453            | -   | -8 453   |
| Commitments and contingent liabilities      | 41 151 847                                     | -                | -        | 41 151 847        | -   | 41 151 847   |
| Loan promises                               | 2 200 117                                      | -                | -        | 2 200 117         | -   | 2 200 117  |
| Unused credit limits <sup>1)</sup>          | 38 951 084                                     | -                | -        | 38 951 084        | -   | 38 951 084   |
| Contingent liabilities                      | 646  | -                | -        | 646               | -   | 646  |
| <b>Total credit risk exposure</b>           | <b>77 586 456</b>                              | <b>1 198 049</b> | <b>-</b> | <b>76 388 407</b> | <b>788 441</b>                                    | <b>75 599 966</b>                                    |

| 2014<br>SEK 000                             | Total credit risk exposure (before impairment) |                |          | Carrying amount   | Value of securities regarding balance sheet items | Total credit risk exposure after value of securities |
|---|--|----------------|----------|-------------------|---|--|
|   | impairment)                                    | Impairment     |          |                   |   |  |
| Treasury bills                              | 952 514  | -              | -        | 952 514           | -   | 952 514  |
| - AAA                                       | 501 215  | -              | -        | 501 215           | -   | 501 215  |
| - AA  | 451 299  | -              | -        | 451 299           | -   | 451 299  |
| Loans to credit institutions                | 1 068 239                                      | -              | -        | 1 068 239         | -   | 1 068 239  |
| - AA  | 844 440  | -              | -        | 844 440           | -   | 844 440  |
| - A   | 222 660  | -              | -        | 222 660           | -   | 222 660  |
| - no rating                                 | 1 139  | -              | -        | 1 139             | -   | 1 139  |
| Loans to the public                         | 17 368 492                                     | 795 004        | -        | 16 573 488        | -   | 16 573 488   |
| Leasing receivables                         | 5 699 820                                      | 60 864         | -        | 5 638 956         | 306 155   | 5 332 801  |
| Bonds and other interest-bearing securities | 1 272 433                                      | -              | -        | 1 272 433         | -   | 1 272 433  |
| - AAA                                       | 622 968  | -              | -        | 622 968           | -   | 622 968  |
| - AA  | 111 872  | -              | -        | 111 872           | -   | 111 872  |
| - A   | 301 545  | -              | -        | 301 545           | -   | 301 545  |
| - BBB or lower                              | 185 430  | -              | -        | 185 430           | -   | 185 430  |
| - no rating                                 | 50 618   | -              | -        | 50 618            | -   | 50 618   |
| Derivatives                                 | -69 598  | -              | -        | -69 598           | -   | -69 598  |
| - AA  | -44 044  | -              | -        | -44 044           | -   | -44 044  |
| - A   | -25 554  | -              | -        | -25 554           | -   | -25 554  |
| Commitments and contingent liabilities      | 27 023 503                                     | -              | -        | 27 023 503        | -   | 27 023 503   |
| Loan promises                               | 1 240 973                                      | -              | -        | 1 240 973         | -   | 1 240 973  |
| Unused credit limits <sup>1)</sup>          | 25 781 898                                     | -              | -        | 25 781 898        | -   | 25 781 898   |
| Contingent liabilities                      | 632  | -              | -        | 632               | -   | 632  |
| <b>Total credit risk exposure</b>           | <b>53 315 403</b>                              | <b>855 868</b> | <b>-</b> | <b>52 459 534</b> | <b>306 155</b>                                    | <b>52 153 379</b>                                    |

1) All approved, non-utilised credit facilities consist of credit card loans that may be terminated effective immediately to the extent permitted by the Consumer Credit Act.

## Age analysis of non-performing loans

| SEK 000                        | 2015             | 2014             |
|--------------------------------|------------------|------------------|
| Receivables due up to 60 days  | 31 183           | 28 481           |
| Receivables due > 60-90 days   | 39 181           | 53 871           |
| Receivables due > 90-180 days  | 118 277          | 107 374          |
| Receivables due > 180-360 days | 368 262          | 277 812          |
| Receivables due > 360 days     | 1 200 697        | 712 210          |
| <b>Total</b>                   | <b>1 757 600</b> | <b>1 179 748</b> |



## Age analysis of unsettled loan receivables not included in non-performing loans

| SEK 000                        | 2015             | 2014             |
|--------------------------------|------------------|------------------|
| Receivables due up to 60 days  | 1 259 505        | 950 109          |
| Receivables due > 60-90 days   | 79 501           | 52 674           |
| Receivables due > 90-180 days  | 36 395           | 25 574           |
| Receivables due > 180-360 days | 9 022            | -                |
| Receivables due > 360 days     | 5 106            | -                |
| <b>Total</b>                   | <b>1 389 529</b> | <b>1 028 357</b> |

For a definition of non-performing loans, see section Financial assets carried at amortised cost in note 2 Accounting principles. Unsettled loan receivables refer to the receivables which are due for payment and which are not included in

non-performing loans. These receivables are included in the future assessment in which impairment is made at the group level. Collateral in the form of buy-backs and guarantees for overdue receivables amounted to SEK 135 k (147).

## Loan receivables per category of borrower

| SEK 000  | 2015              | 2014              |
|--|-------------------|-------------------|
| <b>Loan receivables, gross</b>   |                   |                   |
| - household sector   | 24 326 185        | 16 641 553        |
| - corporate sector   | 6 914 754         | 6 129 965         |
| - public sector  | 327 453           | 296 792           |
| <b>Total</b>   | <b>31 568 392</b> | <b>23 068 310</b> |
| Of which:  |                   |                   |
| <b>Non performing loans</b>  | <b>1 757 600</b>  | <b>1 179 748</b>  |
| - household sector   | 1 673 802         | 1 072 921         |
| - corporate sector   | 83 798            | 106 450           |
| - public sector  | -                 | 377               |
| Less:  |                   |                   |
| <b>Specific impairment for individually assessed loans</b>             | <b>70 938</b>     | <b>72 752</b>     |
| - household sector   | -                 | 296               |
| - corporate sector   | 69 572            | 72 278            |
| - public sector  | 1 366             | 178               |
| <b>Impairment for collectively assessed homogenous groups of loans</b> | <b>1 127 113</b>  | <b>783 115</b>    |
| - household sector   | 1 121 037         | 780 508           |
| - corporate sector   | 6 076             | 2 607             |
| - public sector  | -                 | -                 |
| <b>Loan receivables, net reported value</b>                            |                   |                   |
| - household sector   | 23 205 148        | 15 860 748        |
| - corporate sector   | 6 839 106         | 6 055 080         |
| - public sector  | 326 086           | 296 614           |
| <b>Total</b>   | <b>30 370 341</b> | <b>22 212 443</b> |

## Credit quality, loan receivables

| SEK 000                              | 2015              | 2014              |
|--------------------------------------|-------------------|-------------------|
| <b>Corporate sector</b>              | <b>6 354 940</b>  | <b>5 713 044</b>  |
| Credit score 1-3, low to medium risk | 5 090 782         | 4 528 268         |
| Credit score 4-5, higher risk        | 1 264 158         | 1 184 776         |
| <b>Household sector</b>              | <b>22 692 420</b> | <b>15 147 163</b> |
| Credit score 1-3, low to medium risk | 21 466 422        | 14 225 743        |
| Credit score 4-5, higher risk        | 1 225 998         | 921 420           |
| <b>Total</b>                         | <b>29 047 360</b> | <b>20 860 207</b> |

Credit scores are assigned to receivables that are neither overdue nor defined as non-performing loans based on an internal assessment scale.

## Financial instruments that have been offset in the balance sheet or are subject to netting agreements

Ikano Bank enters into derivative contracts under the International Swaps and Derivatives Association's (ISDA) master netting agreement, which means that when a counterparty cannot settle their obligations, the agreement is cancelled and all outstanding dealings between the parties shall be regulated by a net amount. ISDA agreements do not meet the criteria for offsetting in the balance sheet since offsetting is only permitted

due to a party's inability to regulate, and also that the intention to reach a net settlement exists. In the balance sheet, no amounts have been offset in 2015.

Since 2014, Ikano Bank receives and submits collateral in the form of bank deposits in accordance with the standard terms in the ISDA Credit Support Annex in regard to derivatives.

| 2015<br>SEK 000                    | Amounts not offset in Balance Sheet |                                    |                         |                       |                               |               |
|------------------------------------|-------------------------------------|------------------------------------|-------------------------|-----------------------|-------------------------------|---------------|
|                                    | Gross value                         | Offsetting in the<br>Balance Sheet | Net in Balance<br>Sheet | Netting<br>agreements | Issued/Received<br>collateral | Net value     |
| Derivatives                        | 344 259                             | -                                  | 344 259                 | -9 738                | -245 012                      | 89 509        |
| <b>Total financial assets</b>      | <b>344 259</b>                      | <b>-</b>                           | <b>344 259</b>          | <b>-9 738</b>         | <b>-245 012</b>               | <b>89 509</b> |
| Derivatives                        | 30 398                              | -                                  | 30 398                  | -9 738                | -                             | 20 660        |
| <b>Total financial liabilities</b> | <b>30 398</b>                       | <b>-</b>                           | <b>30 398</b>           | <b>-9 738</b>         | <b>-</b>                      | <b>20 660</b> |

| 2014<br>SEK 000                    | Amounts not offset in Balance Sheet |                                    |                         |                       |                               |              |
|------------------------------------|-------------------------------------|------------------------------------|-------------------------|-----------------------|-------------------------------|--------------|
|                                    | Gross value                         | Offsetting in the<br>Balance Sheet | Net in Balance<br>Sheet | Netting<br>agreements | Issued/Received<br>collateral | Net value    |
| Derivatives                        | 149 160                             | -                                  | 149 160                 | -137 225              | -11 600                       | 335          |
| <b>Total financial assets</b>      | <b>149 160</b>                      | <b>-</b>                           | <b>149 160</b>          | <b>-137 225</b>       | <b>-11 600</b>                | <b>335</b>   |
| Derivatives                        | 218 758                             | -                                  | 218 758                 | -137 225              | -74 000                       | 7 533        |
| <b>Total financial liabilities</b> | <b>218 758</b>                      | <b>-</b>                           | <b>218 758</b>          | <b>-137 225</b>       | <b>-74 000</b>                | <b>7 533</b> |

## Asset encumbrance

In the tables below, information is shown that shall be provided regarding encumbered and unencumbered assets in accordance with the EBA guidelines.

The bank's encumbered assets consist of collateral in the form of bank deposits in accordance with the standard terms of the International Swaps and Derivatives Association (ISDA) Credit Support Annex with regard to derivatives, as well as a deposit in Central Bank's due to ECB regulations for Euro transactions. Those liabilities that match encumbered assets consist of liabilities to

counterparties in connection with derivative transactions in accordance with ISDA standard conditions.

Unencumbered assets and collateral received that may be encumbered is made up of other assets in the bank's balance sheet and other collateral in the form of bank deposits that the bank receives in order to reduce counterparty risk arising from derivative transactions.

Ikano Bank AB has not further pledged received collateral. The degree of encumbrance, in other words, encumbered assets as a percentage of the total balance, is very low (0.2%).

|                             | Encumbered assets, carrying value | Unencumbered assets, carrying value | Unencumbered assets, fair value | Received encumbered assets, fair value | Received collateral that can be encumbered, fair value |
|-----------------------------|-----------------------------------|-------------------------------------|---------------------------------|--|--|
| <b>2015</b>                 |                                   |                                     |                                 |  |  |
| <b>SEK m</b>                |                                   |                                     |                                 |  |  |
| <b>Assets</b>               |                                   |                                     |                                 |  |  |
| Equity instruments          | -                                 | 18                                  | 18                              | -                                      | -  |
| Interest-bearing securities | -                                 | 2 805                               | 2 805                           | -                                      | -  |
| Other assets                | 80                                | 33 383                              | 33 383                          | -                                      | 245  |
| <b>Total</b>                | <b>80</b>                         | <b>36 206</b>                       | <b>36 206</b>                   | <b>-</b>                               | <b>245</b>   |

|  | Matching liabilities | Encumbered assets |
|--|----------------------|-------------------|
| Some financial liabilities, carrying value | 30                   | 80                |

|                    | Encumbered assets, carrying value | Unencumbered assets, carrying value | Unencumbered assets, fair value | Received encumbered assets, fair value | Received collateral that can be encumbered, fair value |
|--------------------|-----------------------------------|-------------------------------------|---------------------------------|--|--|
| <b>2014</b>        |                                   |                                     |                                 |  |  |
| <b>SEK m</b>       |                                   |                                     |                                 |  |  |
| <b>Assets</b>      |                                   |                                     |                                 |  |  |
| Equity instruments | -                                 | 4                                   | 4                               | -                                      | -  |
| Equity instruments | -                                 | 2 225                               | 2 225                           | -                                      | -  |
| Other assets       | 76                                | 23 881                              | 23 881                          | -                                      | 12   |
| <b>Total</b>       | <b>76</b>                         | <b>26 110</b>                       | <b>26 110</b>                   | <b>-</b>                               | <b>12</b>  |

|  | Matching liabilities | Encumbered assets |
|--|----------------------|-------------------|
| Some financial liabilities, carrying value | 203                  | 76                |

## Liquidity risk

Ikano Bank defines liquidity risk as the risk of being unable to make payment when due, without significantly increasing the costs, or ultimately, not being able to meet payment obligations to any degree. The definition is also linked to the risk of being unable to receive renewed financing on maturity, so-called refinancing risk.

The matching of assets and liabilities, both in terms of maturity and volume, along with a good access to and wide spread of financing sources forms the basis of the bank's liquidity and financing strategy. The liquidity level must always be sufficient; this means that there should always be a liquidity reserve and that the bank should always be able to fulfil its payment commitments and be in a position to strengthen liquidity without delay when necessary. The bank's management and control of liquidity risks are centralised and the liquidity risk is reflected in the bank's internal pricing.

The bank's liquidity management and liquidity risk are handled by the bank's central Treasury function in close cooperation with the local business units. The management of liquidity risk is controlled by the independent risk control function. The bank's Board of Directors and management receives continuous reporting regarding the liquidity positions and development of liquidity.

The liquidity risk is managed through effective liquidity planning, the application of limits, measurement and analysis. Control and monitoring is conducted against the bank's liquidity limits specified in the bank's steering documents. Liquidity planning is a significant component of the liquidity management, and forecasts are drawn up regularly in order to manage and control the bank's total liquidity. Future cash requirements are monitored daily, as is the limit for minimum intra-day liquidity. If it is deemed that a deviation will not return to the minimum required volume within three days, measures are to be taken to restore liquidity to the permitted level.

The bank carries out regular stress tests on liquidity in order to increase its preparedness and assess the ability of the bank to meet its

payment obligations under conditions deviating from normal conditions. The analyses are based on the bank's risk tolerance, and include both company-specific and market-wide issues with varying degrees of stress and duration. Examples of events analysed include large withdrawals of deposits by the public, as well as market financing ceasing to be available. The bank has a contingency funding plan containing action plans in the event of disruptions and if the supply of liquidity is limited. The contingency funding plan is used if three or more of the bank's defined internal risk indicators signal a heightened risk.

Measurement and monitoring of the balance sheet structure and liquidity exposure with respect to the remaining maturity of assets and liabilities are carried out continuously. Both contractual maturity and behavioural-modelled maturity are analysed.

The table on the following page shows the bank's maturity exposure based on the reported cash flow's contracted remaining maturity as of 31 December 2015. Deposits from the public are comprised of both fixed term and non-fixed term deposits. Total deposits from the public are reported in the column On demand since the counterparty always has an option to choose when repayment should take place. Analyses of the behavioural cash flows show, however, that the deposits constitute a long-term, stable source of financing, which implies that the maturity distribution of deposits from the public is, in practice, distributed over several time intervals.

The bank's risk appetite is defined by two different measures of liquidity: The survival horizon is defined as the length of time the bank can survive without cash inflow in a stressed scenario in regard to both bank-specific situations and the financial markets in general. The bank's risk tolerance is to be able to operate more than two months without seeking external financing. The second measure is the bank's liquidity coverage ratio, which shall exceed 100 percent. In other words, the bank's estimated inflow and liquid funds shall exceed the bank's outflow over a 30-day period of stress in the market.



## Liquidity risk exposure, discounted cash flows – remaining contractual term and expected time of recovery

| 2015<br>SEK m                               | On demand      | Not longer than<br>3 months | Longer than 3<br>months, but not<br>longer than 6<br>months | Longer than 6<br>months, but not<br>longer than 1 year | Longer than 1<br>year, but not<br>longer than 2<br>years | Longer than 2<br>years, but not<br>longer than 3<br>years | Longer than 3<br>years, but not<br>longer than 5<br>years | Longer than 5<br>years | No maturity  | Total carrying<br>amount | of which<br>expected<br>recovery time<br>> 12 months |
|---|----------------|-----------------------------|---|--|--|---|---|------------------------|--------------|--------------------------|--|
|   |                |                             |   |  |  |   |   |                        |              |                          |  |
| <b>Assets</b>                               |                |                             |   |  |  |   |   |                        |              |                          |  |
| Cash and balances with central banks        | 25             | -                           | -   | -  | -  | -   | -   | -                      | -            | 25                       | -  |
| Treasury bills                              | -              | 85                          | -   | 150  | 289  | 232   | 364   | -                      | -            | 1 120                    | 235  |
| Loans to credit institutions                | 1 582          | 2                           | -   | -  | 2  | -   | -   | -                      | 161          | 1 747                    | 1 363  |
| Loans to the public                         | -              | 1 580                       | 989   | 1 981  | 3 810  | 3 335   | 2 417   | 1 448                  | 8 547        | 24 105                   | 10 970   |
| Leasing receivables                         | -              | 725                         | 553   | 1 025  | 1 667  | 1 128   | 1 024   | 52                     | 90           | 6 265                    | 3 874  |
| Bonds and other interest-bearing securities | -              | 312                         | 458   | 141  | 281  | 104   | 389   | -                      | -            | 1 685                    | 911  |
| Derivatives                                 | -              | 268                         | 55  | 8  | 13   | 0   | -   | -                      | -            | 344                      | 331  |
| Other assets                                | -              | 52                          | -   | 17   | -  | -   | -   | 0                      | 924          | 994                      | -  |
| <b>Total assets</b>                         | <b>1 607</b>   | <b>3 024</b>                | <b>2 054</b>  | <b>3 323</b>   | <b>6 062</b>   | <b>4 800</b>  | <b>4 194</b>  | <b>1 500</b>           | <b>9 723</b> | <b>36 286</b>            | <b>17 683</b>  |
| <b>Liabilities and equity</b>               |                |                             |   |  |  |   |   |                        |              |                          |  |
| Liabilities to credit institutions          | -              | 1 120                       | 619   | 1 162  | 736  | 491   | -   | -                      | -            | 4 128                    | 2 840  |
| Deposits from the public                    | 20 108         | -                           | -   | -  | -  | -   | 10  | 92                     | -            | 20 209                   | 13 711   |
| Derivatives                                 | -              | 0                           | 2   | 3  | 11   | 11  | 3   | -                      | -            | 30                       | 5  |
| Issued securities                           | -              | 500                         | 820   | 450  | 650  | 1 099   | 699   | -                      | -            | 4 218                    | 1 769  |
| Other liabilities                           | -              | 359                         | -   | 22   | -  | -   | -   | -                      | 570          | 951                      | -  |
| Accrued expenses and prepaid income         | -              | 12                          | 7   | 10   | 47   | 158   | 173   | 25                     | 879          | 1 311                    | 403  |
| Provisions                                  | -              | -                           | -   | -  | -  | -   | -   | -                      | 107          | 107                      | -  |
| Subordinated liabilities                    | -              | -                           | -   | -  | -  | -   | -   | 793                    | -            | 793                      | -  |
| Equity and untaxed reserves                 | -              | -                           | -   | -  | -  | -   | -   | -                      | 4 539        | 4 539                    | -  |
| <b>Total liabilities and equity</b>         | <b>20 108</b>  | <b>1 991</b>                | <b>1 448</b>  | <b>1 647</b>   | <b>1 444</b>   | <b>1 759</b>  | <b>885</b>  | <b>909</b>             | <b>6 095</b> | <b>36 286</b>            | <b>18 729</b>  |
| Loan promises and unused credit limits      | 40 692         | -                           | -   | -  | -  | -   | -   | -                      | -            | 40 692                   | -  |
| Operational lease agreements                | -              | 1                           | 1   | 2  | 5  | 0   | -   | -                      | -            | 10                       | -  |
| <b>Total difference</b>                     | <b>-59 193</b> | <b>1 032</b>                | <b>605</b>  | <b>1 673</b>   | <b>4 613</b>   | <b>3 041</b>  | <b>3 308</b>  | <b>591</b>             | <b>3 629</b> | <b>-40 701</b>           |  |

| 2014<br>SEK m                               | On demand      | Not longer than<br>3 months | Longer than 3<br>months, but not<br>longer than 6<br>months | Longer than 6<br>months, but not<br>longer than 1<br>year | Longer than 1<br>year, but not<br>longer than 2<br>years | Longer than 2<br>years, but not<br>longer than 3<br>years | Longer than 3<br>years, but not<br>longer than 5<br>years | Longer than 5<br>years | No maturity  | Total carrying<br>amount | of which<br>expected<br>recovery time<br>> 12 months |
|---|----------------|-----------------------------|---|---|--|---|---|------------------------|--------------|--------------------------|--|
|   |                |                             |   |   |  |   |   |                        |              |                          |  |
| <b>Assets</b>                               |                |                             |   |   |  |   |   |                        |              |                          |  |
| Cash and balances with central banks        | -              | 50                          | 95  | 180   | 171  | 236   | 221   | -                      | -            | 953                      | 677  |
| Treasury bills                              | -              | -                           | -   | -   | 0  | 2   | -   | -                      | 128          | 1 068                    | 2  |
| Loans to credit institutions                | 938            | -                           | -   | -   | -  | -   | -   | -                      | -            | -                        | -  |
| Loans to the public                         | -              | 1 311                       | 724   | 1 414   | 2 699  | 2 488   | 2 031   | 1 497                  | 4 409        | 16 573                   | 6 821  |
| Leasing receivables                         | -              | 743                         | 502   | 932   | 1 517  | 983   | 751   | 211                    | -            | 5 639                    | 3 454  |
| Bonds and other interest-bearing securities | -              | 335                         | 50  | 150   | 505  | 232   | -   | -                      | -            | 1 272                    | 737  |
| Derivatives                                 | -              | 81                          | 2   | 1   | 53   | 12  | -   | -                      | -            | 149                      | 12   |
| Other assets                                | -              | 175                         | -   | -   | -  | -   | -   | -                      | 357          | 532                      | -  |
| <b>Total assets</b>                         | <b>938</b>     | <b>2 695</b>                | <b>1 373</b>  | <b>2 677</b>  | <b>4 945</b>   | <b>3 953</b>  | <b>3 003</b>  | <b>1 708</b>           | <b>4 894</b> | <b>26 186</b>            | <b>11 702</b>  |
| <b>Liabilities and equity</b>               |                |                             |   |   |  |   |   |                        |              |                          |  |
| Liabilities to credit institutions          | -              | 431                         | 295   | 706   | 244  | 73  | 509   | -                      | -            | 2 258                    | 826  |
| Deposits from the public                    | 15 063         | -                           | -   | -   | -  | -   | -   | -                      | -            | 15 063                   | 11 821   |
| Derivatives                                 | -              | 163                         | 47  | 0   | 3  | 3   | 3   | -                      | -            | 219                      | 6  |
| Issued securities                           | -              | 190                         | 647   | 149   | 650  | 650   | 699   | -                      | -            | 2 985                    | 1 999  |
| Other liabilities                           | -              | 306                         | -   | 12  | -  | -   | -   | -                      | 213          | 531                      | 0  |
| Accrued expenses and prepaid income         | -              | 586                         | 61  | 87  | 84   | 24  | 2   | -                      | 178          | 1 022                    | 110  |
| Provisions                                  | -              | 2                           | -   | -   | -  | -   | -   | -                      | 92           | 94                       | -  |
| Subordinated liabilities                    | -              | -                           | -   | -   | -  | -   | -   | 579                    | -            | 579                      | 579  |
| Equity and untaxed reserves                 | -              | -                           | -   | -   | -  | -   | -   | -                      | 3 435        | 3 435                    | -  |
| <b>Total liabilities and equity</b>         | <b>15 063</b>  | <b>1 678</b>                | <b>1 050</b>  | <b>954</b>  | <b>981</b>   | <b>750</b>  | <b>1 213</b>  | <b>579</b>             | <b>3 918</b> | <b>26 186</b>            | <b>15 340</b>  |
| Loan promises and unused credit limits      | 25 782         | 1 241                       | -   | -   | -  | -   | -   | -                      | -            | 27 023                   | -  |
| Operational lease agreements                | -              | 0                           | 0   | 1   | 1  | 1   | -   | -                      | -            | 3                        | -  |
| <b>Total difference</b>                     | <b>-39 907</b> | <b>-224</b>                 | <b>323</b>  | <b>1 722</b>  | <b>3 963</b>   | <b>3 202</b>  | <b>1 790</b>  | <b>1 129</b>           | <b>976</b>   | <b>-27 026</b>           |  |

## Liquidity risk exposure, non-discounted cash flows – remaining contractual term

| 2015  |                |                          | Longer than 3                        | Longer than 6                      | Longer than 1                     | Longer than 2 | Longer than 3 | Longer than 3 | Longer than 5 | No maturity | Total          |
|---|----------------|--------------------------|--------------------------------------|------------------------------------|-----------------------------------|---------------|---------------|---------------|---------------|-------------|----------------|
| SEK m                                       | On demand      | Not longer than 3 months | months, but not longer than 6 months | months, but not longer than 1 year | year, but not longer than 2 years | years         | years         | years         | years         |             |                |
| <b>Assets</b>                               |                |                          |                                      |                                    |                                   |               |               |               |               |             |                |
| Cash and balances with central banks        | 25             | -                        | -                                    | -                                  | -                                 | -             | -             | -             | -             | -           | 25             |
| Treasury bills                              | -              | 86                       | 3                                    | 150                                | 289                               | 231           | 365           | -             | -             | -           | 1 124          |
| Loans to credit institutions                | 1 582          | -                        | -                                    | -                                  | -                                 | -             | -             | -             | -             | 161         | 1 743          |
| Loans to the public                         | -              | 1 640                    | 1 096                                | 2 134                              | 4 085                             | 3 575         | 2 904         | 2 559         | 9 049         | -           | 27 042         |
| Leasing receivables                         | -              | 777                      | 605                                  | 1 114                              | 1 790                             | 1 194         | 1 073         | 54            | 90            | -           | 6 696          |
| Bonds and other interest-bearing securities | -              | 313                      | 471                                  | 142                                | 290                               | 110           | 382           | -             | -             | -           | 1 707          |
| Derivatives                                 | -              | 17                       | 34                                   | 11                                 | 15                                | 1             | 0             | -             | -             | -           | 78             |
| Other assets                                | -              | 52                       | -                                    | 17                                 | -                                 | -             | -             | 0             | 908           | -           | 977            |
| <b>Total assets</b>                         | <b>1 607</b>   | <b>2 885</b>             | <b>2 209</b>                         | <b>3 569</b>                       | <b>6 468</b>                      | <b>5 111</b>  | <b>4 724</b>  | <b>2 613</b>  | <b>10 208</b> |             | <b>39 393</b>  |
| <b>Liabilities and equity</b>               |                |                          |                                      |                                    |                                   |               |               |               |               |             |                |
| Liabilities to credit institutions          | -              | 1 127                    | 617                                  | 1 169                              | 748                               | 499           | -             | -             | -             | -           | 4 159          |
| Deposits from the public                    | 20 108         | -                        | -                                    | -                                  | -                                 | -             | 10            | 92            | -             | -           | 20 209         |
| Derivatives                                 | -              | 5                        | 8                                    | 10                                 | 12                                | 4             | 0             | -             | -             | -           | 39             |
| Issued securities                           | -              | 506                      | 825                                  | 459                                | 662                               | 1 109         | 707           | -             | -             | -           | 4 267          |
| Other liabilities                           | -              | 826                      | 7                                    | 32                                 | 47                                | 158           | 173           | 25            | 1 344         | -           | 2 613          |
| Subordinated liabilities                    | -              | 2                        | 9                                    | 7                                  | 19                                | 19            | 38            | 913           | -             | -           | 1 008          |
| Equity and untaxed reserves                 | -              | -                        | -                                    | -                                  | -                                 | -             | -             | -             | 4 545         | -           | 4 545          |
| <b>Total liabilities and equity</b>         | <b>20 108</b>  | <b>2 467</b>             | <b>1 467</b>                         | <b>1 676</b>                       | <b>1 488</b>                      | <b>1 788</b>  | <b>928</b>    | <b>1 029</b>  | <b>5 889</b>  |             | <b>36 841</b>  |
| Loan promises and unused credit limits      | 40 692         | 0                        | -                                    | -                                  | -                                 | -             | -             | -             | -             | -           | 40 692         |
| Operational lease agreements                | -              | 1                        | 1                                    | 2                                  | 5                                 | 0             | -             | -             | -             | -           | 10             |
| <b>Total difference</b>                     | <b>-59 193</b> | <b>417</b>               | <b>741</b>                           | <b>1 890</b>                       | <b>4 974</b>                      | <b>3 323</b>  | <b>3 796</b>  | <b>1 584</b>  | <b>4 319</b>  |             | <b>-38 149</b> |

| 2014  |                |                          | Longer than 3                        | Longer than 6                      | Longer than 1                     | Longer than 2 | Longer than 3 | Longer than 3 | Longer than 5 | No maturity | Total          |
|---|----------------|--------------------------|--------------------------------------|------------------------------------|-----------------------------------|---------------|---------------|---------------|---------------|-------------|----------------|
| SEK m                                       | On demand      | Not longer than 3 months | months, but not longer than 6 months | months, but not longer than 1 year | year, but not longer than 2 years | years         | years         | years         | years         |             |                |
| <b>Assets</b>                               |                |                          |                                      |                                    |                                   |               |               |               |               |             |                |
| Cash and balances with central banks        | 0              | -                        | -                                    | -                                  | -                                 | -             | -             | -             | -             | -           | 0              |
| Treasury bills                              | -              | -                        | 94                                   | 182                                | 175                               | 290           | 221           | -             | -             | -           | 962            |
| Loans to credit institutions                | 938            | -                        | -                                    | -                                  | 0                                 | 2             | -             | -             | 128           | -           | 1 068          |
| Loans to the public                         | -              | 1 364                    | 846                                  | 1 583                              | 2 998                             | 2 743         | 2 544         | 2 750         | 4 717         | -           | 19 545         |
| Leasing receivables                         | -              | 796                      | 550                                  | 1 013                              | 1 626                             | 1 039         | 788           | 213           | -             | -           | 6 025          |
| Bonds and other interest-bearing securities | -              | 337                      | 57                                   | 153                                | 505                               | 231           | -             | -             | -             | -           | 1 283          |
| Derivatives                                 | -              | 5                        | 4                                    | 10                                 | 65                                | 15            | 0             | -             | -             | -           | 99             |
| Other assets                                | -              | 221                      | -                                    | -                                  | -                                 | -             | -             | -             | 357           | -           | 578            |
| <b>Total assets</b>                         | <b>938</b>     | <b>2 723</b>             | <b>1 551</b>                         | <b>2 941</b>                       | <b>5 369</b>                      | <b>4 320</b>  | <b>3 553</b>  | <b>2 963</b>  | <b>5 202</b>  |             | <b>29 560</b>  |
| <b>Liabilities and equity</b>               |                |                          |                                      |                                    |                                   |               |               |               |               |             |                |
| Liabilities to credit institutions          | -              | 409                      | 296                                  | 710                                | 245                               | 74            | 511           | -             | -             | -           | 2 245          |
| Deposits from the public                    | 15 063         | -                        | -                                    | -                                  | -                                 | -             | -             | -             | -             | -           | 15 063         |
| Derivatives                                 | -              | 5                        | 7                                    | 7                                  | 14                                | 3             | 1             | -             | -             | -           | 37             |
| Issued securities                           | -              | 198                      | 658                                  | 165                                | 674                               | 663           | 706           | -             | -             | -           | 3 064          |
| Other liabilities                           | -              | 825                      | 61                                   | 99                                 | 84                                | 24            | 2             | 283           | 272           | -           | 1 650          |
| Subordinated liabilities                    | -              | -                        | 7                                    | 5                                  | 17                                | 14            | 27            | 654           | -             | -           | 724            |
| Equity and untaxed reserves                 | -              | -                        | -                                    | -                                  | -                                 | -             | -             | -             | 3 435         | -           | 3 435          |
| <b>Total liabilities and equity</b>         | <b>15 063</b>  | <b>1 437</b>             | <b>1 029</b>                         | <b>986</b>                         | <b>1 034</b>                      | <b>778</b>    | <b>1 247</b>  | <b>937</b>    | <b>3 707</b>  |             | <b>26 218</b>  |
| Loan promises and unused credit limits      | 1 241          | 25 782                   | -                                    | -                                  | -                                 | -             | -             | -             | -             | -           | 27 023         |
| Operational lease agreements                | -              | -                        | -                                    | 1                                  | 1                                 | 1             | -             | -             | -             | -           | 3              |
| <b>Total difference</b>                     | <b>-15 366</b> | <b>-24 496</b>           | <b>522</b>                           | <b>1 954</b>                       | <b>4 334</b>                      | <b>3 541</b>  | <b>2 306</b>  | <b>2 026</b>  | <b>1 495</b>  |             | <b>-23 684</b> |

The above tables show the liquidity exposure of non-discounted cash flows specified according to remaining contractual term.

### Liquidity portfolio and liquidity reserve

Ikano Bank's liquidity is managed within the framework of the bank's liquidity portfolio. The liquidity portfolio consists of deposits with banks, short-term lending to credit institutions and also investments in liquid interest-bearing securities, which can be sold and converted into cash on short notice. The composition and size of the bank's liquidity portfolio and the liquidity reserve is regulated in steering documents established by the bank's Board of Directors.

The liquidity portfolio is divided into three categories: Intra-day liquidity, liquidity reserve and an investment portfolio.

The bank's liquidity reserve, in accordance with the steering documents, shall always total at least 10 percent of deposits from the public. In addition to the liquidity reserve, the bank shall maintain an intra-day liquidity of at least 4 percent of deposits from the public. Therefore, in accordance with this policy, the liquidity portfolio shall always total at least 14 percent of deposits from the public.

The liquidity reserve, along with other operating liquidity, is invested in interest-bearing securities in markets in the Nordic region. Steering documents define what quality level the securities that are included in the bank's liquidity reserve shall have. Intra-day liquidity manages the bank's daily payment commitments. The liquidity in this portfolio is to be available within one day, and is to consist of funds in bank accounts, investments available the next banking day (overnight) and bank overdraft facilities, granted in writing, in the bank's cash pool.

The liquidity reserve is to constitute a separate reserve of high-quality liquid assets, which are to be quickly convertible in case of market stress situations that affect the bank's financing options. The liquidity reserve is invested in interest-bearing securities with a high credit rating on the Swedish market. The assets are to be available for realisation and conversion into cash at short notice. Unused bank overdraft facilities are not included in the liquidity portfolio.

The bank's operating liquidity is managed in the investment portfolio. The assets in the portfolio consist of interest-bearing securities on the Swedish market. Investments in this portfolio are to have a minimum rating of BBB+ (rating according to Standard and Poor's).

The bank's liquidity reserve is based on the Financial Supervisory Authority's current regulations on liquidity risk and asset classification in the European Commission's delegated file for the liquidity coverage requirement.

The Financial Supervisory Authority, in its regulations regarding the handling of liquidity risks, FFFS 2010:7, has included a definition of liquidity reserve. This definition coincides with the bank's definition, with the exception of cash and deposits with credit institutions, which are not part of the bank's liquidity reserve. According to the Financial Supervisory Authority's definition, the liquidity reserve totals SEK 3.8 bn. These assets

are of a high quality, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio totalled SEK 4.5 bn as of 31 December 2015, which constitutes 22 percent of deposits from the public. It includes the liquidity reserve in accordance with the above and other interest-bearing securities with a value of SEK 0.7 bn. None of the assets are being utilised as collateral and no non-performing loans exist. Valuation was carried out at market value.

In addition to the liquidity portfolio, there are obtained, committed credit facilities for a total of SEK 1.2 bn.

At year-end, the bank's liquidity coverage ratio (LCR) totalled 160 percent. This measure shows how the bank's highly liquid assets are related to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 60 percent applies since 1 October 2015, with an increasing phasing to 100 percent on January 1, 2018. For a healthy and stable liquidity management, the Bank has already decided to hold an LCR of over 100 percent.

### Market risk

Market risk is the risk of decreases in profits due to adverse market fluctuations in interest rates and currencies. Market risk is managed by the bank's treasury function. The bank does not trade on its own behalf or on behalf of clients with derivatives or financial instruments. Therefore, the bank has no capital requirement in accordance with the regulations for trading. Securities are held solely in order to maintain sufficient liquidity in accordance with the liquidity regulations. Derivatives are traded in order to minimise positions in business balances arising in the borrowing and lending operations for customers.

### Interest risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market rates. Interest rate risk arises when lending and borrowing are not optimally matched. The bank's deposits and lending are primarily short-term with a maturity period no longer than three months, as shown in the table on the following page.

In accordance with the bank's steering documents, interest rate risk must be minimised so that any possible effect on the result is limited. The bank's risk tolerance to interest rate risk is defined as profit and loss effect at 200 basic point shift of all yield curves. This amount shall not exceed 3.5 percent of the bank's own funds.

The bank limits (hedges) the interest rate risk for fixed interest deposits by entering into interest rate swap agreements whereby the bank receives a fixed interest rate and pays a variable

interest rate. For these fair value hedges, the bank applies hedge accounting. During the period, the change in fair value of the hedged items (fixed interest deposits), with regard to the hedged risk, amounted to SEK -10.9 m (-7.2) and on hedging instruments (derivatives) to SEK 6.8 m (5.3). The reported net amount of SEK -4.1 m is consequently the period's reported inefficiency. The inefficiency is mainly due to changes in fair value in the variable position of the interest rate swaps.

The Bank applies cash flow hedge for the share of loans at variable interest rates as the hedged risk is the uncertainty in future interest cash flows. For hedging, interest rate swaps is used. Swaps are measured at fair value in the balance sheet. In the income statement the accrued and paid interest are reported as interest expense and other changes in the value of the interest rate swap are recognized in other comprehensive income and accumulated in the fair value reserve in equity to the extent that the cash flow hedge has been effective until the hedged item affects profit or loss. All the ineffectiveness of the hedge is recognized in the income statement item Net income from financial transactions and amounted in 2015 to SEK 1.3 m.

The bank also limits the interest rate risk separately for the investments and the borrowing portfolio managed by the treasury function. Such measurements result in an indirect limitation of volume and fixed interest periods on the bank's interest-bearing investments and total net exposure. The bank also hedges the interest rate risk in a lending portfolio with fixed interest. Hedge accounting is not applied to this.

The fixed interest periods for both the bank's assets and liabilities in the balance sheet and for non-balance sheet items are shown in the table below. A sensitivity analysis shows that a change of one (1) percentage point in the market rate of interest increases/reduces the net interest income for the next 12-month period by SEK 11.1 m (1.1), given the interest-bearing assets and liabilities that exist on the closing date. A parallel increase of one (1) percentage point in the interest rate curve would have an effect on equity after tax of SEK 16.9 m and SEK -18.4 with a parallel decrease of the interest rate curve.

As of 31 December 2015, the bank had interest rate swaps with a contract value of SEK 3.6 bn (2.6). The swaps' net fair value as of 31 December 2015 totalled SEK 39.3 m (61.9) consisting of assets of SEK 69.3 m (70.2) and liabilities of SEK 30.0 m (8.3).

## Interest rate exposure – fixed interest periods for assets and liabilities

| 2015<br>SEK m  | Not longer than<br>3 months | Longer than 3<br>months, but not<br>longer than 6<br>months | Longer than 6<br>months, but not<br>longer than 1<br>year | Longer than 1<br>year, but not<br>longer than 2<br>years | Longer than 5<br>years | No maturity   | Total         | Remaining<br>average fixed<br>interest term |
|--|-----------------------------|---|---|--|------------------------|---------------|---------------|---|
| <b>Assets</b>  |                             |   |   |  |                        |               |               |   |
| Cash and balances with central banks                         | 0                           | -   | -   | -  | -                      | 25            | 25            | 0.2 years                                   |
| Treasury bills   | 1 052                       | 68  | -   | -  | -                      | -             | 1 120         | 0.9 years                                   |
| Loans to credit institutions                                 | 1 659                       | -   | -   | -  | -                      | 88            | 1 747         | 0.2 years                                   |
| Loans to the public  | 14 834                      | 975   | 2 869   | 4 689  | 737                    | 1             | 24 105        | 0.9 years                                   |
| Leasing receivables  | 5 151                       | 143   | 188   | 555  | 16                     | 212           | 6 266         | 0.4 years                                   |
| Bonds and other interest-bearing securities                  | 1 004                       | 544   | 137   | -  | -                      | -             | 1 685         | 0.3 years                                   |
| Other assets   | 269                         | 53  | 8   | 15   | -                      | 993           | 1 338         | 0.1 years                                   |
| <b>Total assets</b>  | <b>23 970</b>               | <b>1 783</b>  | <b>3 202</b>  | <b>5 259</b>   | <b>753</b>             | <b>1 319</b>  | <b>36 286</b> |   |
| <b>Liabilities and equity</b>                                |                             |   |   |  |                        |               |               |   |
| Liabilities to credit institutions                           | 3 928                       | 172   | 28  | -  | -                      | -             | 4 128         | 0.2 years                                   |
| Deposits from the public                                     | 16 474                      | 595   | 1 178   | 1 870  | -                      | 92            | 20 209        | 0.4 years                                   |
| Issued securities  | 3 298                       | 920   | -   | -  | -                      | -             | 4 218         | 0.2 years                                   |
| Other liabilities  | 1 048                       | -3  | 3   | 30   | -                      | 1 321         | 2 399         | 0.1 years                                   |
| Subordinated liabilities                                     | 362                         | 431   | -   | -  | -                      | -             | 793           | 0.3 years                                   |
| Equity and untaxed reserves                                  | -                           | -   | -   | -  | -                      | 4 539         | 4 539         | 0.0 years                                   |
| <b>Total liabilities and equity</b>                          | <b>25 110</b>               | <b>2 115</b>  | <b>1 208</b>  | <b>1 900</b>   | <b>-</b>               | <b>5 952</b>  | <b>36 286</b> |   |
| <b>Total difference</b>                                      | <b>-1 141</b>               | <b>-333</b>   | <b>1 994</b>  | <b>3 358</b>   | <b>753</b>             | <b>-4 633</b> | <b>-</b>      |   |
| Interest rate derivatives, fixed interest                    | 2 166                       | 1 116   | 93  | 178  | -                      | -             | 3 553         |   |
| Interest rate derivatives, fixed interest paid <sup>1)</sup> | 614                         | 417   | 883   | 1 639  | -                      | -             | 3 553         |   |



| 2014<br>SEK m  | Not longer than<br>3 months | Longer than 3<br>months, but not<br>longer than 6<br>months | Longer than 6<br>months, but not<br>longer than 1<br>year | Longer than 1 year,<br>but not longer than<br>2 years | Longer than 5<br>years | No maturity   | Total         | Remaining<br>average fixed<br>interest term |
|--|-----------------------------|---|---|---|------------------------|---------------|---------------|---|
| <b>Assets</b>  |                             |   |   |   |                        |               |               |   |
| Cash and balances with central banks                         | 0                           | -   | -   | -   | -                      | -             | 0             |   |
| Treasury bills   | 953                         | -   | -   | -   | -                      | -             | 953           | 0.7 years                                   |
| Loans to credit institutions                                 | 1 068                       | -   | -   | -   | -                      | 0             | 1 068         | 0.2 years                                   |
| Loans to the public  | 10 809                      | 423   | 701   | 3 496   | 6                      | 1 138         | 16 573        | 0.7 years                                   |
| Leasing receivables  | 3 499                       | 186   | 359   | 1 286   | 181                    | 128           | 5 639         | 0.9 years                                   |
| Bonds and other interest-bearing securities                  | 1 080                       | 192   | -   | -   | -                      | -             | 1 272         | 0.2 years                                   |
| Other assets   | 82                          | 2   | 54  | 12  | -                      | 531           | 681           | 0.1 years                                   |
| <b>Total assets</b>  | <b>17 491</b>               | <b>803</b>  | <b>1 114</b>  | <b>4 794</b>  | <b>187</b>             | <b>1 797</b>  | <b>26 186</b> |   |
| <b>Liabilities and equity</b>                                |                             |   |   |   |                        |               |               |   |
| Liabilities to credit institutions                           | 1 108                       | 1 150   | -   | -   | -                      | -             | 2 258         | 0.3 years                                   |
| Deposits from the public                                     | 12 512                      | 186   | 630   | 1 735   | -                      | -             | 15 063        | 0.5 years                                   |
| Issued securities  | 2 339                       | 497   | 149   | -   | -                      | -             | 2 985         | 0.2 years                                   |
| Other liabilities  | 398                         | 47  | 3   | 6   | -                      | 1 413         | 1 867         | 0.1 years                                   |
| Subordinated liabilities                                     | -                           | 436   | 142   | -   | -                      | 0             | 578           | 0.5 years                                   |
| Equity and untaxed reserves                                  | -                           | -   | -   | -   | -                      | 3 435         | 3 435         | -   |
| <b>Total difference</b>                                      | <b>16 357</b>               | <b>2 316</b>  | <b>924</b>  | <b>1 741</b>  | <b>187</b>             | <b>4 848</b>  | <b>26 186</b> |   |
| <b>Total difference</b>                                      | <b>1 134</b>                | <b>-1 513</b>   | <b>190</b>  | <b>3 053</b>  | <b>187</b>             | <b>-3 051</b> | <b>-</b>      |   |
| Interest rate derivatives, fixed interest                    | 2 032                       | 10  | 7   | 595   | -                      | -             | 2 644         |   |
| Interest rate derivatives, fixed interest paid <sup>1)</sup> | 651                         | 24  | 134   | 1 835   | -                      | -             | 2 644         |   |

1) Nominal value

## Derivatives

Derivatives are used to reduce exposure to interest rate and foreign exchange risk and include interest rate and currency derivatives according to the table below. Below, all deriva-

tives reported at fair value and distributed based on the remaining term are shown.

## Derivatives - assets and liabilities

| 2015<br>SEK 000                                       | > 1 year       | > 1 year - 5 years | > 5 years | Total          | Assets<br>(positive<br>market value) | Liabilities<br>(negative<br>market value) |
|---|----------------|--------------------|-----------|----------------|--------------------------------------|---|
| <i>Derivates at fair value through profit or loss</i> |                |                    |           |                |                                      |   |
| <b>Interest-related contracts</b>                     |                |                    |           |                |                                      |   |
| Swaps   | -3 533         | -5 298             | -         | -8 831         | 2                                    | -8 833                                    |
| <b>Currency-related contracts</b>                     |                |                    |           |                |                                      |   |
| Swaps   | 274 560        | -                  | -         | 274 560        | 274 948                              | -388                                      |
| <b>Total</b>  | <b>271 027</b> | <b>-5 298</b>      | <b>-</b>  | <b>265 729</b> | <b>274 950</b>                       | <b>-9 221</b>                             |
| <i>Derivates for fair value hedges</i>                |                |                    |           |                |                                      |   |
| <b>Interest-related contracts</b>                     |                |                    |           |                |                                      |   |
| Swaps   | -1 385         | -19 492            | -         | -20 877        | 300                                  | -21 177                                   |
| <b>Total</b>  | <b>-1 385</b>  | <b>-19 492</b>     | <b>-</b>  | <b>-20 877</b> | <b>300</b>                           | <b>-21 177</b>                            |
| <i>Derivates for cash flow hedges</i>                 |                |                    |           |                |                                      |   |
| <b>Interest-related contracts</b>                     |                |                    |           |                |                                      |   |
| Swaps   | 55 639         | 13 371             | -         | 69 010         | 69 010                               | -   |
| <b>Total</b>  | <b>55 639</b>  | <b>13 371</b>      | <b>-</b>  | <b>69 010</b>  | <b>69 010</b>                        | <b>-</b>                                  |
| <b>Total Sum</b>                                      | <b>325 281</b> | <b>-11 419</b>     | <b>-</b>  | <b>313 862</b> | <b>344 260</b>                       | <b>-30 398</b>                            |

| 2014<br>SEK 000                                       | > 1 year        | > 1 year - 5 years | > 5 years | Total           | Assets<br>(positive<br>market value) | Liabilities<br>(negative<br>market value) |
|---|-----------------|--------------------|-----------|-----------------|--------------------------------------|---|
| <i>Derivates at fair value through profit or loss</i> |                 |                    |           |                 |                                      |   |
| <b>Interest-related contracts</b>                     |                 |                    |           |                 |                                      |   |
| Swaps   | 1 640           | -7 350             | -         | -5 710          | 2 596                                | -8 306                                    |
| <b>Currency-related contracts</b>                     |                 |                    |           |                 |                                      |   |
| Swaps   | -131 474        | -                  | -         | -131 474        | 78 979                               | -210 453                                  |
| <b>Total</b>  | <b>-129 834</b> | <b>-7 350</b>      | <b>-</b>  | <b>-137 184</b> | <b>81 575</b>                        | <b>-218 759</b>                           |
| <i>Derivates for fair value hedges</i>                |                 |                    |           |                 |                                      |   |
| <b>Interest-related contracts</b>                     |                 |                    |           |                 |                                      |   |
| Swaps   | 3 081           | 64 505             | -         | 67 586          | 67 586                               | -   |
| <b>Total</b>  | <b>3 081</b>    | <b>64 505</b>      | <b>-</b>  | <b>67 586</b>   | <b>67 586</b>                        | <b>-</b>                                  |
| <b>Total Sum</b>                                      | <b>-126 753</b> | <b>57 155</b>      | <b>-</b>  | <b>-69 598</b>  | <b>149 161</b>                       | <b>-218 759</b>                           |

## Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows from the bank's assets will fluctuate because of changes in currency rates. For Ikano Bank, currency exposure arises in the context of net investment in foreign operations as well as the payment flows in loans and investments in foreign currency and borrowing in foreign currency. The majority of the bank's cash flows in all currencies are managed in a common cash pool. Net exposures are managed centrally by the treasury function.

A sensitivity analysis shows that an increase in the exchange rate by 10 percent reduces the overall net exposure by SEK 8.9 m.

In the bank's income statement, exchange rate results with SEK -3.4 m (+3.0) are included in Net income/expense of financial transactions.

The bank's risk appetite for currency risk is defined in terms of total outstanding exposure in all currencies. The total outstanding exposure can be a maximum sum of SEK 150 m.

## Assets and liabilities per significant currencies

| 2015<br>SEK m  | SEK           | EUR          | GBP          | DKK          | NOK          | Other<br>currencies | Total         |
|--|---------------|--------------|--------------|--------------|--------------|---------------------|---------------|
| <b>Assets</b>  |               |              |              |              |              |                     |               |
| Treasury bills   | 1 120         | -            | -            | -            | -            | -                   | 1 120         |
| Loans to credit institutions   | 1 010         | 360          | 168          | 50           | 32           | 153                 | 1 773         |
| Loans to the public  | 7 741         | 6 590        | 5 889        | 2 216        | 1 299        | 370                 | 24 105        |
| Leasing receivables  | 2 930         | 104          | -            | 2 095        | 1 136        | -                   | 6 265         |
| Bonds and other interest-bearing securities  | 1 548         | 137          | -            | -            | -            | -                   | 1 685         |
| Other assets   | 769           | 109          | 214          | 110          | 121          | 15                  | 1 338         |
| <b>Total assets</b>  | <b>15 118</b> | <b>7 300</b> | <b>6 271</b> | <b>4 471</b> | <b>2 588</b> | <b>538</b>          | <b>36 286</b> |
| Nominal amount currency derivative   | 7 852         | -            | -            | -            | -            | -                   | 7 852         |
| <b>Liabilities and equity</b>  |               |              |              |              |              |                     |               |
| Liabilities to credit institutions   | 664           | 1 077        | 944          | 859          | 315          | 269                 | 4 128         |
| Deposits from the public   | 14 522        | 3 777        | 10           | 1 900        | -            | -                   | 20 209        |
| Issued securities  | 4 218         | -            | -            | -            | -            | -                   | 4 218         |
| Subordinated liabilities   | 200           | 362          | 88           | 110          | 33           | -                   | 793           |
| Other liabilities incl. Equity   | 3 455         | 1 352        | 702          | 1 041        | 460          | 72                  | 6 938         |
| <b>Total equity and liabilities</b>  | <b>23 059</b> | <b>6 568</b> | <b>1 744</b> | <b>3 910</b> | <b>808</b>   | <b>197</b>          | <b>36 286</b> |
| Nominal amount currency derivative   | -             | 717          | 4 443        | 571          | 1 777        | 343                 | 7 852         |
| Differences between assets and liabilities, incl. Nominal amount currency derivative |               |              |              |              |              |                     |               |
|  | -89           | 15           | 84           | -10          | 2            | -2                  | 0             |
| Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency |               |              |              |              |              |                     |               |
|  |               | 1.5          | 8.4          | -1.0         | 0.2          | -0.2                | 8.9           |
| <b>2014</b>  |               |              |              |              |              |                     |               |
| SEK m  | SEK           | EUR          | GBP          | DKK          | NOK          | Other<br>currencies | Total         |
| <b>Assets</b>  |               |              |              |              |              |                     |               |
| Treasury bills   | 953           | -            | -            | -            | -            | -                   | 953           |
| Loans to credit institutions   | 820           | 46           | 132          | 25           | 40           | 5                   | 1 068         |
| Loans to the public  | 7 762         | 343          | 4 967        | 2 242        | 1 247        | 12                  | 16 573        |
| Leasing receivables  | 2 939         | 18           | -            | 1 655        | 1 028        | -                   | 5 640         |
| Bonds and other interest-bearing securities  | 1 272         | -            | -            | -            | -            | -                   | 1 272         |
| Other assets   | 319           | 8            | 47           | 167          | 139          | -                   | 680           |
| <b>Total assets</b>  | <b>14 065</b> | <b>415</b>   | <b>5 146</b> | <b>4 089</b> | <b>2 454</b> | <b>17</b>           | <b>26 186</b> |
| Nominal amount currency derivative   | 6 757         | -            | -            | -            | -            | -                   | 6 757         |
| <b>Liabilities and equity</b>  |               |              |              |              |              |                     |               |
| Liabilities to credit institutions   | 22            | -            | 940          | 967          | 329          | -                   | 2 258         |
| Deposits from the public   | 14 517        | -            | -            | 547          | -            | -                   | 15 064        |
| Issued securities  | 2 985         | -            | -            | -            | -            | -                   | 2 985         |
| Subordinated liabilities   | 200           | 142          | 85           | 114          | 37           | -                   | 578           |
| Other liabilities incl. Equity   | 3 161         | -74          | 728          | 1 018        | 466          | 2                   | 5 301         |
| <b>Total equity and liabilities</b>  | <b>20 885</b> | <b>68</b>    | <b>1 753</b> | <b>2 646</b> | <b>832</b>   | <b>2</b>            | <b>26 186</b> |
| Nominal amount currency derivative   | -             | 340          | 3 359        | 1 434        | 1 606        | 18                  | 6 757         |
| Differences between assets and liabilities, incl. Nominal amount currency derivative |               |              |              |              |              |                     |               |
|  | -63           | 7            | 34           | 9            | 16           | -3                  | 0             |
| Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency |               |              |              |              |              |                     |               |
|  |               | 0.7          | 3.4          | 0.9          | 1.6          | -0.3                | 6.3           |

## 4 Business acquisition

1 October 2015, all shares in the subsidiary Ikano Insight Ltd were acquired. The bank does not prepare consolidated statements with reference to the Annual Accounts Act §7:3a. Financial posi-

tion and result of Ikano Insight Ltd have no material effect on the financial position and ratios for Ikano Bank AB.

### Ikano Insight Ltd net assets at the acquisition date

| SEK 000  | 2015          |
|--|---------------|
| Loans to credit institutions                   | 12 143        |
| Intangible assets                              | 1 710         |
| Other assets                                   | 9 674         |
| Other liabilities                              | -6 240        |
| <b>Net identifiable assets and liabilities</b> | <b>17 287</b> |
| <br>   |               |
| <b>Purchase price, paid in cash</b>            | <b>13 322</b> |
| Net effect on cash and cash equivalents        | 13 322        |

### Financial position and result of Ikano Insight Ltd as of 31 December 2015

| SEK 000                         | 2015          |
|---------------------------------|---------------|
| Net interest income             | 254           |
| Net commission                  | -12 567       |
| Other operating income          | 61 823        |
| <b>Total operating income</b>   | <b>49 510</b> |
| General administrative expenses | -39 689       |
| Other operating expenses        | -1 672        |
| Taxes                           | -1 196        |
| <b>Net result for the year</b>  | <b>6 953</b>  |

| SEK 000                             | 2015          |
|-------------------------------------|---------------|
| <b>Assets</b>                       |               |
| Loans to credit institutions        | 14 864        |
| Intangible assets                   | 1 566         |
| Other                               | 16 689        |
| <b>Total assets</b>                 | <b>33 119</b> |
| <b>Liabilities and equity</b>       |               |
| Other                               | 13 148        |
| Equity                              | 19 971        |
| <b>Total liabilities and equity</b> | <b>33 119</b> |

## 5 Merged companies

On 3 August the bank merged with the sister company Ikano Bank GmbH (HRB 100 69) in Germany. The merger was effected by absorption and all assets and liabilities were taken over.

The below table shows information about Ikano Bank GmbH's balance sheet and profit and loss at the merger date.

| SEK 000                             | 2015-08-03       |
|-------------------------------------|------------------|
| <b>Balance sheet</b>                |                  |
| <b>Assets</b>                       |                  |
| Loans to credit institutions        | 863 347          |
| Loans to the public                 | 6 651 333        |
| Other assets                        | 109 377          |
| <b>Total assets</b>                 | <b>7 624 057</b> |
| <b>Liabilities and equity</b>       |                  |
| Liabilities to credit institutions  | 1 792 038        |
| Deposits from the public            | 4 400 020        |
| Other liabilities                   | 367 946          |
| Subordinated liabilities            | 232 126          |
| Equity                              | 831 927          |
| <b>Total liabilities and equity</b> | <b>7 624 057</b> |
| <b>Profit and loss information</b>  |                  |
| Net Sales                           | 430 761          |
| Operating income                    | 76 819           |



## 6 Operating segments

| 2015  | Sweden     | Denmark    | Norway     | Finland   | Netherlands | United Kingdom | Germany    | Poland    | Shared functions | Total before eliminations | Eliminations | Total        |
|---|------------|------------|------------|-----------|-------------|----------------|------------|-----------|------------------|---------------------------|--------------|--------------|
| SEK m   |            |            |            |           |             |                |            |           |                  |                           |              |              |
| Interest income   | 807        | 315        | 173        | 24        | 0           | 546            | 704        | 37        | 371              | 2 977                     | -572         | 2 405        |
| Interest cost   | -278       | -67        | -60        | -4        | 0           | -106           | -86        | -10       | -356             | -966                      | 572          | -394         |
| <b>Total net interest income</b>  | <b>529</b> | <b>248</b> | <b>113</b> | <b>20</b> | <b>0</b>    | <b>440</b>     | <b>618</b> | <b>27</b> | <b>15</b>        | <b>2 011</b>              | -            | <b>2 011</b> |
| Commission income   | 296        | 71         | 96         | 20        | 0           | 111            | 93         | 5         | 0                | 693                       | -            | 692          |
| Commission expenses   | -111       | -11        | -52        | -4        | 0           | -55            | -62        | -4        | -1               | -300                      | -            | -300         |
| <b>Comission, net</b>   | <b>185</b> | <b>60</b>  | <b>44</b>  | <b>16</b> | <b>0</b>    | <b>56</b>      | <b>31</b>  | <b>1</b>  | <b>-1</b>        | <b>392</b>                | -            | <b>392</b>   |
| Lease income  | 1 295      | 678        | 443        | 12        | -           | -              | -          | -         | -                | 2 427                     | -            | 2 427        |
| Depreciation on leasing assets  | -1 157     | -586       | -372       | -9        | -           | -              | -          | -         | -                | -2 124                    | -            | -2 125       |
| <b>Leasing income, net</b>  | <b>138</b> | <b>92</b>  | <b>70</b>  | <b>2</b>  | <b>-</b>    | <b>-</b>       | <b>-</b>   | <b>-</b>  | <b>-</b>         | <b>303</b>                | -            | <b>302</b>   |
| <b>Net Interest, fee and leasing income</b>                             | <b>852</b> | <b>400</b> | <b>228</b> | <b>39</b> | <b>0</b>    | <b>496</b>     | <b>650</b> | <b>28</b> | <b>15</b>        | <b>2 706</b>              | -            | <b>2 705</b> |
| Other income  | 9          | 27         | 7          | 1         | 0           | 9              | 11         | 5         | 821              | 890                       | -739         | 151          |
| Other direct expenses   | -48        | -25        | -15        | -5        | 0           | -28            | -29        | -1        | 0                | -149                      | -            | -149         |
| <b>Operating margin before net loan losses and operational expenses</b> | <b>813</b> | <b>402</b> | <b>220</b> | <b>36</b> | <b>0</b>    | <b>478</b>     | <b>632</b> | <b>32</b> | <b>835</b>       | <b>3 447</b>              | <b>-739</b>  | <b>2 707</b> |
| Other expenses  | -566       | -250       | -168       | -29       | -7          | -319           | -454       | -30       | -830             | -2 653                    | 540          | -2 112       |
| Allocated overhead expenses   | -102       | -22        | -19        | -6        | 0           | -53            | -29        | -3        | 0                | -233                      | 199          | -34          |
| Exchange rate effects   | -          | -          | -          | -         | -           | -              | -          | -         | -                | 0                         | -            | 0            |
| <b>Operating profit</b>   | <b>145</b> | <b>130</b> | <b>33</b>  | <b>1</b>  | <b>-7</b>   | <b>106</b>     | <b>149</b> | <b>-1</b> | <b>5</b>         | <b>561</b>                | -            | <b>561</b>   |
| Of which:   |            |            |            |           |             |                |            |           |                  |                           |              |              |
| Total internal income   | 171        | 18         | -          | -         | -           | -              | 31         | -         | 1 092            | 1 312                     | -1 312       | -            |
| Total external income   | 1 076      | 487        | 346        | 48        | 0           | 667            | 784        | 47        | 99               | 3 554                     | -            | 3 554        |
| Total internal expenses   | -412       | -3         | -114       | -15       | -1          | -182           | -132       | -19       | -433             | -1 312                    | 1 312        | -            |
| Tax expense   | -          | -33        | -5         | -         | -           | -27            | -40        | 0         | 51               | -54                       | -            | -54          |
| <b>Net profit for the year</b>  | <b>145</b> | <b>97</b>  | <b>28</b>  | <b>1</b>  | <b>-7</b>   | <b>79</b>      | <b>109</b> | <b>-1</b> | <b>56</b>        | <b>507</b>                | -            | <b>507</b>   |

| 2014  | Sweden     | Denmark    | Norway     | Finland   | Netherlands | United Kingdom | Shared functions | Total before eliminations | Eliminations | Total        |
|---|------------|------------|------------|-----------|-------------|----------------|------------------|---------------------------|--------------|--------------|
| SEK m   |            |            |            |           |             |                |                  |                           |              |              |
| Interest income   | 975        | 292        | 168        | 23        | 4           | 415            | 437              | 2 314                     | -685         | 1 629        |
| Interest cost   | -451       | -62        | -65        | -3        | 0           | -73            | -397             | -1 052                    | 365          | -686         |
| <b>Total net interest income</b>  | <b>525</b> | <b>230</b> | <b>103</b> | <b>19</b> | <b>3</b>    | <b>342</b>     | <b>40</b>        | <b>1 262</b>              | <b>-320</b>  | <b>942</b>   |
| Commission income   | 296        | 77         | 102        | 20        | 0           | 106            | 0                | 600                       | -            | 600          |
| Commission expenses   | -116       | -7         | -47        | -4        | -1          | -49            | 0                | -224                      | -            | -224         |
| <b>Comission, net</b>   | <b>179</b> | <b>69</b>  | <b>55</b>  | <b>16</b> | <b>-1</b>   | <b>57</b>      | <b>0</b>         | <b>375</b>                | -            | <b>375</b>   |
| Lease income  | 1 251      | 590        | 415        | 0         | -           | -              | -                | 2 256                     | 320          | 2 577        |
| Depreciation on leasing assets  | -1 104     | -506       | -348       | 0         | -           | -              | -                | -1 959                    | -            | -1 959       |
| <b>Leasing income, net</b>  | <b>147</b> | <b>84</b>  | <b>67</b>  | <b>0</b>  | <b>-</b>    | <b>-</b>       | <b>-</b>         | <b>298</b>                | <b>320</b>   | <b>618</b>   |
| <b>Net Interest, fee and leasing income</b>                             | <b>850</b> | <b>383</b> | <b>226</b> | <b>35</b> | <b>2</b>    | <b>399</b>     | <b>40</b>        | <b>1 935</b>              | -            | <b>1 935</b> |
| Other income  | 10         | 25         | 7          | 0         | 0           | 7              | 506              | 555                       | -365         | 190          |
| Other direct expenses   | -43        | -25        | -14        | -4        | 0           | -30            | 0                | -117                      | 0            | -117         |
| <b>Operating margin before net loan losses and operational expenses</b> | <b>817</b> | <b>383</b> | <b>218</b> | <b>31</b> | <b>2</b>    | <b>376</b>     | <b>546</b>       | <b>2 374</b>              | <b>-365</b>  | <b>2 009</b> |
| Other expenses  | -367       | -192       | -133       | -18       | -19         | -234           | -589             | -1 552                    | 365          | -1 186       |
| Allocated overhead expenses   | -203       | -54        | -44        | -7        | -3          | -52            | -25              | -389                      | 0            | -389         |
| Exchange rate effects   | -          | -          | -          | -         | -           | -              | 13               | 13                        | -            | 13           |
| <b>Operating profit</b>   | <b>247</b> | <b>138</b> | <b>41</b>  | <b>6</b>  | <b>-20</b>  | <b>90</b>      | <b>-54</b>       | <b>447</b>                | <b>0</b>     | <b>447</b>   |
| Of which:   |            |            |            |           |             |                |                  |                           |              |              |
| Total internal income   | 275        | 32         | -          | -         | -           | -              | 728              | 1 035                     | -1 035       | -            |
| Total external income   | 1 312      | 475        | 345        | 61        | 0           | 529            | -                | 2 722                     | -            | 2 722        |
| Total internal expenses   | -397       | -59        | -101       | -9        | -4          | -109           | -355             | -1 035                    | 1 035        | -            |
| Tax expense   | -          | -35        | -7         | -         | -           | -22            | -66              | -130                      | -            | -130         |
| <b>Net profit for the year</b>  | <b>247</b> | <b>102</b> | <b>34</b>  | <b>6</b>  | <b>-20</b>  | <b>68</b>      | <b>-121</b>      | <b>317</b>                | -            | <b>317</b>   |

### External income

| SEK m                        | 2015         | 2014         |
|------------------------------|--------------|--------------|
| Corporate                    | 530          | 539          |
| Sales Finance                | 2 096        | 1 577        |
| Consumer                     | 778          | 594          |
| Other                        | 150          | 12           |
| <b>Total external income</b> | <b>3 554</b> | <b>2 722</b> |

Ikano Bank, or each segment individually, has no single customer that account for 10 percent or more of total revenues.

## Balance Sheet

2015

SEK m

|   | Sweden        | Denmark      | Norway       | Finland    | Netherlands | United Kingdom | Germany      | Poland     | Eliminations   | Total         |
|---|---------------|--------------|--------------|------------|-------------|----------------|--------------|------------|----------------|---------------|
| Fixed assets other than financial instruments | 180           | 52           | 1            | 0          | -           | 11             | 13           | 1          | -              | 258           |
| Deferred tax assets                           | 200           | -            | -            | -          | -           | 5              | 0            | -          | -              | 206           |
| Other assets                                  | 29 804        | 4 389        | 2 457        | 367        | -           | 6 108          | 6 449        | 489        | -14 241        | 35 822        |
| <b>Total assets</b>                           | <b>30 185</b> | <b>4 441</b> | <b>2 458</b> | <b>367</b> | <b>-</b>    | <b>6 124</b>   | <b>6 462</b> | <b>490</b> | <b>-14 241</b> | <b>36 286</b> |
| <b>Liabilities and provisions</b>             | <b>27 745</b> | <b>3 602</b> | <b>2 159</b> | <b>390</b> | <b>75</b>   | <b>5 925</b>   | <b>5 502</b> | <b>589</b> | <b>-14 241</b> | <b>31 747</b> |

2014

SEK m

|   | Sweden        | Denmark      | Norway       | Finland    | Netherlands | United Kingdom | Eliminations   | Total         |
|---|---------------|--------------|--------------|------------|-------------|----------------|----------------|---------------|
| Fixed assets other than financial instruments | 25            | 61           | 2            | 0          | 0           | 18             | -              | 106           |
| Deferred tax assets                           | 60            | 0            | 0            | 0          | 0           | 5              | -              | 65            |
| Other assets                                  | 26 672        | 4 010        | 2 300        | 265        | 21          | 5 120          | -12 374        | 26 014        |
| <b>Total assets</b>                           | <b>26 757</b> | <b>4 070</b> | <b>2 302</b> | <b>265</b> | <b>21</b>   | <b>5 144</b>   | <b>-12 374</b> | <b>26 186</b> |
| <b>Liabilities and provisions</b>             | <b>24 417</b> | <b>3 299</b> | <b>2 002</b> | <b>290</b> | <b>92</b>   | <b>5 024</b>   | <b>-12 374</b> | <b>22 751</b> |

## 7 Net interest

SEK 000

### Interest income

|                              | 2015             | 2014             |
|------------------------------|------------------|------------------|
| Loans to credit institutions | 17               | 2 657            |
| Loans to the public          | 2 399 935        | 1 600 871        |
| Interest bearing securities  | 5 127            | 24 414           |
| <b>Total</b>                 | <b>2 405 079</b> | <b>1 627 942</b> |

*Of which: Interest income from financial assets  
not valued at fair value through profit or loss*

2 399 952

1 603 528

*Interest income from non-performing loans*

199 456

112 783

### Interest expense

|  |                 |                 |
|--|-----------------|-----------------|
| Liabilities to credit institutions     | -44 769         | -36 824         |
| Deposit from the public                | -218 823        | -253 927        |
| <i>Of which: deposit guarantee fee</i> | <i>-16 920</i>  | <i>-14 317</i>  |
| Issued securities                      | -34 242         | -50 970         |
| Derivatives                            | -62 111         | 7 684           |
| - <i>hedge accounting</i>              | 9 070           | 9 796           |
| - <i>not hedge accounting</i>          | -71 181         | -2 112          |
| Subordinated liabilities               | -19 824         | -21 927         |
| Other interest expenses                | -14 261         | -10 186         |
| <i>Of which: stability fee</i>         | <i>-8 137</i>   | <i>-7 884</i>   |
| <b>Total</b>                           | <b>-394 030</b> | <b>-366 150</b> |

*Of which: Interest income from financial assets  
not valued at fair value through profit or loss*

-331 919

-373 834

### Total net interest income

2 011 049

1 261 792

Interest margin

6.3%

4.8%

*Total interest income in relation to average balance sheet total, less total interest expenses in relation to average balance sheet total excluding average equity and 78% of untaxed reserves*

Investment margin

6.4%

5.1%

*Net interest income in relation to average balance sheet total*

## 8 Leasing income

| SEK 000   | 2015           | 2014           |
|---|----------------|----------------|
| Leasing income, gross   | 2 427 472      | 2 274 816      |
| Less: Depreciation according to plan  | -2 124 969     | -1 958 603     |
| <b>Leasing income, net</b>  | <b>302 503</b> | <b>316 213</b> |
| Leasing income from financial lease agreements  | 2 427 472      | 2 274 816      |
| Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases | -2 124 969     | -1 958 603     |
| <b>Leasing income, net for financial lease agreements</b>   | <b>302 503</b> | <b>316 213</b> |
| Interest income   | 5 833          | 7 700          |
| Interest expenses   | -77 163        | -100 862       |
| <b>Leasing, net</b>   | <b>231 173</b> | <b>223 051</b> |
| Effect on leasing income, net, due to former reporting currency EUR   | 6 277          | 18 545         |
| <b>Leasing income, net excl. effect above</b>   | <b>296 227</b> | <b>297 668</b> |

## 9 Net commission

| SEK 000                       | 2015            | 2014            |
|-------------------------------|-----------------|-----------------|
| <b>Commission income</b>      |                 |                 |
| Payment service commissions   | 22 660          | 12 281          |
| Lending commissions           | 424 824         | 394 512         |
| Other commissions             | 245 071         | 193 285         |
| <b>Total</b>                  | <b>692 555</b>  | <b>600 078</b>  |
| <b>Commission expenses</b>    |                 |                 |
| Payment brokerage commissions | -43 796         | -5 800          |
| Lending commissions           | -249 448        | -212 071        |
| Other commissions             | -32 571         | -26 065         |
| <b>Total</b>                  | <b>-325 815</b> | <b>-243 936</b> |
| <b>Commission, net</b>        | <b>366 740</b>  | <b>356 142</b>  |

## 10 Net result on financial transactions

| SEK 000   | 2015          | 2014          |
|---|---------------|---------------|
| Other financial instruments   | -4 380        | -10 270       |
| Exchange rate fluctuations  | -3 411        | 3 036         |
| <b>Total</b>  | <b>-7 791</b> | <b>-7 234</b> |
| <b>Net profit/loss divided per valuation category</b>   |               |               |
| Financial assets at fair value through profit or loss   | 552 839       | 132 207       |
| Loan receivables and accounts receivable  | -286 251      | 718 738       |
| Financial liabilities at fair value through profit or loss                                      | -374 536      | -613 314      |
| Financial liabilities at amortised costs  | 101 215       | -242 311      |
| Change in fair value for derivatives that are hedging instruments in fair value                 | -10 886       | 5 263         |
| Change in fair value for hedged item in respect of the hedged risk in fair value                | 6 818         | -7 183        |
| The ineffective portion of changes in fair value of the hedging instrument in a cash flow hedge | 1 297         | -             |
| Exchange rate fluctuations  | 1 713         | -634          |
| <b>Total</b>  | <b>-7 791</b> | <b>-7 234</b> |
| Net profit or loss on financial assets available-for-sale recognised in comprehensive income    | <b>-6 936</b> | <b>1 072</b>  |

The net gain or net loss refers to realised and unrealised value changes. No interest-difference-compensation for early repayment of loans has been paid.

## 11 Other operating income

| SEK 000   | 2015           | 2014           |
|---|----------------|----------------|
| Realised gain arising from the disposal of tangible assets                      | 21 366         | 29 362         |
| Intra-Group services  | 7 879          | 100 064        |
| Input VAT to receive regarding previous years                                   | 88 964         | 39 500         |
| Other operating income  | 40 470         | 23 421         |
| <b>Total</b>  | <b>158 679</b> | <b>192 347</b> |
| Effect on other operating income due to EUR being the former reporting currency | 1 306          | 4 023          |

## 12 Geographic distribution of income

| 2015<br>SEK 000                                  | Sweden           | Finland       | Denmark          | Norway         | United Kingdom | Germany        | Poland        | Other         | Total            |
|--|------------------|---------------|------------------|----------------|----------------|----------------|---------------|---------------|------------------|
| Interest income                                  | 640 735          | 23 686        | 296 951          | 173 224        | 546 446        | 685 087        | 30 830        | 8 121         | <b>2 405 079</b> |
| Leasing income                                   | 1 289 307        | 16 317        | 678 228          | 443 554        | 0              | 54             | 8             | 3             | <b>2 427 471</b> |
| Commission income                                | 292 946          | 22 056        | 71 696           | 96 471         | 111 086        | 91 280         | 5 118         | 1 902         | <b>692 555</b>   |
| Net gains and losses from financial transactions | -11 177          | -63           | -15              | -233           | 0              | 3 741          | -13           | -31           | <b>-7 791</b>    |
| Other operating income                           | -231 514         | 10 954        | 82 469           | 52 541         | 116 137        | 113 168        | 12 834        | 2 090         | <b>158 679</b>   |
| <b>Total</b>                                     | <b>1 980 297</b> | <b>72 950</b> | <b>1 129 329</b> | <b>765 557</b> | <b>773 669</b> | <b>893 330</b> | <b>48 777</b> | <b>12 085</b> | <b>5 675 994</b> |

| 2014<br>kSEK                                     | Sweden           | Finland       | Denmark        | Norway         | United Kingdom | Germany       | Other        | Total            |
|--|------------------|---------------|----------------|----------------|----------------|---------------|--------------|------------------|
| Interest income                                  | 729 328          | 22 519        | 288 890        | 167 970        | 415 425        | -             | 3 810        | <b>1 627 942</b> |
| Leasing income                                   | 1 262 220        | 6 599         | 590 078        | 415 829        | 44             | 46            | -            | <b>2 274 816</b> |
| Commission income                                | 292 560          | 21 456        | 77 021         | 102 931        | 106 095        | 4             | 11           | <b>600 078</b>   |
| Net gains and losses from financial transactions | -6 957           | -140          | 133            | -266           | 0              | -             | -5           | <b>-7 235</b>    |
| Other operating income                           | 47 220           | 10 522        | 24 900         | 6 666          | 7 379          | 82 458        | 3 129        | <b>192 348</b>   |
| <b>Total</b>                                     | <b>2 324 371</b> | <b>60 957</b> | <b>981 022</b> | <b>693 130</b> | <b>528 943</b> | <b>82 508</b> | <b>6 945</b> | <b>4 687 950</b> |

The geographic distribution of income is based on where customers have their registered office, and also refers to intra-group customers.

## 13 General administrative expenses

| SEK 000  | 2015              | 2014              |
|--|-------------------|-------------------|
| <b>Personnel costs</b>                             |                   |                   |
| - salaries and fees                                | -525 576          | -423 611          |
| - social security contributions                    | -117 598          | -88 623           |
| - pension costs                                    | -60 178           | -51 995           |
| - other personnel costs                            | -41 109           | -45 102           |
| <b>Total personnel costs</b>                       | <b>-744 461</b>   | <b>-609 331</b>   |
| <b>Other general administrative expenses</b>       |                   |                   |
| - postage and telephone                            | -96 560           | -73 509           |
| - IT costs   | -300 334          | -217 281          |
| - consultancy services                             | -122 952          | -78 415           |
| - agency staff                                     | -37 474           | -29 229           |
| - audit  | -6 809            | -8 325            |
| - rent and other costs for premises                | -57 726           | -32 590           |
| - internal Group services                          | -33 924           | -23 412           |
| - cost of materials                                | -46 788           | -42 394           |
| - travel costs                                     | -46 547           | -33 068           |
| - other  | -81 250           | -46 591           |
| <b>Total other general administrative expenses</b> | <b>-830 364</b>   | <b>-584 814</b>   |
| <b>Total general administrative expenses</b>       | <b>-1 574 825</b> | <b>-1 194 145</b> |



## Salaries, other remuneration, pensions and social costs

| SEK 000   | 2015                              |                 | 2014                              |                 |
|---|-----------------------------------|-----------------|-----------------------------------|-----------------|
|   | Senior management<br>(16 persons) | Other employees | Senior management<br>(15 persons) | Other employees |
| Salaries and other remunerations                                  | -24 197                           | -485 581        | -21 412                           | -389 664        |
| Variable remuneration   | -5 170                            | -10 628         | -941                              | -11 593         |
| Pensions  | -5 702                            | -54 476         | -4 646                            | -47 349         |
| Social security contributions                                     | -10 538                           | -107 060        | -8 150                            | -80 473         |
| <i>Of which: social security contributions regarding pensions</i> | -1 383                            | -7 825          | -1 127                            | -7 512          |
| <b>Total</b>  | <b>-45 607</b>                    | <b>-657 745</b> | <b>-35 149</b>                    | <b>-529 080</b> |

The bank has no outstanding pension obligations to senior executives. Senior management are the

current and previous Board members, Managing Directors and management groups.

### Employment conditions for senior executives

A Board fee and committee fee is paid to the Board Directors in accordance with a resolution adopted by the Annual General Meeting. No fee is paid to employees of the Ikano S.A. Group. In late April Arja Taaveniku resigned as Managing Director of Ikano SA and also as member of the Board of Ikano Bank.

Remuneration to the Managing Director and other senior executives has been decided by the Board. In regard to the Managing Director, the bank's pension commitments are covered by ongoing insurance premiums. All pension benefits are vested employee benefits, in other words, not conditional on future employment. Retirement age for the Managing Director is 65 years.

Neither the Managing Director nor Board members have loans at the bank. The bank has

not pledged collateral or undertaken contingent liabilities for the benefit of senior executives. The bank has adopted a remuneration policy conforming to FFFS 2011:1 regarding remuneration policies in credit institutions, securities companies and fund management companies with permission to undertake discretionary portfolio management and changes in 2014:22 in connection with the entry into force of EU credit institutions directives concerning the remuneration policies.

### Disclosure of information regarding remuneration

Information regarding remuneration which is required to be disclosed in accordance with the Swedish Financial Supervisory Authority's regulations is provided on the bank's website, [www.ikanobank.se](http://www.ikanobank.se).

## Salaries and remuneration to the Board of Directors and senior executives

| 2015<br>SEK 000                                     | Base salary    | Variable      |                |               | Total          |
|---|----------------|---------------|----------------|---------------|----------------|
|   |                | remuneration  | Other benefits | Pension costs |                |
| Mats Håkansson, Chairman of the Board <sup>1)</sup> | -              | -             | -              | -             | -              |
| Arja Taaveniku <sup>1)</sup>                        | -              | -             | -              | -             | -              |
| Steen Lopdrup Helles <sup>1)</sup>                  | -              | -             | -              | -             | -              |
| Olle Claeson  | -550           | -             | -              | -             | -550           |
| Heather Jackson                                     | -684           | -             | -              | -             | -684           |
| Diederick van Thiel                                 | -396           | -             | -              | -             | -396           |
| Stefan Nyrinder, MD                                 | -3 406         | -890          | -78            | -629          | -5 002         |
| Other senior management (12 persons)                | -18 201        | -4 280        | -882           | -5 073        | -28 437        |
| <b>Total</b>  | <b>-23 237</b> | <b>-5 170</b> | <b>-960</b>    | <b>-5 702</b> | <b>-35 069</b> |

| 2014<br>SEK 000                                     | Base salary    | Variable     |                |               | Total          |
|---|----------------|--------------|----------------|---------------|----------------|
|   |                | remuneration | Other benefits | Pension costs |                |
| Mats Håkansson, Chairman of the Board <sup>1)</sup> | -              | -            | -              | -             | -              |
| Arja Taaveniku <sup>1)</sup>                        | -              | -            | -              | -             | -              |
| Steen Lopdrup Helles <sup>1)</sup>                  | -              | -            | -              | -             | -              |
| Olle Claeson  | -275           | -            | -              | -             | -275           |
| Heather Jackson                                     | -225           | -            | -              | -             | -225           |
| Diederick van Thiel                                 | -225           | -            | -              | -             | -225           |
| Cecilia Daun Wennborg                               | -185           | -            | -              | -             | -185           |
| Klas Danielsson                                     | -155           | -            | -              | -             | -155           |
| Stefan Nyrinder, MD                                 | -3 271         | -361         | -85            | -780          | -4 497         |
| Other senior management (9 persons)                 | -16 015        | -580         | -976           | -3 866        | -21 437        |
| <b>Total</b>  | <b>-20 351</b> | <b>-941</b>  | <b>-1 061</b>  | <b>-4 646</b> | <b>-26 999</b> |

1) No fee is paid to employees of the Ikano S.A. Group.

| Gender distribution, Board and management              | 2015 | 2014 |
|--|------|------|
| <b>Board of Directors</b>                              |      |      |
| Women  | 1    | 2    |
| Men  | 4    | 4    |
| <b>Other senior management incl. Managing Director</b> |      |      |
| Women  | 7    | 6    |
| Men  | 6    | 4    |

## Number of employees

Ordinary working hours are defined as available working time. This does not include overtime, or full or part-time leave of absence. The information

refers to full year. The average number of employees is converted to full-time labour forces.

| Average number of employees | 2015       | 2014       |
|-----------------------------|------------|------------|
| Women                       | 434        | 385        |
| Men                         | 387        | 324        |
| <b>Total</b>                | <b>821</b> | <b>709</b> |

| Number of employees per country | 2015       | 2014       |
|---------------------------------|------------|------------|
| Sweden                          | 374        | 335        |
| Denmark                         | 125        | 121        |
| Norway                          | 58         | 57         |
| Finland                         | 9          | 7          |
| Netherlands                     | -          | 6          |
| United Kingdom                  | 180        | 183        |
| Germany                         | 55         | -          |
| Poland                          | 20         | -          |
| <b>Total</b>                    | <b>821</b> | <b>709</b> |

## Remuneration to auditors

The auditing assignment involves an audit of the annual report and accounting records and the administration by the Board of Directors and the Managing Director, other work incumbent on

the bank's auditors, and providing advice or other assistance deemed necessary after such an examination or the execution of such other work.

| Remuneration to auditors<br>SEK 000 | 2015          | 2014          |
|-------------------------------------|---------------|---------------|
| <b>Deloitte AB</b>                  |               |               |
| Statutory audit                     | -4 088        | -2 696        |
| Tax consultancy                     | -3 064        | -20           |
| Other services                      | -192          | -71           |
| <b>Total</b>                        | <b>-7 345</b> | <b>-2 787</b> |

## 14 Other operating expenses

| SEK 000                          | 2015            | 2014            |
|----------------------------------|-----------------|-----------------|
| Marketing expenses               | -194 652        | -130 135        |
| Membership fees to organisations | -4 959          | -2 482          |
| Insurance expenses               | -3 715          | -2 951          |
| Other operating expenses         | -37 141         | -2 276          |
| <b>Total</b>                     | <b>-240 467</b> | <b>-137 844</b> |

## 15 Loan losses, net

| SEK 000   | 2015            | 2014            |
|---|-----------------|-----------------|
| <b>Specific provision for individually assessed loan receivables</b>                                      |                 |                 |
| Provisions for the year   | -32 615         | -35 538         |
| Write-off for the year for determined loan losses   | -144 899        | -39 302         |
| Reversal of previous provisions for loan losses reported in the annual accounts as determined loan losses | 32 682          | 17 153          |
| Recoveries from previously determined loan losses   | 7 943           | 16 319          |
| <b>Net cost for the year for individually assessed loan receivables</b>                                   | <b>-136 889</b> | <b>-41 368</b>  |
| <b>Specific provision for collectively assessed loan receivables</b>                                      |                 |                 |
| Provisions for the year   | -12 143         | -78 347         |
| Write-off for the year for determined loan losses   | -388 063        | -292 293        |
| Recoveries from previously determined loan losses   | 124 748         | 104 317         |
| <b>Net cost for the year for collectively assessed loan receivables</b>                                   | <b>-275 458</b> | <b>-266 323</b> |
| <b>Net costs for the year for loan losses</b>   | <b>-412 347</b> | <b>-307 691</b> |
| Effect on loan losses due to former reporting currency EUR  | -202            | -699            |

## 16 Taxes

### Reported in the income statement

| SEK 000   | 2015            | 2014            |
|---|-----------------|-----------------|
| <b>Current tax expense</b>  |                 |                 |
| Tax expense for the year  | -175 712        | -99 239         |
| Adjustment of taxes attributable to previous years                        | -1 654          | -15 389         |
| <b>Current tax expense</b>  | <b>-177 366</b> | <b>-114 628</b> |
| Deferred tax income   | 65 016          | -20 578         |
| Deferred tax referring to changes in tax rates/regulations                | 2 991           | 1 404           |
| Deferred tax income in capitalized tax loss carryforwards                 | 3 159           | -               |
| Deferred tax from non-creditable foreign taxes                            | 51 923          | 3 498           |
| <b>Total reported tax expense in accordance with the income statement</b> | <b>-54 277</b>  | <b>-130 304</b> |

The bank reports an increase in deferred tax income as a result of the transition to the residual value depreciation of tangible assets.

### Reconciliation of effective tax

| SEK 000  | 2015        |                | 2014         |                 |
|--|-------------|----------------|--------------|-----------------|
| Result before tax  |             | 561 523        |              | 447 019         |
| Tax according to current tax rates                                 | 22.0%       | -123 535       | 22.0%        | -98 344         |
| Non tax-deductible expenses  | -73.1%      | -410 316       | -0.3%        | -1 470          |
| Non-taxable income   | 64.5%       | 362 432        | 0.1%         | 575             |
| Tax attributable to merger   | -0.8%       | -4 294         | 0,0%         | -               |
| Taxes attributable to previous years                               | -0.3%       | -1 653         | -3.4%        | -15 389         |
| Adjustment associated to transition to residual value depreciation | 11.7%       | 65 747         | 0,0%         | -               |
| Non-creditable foreign tax   | 9.2%        | 51 923         | 0.8%         | 3 498           |
| Reversal of previously recognised deferred tax receivable          | -4.3%       | 5 419          | -4.3%        | -19 150         |
| Other  | 0,0%        | -              | -0.0%        | -24             |
| <b>Reported effective tax</b>                                      | <b>9.7%</b> | <b>-54 277</b> | <b>29.1%</b> | <b>-130 304</b> |

### Tax relating to other comprehensive income

| SEK 000   | 2015          |              |               | 2014         |             |              |
|---|---------------|--------------|---------------|--------------|-------------|--------------|
|   | Before tax    | Tax          | After tax     | Before tax   | Tax         | After tax    |
| Financial assets available-for-sale                 | -8 892        | 1 956        | -6 936        | 1 374        | -302        | 1 072        |
| The year's change in fair value of cash flow hedges | 3 601         | -792         | 2 809         | -            | -           | -            |
| <b>Other comprehensive income</b>                   | <b>-5 291</b> | <b>1 164</b> | <b>-4 127</b> | <b>1 374</b> | <b>-302</b> | <b>1 072</b> |

## Tax items recognized directly in equity

| SEK 000                                 | 2015           |                |               | 2014       |     |           |
|---|----------------|----------------|---------------|------------|-----|-----------|
|   | Before tax     | Tax            | After tax     | Before tax | Tax | After tax |
| Current tax on group contributions paid | 100 000        | -22 000        | 78 000        | -          | -   | -         |
| <b>Total</b>                            | <b>100 000</b> | <b>-22 000</b> | <b>78 000</b> | -          | -   | -         |

## Reported in the balance sheet

| SEK 000                       | Deferred tax assets |               | Deferred tax liabilities |               |
|-------------------------------|---------------------|---------------|--------------------------|---------------|
|                               | 2015                | 2014          | 2015                     | 2014          |
| Tangible/intangible assets    | 154 067             | 61 747        | 74 316                   | 61 747        |
| Non-creditable foreign taxes  | 51 923              | 3 498         | -                        | -             |
| <b>Tax assets/liabilities</b> | <b>205 990</b>      | <b>65 245</b> | <b>74 316</b>            | <b>61 747</b> |

## 17 Treasury bills

| SEK 000  | 2015             |                  | 2014           |                 |
|--|------------------|------------------|----------------|-----------------|
|  | Fair value       | Carrying amount  | Fair value     | Carrying amount |
| Treasury bills   |                  |                  |                |                 |
| - Swedish municipalities   | 1 120 183        | 1 120 183        | 952 514        | 952 514         |
| <b>Total</b>   | <b>1 120 183</b> | <b>1 120 183</b> | <b>952 514</b> | <b>952 514</b>  |
| Positive difference as an effect of the carrying amount exceeding the nominal amount       |                  | 6 415            |                | 2 913           |
| Negative difference as an effect of the carrying amount being less than the nominal amount |                  | 1 232            |                | 399             |
| <b>Total</b>   |                  | <b>7 647</b>     |                | <b>3 312</b>    |

## 18 Loans to credit institutions

| SEK 000            | 2015             | 2014             |
|--------------------|------------------|------------------|
| Swedish banks      |                  |                  |
| - Swedish currency | 716 853          | 761 396          |
| - Foreign currency | 363 194          | 99 616           |
| Foreign banks      |                  |                  |
| - Swedish currency | 292 933          | 59 390           |
| - Foreign currency | 374 013          | 147 837          |
| <b>Total</b>       | <b>1 746 993</b> | <b>1 068 239</b> |

## 19 Loans to the public

| SEK 000  | 2015              | 2014              |
|--|-------------------|-------------------|
| <b>Outstanding receivables, gross</b>                    |                   |                   |
| - Swedish currency                                       | 7 904 512         | 7 983 054         |
| - Foreign currency                                       | 17 338 964        | 9 385 438         |
| <b>Total</b>   | <b>25 243 476</b> | <b>17 368 492</b> |
| <i>Of which: non performing loans</i>                    | 1 686 750         | 1 089 767         |
| Specific provision for individually assessed receivables | -11 032           | -11 888           |
| Specific provision for collective assessed receivables   | -1 127 113        | -783 116          |
| <b>Carrying amount, net</b>                              | <b>24 105 331</b> | <b>16 573 488</b> |

| Reconciliation of provision for loan losses                                    | Individually                  | Collectively                  | Total            |
|--|-------------------------------|-------------------------------|------------------|
|  | assessed non performing loans | assessed non performing loans |                  |
| SEK 000  |                               |                               |                  |
| Opening balance, 1 January 2015  | 11 888                        | 783 116                       | 795 004          |
| Merged opening balance   | -                             | 450 196                       | 450 196          |
| Impairment for loan losses for the year  | 3 634                         | 36 143                        | 39 777           |
| Reversals of no longer required provisions for loan losses                     | -                             | -40 835                       | -40 835          |
| Reversal of previous write-downs for loan losses now reported as actual losses | -4 489                        | -101 507                      | -105 996         |
| <b>Closing balance, 31 December 2015</b>                                       | <b>11 032</b>                 | <b>1 127 113</b>              | <b>1 138 145</b> |

For a definition of non-performing loans, see section Financial assets carried at amortised cost in note 2 Accounting principles.

## 20 Bonds and other interest-bearing securities

| SEK 000  | 2015             |                  | 2014             |                  |
|--|------------------|------------------|------------------|------------------|
|  | Fair value       | Carrying amount  | Fair value       | Carrying amount  |
| Issued by Swedish borrowers  |                  |                  |                  |                  |
| - Mortgage institutions  | 824 423          | 824 423          | 577 818          | 577 818          |
| - Non-financial entities   | 347 244          | 347 244          | 360 979          | 360 979          |
| - Financial entities   | 170 969          | 170 969          | 226 835          | 226 835          |
| Foreign issuers  | 342 543          | 342 543          | 106 801          | 106 801          |
| <b>Total bonds and other interest-bearing securities</b>                                   | <b>1 685 179</b> | <b>1 685 179</b> | <b>1 272 433</b> | <b>1 272 433</b> |
| Of which:  |                  |                  |                  |                  |
| <i>Listed securities</i>   |                  | 1 373 210        |                  | 947 565          |
| <i>Unlisted securities</i>   |                  | 311 969          |                  | 324 868          |
| Positive difference as an effect of the carrying amount exceeding the nominal amount       |                  | 26 105           |                  | 11 640           |
| Negative difference as an effect of the carrying amount being less than the nominal amount |                  | 2 051            |                  | 75               |

## 21 Shares and participations

| SEK 000  | 2015         | 2014         |
|--|--------------|--------------|
| Shares and participations, unlisted securities | 1 535        | 1 535        |
| Shares and participations, listed securities   | 2 788        | 2 050        |
| <b>Total shares and other participations</b>   | <b>4 323</b> | <b>3 585</b> |

## 22 Shares and participations in group companies

| SEK 000                                      | 2015          | 2014     |
|--|---------------|----------|
| Other  | 13 322        | -        |
| <b>Total shares and other participations</b> | <b>13 322</b> | <b>-</b> |
| <b>Accumulated acquisition values</b>        |               |          |
| <b>At the beginning of the year</b>          | -             | -        |
| Purchase                                     | 13 322        | -        |
| Sales  | -             | -        |
| Reclassifications                            | -             | -        |
| <b>Carrying value, 31 December</b>           | <b>13 322</b> | <b>-</b> |

### Specification of holding shares in subsidiaries

| Subsidiaries / Corporate Registration Number / Registered office | Results | Equity | Capital share | Number of shares | Carrying amount |
|--|---------|--------|---------------|------------------|-----------------|
| Ikano Insight Limited/2928560/Nottingham                         | 6 953   | 19 971 | 100%          | 1 000 000        | 13 322          |



## 23 Intangible assets

| SEK 000                                  | Internally<br>generated<br>intangible assets     | Acquired intangible assets             |  | Total           |
|--|--|--|--|-----------------|
|  | Other<br>technical/cont-<br>ract based<br>assets | Market and<br>customer based<br>assets | Other technical/<br>contract based<br>assets |                 |
| <b>Acquisition cost</b>                  |  |  |  |                 |
| Opening balance, 1 January 2014          | 101 845  | 42 734                                 | 24 203                                       | 168 782         |
| Other investments                        | 16 509   | -                                      | 5 614  | 22 123          |
| Sales and disposals                      | -66 290  | -7 370                                 | -  | -73 660         |
| Other changes                            | 3 668  | -                                      | 173  | 3 841           |
| Translation difference                   | -  | 2 223                                  | 75   | 2 298           |
| <b>Closing balance, 31 December 2014</b> | <b>55 732</b>                                    | <b>37 587</b>                          | <b>30 065</b>                                | <b>123 384</b>  |
| Opening balance, 1 January 2015          | 55 732   | 37 587                                 | 30 065                                       | 123 384         |
| Other investments                        | 151 640  | -                                      | 806  | 152 446         |
| Sales and disposals                      | -  | -                                      | -  | -               |
| Other changes                            | -  | -                                      | -6 627                                       | -6 627          |
| Translation difference                   | -  | -1 287                                 | -913   | -2 200          |
| <b>Closing balance, 31 December 2015</b> | <b>207 372</b>                                   | <b>36 868</b>                          | <b>60 349</b>                                | <b>304 589</b>  |
| <b>Amortisation</b>                      |  |  |  |                 |
| Opening balance, 1 January 2014          | -27 301  | -34 206                                | -10 934                                      | -72 441         |
| Amortisation for the year                | -4 705   | -1 931                                 | -3 515                                       | -10 151         |
| Sales and disposals                      | -  | 7 370                                  | -  | 7 370           |
| Other changes                            | -221   | -                                      | -173   | -394            |
| Translation difference                   | -  | -1 682                                 | -1 720                                       | -3 402          |
| <b>Closing balance, 31 December 2014</b> | <b>-32 227</b>                                   | <b>-30 449</b>                         | <b>-16 342</b>                               | <b>-79 018</b>  |
| Opening balance, 1 January 2015          | -32 227  | -30 449                                | -16 342                                      | -79 018         |
| Acquired depreciation                    | -  | -34 140                                | -34 146                                      | -               |
| Amortisation for the year                | -4 941   | -2 203                                 | -5 623                                       | -12 767         |
| Sales and disposals                      | -  | -                                      | -  | -               |
| Other changes                            | 421  | -                                      | 6 627  | 7 048           |
| Translation difference                   | -  | 1 215                                  | 1 009  | 2 224           |
| <b>Closing balance, 31 December 2015</b> | <b>-36 747</b>                                   | <b>-31 443</b>                         | <b>-48 469</b>                               | <b>-116 659</b> |
| <b>Impairments</b>                       |  |  |  |                 |
| Opening balance, 1 January 2014          | -66 290  | -                                      | -  | -66 290         |
| Impairment for the year                  | 66 290   | -                                      | -  | 66 290          |
| <b>Closing balance, 31 December 2014</b> | <b>-</b>   | <b>-</b>                               | <b>-</b>                                     | <b>-</b>        |
| Opening balance, 1 January 2015          | -  | -                                      | -  | -               |
| Impairment for the year                  | -  | -                                      | -  | -               |
| <b>Closing balance, 31 December 2015</b> | <b>-</b>   | <b>-</b>                               | <b>-</b>                                     | <b>-</b>        |
| <b>Carrying amount</b>                   |  |  |  |                 |
| As of 1 January 2014                     | 8 254  | 8 528                                  | 13 269                                       | 30 051          |
| <b>As of 31 December 2014</b>            | <b>23 505</b>                                    | <b>7 138</b>                           | <b>13 723</b>                                | <b>44 366</b>   |
| As of 1 January 2015                     | 23 505   | 7 138                                  | 13 723                                       | 44 366          |
| <b>As of 31 December 2015</b>            | <b>170 625</b>                                   | <b>5 425</b>                           | <b>11 880</b>                                | <b>187 930</b>  |

## 24 Tangible assets

| SEK 000                                  | Equipment       | Leased assets     | Total             |
|--|-----------------|-------------------|-------------------|
| <b>Acquisition cost</b>                  |                 |                   |                   |
| Opening balance, 1 January 2014          | 138 018         | 8 014 755         | 8 152 773         |
| Other investments                        | 26 045          | 2 950 037         | 2 976 082         |
| Sales and disposals                      | -8 283          | -2 040 548        | -2 048 831        |
| Other changes                            | -3 587          | -                 | -3 587            |
| Translation difference                   | 12 264          | 130 471           | 142 735           |
| <b>Closing balance, 31 December 2014</b> | <b>164 457</b>  | <b>9 054 715</b>  | <b>9 219 172</b>  |
| Opening balance, 1 January 2015          | 164 457         | 9 054 715         | 9 219 172         |
| Acquisition                              | 48 438          | -                 | -                 |
| Other investments                        | 25 018          | 3 407 117         | 3 432 135         |
| Sales and disposals                      | -12 752         | -2 355 550        | -2 368 302        |
| Other changes                            | -39 202         | -                 | -39 202           |
| Translation difference                   | -3 817          | -244 394          | -248 211          |
| <b>Closing balance, 31 December 2015</b> | <b>182 142</b>  | <b>9 861 888</b>  | <b>10 044 030</b> |
| <b>Depreciation</b>                      |                 |                   |                   |
| Opening balance, 1 January 2014          | -79 546         | -3 019 048        | -3 098 594        |
| Depreciation for the year                | -22 410         | -1 958 603        | -1 981 013        |
| Sales and disposals                      | 7 868           | 1 449 740         | 1 457 608         |
| Other changes                            | 140             | -                 | 140               |
| Translation difference                   | -8 936          | -44 791           | -53 727           |
| <b>Closing balance, 31 December 2014</b> | <b>-102 884</b> | <b>-3 572 702</b> | <b>-3 675 586</b> |
| Opening balance, 1 January 2015          | -102 884        | -3 572 702        | -3 675 586        |
| Acquired depreciation                    | -33 732         | -                 | -                 |
| Depreciation for the year                | -29 251         | -2 124 969        | -2 154 220        |
| Sales and disposals                      | 12 568          | 1 715 667         | 1 728 235         |
| Other changes                            | 38 781          | -                 | 38 781            |
| Translation difference                   | 2 183           | 142 725           | 144 908           |
| <b>Closing balance, 31 December 2015</b> | <b>-112 335</b> | <b>-3 839 279</b> | <b>-3 951 614</b> |
| <b>Impairments</b>                       |                 |                   |                   |
| Opening balance, 1 January 2014          | -               | -52 425           | -52 425           |
| Impairments for the year                 | -               | -18 725           | -18 725           |
| Reversals of previous impairment         | -               | 17 032            | 17 032            |
| Translation difference                   | -               | -2 104            | -2 104            |
| <b>Closing balance, 31 December 2014</b> | <b>-</b>        | <b>-56 222</b>    | <b>-56 222</b>    |
| Opening balance, 1 January 2015          | -               | -56 222           | -56 222           |
| Impairments for the year                 | -               | -28 768           | -28 768           |
| Reversals of previous impairment         | -               | 27 145            | 27 145            |
| Translation difference                   | -               | 2 225             | 2 225             |
| <b>Closing balance, 31 December 2015</b> | <b>-</b>        | <b>-55 619</b>    | <b>-55 619</b>    |
| <b>Carrying amount</b>                   |                 |                   |                   |
| As of 1 January 2014                     | 58 472          | 4 943 282         | 5 001 754         |
| <b>As of 31 December 2014</b>            | <b>61 573</b>   | <b>5 425 791</b>  | <b>5 487 364</b>  |
| As of 1 January 2015                     | 61 573          | 5 425 791         | 5 487 364         |
| <b>As of 31 December 2015</b>            | <b>69 807</b>   | <b>5 966 990</b>  | <b>6 036 797</b>  |

Of the total carrying value of leasing objects, SEK 4 907 k (3 517), repossessed leasing objects, of which SEK 3 868 k (2 540) have been reserved for loan losses. Non-performing loans amount to SEK 62 415 k (74 121), of which SEK 42 051 k (41 487) have been reserved for loan losses. Residual value amounts guaranteed by suppliers totalled SEK 61 981 k (56 822).

## Change in impairment for financial leases recognised as operating leases

| SEK 000  | 2015          | 2014          |
|--|---------------|---------------|
| <b>Opening balance</b>   | <b>56 222</b> | <b>52 425</b> |
| Impairment of loan losses for the year   | 28 768        | 18 725        |
| Reversal of no longer required impairment of loan losses   | -11 198       | -489          |
| Reversal of previous impairment of loan losses recognised in the annual accounts as established losses | -15 948       | -16 542       |
| Translation difference   | -2 226        | 2 104         |
| <b>Closing balance</b>   | <b>55 618</b> | <b>56 222</b> |

## 25 Leasing

### Ikano Bank as lessor

The bank owns assets leased to customers through financial leases, which, in accordance with the rules on legally restricted IFRS, are reported as operating leases. These assets are, therefore, reported in the balance sheet as tangible assets. The leased assets consist pri-

marily of office equipment and vehicles. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

| SEK 000                               | 2015             | 2014             |
|---------------------------------------|------------------|------------------|
| Irrevocable lease payments amount to: |                  |                  |
| Within 1 year                         | 2 092 904        | 2 101 885        |
| 1-5 years                             | 3 261 299        | 3 446 152        |
| More than 5 years                     | 1 047 118        | 223 458          |
| <b>Total</b>                          | <b>6 401 321</b> | <b>5 771 495</b> |

### Ikano Bank as lessee

Operating leases refer to the bank's normal activities. The term of the contract generally extends over three years. On expiry of the lease term, the bank will redeem the contract at its guaranteed residual value.

Lease payments entered as expenses in 2015 totalled SEK 8 271 k. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

| SEK 000                               | 2015         | 2014          |
|---------------------------------------|--------------|---------------|
| Irrevocable lease payments amount to: |              |               |
| Within 1 year                         | 5 016        | 5 556         |
| 1-5 years                             | 4 717        | 5 751         |
| More than 5 years                     | -            | -             |
| <b>Total</b>                          | <b>9 733</b> | <b>11 307</b> |

## 26 Other assets

| SEK 000                                  | 2015           | 2014           |
|--|----------------|----------------|
| Positive value of derivative instruments | 344 259        | 149 160        |
| Accounts receivable                      | 350 265        | 330 341        |
| Tax receivables                          | 122 448        | 80 516         |
| Account receivable, Group companies      | 3 599          | 4 309          |
| Other assets                             | 49 592         | 27 271         |
| <b>Total</b>                             | <b>870 163</b> | <b>591 597</b> |

## 27 Prepaid expenses and accrued income

| SEK 000                                       | 2015           | 2014           |
|---|----------------|----------------|
| Accrued fees and commissions                  | 130 734        | 83 866         |
| Accrued interest income                       | 26 336         | 22 059         |
| Input VAT to receive regarding previous years | 88 964         | -              |
| Other prepaid expenses and accrued income     | 38 702         | 20 766         |
| <b>Total</b>                                  | <b>284 735</b> | <b>126 692</b> |

## 28 Liabilities to credit institutions

| SEK 000                    | 2015             | 2014             |
|----------------------------|------------------|------------------|
| <b>Swedish banks</b>       |                  |                  |
| - Swedish currency         | 553 465          | 10 353           |
| - Foreign currency         | 2 333 409        | 1 235 105        |
| <b>Total swedish banks</b> | <b>2 886 875</b> | <b>1 245 458</b> |
| <b>Foreign banks</b>       |                  |                  |
| - Swedish currency         | 110 144          | 11 600           |
| - Foreign currency         | 1 130 631        | 1 000 471        |
| <b>Total foreign banks</b> | <b>1 240 776</b> | <b>1 012 071</b> |
| <b>Total</b>               | <b>4 127 651</b> | <b>2 257 529</b> |

## 29 Deposits from the public

| SEK 000   | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>Public</b>                                     |                   |                   |
| - Swedish currency                                | 14 513 715        | 14 501 037        |
| - Foreign currency                                | 5 687 040         | 546 550           |
| <b>Total</b>                                      | <b>20 200 755</b> | <b>15 047 587</b> |
| <b>Deposits specified by category of borrower</b> |                   |                   |
| Corporate sector                                  | 106 983           | 259 887           |
| Household sector                                  | 20 093 772        | 14 787 700        |
| <b>Total</b>                                      | <b>20 200 755</b> | <b>15 047 587</b> |

## 30 Change in fair value on hedged amounts in the portfolio hedge

| SEK 000                         | 2015         | 2014          |
|---------------------------------|--------------|---------------|
| Opening balance                 | 15 466       | 8 438         |
| Change in value during the year | -6 836       | 7 028         |
| <b>Closing balance</b>          | <b>8 630</b> | <b>15 466</b> |

## 31 Issued securities

| SEK 000                  | 2015             | 2014             |
|--------------------------|------------------|------------------|
| Certificates of deposits | 1 119 463        | 836 160          |
| Bonds                    | 3 098 475        | 2 148 713        |
| <b>Total</b>             | <b>4 217 938</b> | <b>2 984 873</b> |

## 32 Other liabilities

| SEK 000                                  | 2015           | 2014           |
|--|----------------|----------------|
| Negative value of derivative instruments | 30 398         | 218 758        |
| Accounts payable                         | 288 170        | 216 659        |
| Preliminary tax, interests               | 17 964         | 40 918         |
| Settlement and clearing items            | 408 860        | 231 463        |
| Group liabilities                        | 117 320        | 2 053          |
| Tax liabilities                          | 31 455         | 26 132         |
| Other liabilities                        | 87 240         | 41 353         |
| <b>Total</b>                             | <b>981 407</b> | <b>751 204</b> |

## 33 Accrued expenses and prepaid income

| SEK 000                                     | 2015             | 2014             |
|---|------------------|------------------|
| Accrued interest expenses                   | 232 809          | 170 424          |
| Accrued personnel costs                     | 127 487          | 77 175           |
| Prepaid lease payments                      | 271 735          | 269 847          |
| Prepaid income from partners                | 495 856          | 390 474          |
| Accrued audit costs                         | 21 701           | 1 926            |
| Prepaid income related to leasing insurance | 11 410           | 11 765           |
| Other accrued expenses                      | 150 341          | 100 584          |
| <b>Total</b>                                | <b>1 311 339</b> | <b>1 022 195</b> |

## 34 Provisions for pensions

| SEK 000   | 2015          | 2014          |
|---|---------------|---------------|
| Provision for pensions  | 32 317        | 31 611        |
| <b>Total</b>  | <b>32 317</b> | <b>31 611</b> |
| <b>Change in net debt</b>   |               |               |
| Net debt regarding pension obligations at the beginning of the year                   | 31 611        | 29 980        |
| + Personal pension expenses, excluding interest expense, reported in income statement | 58            | 241           |
| + Interest expenses   | 1 183         | 1 786         |
| - Pension payments  | -535          | -396          |
| <b>= Net debt at year-end</b>   | <b>32 317</b> | <b>31 611</b> |
| Of which credit insured by FPG/PRI  | 32 317        | 31 611        |
| <b>Pension costs</b>  |               |               |
| <b>Personal pension plan</b>  |               |               |
| Cost of earning pensions etc.   | 58            | 241           |
| + Interest expense (calculated discounting effect)                                    | 1 183         | 1 786         |
| <b>= Pension expenses for personal pension plan excluding taxes</b>                   | <b>1 241</b>  | <b>2 027</b>  |
| <b>Pensions through insurance</b>   |               |               |
| + Insurance premiums or equivalent  | 58 937        | 49 968        |
| <b>= Total pension costs excluding taxes</b>  | <b>60 178</b> | <b>51 995</b> |

Next year's expected payment in regard to defined benefit pension plans amounts to SEK 730 k. The entire provision reported in the balance sheet is covered by the Pension Obligations Vesting Act.

## 35 Subordinated liabilities

| SEK 000                          | Currency | Issue date | Nom     | Coupon interest               | 2015          |               |                |
|----------------------------------|----------|------------|---------|-------------------------------|---------------|---------------|----------------|
|                                  |          |            |         |                               | Interest rate | Maturity date | Reported value |
| Subordinated loan 1              | GBP      | 2015-05-28 | 7 000   | Libor 12 mth +2.8% per year   | 3.51%         | 2025-05-28    | 86 981         |
| Subordinated loan 2              | NOK      | 2015-05-28 | 35 000  | Nibor 12 mth +2.6% per year   | 4.07%         | 2025-05-28    | 33 336         |
| Subordinated loan 3              | DKK      | 2015-05-28 | 90 000  | Cibor 12 mth +2.5% per year   | 2.52%         | 2025-05-28    | 110 448        |
| Subordinated loan 4              | EUR      | 2015-08-01 | 39 500  | Euribor 12 mth +2.5% per year | 2.50%         | 2025-05-28    | 361 747        |
| Subordinated loan 5              | SEK      | 2015-05-28 | 200 000 | Stibor 12 mth +2.7% per year  | 2.70%         | 2025-05-28    | 200 000        |
| <b>Total</b>                     |          |            |         |                               |               |               | <b>792 512</b> |
| <i>Of which: Group companies</i> |          |            |         |                               |               |               | 792 512        |

| SEK 000                          | Currency | Issue date | Nom     | Coupon interest               | 2014          |               |                |
|----------------------------------|----------|------------|---------|-------------------------------|---------------|---------------|----------------|
|                                  |          |            |         |                               | Interest rate | Maturity date | Reported value |
| Subordinated loan 1              | GBP      | 2013-03-27 | 7 000   | Libor 12 mth +3.3% per year   | 3.98%         | 2023-03-23    | 85 443         |
| Subordinated loan 2              | NOK      | 2009-06-25 | 35 000  | Nibor 12 mth +2.6% per year   | 4.36%         | 2023-03-23    | 36 544         |
| Subordinated loan 3              | DKK      | 2009-06-25 | 90 000  | Cibor 12 mth +2.6% per year   | 2.74%         | 2023-03-23    | 114 490        |
| Subordinated loan 4              | EUR      | 2009-12-17 | 15 000  | Euribor 12 mth +3.5% per year | 2.83%         | 2024-11-19    | 142 089        |
| Subordinated loan 5              | SEK      | 2010-06-23 | 150 000 | Stibor 12 mth +2.6% per year  | 2.96%         | 2020-06-23    | 150 000        |
| Subordinated loan 6              | SEK      | 2010-08-25 | 50 000  | Stibor 12 mth +2.6% per year  | 2.96%         | 2020-08-25    | 50 000         |
| <b>Total</b>                     |          |            |         |                               |               |               | <b>578 566</b> |
| <i>Of which: Group companies</i> |          |            |         |                               |               |               | 578 566        |

The subordinated debt is subordinate to the bank's other liabilities, which implies a right to payment only after the other creditors have received payment.

The year's interest expense on subordinated liabilities amounted to SEK 19 824 k. For other conditions regarding the bank's subordinated loans, see note 40.



## 36 Untaxed reserves

| SEK 000   | 2015           | 2014           |
|---|----------------|----------------|
| <b>Accumulated depreciation in excess of plan</b> |                |                |
| Opening balance, 1 January                        | 698 157        | 698 157        |
| Depreciation in excess of plan for the year       | -              | -              |
| <b>Closing balance, 31 December</b>               | <b>698 157</b> | <b>698 157</b> |

Capacity for accelerated depreciation on leased assets held on behalf of clients exists. No additional provision has been made in 2015 with regard to the rules for the settlement of foreign tax in branches.

## 37 Equity

The number of shares totals 10 004, with a quota value of SEK 7 896. Quota value refers to share capital divided by the number of shares.

### Statutory reserve

The statutory reserve consists of restricted equity.

### Fund for fair value

The fund for fair value comprises the fair value reserve and the translation reserve. The fair value reserve includes the accumulated, unrealised net change in the fair value of financial assets available for sale until the asset is removed from the balance sheet. Changes in value due to impairment losses are, however, reported in the income statement. The translation reserve comprises

translation differences arising when consolidating the bank's foreign branches.

### Profit or loss brought forward

Profit or loss brought forward consists of the previous year's retained earnings after the distribution of dividends for the year. Together with the profit and loss for the year and the fair value reserve, this item comprises the total unrestricted equity, meaning the amount available for distribution to the shareholders.

### Change in equity

For a specification of changes in equity during the period see the Statement of changes in equity.

## Change in the Fund for fair value

| SEK 000  | 2015          | 2014          |
|--|---------------|---------------|
| <b>Fair value reserve</b>  |               |               |
| Opening balance, 1 January   | 4 462         | 3 390         |
| Financial assets available-for sale  |               |               |
| Unrealised changes in fair value reported in other comprehensive income for the year | -8 892        | 1 374         |
| Tax, revaluations  | 1 956         | -302          |
| <b>Closing balance, 31 December</b>  | <b>-2 474</b> | <b>4 462</b>  |
| <b>Hedging reserve</b>   |               |               |
| The year's change in fair value of cash flow hedges                                  | 3 601         | -             |
| Tax attributable to the year's   | -792          | -             |
| <b>Closing balance, 31 December</b>  | <b>2 809</b>  | <b>-</b>      |
| <b>Translation reserve</b>   |               |               |
| Opening balance, 1 January   | 82 896        | 33 921        |
| Translation differences, branches  | -83 956       | 48 975        |
| <b>Closing balance, 31 December</b>  | <b>-1 060</b> | <b>82 896</b> |
| <b>Closing balance, Fund for fair value</b>  | <b>-724</b>   | <b>87 359</b> |

## 38 Memorandum items

| SEK 000                       | 2015              | 2014              |
|-------------------------------|-------------------|-------------------|
| <b>Contingent liabilities</b> |                   |                   |
| PRI                           | 646               | 632               |
| <b>Total</b>                  | <b>646</b>        | <b>632</b>        |
| <b>Commitments</b>            |                   |                   |
| Loan commitments, irrevocable | 2 200 117         | 1 240 973         |
| Unused credit limits          | 38 951 084        | 25 781 898        |
| <b>Total</b>                  | <b>41 151 201</b> | <b>27 022 871</b> |

Commitments made up of granted unused credit can be terminated effective immediately to the

extent this is permitted under the Consumer Credit Act.

## 39 Financial assets and liabilities

The following summarizes information about carrying and fair values per category of financial instruments. Note 2 contains descriptions of how fair value is determined for financial assets and liabilities carried at fair value in the balance sheet. For short term receivables and liabilities, deposits and lending at variable rates, the carrying amount reflects the fair value. The following section describes how fair value is determined on such instruments which value has not been measured at fair value in the balance sheet.

### Lending

Variable rate lending is valued at the acquisition cost. When the credit spread remains unchanged, the acquisition cost is considered to reflect fair value.

### Deposits

Fair value on deposits is calculated on the basis of current market interest rates where the original credit spread has remained constant if there is no clear proof that a change in the bank's creditworthiness has led to an observable change in the bank's credit spread. For deposits at variable

rates of interest, the reported value is considered to reflect the fair value.

### Other interest-bearing financial assets and liabilities

For financial assets and liabilities in the balance sheet with a remaining maturity of less than six months, the reported value is considered to reflect the fair value.

For financial assets and liabilities for which a rate is available from an active market, this rate is used for valuation. In the event that no rate is available, generally accepted valuation models are used instead. Controls of these models are performed on a continuous basis and comprise three steps. The values included in the model are compared with market data from other sources and the valuations are also compared with counterparty valuations. Finally, controls are also performed on the model's ability to generate a correct fair value.

### Financial assets and liabilities

| 2015<br>SEK m   | Financial<br>assets at fair<br>value through<br>profit or loss | Loans and<br>receivables | Financial<br>assets<br>available-for-<br>sale | Financial<br>liabilities at fair<br>value through<br>profit or loss | Other financial<br>liabilities | Derivatives<br>used in hedge<br>accounting | Total<br>carrying<br>amount | Fair value    |
|---|--|--------------------------|---|---|--------------------------------|--|-----------------------------|---------------|
| <b>Financial assets</b>   |  |                          |   |   |                                |  |                             |               |
| Cash  | -  | 25                       | -   | -   | -                              | -  | 25                          | 25            |
| Treasury bills  | -  | -                        | 1 120   | -   | -                              | -  | 1 120                       | 1 120         |
| Loans to credit institutions  | -  | 1 747                    | -   | -   | -                              | -  | 1 747                       | 1 747         |
| Loans to the public   | -  | 24 105                   | -   | -   | -                              | -  | 24 105                      | 24 105        |
| Change in fair value on interest-rate hedged items in the portfolio | -  | -                        | -   | -   | -                              | -  | -                           | -             |
| Bonds and other interest-bearing securities                         | -  | -                        | 1 685   | -   | -                              | -  | 1 685                       | 1 685         |
| Shares and participations   | -  | -                        | 4   | -   | -                              | -  | 4                           | 4             |
| Derivatives   | 275  | -                        | -   | -   | -                              | 69   | 344                         | 344           |
| Accrued income  | -  | 120                      | -   | -   | -                              | -  | 120                         | 120           |
| Other financial assets  | -  | 403                      | -   | -   | -                              | -  | 403                         | 403           |
| <b>Total</b>  | <b>275</b>   | <b>26 400</b>            | <b>2 810</b>                                  | <b>-</b>  | <b>-</b>                       | <b>69</b>                                  | <b>29 554</b>               | <b>29 554</b> |
| <b>Financial liabilities</b>  |  |                          |   |   |                                |  |                             |               |
| Liabilities to credit institutions                                  | -  | -                        | -   | -   | 4 128                          | -  | 4 128                       | 4 128         |
| Deposit from the public   | -  | -                        | -   | -   | 20 201                         | -  | 20 201                      | 20 201        |
| change in fair value on interest-rate hedged items in the portfolio | -  | -                        | -   | -   | 9                              | -  | 9                           | 9             |
| Issued securities   | -  | -                        | -   | -   | 4 218                          | -  | 4 218                       | 4 221         |
| Derivatives   | -  | -                        | -   | 9   | -                              | 21   | 30                          | 30            |
| Other liabilities   | -  | -                        | -   | -   | 920                            | -  | 920                         | 920           |
| Accrued expenses  | -  | -                        | -   | -   | 532                            | -  | 532                         | 532           |
| Subordinated liabilities  | -  | -                        | -   | -   | 793                            | -  | 793                         | 793           |
| <b>Total</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                                      | <b>9</b>  | <b>30 799</b>                  | <b>21</b>                                  | <b>30 830</b>               | <b>30 832</b> |

| 2014<br>SEK m   | Financial<br>assets at fair<br>value through<br>profit or loss | Loans and<br>receivables | Financial<br>assets<br>available-for-<br>sale | Financial<br>liabilities at fair<br>value through<br>profit or loss | Other financial<br>liabilities | Derivatives<br>used in hedge<br>accounting | Total<br>carrying<br>amount | Fair value    |
|---|--|--------------------------|---|---|--------------------------------|--|-----------------------------|---------------|
| <b>Financial assets</b>   |  |                          |   |   |                                |  |                             |               |
| Cash and balances with central banks                                | -  | 0                        | -   | -   | -                              | -  | 0                           | 0             |
| Treasury bills  | -  | -                        | 953   | -   | -                              | -  | 953                         | 953           |
| Loans to credit institutions  | -  | 1 068                    | -   | -   | -                              | -  | 1 068                       | 1 068         |
| Loans to the public   | -  | 16 573                   | -   | -   | -                              | -  | 16 573                      | 16 573        |
| Change in fair value on interest-rate hedged items in the portfolio | -  | -                        | -   | -   | -                              | -  | -                           | -             |
| Bonds and other interest-bearing securities                         | -  | -                        | 1 272   | -   | -                              | -  | 1 272                       | 1 272         |
| Shares and participations   | -  | -                        | 4   | -   | -                              | -  | 4                           | 4             |
| Derivatives   | 82   | -                        | -   | -   | -                              | 68   | 149                         | 149           |
| Accrued income  | -  | 106                      | -   | -   | -                              | -  | 106                         | 106           |
| Other financial assets  | -  | 362                      | -   | -   | -                              | -  | 362                         | 362           |
| <b>Total</b>  | <b>82</b>  | <b>18 110</b>            | <b>2 229</b>                                  | <b>-</b>  | <b>-</b>                       | <b>68</b>                                  | <b>20 487</b>               | <b>20 487</b> |
| <b>Financial liabilities</b>  |  |                          |   |   |                                |  |                             |               |
| Liabilities to credit institutions                                  | -  | -                        | -   | -   | 2 258                          | -  | 2 258                       | 2 258         |
| Deposits from the public  | -  | -                        | -   | -   | 15 048                         | -  | 15 048                      | 15 048        |
| Change in fair value on interest-rate hedged items in the portfolio | -  | -                        | -   | -   | 15                             | -  | 15                          | 15            |
| Issued securities   | -  | -                        | -   | -   | 2 985                          | -  | 2 985                       | 2 985         |
| Derivatives   | -  | -                        | -   | 219   | -                              | -  | 219                         | 219           |
| Other liabilities   | -  | -                        | -   | -   | 504                            | -  | 504                         | 504           |
| Accrued expenses  | -  | -                        | -   | -   | 1 022                          | -  | 1 022                       | 1 022         |
| Subordinated liabilities  | -  | -                        | -   | -   | 579                            | -  | 579                         | 579           |
| <b>Total</b>  | <b>-</b>   | <b>-</b>                 | <b>-</b>                                      | <b>219</b>  | <b>22 411</b>                  | <b>-</b>                                   | <b>22 630</b>               | <b>22 632</b> |

The following table provides information about how the fair value of financial instruments that are valued at fair value in the balance sheet (excluding the items included in hedge accounting) is established. The breakdown of how fair value is determined is based on the following three levels:

- Level 1: according to prices listed on an active market for the same instrument
- Level 2: based on directly or indirectly observable market data that is not included in level 1
- Level 3: based on input that is not observable in the market

**Financial assets and liabilities are reported at fair value in the balance sheet**

**2015**

| SEK 000   | Level 1   | Level 2 | Level 3 | Total            |
|---|-----------|---------|---------|------------------|
| <b>Financial assets at fair value through profit or loss</b>      |           |         |         |                  |
| Interest rate derivatives   | -         | 69 311  | -       | <b>69 311</b>    |
| Currency derivatives  | -         | 274 948 | -       | <b>274 948</b>   |
| <b>Financial assets available-for-sale</b>                        |           |         |         |                  |
| Bonds and other interest-bearing securities                       | 1 373 210 | 311 969 | -       | <b>1 685 179</b> |
| Treasury bills  | 1 120 183 | -       | -       | <b>1 120 183</b> |
| Shares and participations <sup>1)</sup>                           | 2 788     | 1 535   | -       | <b>4 323</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |           |         |         |                  |
| Interest rate derivatives   | -         | 30 010  | -       | <b>30 010</b>    |
| Currency derivatives  | -         | 388     | -       | <b>388</b>       |

**2014**

| SEK 000   | Level 1 | Level 2 | Level 3 | Total            |
|---|---------|---------|---------|------------------|
| <b>Financial assets at fair value through profit or loss</b>      |         |         |         |                  |
| Interest rate derivatives   | -       | 70 181  | -       | <b>70 181</b>    |
| Currency derivatives  | -       | 78 979  | -       | <b>78 979</b>    |
| <b>Financial assets available-for-sale</b>                        |         |         |         |                  |
| Bonds and other interest-bearing securities                       | 947 565 | 324 868 | -       | <b>1 272 433</b> |
| Treasury bills  | 952 514 | -       | -       | <b>952 514</b>   |
| Shares and participations <sup>1)</sup>                           | 2 050   | 1 535   | -       | <b>3 585</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |         |         |         |                  |
| Interest rate derivatives   | -       | 8 306   | -       | <b>8 306</b>     |
| Currency derivatives  | -       | 210 452 | -       | <b>210 452</b>   |

- 1) The bank owns shares in an unlisted company, which are included in Level 2 of the valuation category Financial assets available for sale. As there are difficulties in being able to calculate a fair value reliably, this is reported at the cost of acquisition. The bank does not intend to sell these shares in any near future.

The input data used in valuation techniques are based, to the extent possible, on market information.

The fair value of derivative instruments is calculated using established valuation techniques and observable market interest rates. The bank's valuation of derivatives at fair value is solely

based on input data that is directly or indirectly observable in the market.

Fair value of financial instruments that are not derivative instruments is based on future cash flows and current market rates on the balance sheet date. The discount rate used is the market-based interest rate for similar instruments on the balance sheet date.

## 40 Capital analysis

Below, information is provided regarding own funds and own funds requirements in accordance with among others regulation (EU) No 575/2013 regarding prudential requirements and capital buffers (2014:12).

The capital requirements regulations help to strengthen resilience against financial losses and thereby protect the bank's customers. The regulations state that the bank's own funds shall cover the minimum statutory own funds requirements, which for Ikano Bank include the requirements for credit risks, CVA risks, operational risks and foreign exchange risks. In addition, the own funds requirements include further identified risks in the operation in accordance with the bank's internal capital adequacy assessment process and the requirements stipulated by the Board of Directors, also referred to as Pillar 2 requirements and statutory requirements for capital buffers.

To ensure that the own funds of Ikano Bank are sufficient, the internal capital adequacy assessment (ICAAP) is performed. This process is a tool used by the Board of Directors to assess the need for changes in the own funds requirement in the event of changed circumstances. This might involve strategic commercial decisions or events in the market impacting the operations and their development. The bank performs stress tests and scenario analyses to assess the need for further capital. The risk control function is responsible for monitoring the process of the bank's capital planning. This is done annually and is integrated with the bank's budget and strategic planning. The plan is monitored continuously and a comprehensive risk analysis is conducted annually to ensure that risks are properly assessed and reflect the bank's true risk profile and capital needs. The capital requirements according to the capital adequacy assessment process are reported regularly to the SFS. The capital requirement of the ICAAP in addition to pillar 1 requirements for 31 December 2015 totalled SEK 859 m.

Ikano Bank's risk tolerance is that the total capital ratio should never fall below 14 percent, i.e. 6 percentage points above the statutory capital requirement for Pillar 1 risks. This margin represents a buffer adapted to the bank's risk profile in order to cover identified risks based on probability and financial impact. To meet the anticipated expansion of loans, maintain strategic freedom of action and also handle external changes, the bank has a guideline that the total capital ratio shall correspond to 17 percent.

In the calculation of own funds requirements for credit risk under Pillar 1, the bank uses the standardised approach which includes 17 exposure categories with defined risk weights. Own funds requirements for operational risk are calculated using the basic indicator approach which means that the own funds requirement is 15 percent of the average for the prior three years' operating revenues. Own funds requirements for foreign

exchange risk cover all on and off balance sheet items measured at market value and converted to Swedish kronor at the closing rate. Four percent of the total net positions in foreign currency are estimated capital requirement for the majority of the exposures consisting of closely correlated currencies. For other currencies, a capital requirement of eight percent applies.

As of 31 December 2015, the bank had own funds of SEK 5.0 bn (3.8) compared with the statutory own funds requirement for Pillar 1-risk of SEK 2.4 bn (1.7). The total capital ratio was 16.8 percent with a Tier 1 capital ratio of 14.1 percent. Consequently, the bank has a strong capital adequacy that meets both statutory and internal requirements. The bank's common equity Tier 1 capital amounted to SEK 4.2 bn. After a statutory minimum for common equity Tier 1 capital has been allocated to cover 75 percent of the total own funds requirement calculated in accordance with pillar 1, a further SEK 2.4 bn remain available as common equity Tier 1 capital.

The combined buffer requirement for Ikano Bank consists of the capital conservation buffer and the countercyclical capital buffer. According to the law (2014:966) regarding capital buffers the capital conservation buffer shall consist of a common equity Tier 1 capital equivalent to 2.5 percent of the bank's total risk exposure amounts. For Ikano Bank, the capital conservation buffer totals SEK 741 m and is covered well by the available common equity Tier 1 capital. On 13 September 2015 an additional buffer requirement was introduced, obliging institutes to maintain an institution-specific countercyclical buffer (CCB). The CCB is determined by multiplying the total risk exposure amount with the weighted average of the CCB rates applicable in those countries where the relevant credit exposures of the institution are located. The institution-specific countercyclical buffer for the bank has been determined at 0.44% or SEK 129 m after weighting the applicable geographic requirements, which for the bank means Sweden and Norway. Ikano Banks combined buffer requirement is SEK 871 m.

### Own funds

The bank's own funds totalled SEK 5.0 bn whereof SEK 4.2 bn is Tier 1 capital and SEK 0.8 bn is Tier 2 capital. Of the bank's Tier 1 capital, all components have characteristics to be qualified as core Tier 1 capital. The different components of the core Tier 1 capital are share capital, reserves, fair value fund for fair value, retained earnings, untaxed reserves (78 percent thereof) and the year's audited result. Share capital consists of 10 004 shares with a quota value of SEK 7 896. The reserve fund is counted as part of the restricted capital that cannot be distributed to shareholders. The fund for fair value consists of a translation reserve that arises upon consolidation of the bank's foreign branches and the fair value reserve



arising from unrealised fair value adjustments on the bank's financial assets available for sale. Retained profit and loss consists of the bank's accumulated earnings and a capital contribution by the shareholders in connection with the acquisition of the UK operation. The bank's untaxed reserves consist of accelerated depreciation on tangible assets, 78 percent of these are included in Tier 1 capital.

Deductions from the core Tier 1 capital were made for intangible assets and until 2014 for positive unrealised changes in value reported in Fund for fair value reserve in accordance with the transition rules. The bank's intangible assets consist of capitalised expenditures for internally generated and acquired software and IT systems. The unrealised changes in value that until 2014 are deducted from core Tier 1 capital consist of unrealised value changes in the bank's financial assets available for sale.

The bank's deferred tax assets, after the introduction of Basel III, are exempt from deductions from the own funds as they are dependent on future profitability and attributable to the temporary differences, and together, total 10 percent of core Tier 1 items. The bank's deferred receivables total 5 percent of core Tier 1 capital.

The cumulative value of the effective portion of cash flow hedges are recognized in fair value reserve is not included in the capital base, this amounts to SEK 3 m.

#### Conditions for instruments in Tier 1 capital

Conditions for share capital and capital contribution (part of retained earnings) included in Tier 1 capital in accordance with article 26.3 of the Capital Requirements Regulation shall be published pursuant to article 3 of the Implementation regulation 1423/2013. Both instruments are governed by Swedish law and are part of the Tier 1 capital, both in accordance with the transitional provisions and after the transition period. They are acceptable as Tier 1 capital at both the individual and group level. The original issue date of the share capital is 2 November 1994 and is reported at a value of mSEK 79 (nominal value mSEK 79). The original issue date of the capital contribution is 1 May 2013 and is reported at a value of mSEK 242 (nominal value GBP 24 m). Both instruments have no maturity date.

#### Conditions for Tier 2 capital

Tier 2 capital consists of dated subordinated loans that are subordinate to the bank's other liabilities, which means that they carry the right for payment only after other creditors have been repaid in the event that the bank is no longer able to fulfil its commitments.

All subordinated loans are issued by the parent company Ikano S.A. The subordinated loans are securities classified as Tier 2 capital in accordance with the Supervisory regulation article 26.3, under both the transitional provisions and the provisions after the transition period. For all subordinated loans, the issue price constitutes 100 percent of the nominal amount and the redemption amount also totals 100 percent. The subordinated loans are valued at the acquisition value in the accounts.

Redemption of subordinated loans requires prior authorisation by the supervisory authority. In the loan terms, there is not a possibility for a step-up or other incentive for redemption. The subordinated loans are non-cumulative, which means that there are restrictions for the investor regarding the possibility to receive accrued interest in the event that the bank fails to meet its obligations. The subordinated loans are non-convertible, i.e. not possible to convert into shares.

For other conditions that are specific to each subordinated loan and shall be published pursuant to article 3 of the Implementation regulation 1423/2013, see note 35.

#### Risk exposure amounts and own funds requirements

In calculating the risk exposure amounts for credit risk in accordance with pillar 1, the bank uses the standardised approach, which includes seventeen exposure classes with defined, weighted risks. The risk exposure amount for credit risk is SEK 23.8 bn, which results in an own funds requirement of SEK 1.9 bn.

The bank uses Standard and Poor's rating for the calculation of the own funds requirement for Bonds and other interest-bearing securities.

The risk exposure amount for operational risks is calculated in accordance with the basic indicator approach, which means that the risk-exposure amount constitutes 15 percent of the average operating income for the three previous financial years. The bank's risk exposure amount for operational risk is SEK 4.4 bn, which resulting in an own funds requirement of SEK 355 m.

The risk exposure amount for foreign exchange risk covers all items in and off the balance sheet valued at the current market value and converted to Swedish kronor in accordance with the closing rate. Eight percent of the total net position in foreign currency is calculated to constitute capital requirements for the majority of the exposures. For closely related currencies, a lower capital requirement of four percent of the matched position is applied. The bank's risk exposure amount for foreign exchange risk is SEK 1.4 bn, with an own funds requirement of SEK 115 m.

## Summary of own funds, risk exposure amount and own funds requirements

| SEK 000  | 2015              | 2014              |
|--|-------------------|-------------------|
| Tier 1 capital   | 4 194 564         | 3 232 341         |
| Tier 2 capital   | 792 512           | 578 566           |
| <b>Own funds</b>   | <b>4 987 076</b>  | <b>3 810 906</b>  |
| <b>Total risk exposure amount</b>  | <b>29 646 534</b> | <b>21 401 606</b> |
| <b>Total own funds requirements</b>  | <b>2 371 723</b>  | <b>1 712 129</b>  |
| <br>   |                   |                   |
| Total Capital ratio  | 16.8%             | 17.8%             |
| Tier 1 Capital ratio   | 14.1%             | 15.1%             |
| Common equity Tier 1 ratio   | 14.1%             | 15.1%             |
| Available common equity Tier 1 Capital   | 2 415 772         | 1 948 245         |
| Available common equity Tier 1 Capital in relation to Total risk exposure amount | 8.1%              | 9.1%              |
| Capital conservation buffer  | 741 163           | 535 040           |
| Counter-cyclical capital buffer  | 129 434           | -                 |
| <b>Combined buffer requirement</b>   | <b>870 597</b>    | <b>535 040</b>    |

## Specification of own funds

| SEK 000  | 2015             | 2014             |
|--|------------------|------------------|
| <b>Own funds</b>   |                  |                  |
| <b>Tier 1 capital</b>  |                  |                  |
| Equity reported in the balance sheet                               | 3 840 740        | 2 736 607        |
| Share capital  | 78 994           | 78 978           |
| Statutory reserve  | 193 655          | 193 655          |
| Fund for fair value  | -724             | 87 358           |
| Retained earnings  | 3 061 569        | 2 059 901        |
| Net result for the year  | 507 246          | 316 715          |
| <br>   |                  |                  |
| Untaxed reserves (78% of which)                                    | 544 562          | 544 562          |
| Less:  |                  |                  |
| Intangible assets  | -187 930         | -44 366          |
| Unrealised changes in fair value recognised in fund for fair value | -                | -4 462           |
| Cash flow hedge  | -2 809           | -                |
| <b>Total Tier 1 Capital</b>  | <b>4 194 564</b> | <b>3 232 341</b> |
| <b>Total Common Equity Tier 1 Capital</b>                          | <b>4 194 564</b> | <b>3 232 341</b> |
| <br>   |                  |                  |
| <b>Tier 2 capital</b>  |                  |                  |
| Subordinated liabilities   | 792 512          | 578 566          |
| <b>Total Tier 2 Capital</b>  | <b>792 512</b>   | <b>578 566</b>   |
| <br>   |                  |                  |
| <b>Total own funds</b>   | <b>4 987 076</b> | <b>3 810 906</b> |

## Specification of risk exposure amounts and own funds requirements

| SEK 000   | 2015                 |                        | 2014                 |                        |
|---|----------------------|------------------------|----------------------|------------------------|
|   | Risk exposure amount | Own funds requirements | Risk exposure amount | Own funds requirements |
| <b>Credit risk according to the standardised approach</b>           |                      |                        |                      |                        |
| Exposures to states and central banks                               | 480                  | 38                     | -                    | -                      |
| Exposures to public sector entities                                 | 9                    | 1                      | -                    | -                      |
| Institutional exposure  | 517 457              | 41 397                 | 313 921              | 25 114                 |
| Corporate exposure  | 1 142 084            | 91 367                 | 967 878              | 77 430                 |
| Retail exposure   | 20 902 056           | 1 672 165              | 15 019 195           | 1 201 536              |
| Equity exposure   | 17 645               | 1 412                  | -                    | -                      |
| Exposures in default  | 524 911              | 41 993                 | 453 287              | 36 263                 |
| Covered bond exposure   | 83 165               | 6 653                  | 62 563               | 5 005                  |
| Other items   | 580 438              | 46 435                 | 362 458              | 28 997                 |
| <b>Total credit risk</b>  | <b>23 768 245</b>    | <b>1 901 460</b>       | <b>17 179 302</b>    | <b>1 374 344</b>       |
| <br>  |                      |                        |                      |                        |
| <b>Operational risk according to the basic indicator approach</b>   | <b>4 441 200</b>     | <b>355 296</b>         | <b>3 408 379</b>     | <b>272 670</b>         |
| <br>  |                      |                        |                      |                        |
| <b>Foreign exchange risk according to the standardised approach</b> | <b>1 437 090</b>     | <b>114 967</b>         | <b>813 925</b>       | <b>65 114</b>          |
| <br>  |                      |                        |                      |                        |
| <b>Total</b>  | <b>29 646 534</b>    | <b>2 371 723</b>       | <b>21 401 606</b>    | <b>1 712 129</b>       |

## Leverage ratio

The leverage ratio is a measure that has been developed by regulators as an alternative to risk-based capital. The aim is that there should be a clear and simple measure of capital strength. The measurement shows capital as a percentage of asset size, without the actual risk level of the assets being taken into consideration.

The leverage ratio is calculated using the Tier 1 capital as a percentage of total assets, based on average values of the last three months. For the bank, the leverage ratio per 31 December 2015 is 9.4 percent. The bank therefore considers itself to have a comfortable level of capital strength.

## 41 Related parties

The bank has related-party relationships with companies within the Group. Transactions with these are shown below. Consolidated financial statements are prepared by Ikano S.A., Luxembourg.

Transactions with related parties are priced on commercial, market-based terms. No non-performing loans are attributable to the outstanding receivables with related parties.

### Transactions with key personnel in senior positions

Salaries and other remuneration, pensions and loans to key personnel in leading positions, see note 13 General administrative expenses.

| SEK 000               | Year | Income  | Expenses | Receivables with related parties, 31 December | Liabilities with related parties, 31 December |
|-----------------------|------|---------|----------|---|---|
| Ikano S.A.            | 2015 | 1 398   | -56 645  | -   | 810 590                                       |
| Ikano S.A.            | 2014 | 3 103   | -57 696  | 320   | 589 965                                       |
| Other Group companies | 2015 | 23 801  | -16 794  | 18 062  | 113 945                                       |
| Other Group companies | 2014 | 116 475 | -22 527  | 4 054   | 8 937   |

## 42 Events after the balance sheet date

After the end of the year, no significant events have occurred that have affected the financial reports for 2015.

# Signatures

We hereby certify, to the best of our knowledge, that the annual report has been prepared in accordance with acceptable accounting practices. The information presented is consistent with actual conditions in the operations and nothing of significance has been omitted which could affect the image of the bank created by the annual report.

Mats Håkansson  
Chairperson

Steen Lopdrup Helles  
Board member

Olle Claeson  
Board member

Heather Jackson  
Board member

Diederick van Thiel  
Board member

Stefan Nyrinder  
Managing Director

Our auditor's report was submitted on 27 April 2016.

Deloitte AB

Jan Palmqvist  
Authorised public accountant

## Audit report

To the annual meeting of the shareholders of Ikano Bank AB (publ), Corporate identity number 516406-0922

### Report on the annual accounts

We have audited the annual accounts of Ikano Bank AB (publ), for the financial year 2015-01-01 – 2015-12-31. The annual accounts of the company are included in the printed version of this document on pages 1-74.

### Responsibilities of the Board of Directors for the annual accounts

The Board of Directors are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and for such internal control as the Board of Directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of Ikano Bank AB (publ) as of 31 December 2015 and of its financial performance for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions does not cover the corporate governance report on pages 76-81. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors of Ikano Bank AB (publ) for the financial year 2015-01-01 – 2015-12-31. We have furthermore performed a statutory examination of the corporate governance statement.

### Responsibilities of the Board of Directors

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors are responsible for administration under the Companies Act, the banking and Financing Business Act and for preparing the corporate governance report on pages 76-81 in accordance with the Annual Accounts Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors is liable to the company. We also examined whether any member of the Board of Directors has, in any other way, acted in contravention of the Companies Act, the banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company we believe that we have obtained a sufficient basis for our opinion. This means that our statutory 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.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory content is consistent with the other parts of the annual accounts.

Stockholm 27 April 2016

Deloitte AB

Signature on original document

Jan Palmqvist

Authorised public accountant

# Corporate governance report

Ikano Bank AB (publ) is a wholly owned subsidiary of Ikano S.A. in Luxembourg. The bank has its registered office in Älmhult, Sweden. The role of corporate governance in Ikano Bank is to establish good conditions for active and responsible ownership, a clear division of responsibility between the various executive and shareholder functions of the bank and effective and transparent communication with the bank's stakeholders.

The report is based on the Swedish Code of Corporate Governance even though Ikano Bank has no obligation to apply the Code as its shares are not admitted to trading on a regulated market. The regulations of the Code mainly target companies with a dispersed ownership. For the bank, which only has one owner, this means that some rules are not at all relevant and that application would not serve any reasonable purpose.

The expression "applying" the Code means that the bank actively decides on how it will act in relation to the various rules in the Code. If a company chooses to deviate from the rules of the Code, it should be disclosed according to the principle of "comply or explain." The instances where corporate governance in Ikano Bank deviates from specific rules in the Code for the above reasons are presented in the table below, together with an explanation:

## Code rule

**Item 1.1** - Publication of information on shareholder right of initiative.

**Item 1.3** - The company's Nomination Committee shall propose a chairperson for the Annual General Meeting.

**Item 2** - The company shall have a Nomination Committee that represents the company's shareholders.

## Deviation and explanation/comment

The objective of the rule is to provide various shareholders with the possibility of preparing for the Annual General Meeting well in advance and having a matter included in the convening notice of the Annual General Meeting. In wholly owned companies, there is no reason to apply the rule and information on the shareholder's right of initiative is therefore not published.

Due to the ownership structure, Ikano Bank has no Nomination Committee. The election of the chairperson takes place at the Annual General Meeting according to the provisions of the Swedish Companies Act.

Due to the ownership structure, Ikano Bank has no Nomination Committee. However, in connection with the election of the proposed Board of Directors for 2014, the shareholder Ikano S.A. presented a written evaluation and reasoned statement for the proposed Board.

Consequently, the references to the Nomination Committee in items 1.3, 1.4, 4.6, 8.1 and 10.2 in the Code are not applicable.



## Supervision and policy documents

Ikano Bank's corporate governance report is based on the Swedish code, the bank's Articles of Association and applicable legal requirements, such as the European Parliament's and Council's regulation on supervisory reporting requirements, the Swedish Companies Act, the Annual Accounts Act and the banking and Finance Business Act.

The activities of Swedish banks are regulated by law and banking operations may only be conducted after obtaining a license from the Swedish Financial Supervisory Authority. The rules in the form of laws and ordinances, regulations and general guidelines are highly extensive, but are not described in more detail in this corporate governance report. The Swedish Financial Supervisory Authority exercises extensive supervision over the bank's operations in Sweden and in the countries in which the bank conducts business through branches. A branch means that the foreign operations constitute a part of the Swedish legal entity. The bank's foreign branches are also subject to limited supervision by the financial supervisory authority of the country in question. The supervision means that the bank provides the Swedish Financial Supervisory Authority with extensive reporting including the bank's organisation, decision-making structure, internal control, terms for the bank's customers and information to private customers. The Swedish Financial Supervisory Authority also makes site visits, both in Sweden and at the foreign branches.

Customers' confidence in the bank's operation is of major importance. Clear internal regulations and a sound risk culture are essential elements in the bank's work with maintaining proper supervision and controls. In addition to the above laws and rules, Ikano Bank has multiple policies that establish the overall limits for the governance of the business and these are annually submitted to the Board for approval. The bank also has several general guidelines and instructions.

## Executive and shareholder functions of the Company

### General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of Ikano Bank. At the Annual General Meeting, the annual report is adopted and the allocation of profits and discharge from liability for the Board and the Managing Director are approved. In addition, the bank's shareholder elects Board members, the Chairperson of the Board and auditors and establishes their remuneration.

### 2015 Annual General Meeting

The Annual General Meeting was held on 27 April 2015. The following resolutions were passed:

- An updated version of the Articles of Association was adopted;
- the 2014 Annual Report was adopted;
- no dividend was paid for 2014;

- the members of the Board and the Managing Director were granted discharge from liability for 2014;
- Board fees were approved of SEK 375,000 or GBP 35,500 or EUR 42,500 for each non-executive Board member, depending on which currency applies in the Board member's home country, and additional compensation for non-executive Board members' work in the Compliance and Audit Committee (SEK 100,000, GBP 9,500 or EUR 11,500), the Risk and Capital Committee (SEK 75,000, GBP 7,100 or EUR 8,500) and the Remuneration Committee (SEK 75,000, GBP 7,100 or EUR 8,500) and the IT Committee (SEK 75,000, GBP 7,100 or EUR 8,500) as well as compensation for additional compensation for non-executive Board members' additional work over and above ordinary board work (SEK 17,600, GBP 1,660 or EUR 2,000 per day);
- the following Board members were re-elected for the period until the next Annual General Meeting:
  - Mats Håkansson (Chairperson)
  - Steen Helles
  - Olle Claeson
  - Heather Jackson
  - Diederick van Thiel
- Arja Taaveniku withdrew as Board member in connection to the Annual General Meeting.

### Extraordinary General Meetings in 2015

Besides the Annual General Meeting, no Extraordinary General Meetings were held.

### Auditor

The Authorised Public Accountant Jan Palmqvist from Deloitte is the bank's auditor. He was elected at the 2013 Annual General Meeting for a period of four years. Jan Palmqvist has been an authorised public accountant since 1992 and the auditor of Ikano Bank since 2013. Jan Palmqvist's other audit assignments include Länsförsäkringar Stockholm, AFA Försäkring, Almi Företagspartner, Stronghold Invest and Ragnsells.

The auditor meets with the entire Board once a year, without the participation of the Managing Director, normally at the Board meeting that addresses the annual accounts. During the year, the auditor participates in every meeting of the Compliance and Audit Committee. The auditor conducts a general review of interim reports.

### Board of directors

The Board of Directors responsibility includes the company's organisation and administration in accordance with the Swedish Companies Act and appoints the Managing Director and, where applicable, the members of the Risk and Capital, Compliance and Audit, IT and Remuneration

Committees. The Board continuously reviews the work of the Managing Director. The Board also decides on salary and other benefits for the Managing Director, for employees who report directly to the Managing Director and for employees who have the overall responsibility for any of the Company's control functions.

The Board's activities and the division of responsibility between the Board and the Managing Director/management are regulated by the Board's formal work plan, which is adopted by the Board every year after the Annual General Meeting. The work plan now applicable was adopted at the statutory Board meeting in May 2015. According to the work plan, the Board makes decisions regarding the Company's overall strategies, acquisitions and investments. The rules include terms of reference issued by the Board of Directors to the Managing Director. These policy documents are reviewed and approved annually. The Articles of Association state that the Board is to consist of no less than three and no more than ten members without deputies.

#### Policy to select and evaluate Board members and employees in key functions

Ikano Bank has a policy for evaluating Board members and employees in key functions. The policy contains criteria and general requirements for appearance of individual Board members and employees in key functions, both as overall principles to ensure diversity and competence regarding the composition of the Board as a whole.

The Board must have an appropriate composition. The Board members should have a range of backgrounds, expertise, experience, education, and knowledge so that they can complement each other. The members should together constitute a

diverse range of gender, age and geographic origin. The Board must always include a number of members who are not employed in the bank or the group. A diverse Board counteracts inappropriate herd behaviour and contributes to sound risk management in the bank.

Individual Board members and the Managing Director are evaluated, before they are appointed, from several different aspects. For example, the bank investigates whether the members or the Managing Director have been indicted or convicted of a crime, or have incurred any other sanctions for breaching rules (e.g. within the framework of other directorships) or been found guilty of any other inappropriate behaviour. The Board members and the Managing Director's experience, both theoretical education and practical experience, is also to be checked and evaluated before the members or the Managing Director are appointed. Finally, other factors are evaluated such as potential conflicts of interest, the possibility of allocating sufficient time for the assignment, the Board's overall composition, etc. The policy includes a form ("Information which must be provided about a potential board member or person in a key function") which must be completed prior to every recruitment.

#### Board members

In the table below, information is presented on the Board members' respective remuneration and attendance during the year, as well as whether they are dependent or independent in relation to the bank or its owner Ikano S.A. In 2015, ten ordinary Board meetings were held. The Board also held seven meetings by circulation. For a more detailed presentation of the Board members, refer to page 82.

| Name   | Mats Håkansson  | Arja Taaveiku <sup>2</sup>                                | Steen Helles <sup>3</sup>                                 | Olle Claeson    | Heather Jackson   | Diederick van Thiel |
|--|---|---|---|-----------------|-------------------|---------------------|
| Board attendance <sup>1</sup>                                      | 17/17   | 7/17  | 17/17   | 17/17           | 17/17             | 17/17               |
| Attendance at Remuneration Committee meetings <sup>1</sup>         | -   | 2/7   | 5/7   | -               | 7/7               | -                   |
| Attendance at Compliance and Audit Committee meetings <sup>1</sup> | 6/6   | -   | -   | 6/6             | -                 | -                   |
| Attendance at Risk and Capital Committee meetings <sup>1</sup>     | 6/6   | -   | -   | 6/6             | -                 | -                   |
| Attendance at IT Committee meetings <sup>1</sup>                   | -   | -   | 7/7   | -               | 7/7               | -                   |
| Remuneration   | None for Board work                                       | None for Board work                                       | None for Board work                                       | 375+100+75 KSEK | 35.5+7.1+7.1 KGBP | 42,5 KEUR           |
| Independent  | Not independent in relation to the shareholder Ikano S.A. | Not independent in relation to the shareholder Ikano S.A. | Not independent in relation to the shareholder Ikano S.A. | Independent     | Independent       | Independent         |

<sup>1</sup>Attendance/Total number of meetings

<sup>2</sup>Resigned as Board member on 27 April 2015

<sup>3</sup>Elected as a member of the Remuneration Committee on 11 May 2015

## Chairperson of the Board

The Chairperson of the Board is responsible for and heads the Board's work so that it is effective and in accordance with the Swedish Companies Act, other laws and ordinances, including the Code and the Board's internal steering instruments. The Chairperson monitors operations in dialogue with the Managing Director and is responsible for ensuring that other Board members receive adequate information and decision data and conveys any points of view from the shareholder to the Board.

The Chairperson is responsible for ensuring that the Board continuously updates and deepens its knowledge of the Company and otherwise receives the training required to effectively conduct the Board work. The Chairperson also ensures that the Board's work is evaluated annually.

## The Board's work in 2015

In 2015, ten ordinary Board meetings were held and seven meetings were held by circulation. The ordinary Board meetings were held in Lund, Nottingham, Asker, Warsaw and Malmö.

Each ordinary Board meeting follows an established agenda with reporting of mainly the following items:

- Operational status and information on particularly important issues and events (MD)
- Financial status, liquidity and capital (CFO)
- Sales report (Director of Markets)
- IT report (CIO)
- Risk Control report (CRO)
- Compliance report (CCO)
- Committees (respective committee chairperson)

Other relevant issues of major importance to the Board's work in 2015 were the overall strategy for the bank (including brand strategy), the merger with Ikano Bank GmbH, continuous reporting on a change programme with the aim of getting the operation's various business areas and geographic units to work in a more uniform and customer-oriented manner, the establishment of a common contact centre for the business units in the Nordics and the sale of the credit portfolio in the Netherlands.

## Board committees

The Board of Directors' responsibility cannot be delegated. However, the Board has decided to establish four committees which, on the basis of the provisions contained in the Board's formal work plan, prepare and evaluate issues within their respective areas for decisions by the Board.

### Compliance and Audit committee

This Committee consists of two Board members - Olle Claeson (Chairperson) and Mats Håkansson. Olle Claeson is independent in relation to the bank and its management.

The Compliance and Audit Committee monitors accounting and financial reporting, as well as the effectiveness of the bank's internal control, internal audit and risk management system. The Committee also reviews and approves the external audit plan, follows up important reporting and recommendations from the external auditor, and ensures that the auditor is impartial and independent.

Lastly, the Compliance and Audit Committee assists in the preparation of proposals on the election of the auditor at the Annual General Meeting. In 2015, the Compliance and Audit Committee held six meetings.

### Risk and capital committee

This Committee consists of two Board members - Olle Claeson (Chairperson) and Mats Håkansson.

The Committee's task is to support the Board in the risk work, mainly by ensuring that there are procedures to identify and define the risks in the business and that risk taking is measured and controlled. The risks referred to are credit, market, liquidity, interest rate and financing risks as well as operating risks. Fulfilment of the various capital adequacy requirements also belongs to this area of responsibility. In 2015, the Risk and Capital Committee held four ordinary meetings and two extraordinary meetings.

### IT committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Steen Helles. The Committee prepares the bank's IT strategy for approval by the Board and monitors its implementation. Focus is on effective IT security at a reasonable cost and ensuring access to necessary expertise in the IT area. The IT Committee held seven meetings during the year.

### Remuneration committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Steen Helles.

The Remuneration Committee prepares remuneration matters that are to be decided on by the Board and the Annual General Meeting. Based on the Annual General Meeting's resolution on principles, the Board makes decisions in accordance with the Swedish Financial Supervisory Authority guidelines regarding remuneration of the Managing Director, other senior executives and employees responsible for control functions. An important requirement in financial companies is that remuneration is structured so that it incentivises and supports effective risk management in the business.

The Remuneration Committee annually evaluates the remuneration policy, the bank's remuneration system with regard to variable salary and the application of the Annual General Meeting's principles. Compliance and other relevant control functions participate in the evaluation process. The bank also conducts an annual risk analysis of the remuneration models and the policy. In the risk

analysis, the bank identifies employees who can exercise a significant influence over the bank's risk level (identified personnel). The results of the review are reported to the Board no later than the Board meeting at which the annual report is approved. The Board is responsible for and ensures that the remuneration policy – which has been issued based on the risk analysis – are adhered to and followed up. In 2015, the Remuneration Committee held seven meetings, one of which was by circulation.

## Remuneration

The bank's remuneration to senior executives is regulated by both the Ikano Group's and the bank's remuneration policy, which have been formulated based on the Swedish Financial Supervisory Authority's regulations and the principles adopted by the Annual General Meeting.

The main features of the two remuneration policies mentioned above are that employees receive compensation in the form of a fixed salary, pension and certain benefits. The compensation is determined individually and reflects the work's complexity (i.e. the level of difficulty of the duties), local market conditions and the employee's performance.

Variable remuneration can be paid in two forms:

- Commissions for salespeople and account managers; and
- Incentive programmes for employees in the management team and branch managers.

For more information on the terms for remuneration and outcomes to senior executives, refer to Note 13 page 55.

## Bank's organisation and management

### Organisation

The operating activities are organised into seven geographic business units: Sweden (incl. cross boarder business into Austria) and the six foreign bank branches in Denmark, Norway, Finland, UK, Germany and Poland. The head office with management and central functions has during the year been relocated from Lund to Malmö, Sweden. The central functions comprise finance, business support (including HR, legal and sourcing), commercial, IT, risk control and compliance.

### Managing Director

The Managing Director of the bank is responsible for the bank's day-to-day administration and is to perform this duty in accordance with current legislation and rules, the Articles of Association, the Board's formal work plan, the terms of reference issued by the Board of Directors to the Managing Director and all other guidelines and directives issued by the Board.

Stefan Nyrinder (born 1959) has been the Managing Director since 2012 and has been employed by Ikano Bank since 2008. He was previously the Country Manager of Ikano Bank in Sweden, responsible for the retail market in Sweden and Finland. Before that, he had been the Sales and Marketing Director for HAGS and held several senior positions at SEB.

### Management team

The Management team consists of eight people. In addition to the Managing Director, the Management team includes the CFO, the Director of Markets, and the managers for the functions of business support, commercial, operations, IT and risk control. All persons in the management team report to the Managing Director. The head of the risk control function also reports directly to the Board. For the operational management work in the bank, the Managing Director has chosen to establish a number of committees and bodies.

For a more detailed presentation of the Management team, refer to page 82.

### Internal control structure

It is the Board's task to ensure an appropriate, robust and transparent organisational structure with efficient communication and reporting channels. The Board must also ensure that there is a suitable and effective internal control structure. Besides the independent control functions for internal audit, compliance and risk control, this structure must also include appropriate processes and procedures for internal control of operating activities, especially financial reporting and accounting.

### Compliance

Under the management of the bank's Chief Compliance Officer, Compliance is responsible for ensuring that the regulated activities of the bank are conducted in accordance with laws, regulations and general guidelines of the Swedish Financial Supervisory Authority, the European Banking Authority and other agencies, internal rules and generally accepted practice. To ensure the Compliance function's independence, it reports directly to the Managing Director and the Board. Reporting to the Board is done at every ordinary Board meeting and to the Managing Director every month.

Compliance regularly checks and assesses if the measures and procedures introduced by the bank are suitable and effective. In addition, actions taken to resolve potential deficiencies in the Company's regulatory compliance are also evaluated.

### Risk control

The bank's Risk Control function has been established in accordance with the requirements set in the banking and Finance Business Act, the Euro-

pean Banking Authority's regulations for internal control (GL 44) and the Swedish Financial Supervisory Authority's regulations. To ensure the Risk Control function's independence, it reports directly to the Managing Director and the Board. The CRO reports to the Board at Board meetings and to the Managing Director every month. The bank also has a Risk and Capital Committee that prepares these matters for the Board.

The Risk Manager's area of responsibility includes identification, measurement and oversight of all risks related to the bank's business. The Risk Manager is responsible for developing appropriate methods for the analysis and measurement of the risks and for continuously following up and checking that every risk is kept within permitted limits. The Risk Manager also reports to the Risk and Capital Committee. The Risk Control function also ensures that policies, guidelines and instructions are implemented and applied.

### **Report on internal control over financial reporting**

The bank's process for ensuring the quality of the financial reporting includes four main activities: Risk assessment, control measures, information and communication, and follow-up.

Risk assessment comprises identification and analysis of material risks that affect internal control over financial reporting.

The control measures are both of a preventive nature, meaning that they are measures intended to prevent losses or misstatements in the reporting, and of a detective nature. The controls are to also ensure that all misstatements are corrected. The Accounting function, which compiles the reports, works with carefully prepared accounts and standardised working procedures with control functions.

The internal communication to and from the Board takes place by the Board receiving extensive documentation on the bank's financial position, including reporting on liquidity and capital, prior to every ordinary Board meeting. Information is provided to the management at regular Management team meetings in which the CFO participates. Internal policies, guidelines, instruc-

tions and corresponding documents that guide and support the financial operations are published on the bank's intranet.

Internal control over financial reporting is followed up mainly by asking questions and reviewing the work of the Accounting function. The Board receives regular reports with financial outcomes, including the management's comments on the business. The Company's auditor participates in one Board meeting per year and in all meetings of the Compliance and Audit Committee and provides information on his observations of the Company's internal procedures and control systems. The Board members have the opportunity to ask questions at these meetings. The Board annually decides on significant risk areas and evaluates internal control, in part through the bank's internal capital adequacy assessment process.

### **Internal audit**

Ikano Bank has a separate Internal Audit function. It works on behalf of the Board and acts independently from the bank's operations. The work is conducted based on an annual audit plan prepared by the Compliance and Audit Committee and approved by the Board. The results of the internal audit are reported to the Board twice a year and to the Compliance and Audit Committee every quarter.

The bank's Internal Audit function is established to assist the Board and its Compliance and Audit Committee in the identification and follow-up of various matters concerning the bank's financial reporting. The tasks of the Compliance and Audit Committee include the follow-up of important observations and recommendations from both Internal Audit and external auditors regarding financial reporting. The Compliance and Audit Committee reports to the Board and recommends suitable measures when Board decisions are required.

In operational terms, the Internal Audit function is run by Ikano S.A. according to an outsourcing agreement. In 2015, PwC assisted Internal Audit in the implementation of the internal audit.

# Board of Directors and Managing Director



## **Olle Claeson**

Born 1954. MSc in Business and Economics, University of Stockholm. Board member and chairperson of the Risk and Capital Committee and the Compliance and Audit Committee. Elected in 2014.

Strategy and business development consultant with over thirty years' experience within the financial sector. Founder of Omeo Financial Consulting AB. Previously Partner within KPMG and founder of KPMG Financial Sector Consulting in Sweden.

## **Mats Håkansson**

Born 1962. MSc in Business and Economics. Chairperson of the board since 2013 and member of the Risk and Capital Committee and the Compliance and Audit Committee. Elected in 2009.

Vice President Ikano S.A. Former CFO Ikano S.A. and Authorised Public Accountant at Arthur Andersen in Sweden. Other assignments: Board assignments in several subsidiaries within the Ikano Group.

## **Stefan Nyrinder**

Managing Director Ikano Bank AB (publ) since 2013.

## **Diederick van Thiel**

Born 1968. MA in e-commerce and marketing. Board member. Elected in 2014.

Entrepreneur and business angel with in-depth knowledge of e-commerce and mobile solutions. CEO of AdviceGames, founder of Cool eyeOpen and Nauticnet, and also held senior positions within ING Bank and KPN mobile.

## **Heather Jackson**

Born 1965. BA Modern History. Board member and chairperson of the IT Committee and the Remuneration Committee. Elected in 2014.

Management consultant specialising in change management. Heather has twenty years' experience within finance and retail from senior positions within HBOS Plc., Capital One, Asda, Boots the Chemist and Accenture. Other assignments: Non-Executive Director of JD Sports and Fashion Plc.

## **Steen Lopdrup Helles**

Born 1967. MSc in computer science, BA in organisational theory. Board member and member of the IT Committee and the Remuneration Committee.

Group Operations Manager, Ikano S.A. Previously held senior positions within IBM and A.P.Møller-Mærsk, most recently as CIO of Maersk Tankers.

## **Auditor**

### **Jan Palmqvist**

Authorised public accountant, Deloitte AB. Auditor Ikano Bank AB (publ) since 2013.



# Management team



**Stefan Nyrinder**  
**Managing Director**

Employed since 2008. Previously Country Manager for Ikano Bank in Sweden, responsible for the retail market in Sweden and Finland, Sales and Marketing Director for HAGS and held several senior positions at SEB.



**Fredrik Krüeger**  
**Business Support Director**

Employed since 2009. Former HR Director at Ferring and Framfab, General Legal Counsel and other operational management roles within Skanska/Drott.



**Henrik Jensen**  
**CFO**

CFO for Ikano Bank since August 2015. Previously Treasurer for Ikano Group Services, and Country Manager for Ikano Bank Russia. Has held several positions in Investment Banking and worked as teacher at Copenhagen Business School.



**Charlotte Fredberg Schmidt**  
**COO**

Employed since 2014. Previously held several senior positions within telecoms, IT and finance at companies including PFA, KMD, Sonofon and Ericsson.



**Helene Ljubetic**  
**Acting CIO**

Employed since 2010. Most recently as Head of Business Delivery at Ikano Bank. Previously held various management positions at companies including GTECH and Nasdaq OMX.



**Tom Rattleff**  
**Regional Director Nordic**

Employed since 2009. Former Manager of Citibank in Denmark. Sales and Marketing Director at Nordax Finance AB. Held several senior positions within GE Capital.



**Jonas Ljungqvist**  
**CRO**

Employed since 2013. Previously held senior positions within risk at SEB in Stockholm and Frankfurt.



**Annika Wilhelmsson,**  
**Commercial Director**

Employed since 2013. Previously Head of Administration, Director of Product and Business Development and other executive positions within banking and insurance.

