Annual Report 2018

IKANO BANK

CONTENTS

The year in brief

- Lending, including leasing, increased to SEK 37.2 billion (37.1).
- Deposits from the public increased by 2% to SEK 26.2 billion (25.6).
- Business volume amounted to SEK 63.4 billion (67.9). The cooperation with SBAB regarding mediated mortgage loans was terminated during the year, which gave a decrease in the business volume of SEK 5.2 bn. Without this effect, the total business volume increased with 1%.
- Operating profit decreased by 18% to SEK 359 million (435). Operating result for 2018 is affected by increased depreciation on leasing assets due to increase in volume, and by costs for long term IT-investments.
- Credit losses measured as a share of average total lending was 1.3% (1.6). Net loan losses was SEK 476 m (556).
- Net leasing income increased by 15% to SEK 448 m (391).
- During the year, the Bank continued to outsource to its IT partner, which has resulted in increased IT costs.
- The bank received awards for its offering of savings and loan products in Germany. And top marks for their loan products in the Swedish Quality Index (SKI) annual survey. The bank was also recognised as one of the top 100 Career Companies in Sweden.
- Two important regulations, GDPR and PSD2, have been implemented during the year and work on the transition to new accounting rules according to IFRS9 has been completed.
- Demand for the Bank's short-term commercial paper programmes as well as the MTN-programme was good.
- Håkan Nyberg left as CEO in September and Mats Håkansson entered the role of working chairman of the board.
- Henrik Eklund was appointed new interim CEO after the end of the year.

BUSINESS VOLUME IN SEK BILLIONS

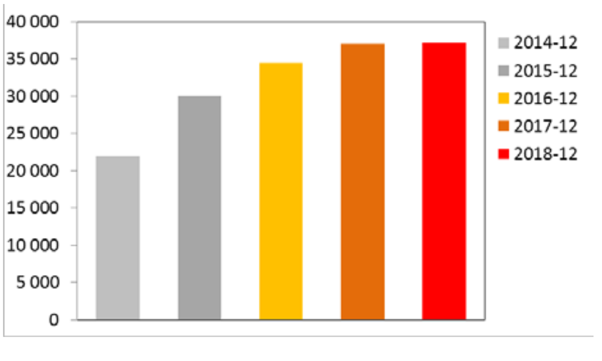
63

OPERATING RESULT IN SEK MILLIONS

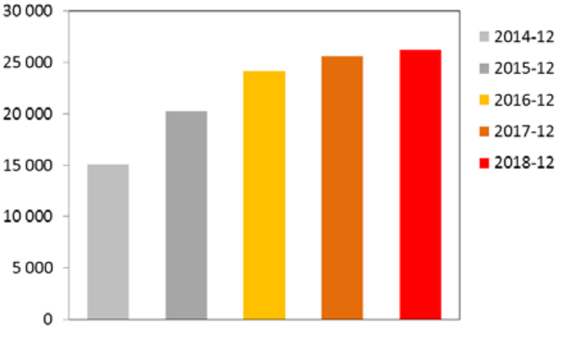
359

KEY RATIOS	2018	2017
Total Capital ratio	17.2%	16.5%
Common equity Tier 1 ratio	14.9%	14.3%
Investment margin	4.4%	4.6%
Return on adjusted equity	4.9%	6.2%
Leverage ratio	11.8%	10.9%
C/I-ratio before loan losses	71.1%	66.3%
Loan loss ratio	1.3%	1.6%

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, Germany, Austria and Poland.

Ikano Bank is part of the Ikano Group, which has been an independent group since 1988. The Ikano Group was previously part of IKEA. In addition to finance, the Ikano Group also has real estate, production, insurance and retail operations.

In Ikano we are driven by a common 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 for the many people.

BUSINESS LINES

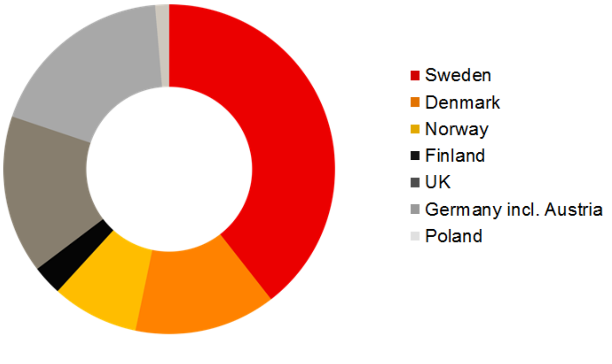
Consumer
We offer private customers simple and smart banking services for savings and loans, such as loans for private consumption, credit cards and savings accounts.

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.

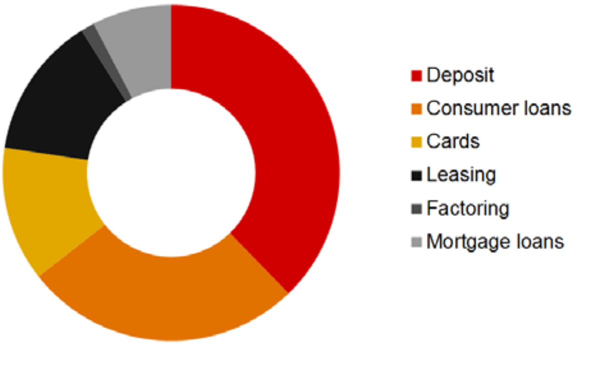
Corporate
We offer leasing and factoring services to companies through direct sales as well as via partners. Our services give customers greater financial flexibility. Our solutions enable customers to free up capital and finance their growth. In turn, our partners increase their sales.

GEOGRAPHIC PRESENCE

LENDING PER COUNTRY



BUSINESS VOLUME PER PRODUCT AREA



Now we increase the speed

During the autumn, we increased our focus on simplifying our way of working in line with our values and to clarify the way forward to ensure long-term profitable growth and customer value.

Our desire is to persistently simplify everyday life for our customers and to offer simple and smart products on fair terms. When our customers acknowledge this, we become extra proud. During the year, we received awards for our offering of savings and loan products in Germany. In the Swedish market, our consumer loan products once again received top marks among our customers in the Swedish Quality Index (SKI) annual survey. This year's SKI result was also the highest ever for the bank. We were also recognised as a career company among the top in Sweden again this year.

During the year, we have worked closely with our customers and partners in our various business segments. Total lending was in line with previous year where we saw good growth in the leasing business. We also saw increased deposits in the Bank. The result for the year is in line with our expectations, but now we are increasing the speed of our on-going improvement work. Together, we continue the work that began during the autumn, where we, among other things, have a clearer focus on the commercial activities, improving efficiency and digitalisation of our offering.

2018 has also involved a lot of work in the regulatory area. Two important regulations, GDPR and PSD2, have been implemented during the year and work on the transition to new accounting rules according to IFRS9 has been completed. We follow the developments of Brexit in close cooperation with both UK and Swedish authorities, as our UK operations is important to us.

The extensive work of moving our IT environment to our IT partner went on for most of the year and the majority of this work has been concluded. We are now looking forward to being able to continue to build for the future.

An exciting area where we started to make investments during the year is in robotics. We are at an early stage but look forward to being able to streamline our business, increase customer satisfaction and free up resources by automating simple but time-consuming processes.

Looking forward we expect continued growth in our markets while the comprehensive work with the development of the Bank's IT solutions continues.

We have so far seen results in terms of increased stability and more efficient IT-services. We are continuing to invest in our technical platform to secure sustainable and profitable growth and customer benefit.

As newly appointed CEO of the bank, I can say that 2018 was a challenging year, but we see many opportunities to grow our business in our existing markets and make a difference for our customers and partners. With our customer promise on fair terms as well as our strong brand and company culture, we have every opportunity to continue to offer products that simplify everyday life for the many people.

I would like to thank our employees, customers, and partners for the past year.

Malmö February 2019

Henrik Eklund


OCEA

Administration report

The Board of Directors and the CEO of Ikano Bank AB (publ), corporate registration number 516406-0922, hereby present the annual accounts for the period from 1 January to 31 December 2018.

Owner and operating structure

Ikano Bank AB (publ) ("Ikano Bank" or the "Bank") is a limited liability company licensed to conduct 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. with its subsidiaries (the "Ikano Group") became a separate Group in 1988 with operations in banking, real estate, production, insurance and retail. Ikano Bank has operated its business under a banking license from the Swedish Financial Supervisory Authority since 1995 and is present in Sweden, Denmark, Norway, Finland, the UK, Germany, Austria and Poland. The foreign operations are branches of the Swedish entity, with the exception of the Austrian operations, which are conducted as cross-border business. The former subsidiary, Ikano Insight Ltd, was liquidated as of 23 January 2018.

Operations

The Bank's operations are followed up on the basis of geographic markets; see note 5, Operating segments.

There are three business lines within the Bank's 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 the retail sector, are managed and marketed within the Sales Finance business line. This business line is represented in all geographic markets. The services offered comprise of 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 an efficient handling whereby the Bank can offer customers cost-efficient and competitive products.

Lending is offered as unsecured loans and Visa credit cards. Lending is provided as unsecured loans and card products in Sweden, Denmark, Norway and Germany. Unsecured loans are also offered in the UK market. Deposits are offered in the Swedish, Danish, German and UK markets.

In the Swedish market, the Bank has offered mortgage loans branded "Ikano Bolån" in cooperation with SBAB Bank AB (publ) until 31 August 2018. As previously communicated the cooperation between SBAB and Ikano Bank has ended during the year as SBAB has decided to prioritise sales under its own brand.

Significant events during the year

The comprehensive work with outsourcing our IT-services to Capgemini has continued during the year and has resulted in increased stability. This is expected to contribute to the Bank's growth strategy by strengthening its IT capabilities with cost-effective services and supporting the digital conversion of the Bank's offer.

GDPR and PSD2 are two important regulations we have worked with implementing during this year. Also the work with transitioning to new accounting rules under IFRS 9 has been completed during the year.

As the Bank has previously communicated, Håkan Nyberg left as CEO of the Bank 12 September 2018 following which the chairperson of the Bank's Board of Directors, Mats Håkansson, assumed the role as working chairperson of the Board for the remainder of 2018.

Total assets and business volumes

The Bank's total assets increased by SEK 0.6 bn to SEK 44.7 bn (44.1). The increase relates mainly to changes in exchange rates while most markets, especially in the Consumer segment, experienced weak growth during the year.

The Bank's equity increased by SEK 0.4 bn to SEK 5.4 bn (5.1).

Overall business volumes of loans to the public, deposits from the public, leasing assets and mediated mortgage loans decreased by 7 percent to SEK 63.4 bn (67.9). During the year the cooperation between SBAB and Ikano Bank under which mortgage loans branded "Ikano Bolån" were mediated to and provided by SBAB has ended. As a result the business volume has decreased with SEK 5.2 bn related to mortgage loans. Without the effect of this one-off event the total business volume increased with 1 percent. The Bank's loans to the public decreased by 2 percent to SEK 27.3 bn (27.8) after credit impairment provisions. Growth varies between the Banks' markets, with loans to the public growing in

Germany during the year while other markets declined somewhat.

Leased assets held on customers' behalf increased by more than 6 percent to SEK 9.9 bn (9.3) mainly driven by growth in the Swedish market.

Deposits from the public rose by 2 percent to SEK 26.2 bn (25.6). Deposits increased in all foreign markets, while volumes on the Swedish market fell slightly during the year. Deposits are an important part of the Bank's funding and at year-end, deposits from the public were 59 percent of the Bank's total funding.

The Bank regularly obtains funding from the capital markets. The Bank's volume of issued securities rose by SEK 0.3 bn to SEK 7.1 bn (6.8). Demand for the Bank's short-term commercial paper (CP) programme as well as for the Bank's bond programme (Medium Term Note programme) has been good. In 2018, six bonds with maturities between 2-5 years and a total nominal amount of SEK 1,950 m have been issued with good results.

The Bank's liquidity portfolio totalled SEK 5.6 bn as of 31 December 2018 (5.1), which corresponds to 22 percent of the Bank's total deposits from the public.

The Bank's development over a five-year period is reported on page 9.

Result

The operating result for 2018 decreased by 18 percent to SEK 359 m (435). The underlying profitability of the Bank is deemed to be stable and supported by a well-established loan business. The years 2017 and 2018 have both been affected by the IT transition which has resulted in higher IT costs. While this IT transition is partly driven by regulatory requirements, the Bank is also investing in the technical platform to ensure long-term sustainable growth and customer benefit. These investments are expected to continue during 2019. The result for 2018 is positively affected by a one-off income of SEK 57 m related to the ceased cooperation with SBAB as well as a net income of SEK 128 m from portfolio sale of non-performing loans in Germany. This compares to a result for 2017 that was positively affected by a net income of SEK 174 m from a one-off portfolio sale in connection with the harmonisation of the process for debt collection

Net interest income decreased by 1 percent to SEK 1,935 m (1,960). The decrease is driven by lower loan volumes as well as pressure on margins in the markets and products where the Bank is active. Costs for the resolution reserve increased by SEK 5 m for 2018. Deposits contributed positively to the net interest income with higher volumes and improved margins.

Net leasing income increased by 15 percent to SEK 448 m (391). Leasing net income increased in all markets based on volume growth and improved margins.

Net commission income increased by 8 percent to SEK 353 m (328). The increase is driven by loan commission income and higher income from mediated insurances. The operations in Sweden, Norway, Finland and the UK contributed positively to the Bank's net commission income, while higher commission expenses in connection with a portfolio sale in Germany impacted negatively.

Operating expenses rose by 9 percent to SEK 5.4 bn (5.0). This increase is mainly attributable to increased depreciation on leased assets on behalf of customers, due to the volume growth in the Corporate business line. 2018 was also affected by costs incurred by the outsourcing of our IT platform to Capgemini.

Loan losses measured as a percentage of average total lending decreased to 1.3 percent (1.6). Net loan losses decreased to SEK 476 m (556), mainly explained by a sale of non-performing loans which affected credit losses for the period positively with SEK 155 m.

Employees

The Bank works continuously with competence development. Newly appointed and newly hired managers participate in Ikano's Culture and Leadership Programme. The Bank also has a common introduction programme for all employees.

The Works Council, which is the Bank's forum for participation in transnational topics, met on two occasions during the year. The Works Council consists of elected representatives from each country, together with the CEO and the Chief People and Communications Officer.

The number of employees, based on full-time workers, totalled 846 (901) as an average during the year.

Information regarding principles and processes relating to remuneration and benefits to key personnel can be found in note 12 General administrative expenses.

Management

As the Bank has previously communicated Håkan Nyberg left as CEO of the Bank 12 September 2018 following which Mats Håkansson assumed the role as working chairperson of the Board for the remainder of 2018.

Board of Directors

During the year Jean Champagne, Group Head of HR Ikano S.A., has resigned as a member of the Board of Directors and Yohann Adolphe, CFO for Ikano S.A., has been appointed to the Bank's Board of Directors.

Risks and risk management

The Bank's earnings are affected by external changes that the company has no control over. The Bank's earnings performance is affected by factors including macroeconomic change such as unemployment, as well as fluctuations in interest and exchange rates. Risk management is an integrated component of the Bank's daily operations. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but it must also manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and CEO are ultimately responsible for risk management at Ikano Bank. Risk management is intended to ensure that the risks do not exceed the risk tolerances set by the Board. The Bank's risks are monitored centrally, but the responsibility for risk management rests primarily with local business units. This means that operating businesses own and manage the risk in daily operations. The central risk control function is responsible for monitoring and evaluating risk management.

Credit risk is the Bank's main risk and is defined as the risk that the counterparty does not fulfil its obligations. Through good management of credit risk, profitability in the lending operations can be optimised.

Operational risk is the risk of direct or indirect loss resulting from inadequate or defective internal processes, procedures and systems, administrational 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.

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 function'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 and Liquidity Adequacy Assessment Processes (ICAAP/ILAAP) are updated quarterly and presented to the management group and Board of Directors.

Objectives and policies for the Bank's risk management are further described in note 3, Risks and risk management.

Capital adequacy and leverage ratio

The common equity Tier 1 capital ratio for 2018 was 14.9 percent (14.3) and the total capital ratio was 17.2 percent (16.5) with transitional arrangements related to the Day one effect of the transition to IFRS 9 applied. The transitional arrangements allow for a gradual phase-in of the accounting effect of increased credit impairment provisions in the capital adequacy.

The combined buffer requirement for Ikano Bank is made up of the capital conservation buffer and the countercyclical capital buffer, and amounts to SEK 1,359 m as at 31 December 2018.

The leverage ratio for the Bank was 11.8 percent for 31 December 2018 (10.9) and thus above the EU-proposed binding minimum level for the leverage ratio of 3 percent.

For more information about the capital adequacy calculation, see note 40 Capital analysis.

Liquidity

At year-end, the Bank's liquidity coverage ratio (LCR) totalled 191 percent. This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent is applied since 1 January 2018.

A proposal for the measure of stable financing (NSFR), has been put forward in the EU but has not been adopted per 31 December 2018.

Corporate Governance Report

Ikano Bank's corporate governance report for 2018 is attached to this Annual Report on page 74.

Sustainability report

Ikano Bank's sustainability report for 2018 is published on the Bank's website.

Outlook

Ikano Bank expects continued growth in our markets while the comprehensive work with the development of the Bank's IT solutions continues. We have so far seen results in terms of increased stability. We are continuing to invest in our technical platform to secure sustainable and profitable growth and customer benefit. Our strategy to act and grow in the UK market as a branch also after Brexit remains.

Proposal appropriation of profits

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

Fund for fair value	204,104,727
Retained earnings	4,149,951,332
Net result for the year	541,208,193
Total	4,895,264,252

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

To be carried forward	4,895,264,252

5-year summary

SEK m	2018	2017	2016	2015	2014
Income statement					
Net interest income	1 935	1 960	2 021	2 011	1 262
Leasing income	3 790	3 396	2 781	2 427	2 275
Net commission	353	328	356	367	356
Net gains and losses on financial transactions	0	-6	9	-8	-7
Other operating income	152	268	105	159	192
Total operating income	**6 230**	**5 946**	**5 273**	**4 956**	**4 078**
General administrative expenses	-1 749	-1 670	-1 689	-1 575	-1 194
Depreciation/ amortisation and impairments of tangible and intangible assets	-3 437	-3 086	-2 515	-2 167	-1 991
Other operating expenses	-209	-200	-346	-240	-138
Loan losses	-476	-556	-278	-412	-308
Other operating expenses	**-5 871**	**-5 511**	**-4 828**	**-4 395**	**-3 631**
Operating result	**359**	**435**	**445**	**562**	**447**
Appropriations	320	-	-	-	-
Taxes	-137	-151	-166	-54	-130
Net result for the year	**541**	**284**	**279**	**507**	**317**

SEK m	2018	2017	2016	2015	2014
Balance Sheet					
Cash	36	7	10	25	0
Loans to credit institutions	2 151	1 814	1 838	1 747	1 068
Loans to the public	27 289	27 799	26 845	24 105	16 573
Interest-bearing securities	3 514	3 277	3 449	2 805	2 225
Tangible assets	9 916	9 318	7 687	6 037	5 487
Other assets	1 825	1 868	1 708	1 567	833
Total assets	**44 731**	**44 082**	**41 536**	**36 286**	**26 186**
Liabilities to credit institutions	2 250	2 504	2 415	4 128	2 258
Deposits from the public	26 206	25 617	24 180	20 209	15 063
Other liabilities	9 433	9 203	8 517	6 511	4 758
Provisions	181	170	172	107	93
Subordinated liabilities	839	820	810	792	579
Total liabilities and provisions	**38 909**	**38 314**	**36 093**	**31 747**	**22 751**
Untaxed reserves	378	698	698	698	698
Equity	5 444	5 070	4 744	3 841	2 737
Total liabilities, provisions and equity	**44 731**	**44 082**	**41 536**	**36 286**	**26 186**

On 3 August 2015 sister company Ikano Bank GmbH in Germany merged with Ikano Bank AB (publ). This partly explains the differences between 2014 and 2015.

5-year summary

SEK m	2018	2017	2016	2015	2014
Volumes					
Business volume	63 394	67 863	63 501	55 119	41 777
Change during the year	*-6.6%*	*6.9%*	*15.2%*	*31.9%*	*7.3%*
Customer-related loans and deposits, leasing and mediated mortage loans					
Loans to the public	27 289	27 799	26 845	24 105	16 573
Change during the year	*-1.8%*	*3.6%*	*11.4%*	*45.4%*	*11.3%*
Deposits from the public	26 206	25 617	24 180	20 209	15 063
Change during the year	*2.3%*	*5.9%*	*19.6%*	*34.2%*	*7.0%*
Capital					
Equity ratio [1]	12.8%	12.7%	12.7%	12.1%	12.5%
Taxed equity +78 % of untaxed reserves in relation to assets					
Total Capital ratio	17.2%	16.5%	16.6%	16,8%	17,8%
Own funds in relation to risk exposure amount					
Common equity Tier 1 ratio	14.9%	14.3%	14.3%	14.1%	15.1%
Common Equity Tier 1 capital in relation to risk exposu amount					
Liquidity					
Liquidity portfolio in relation to deposits from the public	21.2%	19.7%	21.8%	22.3%	21.9%
Depostis from the public in relation to total assets	58.6%	58.1%	58.2%	55.7%	57.5%
Liquidity coverage ratio (LCR)	191%	229%	283%	160%	167%
Result					
Investment margin	4.4%	4.6%	5.2%	6.4%	5.1%
Net interest income in relation to average total assets					
Return on adjusted equity [1]	4.9%	6.2%	7.2%	11.4%	11.3%
Operating result after standard tax rate in relation to average adjusted equity					
C/I-ratio before loan losses	71.1%	66.3%	74.2%	65.6%	64.4%
Operating expenses in relation to operating income w lease operations offset in operating income					
Return on total assets	1.2%	0.6%	0.7%	1.4%	1.2%
Net result as % of total assets					
Credit quality [2]					
Provision for non performing loans	50.0%	48.1%	58.6%	61.0%	63.9%
Total provision for probable loan losses in relation to n performing loans, gross					
Share of non performing loans	1.5%	1.8%	1.7%	2.2%	1.8%
Non performing loans, in relation to total loans to the public, credit institutions (excluding banks) and lease receivables					
Loan loss ratio	1.3%	1.6%	0.9%	1.6%	1.5%
Loan losses in relation to average loans to the public, credit institutions (excluding banks) and lease receivables					
Other information					
Average number of employees	846	901	967	821	709

1) Calculated according to each year's applicable tax rate.
2) Accounting and valuation is according to IFRS 9 from 1 January 2018. Previous periods are in accordance with IAS 39.

Income statement

SEK 000	Note	2018	2017
Interest income	6	2 338 126	2 354 945
Interest expense	6	-402 997	-394 770
Net interest income		**1 935 129**	**1 960 176**
Leasing income	7	3 790 090	3 395 930
Commission income	8	689 518	647 629
Commission expense	8	-336 354	-319 298
Net commission income		**353 164**	**328 331**
Net gains and losses on financial transactions	9	-462	-6 455
Other operating income	10	151 913	268 200
Total income		**6 229 834**	**5 946 183**
General administrative expenses	12	-1 749 367	-1 670 051
Depreciation/amortisation and impairments of tangible and intangible assets	22, 23	-3 436 676	-3 085 917
Other operating expenses	13	-209 344	-199 863
Total expenses before loan losses		**-5 395 387**	**-4 955 831**
Profit before loan losses		**834 447**	**990 352**
Loan losses, net	14	-475 937	-555 588
Operating result		**358 510**	**434 764**
Appropriations	15, 36	320 000	-
Tax expense	15	-137 302	-150 903
Net result for the year		**541 208**	**283 861**

Report on total comprehensive income for the year

SEK 000	2018	2017
Net result for the year	**541 208**	**283 861**
Other comprehensive income		
Items that can be reclassified to net profit for the year		
Translation difference for the year, foreign branches	86 933	33 309
Changes in fair value through other comprehensive income	-6 630	-
Changes in fair value on financial assets available for sale	-	2 360
Fair value changes for cash flow hedges	5 315	9 394
Tax related to changes in translation differences for the year	-34 716	-
Tax related to changes in fair value through other comprehensive income	1 725	-
Tax related to changes in financial assets available for sale	-	-519
Tax related to changes in fair value of cash flow hedges	-1 137	-2 067
Other comprehensive income for the year, net of tax	**51 490**	**42 477**
Total comprehensive income for the year, net of tax	**592 698**	**326 339**

Balance sheet

SEK 000	Note	2018	2017
Assets			
Cash		35 735	6 603
Treasury bills	16	1 282 293	1 172 947
Loans to credit institutions	17	2 150 846	1 813 843
Loans to the public	18	27 289 123	27 798 753
Bonds and other interest-bearing securities	19	2 231 935	2 103 980
Shares and participations	20	29 299	18 885
Shares and participations in group companies	21	-	13 322
Intangible assets	22	378 747	394 813
Tangible assets	23	9 916 416	9 318 397
- Leasing assets		*9 898 120*	*9 283 371*
- Equipment		*18 296*	*35 026*
Other assets	26	1 019 595	968 610
Deferred tax assets	15	115 452	158 824
Prepaid expenses and accrued income	27	281 869	313 121
Total assets		**44 731 310**	**44 082 098**
Liabilities, provisions and equity			
Liabilities to credit institutions	28	2 250 366	2 503 967
Deposits from the public	29	26 206 463	25 616 729
Issued securities	31	7 138 497	6 824 779
Other liabilities	32	1 000 226	1 128 161
Accrued expenses and deferred income	33	1 292 919	1 250 216
Provisions		181 123	170 098
- Provisions for pensions	34	*34 663*	*33 468*
- Deferred tax liabilities	15	*91 362*	*122 573*
- Other provisions		*55 098*	*14 058*
Subordinated liabilities	35	839 330	819 680
Total liabilities and provisions		**38 908 924**	**38 313 631**
Untaxed reserves	36	**378 157**	**698 157**
Equity	37		
Restricted equity		**548 965**	**515 670**
Share capital		78 994	78 994
Statutory reserve		193 655	193 655
Fund for development expenses		276 316	243 021
Non-restricted equity		**4 895 264**	**4 554 640**
Fund for fair value		204 105	166 137
Retained earnings		4 149 951	4 104 642
Net result for the year		541 208	283 861
Total equity		**5 444 229**	**5 070 310**
Total liabilities, provisions and equity		**44 731 310**	**44 082 098**

Statement of changes in equity

SEK 000	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for develop-ment expenses	Non-restricted equity, Fund for fair value: Fair value reserve	Non-restricted equity, Fund for fair value: Translation reserve	Non-restricted equity, Fund for fair value: Cash flow hedge reserve	Non-restricted equity: Retained earnings or losses	Non-restricted equity: Net result for the year	Total equity
Opening balance 2017-01-01	**78 994**	**193 655**	**149 768**	**25 078**	**97 465**	**1 117**	**3 919 047**	**278 848**	**4 743 972**
Appropriation of profits	-	-	-	-	-	-	278 848	-278 848	-
Change in fund for development expenses	-	-	93 253	-	-	-	-93 253	-	-
Net result for the year	-	-	-	-	-	-	-	283 861	283 861
Other comprehensive income for the year	-	-	-	1 841	33 309	7 327	-	-	42 477
Total comprehensive income for the year	**-**	**-**	**-**	**1 841**	**33 309**	**7 327**	**-**	**283 861**	**326 338**
Closing balance 2017-12-31	**78 994**	**193 655**	**243 021**	**26 919**	**130 774**	**8 444**	**4 104 642**	**283 861**	**5 070 310**
Opening balance 2018-01-01	**78 994**	**193 655**	**243 021**	**26 919**	**130 774**	**8 444**	**4 104 642**	**283 861**	**5 070 310**
Transitional effect IFRS 9	-	-	-	-13 522	-	-	-205 257	-	-218 779
Adjusted equity 2018-01-01	**78 994**	**193 655**	**243 021**	**13 397**	**130 774**	**8 444**	**3 899 385**	**283 861**	**4 851 531**
Appropriation of profits	-	-	-	-	-	-	283 861	-283 861	-
Change in fund for development expenses	-	-	33 295	-	-	-	-33 295	-	-
Net result for the year	-	-	-	-	-	-	-	541 208	541 208
Other comprehensive income for the year	-	-	-	-4 905	52 217	4 178	-	-	51 490
Total comprehensive income for the year	**-**	**-**	**-**	**-4 905**	**52 217**	**4 178**	**-**	**541 208**	**592 698**
Closing balance 2018-12-31	**78 994**	**193 655**	**276 316**	**8 492**	**182 991**	**12 622**	**4 149 951**	**541 208**	**5 444 229**

Cash flow statement

SEK 000	2018	2017
Operating activities		
Operating result	**+358 510**	**+434 764**
Of which interest paid	*-431 601*	*-379 058*
Of which interest received	*+2 340 390*	*+2 353 416*
Adjustment for non-cash items		
Depreciation /amortisation	+3 436 676	+3 085 917
Loan losses	+984 213	+773 068
Other adjustments	-644 620	+186 768
Income tax paid	-371 867	-302 224
Cash flows from operating activities before changes in working capital	**+3 762 912**	**+4 178 293**
Cash flows from changes in working capital		
Changes in loans to the public	-556 146	-1 699 038
Changes in securities	-237 301	+171 607
Changes in deposits from the public	+589 743	+1 437 165
Changes in leasing assets	-3 919 826	-4 650 622
Changes in other assets	+415 392	+40 940
Changes in other liabilities	+273 617	-62 554
Cash flows from operating activities	**+328 391**	**-584 209**
Investing activities		
Change of intangible assets	-60 536	-128 417
Sale of tangible assets	+5 447	+654
Acquisition of tangible assets	-3 013	-3 105
Cash flows from investing activities	**-58 102**	**-130 868**
Financing activities		
Issuance of interest-bearing securities	+4 605 000	+5 042 501
Repayment of interest-bearing securities	-4 292 000	-4 400 547
Borrowing from credit institutions	-236 130	+168 282
Cash flows from financing activities	**+76 870**	**+810 236**
Cash flow for the year	**+347 159**	**+95 159**
Cash and cash equivalents at beginning of the year	+1 808 435	+1 707 836
Exchange rate difference in cash and cash equivalents	+14 225	+5 441
Cash and cash equivalents at the end of the year	**+2 169 819**	**+1 808 435**

Additional information about change in liabilities from financing activities

SEK 000	2018-01-01	Cash flows	Foreign exchange movement	2018-12-31
Certificates of deposits	2 104 556	-114 772	-	1 989 784
Bonds	4 720 223	428 490	-	5 148 713
Borrowing from credit institutions	2 491 956	-236 130	-22 222	2 233 604
Subordinated loans	819 680	-	19 650	839 330
Total liabilities from financing activities	**10 136 415**	**77 588**	**-2 572**	**10 211 431**

All of the above liabilities in the financing activities are valued at amortised cost

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 2,187 m, with deductions for current liabilities to credit institutions SEK 17 m. The corresponding amounts for the previous year were SEK 1,820 m and SEK 12 m.

Notes

1 General information

The annual report for Ikano Bank AB (publ) as of 31 December 2018 has been approved for disclosure by the Board on 18 March 2019. The Annual report relates to Ikano Bank AB (publ), which is a limited liability banking 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 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.

The income statement and balance sheet are subject to approval at the Annual General Meeting which will be held by 29 March 2019 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 Luxemburg. Ikano S.A. prepares the consolidated financial statements for the Group in which the Bank is a subsidiary.

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 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. 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.

Per 1 January 2018 IFRS 9 Financial Instruments entered into force, replacing IAS 39 Financial Instruments: Accounting and Measurement. Per 1 January 2018 also IFRS 15 entered into force. For Ikano Bank IFRS 15 comprises mainly payment brokerage commissions, lending commissions and other commissions. Ikano Bank has not identified any transitional effects following the implementation of IFRS 15.

The functional currency of Ikano Bank is Swedish kronor (SEK) and all amounts reported in the financial statements are in Swedish kronor, rounded to the nearest thousand (SEK 000) 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 measured at the amortised cost, except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities reported at fair value are:

- derivatives
- financial instruments classified as financial assets or liabilities at fair value through profit and loss
- financial assets classified at fair value through other comprehensive income

For a detailed description of IFRS 9 Financial Instruments that entered into force 1 January 2018 see the section New IFRS and interpretations implemented.

Foreign branches

The Bank has six foreign 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 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 also 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 principles and taken a position on the selection and application of these. No significant changes in the main assessments and estimations have been made compared to 31 December 2017 with the exception of estimations of credit impairment provisions in line with the model for expected credit losses under IFRS 9 implemented by 1 January 2018. Significant assessments related to these estimations are detailed in this note as well as note 3, Risks and risk management, credit risk.

Impairment of loan losses

Credit impairment provisions are made based on IFRS 9 which is built on a forward-looking model with expected loan losses from the time of origination of the asset based on the credit risk of the financial asset. Assets measured at amortised cost and fair value through other comprehensive income as well as credit commitments are in scope for impairment requirement.

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

For a detailed description of the Bank's new principles for credit impairment provisioning as a consequence of IFRS 9 coming into effect per 1 January see section New IFRS 9 and interpretations implemented as well as note 3 Risks and risk management, credit risk.

New and changed principles and interpretations

New or changed principles and interpretations effective from 1 January 2018 are assessed to have no material impact on the Bank's financial position, result or disclosures for 2018, except for IFRS 9 described in detail below.

New IFRS and interpretations implemented

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Accounting and Valuation per 1 January 2018. IFRS 9 provides for an exception from the regulation in IAS 8 regarding restatement of comparative figures. Ikano Bank has chosen not to restate comparative figure. As a result, all information for comparative periods is presented in line with accounting principles in effect for 2017.

The IASB divided the project into three parts: Classification and valuation, Impairment and Hedge accounting.

Classification and valuation

The transition to classification and measurement rules in IFRS 9 has not led to any significant changes in Ikano Bank's financial reports, except for changes in disclosure requirements. The classification for existing equity instruments within the scope of IFRS 9 has changed as the Bank has chosen to follow the main rule for equity instruments and valuation will be made at fair value through profit or loss. Previously they were classified as financial assets available for sale measured at fair value with value changes reported in other comprehensive income. As a result of this change, SEK 13.5 m net of tax have been transferred between fund for fair value and retained earnings, as well as a deferred tax item of SEK 3.3 m transferred between other assets and retained earnings. In connection with the transition to IFRS 9 the Bank has reclassified financial assets and liabilities according to the new accounting principles. The table below shows the Bank's classification of financial assets and liabilities before and after the implementation of IFRS 9.

Reclassification of financial assets and liabilities at transition to IFRS 9

Financial assets	Classification 31 Dec 2017 acc. to IAS 39	Classification 1 Jan 2018 acc. to IFRS 9
Cash	Loans and receivables	Amortised cost
Treasury bills	Financial assets available for sale	Fair value through other comprehensive income
Loans to credit institutions	Loans and receivables	Amortised cost
Loans to the public	Loans and receivables	Amortised cost
Bonds and other interest-bearing securities	Financial assets available for sale	Fair value through other comprehensive income
Shares and participations	Financial assets available for sale	Fair value through profit and loss
Other assets - derivatives	Financial assets measured at fair value through profit and loss	Fair value through profit and loss
Other assets - other	Loans and receivables	Amortised cost
Accrued income	Loans and receivables	Amortised cost
Financial liabilities		
Liabilities to credit institutions	Other financial liabilities	Amortised cost
Deposit from the public	Other financial liabilities	Amortised cost
Issued securities	Other financial liabilities	Amortised cost
Other liabilities - derivatives	Financial liabilities measured at fair value through profit and loss	Fair value through profit and loss
Other liabilities - other	Other financial liabilities	Amortised cost
Accrued expenses	Other financial liabilities	Amortised cost

Financial assets measured at amortised cost in the table above are held in a business model aimed at holding financial assets and receiving contractual cash flows where these cash flows consist solely of payments of capital amount and interest on the outstanding principle amount.

Financial assets measured at fair value through other comprehensive income are held in a hold to collect or sell business model with the purpose to hold financial assets to obtain contractual cash flows as well as to sell these financial assets. Cash flows consist solely of payments of capital amount and interest on the outstanding principle amount.

Derivatives not subject to hedge accounting are measured at fair value through profit and loss according to IFRS 9.

Impairment

The part of IFRS 9 regarding impairment rules introduces a forward-looking model with expected loan losses from the origination of the asset, as opposed to the IAS 39 model built on incurred credit losses. IFRS 9 is more extensive than IAS 39 for impairment requirements, as all assets valued at amortised cost and fair value through other comprehensive income and irrevocable loan commitments and credit commitments are subject to the assessment of impairment requirements.

Financial assets that are subject to provisioning need to be divided into three stages. The expected credit loss model makes provisions for 12 months expected credit losses for the majority of the portfolio (stage 1) but requires provisions corresponding to the remaining lifetime of financial instruments where a significant increase in the credit risk has occurred since the initial recognition (stage 2) and for credit impaired financial instruments (stage 3), i.e. exposures in default. The Bank defines exposures in default as those that have indications that the borrower is unlikely to fulfil his payment obligations or where those payment obligations are more than 90 days past due. Following the settlement of payment obligations more than 90 days past due, the instrument is classified as in default a further 90 days before it can be classified as performing if no other deviations have ocurred.

Reconciliation of credit impairment provisions according to IFRS 9 compared to credit impairment provisions according to IAS 39 - at transition to IFRS 9

SEK 000	Credit impairment provisions according to IAS 39 per 31 Dec 2017	Remeasurement 1 Jan 2018	Reclassification 1 Jan 2018	Credit impairment provisions according to IFRS 9 per 1 Jan 2018
Loans and receivables according to IAS 39	-909 115	-	-	-
Financial assets measured at amortised cost according to IFRS 9	-	-182 341	-	-1 094 400
Tangible assets - leasing objects	-106 116	-71 918	-	-178 034
Off-balance sheet items	-	-30 492	-	-30 492
Total	**-1 015 231**	**-284 751**	**-**	**-1 302 926**
Financial assets available for sale according to IAS 39 measured at fair value through other comprehensive income according to IFRS 9	-	-595	-	-595
Total	**-**	**-595**	**-**	**-595**

The Bank's criteria for identifying if a significant increase in credit risk occurs are based on relative changes combined with thresholds in the probability of default. Qualitative factors not reflected in the models can, as an exception, also be applied to identify an increase in credit risk for customers within the Corporate segment, for example customer information made available to the Bank through contact with the customer or other stakeholders. In addition, financial instruments which are past due by more than 30 days are considered to have had a significant increase in credit risk. Those portfolios for which the Bank has chosen to apply paragraph 5.5.10 in IFRS 9 regarding financial instruments subject to low credit risk exemption are exempted from this rule.

Models for assessing the probability of default and consequently a significant increase in risk are constructed per market and segment based on the Bank's instrument specific information and attributes. To a certain extent also external attributes are used; mainly for the Corporate segment but also for some Private segment.

The regulatory framework also requires a forward-looking element where macro models have been built for the different markets. Macro variables are collected from official sources, for example, for gross domestic product and unemployment. The macro models are used to create three different scenarios. In addition to the best-estimate scenario there are positive and negative scenarios to capture the results of these outcomes. The forecast horizon applied to the different scenarios is three years, where after the scenarios regress to a long term average. The models are based on the Bank's history of default or credit losses, and for markets with insufficient loss history, time series from official sources have been used as a proxy for defaults. The macroeconomic model affects probability of default and thereby stage assessment, as well as the resulting expected credit loss.

In line with previously communicated expectations, the transition to IFRS 9 implies increased credit impairment provisions and a reduction of the Bank's equity. The effect of the introduction of IFRS 9 is an increase in expected credit losses of SEK 285 m and the net effect after tax of this Day one effect is a decrease of SEK 222 m in retained earnings. This results in a negative effect of 50 basis points on the Bank's capital adequacy at the time of transition. EU has decided on optional transitional rules for the introduction of IFRS 9. The Bank has notified the SFSA of its decision to apply the transitional rules to the own funds requirements calculation.

The table below shows the effects on credit impairment provisions in connection with the transition from IAS 39 to IFRS 9.

Effects of the transition to IFRS 9 on the statement of financial position

kSEK	Book value 31 Dec 2017 acc. to IAS 39	One-off effect loan loss provisons 1 Jan 2018 acc. to IFRS 9	Tax effect 1 Jan 2018	1 Jan 2018 acc. to IFRS 9
Assets				
Loans to the public	27 798 753	-174 352		**27 624 401**
Leasing assets	9 283 371	-71 918		**9 211 453**
Deferred tax	252 244		3 327	**255 571**
Other assets	875 190	-7 989	62 645	**929 846**
Liabilities and provisions				
Provisions	170 098	30 492		**200 590**
Equity				
Equity	5 070 310	-284 751	65 972	**4 851 531**

Hedge accounting

The part of IFRS 9 on simplified prerequisites for hedge accounting enables adjustment of the hedge accounting to risk management in the company and introduces less detailed rules for assessing the effectiveness of hedging. IFRS 9 contains an opportunity to continue applying IAS

39 until the IASB has completed its portfolio hedging project. Ikano Bank will continue to apply IAS 39 for its portfolio hedges and will apply IFRS 9 to other hedging relationships.

IFRS 15 Income from agreements with customers

The new standard for revenue recognition IFRS 15 replaces IAS 18 Revenues. IFRS 15 is applicable for fiscal years beginning 1 January 2018 or later and is adopted by the EU. The standard represents a revenue recognition model for almost all income arising from agreements with customers, with the exception of lease agreements, financial instruments and insurance contracts. The basic principle is that a company should report an income in the manner that reflects the transfer of the promised goods or services to the customer, to the amount that the company expects to receive in exchange for the goods or services. For Ikano Bank, IFRS 15 mainly comprises payment brokerage commissions, lending commissions and other commissions, such as insurance brokerage commissions. The review carried out showed no significant effects on Ikano Bank's financial reports from IFRS 15, in addition to the extended disclosures that comply with the standard.

New IFRS and interpretations not yet implemented

New or amended standards and interpretations that come into effect only during the coming fiscal year have not been applied in advance for the preparation of these financial reports. Below standards that may affect the Bank's financial reports are described. In addition to these, other new standards are not expected to have any significant impact on the Bank's financial reports 2018 or later.

IFRS 16 Leases

The new leasing standard IFRS 16, which replaces IAS 17, will come into effect 2019. IFRS 16 implies changes for the lessee's lease accounting, while the lessor is expected to report substantially consistent with current rules in IAS 17. Where Ikano Bank today utilizes the exception in RFR 2 for legal entities, IFRS 16 is expected to not affect Ikano Bank's financial reports significantly, since the exemption will continue to apply for IFRS 16 from 2019.

Segment reporting

Ikano Bank carries out its operations based on seven operating segments coinciding with the geographic markets: Sweden, Denmark, Norway, Finland, UK, Germany/Austria and Poland. Each segment is internally reported on a monthly basis to the Bank's management group and Board of Directors.

The business in Denmark, Norway, Sweden and Finland offers financing solutions to corporate customers with leasing in all four operating areas, as well as factoring in Sweden. In Sweden and Norway Ikano Bank also offers corporate cards via partners. In addition, the operations in Sweden, Denmark, Germany and UK offer loan and savings products to private individuals. Loan products to private individuals are also offered in Norway and Poland. 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.

Income

Income is reported according to the five-step model in IFRS 15. Income is recognised when performance obligations are fulfilled based on the transfer of promised services. Income can be recognised in line with the service being performed, either at a point in time, as for payment commissions, or over time, as for mediation commissions.

Estimated variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

Interest income and expenses

Interest income 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 in line with IFRS 15.

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 measured at fair value through other comprehensive income
- credit impairment provisions for financial assets measured at fair value through other comprehensive income
- 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
- the ineffective portion of value changes in hedging instruments in cash flow hedges
- 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, 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 legislation established per the balance sheet date.

Deferred tax assets 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 deposits, 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 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 measurement IFRS 9

Accounting principles applied since 1 January 2018:
Financial instruments are initially measured at the instrument's fair value with additions for transaction costs except for derivatives and those instruments that are in the category Financial assets reported at fair value through profit and loss, which are reported at the fair value minus transaction costs.

A financial instrument is classified at the time of acquisition based on the classification rules of IFRS 9. The classification determines how the financial instrument is measured after its initial recognition.

According the classification and measurement rules in IFRS 9, financial assets are measured at fair value through profit and loss, fair value through other comprehensive income or at amortised cost. Classification of financial assets is determined based on the business model for holding financial assets and to the extent underlying contractual cash flows consist solely of payments of capital amount and interest on the outstanding principle amount. Ikano Bank classifies all financial assets at amortised cost, except for financial assets in the Bank's liquidity portfolio which are classified as financial assets measured at fair value through other comprehensive income.

Equity instruments are measured at fair value through profit and loss, as long as Ikano Bank does not chooses to recognise such instruments at fair value through other comprehensive income at initial recognition. Ikano Bank follows the main rule for existing equity instruments in scope for IFRS 9, i.e. measurement at fair value through profit and loss.

Classification and measurement of financial liabilities is basically unchanged compared to IAS 39. Ikano Bank classifies financial liabilities into the following two categories at the time of acquisition: Financial liabilities measured at fair value through profit and loss and Other financial liabilities.

Financial assets measured at amortised cost

A financial asset shall be measured at amortised cost if the following two conditions are met:
- the financial asset is held within a business model whose object is to hold financial assets in order to collect contractual cash flow.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In the balance sheet these assets are represented by the items Cash, Loans to credit institutions, Loans to the public as well as Accrued income and Other assets. These assets are measured at amortised cost. Amortised cost is determined based on the effective interest rate at the time of acquisition. Credit impairment provisions in line with IFRS 9 are recognised in profit and loss under Credit losses, net.

Financial assets measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if the following two conditions are met:
- the financial asset is held in within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The category Financial assets measured at fair value through other comprehensive income includes interest bearing securities, i.e. Treasury bills, Bonds and other interest bearing securities. Assets in this category are measured at fair value continuously with changes recognised in other comprehensive income and accumulated in the Fund for fair value in equity.

Credit impairment provisions according to IFRS 9 on interest bearing securities are recognised in profit and loss under Net result on financial transactions. Changes in value related to exchange rate differences on monetary items (interest bearing securities) are recognised in profit and loss. At the point of sale of the asset accumulated profit or loss, which previously was recognised through other comprehensive income, is recognised in profit and loss.

Financial assets measured at fair value through profit and loss

A financial asset shall be measured at fair value through profit and loss if the conditions for classification at amortised cost or at fair value through other comprehensive income are not met.

Financial assets and liabilities held for sale are always classified at fair value through profit and loss, as well as financial assets that are managed and performance is evaluated based on fair value. Ikano Bank has no financial assets that are managed and where performance is evaluated based on fair value.

This category includes interest – and foreign exchange swaps for which hedge accounting is not applied as well as equity instruments. Financial instruments in this category are measured continuously at fair value with changes recognised in profit and loss.

Other financial liabilities

This category is constituted of liabilities to credit institutions, deposits from the public, issued securities, subordinated liabilities as well as other financial liabilities. Other financial liabilities are mainly related to other liabilities and accrued expenses. The liabilities are measured at amortised cost.

Classification and measurement IAS 39

Accounting principles applied up to 31 December 2017:

Financial instruments are initially measured at the instrument's fair value with additions for transaction costs except for derivatives and those instruments that are in the category Financial assets reported at fair value in the income statement, which are reported at the fair 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 measured after its initial reporting.

Ikano Bank classifies financial assets into the following three categories at the time of acquisition: Financial assets measured at fair value in the income statement, Loan receivables and accounts receivable as well as Financial assets available for sale.

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

Financial assets measured 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 measured on an ongoing basis at the fair 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 the public, Accrued income and Other assets. These assets are measured at the amortised cost. The amortised cost value is determined using the effective interest rate calculated at the date of acquisition. Accounts receivable and loan receivables are reported at the amounts expected to be received, i.e. after deductions for provisions 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 measured 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 measured 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 measured at fair 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 Liabilities to credit institutions, Deposits from the public, Issued securities, Subordinated liabilities, and Other financial liabilities. Other financial liabilities are mainly items relating to other liabilities and accrued expenses. These assets are measured at amortised cost.

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 to accept 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 a limited time period. 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. Credit impairment provisions according to IFRS 9 are recognised in profit and loss under the item Net credit losses as well as in the balance sheet under the item provisions.

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 measured 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 IFRS 9 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 IFRS 9 for cash flow hedges as well as IAS 39 for portfolio hedges to fair value in those cases where the income effect would be misleading if hedge accounting was not applied. For the Bank's hedging relationships, hedging is applied at fair value hedge (portfolio hedge) and cash flow hedge.

Fair value hedge

Fair value hedges are recognised according to IAS 39. If an instrument is used for fair value hedge, the derivative is recognised at fair value in the balance sheet and the hedged asset or liability is recognised at fair value with view to the hedged risk. Changes in fair value of hedging instruments and hedged items with respect to the hedged risk are reported in the income item, Net gains and losses on 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 percent 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. The need for fair value hedges is assessed on an ongoing basis. The Bank has not had any fair value hedges for the reporting period.

Cash flow hedge

Cash flow hedging is recognised according to IFRS 9 and recognised as a hedging relationship only if the requirements for hedge accounting are fulfilled, i.e. the following criteria are met:

- The hedging relationship consists only of eligible hedging instruments and hedged items.
- At the inception of the hedge relationship, formal identification and documentation are in place of the hedge relationship as well as the Bank's objective and strategy for risk management regarding hedging. Documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged as well Ikano Bank's assessment whether the hedging relationship meets the hedge effectiveness requirements (including analysis of potential sources of ineffectiveness and how the hedge ratio is determined).
- The following effectiveness requirements are fulfilled for the hedge relationship:
    - There is an economic relationship between the hedging instrument and the hedged items.
    - The credit risk effect does not dominate value changes that result from the economic relationship.
    - The hedge ratio is the same as the quantity of the hedged item and hedging instrument that the entity actually uses for hedging purposes.

Cash flow hedging can be 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. Interest rate swaps are measured at fair value in the balance sheet. In the income statement, accrued and paid interest is reported as interest expense and other changes in value of interest rate swap are recognised 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 recognised in the income statement in Net gains and losses on financial transactions.

If a hedging relationship no longer fulfils the requirements on hedge effectiveness regarding the hedge ratio, but the objective for risk management for the identified hedging relationship remains the same, Ikano Bank shall adjust the hedge ratio to the extent that it fulfils the qualifying criteria again, called rebalancing according to IFRS 9.

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 reserve until the hedging relationship last met the criteria for hedge accounting, over the period that 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 unrealised changes in value of the derivative recognized in other comprehensive income and accumulated in the fair value reserve are recycled to the profit and loss.

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 if 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 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 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 items Treasury bills, Shares and participations, Bonds and other interest-bearing securities, Deposits from the public and Other assets and liabilities (derivatives).

Loan losses and impairment of financial instruments IFRS 9

Accounting principles applied since 1 January 2018:

Credit impairment provisions are made based on IFRS 9 which unlike IAS 39 builds on a forward-looking model with expected loan losses and credit impairment provisions applied already at the time of origination of the asset.

Assets measured at amortised cost and fair value through other comprehensive income as well as unused credit limits are in scope for impairment requirement.

A key term of impairment regulations is default which for the Bank is defined as those instruments with indications that the borrower is unlikely to fulfil his payment obligations or where those payment obligations are more than 90 days past due. The timing of when an exposure is declared in default because of days past due differs across Ikano Bank's markets but is never later than 90 days. Following the settlement of payment obligations more than 90 days past due, the instrument is classified as in default a further 90 days before it can be classified as performing if no other deviations are observed.

No changes to assumptions or models have been made during the year which have materially impacted credit impairment provisions.

Financial assets measured at amortised cost

Financial assets that are subject to the impairment requirement need to be divided into three stages. The credit loss model makes provisions for 12 months expected loan losses for the majority of the portfolio (stage 1) but requires provisions corresponding to the remaining lifetime of financial instruments where a significant increase in the credit risk has occurred since the initial recognition (stage 2) and for credit impaired financial instruments (stage 3), i.e. exposures in default.

The Bank has chosen to apply paragraph 5.5.10 in IFRS 9 regarding financial assets subject to low credit risk exemption for loan commitments not paid out as these remain open for disbursement for a limited time. As a consequence, these exposures are classified as stage 1.

The Bank's criteria for identification of a significant increase in credit risk are a combination of relative changes and thresholds in probability of default. Ikano Bank has chosen a doubling of probability of default from initial recognition to balance sheet date. Qualitative factors not reflected in the models can, as an exception, also be applied to identify an increase in credit risk for customers within the Corporate segment, for example customer information made available to the Bank through contact with the customer or other stakeholders. In addition, financial instruments past due for more than 30 days are regarded to have had a significant increase in credit risk. This applies to all portfolios and instruments not in scope for paragraph 5.5.10 in IFRS 9 in line with comments above.

Models for assessing the probability of default and consequently a significant increase in risk are constructed per market and segment based on the Bank's instrument specific information and attributes. To a certain extent external attributes are also used; mainly for the Corporate segment but also for some parts of the Consumer segment.

Models to predict the probability of default have been complemented with additional statistical models to calculate expected credit loss. Depending on the stage, expected loss is calculated with either a 12 months or lifetime horizon. For lifetime calculations, models have been based on internal historically available data indicating how portfolios and their risk components have developed. Calculations include also a forward looking component adjusting the model based on the macroeconomic situation in the respective country. Lifetime calculations for credit cards are based on the assumption that losses converge over time and remaining losses can be calculated mathematically. A standard formula to calculate credit losses is: [Probability of default (PD) * Exposure at default (EAD) * Loss given default (LGD)]

Exposure at default calculates the future exposure at the time of default considering contractual payments and payments in excess thereof as well as utilisation of committed unutilised credit limits.

Loss given default calculates the economic loss at the time of default considering expected payments and realisation of collateral or guaranties. The model also considers potential costs arising in connection with the realisation of collateral and guarantees. Expected payments are modelled based on historical data and contractual payments where these are relevant. Expected cash flows are then discounted to derive expected losses.

The table below shows a sensitivity analysis of how credit impairment provisions would change if the threshold for probability of default (PD) increased or decreased based on values per 31 December 2018. Instruments in stage 3 remain unaffected by this criterion and currently account for 55 percent of expected credit losses. A halving of the threshold would result in an increase in expected credit losses of 1.5 percent or SEK 7.5 m. Doubling of the threshold would result in a decrease in expected credit losses by 2.3 percent or SEK 11.5 m.

Corresponding changes with instruments not directly impacted by the criterion include an increase in credit impairment provisions with 0.7 percent and a decrease with 1.1 percent respectively. Positive amounts represent an increase in credit impairment provisions.

Sensitivity analysis of changes in thresholds for determining significant increase in risk

Internal risk classification at initial recognition	PD-band	Impairment provision impact of: Halving of threshold	Doubling of threshold	Expected credit losses	Share of total portfolio in terms of gross carrying amount
Low	0% - 2%	0,0%	-1,9%	87 882	55%
Medium	>2% - 5%	5,8%	-8,7%	86 692	17%
Higher	>5% - <100%	0,8%	-0,9%	326 807	10%
	Total	1,5%	-2,3%	501 381	83%
Financial instruments subject to the low credit risk exemption				6 298	12%
Financial instruments in stage 3				610 649	3%
Manual adjustments				-10 758	2%
Total provisions				**1 107 570**	**100%**

The regulatory framework also requires a forward-looking element where macro models have been built for the different markets. Macro variables are collected from official sources and for the Bank include gross domestic product and unemployment. The credit impairment provision in based on three different scenarios, weighted with given probabilities with the most likely scenario assigned a weight of 40 percent and the positive and negative scenarios assigned 30 percent each. The forecast horizon applied to the different scenarios is three years, where after the model regresses to a long term average. The models are based on the Bank's historical data for default or credit losses and for markets without sufficient historical data, time series from official sources have been used as a proxy of defaults.

The macroeconomic model affects probability of default and thereby stage assessment, as well as the resulting expected credit loss. The table below shows the outcome of a positive and negative scenario of macroeconomic variables for the segments, Changes are expressed in relation to the base scenario of credit impairment provisions per 31 December 2018. A positive macro scenario would result in a decrease of existing credit impairment provisions by 0.9 percent and a negative scenario would increase the same by 4.5 percent.

Incorporation of forward-looking macroeconomic scenarios

kSEK	Scenarios	Credit impairment provisions resulting from the scenario	Difference from the recognised probability-weighted credit impairment provisions
Corporate	Upturn	224 359	-3.4%
	Downturn	245 296	5.6%
Sales Finance and Consumer	Upturn	861 395	-0.2%
	Downturn	900 067	4.3%
Total	Upturn	1 085 754	-0.9%
	Downturn	1 145 363	4.5%

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are mainly comprised of bonds and other interest-bearing securities. Impairment is calculated in line with IFRS 9 and recognised in profit and loss on the line item net result on financial transactions.

The Bank has chosen to apply paragraph 5.5.10 in IFRS 9 regarding financial assets subject to low credit risk exemption for the liquidity portfolio. As a consequence, these exposures are classified as stage 1. The liquidity portfolio mainly consists of investments in liquid interest bearing securities with high asset quality regulated in the Bank's steering documents and which can be converted into cash at short notice. Asset quality requirements are high and the investments will be divested before it will be regarded to have experienced a significant increase in credit risk.

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 14.

Write-off of loan receivables

Loan receivables classified as credit-impaired are written off from the balance sheet when the credit loss is considered to be realised. A credit 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. As in most of Ikano Bank's consumer markets loans are written off when sold to external parties, write-offs on loans with forbearance measures exist only to a very limited extent. The part of the loan portfolio not sold to third parties with certain forbearance measures constitutes less than 0.02 percent of the total portfolio and is therefore regarded as immaterial.

Loan losses and impairment of financial instruments IAS 39

Accounting principles as applied until 31 December 2017:

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 measured 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 14. 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-five 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 3-20 years are applied as shown below.

- IT equipment	3–5 years
- Furniture	5 years
- Building equipment	20 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 RFR 2 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 under the item Tangible assets. Where the Bank is the lessee, the leasing fee 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 are normally financed for 36 months, with a residual value between 0 and 10 percent.

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 where Ikano Bank is the lessor, 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. According to IAS 19 a defined contribution pension plan, is a plan for post-employment benefits, under which the Bank pays fixed contributions into a separate legal entity and has no legal or informal obligation to pay further contributions if the legal entity does not have sufficient assets to pay all employee benefits relating to what the employees earned in the current period and earlier. A defined benefit plan is defined as plans for post-employment benefits other than defined contribution plan.

The information required for defined benefit plans, ITP 2, contained in collective agreements in accordance 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.

Pension costs for defined contribution plans are reported as expenses in the income statement as they are earned. 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 when the employee has accepted the offer.

Variable remuneration

Ikano Bank has a low level of variable remuneration. It is considered that 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.

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, deferred tax liabilities, credit loss provisions for credit commitments and other provisions are included in this balance sheet item.

Group contributions

Group contributions are reported in accordance with the Swedish Financial Reporting Board, RFR 2 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

The Bank's earnings are affected by external changes that are not within the company's control. The Bank's earnings performance is affected by factors including macroeconomic change such as unemployment, as well as fluctuations in interest and exchange rates. Risk management is an integrated component of the Bank's daily operations. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but it must also manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and CEO are ultimately responsible for risk management at Ikano Bank. Risk management is intended to ensure that the risks do not exceed the risk tolerances set by the Board. The Bank's risks are controlled centrally, but the responsibility for risk management rests primarily with local business units. This means that operating businesses own and manage the risk in daily operations. The central risk control function is responsible for monitoring and evaluating risk 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 CEO/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 Process (NPAP). The NPAP identifies potential new risks and ensures that these can be measured, reported and mitigated.

Operational risk

Ikano Bank defines operational risk as 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 reputational risk.

Ikano Bank, as an Internet bank, is strongly dependent on IT systems and technical infrastructure. Follow-up of incidents and improvements in accessibility are prioritised areas. The Bank has an incident reporting system where incidents are reported and monitored. Risks are analysed continuously and policies, guidelines and process instructions are available to prevent and mitigate losses caused by operational risks.

The Risk Control Function is responsible for creating the risk framework and supporting in coordination of the work with operational risk but the respective businesses are responsible for managing operational risk. Annual risk reviews are carried out by management for the different business units, to ensure that risks are measured, managed and documented with action plans. New products, partners and IT systems undergo a risk assessment that includes operational risk (the New Product Approval Process NPAP). 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 for operational risk is defined based on a number of different criteria.

All criteria are monitored and reported on by the Risk Control Function.

Business risk

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.

Credit risk

Credit risk is the Bank's main risk and is defined as the risk that the counterparty 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 credit risk that occurs in trading with financial instruments is called counterparty risk. This is the risk that the counterparty in a financial transaction may be unable to fulfil their payment obligations or deliver the securities in accordance with what has been agreed upon. Exposure per counterparty group is limited through limits and rating requirements.

The Bank's lending operations consist of the products leasing, factoring, credit card debts and unsecured loans. All products are designed for quantity management. The Bank applies scoring models in the assessment of credit risk. 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. Most of the Bank's scoring models are internally developed but there are also externally developed and generic models, mostly corporate models. 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 expected credit loss models are based on the IFRS 9 framework; see note 2 Accounting principles for a description of the Bank's models. These models are all internally developed and form the foundation for the classification in the tables below.

The business line Corporate primarily comprises leasing of office and production equipment and vehicles. 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 for credit risk is defined based on the probability of default and updated annually by the Board. The risk appetite is split into several portfolios and is measured according to the Bank's IFRS 9 models.

The Bank has a diversified loan portfolio in terms of customer, product and geographical market which means that no significant credit risk concentrations exist. No single customer accounts for more than 1 per cent of the loan book.

The Bank's gross and net credit risk exposure is shown below, including concentrations on counterparties as well as carrying amounts per category of borrower. Leasing assets are recognised as tangible fixed assets in the balance sheet. Trade receivables leasing are recognised as Other assets.

Liquidity and transaction accounts in other banks where the liquidity is handled by the Bank's treasury function are exempt from credit impairment provisioning since the credit risk is considered to be immaterial. These accounts are classified as loans to credit institutions below. Accrued interest is reported in the balance sheet item Accrued income. The credit impairment provisions are not material.

The table illustrates the maximum credit exposure before and after credit risk impairment provisioning based on internal risk classification (low, medium or high) or an external credit rating, depending on the counterparty.

Credit risk exposure, gross and net, per risk classification for financial assets, and commitments and undrawn limits

2018

SEK 000	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost according to IFRS 9				
Loans to credit institutions				
AAA	25 975			25 975
AA	960 620			960 620
A	1 070 039			1 070 039
B	94 212			94 212
Credit impairment provisions	-			-
Total carrying amount	**2 150 846**	**-**	**-**	**2 150 846**
Loans to the public				
Low	20 532 400	486 422	-	21 018 822
Medium	2 118 166	1 720 854	-	3 839 020
High	622 784	1 872 807	795 342	3 290 933
Credit impairment provisions	-111 610	-286 305	-461 737	-859 652
Total carrying amount	**23 161 740**	**3 793 777**	**333 605**	**27 289 122**
Financial assets measured at fair value according to IFRS 9				
Treasury bills				
AAA	321 659			321 659
AA	960 634			960 634
Credit impairment provisions	-446			-446
Total carrying amount	**1 281 847**	**-**	**-**	**1 281 847**
Bonds and other interest-bearing securities				
AAA	1 225 649			1 225 649
AA	*315 046*			315 046
A	671 237			671 237
B	20 002			20 002
Credit impairment provisions	-763			-763
Total carrying amount	**2 231 172**	**-**	**-**	**2 231 172**
Total gross carrying amount for financial assets measured at amortised cost or fair value through other comprehensive income	**28 843 766**	**4 080 083**	**795 342**	**33 719 191**
Total credit impairment provisions	**-112 819**	**-286 305**	**-461 737**	**-860 861**
Total carrying amount	**28 730 947**	**3 793 777**	**333 605**	**32 858 329**
Leasing objects including trade recievables leasing				
Low	4 925 737	1 077 651	-	6 003 388
Medium	1 581 156	1 242 971	-	2 824 127
High	209 071	1 082 389	390 040	1 681 501
Credit impairment provisions	-14 640	-72 148	-130 856	-217 643
Total carrying amount	**6 701 324**	**3 330 864**	**259 185**	**10 291 373**
Commitments and undrawn limits				
Low	35 090 552	242 911	-	35 333 463
Medium	2 115 045	849 483	-	2 964 528
High	158 780	403 987	-	562 767
Credit impairment provisions	-13 205	-15 860	-	-29 065
Total commitments and undrawn limits	**37 351 171**	**1 480 522**	**-**	**38 831 693**

Collateral amounts to SEK 1,425 m (SEK 1,409 m) and is solely comprised of residual value guarantees from suppliers of leasing objects recognised as tangible fixed assets. The main groups of leasing objects are office equipment, vehicles and production machinery. No significant changes in the quality of collateral have occurred during the period.

Loan receivables per category of borrower

SEK 000	2018	2017
Loan receivables, gross		
- household sector	27 140 238	27 661 482
- corporate sector	11 349 847	10 584 040
- public sector	167 707	292 756
Total	**38 657 792**	**38 538 278**
Of which:		
Non performing loans	**1 185 391**	**1 338 885**
- household sector	761 403	926 091
- corporate sector	423 988	412 794
- public sector	-	-
Less:		
Specific impairment for individually assessed loans	**1 077 296**	**118 784**
- household sector	838 188	14 921
- corporate sector	237 588	103 863
- public sector	1 520	-
Specific impairment for collectively assessed homogenous groups of loans	-	**896 421**
- household sector	-	872 962
- corporate sector	-	23 434
- public sector	-	25
Loan receivables, net reported value		
- household sector	26 302 050	26 773 600
- corporate sector	11 112 259	10 456 743
- public sector	166 187	292 731
Total	**37 580 496**	**37 523 074**

Credit impairment provisions increased by SEK 62 m during 2018 as an effect of IFRS 9 compared to IAS 39. The actual increase was higher as the share of non-performing loans has decreased due to disposals. Credit impairments for these loans were resolved at the time of sale. This has affected the household sector only with credit impairment provisions reduced from SEK 888 m to SEK 838 m. This corresponds to a 6 percent decrease compared to a 2 percent decrease in carrying amounts.

Credit impairment provisions for the Corporate sector increased with SEK 127 m to SEK 238 m or 87 percent. Carrying amounts increased with 6 percent.

Credit risk exposure for financial assets not subject to credit impairment provisions

Maximum exposure for credit risk of financial assets not subject to credit impairment provisions derivatives and related collateral, are shown below. See also section financial instruments that have been offset in the balance sheet or are subject to netting agreements below.

2018 SEK 000	Credit risk exposure	Value of collateral	Credit risk exposure after collateral impact
Derivatives	169 161	139 363	29 798
Total carrying amount	**169 161**	**139 363**	**29 798**

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

2018 SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Amounts not offset in Balance sheet Netting agreements	Issued/Received collateral	Net value
Derivatives	169 161	-	169 161	-7 715	-139 363	22 083
Total financial assets	**169 161**	**-**	**169 161**	**-7 715**	**-139 363**	**22 083**
Derivatives	7 715	-	7 715	-7 715	-	-
Total financial liabilities	**7 715**	**-**	**7 715**	**-7 715**	**-**	**-**

2017 SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Amounts not offset in Balance sheet Netting agreements	Issued/Received collateral	Net value
Derivatives	63 835	-	63 835	-49 192	-9 846	4 798
Total financial assets	**63 835**	**-**	**63 835**	**-49 192**	**-9 846**	**4 798**
Derivatives	54 767	-	54 767	-49 192	-6 840	-1 265
Total financial liabilities	**54 767**	**-**	**54 767**	**-49 192**	**-6 840**	**-1 265**

Ikano Bank is party to and enters derivative contracts under the International Swaps and Derivatives Association's (ISDA) master agreement, which means that when a counterparty cannot fulfil its obligations, the agreement is cancelled and all outstanding dealings between the parties are settled with a net amount. In the balance sheet, no amounts have been offset in 2018.

For derivatives Ikano Bank receives and submits collateral in the form of bank deposits in accordance with the standard terms in the ISDA Credit Support Annex.

Asset encumbrance

The following tables show the disclosures to be provided for encumbered and unencumbered assets in accordance with EBA's 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 pledged received collateral.

2018 SEK m	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
Assets					
Equity instruments	-	29	29	-	-
Interest-bearing securities	-	3 514	3 514	-	-
Other assets	61	41 127	41 127	-	139
Total	**61**	**44 670**	**44 670**	**-**	**139**

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	8	61

2017 SEK m	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
Assets					
Equity instruments	-	32	32	-	-
Interest-bearing securities	-	3 277	3 277	-	-
Other assets	47	40 726	40 726	-	10
Total	**47**	**44 036**	**44 036**	**-**	**10**

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	55	47

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 multiple funding sources forms the basis of the Bank's liquidity and financing strategy. The liquidity level must always be sufficient; this means there should always be a liquidity reserve and 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 receive continuous reporting regarding the liquidity positions and development of liquidity.

Liquidity risk is managed through effective liquidity planning, 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.

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 2018. 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.

Ikano Bank offers a variety of card products where a majority implies that the customer receives a credit. The unused portion of customer credits and loan commitments are reported within item Loan promises and unused credit limits. Customer behaviour is monitored carefully, and history shows that this item is at a stable level, i.e. customers' utilization rate follows a stable pattern.

The Bank performs monthly stress tests of increased outflow of deposits from the public and increased utilization in customers' unused credit. A liquidity reserve in addition to committed and uncommitted credit facilities is maintained to be able to handle potential changes in the customer's expected behaviour.

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 model is conservative as it assumes that the Bank will continue to engage in lending activities and to repay funding according to contractual maturity combined with stress assumptions regarding deposit outflow and the customers' use of credits limits. 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. The LCR show how the Bank's high quality liquid assets relate to the net cash outflow during a 30-day period of stress.

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

2018 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	**Total carrying amount**	of which expected recovery time > 12 months
Assets											
Cash and balances with central banks	0	36	-	-	-	-	-	-	-	**36**	-
Treasury bills	-	210	-	347	435	109	182	-	-	**1 282**	726
Loans to credit institutions	1 938	2	-	-	-	2	-	-	209	**2 151**	2
Loans to the public	-	3 387	1 634	2 831	3 897	2 584	2 497	2 585	7 873	**27 289**	11 159
Leasing receivables	-	1 158	846	1 571	2 662	1 951	1 847	256	-	**10 291**	6 772
Bonds and other interest-bearing securities	-	1 026	181	70	478	348	129	-	-	**2 232**	954
Derivatives	-	158	11	-	-	-	-	-	-	**169**	-
Other assets	-	2	-	1	6	16	-	0	1 256	**1 281**	22
Total assets	**1 938**	**5 980**	**2 673**	**4 820**	**7 478**	**5 009**	**4 655**	**2 842**	**9 337**	**44 731**	**19 635**
Liabilities and equity											
Liabilities to credit institutions	-	238	153	1 377	290	-	-	-	193	**2 250**	290
Deposits from the public	23 244	382	340	699	706	389	446	-	-	**26 206**	16 182
Derivatives	-	-	-	0	3	1	3	-	-	**8**	7
Issued securities	-	840	1 630	770	1 700	1 199	999	-	-	**7 138**	3 899
Other liabilities	-	249	-	-	-	-	-	-	744	**993**	-
Accrued expenses and prepaid income	-	602	60	85	87	33	18	4	405	**1 293**	141
Provisions	11	14	-	-	-	-	-	-	156	**181**	-
Subordinated liabilities	-	-	-	-	-	-	-	839	-	**839**	839
Equity and untaxed reserves	-	-	-	-	-	-	-	-	5 822	**5 822**	-
Total liabilities and equity	**23 254**	**2 325**	**2 182**	**2 931**	**2 787**	**1 622**	**1 466**	**843**	**7 320**	**44 731**	**21 359**
Loan promises and unused credit limits	38 831	-	-	-	-	-	-	-	-	**38 831**	
Operational lease agreements	-	2	2	3	3	1	0	-	-	**10**	
Total difference	**-60 148**	**3 653**	**489**	**1 887**	**4 688**	**3 386**	**3 188**	**1 998**	**2 017**	**-38 841**	

2017 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	**Total carrying amount**	of which expected recovery time > 12 months
Assets											
Cash and balances with central banks	10	-	-	-	-	-	-	-	-	**10**	-
Treasury bills	-	71	70	50	447	333	201	-	-	**1 173**	981
Loans to credit institutions	338	1 291	-	-	2	-	-	-	182	**1 814**	2
Loans to the public	-	3 523	1 600	2 853	3 836	2 587	2 601	2 604	8 195	**27 799**	12 614
Leasing receivables	-	1 126	785	1 465	2 487	1 817	1 817	227	-	**9 724**	6 395
Bonds and other interest-bearing securities	-	710	151	92	353	479	319	-	-	**2 104**	1 151
Derivatives	-	62	-	-	0	2	-	-	-	**64**	2
Other assets	-	53	0	0	0	0	-	-	1 345	**1 398**	236
Total assets	**345**	**6 837**	**2 607**	**4 460**	**7 125**	**5 217**	**4 938**	**2 832**	**9 722**	**44 082**	**21 381**
Liabilities and equity											
Liabilities to credit institutions	-	102	306	1 379	295	422	-	-	-	**2 504**	717
Deposits from the public	18 467	3 137	639	1 033	1 104	655	546	0	34	**25 617**	14 208
Derivatives	-	49	1	4	1	0	-	-	-	**55**	1
Issued securities	-	1 187	1 240	1 200	1 250	900	1 049	-	-	**6 825**	3 198
Other liabilities	-	321	-	0	-	-	-	-	752	**1 073**	-
Accrued expenses and prepaid income	1	482	1	1	-	-	4	1	759	**1 250**	-
Provisions	3	3	-	-	3	3	-	-	156	**170**	-
Subordinated liabilities	-	-	-	-	-	-	-	820	-	**820**	820
Equity and untaxed reserves	-	-	-	-	-	-	-	-	5 768	**5 768**	-
Total liabilities and equity	**18 472**	**5 281**	**2 190**	**3 623**	**2 650**	**1 977**	**1 599**	**821**	**7 470**	**44 082**	**18 944**
Loan promises and unused credit limits	40 309	-	-	-	-	-	-	-	-	**40 309**	
Operational lease agreements	-	2	2	3	3	2	1	-	-	**12**	
Total difference	**-58 436**	**1 555**	**416**	**834**	**4 472**	**3 238**	**3 338**	**2 010**	**2 252**	**-40 321**	

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

2018 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	Total
Assets										
Cash and balances with central banks	0	36	-	-	-	-	-	-	-	**36**
Treasury bills	-	213	1	350	437	106	178	-	-	**1 286**
Loans to credit institutions	1 938	2	-	-	-	2	-	-	209	**2 151**
Loans to the public	-	3 325	1 860	3 158	4 620	2 974	2 973	2 905	7 931	**29 746**
Leasing receivables	-	1 264	939	1 734	2 901	2 094	1 945	268	-	**11 145**
Bonds and other interest-bearing securities	-	1 029	188	71	475	345	129	-	-	**2 237**
Derivatives	-	-	1	1	1	0	2	-	-	**4**
Other assets	-	0	-	1	5	16	-	0	1 248	**1 270**
Total assets	**1 938**	**5 869**	**2 988**	**5 315**	**8 439**	**5 538**	**5 227**	**3 174**	**9 388**	**47 875**
Liabilities and equity										
Liabilities to credit institutions	-	433	153	1 393	293	-	-	-	193	**2 466**
Deposits from the public	23 244	382	340	699	706	389	446	-	-	**26 206**
Derivatives	-	0	3	3	4	1	1	-	-	**12**
Issued securities	-	848	1 637	779	1 717	1 208	1 005	-	-	**7 194**
Other liabilities	11	865	60	85	87	33	18	4	1 305	**2 467**
Subordinated liabilities	-	-	12	9	24	23	46	879	-	**994**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	6 047	**6 047**
Total liabilities and equity	**23 254**	**2 528**	**2 206**	**2 968**	**2 831**	**1 654**	**1 517**	**883**	**7 544**	**45 386**
Loan promises and unused credit limits	38 831	-	-	-	-	-	-	-	-	**38 831**
Operational lease agreements	-	2	2	3	3	1	0	-	-	**10**
Total difference	**-60 148**	**3 339**	**781**	**2 344**	**5 605**	**3 883**	**3 710**	**2 290**	**1 843**	**-36 352**

2017 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	Total
Assets										
Cash and balances with central banks	7	-	-	-	-	-	-	-	-	**7**
Treasury bills	-	73	70	52	444	331	197	-	-	**1 168**
Loans to credit institutions	1 628	2	-	-	2	-	-	-	182	**1 814**
Loans to the public	-	3 681	1 832	3 218	4 630	3 032	3 061	2 938	8 177	**30 569**
Leasing receivables	-	1 396	850	1 595	2 646	1 899	1 854	216	-	**10 455**
Bonds and other interest-bearing securities	-	712	160	93	357	469	314	-	-	**2 105**
Derivatives	-	-	1	1	1	4	-	-	-	**7**
Other assets	-	29	-	-	-	-	-	-	1 363	**1 392**
Total assets	**1 634**	**5 893**	**2 913**	**4 958**	**8 080**	**5 735**	**5 426**	**3 154**	**9 722**	**47 516**
Liabilities and equity										
Liabilities to credit institutions	-	103	309	1 387	295	424	-	-	-	**2 518**
Deposits from the public	18 467	541	448	649	886	344	546	0	34	**21 916**
Derivatives	-	2 620	197	393	222	314	-	-	-	**3 747**
Issued securities	-	1 191	1 245	1 207	1 263	908	1 055	-	-	**6 870**
Other liabilities	273	106	3	6	-	-	4	1	1 662	**2 054**
Subordinated liabilities	-	2	8	8	21	21	41	873	-	**975**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	5 768	**5 768**
Total liabilities and equity	**18 740**	**4 563**	**2 211**	**3 650**	**2 687**	**2 012**	**1 646**	**875**	**7 464**	**43 848**
Loan promises and unused credit limits	40 309	-	-	-	-	-	-	-	-	**40 309**
Operational lease agreements	-	2	2	3	3	2	1	-	-	**12**
Total difference	**-57 415**	**1 328**	**700**	**1 305**	**5 390**	**3 722**	**3 779**	**2 279**	**2 258**	**-36 653**

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 Bank also has other liquidity creating measures at its disposal, such as immediately accessible overdraft facilities as well as committed credit facilities. The composition and size of the Bank's liquidity portfolio and liquidity reserve is regulated in the Bank's steering documents, which are adopted by the Bank's Board of Directors. To ensure that the liquidity of Ikano Bank is adequate, an internal liquidity adequacy assessment (ILAAP) is performed at least annually. This process is a tool used by the Board of Directors to assess the need for changes in the liquidity requirement in the event of changed circumstances.

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

The Bank's liquidity reserve and operational portfolio 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. Consequently the liquidity portfolio shall always amount to at least 14 percent of deposits from the public.

The liquidity reserve, together with other operating liquidity, is invested in interest-bearing securities in the markets where the Bank operates. Steering documents define that quality levels of securities included in the Bank's liquidity reserve are in line with the LCR Delegated Act. Intra-day liquidity manages the Bank's daily payment commitments. The liquidity in this portfolio shall be available within one day, and shall consist of funds in bank accounts, investments available the next banking day (overnight) and committed bank overdraft facilities in the Bank's cash pool.

The liquidity reserve shall 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 funding options. The liquidity reserve is invested in interest-bearing securities with a high credit rating in 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 in the Swedish market. Investments in this portfolio are to have a minimum rating of BBB+ rating according to Standard and Poor's (or equivalent according to Moody's).

The Bank's liquidity reserve amounts to SEK 2.5 bn and consists of high quality assets, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 31 December 2018 totalled SEK 5.6 bn excluding overdraft facilities and constitutes 21.2 percent of deposits from the public. It includes cash and balances with banks, the liquidity reserve and other interest-bearing securities with a value of SEK 1.0 bn. None of the assets are being utilised as collateral and no non-performing loans exist. In addition to the liquidity portfolio, committed credit facilities for a total of SEK 2.8 bn are available.

As of 31 December 2018, the Bank's LCR totalled 191 percent. This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent is applied since 1 January 2018.

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 deposit and lending operations for customers.

Interest rate 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 basis point shifts of all yield curves. This amount shall not exceed 3.5 percent of the Bank's own funds.

The main part of the Bank's interest rate risk stems from mismatches in interest rate periods for assets and liabilities. This interest rate risk is hedged with derivatives aimed at reducing the interest rate sensitivity and achieving better matching interest rate periods.

The Bank applies cash flow hedge for certain deposits at variable interest 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 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 gains and losses on financial transactions and amounted in 2018 to SEK -9.9 m. Per 31 December 2018 no fair value hedges exist.

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 36.3 m (36.5), 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 -15.1 m and SEK 16.0 m with a parallel decrease of the interest rate curve.

As of 31 December 2018, the Bank had interest rate swaps with a contract value of SEK 2.1 bn (2.5). The swaps' net fair value as of 31 December 2018 totalled SEK -7.7 m (-4.7) consisting of assets of SEK 0.0 m (1.6) and liabilities of SEK 7.7 m (6.3).

Interest rate exposure – fixed interest periods for assets and liabilities

2018 SEK m	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 5 years	Longer than 5 years	No interest	Total	Remaining average fixed interest term
Assets								
Cash and balances with central banks	36	-	-	-	-	-	**36**	0.1 years
Treasury bills	924	-	171	188	-	-	**1 282**	0.5 years
Loans to credit institutions	2 151	-	-	-	-	-	**2 151**	0.1 years
Loans to the public	16 757	2 259	3 946	3 959	368	-	**27 289**	0.6 years
Leasing receivables	8 661	150	267	1 129	85	-	**10 291**	0.5 years
Bonds and other interest-bearing securities	1 497	181	-	553	-	-	**2 232**	0.6 years
Other assets	158	11	-	-	-	1 281	**1 450**	0.0 years
Total assets	**30 184**	**2 602**	**4 384**	**5 829**	**452**	**1 281**	**44 731**	
Liabilities and equity								
Liabilities to credit institutions	1 807	443	-	-	-	-	**2 250**	0.2 years
Deposits from the public	20 701	1 082	1 444	2 979	-	-	**26 206**	0.4 years
Issued securities	5 289	580	570	700	-	-	**7 138**	0.3 years
Other liabilities	0	8	-	-	-	2 467	**2 475**	0.0 years
Subordinated liabilities	-	839	-	-	-	-	**839**	0.4 years
Equity and untaxed reserves	-	-	-	-	-	5 822	**5 822**	0.0 years
Total liabilities and equity	**27 797**	**2 952**	**2 014**	**3 679**	**-**	**8 289**	**44 731**	
Difference assets and liabilities	**2 386**	**-351**	**2 370**	**2 150**	**452**	**-7 008**	**-**	
Interest rate derivatives, long positions [1]	22	2 084	-	-	-	-	**2 106**	
Interest rate derivatives, short positions [1]	-	-	276	1 830	-	-	**2 106**	

2017 SEK m	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 5 years	Longer than 5 years	No interest	Total	Remaining average fixed interest term
Assets								
Cash and balances with central banks	7	-	-	-	-	-	**7**	0.1 years
Treasury bills	968	-	-	205	-	-	**1 173**	0.4 years
Loans to credit institutions	1 765	-	-	2	-	47	**1 814**	0.1 years
Loans to the public	17 298	2 122	4 096	4 201	74	8	**27 799**	0.6 years
Leasing receivables	8 052	191	251	950	88	193	**9 724**	0.4 years
Bonds and other interest-bearing securities	1 303	151	52	598	-	-	**2 104**	0.9 years
Other assets	62	2	-	-	-	1 398	**1 462**	0.0 years
Total assets	**29 454**	**2 466**	**4 398**	**5 955**	**163**	**1 646**	**44 082**	
Liabilities and equity								
Liabilities to credit institutions	2 082	422	-	-	-	-	**2 504**	0.2 years
Deposits from the public	19 345	901	1 589	2 679	-	1 103	**25 617**	0.4 years
Issued securities	5 285	940	400	200	-	-	**6 825**	0.3 years
Other liabilities	52	2	1	-	-	2 494	**2 548**	0.1 years
Subordinated liabilities	388	431	-	-	-	-	**820**	0.3 years
Equity and untaxed reserves	-	-	-	-	-	5 768	**5 768**	0.0 years
Total liabilities and equity	**27 153**	**2 695**	**1 989**	**2 879**	**-**	**9 365**	**44 082**	
Difference assets and liabilities	**2 302**	**-230**	**2 409**	**3 076**	**163**	**-7 720**	**-**	
Interest rate derivatives, long positions [1]	469	2 065	-	-	-	-	**2 534**	
Interest rate derivatives, short positions [1]	49	344	590	1 550	-	-	**2 534**	

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

Derivatives - assets and liabilities

2018 SEK 000	> 1 year	> 1 year - 5 years	> 5 years	Total	Assets (positive market value)	Liabiities (negative market value)
Derivatives at fair value through profit or loss						
Interest-related contracts						
Swaps	-149	-	-	-149	-	-149
Currency-related contracts						
Swaps	169 161	-	-	169 161	169 161	-
Total	**169 012**	**-**	**-**	**169 012**	**169 161**	**-149**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	-154	-7 412	-	-7 566	-	-7 566
Total	**-154**	**-7 412**	**-**	**-7 566**	**-**	**-7 566**
Total sum	**168 858**	**-7 412**	**-**	**161 446**	**169 161**	**-7 715**

2017 SEK 000	> 1 year	> 1 year - 5 years	> 5 years	Total	Assets (positive market value)	Liabiities (negative market value)
Derivatives at fair value through profit or loss						
Interest-related contracts						
Swaps	-	-492	-	-492	365	-857
Currency-related contracts						
Swaps	13 761	-	-	13 761	62 194	-48 433
Total	**13 761**	**-492**	**-**	**13 269**	**62 559**	**-49 290**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	-5 336	1 135	-	-4 200	1 277	-5 477
Total	**-5 336**	**1 135**	**-**	**-4 200**	**1 277**	**-5 477**
Total sum	**8 425**	**643**	**-**	**9 068**	**63 835**	**-54 767**

Hedge instruments in hedge accounting, nominal amounts and carrying amounts

Below tables show amounts for hedging instruments and inefficiency in hedges as well as information on the hedged items hedged in the bank's cash flow hedges.

	Nominal amount	Carrying amount					
SEK 000		Assets	Liabilities	Balance sheet item where the hedge instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in the income statement	Item in income statement that includes hedge ineffectiveness
Interest rate risk							
Interest rate swaps, positive values	-	-	-		-	-	
Interest rate swaps, negative values	-2 084 348	-	-7 566	Other assets	-1 768	-9 917	Net gains and losses on financial transactions

Hedged items cash flow hedges

SEK 000	Balance sheet item in which the hedged item is included	Changes in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk				
Interest rate swaps EUR	Deposits from the public	-8 148	-12 622	-

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 and are mainly mitigated by currency derivatives.

A sensitivity analysis shows that an increase in the exchange rate by 10 percent reduces the overall net exposure by SEK 25.0 m.

In the Bank's income statement, exchange rate results with SEK -0.6 m (-8.6) are included in Net gains and losses on financial transactions.

The Bank's risk appetite for currency risk is defined in terms of total outstanding exposure in all currencies.

Assets and liabilities per significant currencies

2018 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	Total
Assets							
Treasury bills	970	-	275	37	-	-	**1 282**
Loans to credit institutions	593	284	140	788	147	234	**2 187**
Loans to the public	9 300	7 440	5 775	2 391	1 854	529	**27 289**
Leasing receivables	5 159	800	-	2 903	1 429	-	**10 291**
Bonds and other interest-bearing securities	1 651	344	170	-	-	-	**2 232**
Other assets	1 056	61	80	64	178	12	**1 450**
Total assets	**18 728**	**8 929**	**6 440**	**6 251**	**3 608**	**775**	**44 731**
Nominal amount currency derivative	5 323	-	-	-	-	-	**5 323**
Liabilities and equity							
Liabilities to credit institutions	156	507	744	145	390	308	**2 250**
Deposits from the public	12 757	5 961	3 094	4 394	-	-	**26 206**
Issued securities	7 138	-	-	-	-	-	**7 138**
Subordinated liabilities	200	402	79	123	36	-	**839**
Other liablities incl. Equity	3 889	1 830	527	1 575	551	-75	**8 297**
Total equity and liabilities	**24 141**	**8 699**	**4 445**	**6 236**	**977**	**233**	**44 731**
Nominal amount currency derivative	-	203	1 924	-	2 501	533	**5 162**
Differences between assets and liabilities, incl. Nominal amount currency derivative	-90	27	71	14	129	9	160
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		2.7	7.1	1.4	12.9	0.9	25.0

2017 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	Total
Assets							
Treasury bills	1 004	-	169	-	-	-	**1 173**
Loans to credit institutions	1 076	98	148	102	89	306	**1 820**
Loans to the public	9 680	7 371	5 794	2 497	1 892	565	**27 799**
Leasing receivables	4 630	616	-	2 937	1 542	-	**9 724**
Bonds and other interest-bearing securities	1 639	299	167	-	-	-	**2 104**
Other assets	1 081	105	60	76	129	11	**1 462**
Total assets	**19 110**	**8 489**	**6 338**	**5 612**	**3 652**	**882**	**44 082**
Nominal amount currency derivative	5 402	-	-	-	-	-	**5 402**
Liabilities and equity							
Liabilities to credit institutions	22	506	830	211	629	306	**2 504**
Deposits from the public	13 456	5 844	2 610	3 707	-	-	**25 617**
Issued securities	6 825	-	-	-	-	-	**6 825**
Subordinated liabilities	200	388	77	119	35	-	**820**
Other liablities incl. Equity	3 904	1 794	558	1 572	530	-41	**8 317**
Total equity and liabilities	**24 407**	**8 532**	**4 075**	**5 609**	**1 194**	**265**	**44 082**
Nominal amount currency derivative	-	-	2 265	0	2 461	669	**5 395**
Differences between assets and liabilities, incl. Nominal amount currency derivative	105	-43	-2	3	-3	-52	7
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		-4.3	-0.2	0.3	-0.3	-5.2	-9.8

4 Information about subsidiary

The subsidiary Ikano Insight Ltd was liquidated as of 23 January 2018. Neither in 2018 nor 2017 any operations were conducted in Ikano Insight Ltd.

All shares in the subsidiary were acquired on 1 October 2015. The Bank has not prepared consolidated statements previous years with reference to the Annual Accounts Act §7:3a. The financial position and result of Ikano Insight Ltd have no material effect on the financial position and ratios for Ikano Bank AB.

Financial position of Ikano Insight Ltd

SEK 000	31 Dec 2018	31 Dec 2017
Assets		
Other assets	-	14 597
Total assets	**-**	**14 597**
Liabilities and equity		
Equity	-	14 597
Total liabilities and equity	**-**	**14 597**

5 Operating segments

2018 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	749	329	215	29	566	627	67	472	3 055	-717	2 338
Interest expense	-229	-83	-82	-12	-177	-81	-16	-441	-1 120	717	-403
Total net interest income	**520**	**247**	**133**	**17**	**389**	**546**	**52**	**31**	**1 935**	**-**	**1 935**
Payment service commissions	12	2	-	1	-	13	-	-	27	-	27
Lending commissions	173	36	61	22	80	20	2	0	394	-	394
Compensation, mediated insurance	117	27	36	4	-1	49	1	-	233	-	233
Other commissions	20	2	12	0	0	1	1	0	35	-	35
Commission income	**322**	**66**	**109**	**27**	**79**	**82**	**4**	**0**	**690**	**-**	**690**
Commission expense	-136	-17	-60	-9	-37	-33	-5	-1	-298	-	-298
Commission, net	**186**	**50**	**48**	**18**	**43**	**49**	**-1**	**-1**	**392**	**-**	**392**
Lease income	1 880	1 043	610	257	-	-	-	-	3 790	-	3 790
Depreciation on leasing assets	-1 687	-915	-517	-223	-	-	-	-	-3 342	-	-3 342
Leasing Income, net	**193**	**129**	**93**	**33**	**-**	**-**	**-**	**-**	**448**	**-**	**448**
Net Interest, fee and leasing income	**900**	**425**	**274**	**68**	**432**	**595**	**51**	**30**	**2 775**	**-**	**2 775**
Other income	77	22	8	4	22	-4	4	874	1 006	-858	149
Other direct expenses	-39	-10	-13	-6	-26	-50	-2	-5	-150	-	-150
Operating margin before net loan losses and operational expenses	**938**	**438**	**269**	**66**	**428**	**541**	**54**	**899**	**3 631**	**-858**	**2 774**
Other expenses	-870	-362	-248	-71	-472	-298	-50	-886	-3 256	875	-2 382
Allocated overhead expenses	-3	-4	-1	1	-4	-6	1	-1	-16	-17	-33
Operating result	**65**	**72**	**20**	**-4**	**-48**	**237**	**5**	**13**	**359**	**-**	**359**
Of which:											
Total internal income	*119*	*35*	*-*	*-*	*60*	*33*	*-*	*1 327*	*1 574*	*-1 574*	*-*
Total external income	*1 236*	*514*	*424*	*93*	*607*	*677*	*76*	*-*	*3 628*	*-*	*3 628*
Total internal expenses	*-602*	*-142*	*-168*	*-29*	*-245*	*-215*	*-28*	*-145*	*-1 574*	*1 574*	*-*
Appropriations	-	-	-	-	-	-	-	320	320	-	320
Tax expense	-	-11	-7	-	-10	-87	0	-23	-137	-	-137
Net result for the year	**65**	**61**	**13**	**-4**	**-58**	**151**	**5**	**310**	**541**	**-**	**541**

2017 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	755	324	226	27	529	659	60	436	3 016	-661	2 355
Interest expense	-221	-83	-76	-7	-147	-93	-13	-416	-1 056	661	-395
Total net interest income	**535**	**241**	**150**	**20**	**383**	**566**	**46**	**20**	**1 960**	-	**1 960**
Payment service commissions	11	2	1	1	-	12	-	-	25	-	25
Lending commissions	170	36	58	20	77	15	2	-	377	-	377
Compensation, mediated insurance	88	25	33	3	0	54	0	-	203	-	203
Other commissions	25	1	14	0	-	0	1	2	43	-	43
Commission income	**294**	**64**	**102**	**24**	**77**	**82**	**3**	**2**	**648**	**-**	**648**
Commission expense	-148	-12	-55	-7	-47	-29	-4	-2	-303	-	-303
Commission, net	**146**	**53**	**47**	**17**	**30**	**53**	0	0	**345**	**-**	**345**
Lease income	1 735	941	579	140	-	-	-	-	3 396	-	3 396
Depreciation on leasing assets	-1 563	-826	-494	-121	-	-	-	-	-3 005	-	-3 005
Leasing Income, net	**171**	**116**	**84**	**20**	**-**	**-**	**-**	**-**	**391**	-	**391**
Net Interest, fee and leasing income	**852**	**409**	**281**	**57**	**413**	**619**	**46**	**20**	**2 696**	-	**2 696**
Other income	17	207	6	1	24	6	5	971	1 237	-975	262
Other direct expenses	-46	-13	-13	-5	-21	-25	-2	-2	-126	-	-126
Operating margin before net loan losses and operational expenses	**824**	**604**	**274**	**52**	**416**	**599**	**50**	**989**	**3 808**	**-975**	**2 833**
Other expenses	-712	-355	-257	-59	-455	-440	-48	-995	-3 320	963	-2 356
Allocated overhead expenses	-21	-7	-4	-1	-9	-12	-1	1	-54	12	-42
Operating result	**91**	**242**	**13**	**-8**	**-48**	**148**	**1**	**-5**	**434**	**-**	**435**
Of which:											
Total internal income	*118*	*31*	*-*	*-*	*44*	*35*	*-*	*1 409*	*1 637*	*-1 637*	*-*
Total external income	*1 111*	*681*	*418*	*71*	*586*	*712*	*69*	*13*	*3 662*	*-*	*3 662*
Total internal expenses	*-562*	*-91*	*-154*	*-31*	*-253*	*-218*	*-30*	*-299*	*-1 637*	*1 637*	*-*
Tax expense	1	-51	0	-	9	-59	-	-50	-151	-	-151
Net result for the year	**92**	**190**	**13**	**-8**	**-39**	**89**	**1**	**-55**	**284**	**-**	**284**

External income

SEK m	2018	2017
Corporate	761	686
Sales Finance	1 773	1 938
Consumer	962	968
Other	132	70
Total external income	**3 628**	**3 662**

Neither Ikano Bank, nor any individual business line, has any single customer representing 10 percent of revenues or more.

Balance sheet

2018 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	385	5	0	0	1	5	1	-	**397**
Deferred tax assets	92	-	-	-	-	24	-	-	**115**
Other assets	32 957	5 961	3 294	1 127	5 936	7 890	739	-13 685	**44 219**
Total assets	**33 434**	**5 967**	**3 294**	**1 127**	**5 937**	**7 918**	**740**	**-13 685**	**44 731**
Liabilities and provisions	**30 594**	**4 695**	**2 985**	**1 202**	**5 849**	**6 423**	**845**	**-13 685**	**38 909**

2017 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	400	19	1	0	3	6	1	-	**430**
Deferred tax assets	136	-	-	-	4	19	-	-	**159**
Other assets	32 519	5 474	3 480	968	5 980	7 586	831	-13 346	**43 493**
Total assets	**33 055**	**5 493**	**3 481**	**969**	**5 987**	**7 611**	**832**	**-13 346**	**44 082**
Liabilities and provisions	**30 173**	**4 272**	**3 166**	**1 013**	**5 841**	**6 255**	**940**	**-13 346**	**38 314**

6 Net interest

SEK 000	2018	2017
Interest income		
Loans to credit institutions	-1 642	1 558
Loans to the public	2 337 836	2 351 624
Interest-bearing securities	1 932	1 763
Total	**2 338 126**	**2 354 945**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*2 336 193*	*2 353 182*
Interest income from non-performing loans	*67 515*	*82 569*
Interest expense		
Liabilities to credit institutions	-40 078	-41 044
Deposits from the public	-203 773	-202 479
Of which: Deposit guarantee fee	*-34 218*	*-33 877*
Issued securities	-27 638	-24 814
Derivatives	-85 693	-87 517
- *Hedge accounting*	*-8 037*	*-12 243*
- *Not hedge accounting*	*-77 656*	*-75 274*
Subordinated liabilities	-23 303	-21 726
Other interest expenses	-22 512	-17 189
Of which: Stability fee	*-18 834*	*-14 302*
Total	**-402 997**	**-394 770**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*-317 304*	*-307 253*
Total net interest income	**1 935 129**	**1 960 176**
Interest margin	4.2%	4.4%
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	4.4%	4.6%
Net interest income in relation to average balance sheet total		

7 Leasing income

SEK 000	2018	2017
Leasing income, gross	3 790 090	3 395 930
Less: Depreciation according to plan	-3 341 934	-3 004 753
Leasing income, net	**448 156**	**391 177**
Leasing income from financial lease agreements	3 790 090	3 395 930
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-3 341 934	-3 004 753
Leasing income, net for financial lease agreements	**448 156**	**391 177**
Interest income	9 531	7 723
Interest expenses	-112 991	-96 273
Leasing, net	**344 696**	**302 626**

8 Net commission

SEK 000	2018	2017
Commission income		
Payment service commissions	26 922	25 484
Lending commissions	394 184	376 996
Other commissions	268 412	245 149
Total	**689 518**	**647 629**
Commission expenses		
Payment service commissions	-3 127	-3 728
Lending commissions	-280 605	-265 455
Other commissions	-52 622	-50 115
Total	**-336 354**	**-319 298**
Net commission income	**353 164**	**328 331**

9 Net result on financial transactions

SEK 000	2018	2017
Interest-bearing securities	-	-1 827
Other financial instruments	112	4 013
Exchange rate fluctuations	-574	-8 641
Total	**-462**	**-6 455**
Net profit/loss divided per valuation category		
Financial assets at fair value through profit or loss	313 217	381 586
Financial assets at amortised cost	244 110	-
Loan receivables and accounts receivable	-	-134 888
Financial liabilities at fair value through profit or loss	-447 398	-266 339
Financial liabilities at amortised costs	-99 028	12 917
Change in fair value for derivatives that are hedging instruments in fair value	-390	-48
Change in fair value for hedged item in respect of the hedged risk in fair value	-	456
The ineffective portion of changes in fair value of the hedging instrument in a cash flow hedge	-9 917	1 167
Changes in credit impairment provisions for assets at fair value through other comprehensive income	-637	-
Exchange rate fluctuations	-419	-1 304
Total	**-462**	**-6 455**
Net profit or loss on financial assets available-for-sale recognised in comprehensive income	**-4 905**	**1 841**

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.

10 Other operating income

SEK 000	2018	2017
Realised gain arising from the disposal of tangible assets	29 262	21 005
One-off revenue from loan portfolio sale [1)]	-	180 864
One-off revenue SBAB	57 133	-
Other operating income	65 518	66 331
Total	**151 913**	**268 200**

1) Income from a one-off portfolio sale in connection with the harmonisation of the process for debt collection.

11 Geographic distribution of income

2018

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	623 150	35 680	294 395	215 236	506 076	588 292	68 253	7 044	**2 338 126**
Leasing income	1 880 046	256 640	1 043 316	610 088	-	-	-	-	**3 790 090**
Commission income	313 429	32 574	66 789	110 970	80 529	80 407	3 144	1 675	**689 518**
Net gains and losses from financial transactions	-8 115	4 639	163	978	-70	491	670	781	**-462**
Other operating income	87 777	3 699	25 003	7 761	21 781	1 524	4 368	-	**151 913**
Total	**2 896 288**	**333 231**	**1 429 666**	**945 032**	**608 316**	**670 714**	**76 436**	**9 501**	**6 969 185**

2017

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	627 470	35 351	293 355	227 486	485 784	615 560	60 366	9 574	**2 354 945**
Leasing income	1 735 488	140 420	941 256	578 766	-	-	-	-	**3 395 930**
Commission income	287 791	28 808	65 491	103 133	76 602	80 767	3 203	1 835	**647 629**
Net gains and losses from financial transactions	-6 040	-150	-10	-286	110	-27	0	-51	**-6 455**
Other operating income	18 314	799	207 357	6 470	23 934	5 824	5 502	-	**268 200**
Total	**2 663 023**	**205 228**	**1 507 448**	**915 569**	**586 430**	**702 124**	**69 071**	**11 357**	**6 660 250**

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

12 General administrative expenses

SEK 000	2018	2017
Personnel costs		
- salaries and fees	-512 497	-496 840
- social security contributions	-120 117	-125 974
- pension costs	-57 762	-58 306
- other personnel costs	-47 494	-42 760
Total personnel costs	**-737 870**	**-723 880**
Other general administrative expenses		
- postage and telephone	-81 705	-84 010
- IT costs	-581 850	-470 580
- consultancy services	-39 139	-74 586
- agency staff	-23 175	-37 238
- audit	-7 938	-12 227
- rent and other costs for premises	-50 477	-50 161
- internal Group services	-32 702	-41 617
- cost of materials	-45 576	-51 763
- travel costs	-31 417	-35 812
- other	-117 518	-88 176
Total other general administrative expenses	**-1 011 497**	**-946 171**
Total general administrative expenses	**-1 749 367**	**-1 670 051**

Salaries, other remuneration, pensions and social costs

	2018		2017	
SEK 000	Senior management (16 persons)	Other employees	Senior management (14 persons)	Other employees
Salaries and other remunerations	-24 934	-484 891	-30 979	-464 344
Variable remuneration	-786	-1 887	-	-1 518
Pensions	-2 386	-55 376	-6 025	-52 282
Social security contributions	-7 626	-112 491	-11 195	-114 779
Of which: social security contributions regarding pensions	*-692*	*-9 311*	*-1 462*	*-8 346*
Total	**-35 732**	**-654 644**	**-48 198**	**-632 922**

The number for senior management represents those who have received remuneration during the year and does not compare to the number of senior management per 31 December 2018.

The Bank has no outstanding pension obligations to senior executives. Senior management are the current and previous Board members, CEOs and management groups where compensation has been paid.

Employment conditions for senior executives

A Board fee and committee fee is paid to the Board members in accordance with a resolution adopted by the Annual General Meeting. No fee is paid to employees of the Ikano S.A. Group.

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

Neither the CEO nor Board members have loans in 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/FFFS 2014:22 regarding remuneration policies in credit institutions, securities companies and fund management companies with permission to undertake discretionary portfolio management.

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.

Salaries and remuneration to the Board of Directors and senior executives

2018 SEK 000	Base salary	Variable remuneration	Other benefits	Pension costs	Total
Mats Håkansson, chairman of the Board of Directors [1]	-	-	-	-	-
Olle Claeson	-640	-	-	-	**-640**
Heather Jackson	-706	-	-	-	**-706**
Diederick van Thiel	-728	-	-	-	**-728**
Lars Thorsén [1]	-	-	-	-	-
Jean Champagne [1]	-	-	-	-	-
Yohann Adolphe [1]	-	-	-	-	-
Håkan Nyberg, MD [2]	-6 680	-	-280	-935	**-7 895**
Stefan Nyrinder, MD [3]	-	-539	-	-	**-539**
Other senior management (16 pers)	-15 305	-247	-595	-1 451	**-17 598**
Total	**-24 059**	**-786**	**-875**	**-2 386**	**-28 106**

2017 SEK 000	Base salary	Variable remuneration	Other benefits	Pension costs	Total
Mats Håkansson, chairman of the Board of Directors [1]	-	-	-	-	-
Olle Claeson	-839	-	-	-	**-839**
Heather Jackson	-659	-	-	-	**-659**
Diederick van Thiel	-772	-	-	-	**-772**
Lars Thorsén [1]	-	-	-	-	-
Jean Champagne [1]	-	-	-	-	-
Håkan Nyberg, MD	-1 336	-	-	-408	**-1 744**
Stefan Nyrinder, MD [3]	-9 457	-	-58	-1 665	**-11 181**
Other senior management (12 pers)	-17 500	-	-357	-3 951	**-21 809**
Total	**-30 563**	**-**	**-416**	**-6 025**	**-37 003**

1) No fee is paid to employees of the Ikano S.A. Group.
2) Resigned during the year, all costs are reported
3) Resigned during 2017

In September 2017, the Bank entered into a termination agreement with its managing director in 2017, entitling the managing director to 24 months' leave with salary and other benefits (in certain circumstances) from September 2017 to September 2019. However, as from August 2018, the Bank is just obliged to pay the fixed salary and no other benefits, since this managing director has assumed a position outside the Bank.

In addition, the Bank gave notice of termination to its previous managing director in September 2018, which entitled the previous managing director to 12 months' notice period with salary and other benefits as from this date.

Finally, the Bank has in 2018 paid out salary and other benefits under the termination agreements with the former COO and the former CIO (both these agreements entitling the managers to twelve months' garden leave with salary and other benefits).

Accordingly, all these occurrences affect the results for 2018.

Gender distribution, Board and management	2018	2017
Board of Directors		
Women	1	1
Men	5	5
Other senior management incl. Managing Director		
Women	5	3
Men	7	5

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 employees.

Number of employees per country	2018			2017		
	Women	Men	Total	Women	Men	Total
Sweden	202	178	380	202	200	402
Denmark	21	29	50	22	47	69
Norway	15	19	34	15	17	32
Finland	10	8	18	8	8	16
United Kingdom	104	81	184	118	90	208
Germany	62	54	116	64	56	120
Poland	38	26	64	35	20	55
Total	**452**	**394**	**846**	**464**	**437**	**901**

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 CEO, 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. Audit work in addition to the audit assignment refers to such tasks that can only be performed by signing auditor, for example different types of statutory certificates.

SEK 000	2018	2017
Deloitte AB		
Audit assignment	-5 237	-5 992
Audit work in addition to the audit assignment	-240	-228
Tax consultancy	-	-123
Total	**-5 477**	**-6 343**
Other auditors		
KPMG Poland		
Audit assignment	-285	-
Total	**-285**	**-**

13 Other operating expenses

SEK 000	2018	2017
Marketing expenses	-190 483	-187 738
Membership fees to organisations	-3 066	-3 137
Insurance expenses	-3 087	-2 500
Other operating expenses	-12 708	-6 489
Total	**-209 344**	**-199 863**

14 Loan losses, net

The table below shows net loan losses including credit impairment provisions for credit commitments and undrawn limits.

Credit impairment provisions recognised at fair value via other comprehensive income amount to SEK 1.2 m and have been recognised in equity against the item fair value reserve. The credit impairment ratio according to IFRS 9 was 1.3 percent for 2018.

SEK 000	2018
Stage 1 - assets not credit impaired since initial recognition	
Change in credit impairment provisions related to stage 1	28 020
Net credit losses for the period- stage 1	**28 020**
Stage 2 - assets with significant increase in credit risk since initial recognition but not credit impaired	
Change in credit impairment provisions related to stage 2	16 963
Derecognition of loans stage 2	-227 416
Reversal of previous provisions and recoveries stage 2	61 502
Net credit losses for the period- stage 2	**-148 951**
Stage 3 - credit impaired assets	
Change in credit impairment provisions related to stage 3	182 830
Derecognition of loans stage 3	-984 609
Reversal of previous provisions and recoveries stage 3	446 773
Net credit losses for the period credit impaired assets - stage 3	**-355 006**
Total net credit losses for the period	**-475 937**

SEK 000	2017
Specific provision for individually assessed loan receivables	
Provisions for the year	-57 003
Write-off for the year for determined loan losses	-207 509
Reversal of previous provisions for loan losses	47 566
Recoveries from previously determined loan losses	15 496
Net cost for the year for individually assessed loan receivables	**-201 450**
Specific provision for collectively assessed loan receivables	
Provisions for the year	51 331
Write-off for the year for determined loan losses	-607 453
Recoveries from previously determined loan losses	201 984
Net cost for the year for collectively assessed loan receivables	**-354 139**
Net cost for the year for loan losses	**-555 588**

The credit impairment ratio according to IAS 39 was 1.6 percent for 2017.

15 Taxes

Reported in the income statement

SEK 000	2018	2017
Current tax expense		
Tax expense for the year	-56 594	-125 513
Adjustment of taxes attributable to previous years	-4 320	-66 823
Current tax expense	**-60 914**	**-192 336**
Deferred tax expense/income	-100	41 433
Deferred tax related to temporary differences	-62 693	-
Deferred tax expense due to reversal of residual value depreciations	-13 838	-
Deferred tax income due to resolving derivatives and securities	243	-
Total reported tax expense in accordance with the income statement	**-137 302**	**-150 903**

Reconciliation of effective tax

SEK 000	2018		2017	
Result before tax		678 510		434 764
Tax according to current tax rates	22,0%	-149 272	22,0%	-95 648
Non tax-deductible expenses	1,3%	-8 550	1.5%	-6 516
Non-taxable income	-7,1%	48 496	0,0%	-
Taxes attributable to previous years	0,6%	-4 320	15.4%	-66 823
Effect of revaluation of residual value depreciations following change in income tax	0,1%	-755	0,0%	-
Translation differences for the year foreign branches	0,0%	-	0,0%	-
Difference between tax base and tax rate	3,8%	-25 526	8.6%	-37 314
Reversal of previously recognised deferred tax receivable	-0,1%	900	-12.7%	55 353
Other	-0,3%	1 725	0,0%	46
Reported effective tax	**20,2%**	**-137 302**	**34,7%**	**-150 903**

Tax relating to other comprehensive income

	2018			2017		
SEK 000	Before tax	Tax	After tax	Before tax	Tax	After tax
Exchange rate difference foreign branches	86 933	-34 716	52 217	33 309	-	33 309
Financial assets valued through other comprehensive income	-6 630	1 725	-4 905	-	-	-
Financial assets available-for-sale	-	-	-	2 360	-519	1 841
The year's change in fair value of cash flow hedges	5 315	-1 137	4 178	9 394	-2 067	7 327
Other comprehensive income	**85 618**	**-34 128**	**51 490**	**45 063**	**-2 586**	**42 477**

Reported in the balance sheet

	Deferred tax assets		Deferred tax liabilities	
SEK 000	2018	2017	2018	2017
Tangible/intangible assets as well as financial assets at fair value through other comprehensive income	24 090	41 515	-	-
Financial assets available for sale	-	-	-	5 264
Offsetting	91 362	117 309	91 362	117 309
Tax assets/liabilities	**115 452**	**158 824**	**91 362**	**122 573**

Appropriations

SEK 000	2018	2017
Difference between recognised depreciation and depreciation according to plan	320 000	-
Total	**320 000**	**-**

16 Treasury bills

	2018		2017	
SEK 000	Fair value	Carrying amount	Fair value	Carrying amount
Treasury bills				
- Swedish municipalities	970 275	970 275	1 003 629	1 003 629
- Foreign governments	312 018	312 018	169 318	169 318
Total	**1 282 293**	**1 282 293**	**1 172 947**	**1 172 947**
Positive difference as an effect of the carrying amount exceeding the nominal amount		14 635		15 024
Negative difference as an effect of the carrying amount being less than the nominal amount		-		-
Total		**14 635**		**15 024**

17 Loans to credit institutions

SEK 000	2018	2017
Swedish banks		
- Swedish currency	313 801	883 024
- Foreign currency	1 114 935	221 163
Foreign banks		
- Swedish currency	279 100	193 340
- Foreign currency	443 010	516 316
Total	**2 150 846**	**1 813 843**
Loan loss provision	-	-

Loans to credit institutions have, within the IFRS 9 framework, not been deemed as material as the portfolio is handled by the Bank's treasury function for liquidity management.

18 Loans to the public

SEK 000	2018	2017
Outstanding receivables, gross		
- Swedish currency	9 567 734	9 846 847
- Foreign currency	18 581 041	18 854 370
Total	**28 148 775**	**28 701 216**
Of which: non-performing loans	*795 351*	*957 961*
Specific provision for individually assessed receivables	-859 652	-26 276
Specific provision for collectively assessed receivables	-	-876 187
Carrying amount, net	**27 289 123**	**27 798 753**

The table below shows changes in gross carrying amount and credit impairment provisions during 2018. Receivables in stage 3 have decreased by 21 percent from SEK 1,002 m to SEK 795 m during the year following the sale of portfolios with defaulted exposures. Under the item New financial assets, new loans extended during the year are shown and transfers between stages of these are shown under Transfers during the period. The same line includes increases of existing loans or increase of utilised credits for credit cards available at the start of 2018. New financial assets originated in stage 2 and 3 shows increases in the credit exposure on existing loans that were classified as stage 2 or 3 at the start of the year and returned to stage 1 during the year. Changes are therefore recognised under transfers during the period. Similarly, discontinued loans and amortisations are shown under Financial assets derecognised. The lower part of the table includes credit impairment provisions. Changes in the Bank's risk models and changes in the macroeconomic scenarios are shown separately. Changes in risk parameters that do not affect the stage classification are shown under Revaluation due to change in credit risk.

Changes in carrying amounts and credit impairment provisions

2018	Not credit impaired		Credit impaired	
SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2018	**24 068 003**	**3 631 129**	**1 002 084**	**28 701 216**
New financial assets originated	11 115 980	146 099	10 741	11 272 820
Financial assets derecognised	-10 241 133	-1 282 533	-830 548	-12 354 213
Transfers during the period:	-2 104 736	1 514 921	589 815	-
from stage 1 to stage 2	*-2 812 248*	*2 812 248*	-	-
from stage 1 to stage 3	*-333 105*	-	*333 105*	-
from stage 2 to stage 1	*1 037 235*	*-1 037 235*	-	-
from stage 2 to stage 3	-	*-273 244*	*273 244*	-
from stage 3 to stage 1	*3 383*	-	*-3 383*	-
from stage 3 to stage 2	-	*13 152*	*-13 152*	-
Change in exchange rates and other	435 236	70 467	23 250	528 953
Gross carrying amount per 31 December 2018	**23 273 351**	**4 080 083**	**795 342**	**28 148 775**
Credit impairment provisions				
Credit impairment provisions per 1 January 2018	**-134 181**	**-297 865**	**-647 714**	**-1 079 759**
New financial assets originated	-161 621	-10 417	-5 474	-177 512
Financial assets derecognised	56 622	115 976	522 624	695 223
Changes in risk variables (EAD, PD, LGD)	5 477	14 121	9 026	28 624
Changes in macroeconomic scenarios	-3 462	5 661	-23	2 176
Changes due to expert credit judgement (individual assessments and manual adjustments)	-824	457	2 483	2 117
Transfers during the period:	118 424	-89 758	-317 925	-289 259
from stage 1 to stage 2	*73 318*	*-187 303*	-	*-113 985*
from stage 1 to stage 3	*51 583*	-	*-180 727*	*-129 145*
from stage 2 to stage 1	*-6 445*	*51 423*	-	*44 977*
from stage 2 to stage 3	-	*47 055*	*-142 419*	*-95 365*
from stage 3 to stage 1	*-31*	-	*1 440*	*1 409*
from stage 3 to stage 2	-	*-933*	*3 781*	*2 848*
Reevaluation due to change in credit risk	11 106	-18 039	-8 636	-15 569
Change in exchange rates and other	-3 151	-6 443	-16 098	-25 693
Credit impairment provisions per 31 December 2018	**-111 610**	**-286 305**	**-461 737**	**-859 652**
Net carrying amount	**23 161 741**	**3 793 777**	**333 605**	**27 289 123**

Transfers between the stages are assessed at the end of the reporting period.

19 Bonds and other interest-bearing securities

SEK 000	2018 Fair value	2018 Carrying amount	2017 Fair value	2017 Carrying amount
Issued by Swedish borrowers				
- Mortgage institutions	639 586	639 586	766 536	766 536
- Non-financial entities	821 049	821 049	741 355	741 355
- Financial entities	203 404	203 404	115 637	115 637
Foreign issuers	567 896	567 896	480 451	480 451
Total bonds and other interest-bearing securities	**2 231 935**	**2 231 935**	**2 103 980**	**2 103 980**
Of which:				
Listed securities		*1 306 864*		*1 393 768*
Unlisted securities		*925 071*		*710 212*
Positive difference as an effect of the carrying amount exceeding the nominal amount		17 989		32 071
Negative difference as an effect of the carrying amount being less than the nominal amount		29		-

Credit impairment provisions for assets measured at fair value via other comprehensive income amounts to SEK 0.6 m and have been reported under the item Net result from financial transactions in the profit and loss.

20 Shares and participations

SEK 000	2018	2017
Shares and participations, unlisted securities	1 535	1 535
Shares and participations, listed securities	27 764	17 350
Total shares and other participations	**29 299**	**18 885**

21 Shares and participations in group companies

SEK 000	2018	2017
Other	-	13 322
Total shares and other participations	**-**	**13 322**
Accumulated acquisition values		
At the beginning of the year	13 322	13 322
Termination through liquidation	-13 322	-
Carrying value, 31 December	**-**	**13 322**

22 Intangible assets

SEK 000	Internally generated intangible assets	Acquired intangible assets		
	Other technical/cont-ract based assets	Market and customer based assets	Other technical/ contract based assets	Total
Acquisition cost				
Opening balance, 1 January 2017	359 892	39 180	62 476	461 547
Other investments	128 271	-	147	128 417
Sales and disposals	-	-	-3 172	-3 172
Translation difference	-	1 010	638	1 648
Closing balance, 31 December 2017	**488 162**	**40 190**	**60 089**	**588 440**
Opening balance, 1 January 2018	488 162	40 190	60 089	588 440
Other investments	59 729	-	924	60 653
Sales and disposals	-	-	-313	-313
Translation difference	-	1 336	1 760	3 096
Closing balance, 31 December 2018	**547 891**	**41 526**	**62 459**	**651 876**
Amortisation				
Opening balance, 1 January 2017	-49 654	-35 024	-54 797	-139 475
Amortisation for the year	-49 492	-2 073	-4 110	-55 674
Sales and disposals	-	-	3 172	3 172
Translation difference	-	-943	-707	-1 650
Closing balance, 31 December 2017	**-99 146**	**-38 040**	**-56 441**	**-193 627**
Opening balance, 1 January 2018	-99 146	-38 040	-56 441	-193 627
Amortisation for the year	-72 114	-1 461	-3 285	-76 860
Sales and disposals	-	-	196	196
Translation difference	-	-1 247	-1 591	-2 838
Closing balance, 31 December 2018	**-171 260**	**-40 748**	**-61 121**	**-273 129**
Carrying amount				
As of 1 January 2017	310 237	4 155	7 680	322 072
As of 31 December 2017	**389 016**	**2 150**	**3 647**	**394 813**
As of 1 January 2018	389 016	2 150	3 647	394 813
As of 31 December 2018	**376 631**	**778**	**1 338**	**378 747**

23 Tangible assets

SEK 000	Equipment	Leased assets	Total
Acquisition cost			
Opening balance, 1 January 2017	191 397	12 491 346	12 682 743
Other investments	3 106	5 511 308	5 514 413
Sales and disposals	-20 729	-2 910 627	-2 931 356
Translation difference	3 430	-22 224	-18 794
Closing balance, 31 December 2017	**177 203**	**15 069 802**	**15 247 006**
Opening balance, 1 January 2018	177 203	15 069 802	15 247 006
Other investments	3 013	4 880 063	4 883 076
Sales and disposals	-22 219	-3 428 744	-3 450 963
Translation difference	4 365	236 813	241 177
Closing balance, 31 December 2018	**162 362**	**16 757 934**	**16 920 296**
Depreciation			
Opening balance, 1 January 2017	-133 737	-4 783 213	-4 916 950
Depreciation for the year	-25 490	-3 004 753	-3 030 243
Sales and disposals	19 791	2 097 563	2 117 354
Translation difference	-2 741	10 088	7 347
Closing balance, 31 December 2017	**-142 177**	**-5 680 315**	**-5 822 492**
Opening balance, 1 January 2018	-142 177	-5 680 315	-5 822 492
Depreciation for the year	-17 882	-3 341 934	-3 359 816
Sales and disposals	19 396	2 413 968	2 433 364
Translation difference	-3 403	-52 628	-56 031
Closing balance, 31 December 2018	**-144 066**	**-6 660 909**	**-6 804 975**
Impairments			
Opening balance, 1 January 2017	-	-78 785	-78 785
Impairments for the year	-	-39 793	-39 793
Reversals of previous impairment	-	11 784	11 784
Translation difference	-	678	678
Closing balance, 31 December 2017	**-**	**-106 116**	**-106 116**
Opening balance, 1 January 2018	-	-106 116	-106 116
Transitional effect IFRS 9	-	-71 918	-71 918
Impairments for the year	-	-19 673	-19 673
Translation difference	-	-1 198	-1 198
Closing balance, 31 December 2018	**-**	**-198 905**	**-198 905**
Carrying amount			
As of 1 January 2017	57 660	7 629 348	7 687 008
As of 31 December 2017	**35 026**	**9 283 371**	**9 318 397**
As of 1 January 2018	35 026	9 283 371	9 318 397
As of 31 December 2018	**18 296**	**9 898 120**	**9 916 416**

Change in impairment for financial leases recognised as operating leases

SEK 000	2018	2017
Opening balance	**106 116**	**78 785**
Impairment of loan losses for the year	19 673	39 793
Transitional effect IFRS 9	71 918	-
Reversal of previous impairment of loan losses recognised in the annual	-	-11 784
Translation difference	1 198	-678
Closing balance	**198 905**	**106 116**

The table below shows changes in gross carrying amount and credit impairment provisions during 2018. The carrying amounts have increased with 7.5 percent from SEK 9,211 m to SEK 9,898 m. The line item New leasing objects shows new assets originated during the year and changes in stage allocations are shown under Transfers during the period. The same line includes increases of existing loans or increase of utilised credits available at the start of 2018. New financial assets originated in stage 2 and 3 shows increases in the credit exposure on existing loans that were classified as stage 2 or 3 at the start of the year and returned to stage 1 during the year.

Changes are therefore recognised under transfers during the period. Similarly, discontinued loans and amortisations are shown under Financial assets derecognised. The lower part of the table includes credit impairment provisions. Changes in the Bank's risk models and changes in the macroeconomic scenarios are shown separately. Changes in risk parameters that do not affect the stage classification are shown under Revaluation due to changes in credit risk.

Changes in credit impairment provisions for leasing objects (financial leasing)

	Not credit impaired		Credit impaired	
2018				
SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2018	**6 231 985**	**2 885 670**	**271 832**	**9 389 487**
New leasing objects	4 030 665	2 273	478	4 033 416
Derecognised leasing objects	-2 302 191	-1 048 999	-158 873	-3 510 063
Transfers during the period:	-1 618 661	1 383 057	235 604	-
from stage 1 to stage 2	*-2 214 692*	*2 214 692*	-	-
from stage 1 to stage 3	*-166 592*	-	*166 592*	-
from stage 2 to stage 1	*748 402*	*-748 402*	-	-
from stage 2 to stage 3	-	*-126 793*	*126 793*	-
from stage 3 to stage 1	*14 221*	-	*-14 221*	-
from stage 3 to stage 2	-	*43 560*	*-43 560*	-
Change in exchange rates and other	113 318	64 883	5 984	184 185
Gross carrying amount per 31 December 2018	**6 455 116**	**3 286 884**	**355 025**	**10 097 025**
Credit impairment provisions				
Credit impairment provisions per 1 January 2018	**-15 663**	**-65 738**	**-96 633**	**-178 034**
New leasing objects	-41 944	-52	-129	-42 125
Derecognised leasing objects	5 294	22 036	67 647	94 977
Changes in risk variables (EAD, PD, LGD)	515	-2 414	5 776	3 877
Changes in macroeconomic scenarios	-1 035	1 009	-16	-42
Changes due to expert credit judgement (individual assessments and manual adjustments)	-691	-9 905	12 625	2 029
Transfers during the period:	45 540	-20 235	-74 670	-49 364
from stage 1 to stage 2	*24 870*	*-44 905*	-	*-20 035*
from stage 1 to stage 3	*22 351*	-	*-46 478*	*-24 127*
from stage 2 to stage 1	*-1 637*	*14 463*	-	*12 827*
from stage 2 to stage 3	-	*11 652*	*-36 393*	*-24 740*
from stage 3 to stage 1	*-44*	-	*2 214*	*2 170*
from stage 3 to stage 2	-	*-1 445*	*5 987*	*4 541*
Reevaluation due to change in credit risk	*-6 195*	*7 575*	*-30 405*	*-29 026*
Change in exchange rates and other	-122	-443	-632	-1 197
Credit impairment provisions per 31 December 2018	**-14 301**	**-68 167**	**-116 437**	**-198 905**
Net closing balance per 31 December 2018	**6 440 815**	**3 218 717**	**238 588**	**9 898 120**

Of the total carrying value of leasing objects, SEK 16,039 k (3,023) are repossessed leasing objects, of which SEK 10,384 k (1,252) have been reserved for credit impairments. Residual value amounts guaranteed by suppliers totalled SEK 265,506 k (226,329).

24 Loan commitments and undrawn limits

The table below shows changes in gross carrying amount and credit impairment provisions for loan commitments and undrawn limits during 2018. The carrying amounts have decreased with SEK 1,447 m to SEK 38,832 m. during the year The line item New loan commitments and undrawn limits shows new assets originated during the year and changes in stage allocations are shown under Transfers during the period. The same line includes increases of existing loan commitments or increase of credits limits available at the start of 2018. New financial assets originated in stage 2 and 3 shows increases in the credit exposure on existing loans that were classified as stage 2 or 3 at the start of the year and returned to stage 1 during the year. Changes are therefore recognised under Transfers during the period. Similarly, discontinued loans and decreased loan commitments are shown under Financial assets derecognised. The lower part of the table includes credit impairment provisions. Changes in the Bank's risk models and changes in the macroeconomic scenarios are shown separately. Changes in risk parameters that do not affect the stage classification are shown under Revaluation due to changes in credit risk.

Changes in credit impairment provisions for loan commitments and undrawn limits

	Not credit impaired		Credit impaired	
2018				
SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2018	**39 158 439**	**1 151 172**	**-**	**40 309 611**
New loan commitments and undrawn limits	7 772 663	466 849	47 367	8 286 879
Derecognised loan commitments and undrawn limits	-10 321 157	-286 974	-	-10 608 131
Transfers during the period:	-95 469	142 836	-47 367	-
from stage 1 to stage 2	*-1 158 218*	*1 158 218*	-	-
from stage 1 to stage 3	-	-	-	-
from stage 2 to stage 1	*1 030 609*	*-1 030 609*	-	-
from stage 2 to stage 3	-	-	-	-
from stage 3 to stage 1	*32 140*	-	*-32 140*	-
from stage 3 to stage 2	-	*15 227*	*-15 227*	-
Change in exchange rates and other	849 900	22 499	-	872 399
Gross carrying amount per 31 December 2018	**37 364 376**	**1 496 382**	**-**	**38 860 758**
Credit impairment provisions	-	-	-	-
Credit impairment provisions per 1 January 2018	**-13 035**	**-17 458**	**-**	**-30 492**
New loan commitments and undrawn limits	-8 646	-6 480	-53	-15 179
Derecognised loan commitments and undrawn limits	5 423	5 164	-	10 587
Changes in risk variables (EAD, PD, LGD)	-73	485	-	412
Changes in macroeconomic scenarios	-369	608	-3	237
Changes due to expert credit judgement (individual assessments and manual adjustments)	-24	2	-	-22
Transfers during the period:	2 364	2 864	55	5 284
from stage 1 to stage 2	*2 893*	*-9 542*	-	*-6 648*
from stage 1 to stage 3	*-3*	-	-	*-3*
from stage 2 to stage 1	*-524*	*12 536*	-	*12 012*
from stage 2 to stage 3	-	*-80*	-	*-80*
from stage 3 to stage 1	*-3*	-	*3*	*0*
from stage 3 to stage 2	-	*-50*	*52*	*3*
Reevaluation due to change in credit risk	1 408	-686	-	722
Change in exchange rates and other	-254	-360	-	-614
Credit impairment provisions per 31 December 2018	**-13 205**	**-15 860**	**-**	**-29 065**
Net closing balance per 31 December 2018	**37 351 171**	**1 480 522**	**-**	**38 831 693**

25 Leasing

Ikano Bank as lessor

The Bank owns assets leased to customers through financial leases, which, in accordance with the rules in RFR 2, are reported as operating leases. These assets are, therefore, reported in the balance sheet as tangible assets with depreciation reported within Depreciation/amortisation and impairments of tangible and intangible assets in the income statement. The leased assets consist primarily of office equipment, vehicles and manufacturing equipment. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

SEK 000	2018	2017
Irrevocable lease payments amount to:		
Within 1 year	3 490 071	3 564 982
1-5 years	6 547 789	5 947 058
More than 5 years	237 159	187 437
Total	**10 275 019**	**9 699 477**

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 2018 totalled SEK 4,009 k. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

SEK 000	2018	2017
Irrevocable lease payments amount to:		
Within 1 year	5 856	6 058
1-5 years	3 970	5 744
More than 5 years	255	-
Total	**10 081**	**11 802**

26 Other assets

SEK 000	2018	2017
Positive value of derivative instruments	169 161	63 835
Accounts receivables leasing	393 253	447 575
Accounts receivables other	31 096	19 669
Tax receivables	394 555	319 497
Account receivable, Group companies	174	172
VAT receivable	16 259	21 662
Other assets	15 097	96 200
Total	**1 019 595**	**968 610**

Accounts receivables leasing regards the net value of trade receivables including loan loss provisions for these.

27 Prepaid expenses and accrued income

SEK 000	2018	2017
Accrued fees and commissions	123 952	178 008
Accrued interest income	25 304	27 568
Other prepaid expenses and accrued income	132 613	107 545
Total	**281 869**	**313 121**

Credit impairment provisions on accrued interest income are immaterial and not shown separately above.

28 Liabilities to credit institutions

SEK 000	2018	2017
Swedish banks		
- Swedish currency	71 540	21 857
- Foreign currency	1 075 589	1 319 523
Total Swedish banks	**1 147 129**	**1 341 380**
Foreign banks		
- Swedish currency	84 584	-
- Foreign currency	1 018 653	1 162 587
Total foreign banks	**1 103 237**	**1 162 587**
Total	**2 250 366**	**2 503 967**

29 Deposits from the public

SEK 000	2018	2017
Public		
- Swedish currency	12 757 321	13 456 014
- Foreign currency	13 449 142	12 160 715
Total	**26 206 463**	**25 616 729**
Deposits specified by category of borrower		
Corporate sector	1 373 023	927 174
Household sector	24 833 440	24 689 555
Total	**26 206 463**	**25 616 729**

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

SEK 000	2018	2017
Opening balance	-	468
Change in value during the year	-	-468
Closing balance	**-**	**-**

31 Issued securities

SEK 000	2018	2017
Certificates of deposits	1 989 784	2 104 556
Bonds	5 148 713	4 720 223
Total	**7 138 497**	**6 824 779**

32 Other liabilities

SEK 000	2018	2017
Negative value of derivative instruments	7 715	54 767
Accounts payable	291 382	271 736
Preliminary tax, interests	11 717	10 708
Settlement and clearing items	624 616	594 330
Group liabilities	10 126	95 156
Tax liabilities	9 952	76 038
Other liabilities	44 718	25 426
Total	**1 000 226**	**1 128 161**

33 Accrued expenses and prepaid income

SEK 000	2018	2017
Accrued interest expenses	131 523	160 127
Accrued personnel costs	102 179	104 102
Prepaid lease payments	384 206	359 613
Prepaid income from partners	346 949	362 114
Accrued audit costs	9 341	10 868
Prepaid income related to leasing insurance	26 189	24 442
Other prepaid income	29 949	-
Other accrued expenses	262 583	228 950
Total	**1 292 919**	**1 250 216**

34 Provisions for pensions

SEK 000	2018	2017
Provision for pensions	34 663	33 468
Total	**34 663**	**33 468**
Change in net debt		
Net debt regarding pension obligations at the beginning of the year	33 468	32 815
+ Personal pension expenses, excluding interest expense, reported in income statement	-	-
+ Interest expenses	2 065	1 448
- Pension payments	-870	-795
= Net debt at year-end	**34 663**	**33 468**
Of which credit insured by FPG/PRI	34 663	33 468
Pension costs		
Personal pension plan		
Cost of earning pensions etc.	-	-
+ Interest expense (calculated discounting effect)	2 065	1 448
= Pension expenses for personal pension plan exluding taxes	**2 065**	**1 448**
Pensions through insurance		
+ Insurance premiums or equivalent	55 697	56 858
= Total pension costs excluding taxes	**57 762**	**58 306**

Next year's expected payment in regard to defined benefit pension plans amounts to SEK 827 k. The entire provision reported in the balance sheet is covered by the Pension Obligations Vesting Act.

35 Subordinated liabilities

					2018		
SEK 000	Currency	Issue date	Nom	Coupon interest	Interest rate	Maturity date	Reported value
Subordinated loan 1	GBP	2015-05-28	7 000	Ibor 6 mth +2.8% per yea	3.79%	2025-05-28	79 220
Subordinated loan 2	NOK	2015-05-28	35 000	Ibor 6 mth +2.55% per ye	3.91%	2025-05-28	35 929
Subordinated loan 3	DKK	2015-05-28	90 000	Ibor 6 mth +2.45% per ye	2.45%	2025-05-28	122 563
Subordinated loan 4	EUR	2015-08-01	39 500	Ibor 3 mth +2.5% per yea	2.50%	2025-05-28	401 618
Subordinated loan 5	SEK	2015-05-28	200 000	Ibor 6 mth +2.7% per yea	2.70%	2025-05-28	200 000
Total							**839 330**
Of which: Group companies							*839 330*

					2017		
SEK 000	Currency	Issue date	Nom	Coupon interest	Interest rate	Maturity date	Reported value
Subordinated loan 1	GBP	2015-05-28	7 000	Ibor 6 mth +2.8% per yea	3.27%	2025-05-28	77 430
Subordinated loan 2	NOK	2015-05-28	35 000	Ibor 6 mth +2.55% per ye	3.43%	2025-05-28	34 970
Subordinated loan 3	DKK	2015-05-28	90 000	Ibor 6 mth +2.45% per ye	2.45%	2025-05-28	118 881
Subordinated loan 4	EUR	2015-08-01	39 500	Ibor 3 mth +2.5% per yea	2.50%	2025-05-28	388 399
Subordinated loan 5	SEK	2015-05-28	200 000	Ibor 6 mth +2.7% per yea	2.70%	2025-05-28	200 000
Total							**819 680**
Of which: Group companies							*819 680*

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 23,303 k.

36 Untaxed reserves

SEK 000	2018	2017
Equipment, accumulated depreciation in excess of plan		
Opening balance, 1 January	698 157	698 157
Reversal of depreciation in excess of plan during the year	-320 000	-
Closing balance, 31 December	**378 157**	**698 157**

Capacity for accelerated depreciation on leased assets held on behalf of clients exists.

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 development costs

Fund for development costs is restricted equity which regards the costs for own development classified as intangible assets.

Fund for fair value

The fund for fair value comprises the fair value reserve, the cash flow hedge reserve and the translation reserve. The fair value reserve includes the accumulated, unrealised net change in the fair value of financial assets valued at fair value through other comprehensive income until the asset is removed from the balance sheet. Changes in value due to impairment losses are, however, reported in the income statement. The hedging reserve includes the effective portion of the cumulative net change in fair value of cash flow hedging instrument attributable to hedging transactions that have not yet occurred. 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 fund for fair value, this item comprises the total unrestricted equity, meaning the amount available for distribution to the shareholders.

Changes in equity

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

Proposal appropriation of profits

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

Fund for fair value	204,104,727
Retained earnings	4,149,951,332
Net result for the year	541,208,193
Total	4,895,264,252

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

To be carried forward	4,895,264,252

Change in the Fund for fair value

SEK 000	2018	2017
Fair value reserve		
Opening balance, 1 January	26 919	25 078
Transitional effect IFRS 9	-13 522	-
Unrealised changes in fair value reported in other comprehensive income for the year	-6 630	2 360
Tax attributable to unrealised changes in fair value of financial assets during the year	1 725	-519
Closing balance, 31 December	**8 492**	**26 919**
Hedging reserve		
Opening balance, 1 January	8 444	1 117
The year's change in fair value of cash flow hedges	5 315	9 394
Tax attributable to the year's change in fair value of cash flow hedges	-1 137	-2 067
Closing balance, 31 December	**12 622**	**8 444**
Translation reserve		
Opening balance, 1 January	130 774	97 465
Translation differences, branches	86 933	33 309
Tax related to translation differences	-34 716	-
Closing balance, 31 December	**182 991**	**130 774**
Closing balance, Fund for fair value	**204 105**	**166 137**

38 Pledged assets, contingent liabilities and commitments

SEK 000	2018	2017
Contingent liabilities		
PRI	693	669
Total	**693**	**669**
Commitments		
Loan commitments, irrevocable	1 802 242	2 262 408
Unused credit limits	37 028 758	38 046 534
Total	**38 831 000**	**40 308 942**

Commitments made up of granted unused credit can be terminated effective immediately to the extent this is permitted under the Consumer Credit Act. The Bank has no pledged commitments.

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 measured at fair value in the balance sheet.

The following section describes how fair value is determined on such instruments for which value has not been measured at fair value in the balance sheet.

Lending

Variable rate lending is measured 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

2018 SEK m	Financial assets at fair value through profit or loss	Financial assets at Amortised cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Derivatives used in hedge accounting	**Total carrying amount**	**Fair value**
Financial assets								
Cash	-	36	-	-	-	-	36	36
Treasury bills	-	-	1 282	-	-	-	1 282	1 282
Loans to credit institutions	-	2 151	-	-	-	-	2 151	2 151
Loans to the public	-	27 289	-	-	-	-	27 289	27 290
Bonds and other interest-bearing securities	-	-	2 232	-	-	-	2 232	2 232
Shares and participations	29	-	-	-	-	-	29	29
Derivatives	169	-	-	-	-	-	169	169
Accrued income	-	149	-	-	-	-	149	149
Other financial assets	-	456	-	-	-	-	456	456
Total	**198**	**30 081**	**3 514**	**-**	**-**	**-**	**33 794**	**33 795**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	2 250	-	2 250	2 250
Deposit from the public	-	-	-	-	26 206	-	26 206	26 210
Change in fair value on interest-rate hedged items in the portfolio	-	-	-	-	-	-	-	-
Issued securities	-	-	-	-	7 138	-	7 138	7 139
Derivatives	-	-	-	0	-	8	8	8
Other liabilities	-	-	-	-	983	-	983	983
Accrued expenses	-	-	-	-	506	-	506	506
Subordinated liabilities	-	-	-	-	839	-	839	839
Total	**-**	**-**	**-**	**0**	**37 923**	**8**	**37 931**	**37 934**

2017 SEK m	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available-for-sale	Financial liabilities at fair value through profit or loss	Other financial liabilities	Derivatives used in hedge accounting	**Total carrying amount**	**Fair value**
Financial assets								
Cash	-	7	-	-	-	-	7	7
Treasury bills	-	-	1 173	-	-	-	1 173	1 173
Loans to credit institutions	-	1 814	-	-	-	-	1 814	1 814
Loans to the public	-	27 799	-	-	-	-	27 799	27 798
Bonds and other interest-bearing securities	-	-	2 104	-	-	-	2 104	2 104
Shares and participations	-	-	19	-	-	-	19	19
Derivatives	63	-	-	-	-	1	64	64
Accrued income	-	119	-	-	-	-	119	119
Other financial assets	-	585	-	-	-	-	585	585
Total	**63**	**30 323**	**3 296**	**-**	**-**	**1**	**33 683**	**33 682**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	2 504	-	2 504	2 504
Deposits from the public	-	-	-	-	25 617	-	25 617	25 637
Change in fair value on interest-rate hedged items in the portfolio	-	-	-	-	-	-	-	-
Issued securities	-	-	-	-	6 825	-	6 825	6 825
Derivatives	-	-	-	49	-	5	55	55
Other liabilities	-	-	-	-	997	-	997	997
Accrued expenses	-	-	-	-	504	-	504	504
Subordinated liabilities	-	-	-	-	820	-	820	820
Total	**-**	**-**	**-**	**49**	**37 267**	**5**	**37 321**	**37 342**

The following tables provide information on the measurement of fair value of financial instruments that are measured at fair value in the balance sheet (excluding the items included in hedge accounting). 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 that are reported at fair value in the balance sheet

2018 SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	**-**
Currency derivatives	-	169 161	-	**169 161**
Shares and participations	27 764	1 535	-	**29 299**
Financial assets at fair value through other comprehensive income				
Bonds and other interest-bearing securities	1 306 864	925 071	-	**2 231 935**
Treasury bills	1 282 293	-	-	**1 282 293**
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	7 715	-	**7 715**
Currency derivatives	-	-	-	**-**

2017 SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	1 642	-	**1 642**
Currency derivatives	-	62 194	-	**62 194**
Financial assets available-for-sale				
Bonds and other interest-bearing securities	1 393 768	710 212	-	**2 103 980**
Treasury bills	1 172 947	-	-	**1 172 947**
Shares and participations [1)]	17 350	1 535	-	**18 885**
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	6 334	-	**6 334**
Currency derivatives	-	48 433	-	**48 433**

1) The Bank owns unlisted shares, 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.

No changes between the levels have occurred during the year. The Bank has no assets or liabilities in Level 3.

40 Capital analysis

The below information is provided regarding own funds and own funds requirements in accordance with among others regulation (EU) No 575/2013 and SFSA regulations 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 risk, credit valuation adjustment risk (CVA risk), operational risk and foreign exchange risk. 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.

Ikano Bank has quantified tolerance levels for the CET 1 ratio and total capital ratio above regulatory requirements. The margins represent buffers 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 Board of Directors has also expressed target levels for the Bank's capital ratios as part of the risk appetite framework.

To ensure that Ikano Bank's capital situation is satisfactory to cover the risks that the Bank is or may be exposed to, an internal capital and liquidity adequacy assessment (ICAAP/ILAAP) is conducted at least annually. The ICAAP/ILAAP is the Board's tool for assessing the need for changes in the own funds requirement. In the assessment process, stress tests and scenario analyses are carried out to assess potential additional own funds requirements, including strategic decisions or external events that affect the business and its development. As a part of this process, a risk analysis is performed to ensure underlying risks are adequately addressed and mirror the Bank's actual risk profile and capital requirements. The risk control function is responsible for monitoring the process of the Bank's capital adequacy assessment. The capital requirements resulting from the ICAAP are regularly reported to the SFSA.

As of 31 December 2018, the Bank had own funds of SEK 6.4 bn (6.0) of which SEK 5.6 bn are common equity Tier 1. The statutory own funds requirement for Pillar 1-risk amounted to SEK 3.0 bn (2.9). 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 3.3 bn remain available as common equity Tier 1 capital. The internal own funds requirement in addition to Pillar 1 requirements totalled SEK 746 m and is covered by available capital. The total capital ratio was 17.2 percent with a common equity tier 1 capital ratio of 14.9 percent.

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 932 m and is covered by the available common equity Tier 1 capital. The countercyclical buffer is determined by multiplying the total risk exposure amount with the weighted average of the countercyclical buffer rates applicable in those countries where the relevant credit exposures of the Bank are located. The institution-specific countercyclical buffer amounts to 1.15 percent or SEK 427 m after weighting the applicable geographic requirements, which for the Bank mainly means Sweden, Norway and the UK. Ikano Bank's combined buffer requirement is SEK 1,359 m.

Per 1 January 2018, the new accounting standards IFRS 9 Financial Instruments entered into force. As mentioned in the Annual Report 2017, Ikano Bank has notified the SFSA of its decision to apply the transitional rules introduced with article 473a capital requirements regulation (EU No 575/2013) regarding the Day one effect. For the Bank, this effect was SEK 222 m after tax that will be gradually phased in into the capital adequacy over five years. The table on page 66 provides a comparison of Ikano Bank's own funds as well as capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 as introduced by the EBA guidelines 2018/01 for standardised disclosure requirements for transitional arrangements according to IFRS 9.

Own funds

The Bank's own funds totalled SEK 6.4 bn whereof SEK 5.6 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, statutory reserves, fund for development expenses, fund for fair value (excluding the cash flow reserve), 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 valued at fair value through other comprehensive income. 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. The Bank's intangible assets consist of capitalised expenditures for internally generated and acquired software and IT systems. Cumulative value of the effective portion of cash flow hedging instruments that are recognized in fund for fair value amounting to SEK 13 m is not included in the Bank's own funds, recognised as a deduction from common equity Tier 1. Also an Additional Value Adjustment has been deducted from common equity Tier 1 in line with EBA's technical standard for prudent valuation. Aim of the deduction is adjust for uncertainty of positions measured and recognised at fair value.

At 31 December 2018, the Bank has no deferred tax liabilities that rely on future profitability and that under certain circumstances should have been deducted from Own funds.

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 I capital, both in accordance with the transitional provisions and after the transition period. The original issue date of the share capital is 2 November 1994 and is reported at a value of SEK 79 m (nominal value SEK 79 m). The original issue dates of the capital contributions are 1 May 2013, reported at a value of SEK 242 m (nominal value GBP 24 m) and 13 December 2016, reported at a value of SEK 500 m (nominal value SEK 500 m). All 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 Ikano Bank AB (publ). The subordinated loans are securities classified as Tier 2 capital in accordance with the Supervisory regulation article 26.3. 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 measured 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 28.9 bn, which results in an own funds requirement of SEK 2.3 bn.

The Bank uses Standard and Poor's rating for the calculation of the own funds requirement for Bonds and other interest-bearing securities, distributed across respective exposure classes according to regulations.

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 5.1 bn, resulting in an own funds requirement of SEK 404 m.

The risk exposure amount for foreign exchange risk covers on and off balance sheet items measured at the current market value and converted to Swedish kronor in accordance with the closing rate. Own funds requirements of eight percent are applied to the total net position in foreign currency subject to capital requirements for foreign exchange risk. The Bank's risk exposure amount for foreign exchange risk is SEK 3.3 bn, with an own funds requirement of SEK 266 m.

The Bank's risk exposure amount for CVA risk is SEK 40 m, giving an own funds requirement of SEK 3.2 m.

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

SEK 000	2018	2017
Tier 1 capital	5 555 103	5 211 615
Tier 2 capital	839 330	819 680
Own funds	**6 394 433**	**6 031 295**
Total risk exposure amount	**37 282 567**	**36 515 692**
Total own funds requirements	**2 982 605**	**2 921 255**
Total Capital ratio	**17.2%**	**16,5%**
Tier 1 Capital ratio	**14.9%**	**14,3%**
Common equity Tier 1 ratio	**14.9%**	**14,3%**
Available common equity Tier 1 Capital	**3 318 149**	**3 020 673**
Available common equity Tier 1 Capital in relation to Total risk exposure amount	**8.9%**	**8.3%**
Capital conservation buffer	932 064	912 892
Counter-cyclical capital buffer	427 328	367 680
Combined buffer requirement	**1 359 393**	**1 280 572**

Specification of own funds

SEK 000	2018	2017
Own funds		
Tier 1 capital		
Equity reported in the balance sheet	**5 444 229**	**5 070 310**
Share capital	78 994	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	276 316	243 021
Fund for fair value	204 105	166 137
Retained earnings	4 149 951	4 104 642
Net result for the year	541 208	283 861
Adjustment for IFRS 9 one-off effect according to transitional arrangements	211 001	
Untaxed reserves (78% of which)	294 962	544 562
Deductions:		
Intangible assets	-378 747	-394 813
Cash flow hedge	-12 622	-8 444
Value adjustments due to the requirements for prudential valuation	-3 720	
Total Tier 1 Capital	**5 555 103**	**5 211 615**
Total Common Equity Tier 1 Capital	**5 555 103**	**5 211 615**
Tier 2 capital		
Subordinated liabilities	839 330	819 680
Total Tier 2 Capital	**839 330**	**819 680**
Total own funds	**6 394 433**	**6 031 295**

Specification of risk exposure amounts and own funds requirements

SEK 000	2018 Risk exposure amount	2018 Own funds requirements	2017 Risk exposure amount	2017 Own funds requirements
Credit risk according to the standardised approach				
Exposures to states and central banks	-	-	32 571	2 606
Exposures to regional governments or local authorities	11 304	904	10 632	851
Exposures to public sector entities	-	-	26	2
Institutional exposure	513 564	41 085	416 933	33 355
Corporate exposure	3 872 700	309 816	1 833 137	146 651
Retail exposure	22 712 835	1 817 027	24 884 944	1 990 796
Equity exposure	29 299	2 344	32 207	2 577
Past due items	1 181 492	94 519	773 689	61 895
Covered bond exposure	107 746	8 620	113 016	9 041
Other items	428 674	34 294	620 241	49 617
Total credit risk	**28 857 614**	**2 308 609**	**28 717 397**	**2 297 391**
Operational risk according to the basic indicator approach	**5 056 084**	**404 487**	**4 840 640**	**387 251**
Foreign exchange risk according to the standardised approach	**3 328 850**	**266 308**	**2 949 096**	**235 928**
CVA risk according to the standardised approach	**40 019**	**3 202**	**8 559**	**685**
Total	**37 282 567**	**2 982 605**	**36 515 692**	**2 921 255**

Comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9

SEK m	31 Dec 2018	30 Jun 2018
Available capital		
Common Equity Tier 1 (CET1) capital	5 555	5 506
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 344	5 295
Tier 1 capital	5 555	5 506
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 344	5 295
Total capital	6 394	6 367
Total capital as if IFRS 9 transitional arrangements had not been applied	6 183	6 156
Risk-weighted assets		
Total risk-weighted assets	37 283	38 088
Inphasing	126	164
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	37 157	37 925
Capital ratios		
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.9%	14.5%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.4%	14.0%
Tier 1 (as a percentage of risk exposure amount)	14.9%	14.5%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.4%	14.0%
Total capital (as a percentage of risk exposure amount)	17.2%	16.7%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	16.6%	16.2%
Leverage ratio		
Leverage ratio total exposure measure	47 259	48 402
Leverage ratio	11.8%	11.4%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.4%	11.0%

The comparative date used in the table differs from other tables in the note. Since this table is not applicable per 31 December 2017, the Bank has chosen to compare against the most relevant date available.

Leverage ratio

The leverage ratio is a measure that provides an alternative to the risk-based capital requirement. 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. To this date there is no legal minimum level of the Leverage ratio. The EU commission has proposed a Leverage ratio of 3 percent to be introduced in connection with the proposed revised Capital Requirements Regulation.

The leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. For the Bank, the leverage ratio per 31 December 2018 is 11.8 percent (10.9) and thus above the proposed binding measure.

41 Related parties

The Bank has related party relationships with companies within the Group. 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

Information about salaries and other remuneration, pensions and loans to key personnel in leading positions, see note 12 General administrative expenses.

SEK 000	Year	Income	Expenses	Receivables with related parties, 31 December	Liabilities with related parties, 31 December
Ikano S.A.	2018	-	-29 711	-	2 350
Ikano S.A.	2017	-	-34 685	955	78 031
Other Group companies	2018	268	-50 605	7 240	851 273
Other Group companies	2017	9 293	-45 700	19 144	839 424

42 Events after the balance sheet date

After the year-end, no significant events have occurred that have affected the financial statements for 2018.

On 7 January 2019, the Bank announced that Henrik Eklund has been appointed interim CEO for Ikano Bank. Henrik joined Ikano Bank in May 2018 as Chief Operating Officer and has previous experience from a number of management positions in the finance industry.

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	Diederick van Thiel Board member	Lars Thorsén Board member
Olle Claeson Board member	Heather Jackson Board member	Yohann Adolphe Board member
	Henrik Eklund Interim CEO	

Our auditor's report was submitted on 18 March 2019.

Deloitte AB

Jan Palmqvist
Authorised public accountant

Auditors report

To the general meeting of the shareholders of Ikano Bank AB (publ)
corporate identity number 516406-0922

Report on the annual accounts

Opinions

We have audited the annual accounts of Ikano Bank AB (publ) for the financial year 2018-01-01 - 2018-12-31. The annual accounts of the company are included on pages 6-68 in this document.

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 the company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the company.

Our opinions in this report on the the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Ikano Bank AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on Ikano Bank AB (publ)'s business and financial reporting. IFRS 9 is a new and complex accounting standard which requires significant judgment to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in the Bank's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (unemployment rates and gross domestic product growth).

At December 31, 2018, loans to the public amounted to SEK 27 289 million, with loan loss provisions of SEK 860 million. Given the significance of loans to the public, the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note 2 in the financial statements and related disclosures of credit risk in note 3.

Our audit procedures included, but were not limited to:

- We evaluated relevant controls within the loan loss provision process to verify if they are appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for loan loss provisions.
- We obtained an understanding of system-based and manual controls over the recognition and measurement of loan loss provisions and for key controls designed tests to verify if the controls were implemented during the year.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency of a selection of the underlying models developed for loan loss provisions.
- For loan loss provisioning assessed on an individual basis, we examined a selection of

individual loan exposure in detail, and evaluated management assessment of the recoverable amount.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

Ikano Bank AB (publ) is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of Ikano Bank AB (publ)'s internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

We categorises key IT-risk and control domains relating to financial reporting in the following sections:

- Changes to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for modifications to the IT-environment.
- We evaluated segregations of duties.
- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.

Other information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-5. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

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

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ikano Bank AB (publ) for the financial year 2018-01-01 - 2018-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has 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.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.
Deloitte AB, was appointed auditor of Ikano Bank AB by the general meeting of the shareholders on the 2018-03-14 and has been the company's auditor since 2013-04-10.

Stockholm March 18th 2019
Deloitte AB

Signature on Swedish original
Jan Palmqvist
Authorised public accountant

Board of Directors

Diederick van Thiel
Born 1968. MA in e-commerce and marketing. Board member and member of the Project and IT Committee. 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.

Yohann Adolphe
Born in 1974. Engineer in Industrial Processes, Master in Business Administration, Chartered Financial Analyst, Financial Risk Manager certified by GARP. Board member. Elected in 2018. Since 2013, Group CFO at Ikano (joined in 2005). Previously manager within the Corporate Finance department at Deloitte. Other assignments: board member at various Ikano Group entities. Member of the Audit Committee and the Risk and Compliance Committee.

Heather Jackson
Born 1965. BA Modern History. Board member and chairperson of the People and Remuneration Committee and the Project and IT 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 Ditto AI Ltd., JD Sports Fashion plc, and Skipton Building Society.

Mats Håkansson
Born 1962. MSc in Business and Economics. Chairperson of the Board since 2013 and member of the Risk and Compliance Committee, the Audit Committee and the People and Remuneration Committee. Elected in 2009. VP 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.

Lars Thorsén
Born 1965. Master in International Economics and Finance at Copenhagen Business School. Board member. Elected in 2015. CEO Ikano S.A. since 2015. Previously long career in the purchasing sector with positions as Regional Purchase Manager of IKEA Asia Pacific.

Olle Claeson
Born 1954. MSc in Business and Economics, University of Stockholm. Board member and chairperson of the Audit Committee and the Risk and Compliance 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. Other assignments: Chairperson of the Board of Söderberg & Partners Securities AB.

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

Management team

Henrik Eklund,
interim CEO
Employed since 2018. Henrik joined Ikano Bank as Chief Operations Officer (COO) in May 2018. Before that he held positions as COO and CIO at Resurs Bank. He has previous CEO-experience from the banking sector, as well as sales and e-commerce knowledge from working in various positions at CDON.

Henrik Jensen,
CFO
Employed since 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.

Kristin Asgermyr,
Legal & Corporate Governance Director
Employed since 2013. Former Chief Compliance Officer in Ikano Bank, Legal Counsel and MLRO at Sparbanken Öresund AB (publ) and advokat (member of the Swedish bar association) at Wistrand lawfirm.

Patrik Andersson,
CIO
Employed since 2017. Previously held the position as Head of IT Service Management for Ikano Bank. Since May 2016 he worked as a consultant supporting the IT Transition and Transformation for Ikano Bank. He has several years of experience working in various leading roles in IT. Before joining Ikano he was Director of Service Management at Outokumpu.

Jenny Hillerström Schuldt,
Chief People & Communications Officer
Employed since 2015. Previously Head of HR Business Partners and has a background from several senior HR positions in international companies like Sony Ericsson and Maersk.

Magnus Følling ,
interim Chief Risk Officer
Employed since 2011. Previously Head of Risk in Ikano Bank's Norwegian branch. Has held various positions within Risk and holds extensive experience from Credit and Collections. Magnus has experience in credit processes from companies such as Lindorff and Payex before joining Ikano Bank.

Cecilia Ståhle,
Chief Compliance Officer
Employed since 2014. CCO since 2017. Previously Head of Operations at Ikano Bank and has a background from senior positions within General Electric in the Nordic and European region.

Dan Hedgate,
interim Chief Operations Officer
Employed since 2018. Previously held the position as Head of Operations Services at Ikano Bank. Has held the position as Operational Services Manager at Resurs Bank and has extensive experience working in Operations' management teams.

Jessica Svantesson,
Global IKEA KAM
Employed since 1998. Has had several senior positions in Ikano Bank Sweden, including Sales Manager for banking and Business Line Manager for Retail Partners.

Daniel Joy,
Chief Proposition Officer
Employed since 2008. He previously held the position as Country Manager in the bank's UK branch and before that he was Commercial Director in the UK branch. He has extensive experience in financial services from companies like Zurich and Capital One.

Corporate governance report

Ikano Bank AB (publ) ("Ikano Bank" or the "Bank") 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 (the "Code") 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	Deviation and explanation/comment
Item 1.1 - Publication of information on shareholder right of initiative.	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.
Item 1.3 - The company's Nomination Committee shall propose a chairperson for the Annual General Meeting.	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.
Item 2 - The company shall have a Nomination Committee that represents the company's shareholders.	Due to the ownership structure, Ikano Bank has no Nomination Committee. Consequently, the references to the Nomination Committee in items 1.2, 1.3, 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 supervision over the Bank's operations in Sweden and in the EU/EEA 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 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 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 guidelines and instructions.

Executive and shareholder functions of the Company

Annual General Meeting of Shareholders

The Annual 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 CEO are approved. In addition, the Bank's shareholder elects Board members, the Chairperson of the Board and auditors and establishes their remuneration.

2018 Annual General Meeting

The Annual General Meeting was held on 14 March 2018. The following resolutions were passed:

- the 2017 Annual Report was adopted;
- no dividend was paid for 2017;
- the members of the Board and the CEO were granted discharge from liability for 2017;
- Board fees were approved of SEK 417,175 or EUR 47,000 or GBP 39,675 for each non-executive Board member, depending on the currency in each director's country of residence, and additional compensation for (i) each non-executive Board member being appointed as chairman for the Audit Committee the Risk & Compliance Committee, the People & Remuneration Committee and/or the Project & IT Committee amounting to SEK 111,225 or EUR 12,825 or GBP 10,575, depending on the currency in each director's country of residence; (ii) each non-executive Board member being a member of the Audit Committee, the People & Remuneration Committee, the Project & IT Committee and/or the Risk & Compliance Committee amounting to SEK 84,050, or EUR 9,750, or GBP 8,000, depending on the currency in each director's country of residence; and for (iii) additional work non-executive Board members' perform over and above ordinary board work amounting to SEK 20,000, or EUR 2,575 or GBP 1,950 per day, depending on the currency in each director's country of residence;
- the following Board members were re-elected for the period until the next Annual General Meeting:
  - Mats Håkansson (Chairperson)
  - Olle Claeson
  - Heather Jackson
  - Diederick van Thiel
  - Lars Thorsén;
- Yohann Adolphe was elected;
- Jean Champagne resigned as Board member in connection with the Annual General Meeting;
- Deloitte, with authorized public accountant Jan Palmqvist was elected as auditor in charge of the Bank for a period of one year, until the end of the first annual general meeting to be held after the end of 2018.

Extraordinary General Meetings in 2018

Besides the Annual General Meeting, one Extraordinary General Meeting took place on 11 June 2018. On the Extraordinary General Meeting, it was resolved to elect the audit firm KPMG, with authorised public accountant Justyna Zan as auditor in charge as statutory auditor of the Polish branch for the audit period of the financial statements 2018 and 2019.

Auditor

The Authorised Public Accountant Jan Palmqvist from Deloitte is the auditor of the Bank. He was elected at the 2013 Annual General Meeting for a period of four years. At the Annual General Meetings 2017 respectively 2018 Deloitte and Jan Palmqvist's appointment was prolonged as auditor in charge for a period of one year, until the end of the first annual general meeting to be held after the end of 2018. 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 RagnSells, Sparbanken Skåne, Länsförsäkringar Göteborg & Bohuslän och Nordnet.

The auditor meets with the entire Board once a year, without the participation of the CEO. During the year, the auditor is further invited to participate in the the Audit Committee meetings. The auditor conducts a general review of the Bank's interim report.

Board of Directors

The Board of Directors responsibility includes the company's organisation and administration in accordance with the Swedish Companies Act. The Board of Directors appoints the CEO and, where applicable, the members of the Board Committees. The Board continuously reviews the work of the CEO. The Board also decides on salary and other benefits for the CEO, for employees who report directly to the CEO and for employees who have the overall responsibility for any of the Bank's control functions. The Board's activities and the division of responsibility between the Board and the CEO/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 Inaugural Board Meeting in March 2018. According to the work plan, the Board makes decisions regarding the Bank's overall strategies, acquisitions and material investments. The rules include terms of reference issued by the Board of Directors to the CEO. 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 assess Board members and key function holders

Ikano Bank has a policy for selecting and assessing Board members and key function holders. The policy contains criteria and general requirements for the appointment of individual Board members and key function holders, 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. When electing members of the Board a goal is that the Board members together 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 sufficient number of members who are not employed in the Bank or the Ikano S.A. group. A diverse Board composition counteracts inappropriate herd behaviour and contributes to sound risk management in the Bank.

Individual Board members, the CEO, and key function holders are evaluated, before they are appointed, from several different aspects. For example, the Bank investigates whether the member, the CEO, or key function holder has been 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 member's, the CEO's and key function holder's experience, both theoretical education and practical experience, is also checked and evaluated before the member, the CEO or key function holder is 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 to be provided by a potential board member or a key function holder") which must be completed prior to every recruitment. There are restrictions in respect of number of assignments a member of a bank board may hold concurrently. The other assignments of the Board members of Ikano Bank are in accordance with the requirements.

Board members

The table below presents information on the Board members' respective remuneration paid out 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. For a more detailed presentation of the Board members, refer to page 72.

Name	Mats Håkansson	Lars Thorsén	Olle Claeson	Heather Jackson	Diederick van Thiel	Jean Champagne[2]	Yohann Adolphe[3]
Board attendance[1]	25/25	25/25	23/25	25/25	19/25	6/25	19/25
Attendance at People & Remuneration Committee meetings[1]	5/7 Not elected at the point in time of the two first meetings	-	-	7/7	-	1/7	-
Attendance at Audit Committee meetings[1]	6/7	-	7/7	-	-	-	6/7- Not elected at the point in time of the first meeting
Attendance at Risk & Compliance Committee meetings[1]	5/5	-	5/5	-	-	-	3/5 Not elected at the point in time of the two first meetings
Attendance at Project & IT Committee meetings[1]	-	-	-	4/4	3/4	-	-
Paid remuneration	None for Board work	None for Board work	SEK 639 625	SEK 533 794	SEK495 557	None for Board work	None for Board work
Independent	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ikano S.A.	Independent	Independent	Independent	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ikano S.A.

[1]Attendance/Total number of meetings
[2]Resigned as board member March 2018
[3]Elected as board member March 2018 and has attended all meetings after his appointment

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 CEO 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 Bank 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 2018

In 2017, nine ordinary Board meetings were held (including the inaugural), eight meetings were held by circulation and eight extraordinary board meetings were held. The ordinary Board meetings were held in Hyllie Malmö, Wiesbaden, Warsaw, and via telephone.

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
- Financial status, liquidity and capital
- Risk Control
- Compliance
- Internal Audit
- Credit
- IT
- Projects
- Committees (respective committee chairperson)

Other relevant issues of material significance to the Board's work in 2018 were the overall strategy and the transformation of the Bank, including change of CEO, and preparation for changes in external regulations and outsourcing and changes made within IT.

Board committees

The overall responsibility of the Board of Directors cannot be delegated. However, the Board has decided to establish four preparatory 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.

Audit committee

This Committee consists of three Board members -Olle Claeson (Chairperson), Mats Håkansson and Yohann Adolphe. Olle Claeson is independent in relation to the Bank, its management and owners.

The 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 prepares the Board´s review of the external audit plan, follows up important reporting and recommendations from the external auditor, and ensures that the auditor is impartial and independent.

The Audit Committee also assist in the preparation of proposals on the election of the auditor at the Annual General Meeting. In 2018, the Audit Committee held five ordinary and two extraordinary minuted meetings. The Audit Committee has both an advisory as well as a preparatory function regarding any matters before being handled and decided upon by the Board.

Risk & Compliance Committee

This Committee consists of three Board members -Olle Claeson (Chairperson), Mats Håkansson and Yohann Adolphe. Olle Claeson is independent in relation to the Bank, its management and owners. The Committee's task is to support the Board in its management and control of risk, capital and compliance matters. In the risk area, this is mainly done by ensuring that there are processes in place 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 2018, the Risk & Capital Committee held five ordinary minuted meetings. The Risk & Compliance Committee has both an advisory as well as a preparatory function regarding matters before being handled and decided upon by the Board.

Project & IT committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Diederick van Thiel.

The Committee prepares the Bank's Project & IT strategy for approval by the Board and monitors its implementation. Focus is on effective Project management and execution and effective IT security at a reasonable cost and ensuring access to necessary expertise in the Project and IT area. The Project & IT Committee held four ordinary meetings during the year.

People & Remuneration committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Mats Håkansson.

The Remuneration Committee prepares HR and remuneration matters that are to be decided on by the Board and the Annual General Meeting. The Board makes decisions in accordance with the Swedish Financial Supervisory Authority guidelines regarding remuneration of the CEO, employees that are direct reports to the CEO, and employees that hold overall responsibility for any of the bank's 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 People & Remuneration Committee annually makes an independent assessment of the bank's remuneration policy and remuneration structure. The Risk Control function normally participates in this assessment.

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 (so called identified personnel). In addition, the Internal Audit function reviews the Bank's remuneration structure for compliance with the remuneration policy. The risk analysis and 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 2018, the People & Remuneration Committee held five ordinary and two extraordinary meetings.

Remuneration

The Bank's remuneration to senior executives is regulated by the Bank's remuneration policy, which has been formulated based on the Swedish Financial Supervisory Authority's regulations, EBA guidelines, 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 accordance with the terms of the incentive programme that the Bank applies 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 12 page 45 and the Information on remuneration (financial year 2018) disclosed by the Bank.

Bank's organisation and management

Organisation

The operating activities are organised into seven geographic business units: Sweden (incl. cross border business into *inter alia* Austria) and the six foreign bank branches in Denmark, Norway, Finland, UK, Germany and Poland. The head office with management and common functions are located in Malmö, Sweden. The central functions comprise Finance, Operations, Commercial, IT, HR and communication, Legal, Risk Control, Compliance, Internal Audit.

Chief Executive Officer (CEO)

The CEO 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 CEO and all other guidelines and directives issued by the Board.

As the Bank has previously communicated Håkan Nyberg left as CEO of the Bank 12 September 2018 following which Mats Håkansson assumed the role as working chairperson of the Board for the remainder of 2018. Henrik Eklund was appointed new interim CEO after the end of the year.

Management team

The Management team consists of ten people. In addition to the CEO, the Management team includes the CFO, CIO, Chief Operations Officer, Legal & Corporate Governance Director, Chief People and Communications Officer, Chief Proposition Officer, IKEA Global KAM, Chief Risk Officer and Chief Compliance Officer. All persons in the management team report to the CEO. The Chief Risk Officer and Chief Compliance Officer also reports directly to the Board. For the operational management work in the Bank, the CEO has chosen to establish a number of committees and bodies.

For a more detailed presentation of the Management team, refer to page 73.

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 Finance 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. These areas are also prepared by the Board's Audit Committee and its Risk & Compliance Committee. Information to the management is provided i.a. at regular Management team meetings in which the CFO participates. Internal policies, guidelines, instructions 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 Finance 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 is further invited to participate in all meetings of the Audit Committee where he/she provides information on the 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 processes for its capital and liquidity adequacy assessment. process

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 (CCO), Compliance is responsible for ensuring that the regulated activities of the Bank are conducted in accordance with applicable 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, the CCO reports directly to the CEO and the Board. Reporting to the Board is done at every ordinary Board meeting and to the CEO every month. CCO also reports to the Bank's Risk & Compliance Committee.

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

Risk Control under the management of Chief Risk Officer (CRO) is responsible for (i) overarching direction of and the rules for risk management, and (ii) supervision of risk management and risk control functions within the Bank. To ensure the Risk Control function's independence, the CRO reports directly to the CEO and the Board. The CRO reports to the Board at every ordinary Board meeting and to the CEO every month. CRO also report to the Bank's Risk & Compliance Committee.

CRO's area of responsibility includes identification, measurement and oversight of all risks related to the Bank's business. CRO 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.

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 Audit Committee and approved by the Board. The results of the internal audit are reported to the Board twice a year and to the Audit Committee every quarter.

The Bank's Internal Audit function is established to assist the Board and its Audit Committee in the identification and follow-up of various matters concerning the Bank's financial reporting. The tasks of the Audit Committee include the follow-up of important observations and recommendations from both Internal Audit and external auditors regarding financial reporting. The 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. in accordance with an outsourcing agreement. In 2018, PwC assisted Internal Audit in the execution of the internal audit.