

## Periodic information, 31 March 2021 – Capital adequacy and Liquidity

*This information regarding capital adequacy requirements and liquidity for Ikano Bank AB (Publ), corporate identity number 516406-0922, refers to such periodic information which shall be submitted in accordance with the capital requirements regulation (EU) No 575/2013 and the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers (FFFS 2014:12 including amendments).*

### Operations

Ikano Bank AB (publ) conducts banking operations in Sweden, the UK, Norway, Denmark, Finland, Germany, Austria and Poland under the supervision of the Swedish Financial Supervisory Authority. The Bank's Business in UK, after the end of the transitional period 31 December 2020, also requires authorisation from the British supervisory authorities. After the end of the transitional period and during the processing of the bank's British authorisation application, the bank operates under the so-called Temporary Permissions Regime in the UK. There are three business lines: Corporate, Sales Finance and Consumer. The operations outside Sweden are operated as branches.

### Capital adequacy

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, referred to as Pillar 1 requirements, which for Ikano Bank include the requirements for credit risks, credit valuation adjustment risk (CVA risks), operational risks and foreign exchange risks. In addition, the own funds requirements include further identified risks in the operation in accordance with the Bank's internal capital adequacy assessment process and the requirements stipulated by the Board of Directors, also referred to as Pillar 2 requirements and statutory requirements for capital buffers.

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 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 per-

formed 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 March 2021, the Bank had own funds of SEK 5,454 m (5,577 per 31 December 2020) all of which is common equity Tier 1. The statutory own funds requirement for Pillar 1-risk amounted to SEK 2,542 m (2,542). As the bank only holds common equity Tier 1 capital, the full statutory requirement has to be made up of this type of capital. After allocating 100 percent of the total own funds requirement calculated in accordance with Pillar 1, a further SEK 2,912 m (3,035) remain available. The internal own funds requirement (Pillar 2) totalled SEK 585 m (585) and is covered by available capital.

The combined buffer requirement for Ikano Bank consists of the capital conservation buffer and the countercyclical capital buffer. According to the law (2014:966) regarding capital buffers, the capital conservation buffer shall consist of a common equity Tier 1 capital equivalent to 2.5 percent of the Bank's total risk exposure amounts. For Ikano Bank, the capital conservation buffer totals SEK 794 m (794) and is covered by the available common equity Tier 1 capital.

The institution-specific 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 0.07 percent (0.07) or SEK 24 m (22) after weighting the applicable geographic requirements, which for the Bank now means mainly Norway. Ikano Bank's combined buffer requirement is SEK 818 m (817).

The total capital ratio was 17.2 percent (17.6) with a common equity tier 1 capital ratio of 17.2 percent (17.6). The capital relation is negatively affected by an increase in foreign exchange risk but positively affected by a decrease in operational risk exposure amount. Credit risk exposure remains largely unchanged.

The new accounting standards IFRS 9 Financial Instruments has been applied since 1 January 2018. Ikano Bank applies the transitional rules introduced with article 473a capital requirements regulation (EU No 575/2013) regarding the Day one effect. The table on page 59 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. The table is presented in accordance with EBA guidelines 2018/01 for standardised disclosure requirements for transitional arrangements according to IFRS 9.

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

SEK 000	31 Mar 2021	31 Dec 2020
Tier 1 capital	5 454 029	5 577 416
Tier 2 capital	-	-
<b>Own funds</b>	<b>5 454 029</b>	<b>5 577 416</b>
<b>Total risk exposure amount</b>	<b>31 771 689</b>	<b>31 777 238</b>
<b>Total own funds requirements</b>	<b>2 541 735</b>	<b>2 542 179</b>
<b>Total Capital ratio</b>	<b>17.2%</b>	<b>17.6%</b>
<b>Tier 1 Capital ratio</b>	<b>17.2%</b>	<b>17.6%</b>
<b>Common equity Tier 1 ratio</b>	<b>17.2%</b>	<b>17.6%</b>
<b>Available common equity Tier 1 Capital</b>	<b>2 912 294</b>	<b>3 035 237</b>
<b>Available common equity Tier 1 Capital in relation to Total risk exposure amount</b>	<b>9.2%</b>	<b>9.6%</b>
Capital conservation buffer	794 292	794 431
Counter-cyclical capital buffer	23 601	22 308
Combined buffer requirement	817 893	816 739

#### Specification of own funds

SEK 000	31 Mar 2021	31 Dec 2020
<b>Equity reported in the balance sheet</b>	<b>5 887 499</b>	<b>5 850 726</b>
Share capital	78 994	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	517 235	471 640
Fund for fair value	277 559	312 306
Retained earnings	4 748 536	4 961 236
Net result for the period	-71 520	-167 105
Untaxed reserves (79.4% of which)	76 984	76 984
<b>CET1 capital before regulatory adjustments</b>	<b>5 821 443</b>	<b>5 927 710</b>
<b>CET1 capital: regulatory adjustments</b>		
Intangible assets	-533 899	-493 883
Cash flow hedge	-11 886	-7 303
Value adjustments due to the requirements for prudential valuation	-4 202	-4 582
Adjustment for IFRS 9 Day 1 effect according to transitional arrangements	111 053	155 474
<b>Total Common Equity Tier 1 Capital</b>	<b>5 454 029</b>	<b>5 577 416</b>
<b>Total Tier 1 Capital</b>	<b>5 454 029</b>	<b>5 577 416</b>
<b>Tier 2 capital</b>		
Subordinated liabilities	-	-
<b>Total Tier 2 Capital</b>	<b>-</b>	<b>-</b>
<b>Total own funds</b>	<b>5 454 029</b>	<b>5 577 416</b>

## Specification of risk exposure amount

SEK 000	31 Mar 2021		31 Dec 2020	
	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
<b>Credit risk according to the standardised approach</b>				
Exposures to regional governments or local authorities	12 603	1 008	10 975	878
Institutional exposure	423 037	33 843	535 028	42 802
Corporate exposure	3 544 991	283 599	3 630 378	290 430
Retail exposure	21 440 871	1 715 270	21 438 465	1 715 077
Equity exposure	70 278	5 622	64 612	5 169
Past due items	348 265	27 861	425 912	34 073
Covered bond exposure	123 116	9 849	111 752	8 940
Other items	565 645	45 252	369 614	29 569
<b>Total credit risk</b>	<b>26 528 805</b>	<b>2 122 304</b>	<b>26 586 735</b>	<b>2 126 939</b>
<b>Operational risk according to the basic indicator approach</b>	<b>4 926 047</b>	<b>394 084</b>	<b>5 116 603</b>	<b>409 328</b>
<b>Foreign exchange risk according to the standardised approach</b>	<b>303 208</b>	<b>24 257</b>	<b>54 613</b>	<b>4 369</b>
<b>CVA risk according to the standardised approach</b>	<b>13 628</b>	<b>1 090</b>	<b>19 287</b>	<b>1 543</b>
<b>Total</b>	<b>31 771 689</b>	<b>2 541 735</b>	<b>31 777 238</b>	<b>2 542 179</b>

## Leverage ratio

The leverage ratio is a measure that provides an alternative to the risk-based capital requirement. The aim is that it 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. A legal minimum requirement of 3 percent is implemented when

the revised Capital Requirements Regulation enters into force in 2021.

The leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. For the Bank, the leverage ratio per 31 March 2021 is 12.6 percent (12.7).

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

SEK m	31 Mar 2021	31 Dec 2020
<b>Available capital</b>		
Common Equity Tier 1 (CET1) capital	5 454	5 577
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 343	5 422
Tier 1 capital	5 454	5 577
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 343	5 422
Total capital	5 454	5 577
Total capital as if IFRS 9 transitional arrangements had not been applied	5 343	5 422
<b>Risk-weighted assets</b>		
Total risk-weighted assets	31 772	31 777
Inphasing	48	69
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	31 724	31 708
<b>Capital ratios</b>		
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.2%	17.6%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	16.8%	17.1%
Tier 1 (as a percentage of risk exposure amount)	17.2%	17.6%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	16.8%	17.1%
Total capital (as a percentage of risk exposure amount)	17.2%	17.6%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	16.8%	17.1%
<b>Leverage ratio</b>		
Leverage ratio total exposure measure	43 220	43 952
Leverage ratio	12.6%	12.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	12.4%	12.4%

### Liquidity 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 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 the liquidity reserve is regulated in the Bank's steering documents, which are adopted by the Bank's Board of Directors. To ensure that the capital and liquidity of Ikano Bank is adequate, the 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, along with other operating liquidity, is invested in interest-bearing securities in the markets where the Bank operates. Steering documents define that the quality levels of securities included in the Bank's liquidity reserve are in line with the European Commission's Delegated Act for LCR. 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 financing options. Investments in this portfolio are to have a minimum rating of AA- according to Standard and Poor's (or the Moody's equivalent). The liquidity reserve is invested in interest-bearing securities with a high credit rating. 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. Investments in this portfolio are to have a minimum rating of BBB+ according to Standard and Poor's (or the Moody's equivalent).

The Bank's liquidity reserve amounts to SEK 2,932 m (3,073) and consists of high-quality liquid assets that are eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 31 March 2021 totalled SEK 5,745 m (6,246) excluding overdraft facilities and constitutes 21 percent of deposits from the public. It includes cash and balances with banks of SEK 1,813 m (1,833), the liquidity reserve of SEK 2,932 m (3,073) and other interest-bearing securities of SEK 1,000 m

(1,340). 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 2,244 m (2,410) are available. The assets are measured at fair value.

The Covid-19 Pandemic has not had any negative impact on Ikano Bank's liquidity portfolio, which has been kept at a stable level.

As of 31 March 2021, the Bank's LCR totalled 227 percent (256). This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. The statutory limit for the liquidity coverage ratio is 100 percent.

### Summary of the liquidity reserve

#### 31 Mar 2021

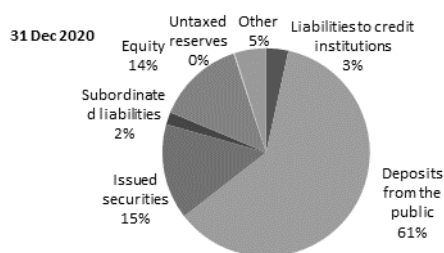
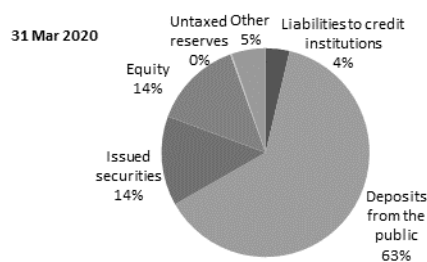
SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 541	1 083	-	91	368	-
Securities issued by financial corporations	159	5	154	-	-	-
Covered bonds	1 231	743	424	64	-	-
<b>Liquidity reserve</b>	<b>2 932</b>	<b>1 831</b>	<b>578</b>	<b>155</b>	<b>368</b>	-
Other operating liquidity invested in securities	1 000	1 000	-	-	-	-
Cash and balances in central banks and other banks	1 813	1 383	112	99	157	61
<b>Total liquidity portfolio</b>	<b>5 745</b>	<b>4 214</b>	<b>690</b>	<b>255</b>	<b>525</b>	<b>61</b>
Distribution per currency (%)	101%	73%	12%	4%	9%	2%
<b>Other liquidity-creating measures</b>						
Granted unused credit facilities	2 244	600	741	662	241	-

#### 31 Dec 2020

SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 799	1 348	-	143	308	-
Securities issued by financial corporations	157	5	151	-	-	-
Covered bonds	1 118	774	280	64	-	-
<b>Liquidity reserve</b>	<b>3 073</b>	<b>2 127</b>	<b>432</b>	<b>207</b>	<b>308</b>	-
Other operating liquidity invested in securities	1 340	1 340	-	-	-	-
Cash and balances in central banks and other banks	1 833	753	460	278	148	194
<b>Total liquidity portfolio</b>	<b>6 246</b>	<b>4 219</b>	<b>892</b>	<b>484</b>	<b>457</b>	<b>194</b>
Distribution per currency (%)	100%	68%	14%	8%	7%	3%
<b>Other liquidity-creating measures</b>						
Granted unused credit facilities	2 410	600	937	649	224	-

## Summary of funding sources

SEK m	31 Mar 2021	31 Dec 2020
Liabilities to credit institutions	1 588	1 486
Deposits from the public	26 763	26 223
Issued securities	5 894	6 384
Subordinated liabilities	0	830
Equity	5 887	5 851
Untaxed reserves	97	97
Other	2 238	2 095
<b>Total</b>	<b>42 467</b>	<b>42 965</b>



## Other information

SEK m	31 Mar 2021	31 Dec 2020
Total assets	42 467	42 965
Loans to the public	24 924	25 031
Deposits from the public	26 763	26 223
Ratio Deposits/Total assets	63%	61%
Ratio Liquidity portfolio/Deposits	21%	24%

The Bank's long-term financing plan aims at a well-diversified funding, taking into account the allocation of risks and financing costs.

Deposits from the public are regarded as the main funding source and the Bank has set a minimum ratio of deposits to total assets of 50 percent. The Covid-19 pandemic has so far not had a negative impact on the Bank's liquidity in. Deposit has continued to grow and

loanbook has decreased slightly, allowing maturing issued securities not being prolonged without negatively affecting the net liquidity.

Additional information about the Bank's capital adequacy and liquidity risk management can be found in the Annual Report for 2020 and the information on capital adequacy and risk management for 2020. The documents are published on the Bank's website [www.ikanobank.se](http://www.ikanobank.se).