Annual Report 2019

IKANO BANK

CONTENTS

The year in brief

- Lending, including leasing, increased to SEK 37.9 billion (37.2).
- Deposits from the public decreased 1 percent to SEK 26.0 billion (26.2).
- Business volume amounted to SEK 63.9 billion (63.4).
- Profit before loan losses increased by 7 percent to SEK 891 m (834).
- C/I ratio improved to 69.6 percent (71.1).
- Operating result decreased to SEK 189 m (359) and was affected by increased loan losses.
- The result for 2019 is positively affected by an increased net leasing income, net commission income and net interest income.
- Net interest income increased by 0.4 percent to SEK 1,944 m (1,935)
- Net result for the year amounted to SEK 465 m (541) and was affected by dissolution of untaxed reserves.
- Brexit preparations continued throughout the year and our strategy for the UK market remains unchanged.
- A continued high demand for our MTN program.
- High appreciation received from customers with awards such as the Fairness Award in Germany and a top place in this year's SKI survey in Sweden.
- Henrik Eklund was appointed new interim CEO in January 2019. In June he was appointed CEO on a permanent basis.

BUSINESS VOLUME IN SEK BILLIONS

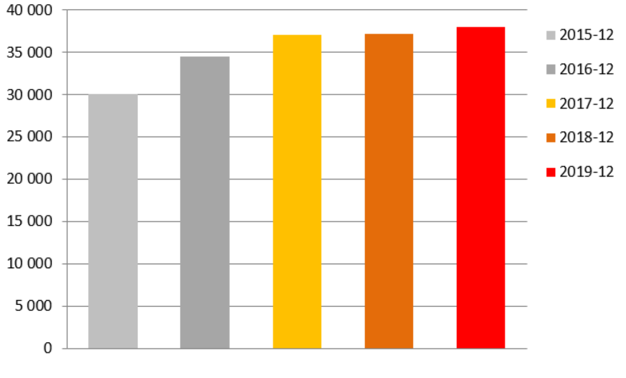
64

OPERATING RESULT IN SEK MILLIONS

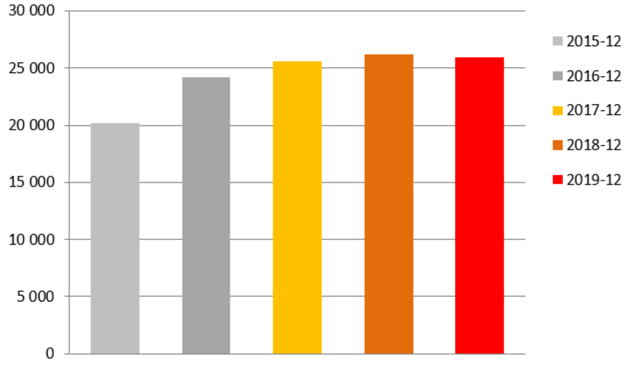
189

KEY RATIOS	2019	2018
Total Capital ratio	17.7%	17.2%
Common equity Tier 1 ratio	15.4%	14.9%
Investment margin	4.3%	4.4%
Return on adjusted equity	2.5%	4.9%
Leverage ratio	12.1%	11.8%
C/I-ratio before loan losses	69.6%	71.1%
Loan loss ratio	1.9%	1.3%

LENDING INCLUDING LEASING IN SEK MILLION



DEPOSITS TO THE PUBLIC IN SEK MILLION



This is Ikano Bank

Our financing services to consumers and businesses are offered directly and indirectly via partners. We also provide savings 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, analytics, insurance and retail.

In Ikano we are driven by a common vision and our values; working together, common sense and simplicity, and daring to be different. 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

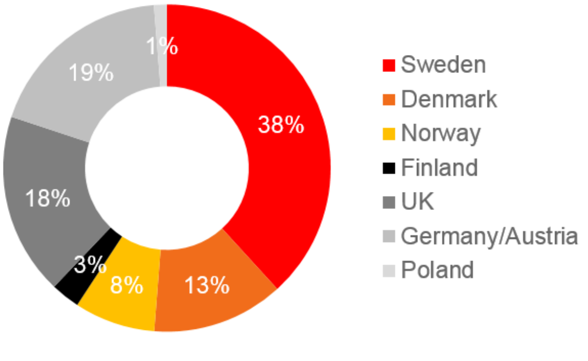
Consumer
We offer private customers simple and smart banking services for savings and loans, such as loans for private consumption, credit cards and savings accounts.

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.

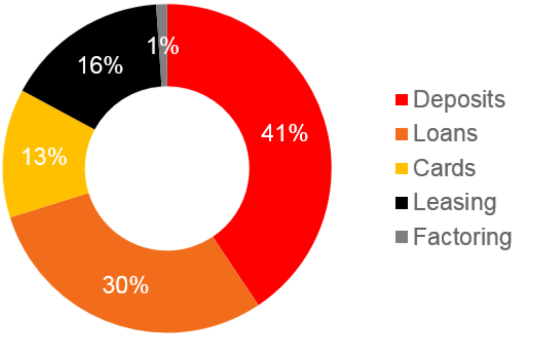
Corporate
We offer leasing and factoring services to companies through direct sales as well as via partners. Our services give customers greater financial flexibility. Our solutions enable customers to free up capital and finance their growth. In turn, our partners increase their sales.

GEOGRAPHIC PRESENCE

LENDING PER COUNTRY



BUSINESS VOLUME PER PRODUCT AREA



The transformation of the Bank continues

During 2019, we have devoted ourselves to continue the improvement work we started at the beginning of the year; work that engages the entire bank. Several measures have been taken and I would particularly like to highlight that we have developed and implemented a new strategy for the Bank. The goal is that by focusing on improving in six key focus areas over the next two years we will create an even more digital and entrepreneurial driven bank. A new management team has been formed to manage this work.

We are now investing in innovative, future-proof and modular system solutions that increase flexibility for both our customers and ourselves. By using a combination of standard services and custom made customer-specific modules that handle specific Ikano data, we can focus on what makes us unique. Our communications platform is built in a modern structure that guarantees a scalable and robust platform that enables us to offer new products and services with information in real-time.

2019 was a year with a stable underlying profitability and an unchanged business volume. Although we had good growth in our leasing business I am not satisfied with the total result for the year. The reason is mainly this year's credit losses. Credit risk management is a high priority area, and measures taken during the year to among other things strengthen the local and central organisation for credit risk management has started to show result. The transformation of the Bank will increase our profitability by replacing existing and costly systems with more cost efficient solutions that at the same time will make us more relevant on the market and thus increase our sales.

We are already seeing result from our investment in new digital solutions. During the year, we launched, among other things, a digital invoicing solution in Sweden, Norway and Finland and upgraded our payment platform, Ikano Pay, on the German market. Another important investment during the year is in mortgages where we, together with a number of partners, on the Swedish market invested in a fintech company to be able to offer our customers favourable mortgages again.

Sustainability is another prioritised area. It is important to us being a responsible company. For our customers one example is that we launched Ikano Jordnära, a collaboration with SVEA Solar and IKEA, where we offer favourable financing of solar cell panels sold via ikea.se. During 2020 we will put additional focus in this area to have a more clear strategy in place.

We have continued to make our way of working more effective. In 2019, we have taken major steps in introducing automation to the bank. This has resulted in better customer experiences and many saved working hours. Efforts to streamline and automate processes will accelerate in 2020.

Preparations for dealing with Brexit continued throughout the year and our strategy for the UK market remains unchanged.

A continued high demand for our MTN program shows that the capital market's confidence in the bank is good. We are also very proud of the high apprecia-tion we received from our customers through awards such as the Fairness Award in Germany and a top place and the highest result so far in this year's SKI survey (customer satisfaction index) in Sweden.

After my first year as CEO, my view is that Ikano Bank is a fantastic company. We never compromise on our values: common sense and simplicity, working together and daring to be different. We have a unique vision and value foundation where we use our customer promise; On fair terms, to always put the customer in focus.

As a final note I would like to thank all employees, partners and customers for a good cooperation during the year. It is with confidence I look forward to 2020 when the transformation will enter the next phase. We have a dynamic improvement work going, well founded in our vision; to create possibilities for better living for the many people, our values and an entrepreneurial drive where we together now have created the right conditions to deliver tomorrow's digital products.

Malmö February 2020

Henrik Eklund

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 2019.

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 4, 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.

Significant events during the year

The focus for 2019 has been to strengthen the digital offering with cost-efficient services and increased customer value. Further, the comprehensive work with outsourcing our IT-services to Capgemini was completed during the year and has resulted in increased stability.

During the year Ikano Bank has made a strategic investment in a fintech company together with a number of partners in the Swedish market. The purpose of investing in this new mortgage company is once again to be able to provide competitive mortgage loans to customers in Sweden.

Total assets and business volumes

The Bank's total assets increased by SEK 1,224 m to SEK 45,956 m (44,731). The increase is mainly explained by growth in the German and British markets as well as within the Corporate business line in Sweden which has shown good growth during the year.

The Bank's equity increased by SEK 0.5 bn to SEK 5.9 bn (5.4).

Overall business volumes of loans to the public, deposits from the public and leasing assets increased by 1 percent to SEK 63,9 bn (63.4). The Bank's loans to the public increased by 1 percent to SEK 27,661 m (27,289) after credit impairment provisions. Growth varies between the Banks' markets, with loans to the public growing in the UK and Germany during the year while Denmark and the Swedish consumer business declined slightly.

Leased assets held on customers' behalf increased by 4 percent to SEK 10,268 m (9,898) mainly driven by growth in the Swedish market but also in Norway and Finland.

Deposits from the public decreased by 1 percent to SEK 25,958 m (26,206). Deposits increased in all foreign markets outside Scandinavia, while volumes on the Swedish and Danish markets fell slightly during the year. Deposits are an important part of the Bank's funding and at year-end, deposits from the public were 57 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 1.5 bn to SEK 8.6 bn (7.1). 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 2019, seven bonds with maturities between 2-4 years and a total nominal amount of SEK 3,150 m have been issued with good results.

The Bank's liquidity portfolio totalled SEK 6.0 bn as of 31 December 2019 (5.6), which corresponds to 23 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 2019 decreased by 47 percent to SEK 189 m (359). The underlying profitability of the Bank is deemed to be stable and supported by a well-established loan business. During 2019 the revenues grew faster than expenses, 3.6 percent compared to 3.1 percent. The result for 2019 positively affected by increased net leasing incomes and net commission incomes but negatively affected by increased loan losses. The result for comparative figures contains a lump-sum 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.

Net interest income increased slightly to SEK 1,944 m (1,935). Increased loan volmues as well as improved margins drive the increase.

Net leasing income increased by 9 percent to SEK 489 m (448) mainly due to increased margins but also due to volume growth in Sweden.

Net commission income increased by 1 percent to SEK 357 m (353). The increase is mainly explained by reduced handling costs relating to non-performing exposures. The operations in Denmark, Norway, Finland, Germany and Poland contributed positively to the Bank's net commission income. In Sweden and the UK the net commission income decreased.

Operating income increased by 3.6 percent to SEK 6 451 m (6 230).

Operating expenses rose by 3.1 percent to SEK 5,560 m (5,395). 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. Staff expenses increase slightly, while other expenses decrease.

Loan losses measured as a percentage of average total lending decreased to 1.9 percent (1.3). Net loan losses increased to SEK 702 m (476). The increase partly explained by the credit losses for the comparision period positively being affected (SEK 155 m) and partly by adjustments in the reserving models during 2019, which had a negative impact of SEK 35 m. The Bank has also had major credit losses for two corporate customers, totalling SEK 44 m. The loan loss level adjusted for these extraordinary events amounts to 1.7 percent (1.3).

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 1,067 (846) as an average during the year.

Information regarding principles and processes relating to remuneration and benefits to key personnel can be found in note 11 General administrative expenses.

Management

On 7 January 2019 the bank announced that Henrik Eklund was appointed interim CEO for Ikano Bank. In June 2019 Henrik Eklund was appointed CEO on a permanent basis.

Since 1 September the Bank has a new CFO, Pontus Sardal, and a new Chief Risk Officer, Petter Brandt.

Board of Directors

During the year Olle Claesson has resigned as a member of the Board of Directors and Viveka Strangert and Lars Ljungälv 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 failed internal processes, human error, systems or external events. This definition includes legal risk, but not strategic and reputational 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 2019 was 15.4 percent (14.9) and the total capital ratio was 17.7 percent (17.2) 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 1,527 m as at 31 December 2019.

The leverage ratio for the Bank was 12.1 percent for 31 December 2019 (11.8) and thus above the upcoming binding minimum level for the leverage ratio of 3 percent.

For more information about the capital adequacy calculation, see note 3838 Capital analysis.

Liquidity

At year-end, the Bank's liquidity coverage ratio (LCR) totalled 276 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.

The NSFR is a measure of the banks structural liquidity, defined as the ratio between available stable funding and required stable funding. The EU has issued a minimum requirement of 100 percent to come into effect in June 2021. Net Stable Funding Ratio (NSFR) for Ikano Bank was 105 percent at year-end 2019.

Corporate Governance Report

Ikano Bank's corporate governance report for 2019 is attached to this Annual Report on page 69.

Sustainability report

Ikano Bank's sustainability report for 2019 is published on the Bank's website.

Outlook

The transformation of the Bank continues with full focus on improving our digital presence, lower our costs and strengthen sales, efficiency and customer offer. We can already see positive effects of the improvement work that are expected to result in improved key ratios over time. The Bank operates in a challenging industry but is financially strong with favourable market position. Ikano Bank expects retained business volumes in 2020.

Proposal appropriation of profits

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

Fund for fair value	239,111,010
Retained earnings	4,673,549,904
Net result for the year	465,401,010
Total	5,378,061,924

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

To be carried forward	5,378,061,924

5-year summary

SEK m	2019	2018	2017	2016	2015
Income statement					
Net interest income	1 944	1 935	1 960	2 021	2 011
Leasing income	4 011	3 790	3 396	2 781	2 427
Net commission	357	353	328	356	367
Net gains and losses on financial transactions	21	0	-6	9	-8
Other operating income	118	152	268	105	159
Total operating income	**6 451**	**6 230**	**5 946**	**5 273**	**4 956**
General administrative expenses	-1 749	-1 749	-1 670	-1 689	-1 575
Depreciation/ amortisation and impairments of tangible and intangible assets	-3 624	-3 437	-3 086	-2 515	-2 167
Other operating expenses	-188	-209	-200	-346	-240
Loan losses	-702	-476	-556	-278	-412
Other operating expenses	**-6 263**	**-5 871**	**-5 511**	**-4 828**	**-4 395**
Operating result	**189**	**359**	**435**	**445**	**562**
Appropriations	281	320	-	-	-
Taxes	-4	-137	-151	-166	-54
Net result for the year	**465**	**541**	**284**	**279**	**507**

SEK m	2019	2018	2017	2016	2015
Balance Sheet					
Cash	34	36	7	10	25
Loans to credit institutions	1 909	2 151	1 814	1 838	1 747
Loans to the public	27 661	27 289	27 799	26 845	24 105
Interest-bearing securities	4 119	3 514	3 277	3 449	2 805
Tangible assets	10 282	9 916	9 318	7 687	6 037
Other assets	1 950	1 825	1 868	1 708	1 567
Total assets	**45 956**	**44 731**	**44 082**	**41 536**	**36 286**
Liabilities to credit institutions	2 010	2 250	2 504	2 415	4 128
Deposits from the public	25 958	26 206	25 617	24 180	20 209
Other liabilities	10 922	9 433	9 203	8 517	6 511
Provisions	160	181	170	172	107
Subordinated liabilities	865	839	820	810	792
Total liabilities and provisions	**39 914**	**38 909**	**38 314**	**36 093**	**31 747**
Untaxed reserves	97	378	698	698	698
Equity	5 945	5 444	5 070	4 744	3 841
Total liabilities, provisions and equity	**45 956**	**44 731**	**44 082**	**41 536**	**36 286**

5-year summary

SEK m	2019	2018	2017	2016	2015
Volumes					
Business volume	63 887	63 394	67 863	63 501	55 119
Change during the year	*0.8%*	*-6.6%*	*6.9%*	*15.2%*	*31.9%*
Customer-related loans and deposits, leasing and mediated mortage loans					
Loans to the public	27 661	27 289	27 799	26 845	24 105
Change during the year	*1.4%*	*-1.8%*	*3.6%*	*11.4%*	*45.4%*
Deposits from the public	25 958	26 206	25 617	24 180	20 209
Change during the year	*-0.9%*	*2.3%*	*5.9%*	*19.6%*	*34.2%*
Capital					
Equity ratio [1)] *Taxed equity +78 % of untaxed reserves in relation to total assets*	13.1%	12.8%	12.7%	12.7%	12.1%
Total Capital ratio *Own funds in relation to risk exposure amount*	17.7%	17.2%	16.5%	16.6%	16,8%
Common equity Tier 1 ratio *Common Equity Tier 1 capital in relation to risk exposure amount*	15.4%	14.9%	14.3%	14.3%	14.1%
Liquidity					
Liquidity portfolio in relation to deposits from the public	23.0%	21.2%	19.7%	21.8%	22.3%
Depostis from the public in relation to total assets	56.5%	58.6%	58.1%	58.2%	55.7%
Liquidity coverage ratio (LCR)	276%	191%	191%	229%	283%
Result					
Investment margin *Net interest income in relation to average total assets*	4.3%	4.4%	4.6%	5.2%	6.4%
Return on adjusted equity [1)] *Operating result after standard tax rate in relation to average adjusted equity*	2.5%	4.9%	6.2%	7.2%	11.4%
C/I-ratio before loan losses *Operating expenses in relation to operating income with lease operations offset in operating income*	69.6%	71.1%	66.3%	74.2%	65.6%
Return on total assets *Net result as % of total assets*	1.0%	1.2%	0.6%	0.7%	1.4%
Credit quality [2)]					
Provision for non performing loans *Total provision for probable loan losses in relation to non performing loans, gross*	55.6%	50.0%	48.1%	58.6%	61.0%
Share of non performing loans *Non performing loans, in relation to total loans to the public, credit institutions (excluding banks) and lease receivables*	0.9%	1.5%	1.8%	1.7%	2.2%
Loan loss ratio *Loan losses in relation to average loans to the public, credit institutions (excluding banks) and lease receivables*	1.9%	1.3%	1.6%	0.9%	1.6%
Other information					
Average number of employees	1 067	846	901	967	821

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	2019	2018
Interest income	5	2 341 779	2 338 126
Interest expense	5	-397 967	-402 997
Net interest income		**1 943 812**	**1 935 129**
Leasing income	6	4 011 000	3 790 090
Commission income	7	659 093	689 518
Commission expense	7	-301 860	-336 354
Net commission income		**357 233**	**353 164**
Net gains and losses on financial transactions	8	21 196	-462
Other operating income	9	118 200	151 913
Total income		**6 451 441**	**6 229 834**
General administrative expenses	11	-1 749 289	-1 749 367
Depreciation/amortisation and impairments of tangible and intangible assets	21, 22	-3 623 661	-3 436 676
Other operating expenses	12	-187 531	-209 344
Total expenses before loan losses		**-5 560 481**	**-5 395 387**
Profit before loan losses		**890 960**	**834 447**
Loan losses, net	13	-702 289	-475 937
Operating result		**188 671**	**358 510**
Appropriations	14, 34	281 200	320 000
Tax expense	14	-4 470	-137 302
Net result for the year		**465 401**	**541 208**

Report on total comprehensive income for the year

SEK 000	2019	2018
Net result for the year	**465 401**	**541 208**
Other comprehensive income		
Items that can be reclassified to net profit for the year		
Translation difference for the year, foreign branches	99 452	86 933
Changes in fair value through other comprehensive income	-7 861	-6 630
Change in loss allowance for financial assets valued at fair value via other comprehensive income	647	-
Fair value changes for cash flow hedges	2 917	5 315
Tax related to changes in translation differences for the year	-61 229	-34 716
Tax related to changes in financial assets valued at fair value via other comprehensive income	1 681	1 725
Tax related to changes in fair value of cash flow hedges	-601	-1 137
Other comprehensive income for the year, net of tax	**35 006**	**51 490**
Total comprehensive income for the year, net of tax	**500 407**	**592 698**

Balance sheet

SEK 000	Note	2019	2018
Assets			
Cash		33 855	35 735
Treasury bills	15	1 672 613	1 282 293
Loans to credit institutions	16	1 909 236	2 150 846
Loans to the public	17	27 660 929	27 289 123
Bonds and other interest-bearing securities	18	2 446 609	2 231 935
Shares and participations	19	43 164	29 299
Shares and participations in associated companies	20	12 446	-
Intangible assets	21	352 138	378 747
Tangible assets	22	10 282 495	9 916 416
- Leasing assets		*10 268 260*	*9 898 120*
- Equipment		*14 235*	*18 296*
Other assets	25	1 160 042	1 019 595
Deferred tax assets	14	102 455	115 452
Prepaid expenses and accrued income	26	279 668	281 869
Total assets		**45 955 650**	**44 731 310**
Liabilities, provisions and equity			
Liabilities to credit institutions	27	2 009 831	2 250 366
Deposits from the public	28	25 957 779	26 206 463
Issued securities	29	8 595 049	7 138 497
Other liabilities	30	1 003 407	1 000 226
Accrued expenses and deferred income	31	1 322 560	1 292 919
Provisions		160 244	181 123
- Provisions for pensions	32	*35 886*	*34 663*
- Deferred tax liabilities	14	*92 115*	*91 362*
- Other provisions		*32 243*	*55 098*
Subordinated liabilities	33	865 187	839 330
Total liabilities and provisions		**39 914 057**	**38 908 924**
Untaxed reserves	34	**96 957**	**378 157**
Equity	35		
Restricted equity		**566 574**	**548 965**
Share capital		78 994	78 994
Statutory reserve		193 655	193 655
Fund for development expenses		293 925	276 316
Non-restricted equity		**5 378 062**	**4 895 264**
Fund for fair value		239 111	204 105
Retained earnings		4 673 550	4 149 951
Net result for the year		465 401	541 208
Total equity		**5 944 636**	**5 444 229**
Total liabilities, provisions and equity		**45 955 650**	**44 731 310**

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 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**	**4 149 952**	**541 208**	**5 444 229**
Opening balance 2019-01-01	**78 994**	**193 655**	**276 316**	**8 492**	**182 991**	**12 622**	**4 149 952**	**541 208**	**5 444 229**
Appropriation of profits	-	-	-	-	-	-	541 208	-541 208	-
Change in fund for development expenses	-	-	17 610	-	-	-	-17 610	-	-
Net result for the year	-	-	-	-	-	-	-	465 401	465 401
Other comprehensive income for the year	-	-	-	-5 533	38 223	2 316	-	-	35 006
Total comprehensive income for the year	**-**	**-**	**-**	**-5 533**	**38 223**	**2 316**	**-**	**465 401**	**500 407**
Closing balance 2019-12-31	**78 994**	**193 655**	**293 925**	**2 959**	**221 214**	**14 938**	**4 673 550**	**465 401**	**5 944 636**

Cash flow statement

SEK 000	2 019	2 018
Operating activities		
Operating result	188 671	358 510
Of which interest paid	*-397 968*	*-431 601*
Of which interest received	*2 341 779*	*2 340 390*
Adjustment for non-cash items	**4 555 781**	**3 404 402**
Depreciation /amortisation	3 623 661	3 436 676
Loan losses	1 371 692	984 213
Other adjustments	-287 681	-644 620
Income tax paid	-151 890	-371 867
Cash flows from operating activities before changes in working capital	**4 744 452**	**3 762 912**
Cash flows from changes in working capital	**-6 151 422**	**-3 434 521**
Changes in loans to the public	-793 871	-556 146
Changes in securities	-612 856	-237 301
Changes in deposits from the public	-883 096	589 743
Changes in leasing assets	-3 674 583	-3 919 826
Changes in other assets	-38 435	415 392
Changes in other liabilities	-148 581	273 617
Cash flows from operating activities	**-1 406 970**	**328 391**
Investing activities		
Investment in financial assets	-12 446	-
Change of intangible assets	-67 647	-60 536
Sale of tangible assets	85	5 447
Acquisition of tangible assets	-3 218	-3 013
Cash flows from investing activities	**-83 226**	**-58 102**
Financing activities		
Issuance of interest-bearing securities	6 380 000	4 605 000
Repayment of interest-bearing securities	-4 920 000	-4 292 000
Borrowing from credit institutions	-297 208	-236 130
Cash flows from financing activities	**1 162 792**	**76 870**
Cash flow for the year	**-327 404**	**347 159**
Cash and cash equivalents at beginning of the year	2 169 819	1 808 435
Exchange rate difference in cash and cash equivalents	78 978	14 225
Cash and cash equivalents at the end of the year	**1 921 393**	**2 169 819**

Additional information about change in liabilities from financing activities

SEK 000	2019-01-01	Cash flows	Foreign exchange movement	2019-12-31
Certificates of deposits	1 989 784	197 921	-	2 187 705
Bonds	5 148 713	1 258 631	-	6 407 344
Borrowing from credit institutions	2 233 604	-297 208	51 737	1 988 133
Subordinated loans	839 330	-	25 856	865 187
Total liabilities from financing activities	**10 211 431**	**1 159 344**	**77 593**	**11 448 368**

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 1,943 m, with deductions for current liabilities to credit institutions SEK 22 m.The corresponding amounts for the previous year were SEK 2,187 m and SEK 17 m.

Notes

1 General information

The annual report for Ikano Bank AB (publ) as of 31 December 2019 has been approved for disclosure by the Board on 25 March 2020. Ikano Bank 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 27 March 2020 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 (1995:1559) 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), 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 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 2019 IFRS 16 Leases entered into force, replacing IAS 17 Leases. IFRS 16 has not impacted the financial statements to any significant extent as Ikano Bank currently applies the exemption rules for legal entities according to RFR 2.

The accounting 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 or historical acquisition cost.

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

Financial assets valued according to historical acquisition cost are:

- Participation in unlisted other companies in accordance with ÅRL 1: 4a
- Shares and participations in associated companies

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 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. Credit loss provisions are also made for all financial instruments based on changes in credit risk since the first reporting date. 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 principles for credit impairment provisioning see section New Loan Losses and impairement of financial instruments as well as note 3 Risks and risk management.

New IFRS and interpretations implemented

New and amended standards and interpretations with effect from 1 January 2019 are not considered to have had any significant effect on the bank's financial position, results or disclosures for 2019. On January 1, 2019, IFRS 16 Leases entered into force and replaced IAS 17 Leases. IFRS 16 entails changes to the lessee's reporting of leasing agreements, while for the lessor, the accounting is expected to substantially comply with IAS 17. Since Ikano Bank today applies the exception rule in RFR 2 for legal entities, IFRS 16 has not affected Ikano Bank's financial reports in to a significant extent, as the exception rule continues to apply to IFRS 16 from 2019. The exception rule allows legal persons to report financial leases in the income statement and balance sheet as if they were operational leases, in accordance with the rules in RFR2. In addition to the changes described above, other news will have a significant impact on the bank's financial reports in 2019 or later.

New IFRS and interpretations not yet implemented

New or amended standards and interpretations that only enter into force in the coming financial year have not been applied prematurely in the preparation of these financial reports, with the exception of the reference rate change below.

New or amended IFRS standards or interpretations or changes in Swedish regulations issued but not yet applied are not expected to have a material effect on the Group's financial position, results, cash flow or disclosures.
The bank has chosen to apply the amendments to IFRS 9 prematurely due to the future change of reference rates (Interbank offered rates), "Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, and IFRS 7". This change has no effect on the financial reports.

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

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.

On the asset side 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.

Ikano Bank classifies financial liabilities into two categories: Financial liabilities at fair value through profit or loss and Financial liabilities at amortised cost. Financial liabilities are measured at amortised cost unless initially identified as measured at fair value through profit or loss or when this results in more relevant information. Financial liabilities held for trading or which are designated as such at initial recognition are classified as liabilities to be measured at fair value through profit or loss. Derivatives are always treated as held for trading and are therefore classified as liabilities to be measured at fair value through profit or loss. Other financial liabilities in the balance sheet are valued at amortised cost.

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.

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 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 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

Credit impairment provisions are made based on IFRS 9 which is buildt 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, if no other assessment is made on the balance sheet date.

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 2019. Instruments in stage 3 remain unaffected by this criterion and currently account for 44 percent of expected credit losses. A halving of the threshold would result in an increase in expected credit losses of 1.3 percent or SEK 6.8 m. Doubling of the threshold would result in a decrease in expected credit losses by 1.7 percent or SEK 8.9 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	Impairment provision impact of: Doubling of threshold	Expected credot losses	Share of total portfolio in terms of gross carrying amount
Low	0% - 2%	0,0%	-2.2%	90 588	64%
Medium	>2% - 5%	7.4%	-9.7%	93 011	14%
Higher	>5% - <100%	1.5%	-1.3%	338 451	9%
	Total	1.3%	-1.7%	522 051	87%
Financial instruments subject to the low credit risk exemption				1 856	9%
Financial instruments in stage 3				433 534	2%
Manual adjustments				23 433	2%
Total provisions				**980 873**	**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 and constant 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 2019. A positive macro scenario would result in a decrease of existing credit impairment provisions by 1.5 percent and a negative scenario would increase the same by 6.0 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	230 994	-2,3%
	Downturn	248 542	5,1%
Sales Finance and Consumer	Upturn	761 491	-1,3%
	Downturn	820 026	6,3%
Total	Upturn	992 484	-1,5%
	Downturn	1 068 569	6,0%

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, if no other assessment is made on the balance sheet date. 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 13.

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.

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.

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 32 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.

In the Bank the three lines of defence model is implemented where the business acts as 1st line of defence with the main responsibility for identification, assessment, mitigation and ownership of risks. Risk Control and Compliance functions acts as an independent 2nd line of defence and is responsible for oversight and guidance. Internal Audit the 3rd line of defence provide independent assurance to the Board.

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.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, human error, systems or external events. This definition includes legal risk, but not strategic 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 establishing and maintaining the risk framework and supporting in coordination of the work with operational risk in business opeations. Responsibility for managing operational risk lies with each business area. Operational risk assessments are continuously carried out within material processes to ensure that risks are identified, managed and documented with action plans.

The New Product Approval Process (NPAP) is performed to assess and manage risks before introducing new products, services, IT-systems or other systems, processes or markets or making significant changes to existing ones. 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, purpose to assess the customer's payment capacity. 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 and updated annually ab approved by the Board. The risk appetite is split into several portfolios and is measured e.g. 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 at this point 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

2019

SEK 000	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost according to IFRS 9				
Loans to credit institutions				
AAA	3 040	-	-	3 040
AA	836 958	-	-	836 958
A	1 019 162	-	-	1 019 162
BBB	50 048	-	-	50 048
NR	27	-	-	27
Credit impairment provisions	-	-	-	-
Total carrying amount	**1 909 236**	**-**	**-**	**1 909 236**
Loans to the public				
Low	20 899 926	466 755	-	21 366 681
Medium	2 880 959	979 467	-	3 860 425
High	851 485	1 922 878	407 939	3 182 302
Credit impairment provisions	-140 044	-319 113	-289 322	-748 479
Total carrying amount	**24 492 326**	**3 049 987**	**118 617**	**27 660 929**
Financial assets measured at fair value according to IFRS 9				
Treasury bills				
AAA	481 264	-	-	481 264
AA+	565 818	-	-	565 818
AA	489 790	-	-	489 790
AA-	135 741	-	-	135 741
Credit impairment provisions	-292	-	-	-292
Total carrying amount	**1 672 321**	**-**	**-**	**1 672 321**
Bonds and other interest-bearing securities				
AAA	1 372 348	-	-	1 372 348
A+	20 086	-	-	20 086
A	49 994	-	-	49 994
A-	819 031	-	-	819 031
BBB+	185 150	-	-	185 150
Credit impairment provisions	-1 564	-	-	-1 564
Total carrying amount	**2 445 045**	**-**	**-**	**2 445 045**
Total gross carrying amount for financial assets measured at amortised cost or fair value through other comprehensive income	**30 660 509**	**3 369 099**	**407 939**	**34 437 548**
Total credit impairment provisions	**-141 900**	**-319 113**	**-289 322**	**-750 335**
Total carrying amount	**30 518 609**	**3 049 987**	**118 617**	**33 687 212**
Leasing objects including trade recievables leasing				
Low	6 512 702	974 846	-	7 487 548
Medium	847 525	1 268 854	-	2 116 379
High	127 006	863 973	337 207	1 328 186
Credit impairment provisions	-11 070	-47 251	-148 205	-206 526
Total carrying amount	**7 476 163**	**3 060 422**	**189 001**	**10 725 586**
Commitments and undrawn limits				
Low	30 822 629	260 269	-	31 082 898
Medium	3 720 911	304 472	-	4 025 384
High	100 399	355 689	-	456 088
Credit impairment provisions	-13 017	-12 850	-	-25 867
Total commitments and undrawn limits	**34 630 922**	**907 580**	**-**	**35 538 502**

Collateral amounts to SEK 1,187 m (SEK 1,425 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	2019	2018
Loan receivables, gross		
- household sector	27 599 117	27 140 238
- corporate sector	11 535 729	11 349 847
- public sector	206 674	167 707
Total	**39 341 521**	**38 657 792**
Of which:		
Non performing loans	**782 571**	**1 185 391**
- household sector	376 977	761 403
- corporate sector	405 594	423 988
- public sector	-	-
Less:		
Specific impairment for individually assessed loans	**955 005**	**1 077 296**
- household sector	732 797	838 188
- corporate sector	221 768	237 588
- public sector	440	1 520
Loan receivables, net reported value		
- household sector	26 866 320	26 302 050
- corporate sector	11 313 961	11 112 259
- public sector	206 235	166 187
Total	**38 386 516**	**37 580 496**

Credit impairment provisions decreased by SEK 122 m during 2019, mainly due to sale of non-performing loan portfolios. Credit impairments for the household sector has decreased from SEK 838 m to SEK 732 m. This corresponds to a 13 percent decrease while the gross loan recievebles have increased with 2 percent.

Credit impairment provisions for the Corporate sector decreased from SEK 238 m to SEK 222 m or 7 percent. Gross loan recievables have invreased by 2 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.

SEK 000	Credit risk exposure	Value of collateral	Credit risk exposure after collateral impact
Derivatives	28 929	19 407	9 522
Total carrying amount	**28 929**	**19 407**	**9 522**

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

2019 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	28 929	-	28 929	-22 865	-28 173	-22 110
Total financial assets	**28 929**	**-**	**28 929**	**-22 865**	**-28 173**	**-22 110**
Derivatives	56 751	-	56 751	-22 865	-8 766	25 120
Total financial liabilities	**56 751**	**-**	**56 751**	**-22 865**	**-8 766**	**25 120**

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**	**-**	**-**

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 2019.

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.

2019 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	-	56	56	-	-
Interest-bearing securities	-	4 119	4 119	-	-
Other assets	43	41 738	41 738	-	28
Total	**43**	**45 913**	**45 913**	**-**	**28**

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	57	43

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

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 scenarios 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. Most of the deposits from the public are reported in the column On demand since the counterparty in most cases 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

2019 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	34	-	-	-	-	-	-	-	-	**34**	-
Treasury bills	-	320	15	278	200	340	520	-	-	**1 673**	1 060
Loans to credit institutions	1 909	-	-	-	-	-	-	-	-	**1 909**	-
Loans to the public	-	3 286	1 607	3 010	4 259	2 642	2 566	2 650	7 641	**27 661**	11 480
Leasing receivables	-	1 442	865	1 607	2 731	2 011	1 823	247	-	**10 726**	6 875
Bonds and other interest-bearing securities	-	888	152	460	351	288	308	-	-	**2 447**	946
Derivatives	-	22	-	-	1	1	5	-	-	**29**	7
Other assets	-	-	-	-	-	-	-	-	1 478	**1 478**	-
Total assets	**1 943**	**5 958**	**2 639**	**5 356**	**7 541**	**5 281**	**5 223**	**2 896**	**9 119**	**45 956**	**20 367**
Liabilities and equity											
Liabilities to credit institutions	-	50	367	958	147	163	325	-	-	**2 010**	635
Deposits from the public	22 650	339	452	929	651	496	441	-	-	**25 958**	16 352
Derivatives	-	46	0	3	2	3	3	-	-	**57**	8
Issued securities	-	1 300	1 599	349	2 549	2 349	450	-	-	**8 595**	5 347
Other liabilities	-	-	-	-	-	-	-	-	947	**947**	-
Accrued expenses and prepaid income	-	-	-	-	-	-	-	-	1 323	**1 323**	-
Provisions	-	-	-	-	-	-	-	-	160	**160**	-
Subordinated liabilities	-	-	-	-	-	-	-	865	-	**865**	865
Equity and untaxed reserves	-	-	-	-	-	-	-	-	6 042	**6 042**	-
Total liabilities and equity	**22 650**	**1 734**	**2 419**	**2 238**	**3 349**	**3 010**	**1 219**	**865**	**8 471**	**45 956**	**23 207**
Loan promises and unused credit limits	35 080	-	-	-	-	-	-	-	-	**35 080**	
Operational lease agreements	-	1	1	3	1	1	2	1	-	**11**	
Total difference	**-55 786**	**4 222**	**219**	**3 115**	**4 191**	**2 270**	**4 002**	**2 030**	**648**	**-35 091**	

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	-	-	-	-	-	-	-	**10**	-
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	0	-	-	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**	

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

2019 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	34	-	-	-	-	-	-	-	-	**34**
Treasury bills	-	320	15	278	200	340	520	-	-	**1 673**
Loans to credit institutions	1 909	-	-	-	-	-	-	-	-	**1 909**
Loans to the public	-	3 286	1 607	3 010	4 259	2 642	2 566	2 650	7 641	**27 661**
Leasing receivables	-	1 442	865	1 607	2 731	2 011	1 823	247	-	**10 726**
Bonds and other interest-bearing securities	-	888	152	460	351	288	308	-	-	**2 447**
Derivatives	-	22	-	-	1	1	5	-	-	**29**
Other assets	-	-	-	- -	1	-	-	-	1 478	**1 477**
Total assets	**1 943**	**5 958**	**2 639**	**5 356**	**7 541**	**5 281**	**5 223**	**2 896**	**9 119**	**45 956**
Liabilities and equity										
Liabilities to credit institutions	-	50	367	958	147	163	325	-	-	**2 010**
Deposits from the public	22 650	339	452	929	651	496	441	-	-	**25 958**
Derivatives	-	46	0	3	2	3	3	-	-	**57**
Issued securities	-	1 300	1 599	349	2 549	2 349	450	-	-	**8 595**
Other liabilities	-	-	-	-	-	-	-	-	2 429	**2 429**
Subordinated liabilities	-	-	-	-	-	-	-	865	-	**865**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	6 042	**6 042**
Total liabilities and equity	**22 650**	**1 734**	**2 419**	**2 238**	**3 349**	**3 010**	**1 219**	**865**	**8 471**	**45 956**
Loan promises and unused credit limits	35 080	-	-	-	-	-	-	-	-	**35 080**
Operational lease agreements	-	1	1	3	1	1	2	1	-	**11**
Total difference	**-55 786**	**4 222**	**219**	**3 115**	**4 191**	**2 270**	**4 002**	**2 030**	**648**	**-35 091**

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**

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 3.1 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 2019 totalled SEK 6.0 bn excluding overdraft facilities and constitutes 23.3 percent of deposits from the public. It includes cash and balances with banks (SEK 1.9 bn), the liquidity reserve (SEK 3.1 bn) and other interest-bearing securities (SEK 1.1 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 2.9 bn are available.

As of 31 December 2019, the Bank's LCR totalled 276 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 2019 to SEK -1.6 m. Per 31 December 2019 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 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 19.0 m (36.3), 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 -21.8 m and SEK 23.2 m with a parallel decrease of the interest rate curve.

As of 31 December 2019, the Bank had interest rate swaps with a contract value of SEK 3.1 bn (2.1). The swaps' net fair value as of 31 December 2019 totalled SEK -4.0 m (-7.7) consisting of assets of SEK 7.0 m (0.0) and liabilities of SEK 11.0 m (7.7).

Interest rate exposure – fixed interest periods for assets and liabilities

2019 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	-	-	-	-	-	34	**34**	0.0 years
Treasury bills	1 197	15	112	348	-	-	**1 673**	0.7 years
Loans to credit institutions	1 909	-	-	-	-	-	**1 909**	0.1 years
Loans to the public	16 112	2 427	4 189	4 421	512	-	**27 661**	0.6 years
Leasing receivables	9 014	154	280	1 195	82	-	**10 726**	0.7 years
Bonds and other interest-bearing securities	2 396	-	-	51	-	-	**2 447**	0.2 years
Other assets	29	-	-	-	-	1 478	**1 507**	0.0 years
Total assets	**30 658**	**2 596**	**4 582**	**6 014**	**594**	**1 512**	**45 956**	
Liabilities and equity								
Liabilities to credit institutions	1 456	554	-	-	-	-	**2 010**	0.2 years
Deposits from the public	20 403	1 066	1 526	2 963	-	-	**25 958**	0.4 years
Issued securities	7 547	699	349	-	-	-	**8 595**	0.2 years
Other liabilities	1 268	-	-	-	-	1 218	**2 487**	0.1 years
Subordinated liabilities	415	451	-	-	-	-	**865**	0.3 years
Equity and untaxed reserves	-	-	-	-	-	6 042	**6 042**	0.0 years
Total liabilities and equity	**31 088**	**2 770**	**1 875**	**2 963**	**-**	**7 260**	**45 956**	
Difference assets and liabilities	**-430**	**-175**	**2 707**	**3 051**	**594**	**-5 748**	**-**	
Interest rate derivatives, long positions [1]	735	2 415	-	-	-	-	**3 149**	
Interest rate derivatives, short positions [1]	-	262	1 050	1 837	-	-	**3 149**	

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**	

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

2019 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	-	-	-	-	-	-
Currency-related contracts						
Swaps	-23 798	-	-	-23 798	21 979	-45 777
Total	**-23 798**	**-**	**-**	**-23 798**	**21 979**	**-45 777**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	-3 241	-782	-	-4 023	6 950	-10 974
Total	**-3 241**	**-782**	**-**	**-4 023**	**6 950**	**-10 974**
Total sum	**-27 040**	**-782**	**-**	**-27 822**	**28 929**	**-56 751**

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**

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	-3 149 466	-	-4 023	Other assets	-7 040	-1 643	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	5 397	-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 increases the overall net exposure by SEK 2.9 m.

In the Bank's income statement, exchange rate results with SEK 6.1 m (-0.6) 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. SEK is included in the table below to give a picture of the total distribution between currencies.

Assets and liabilities per significant currencies

2019 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	Total
Assets							
Treasury bills	1 245	-	390	38	-	-	**1 673**
Loans to credit institutions	455	180	131	895	144	138	**1 943**
Loans to the public	8 985	7 513	6 822	2 195	1 652	493	**27 661**
Leasing receivables	5 530	834	-	2 857	1 504	-	**10 726**
Bonds and other interest-bearing securities	1 918	460	0	68	-	-	**2 447**
Other assets	1 159	155	45	66	72	10	**1 507**
Total assets	**19 292**	**9 143**	**7 388**	**6 119**	**3 373**	**641**	**45 956**
Nominal amount currency derivative	5 558	-	-	-	-	-	**5 558**
Liabilities and equity							
Liabilities to credit institutions	50	547	558	75	533	247	**2 010**
Deposits from the public	12 204	6 059	3 464	4 231	-	-	**25 958**
Issued securities	8 595	-	-	-	-	-	**8 595**
Subordinated liabilities	200	415	87	126	37	-	**865**
Other liablities incl. Equity	3 861	1 933	539	1 684	587	-77	**8 528**
Total equity and liabilities	**24 910**	**8 954**	**4 647**	**6 117**	**1 157**	**170**	**45 956**
Nominal amount currency derivative	-	179	2 742	-	2 211	458	**5 589**
Differences between assets and liabilities, incl. Nominal amount currency derivative	-60	10	0	2	5	13	-31
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		1.0	0.0	0.2	0.5	1.3	2.9

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	68	-	-	**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	0	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

4 Operating segments

2019 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	788	313	191	28	610	604	71	530	3 135	-793	2 342
Interest expense	-260	-72	-91	-12	-189	-77	-15	-475	-1 191	793	-398
Total net interest income	**528**	**240**	**100**	**16**	**421**	**527**	**55**	**55**	**1 944**	**-**	**1 944**
Payment service commissions	11	1	-	1	-	13	-	-	26	-	26
Lending commissions	165	38	55	22	65	19	1	-	365	-	365
Compensation, mediated insurance	125	25	36	4	1	47	2	-	240	-	240
Other commissions	8	4	11	0	2	1	1	0	28	-	28
Commission income	**309**	**68**	**102**	**27**	**69**	**80**	**4**	**0**	**659**	**-**	**659**
Commission expense	-139	-13	-51	-7	-55	-30	-6	0	-301	-	-301
Commission, net	**170**	**55**	**51**	**20**	**14**	**50**	**-2**	**0**	**358**	**-**	**358**
Lease income	2 027	1 072	633	280	-	-	-	-	4 011	-	4 011
Depreciation on leasing assets	-1 792	-944	-539	-248	-	-	-	-	-3 522	-	-3 522
Leasing Income, net	**235**	**128**	**94**	**32**	**-**	**-**	**-**	**-**	**489**	**-**	**489**
Net Interest, fee and leasing income	**934**	**424**	**245**	**68**	**435**	**577**	**53**	**54**	**2 791**	**-**	**2 791**
Other income	31	23	16	4	28	10	3	741	856	-717	139
Other direct expenses	-38	-9	-14	-7	-18	-24	-2	-1	-112	-	-112
Operating margin before net loan losses and operational expenses	**927**	**438**	**247**	**65**	**446**	**564**	**55**	**795**	**3 535**	**-717**	**2 818**
Other expenses	-904	-355	-233	-66	-501	-487	-53	-716	-3 315	718	-2 597
Allocated overhead expenses	-9	-3	-3	0	-7	-9	0	0	-31	-1	-32
Operating result	**13**	**79**	**11**	**-2**	**-62**	**68**	**2**	**79**	**189**	**-**	**189**
Of which:											
Total internal income	*146*	*40*	*-*	*-*	*63*	*30*	*-*	*1 232*	*1 510*	*-1 510*	*-*
Total external income	*1 236*	*492*	*403*	*91*	*645*	*664*	*77*	*-*	*3 608*	*-*	*3 608*
Total internal expenses	*-592*	*-144*	*-192*	*-32*	*-254*	*-227*	*-38*	*-31*	*-1 510*	*1 510*	*-*
Appropriations	-	-	-	-	-	-	-	281	281	-	281
Tax expense	-	-14	-5	-	-4	-27	-1	46	-4	-	-4
Net result for the year	**13**	**65**	**6**	**-2**	**-66**	**41**	**1**	**406**	**465**	**-**	**465**

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	-178	-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	1	-	13	-	-	27	-	27
Lending commissions	173	36	62	22	80	20	2	0	394	-	394
Compensation, mediated insurance	117	27	37	4	-1	49	1	-	233	-	233
Other commissions	20	2	13	0	0	1	1	0	35	-	35
Commission income	**322**	**66**	**110**	**27**	**79**	**82**	**4**	**0**	**690**	**-**	**690**
Commission expense	-139	-17	-63	-9	-39	-63	-5	-1	-336	-	-336
Commission, net	**183**	**50**	**46**	**18**	**40**	**19**	**-1** -	**1**	**353**	**-**	**353**
Lease income	1 880	1 043	610	257	-	-	-	-	3 790	-	3 790
Depreciation on leasing assets	-1 686	-915	-517	-223	-	-	-	-	-3 342	-	-3 342
Leasing Income, net	**193**	**129**	**93**	**33**	**-**	**-**	**-**	**-**	**448**	**-**	**448**
Net Interest, fee and leasing income	**896**	**425**	**271**	**68**	**429**	**565**	**51**	**30**	**2 736**	**-**	**2 736**
Other income	77	22	8	4	22	-4	4	874	1 006	-858	149
Other direct expenses	-35	-10	-10	-6	-25	-21	-2	-5	-114	-	-114
Operating margin before net loan losses and operational expenses	**938**	**438**	**269**	**66**	**426**	**541**	**54**	**899**	**3 629**	**-858**	**2 771**
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**	**358**	**-**	**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*	*-*
Tax expense	-	-11	-7	-	-10	-87 -	0	-22	-137	-	-137
Net result for the year	**65**	**61**	**13**	**-4**	**-58**	**151**	**5**	**310**	**541**	**-**	**541**

SEK m	2019	2018
Corporate	823	761
Sales Finance	1 711	1 773
Consumer	1 000	962
Other	74	131
Total external income	**3 608**	**3 628**

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

2019 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	359	2	0	0 -	0	4	1	-	**366**
Deferred tax assets	78	-	-	-	-	24	-	-	**102**
Other assets	33 931	5 913	3 187	1 132	6 993	8 000	584	-14 252	**45 487**
Total assets	**34 367**	**5 915**	**3 187**	**1 132**	**6 993**	**8 028**	**585**	**-14 252**	**45 956**
Liabilities and provisions	**31 454**	**4 539**	**2 861**	**1 211**	**6 965**	**6 444**	**692**	**-14 252**	**39 914**

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**

5 Net interest

SEK 000	2019	2018
Interest income		
Loans to credit institutions	-	-1 642
Loans to the public	2 328 555	2 337 835
Interest-bearing securities	13 225	1 932
Total	**2 341 779**	**2 338 126**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*2 328 554*	*2 336 193*
Interest income from non-performing loans	*34 770*	*67 515*
Interest expense		
Liabilities to credit institutions	-34 682	-40 078
Deposits from the public	-197 102	-203 773
Of which: Deposit guarantee fee	*-34 719*	*-34 218*
Issued securities	-47 821	-27 638
Derivatives	-76 816	-85 693
- Hedge accounting	*-5 608*	*-8 037*
- Not hedge accounting	*-71 209*	*-77 656*
Subordinated liabilities	-24 249	-23 303
Other interest expenses	-17 297	-22 512
Of which: Stability fee	*-14 515*	*-18 834*
Total	**-397 968**	**-402 997**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*-321 151*	*-317 304*
Total net interest income	**1 943 812**	**1 935 129**
Interest margin	4.2%	4.2%
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	4.3%	4.4%
Net interest income in relation to average balance sheet total		

6 Leasing income

SEK 000	2019	2018
Leasing income, gross	4 011 000	3 790 090
Less: Depreciation according to plan	-3 521 925	-3 341 934
Leasing income, net	**489 075**	**448 156**
Leasing income from financial lease agreements	4 011 000	3 790 090
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-3 521 925	-3 341 934
Leasing income, net for financial lease agreements	**489 075**	**448 156**
Interest income	10 135	9 531
Interest expenses	-127 680	-112 991
Leasing, net	**371 530**	**344 697**

7 Net commission

SEK 000	2019	2018
Commission income		
Payment service commissions	26 419	26 922
Lending commissions	365 293	394 184
Other commissions	267 381	268 412
Total	**659 093**	**689 518**
Commission expenses		
Payment service commissions	-9 586	-3 127
Lending commissions	-233 488	-280 605
Other commissions	-58 786	-52 622
Total	**-301 860**	**-336 354**
Net commission income	**357 233**	**353 164**

8 Net result on financial transactions

SEK 000	2019	2018
Interest-bearing securities	-	-
Other financial instruments	15 018	112
Exchange rate fluctuations	6 178	-574
Total	**21 196**	**-462**
Net profit/loss divided per valuation category		
Financial assets at fair value through profit or loss	168 611	313 217
Financial assets at amortised cost	397 784	244 110
Loan receivables and accounts receivable	-	-
Financial liabilities at fair value through profit or loss	-461 821	-447 398
Financial liabilities at amortised costs	-84 947	-99 028
Change in fair value for derivatives that are hedging instruments in fair value	-	-390
Change in fair value for hedged item in respect of the hedged risk in fair value	-	-
The ineffective portion of changes in fair value of the hedging instrument in a cash flow hedge	1 643	-9 917
Changes in credit impairment provisions for assets at fair value through other comprehensive income	-647	-637
Exchange rate fluctuations	572	-419
Total	**21 196**	**-462**
Net profit or loss on financial assets available-for-sale recognised in comprehensive income	**-6 179**	**-4 905**

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.

9 Other operating income

SEK 000	2019	2018
Realised gain arising from the disposal of tangible assets	37 544	29 262
One-off revenue SBAB, terminated cooperation	-	57 133
Other operating income	80 657	65 518
Total	**118 200**	**151 913**

10 Geographic distribution of income

2019

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	650 959	33 274	273 147	190 876	547 419	566 147	71 388	8 569	**2 341 779**
Leasing income	2 026 634	279 614	1 071 937	632 814	-	-	-	-	**4 011 000**
Commission income	300 252	33 226	68 495	104 661	69 060	76 493	3 732	3 174	**659 093**
Net gains and losses from financial transactions	13 061	7 231	-70	303	57	-5	446	174	**21 196**
Other operating income	33 958	4 015	23 108	16 197	28 119	9 601	2 674	528	**118 200**
Total	**3 024 864**	**357 361**	**1 436 617**	**944 851**	**644 655**	**652 235**	**78 240**	**12 445**	**7 151 268**

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**	**6 969 184**

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

11 General administrative expenses

SEK 000	2019	2018
Personnel costs		
- salaries and fees	-536 240	-512 497
- social security contributions	-126 617	-120 117
- pension costs	-57 894	-57 762
- other personnel costs	-39 587	-47 494
Total personnel costs	**-760 338**	**-737 870**
Other general administrative expenses		
- postage and telephone	-63 635	-81 705
- IT costs	-567 474	-581 850
- consultancy services	-36 489	-39 139
- agency staff	-18 661	-23 175
- audit	-11 375	-7 938
- rent and other costs for premises	-52 267	-50 477
- internal Group services	-32 060	-32 702
- cost of materials	-50 314	-45 576
- travel costs	-30 461	-31 417
- other	-126 214	-117 518
Total other general administrative expenses	**-988 951**	**-1 011 497**
Total general administrative expenses	**-1 749 289**	**-1 749 367**

Salaries, other remuneration, pensions and social costs

	2019		2018	
SEK 000	Senior management (21 persons)	Other employees	Senior management (16 persons)	Other employees
Salaries and other remunerations	-25 211	-507 829	-24 934	-484 891
Variable remuneration	-86	-3 115	-786	-1 887
Pensions	-3 197	-54 697	-2 386	-55 376
Social security contributions	-6 613	-120 004	-7 626	-112 491
Of which: social security contributions regarding pensions	*-716*	*-8 692*	*-692*	*-9 311*
Total	**-35 107**	**-685 645**	**-35 732**	**-654 644**

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 2019.

The Bank has no outstanding pension obligations to senior executives. Senior management are the current and previous Board members, CEOs and management groups that have been active in their role in 2019 and 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. Among CEO and board members a few of them have credit cards issued by the Bank with a credit limit of maximum SEK 50 k. 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

2019 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	-1 162	-	-	-	**-1 162**
Diedrick van Thiel	-871	-	-	-	**-871**
Lars Thorsén [1]	-	-	-	-	-
Yohann Adolphe [1]	-	-	-	-	-
Henrik Eklund, CEO	-3 167	-	-60	-638	**-3 865**
Lars Ljungälv	-258	-	-	-	**-258**
Viveka Strangert	-330	-	-	-	**-330**
Other senior management	-17 697	-86	-1 026	-2 559	**-21 368**
Total	**-24 125**	**-86**	**-1 086**	**-3 197**	**-28 494**

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, CEO [2]	-6 680	-	-280	-935	**-7 895**
Stefan Nyrinder, CEO [3]	-	-539	-	-	**-539**
Other senior management	-15 305	-247	-595	-1 451	**-17 598**
Total	**-24 059**	**-786**	**-875**	**-2 386**	**-28 106**

1) No fee is paid to employees of the Ikano S.A. Group.
2) Resigned in 2018
3) Resigned in 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 2019.

Gender distribution, Board and management	2019	2018
Board of Directors		
Women	2	1
Men	5	5
Other senior management incl. Managing Director		
Women	3	5
Men	7	7

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	2019			2018		
	Women	Men	Total	Women	Men	Total
Sweden	287	225	512	202	178	380
Denmark	32	35	66	21	29	50
Norway	17	21	38	15	19	34
Finland	12	9	21	10	8	18
United Kingdom	113	82	194	104	81	184
Germany	80	57	137	62	54	116
Poland	64	37	100	38	26	64
Total	**603**	**464**	**1 067**	**452**	**394**	**846**

Remuneration to auditors

The auditing assignment involves an audit of the annual report, year-end 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	2019	2018
Deloitte AB		
Audit assignment	-5 636	-6 393
Audit work in addition to the audit assignment	-336	-240
Total	**-5 972**	**-6 633**
Other auditors		
KPMG Poland		
Audit assignment	-334	-285
PKF Industrie- u. Verkehrstreuhand GmbH Tyskland		
Audit assignment	-145	-
Total	**-479**	**0**

12 Other operating expenses

SEK 000	2019	2018
Marketing expenses	-166 616	-190 482
Membership fees to organisations	-3 897	-3 066
Insurance expenses	-4 244	-3 087
Other operating expenses	-12 774	-12 708
Total	**-187 531**	**-209 344**

13 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 1.9 m (1.2) and have been recognised in equity against the item fair value reserve.

The credit impairment ratio according to IFRS 9 was 1.9 percent for 2019 (1.3).

During 2019, IFRS 9 model changes has affected the result by SEK -35 m, mainly through higher impairment provisions in stage 2. Two larger corporate agreements haves been written off during 2019 and affected the result by SEK -44 m, mainly in stage 3.

SEK 000	2019	2018
Stage 1 - assets not credit impaired since initial recognition		
Change in credit impairment provisions related to stage 1	-19 805	28 020
Derecognition of loans stage 1	-	-
Reversal of previous provisions and recoveries stage 1	-19	-
Net credit losses for the period- stage 1	**-19 824**	**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	5 848	16 963
Derecognition of loans stage 2	-571 430	-227 416
Reversal of previous provisions and recoveries stage 2	348 724	61 502
Net credit losses for the period- stage 2	**-216 858**	**-148 951**
Stage 3 - credit impaired assets		
Change in credit impairment provisions related to stage 3	180 505	182 830
Derecognition of loans stage 3	-970 007	-984 609
Reversal of previous provisions and recoveries stage 3	323 895	446 773
Net credit losses for the period credit impaired assets - stage 3	**-465 607**	**-355 006**
Total net credit losses for the period	**-702 289**	**-475 937**

14 Appropriations and taxes

Reported in the income statement

SEK 000	2019	2018
Current tax expense		
Tax expense for the year [1]	11 564	-56 594
Adjustment of taxes attributable to previous years	-5 045	-4 320
Current tax expense	**6 518**	**-60 914**
Deferred tax expense/income	-1	-100
Deferred tax related to temporary differences	2 473	-62 693
Deferred tax expense due to reversal of residual value depreciations	-13 461	-13 838
Deferred tax income due to resolving derivatives and securities	-	243
Total reported tax expense in accordance with the income statement	**-4 470**	**-137 302**

1) The tax liability related to FX translation differences in foreign branches, initially reported in the Statement of Other Comprehensive Income, has been transferred and offset against other tax items in the income statement because possibilities to credit foreign taxes exist in the bank.

Reconciliation of effective tax

SEK 000	2019		2018	
Result before tax		469 872		678 510
Tax according to current tax rates	21.4%	-100 552	22.0%	-149 272
Non deductible tax expenses	1.9%	-8 775	1.3%	-8 550
Non-taxable income	-15.5	72 782	-7.1%	48 496
Taxes attributable to previous years	1.1%	-5 045	0.6%	-4 320
Effect of revaluation of residual value depreciations following change in income tax	0,0%	-	0,1%	-755
Effect of other tax bases and tax rates in the foreign branches	-3.3%	15 388	3.8%	-25 526
Transfer of negative net interest from group company	-4.1	19 260	0,0%	-
Effect of revaluation of other deferred taxes	-0.2	791	-0.1%	900
Other	-0.4	1 682	0.3%	1 725
Reported effective tax	**1.0%**	**-4 470**	**20.2%**	**-137 302**

Tax relating to other comprehensive income

	2019			2018		
SEK 000	Before tax	Tax	After tax	Before tax	Tax	After tax
Foreign currency translation differences in foreign branches	99 452	-61 229	38 223	86 933	-34 716	52 217
Financial assets valued at fair value through other comprehensive income	-7 861	1 682	-6 179	-6 630	1 725	-4 905
Changes in loss allowance for financial assets valued at fair value via other comprehensive income	647	-	647	-	-	-
Changes in fair value of cash flow hedges	2 917	-601	2 316	5 315	-1 137	4 178
Other comprehensive income	**95 154**	**-60 148**	**35 006**	**85 618**	**-34 128**	**51 490**

Reported in the balance sheet

	Deferred tax assets		Deferred tax liabilities	
SEK 000	2019	2018	2019	2018
Tangible/intangible assets as well as financial assets at fair value through other comprehensive income	13 461	24 090	3 433	-
Financial assets available for sale	-	-	-	-
Offsetting	88 994	91 362	88 682	91 362
Tax assets/liabilities	**102 455**	**115 452**	**92 115**	**91 362**

Appropriations

SEK 000	2019	2018
Difference between recognised depreciation and depreciation according to plan	281 200	320 000
Total	**281 200**	**320 000**

15 Treasury bills

SEK 000	2019 Fair value	2019 Carrying amount	2018 Fair value	2018 Carrying amount
Treasury bills				
- Swedish municipalities	1 245 248	1 245 248	970 275	970 275
- Foreign governments	427 365	427 365	312 018	312 018
Total	**1 672 613**	**1 672 613**	**1 282 293**	**1 282 293**
Positive difference as an effect of the carrying amount exceeding the nominal amount		26 939		14 635
Negative difference as an effect of the carrying amount being less than the nominal amount		842		-
Total		**27 780**		**14 635**

16 Loans to credit institutions

SEK 000	2019	2018
Swedish banks		
- Swedish currency	324 438	313 801
- Foreign currency	861 795	1 114 935
Foreign banks		
- Swedish currency	130 329	279 100
- Foreign currency	592 672	443 011
Total	**1 909 236**	**2 150 846**
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.

17 Loans to the public

SEK 000	2019	2018
Outstanding receivables, gross		
- Swedish currency	9 147 612	9 567 734
- Foreign currency	19 261 796	18 581 042
Total	**28 409 408**	**28 148 775**
Of which: Non-performing loans	*407 946*	*795 351*
Specific provision for individually assessed receivables	-748 479	-859 652
Carrying amount, net	**27 660 929**	**27 289 123**

The table below shows changes in gross carrying amount and credit impairment provisions during 2019. Receivables in stage 3 have decreased by 49 percent from SEK 795 m to SEK 408 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 2019. 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

2019 SEK 000	Not credit impaired Stage 1	Stage 2	Credit impaired Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2019	**23 273 351**	**4 080 083**	**795 342**	**28 148 775**
New financial assets originated	11 754 550	192 758	24 340	11 971 648
Financial assets derecognised	-10 015 768	-2 072 035	-607 177	-12 694 980
Transfers during the period:	-1 236 134	1 068 700	167 434	-
from stage 1 to stage 2	*-2 230 453*	*2 230 453*	-	-
from stage 1 to stage 3	*-105 156*	-	*105 156*	-
from stage 2 to stage 1	*1 095 957*	*-1 095 957*	-	-
from stage 2 to stage 3	-	*-72 333*	*72 333*	-
from stage 3 to stage 1	*3 518*	-	*-3 518*	-
from stage 3 to stage 2	-	*6 537*	*-6 537*	-
Change in exchange rates and other	856 370	99 595	28 000	983 965
Gross carrying amount per 31 December 2019	**24 632 370**	**3 369 099**	**407 939**	**28 409 409**
Credit impairment provisions per 1 January 2019	**-111 610**	**-286 305**	**-461 737**	**-859 652**
New financial assets originated	-143 484	-12 175	-16 606	-172 265
Financial assets derecognised	45 687	158 033	342 148	545 868
Changes in risk variables (EAD, PD, LGD)	21 225	35 178	-2 500	53 903
Changes in macroeconomic scenarios	-4 180	7 273	-31	3 062
Changes due to expert credit judgement (individual assessments and manual adjustments)	10	-3 198	1 315	-1 874
Transfers during the period:	95 445	-148 126	-106 209	-158 890
from stage 1 to stage 2	*85 397*	*-207 162*	-	*-121 765*
from stage 1 to stage 3	*16 530*	-	*-64 975*	*-48 445*
from stage 2 to stage 1	*-6 472*	*45 755*	-	*39 284*
from stage 2 to stage 3	-	*14 154*	*-44 651*	*-30 497*
from stage 3 to stage 1	*-11*	-	*992*	*981*
from stage 3 to stage 2	-	*-873*	*2 425*	*1 552*
Reevaluation due to change in credit risk	-35 156	-49 129	-7 509	-91 793
Change in exchange rates and other	-3 990	-10 332	-19 097	-33 419
Credit impairment provisions per 31 December 2019	**-140 043**	**-319 113**	**-289 322**	**-748 479**
Net carrying amount	**24 492 327**	**3 049 986**	**118 617**	**27 660 929**

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

18 Bonds and other interest-bearing securities

SEK 000	2019 Fair value	2019 Carrying amount	2018 Fair value	2018 Carrying amount
Issued by Swedish borrowers				
- Mortgage institutions	1 034 895	1 034 895	639 586	639 586
- Non-financial entities	923 363	923 363	821 049	821 049
- Financial entities	100 240	100 240	203 404	203 404
Foreign issuers	388 111	388 111	567 896	567 896
Total bonds and other interest-bearing securities	**2 446 609**	**2 446 609**	**2 231 935**	**2 231 935**
Of which:				
Listed securities		*1 646 637*		*1 306 864*
Unlisted securities		*799 973*		*925 070*
Positive difference as an effect of the carrying amount exceeding the nominal amount		20 172		17 989
Negative difference as an effect of the carrying amount being less than the nominal amount		40		29

Credit impairment provisions for assets measured at fair value via other comprehensive income amounts to SEK 1.9 m and have been reported under the item Net result from financial transactions in the profit and loss.

19 Shares and participations

SEK 000	2019	2018
Shares and participations, unlisted securities	1 535	1 535
Shares and participations, listed securities	41 629	27 764
Total shares and other participations	**43 164**	**29 299**

20 Shares and participations in associated companies

SEK 000	2019	2018
Other	12 446	-
Total shares and other participations	**12 446**	**-**
Accumulated acquisition values		
At the beginning of the year	-	-
Aquisitions	12 446	-
Carrying value, 31 December	**12 446**	**-**

2019

SEK 000	Net result	Equity	Capital share	Number of shares	Carrying amount
IISÅ Holdco AB, 559217-9203, Stockholm	-	42 008	25%	2 500	12 446

21 Intangible assets

	Internally generated intangible assets	Acquired intangible assets		
SEK 000	Other technical/contract based assets	Market and customer based assets	Other technical/ contract based assets	Total
Acquisition cost				
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**
Opening balance, 1 January 2019	547 891	41 526	62 459	651 876
Acquisitions	66 456	-	1 098	67 554
Internt utvecklade tillgångar	-	-	-	-
Other investments	-	-	-	-
Sales and disposals	-	-	-	-
Translation difference	-	1 340	3 382	4 723
Closing balance, 31 December 2019	**614 348**	**42 868**	**66 938**	**724 153**
Amortisation				
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**
Opening balance, 1 January 2019	-171 260	-40 748	-61 121	-273 129
Amortisation for the year	-93 014	-142	-1 102	-94 258
Sales and disposals	-	-	-	-
Translation difference	-	-1 315	-3 314	-4 629
Closing balance, 31 December 2019	**-264 274**	**-42 204**	**-65 537**	**-372 015**
Carrying amount				
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**
As of 1 January 2019	376 631	778	1 338	378 747
As of 31 December 2019	**350 073**	**662**	**1 401**	**352 137**

22 Tangible assets

SEK 000	Equipment	Leased assets	Total
Acquisition cost			
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	236 814	241 177
Closing balance, 31 December 2018	**162 362**	**16 757 934**	**16 920 296**
Opening balance, 1 January 2019	162 362	16 757 934	16 920 296
Acquisition	3 210	4 579 075	4 582 284
Sales and disposals	-23 469	-3 639 351	-3 662 820
Translation difference	5 543	286 790	292 333
Closing balance, 31 December 2019	**147 646**	**17 984 449**	**18 132 095**
Depreciation			
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**
Opening balance, 1 January 2019	-144 066	-6 660 909	-6 804 975
Depreciation for the year	-7 479	-3 521 925	-3 529 403
Sales and disposals	23 312	2 753 548	2 776 860
Translation difference	-5 179	-102 968	-108 146
Closing balance, 31 December 2019	**-133 411**	**-7 532 254**	**-7 665 665**
Impairments			
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**
Opening balance, 1 January 2019	-	-198 906	-198 906
Impairments for the year	-	-77 984	-77 984
Reversals of previous impariment	-	96 782	96 782
Translation difference	-	-3 830	-3 830
Closing balance, 31 December 2019	**-**	**-183 937**	**-183 937**
Carrying amount			
As of 1 January 2018	35 026	9 283 371	9 318 397
As of 31 December 2018	**18 296**	**9 898 119**	**9 916 415**
As of 1 January 2019	18 296	9 898 119	9 916 415
As of 31 December 2019	**14 235**	**10 268 257**	**10 282 492**

Change in impairment for financial leases recognised as operating leases

SEK 000	2019	2018
Opening balance	**198 905**	**106 116**
Impairment of loan losses for the year	77 984	19 673
Transitional effect IFRS 9	-	71 918
Reversal of previous impairment of loan losses recognised in the annual accounts	-96 782	-
Translation difference	3 830	1 198
Closing balance	**183 937**	**198 905**

The table below shows changes in gross carrying amount and credit impairment provisions during 2019. The carrying amounts have increased with 8 percent from SEK 9,898 m to SEK 10,726 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 2019. 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. Note 3 table Credit risk exposure, gross and net, per risk classification for financial assets, and commitments and undrawn limits shows total credit impairment provisions.

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

Tangible assets

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

2019	Not credit impaired		Credit impaired	
SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2019	**6 455 116**	**3 286 884**	**355 025**	**10 097 025**
New leasing objects	4 523 439	6 743	355	4 530 539
Derecognised leasing objects	-2 381 881	-1 287 693	-192 654	-3 862 227
Transfers during the period:	-1 226 560	1 057 889	168 670	-
from stage 1 to stage 2	*-2 060 743*	*2 060 743*	-	-
from stage 1 to stage 3	*-108 611*	-	*108 611*	-
from stage 2 to stage 1	*924 937*	*-924 937*	-	-
from stage 2 to stage 3	-	*-133 485*	*133 485*	-
from stage 3 to stage 1	*17 859*	-	*-17 859*	-
from stage 3 to stage 2	-	*55 567*	*-55 567*	-
Change in exchange rates and other	117 119	43 848	5 809	166 778
Gross carrying amount per 31 December 2019	**7 487 234**	**3 107 672**	**337 207**	**10 932 113**
Credit impairment provisions				
Credit impairment provisions per 1 January 2019	**-14 301**	**-68 167**	**-116 437**	**-198 906**
New leasing objects	-30 591	-115	-137	-30 843
Derecognised leasing objects	5 132	24 732	51 406	81 269
Changes in risk variables (EAD, PD, LGD)	-3 631	-4 847	-2 004	-10 482
Changes in macroeconomic scenarios	-54	2 273	16	2 233
Changes due to expert credit judgement (individual assessments and manual adjustments)	4 374	4 680	-330	8 725
Transfers during the period:	27 454	-15 888	-47 289	-35 723
from stage 1 to stage 2	*22 000*	*-30 961*	-	*-8 961*
from stage 1 to stage 3	*7 193*	-	*-23 848*	*-16 655*
from stage 2 to stage 1	*-1 706*	*15 832*	-	*14 126*
from stage 2 to stage 3	-	*1 391*	*-36 971*	*-35 580*
from stage 3 to stage 1	*-33*	-	*1 799*	*1 766*
from stage 3 to stage 2	-	*-2 150*	*11 731*	*9 581*
Reevaluation due to change in credit risk	*971*	*10 600*	*-27 115*	*-15 545*
Change in exchange rates and other	-330	-1 200	-2 098	-3 628
Credit impairment provisions per 31 December 2019	**-11 307**	**-49 132**	**-146 087**	**-206 525**
Net closing balance per 31 December 2019	**7 475 927**	**3 058 541**	**191 120**	**10 725 588**

Of the total carrying value of leasing objects, SEK 35 m (16) are repossessed leasing objects, of which SEK 18 m (10) have been reserved for credit impairments. Residual value amounts guaranteed by suppliers totalled SEK 377 m (265).

23 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 2019. The carrying amounts have decreased with SEK 3,293 m to SEK 35,539 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 2019. 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	
2019 SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2019	**37 364 376**	**1 496 381**	**-**	**38 860 758**
New loan commitments and undrawn limits	8 492 900	431 224	59 147	8 983 272
Derecognised loan commitments and undrawn limits	-12 866 555	-552 723	-	-13 419 278
Transfers during the period:	540 787	-481 640	-59 147	-
from stage 1 to stage 2	*-522 371*	*522 371*	-	-
from stage 1 to stage 3	-	-	-	-
from stage 2 to stage 1	*1 009 332*	*-1 009 332*	-	-
from stage 2 to stage 3	-	-	-	-
from stage 3 to stage 1	*53 826*	-	*-53 826*	-
from stage 3 to stage 2	-	*5 321*	*-5 321*	-
Change in exchange rates and other	1 112 432	27 187	-	1 139 619
Gross carrying amount per 31 December 2019	**34 643 940**	**920 430**	**-**	**35 564 370**
Credit impairment provisions per 1 January 2019	**-13 205**	**-15 860**	**-**	**-29 065**
New loan commitments and undrawn limits	-8 618	-4 917	-105	-13 640
Derecognised loan commitments and undrawn limits	6 327	5 027	-	11 354
Changes in risk variables (EAD, PD, LGD)	623	1 067	-	1 690
Changes in macroeconomic scenarios	-127	520	-6	388
Changes due to expert credit judgement (individual assessments and manual adjustments)	3	- 2	-	1
Transfers during the period:	1 049	2 667	110	3 826
from stage 1 to stage 2	*1 523*	*-7 083*	-	*-5 560*
from stage 1 to stage 3	*-2*	-	-	*-2*
from stage 2 to stage 1	*-468*	*9 905*	-	*9 436*
from stage 2 to stage 3	-	*-54*	-	*-54*
from stage 3 to stage 1	*-4*	-	*4*	*0*
from stage 3 to stage 2	-	*-101*	*107*	*5*
Reevaluation due to change in credit risk	1 439	-769	-	670
Change in exchange rates and other	-509	-583	-	-1 092
Credit impairment provisions per 31 December 2019	**-13 017**	**-12 850**	**-**	**-25 867**
Net closing balance per 31 December 2019	**34 630 922**	**907 580**	**-**	**35 538 503**

24 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	2019	2018
Irrevocable lease payments amount to:		
Within 1 year	3 287 552	3 490 071
1-5 years	6 974 166	6 547 789
More than 5 years	292 317	237 160
Total	**10 554 036**	**10 275 019**

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 2019 totalled SEK 3.7 m. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

SEK 000	2019	2018
Irrevocable lease payments amount to:		
Within 1 year	5 543	5 856
1-5 years	4 610	3 970
More than 5 years	939	255
Total	**11 093**	**10 081**

25 Other assets

SEK 000	2019	2018
Positive value of derivative instruments	28 929	169 161
Accounts receivable	457 327	393 253
Tax receivables	583 067	394 555
Account receivable, Group companies	118	174
VAT receivable	9 944	16 259
Other assets	55 459	15 097
Total	**1 160 042**	**1 019 595**

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

26 Prepaid expenses and accrued income

SEK 000	2019	2018
Accrued fees and commissions	78 450	123 952
Accrued interest income	27 207	25 304
Other prepaid expenses and accrued income	174 011	132 613
Total	**279 668**	**281 869**

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

27 Liabilities to credit institutions

SEK 000	2019	2018
Swedish banks		
- Swedish currency	35 536	71 540
- Foreign currency	893 579	1 075 589
Total Swedish banks	**929 114**	**1 147 129**
Foreign banks		
- Swedish currency	14 335	84 584
- Foreign currency	1 066 382	1 018 652
Total foreign banks	**1 080 717**	**1 103 237**
Total	**2 009 831**	**2 250 366**

28 Deposits from the public

SEK 000	2019	2018
Public		
- Swedish currency	12 203 869	12 757 321
- Foreign currency	13 753 910	13 449 142
Total	**25 957 779**	**26 206 463**
Deposits specified by category of borrower		
Corporate sector	1 459 887	1 373 023
Household sector	24 497 892	24 833 440
Total	**25 957 779**	**26 206 463**

29 Issued securities

SEK 000	2019	2018
Certificates of deposits	2 187 705	1 989 784
Bonds	6 407 344	5 148 713
Total	**8 595 049**	**7 138 497**

30 Other liabilities

SEK 000	2019	2018
Negative value of derivative instruments	56 751	7 715
Accounts payable	296 820	291 382
Preliminary tax, interests	10 835	11 717
Settlement and clearing items	515 128	624 616
Group liabilities	4 246	10 126
Tax liabilities	90 530	9 952
Other liabilities	29 096	44 719
Total	**1 003 407**	**1 000 226**

31 Accrued expenses and prepaid income

SEK 000	2019	2018
Accrued interest expenses	99 834	131 523
Accrued personnel costs	91 351	102 179
Prepaid lease payments	414 208	384 206
Prepaid income from partners	412 957	346 949
Accrued audit costs	7 344	9 341
Prepaid income related to leasing insurance	27 504	26 189
Other prepaid income	46 028	29 949
Other accrued expenses	223 334	262 583
Total	**1 322 560**	**1 292 919**

32 Provisions for pensions

SEK 000	2019	2018
Provision for pensions	35 886	34 663
Total	**35 886**	**34 663**
Change in net debt		
Net debt regarding pension obligations at the beginning of the year	34 663	33 468
+ Personal pension expenses, excluding interest expense, reported in income statement	-	-
+ Interest expenses	2 056	2 066
- Pension payments	-833	-870
= Net debt at year-end	**35 886**	**34 663**
Of which credit insured by FPG/PRI	35 886	34 663
Pension costs		
Personal pension plan		
Cost of earning pensions etc.	-	-
+ Interest expense (calculated discounting effect)	2 055	2 066
= Pension expenses for personal pension plan exluding taxes	**2 055**	**2 066**
Pensions through insurance		
+ Insurance premiums or equivalent	55 839	55 696
= Total pension costs excluding taxes	**57 894**	**57 762**

Next year's expected payment in regard to defined benefit pension plans amounts to SEK 880 k. The entire provision reported in the balance sheet is covered by the Pension Obligations Vesting Act.

33 Subordinated liabilities

SEK 000	Currency	Issue date	Nom	Coupon interest	Interest rate	2019 Maturity date	Reported value
Subordinated loan 1	GBP	2015-05-28	7 000	Ibor 6 mth +2.8% per year	3.66%	2025-05-28	86 799
Subordinated loan 2	NOK	2015-05-28	35 000	Ibor 6 mth +2.55% per year	4.55%	2025-05-28	37 266
Subordinated loan 3	DKK	2015-05-28	90 000	Ibor 6 mth +2.45% per year	2.45%	2025-05-28	126 442
Subordinated loan 4	EUR	2015-08-01	39 500	Ibor 3 mth +2.5% per year	2.50%	2025-05-28	414 680
Subordinated loan 5	SEK	2015-05-28	200 000	Ibor 6 mth +2.7% per year	2.77%	2025-05-28	200 000
Total							**865 187**
Of which: Group companies							*865 187*

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

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 24,249 k.

34 Untaxed reserves

SEK 000	2019	2018
Equipment, accumulated depreciation in excess of plan		
Opening balance, 1 January	378 157	698 157
Reversal of depreciation in excess of plan during the year	-281 200	-320 000
Closing balance, 31 December	**96 957**	**378 157**

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

35 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	239,111,010
Retained earnings	4,673,549,904
Net result for the year	465,401,010
Total	5,378,061,924

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

To be carried forward	5,378,061,924

Change in the Fund for fair value

SEK 000	2019	2018
Fair value reserve		
Opening balance, 1 January	8 492	26 919
Transitional effect IFRS 9	0	-13 522
Unrealised changes in fair value reported in other comprehensive income for the year	-7 215	-6 630
Tax attributable to unrealised changes in fair value of financial assets during the year	1 682	1 725
Closing balance, 31 December	**2 959**	**8 492**
Hedging reserve		
Opening balance, 1 January	12 622	8 444
The year's change in fair value of cash flow hedges	2 917	5 315
Tax attributable to the year's change in fair value of cash flow hedges	-601	-1 137
Closing balance, 31 December	**14 938**	**12 622**
Translation reserve		
Opening balance, 1 January	182 991	130 774
Translation differences, branches	99 452	86 933
Tax related to translation differences	-61 229	-34 716
Closing balance, 31 December	**221 212**	**182 991**
Closing balance, Fund for fair value	**239 110**	**204 106**

36 Contingent liabilities

SEK 000	2019	2018
Contingent liabilities		
PRI	718	693
Total	**718**	**693**
Commitments		
Loan commitments, irrevocable	2 671 685	1 802 242
Unused credit limits	32 408 160	37 028 758
Total	**35 079 845**	**38 831 000**

Commitments made up of granted unused credit can be terminated effective immediately to the extent this is permitted under the Consumer Credit Act.

37 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

2019 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	-	34	-	-	-	-	34	34
Treasury bills	-	-	1 673	-	-	-	1 673	1 673
Loans to credit institutions	-	1 909	-	-	-	-	1 909	1 909
Loans to the public	-	27 661	-	-	-	-	27 661	27 661
Bonds and other interest-bearing securities	-	-	2 447	-	-	-	2 447	2 447
Shares and participations	43	-	-	-	-	-	43	43
Derivatives	22	-	-	-	-	7	29	29
Accrued income	-	106	-	-	-	-	106	106
Other financial assets	-	548	-	-	-	-	548	548
Total	**65**	**30 258**	**4 119**	**-**	**-**	**7**	**34 449**	**34 449**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	2 010	-	2 010	2 010
Deposit from the public	-	-	-	-	25 958	-	25 958	25 958
Change in fair value on interest-rate hedged items in the portfolio	-	-	-	-	-	-	-	-
Issued securities	-	-	-	-	8 595	-	8 595	8 595
Derivatives	-	-	-	46	-	11	57	57
Other liabilities	-	-	-	-	856	-	856	856
Accrued expenses	-	-	-	-	1 323	-	1 323	1 323
Subordinated liabilities	-	-	-	-	865	-	865	865
Total	**-**	**-**	**-**	**46**	**39 607**	**11**	**39 663**	**39 663**

2018 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	-	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	-	0	-	-	-	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
Deposits 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	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**

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

2019 SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	6 950	-	**6 950**
Currency derivatives	-	21 979	-	**21 979**
Shares and participations [1]	41 629	1 535	-	**43 164**
Financial assets at fair value through other comprehensive income				
Bonds and other interest-bearing securities	1 646 637	799 973	-	**2 446 609**
Treasury bills	1 502 652	169 961	-	**1 672 613**
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	10 974	-	**10 974**
Currency derivatives	-	45 777	-	**45 777**

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 [1]	27 764	1 535	-	**29 299**
Financial assets available-for-sale				
Bonds and other interest-bearing securities	1 306 864	925 070	-	**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	-	-	-	**-**

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.

38 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 2019, the Bank had own funds of SEK 6.7 bn (6.4) of which SEK 5.8 bn are common equity Tier 1. The statutory own funds requirement for Pillar 1-risk amounted to SEK 3.0 bn (3.0). 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 3.5 bn remain available as common equity Tier 1 capital. The internal own funds requirement in addition to Pillar 1 requirements totalled SEK 840 m 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 949 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 1.52 percent or SEK 578 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 1,527 m.

The total capital ratio was 17.7 percent with a common equity tier 1 capital ratio of 15.4 percent.

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 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. The table is presented in accordance with EBA guidelines 2018/01 for standardised disclosure requirements for transitional arrangements according to IFRS 9.

Own funds

The Bank's own funds totalled SEK 6.7 bn whereof SEK 5.8 bn is Tier 1 capital and SEK 0.9 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 (78.6 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. The Bank's untaxed reserves consist of accelerated depreciation on tangible assets, 78.6 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 15 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 2019, the Bank has no deferred tax assets 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 33.

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 29.6 bn, which results in an own funds requirement of SEK 2.4 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 406 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 3.2 bn, with an own funds requirement of SEK 260 m.

The Bank's risk exposure amount for CVA risk is SEK 13 m, giving an own funds requirement of SEK 1 m.

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

SEK 000	2019	2018
Tier 1 capital	5 838 310	5 555 103
Tier 2 capital	865 187	839 330
Own funds	**6 703 496**	**6 394 433**
Total risk exposure amount	**37 949 156**	**37 282 567**
Total own funds requirements	**3 035 932**	**2 982 605**
Total Capital ratio	**17.7%**	**17.2%**
Tier 1 Capital ratio	**15.4%**	**14.9%**
Common equity Tier 1 ratio	**15.4%**	**14.9%**
Available common equity Tier 1 Capital	**3 561 360**	**3 318 149**
Available common equity Tier 1 Capital in relation to Total risk exposure amount	**9.4%**	**8.9%**
Capital conservation buffer	948 729	932 064
Counter-cyclical capital buffer	578 488	427 328
Combined buffer requirement	1 527 217	1 359 393

Specification of own funds

SEK 000	2019	2018
Equity reported in the balance sheet	**5 944 636**	**5 444 229**
Share capital	78 994	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	293 925	276 316
Fund for fair value	239 111	204 105
Retained earnings	4 673 550	4 149 951
Net result for the period	465 401	541 208
Untaxed reserves (78.6% of which)	76 208	294 962
CET1 capital before regulatory adjustments	**6 020 844**	**5 739 191**
CET1 capital: regulatory adjustments		
Intangible assets	-352 138	-378 747
Cash flow hedge	-14 938	-12 622
Value adjustments due to the requirements for prudential valuation	-4 250	-3 720
Adjustment for IFRS 9 Day 1 effect according to transitional arrangements	188 790	211 001
Total Common Equity Tier 1 Capital	**5 838 310**	**5 555 102**
Total Tier 1 Capital	**5 838 310**	**5 555 102**
Tier 2 capital		
Subordinated liabilities	865 187	839 330
Total Tier 2 Capital	**865 187**	**839 330**
Total own funds	**6 703 496**	**6 394 432**

Specification of risk exposure amounts and own funds requirements

SEK 000	2019 Risk exposure amount	2019 Own funds requirements	2018 Risk exposure amount	2018 Own funds requirements
Credit risk according to the standardised approach				
Exposures to regional governments or local authorities	11 755	940 408	11 304	1 000
Institutional exposure	506 566	40 525 243	513 564	41 085
Corporate exposure	4 220 076	337 606 076	3 872 700	309 816
Retail exposure	23 453 213	1 876 257 001	22 712 835	1 817 027
Equity exposure	55 610	4 448 769	29 299	2 344
Past due items	856 320	68 505 624	1 181 492	94 519
Covered bond exposure	121 310	9 704 790	107 746	8 620
Other items	390 486	31 238 896	428 674	34 294
Total credit risk	**29 615 335**	**2 369 226 806**	**28 857 614**	**2 308 609**
Operational risk according to the basic indicator approach	**5 071 525**	**405 721 981**	**5 056 084**	**404 487**
Foreign exchange risk according to the standardised approach	**3 248 969**	**259 917 499**	**3 328 850**	**266 308**
CVA risk according to the standardised approach	**13 328**	**1 066 212**	**40 019**	**3 202**
Total	**37 949 156**	**3 035 932 498**	**37 282 567**	**2 982 605**

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

SEK m	31 Dec 2019	31 Dec 2018
Available capital		
Common Equity Tier 1 (CET1) capital	5 838	5 555
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 650	5 344
Tier 1 capital	5 838	5 555
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 650	5 344
Total capital	6 703	6 394
Total capital as if IFRS 9 transitional arrangements had not been applied	6 515	6 183
Risk-weighted assets		
Total risk-weighted assets	37 949	37 283
Inphasing	108	126
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	37 841	37 157
Capital ratios		
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.4%	14.9%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.9%	14.4%
Tier 1 (as a percentage of risk exposure amount)	15.4%	14.9%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.9%	14.4%
Total capital (as a percentage of risk exposure amount)	17.7%	17.2%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	17.2%	16.6%
Leverage ratio		
Leverage ratio total exposure measure	48 122	47 259
Leverage ratio	12.1%	11.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.8%	11.4%

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. A legal minimum requirement of 3 percent is implemented when the revised 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 December 2019 is 12.1 percent (11.8) and thus above the proposed binding measure of 3 percent.

39 Transactions with 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 11 General administrative expenses.

SEK 000	Year	Income	Expenses	Receivables with related parties, 31 December	Liabilities with related parties, 31 December
Ikano S.A.	2019	**-**	**-26 790**	**-**	**1 130**
Ikano S.A.	2018	-	-29 711	-	2 350
Other Group companies	2019	**254**	**-53 327**	**3 137**	**872 469**
Other Group companies	2018	268	-50 605	7 240	851 273

40 Events after the balance sheet date

After the year-end, no significant events have occurred that have affected the financial statements for 2019.

The recent outbreak of the virus Covid-19 is affecting Ikano Bank in various ways. Ikano Bank is in a strong financial position from a capital- and liquidity perspective. Our focus is to safeguard our employees, being able to uphold our operations considering restrictive measures governments are putting in place and to continue to support our customers in the best ways possible. At this stage, it is very difficult to assess what the economic implications will be and we are working with different assumptions and scenarios to assess the financial situation for Ikano Bank.

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.

Älmhult 25 March 2020

Mats Håkansson
Chairperson

Lars Thorsén
Board member

Diederick van Thiel
Board member

Heather Jackson
Board member

Lars Ljungälv
Board member

Yohann Adolphe
Board member

Viveka Strangert
Board member

Henrik Eklund
CEO

Our auditor's report was submitted on 27 March 2020.

Deloitte AB

Malin Lüning
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 2019-01-01 - 2019-12-31. The annual accounts of the company are included on pages 6-64 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 2019 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 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, 2019, loans to the public amounted to SEK 27 661 million, with loan loss provisions of SEK 749 million. The leasing portfolio, classified as tangible assets, amounted to SEK 10 268 million, with loan loss provisions of SEK 207 million.

Given the significance of loan receivables, 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 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.

- 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 in this document. Other information also consists of the Sustainability Report that is published separately. 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 Managing Director

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 2019-01-01 - 2019-12-31 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 Managing Director

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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 67-74 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Ikano Bank AB by the general meeting of the shareholders on the 2019-03-29 and has been the company's auditor since 2013-04-10.

Stockholm March 27, 2020

Deloitte AB

Signature on Swedish original

Malin Lüning
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. Serial entrepreneur and business angel since 2010 with in-depth knowledge of e-commerce, artificial intelligence and robotization. CEO/ Founder of AdviceRobo AI driven risk scoring, CEO of E-cology Innovations digital transformations, CEO/ founder of eyeOpen online mortgages. Has previously also held board 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. Member of the Audit,- Risk and Compliance Committee. 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.

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 JD Sports Fashion plc, Skipton Building Society and Lookers PLC.

Viveka Strangert
Born 1967. Master in Philosophy and Master of Laws, LL. M. from Stockholm University. Elected in 2019. Chairperson of the Audit,- Risk and Compliance Committee. Viveka has several years of experience from the financial industry from working in various senior and executive positions at KPMG, Swedbank, DnB NOR, and Old Mutual/Skandia. She also has experience from working as an Associate Judge and Legal Clerk at the Court of Stockholm for many years.

Lars Ljungälv
Born 1969. Bachelor of Science in Business Administration and Economics from the University of Lund. Elected in 2019. Member of the People and Remuneration Committee. CEO of Bergendahls & Son AB. Lars has held many leading positions in the financial industry. His previous assignments include executive positions at Swedbank, CEO of Sparbanken Öresund AB and Färs och Frosta Sparbank AB.

Lars Thorsén
Born 1965. BA in International Economics and Finance at Copenhagen Business School. Board member. Elected in 2015. CEO Ikano S.A. since 2015. Previously long career in international management, procurement and supply chain including the position as Regional Purchase Manager of IKEA Asia Pacific.

Mats Håkansson
Born 1962. MSc in Business and Economics. Chairperson of the Board since 2013 and member of the Audit,- Risk and Compliance 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.

Auditor
Malin Lüning
Authorised public accountant, Deloitte AB.
Auditor Ikano Bank AB (publ) since 2019.

Management team

From left: Johan Gunnars, Petter Brandt, Dan Hedgate, David Elvström, Cecilia Ståhle, Jessica Svantesson, Jenny Hillerström Schuldt, Henrik Eklund, Pontus Sardal, Patrik Andersson.

Henrik Eklund, CEO
Born 1974. 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, as well as sales and e-commerce knowledge from working in various positions at CDON.

Pontus Sardal, CFO
Born 1967. Employed since 2019. Previously Deputy CEO and CFO at Hoist Finance, where he was for 7 years. Pontus has close to 20 years at SEB, where he held several senior financial positions, both at a local and central level.

Jessica Svantesson,
Global IKEA KAM
Born 1975. Employed since 1998. Has had several senior positions in Ikano Bank Sweden, including Sales Manager for banking and Business Line Manager for Retail Partners.

Cecilia Ståhle,
Chief Compliance Officer
Born 1977. 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,
Chief Operations Officer
Born 1975. Employed since 2018. Previously held the position as Head of Operations Services at Ikano Bank. Has held the position as Operations Services Manager at Resurs Bank and has extensive experience working in Operations' management teams.

Johan Gunnars,
Interim Chief Business Development Officer
Born 1972. Been with the Bank since 2019. Previously CEO and founder of Simpliday and Avail Intelligence. Has extensive experience of business- and strategy development, as well as development of customer offers within the areas of finance, e-commerce and tech start-ups.

Jenny Hillerström Schuldt,
Chief People & Communications Officer
Born 1972. 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.

David Elvström,
Head of CEO Office
Born 1983. Employed since 2019. Previously held several positions throughout Ikano Group which he joined in 2008 as part of the "Young Talents Programme". Key experience ranges from Mergers & Acquisitions, Strategy, Project and Portfolio Management.

Petter Brandt,
Chief Risk Officer
Born 1963. Employed since September 2019. Previously Head of Risk Swedish Banking in Swedbank. Has worked as the CRO for Sparbanken Öresund, and prior to that as the CRO for Swedbank Robur. Petter, has as well, held different senior risk management positions at companies such as Hexagon, Ericsson and PWC.

Patrik Andersson, CIO
Born 1972. 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.

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, some rules consequently lack relevance and an application of such rules 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

The external regulations on which Ikano Bank's corporate governance is based on includes the Swedish code 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 may also make 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 external regulations, Ikano Bank applies internal regulations. The Bank's internal regulations includes i.a. the articles of association approved annually by the shareholders' meeting, and multiple policies establishing the overall limits for the governance of the business which the Board approves annually. The Bank's internal regulations also include 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 and exercises its influence at the general shareholders meeting and extraordinary shareholder meetings (if relevant). On the Annual General Meeting the annual report is adopted and it's resolved on allocation of profits and discharge from liability for the Board and the CEO. Furthermore, the Bank's shareholder elects Board members, Chairperson of the Board and external auditors and establishes their remuneration.

2019 Annual General Meeting

The Annual General Meeting was held on 29 March 2019. The following resolutions were passed:

- the 2018 Annual Report was adopted
- no dividend was paid for 2018, and the profit was brought forward
- the members of the Board and the CEO were granted discharge from liability for 2018
- Board fees to each non-executive Board member shall amount to SEK 430 000 or GBP 41 000 or EUR 48 500 , depending on the currency in each Board member's country of residence, and additional compensation for
  - (i) each non-executive Board member being appointed as chairman a Board Committee amounting to SEK 114 600 or GBP 10 900 or EUR 13 300 , depending on the currency in each director's country of residence
  - (ii) each non-executive Board member being a member of a Board Committee amounting to SEK 86 600 , or GBP 8 300 , or EUR 10 000, 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 20 600, or GBP 2 000 or EUR 2 650 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)
  - Lars Thorsén
  - Yohann Adolphe
  - Heather Jackson
  - Diederick van Thiel
- Viveka Strangert and Lars Ljungälv were elected
- Olle Claeson resigned as Board member in connection with the Annual General Meeting
- Deloitte AB ("Deloitte"), with authorized public accountant Malin Lüning 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 2019

Auditor

Deloitte with authorised public accountant Malin Lüning as auditor in charge is the auditor of the Bank. Deloitte with previous authorised public accountant Jan Palmqvist as auditor in charge was elected at the 2013 Annual General Meeting for a period of four years which was prolonged for a period of one year at the Annual General Meeting 2017, respectively 2018. On the Annual General

Meeting 2019 the assignment for Deloitte was prolonged with Malin Lüning 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 2019. Malin Lüning has been an authorised public accountant since 2008 and the auditor of Ikano Bank since 2019. Malin Lüning's other current audit assignments include Nordax Bank, Lannebo Fonder, Enter Fonder, and Pareto Securities.

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 Audit, Risk and Compliance Committee meetings.

Board of Directors

The Board of Directors responsibility includes the company's organisation and management of the company's affairs. 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 its work is 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 2019 and as adjusted on a Board Meeting in September 2019. According to the work plan, the Board makes decisions regarding the Bank's overall strategies, acquisitions and material commitments and investments The work plan of the Board includes the Board's instruction to the CEO that regulates the division of work and responsibilities between the Board and the CEO. The work plan further includes instructions for the committees established by the Board. These instructions are updated and approved at least 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 shall promote board members with ability to uphold independence of mind and integrity to resist inappropriate group think behaviour and thus 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 on page 74 below presents information on attendance of the Board members 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 67

Chairperson of the Board

The Chairperson of the Board organises and directs 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 framework. The Chairperson 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 2019

In 2019, ten ordinary and three extraordinary Board meetings were held (including the inaugural) and four meetings were held by circulation. The ordinary Board meetings were held in Malmö, Bölsö, Nottingham and Sundbyberg and via telephone.

The ordinary Board meetings follow an established yearly plan which includes i.a. the following items:

- Operational status and information on particularly important issues and events
- Financial reporting (annual report, year-end report, interim report)
- Financial status, liquidity and capital (ICAAP/ILAAP)
- Reporting from control functions
- Strategy
- Budget
- Committees (respective committee chairperson)

Other relevant issues of material significance to the Board's work in 2019 were the strategy and the Bank's continued transformation work.

Board committees

The overall responsibility of the Board of Directors cannot be delegated. However, the Board has established 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.

During the year the Board resolved to merge the Audit Committee with the Risk and Compliance Committee, consisting of the same Board members, to one collective Committee called the Audit, Risk- & Compliance Committee. The new Committee prepares and evaluates issues within the same areas as previously covered by the separate committees.

Audit, Risk- & Compliance committee

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

The 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 committee also assist in the preparation of proposals on the election of the auditor at the Annual General Meeting. 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.

During the year:

(i) the Audit Committee held four ordinary and one extraordinary minuted meetings

(ii) the Risk and Compliance Committee held two ordinary and one extraordinary minuted meetings, and

(iii) the new collective committee Audit, Risk- & Compliance Committee held two ordinary minuted meetings.

The Audit, Risk & Compliance Committee has both an advisory as well as a preparatory function regarding any 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. During the year the Project & IT Committee held five ordinary meetings.

People & Remuneration committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Lars Ljungälv.

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.

During the year, the People & Remuneration Committee held four ordinary, and one via circulation minuted meetings.

Board and committee work 2019[5]

Name	Mats Håkansson	Lars Thorsén	Olle Claeson[2]	Heather Jackson	Diederick van Thiel	Lars Ljungälv[3]	Viveka Strangert[3]	Yohann Adolphe
Board attendance[1]	17/17	17/17	4/17	17/17	16/17	12/17 Not elected at the point in time of the meeting 1-4	12/17 Not elected at the point in time of the meeting 1-4	17/17
Attendance at People and Remuneration Committee meetings[1]	3/7	-	-	7/7	-	4/7 Not elected at the point in time of the meeting 1, 2 and 3	-	-
Attendance at Audit Committee meetings[1,4]	5/5	-	2/5	-	-	-	3/5 Not elected at the point in time of the meeting 1-2	5/5
Attendance at Risk and Compliance Committee meetings[1,4]	3/3	-	2/3	-	-	-	1/3 Not elected at the point in time of the meeting 1-2	3/3
Attendance at Audit, Risk and Compliance Committee meetings[1,4]	2/2	-	-	-	-	-	2/2	2/2
Attendance at Project and IT Committee meetings[1]	-	-	-	5/5	5/5	-	-	-
Independent	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ikano S.A.	Independent	Independent	Independent	Independent	Independent	Not independent in relation to the shareholder Ikano S.A.

[1] Attendance/Total number of meetings
[2] Resigned as Board member March 2019
[3] Elected as Board member March 2019 and has attended all meetings after the appointment
[4] See page 72 for information about changes during the year regarding Board committees
[5] See Note 11 for information about remuneration to Board members

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 11, page 40, and the Information on remuneration (financial year 2019) disclosed by the Bank.

The 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, Business Development, IT, HR and communication, Legal, Risk Control, Compliance, and 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 Henrik Eklund was appointed interim CEO after January 2019 and appointed on a permanent basis 4 June 2019.

Management team

The Management team consists of ten people. In addition to the CEO, the Management team includes the CFO, CIO, Chief Operations Officer, Chief People and Communications Officer, Chief Business Development Officer, IKEA Global KAM, Head of CEO Office, 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 68.

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 accounting and financial reporting.

Compliance

Under the management of the Bank's Chief Compliance Officer (CCO) the Compliance function is responsible for identifying risks that exist due to failure by the Bank to fulfil its obligations pursuant to laws, statutes and other internal and external regulations applicable to the operations subject to authorisation. The Compliance function is further responsible for performing monitoring and controls to ensure that such risks are managed and for providing advice, support, training etc. on the laws, statutes and other regulations applicable to the operations subject to authorisation, and internal rules. The Compliance function regularly controls and assesses whether measures and routines implemented by the Bank are suitable and effective including verifying and assessing whether the Bank's procedures and measures to remedy any failure to fulfil applicable external and internal regulations. To ensure independence of the Compliance function, CCO reports directly to CEO and the Board. Reporting from the Compliance function is made at every ordinary board meeting and to the CEO on a monthly basis. CCO further also reports to the Board's Audit, Risk and Compliance Committee.

Risk Control

Under the management of the Bank's Chief Risk Officer (CRO), the Risk Control function is responsible for compiling, analysing and reporting all risks of the undertaking. The responsibility of the Risk Control function includes identification, assessment and reporting of all material risks related to the operations of the Bank. CRO is responsible for developing suitable methods to analyse and measure risks and to regularly analyse and control that each such risk is consistent with the Bank's decided risk appetite.

To ensure independence of the Risk Control function, CRO reports directly to CEO and the Board. Reporting from the Risk Control function is made at every ordinary board meeting and to the CEO on a monthly basis. CRO further also reports to the Board's Audit, Risk and Compliance Committee.

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

The Bank's Internal Audit function is established to assist the Board and its Audit, Risk and Compliance 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, Risk and Compliance 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 2019, PwC assisted Internal Audit in the execution of the internal audit.

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 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, Risk, and Compliance Committee. Information to the management is provided i.a. at regular Management team meetings in which the CFO participates. The Bank has internal policies, guidelines, instructions that guide and support the financial operations are published on the Bank's intranet.

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, Risk and Compliance 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, also by way of the Bank's internal capital and liquidity adequacy assessment processes.