

Information about remuneration to employees at Ikano Bank in accordance with the Swedish Financial Supervisory Authority's regulations (financial year 2014)

Policy on remuneration and benefits

The Swedish Financial Supervisory Authority's regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1), came into force on 1 March 2011.

The Board of Directors of Ikano Bank AB (publ) has adopted a policy on remuneration and benefits. The policy is updated and approved by the Board of Directors at least once a year. The policy includes the fundamental principles applied by the bank regarding fixed and variable remuneration. Within the Board of Directors, there is a remuneration committee consisting of at least two Board members. The committee prepares Board decisions regarding remuneration issues and makes an independent assessment of the remuneration system and policy for remuneration and benefits. During 2014, the remuneration committee held seven meetings.

At least once a year, the bank analyses which risk its operations are exposed to and also details identified staff according to the categories listed in FFFS 2011:1. 348 of the Bank's 709 employees (average number 2014) have been identified as especially regulated personnel.

Main reasons and parameters for variable remuneration

Ikano Bank AB (publ) has little 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. The criteria below apply for fixed and variable remuneration, respectively.

Fixed remuneration

The bank's fixed remuneration shall reflect relevant professional experience, organizational responsibility (i.e., the degree of difficulty of working tasks) and the local market within and outside the bank. The fixed remuneration is assessed on an annual basis and shall reflect the remuneration levels for employees on the position in question. Paying salaries in line with the market in order to be able to hire and keep competent personnel.

Variable remuneration

The reasons for the bank having variable remuneration are to stimulate personnel to perform better, to stay within the bank and to develop their respective business areas. Ikano Bank AB (publ) applied (2014) four types of variable remuneration models: 1) the Ikano group bonus scheme for senior managers; 2) a bonus scheme for members of the executive management and country managers not covered by 1; 3) two short-term incentive plans (for certain managers of the UK branch) and 4) commission for sales staff. All variable remuneration was disbursed as salary/in cash.

Several of the managers of the bank's executive management participate in a bonus scheme that applies for key personnel in the entire Ikano group. The criteria for variable remuneration are linked to the result for the group, the bank and the business area (if relevant) and for the individual. Ikano S.A.'s (the group parent) and the bank's judgment of result used for calculating variable remuneration, is based on risk adjusted profit measures. When making this judgment, both present and future risks are taken into consideration, as are the actual costs for the capital and cash flow needed by the operations. Any remuneration is paid in four rates during a period of three and a half years from the starting point of earning. Deferred remuneration (80 percent) is paid pro rata once a year starting one and a half years after earning.

The bank does not pay any variable remuneration unless at the time of payment it is defensible from the perspective of the bank's financial situation and the results of the bank, the business unit in question and the employee. Every payment is prepared by the remuneration committee and decided upon by the Board of

Directors. At full dividend, the incentive program can give the executive management a maximum of five months' salaries each (for each earning year).

Members of the executive management and country managers not covered by the Ikano group bonus scheme are (as from 2014) covered by another bonus scheme based on financial results (business area finance, bank and business unit (if relevant)) and individual targets. This model is very similar to the group's bonus scheme and includes the same principles for targets, risk adjustment and deferral. The outcome of this bonus scheme shall however never exceed the equivalence of three months' salary.

The UK branch has (in 2014) two incentive programs. The members of the management group in the bank's UK branch were entitled to participate in a short-term incentive program based on the (risk adjusted) financial result for Ikano Bank AB (publ) and for the UK branch, as well as on individual goals. The program can give a maximum corresponding to 35 percent of the employee's fixed yearly salary per year. All participating employees are regulated personnel but none of them are part of the bank's executive management. Any remuneration is paid in four parts during a period of three and a half years starting from the point of earning. Deferred remuneration (45 percent) is paid pro rata once a year starting one and a half years after earning.

In addition to this, certain line managers in the UK are entitled to bonus up to 12.5 percent of the fixed yearly salary. The outcome is linked to the risk adjusted overall result (budget) for the branch. None of the participating employees are especially regulated personnel. The both incentive programs in the UK have been closed-down as from 2015 (but remaining deferred bonus will be disbursed also in the coming years).

The bank also applies five different (regional) commission programs for salesmen. The programs give entitlement to commission based salary that is without connection to such future risk commitments that can change the bank's income statement and balance sheet and therefor are not covered by FFFS 2011:1. The commission based salaries are linked to individual sales.

Expensed remuneration (kSEK)

Expensed total amounts for remuneration per business area (country)

These total amounts include all remuneration (paid, earned and/or pledged), social security contributions, special tax on pensions or corresponding fees/taxes. They also include collective personnel costs. More information about the total amounts can be found in the Bank's annual report for the financial year 2014.

Sweden	346 493
Denmark	106 909
Norway	50 594
Finland	5 968
Netherlands	5 362
UK	94 005
Total (kSEK)	609 331

Fixed and variable remuneration

The amounts below (fixed and variable remuneration) represent total remuneration paid during 2014 in all countries, and do not include social security contributions, special tax on pensions or corresponding fees/taxes. Nor do they include collective personnel costs.

Fixed remuneration is all remuneration, including salaries, commissions, pensions and other benefits, that is not variable remuneration. *Variable remuneration* is such remuneration that is covered by the definition of variable remuneration in FFFS 2011:1. As far as the bank is concerned, the definition includes bonus schemes and incentive programs but not commission programs for the bank's salesmen.

No adjustment has been made of the variable remuneration that was paid during 2014.

	Fixed remuneration	Number of people that have received fixed remuneration	Variable remuneration	Number of people that have received variable remuneration
Executive management	22 722	10	941	5
Other especially regulated personnel	252 959	348	3 312	20
Other personnel	162 786	351	221	4
Total (kSEK)	438 467	709	4 474	29

Deferred variable remuneration

For the bonus schemes regarding key personnel, 80 percent of the outcome has been deferred for payment in three parts (pro rata) during a three year period (20-40-20). For the incentive program that regards the management group for the UK branch, 45 percent of the outcome has been deferred for payment in three parts (15-15-15). The amounts below refer to deferred bonus that is accrued (the bank does not have any deferred bonus that is not accrued).

Deferred variable remuneration	
Executive management	4 100
Other especially regulated personnel	1 627
Other personnel	0
Total (kSEK)	5 727

Pledged and paid remuneration

The amounts below include fixed and variable remuneration paid in 2014, as well as such remuneration that was earned and/or pledged during 2014.

Pledged and paid remuneration	
Executive management	27 763
Other especially regulated personnel	260 952
Other personnel	166 630
Total (kSEK)	455 345

No employee has received 1 million EUR or more (in total) during 2014.

Severance payment

The severance payments below do not include salaries during notice of termination during which the employee has been excused from work duties. Nor does pledged severance payment include extended notice of termination for employees in the executive management (12-24 months). For more information about notice of termination for the executive management, see the bank's annual report for the financial year 2014.

Severance payment	Paid	Number of people paid	Pledged	Number of people pledged
Executive management	0	0	0	0
Other especially regulated personnel	2 107	4	947	1
Other personnel	3 623	6	0	0
Total (kSEK)	5 730	10	947	1

11 contractual rights to severance payments have been approved during 2014. The highest individual severance payment disbursed during 2014 amounted to 1 023 kSEK.

Guaranteed variable remuneration

No guaranteed variable remuneration was paid during 2014.
