

# Year-End Report 2020-12



**IKANO**  
**BANK**



# Ikano Bank AB (publ) Year-End Report 2020

## Results for the full year 2020

- Business volume amounted to SEK 60,968 m (63,887)
- Lending, including leasing, amounted to SEK 34,745 m (37,929)
- Deposits from the public amounted to SEK 26,223 m (25,958)
- Profit before loan losses decreased by 10.4 percent to SEK 799 m (891)
- C/I-ratio before loan losses was 70.2 percent (69.6)
- Operating result decreased to SEK 23 m (189) and was affected by increased provisions for expected loan losses
- The result is positively affected by decreasing costs, -4.7 percent
- Net interest income decreased by 5.5 percent to SEK 1,837 m (1,944)
- Net result for the year, after tax was, negatively affected by tax on translation differences in the branches and amounted to SEK -167 m (465): The comparison is also disturbed by the previous year's dissolution of untaxed reserves of SEK 281 m
- Return on equity decreased to 0.3 percent (2.5)
- Total Capital ratio is the same as the Common equity Tier 1 ratio of 17.6 percent (15.4)
- The liquidity reserve totalled SEK 3,073 m (3,053) and the total liquidity portfolio amounted to SEK 6,246 m (6,038)

## Results for the second half year 2020

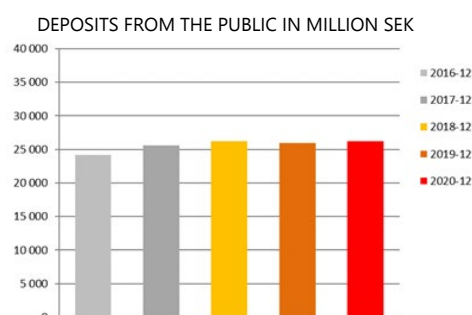
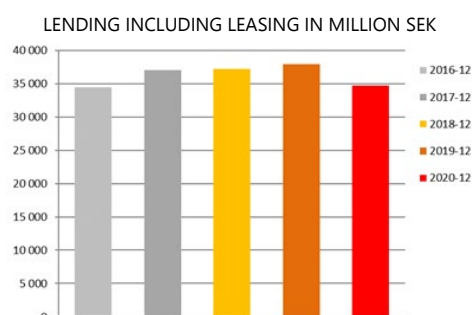
- Operating result increased by 14.4 percent to SEK 104 m (90). This is mainly explained by decreased loan losses
- Net interest income decreased by 7.4 percent to SEK 901 m (972)
- Return on equity for the second half of the year amounted to 2.7 percent (2,4)

## Outlook for 2021

- Extensive investments will be made to streamline and improve the Bank's competitiveness. The goal is to become a fully digitalized bank for the many people, which is also expected to create conditions for an improved result in the future.
- Ingka Group is to become part-owner of the Bank, which today is fully owned by Ikano S.A. The transaction will be completed through a new share issue following approvals by relevant regulatory authorities. A closer partnership with Ingka creates opportunities for the Bank to further accelerate its transformation and make financial services available for more of the many people.
- The global pandemic is expected to continue to have an impact on earnings.

Key ratios	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Total Capital ratio	17.6%	17.7%	17.6%	17.7%
Common equity Tier 1 ratio	17.6%	15.4%	17.6%	15.4%
Investment margin	4.1%	4.3%	4.1%	4.3%
Return on adjusted equity	2.7%	2.4%	0.3%	2.5%
Leverage ratio	12.7%	12.1%	12.7%	12.1%
C/I-ratio before loan losses	68.2%	68.6%	70.2%	69.6%
Loan loss ratio	2.0%	2.0%	2.1%	1.9%

For definitions of alternative performance measures used to describe the Bank's activities see the Bank's Annual Report for 2019, available on the Bank's website [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information). Comparative figures in parentheses refer to the same period of the previous year unless otherwise stated.



This is information that Ikano Bank AB (publ) is required to disclose in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 26 February 2021 at 11:00 AM.

## CEO Statement

2020 is the first year in our two-year strategy to lay the foundation for the new bank, and the work is proceeding according to plan. The goal of our transformation is to become more relevant to our customers, continue to work for a sustainable society and be an attractive employer.

Without doubt 2020 will be remembered as the year when everything was turned upside down and many things we take for granted changed completely. It is also the year, when we at Ikano Bank are in the middle of our biggest transformation ever. With committed employees and innovative solutions, we are launching a new platform, making us a fully digitalised, simple and caring bank for the many people.

### Credit reservations weigh on the result

With the fundamental transformation of the Bank we will improve the customer experience, implement efficient processes and remove old systems, which step by step will improve our results, in terms of growth, operating margin, Cost Income Ratio (C/I), and profitability.

Major changes demand both time and financial resources, which is also reflected in our results, in addition to the effects of Covid-19. We have not yet seen any increase in actual credit losses due to the pandemic, but have chosen a conservative strategy with large loan loss provisions.

### First product on the new platform

In November, our first credit product on the new platform went into production, in collaboration with IKEA on the UK market. In the coming years, our new retail finance solution, Ikano Pay, will be rolled out in all countries. At the same time, we have excelled at creating new products within existing systems. In June, an e-commerce solution was launched for IKEA in Poland, where customers' loan applications are processed and approved directly at check-out. In addition, in November an e-commerce solution was upgraded and launched for IKEA in Germany helping our customers in times when physical stores are closed.

### Organisation for transformation

During the spring 2020 we established a new commercially focused digital function responsible for technology and product development, data, and customer experience, and we have implemented new, more agile development models. Approximately 20 teams are now working efficiently together.

### A new sustainability strategy

During the year, we developed an updated sustainability strategy for the bank, in which we express our contribution to a sustainable society. Our starting point is always our core business; to help the

many people to a healthy and sustainable economy in everyday life. This means, among other things, simple and fair banking services, responsible lending and financing of sustainable life choices.

### Building a new bank together

Our employees are crucial to the success of the transformation work. Despite Covid-19 restrictions, we invested heavily in leadership and competence development during the year. For example, we have given all employees access to a large number of online courses and created digital meetings for knowledge sharing. We have also introduced surveys every month to gather employees' opinions.

In the beginning of February 2021, we shared the news that the Ingka Group intends to become a 49% part-owner of Ikano Bank. Together we will continue to develop accessible digital financial services for IKEA customers, all our other valued partners and end customers.

2020 has been a year full of challenges and I am proud of everything we have achieved. Together, we continue on our journey to build a fully digitalised bank for the many people based on our strong values and company spirit.

Malmö, February 2021

Henrik Eklund

CEO, Ikano Bank

## Ikano Bank in brief

Ikano Bank creates possibilities for better living by offering simple, fair and affordable services, enabling a healthy economy for the many people. Together we aim to become a digital and entrepreneurial-driven bank providing solutions that simplify people's everyday life and help businesses grow.

Our offer to consumers includes cards, loans and savings accounts. We deliver sales finance and customer insight services to retail partners, with IKEA as its largest partner, and provide businesses with leasing and factoring solutions.

Ikano Bank has operations in Sweden, the UK, Norway, Denmark, Finland, Germany, Austria and Poland. Sweden is the largest market, where the Bank also has the broadest offering for all target groups. Ikano Bank offers a selection of the Bank's services in other geographical markets. Ikano Bank delivers its services online and has no physical offices for customers.

## The Bank's result for the full year 2020

### Revenues decrease faster than expenses

In 2020, the extensive transformation work continued according to plan. 2020 was a challenging year in terms of results for Ikano Bank, where the Covid-19 pandemic and subsequent shutdowns had a negative effect on the inflow of new loans. Operating profit decreased by 88 percent to SEK 23 m (189) driven by declining revenues and increased provisions for credit losses. However, the underlying profitability of the bank is judged to be stable and is supported by well-established financing operations.

In 2020, revenues decreased, -5.5 percent, faster than costs, -3.0 percent. The result for 2020 was negatively affected by, above all, lower interest income, but also by a declining net commission and a slightly lower leasing net.

### Lower net interest income

Net interest income decreased by SEK 107 m to SEK 1,837 m (1,944). The decrease is mainly driven by lower lending volumes, with Norway, the UK and Germany contributing negatively to the development, while Sweden contributes positively.

### Lower net leasing income and net commission income

Net leasing income decreased by 2 percent to SEK 479 m (489), mainly driven by volume declines in the Norwegian and Danish markets, while the Swedish market made a positive contribution.

Net commission income decreased by 8 percent to SEK 329 m (357). The decrease is mainly explained by reduced lending commissions. Operations in Norway, Germany and Denmark contributed to the decrease, while net commissions increased in Sweden.

### Lower operating expenses due to lower volumes

Operating expenses decreased by 4.7 percent to SEK 5,300 m (5,560). The decrease is primarily attributable to lower depreciation of leased assets on behalf of customers, which follows from a decline in volume within the Corporate business line. The costs for IT, marketing and mail handling are also reduced.

### Increased loan losses

Loan losses measured as a percentage of average total lending increased to 2.1 percent (1.9). Net loan losses increased to SEK 775 m (702). Loan losses for this year are affected by provisions for future expected loan losses directly related to the Covid-19 pandemic.

## The Bank's result for the second half-year 2020

### Higher operating result for the second half year

Operating result for the second half of the year increased by 15 percent compared with 2019 to SEK 104 m (90). It is above all lower loan losses that have a positive effect on earnings. Profit before loan losses decreases by 11 percent. Revenues decrease by 8 percent and costs decrease by 7 percent. Both net interest income, net leasing income and net commission income decrease.

### Lower net interest income

Net interest income decreased by 7 percent to SEK 901 m (972). The lower interest income in the second half of the year follows the same trend as for the full year.

### Lower net leasing income and net commission income

Net leasing income decreased by 5 percent to SEK 234 m (243) compared with the corresponding period in 2019. Net leasing income decreased mainly increased in Norway and Denmark but increased somewhat in Sweden.

Net commission income decreased by 14 percent to SEK 145 m (168). This can be explained mainly by reduced loan commission income.

### Lower costs

Operating expenses decreased by 7 percent to SEK 2.6 bn (2.8). The decrease is primarily a result of decreased expenses for marketing, IT and personnel but also lower depreciations of leasing assets

### Decreased loan losses

Loan losses decreased by 17 percent to SEK 308 m (370) due to lower provisions for expected loan losses. Loan losses, measured as a percentage of average total lending, was 1.7 percent (2.0) during the second half of the year.

## The Bank's position as of 31 December 2020

### Increased deposits from the public

Deposits from the public increased by 1 percent to SEK 26,223 m (25,958) Deposits increased on the Swedish market but decreased in Denmark, Germany and UK.

Deposits are an important part of the Bank's funding. At year-end, deposits from the public corresponded to 61 percent (57) of the Bank's total funding.

### Significant decrease in loans to the public

The Bank's loans to the public decreased by 10 percent to SEK 25,031 m (27,661) after provisions for loan losses. Decrease varies between the Banks' markets, where loans to the public in the UK and Germany decreased during the year while Poland and the German consumer loan business line increased slightly.

Leased assets held on customers' behalf decreased by 5 percent to SEK 9,714 m (10,268) mainly driven by decrease on the Danish market but also in Norway and Sweden.

### Total business volume decreases

Overall business volumes, loans to the public, deposits from the public and leasing assets, decreased by 5 percent to SEK 61.0 bn (63.9). Lending volumes decreased while deposit volumes increased slightly.

### Good liquidity reserve and high demand for the Bank's bonds

The Bank's liquidity portfolio totalled SEK 6.2 bn (6.0) as of year-end, which corresponds to 24 percent (23) of the Bank's total deposits from the public.

The Bank regularly obtains funding from the capital markets. The Bank's volume of issued securities decreased by SEK 2.2 bn to SEK 6.4 bn (8.6).

Demand for the bank's short-term certificate program as well as for the bank's bond program (Medium Term Note program) has been greater than the need as the bank has had reduced lending due to Covid-19. In 2020, 1 (7) bond with maturity of three years has been issued.

At the turn of the year, the bank's liquidity reserve according to the European Commission's delegated LCR act was 256 percent (276). The measure shows how the bank's highly liquid assets are in relation to the net outflow during a thirty-day period under stressed market conditions. The statutory limit is 100 percent.

The minimum requirement for the structural liquidity measure, Net Stable Funding Ratio (NSFR), is defined as the relationship between available stable financing and the need for stable financing. The EU has issued a minimum requirement of 100 percent, which will enter into force in June 2021. For Ikano Bank, the Net Stable Funding Ratio (NSFR) amounted to 107 percent (105) at the end of 2020.

## Other information

Ikano Bank AB (publ), corporate identity number 516406-0922, is a limited liability company licensed to conduct banking business, with its registered office in Älmhult and its 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. became an independent group in 1988. Apart from finance, the Ikano Group deals with insurance, production, real estate and retail sales. Ikano Bank has operated its business under a Banking license since 1995.

## Operations

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

Ikano Bank has continued the strategic investment in a fintech company together with a number of partners in the Swedish market to be able to provide competitive mortgage loans in Sweden.

## Management and Board of Directors

There has been no change in the Board of Directors during 2020.

Since April the Bank has a new Chief Legal Officer, Anna Wanby, and a new Chief Digital Officer, Johan Bjurup, who both took place in the Bank's management team. Chief People and Communications Officer Jenny Hillerström-Schüldt left the Bank end of November 2020 and was replaced by Teresia Palm in January 2021 as a member of the Bank's management team. David Elvström was appointed Chief Transformation Officer in September. Jessica Svantesson was appointed Chief Commercial Officer in October. Both David and Jessica were already part of the Bank's management team.

## Outlook

Extensive investments will be made to streamline and improve the bank's competitiveness. The goal is to become a fully digitalized bank for the many people, which is also expected to create the conditions for an improved result in the future. By gradually rolling out new digital products, the bank sees good business opportunities in the coming years. Uncertainty about the global pandemic's impact on future results remains high.

### Risks and uncertainty factors

The Bank's earnings are affected by external changes that the company has no influence on. The Bank's earnings performance is affected by factors including macroeconomic change such as unemployment, as well as fluctuations in interest and exchange rates.

The Covid-19 pandemic is an unexpected event with unforeseen and unclear long-term consequences. This has given rise to various risks and put further focus on credit risk. During the spring, the pandemic forced a shutdown in most of the bank's markets and several applications for payment holidays were requested by both private and corporate customers. These customers have recovered to an unexpected degree and the effects are so far marginal. Regarding the long-term effects, the uncertainty is greater, but the bank expects to see increased actual losses in 2021. The Bank's assessment is that payment holiday is not in itself an individual driver of increased credit risk. On the other hand, the bank's internal modelling indicates that a large proportion of these customers nevertheless show a significant increase in credit risk. Deferrals do not automatically result in any significant modification of the loans.

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 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.

Apart from what is stated in this Year-End Report, there is more detail in Ikano Bank's latest Annual Report and Ikano Bank's report Periodic information on capital adequacy and liquidity, available at the Bank's webpage [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information).

### Annual Report

Ikano Bank's Annual Report will be available on the Bank's website during week 12.

### Next reporting date

Ikano Bank reports its results half-yearly. The interim report for the first half of 2021 will be available on the Bank's website at the end of August 2021. Ikano Bank publishes Periodic information on capital adequacy and liquidity on a quarterly basis on its website [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information).

Älmhult, 25 February 2021

The Board of Directors and the CEO assure that the year-end report has been prepared in accordance with the accounting principles set out in Note 1 and that it thereby provides a fair overview of the bank's operations, position and results and describes significant risks and uncertainties that the bank faces. The information provided is consistent with actual conditions in the business and nothing of significant importance has been omitted that could

affect the image of the bank created by the year-end report.

Board of Directors and CEO  
Ikano Bank AB (publ)

The Year-End report has not been subject to review by the company's auditors.

## Income statement

SEK 000	Note	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest income	3	1 050 034	1 170 350	2 182 414	2 341 779
Interest expense	3	-149 382	-197 942	-345 546	-397 967
<b>Net interest income</b>		<b>900 652</b>	<b>972 408</b>	<b>1 836 868</b>	<b>1 943 812</b>
Leasing income	4	1 945 052	2 029 297	3 898 213	4 011 000
Commission income	5	270 054	316 565	581 523	659 093
Commission expense	5	-124 962	-148 174	-253 007	-301 860
<b>Net commission income</b>		<b>145 092</b>	<b>168 391</b>	<b>328 516</b>	<b>357 233</b>
Net gains and losses on financial transactions		-18 538	7 628	-23 828	21 196
Other operating income	6	31 602	71 282	58 418	118 200
<b>Total income</b>		<b>3 003 860</b>	<b>3 249 006</b>	<b>6 098 187</b>	<b>6 451 441</b>
General administrative expenses		-777 287	-855 007	-1 630 887	-1 749 289
Depreciation/amortisation and impairment of tangible and intangible assets		-1 766 692	-1 838 878	-3 537 386	-3 623 661
Other operating expenses		-48 767	-94 950	-131 407	-187 531
<b>Total expenses before loan losses</b>		<b>-2 592 746</b>	<b>-2 788 835</b>	<b>-5 299 680</b>	<b>-5 560 481</b>
<b>Profit before loan losses</b>		<b>411 114</b>	<b>460 171</b>	<b>798 507</b>	<b>890 960</b>
Loan losses, net	7	-307 550	-369 889	-775 469	-702 289
<b>Operating result</b>		<b>103 564</b>	<b>90 282</b>	<b>23 038</b>	<b>188 671</b>
Appropriations		-	281 200	-	281 200
Tax expense	8	-92 719	-18 872	-190 143	-4 470
<b>Net result for the period</b>		<b>10 845</b>	<b>352 610</b>	<b>-167 105</b>	<b>465 401</b>

## Statement of total comprehensive income

SEK 000	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
<b>Net result for the period</b>	<b>10 845</b>	<b>352 610</b>	<b>-167 105</b>	<b>465 401</b>
<b>Other comprehensive income</b>				
<b>Items that can be reclassified to net profit or loss for the period</b>				
Translation difference for the period, foreign branches	-38 367	-6 744	-13 754	99 452
Change in financial assets valued at fair value via other comprehensive income	1 004	-15 852	1 356	-7 861
Change in loss allowance for financial assets valued at fair value via other comprehensive income	924	943	2 483	647
Changes in fair value on cash flow hedges	-6 493	12 596	-9 323	2 917
Tax related to changes in translation differences for the year	18 362	-38 503	90 949	-61 229
Tax related to changes in financial assets valued at fair value via other comprehensive income	-810	3 329	-204	1 681
Tax related to changes in fair value of cash flow hedges	1 763	-2 672	1 688	-601
<b>Other comprehensive income for the period, net of tax</b>	<b>-23 617</b>	<b>-46 904</b>	<b>73 195</b>	<b>35 006</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-12 772</b>	<b>305 707</b>	<b>-93 910</b>	<b>500 407</b>



# Balance sheet

SEK 000	Note	2020	2019
<b>Assets</b>			
Cash		151	33 855
Treasury bills		1 796 121	1 672 613
Loans to credit institutions		1 932 483	1 909 236
Loans to the public	9	25 030 764	27 660 929
Bonds and other interest-bearing securities		2 605 234	2 446 609
Shares and participations in associated companies		20 980	12 446
Shareholdings in other companies		43 632	43 164
Intangible assets		493 883	352 138
Tangible assets		9 723 541	10 282 495
- Leasing assets		9 713 802	10 268 260
- Equipment		9 738	14 235
Other assets		976 555	1 160 042
Deferred tax assets		62 218	102 455
Prepaid expenses and accrued income		279 883	279 668
<b>Total assets</b>		<b>42 965 445</b>	<b>45 955 650</b>
<b>Liabilities, provisions and equity</b>			
Liabilities to credit institutions		1 485 643	2 009 831
Deposits from the public	10	26 223 293	25 957 779
Issued securities	11	6 383 642	8 595 049
Other liabilities		793 442	1 003 407
Accrued expenses and deferred income		1 172 699	1 322 560
Provisions		128 687	160 244
- Provisions for pensions		36 957	35 886
- Deferred tax liabilities		63 987	92 115
- Other provisions		27 743	32 243
Subordinated liabilities		830 357	865 187
<b>Total liabilities and provisions</b>		<b>37 017 763</b>	<b>39 914 057</b>
<b>Untaxed reserves</b>		<b>96 957</b>	<b>96 957</b>
<b>Equity</b>			
<b>Restricted equity</b>		<b>744 289</b>	<b>566 574</b>
Share capital		78 994	78 994
Statutory reserve		193 655	193 655
Fund for development expenses		471 640	293 925
<b>Non-restricted equity</b>		<b>5 106 436</b>	<b>5 378 062</b>
Fund for fair value		312 306	239 110
Retained earnings		4 961 236	4 673 551
Net result for the year		-167 105	465 401
<b>Total equity</b>		<b>5 850 726</b>	<b>5 944 636</b>
<b>Total liabilities, provisions and equity</b>		<b>42 965 445</b>	<b>45 955 650</b>

# Statement of changes in equity

SEK 000	Restricted equity			Non-restricted equity					Total equity
	Share capital	Statutory reserve	Fund for development expenses	Fund for fair value					
				Fair value reserve	Translation reserve	Cash flow hedge reserve	Retained earnings or losses	Net result for the year	
<b>Opening balance 2019-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>276 316</b>	<b>8 492</b>	<b>182 991</b>	<b>12 622</b>	<b>4 149 952</b>	<b>541 208</b>	<b>5 444 229</b>
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
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-5 533</b>	<b>38 223</b>	<b>2 316</b>	<b>-</b>	<b>465 401</b>	<b>500 407</b>
<b>Closing balance 2019-12-31</b>	<b>78 994</b>	<b>193 655</b>	<b>293 925</b>	<b>2 959</b>	<b>221 214</b>	<b>14 938</b>	<b>4 673 550</b>	<b>465 401</b>	<b>5 944 636</b>
<b>Opening balance 2020-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>293 925</b>	<b>2 959</b>	<b>221 214</b>	<b>14 938</b>	<b>4 673 550</b>	<b>465 401</b>	<b>5 944 636</b>
Appropriation of profits	-	-	-	-	-	-	465 401	-465 401	-
Change in fund for development expenses	-	-	177 714	-	-	-	-177 714	-	-
Net result for the year	-	-	-	-	-	-	-	-167 105	-167 105
Other comprehensive income for the year	-	-	-	3 634	77 195	-7 635	-	-	73 195
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 634</b>	<b>77 195</b>	<b>-7 635</b>	<b>-</b>	<b>-167 105</b>	<b>-93 910</b>
<b>Closing balance 2020-12-31</b>	<b>78 994</b>	<b>193 655</b>	<b>471 640</b>	<b>6 593</b>	<b>298 409</b>	<b>7 303</b>	<b>4 961 237</b>	<b>-167 105</b>	<b>5 850 726</b>

## Cash flow statement

SEK '000	2020	2019
<b>Operating activities</b>		
Operating result	<b>+23 037</b>	<b>+188 671</b>
Adjustment for non-cash items	<b>+5 224 975</b>	<b>+4 555 782</b>
<b>Cash flows from operating activities before changes in working capital</b>	<b>+5 248 014</b>	<b>+4 744 452</b>
<b>Cash flow from changes in working capital</b>	<b>-2 253 524</b>	<b>-6 151 422</b>
<b>Cash flows from operating activities</b>	<b>+2 994 489</b>	<b>-1 406 970</b>
<b>Cash flows from investing activities</b>	<b>-268 526</b>	<b>-83 226</b>
<b>Cash flows from financing activities</b>	<b>-2 648 191</b>	<b>+1 162 792</b>
<b>Cash flow for the year</b>	<b>+77 774</b>	<b>-327 404</b>
Cash and cash equivalents at beginning of the year	<b>+1 921 393</b>	<b>+2 169 818</b>
Exchange rate difference	<b>-79 799</b>	<b>+78 978</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>+1 919 367</b>	<b>+1 921 393</b>

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

as Loans to credit institutions, SEK 1,933 m (1,943), with deductions for current liabilities to credit institutions SEK 13 m (22).

# Notes

## 1 Accounting principles

The year-end report is prepared in accordance with the Swedish Annual Accounts Act (1995:1559) for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reporting for credit institutions and securities companies (FFFS 2008:25), as well as the Swedish Financial Reporting Board's recommendation, RFR 2 Accounting for Legal Entities. Accordingly, the Bank applies statutory IFRS. This means that all IFRSs and statements approved by the EU have been applied as far as possible within the framework of Swedish law, RFR 2 and FFFS 2008: 25.

Unless otherwise stated, the accounting principles have been applied consistently to all periods presented in the financial statements.

With the exception of models and assessments for calculating write-offs for loan losses, which are described in Note 7 Loan losses net, no material changes in the significant assessments and estimates have taken place compared with 31 December 2019.

New and amended standards and interpretations applicable from 1 January 2020 are not considered to have had any significant effect on the bank's financial position, results or disclosures for 2020.

The Bank has chosen to apply the amendments to IFRS 9 in advance due to the future change of reference interest rates (interbank offered rates), "Interest Rate Benchmark Reform amendments to IFRS

9, IAS 39, and IFRS 7". This change therefore has no effect on the financial statements.

As Ikano Bank applies the exemption rule in RFR 2 for legal entities, temporary reliefs in IFRS 16 concerning rental discounts as a result of the ongoing pandemic have not affected Ikano Bank's financial reports. The exception rule enables legal entities to report financial leasing agreements in the income statement and balance sheet as if they were operational leasing agreements. In 2020, relief rules were also introduced in RFR 2 concerning the accounting consequences of discounts granted as a result of Covid-19. As the bank has neither received nor provided discounts as a result of Covid-19, the reliefs introduced in RFR 2 have not been applied either. Nor is other news expected to have any significant impact on the bank's financial reports by 2020 or later.

Alternative performance measures are used by Ikano Bank when it is relevant to monitor and describe Ikano Bank's financial situation and to provide additional useful information to users of financial statements. For a definition of all measures please see the Annual Report 2019.

The year-end report is presented in Swedish kronor (SEK), rounded to the nearest thousand (SEK 000) unless otherwise stated. Comparative figures in parentheses refer to the corresponding period last year unless otherwise stated

## 2 Operating segments

2020	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
SEK m											
Interest income	801	271	149	27	571	555	55	473	2 902	-720	2 182
Interest expense	-273	-54	-58	-10	-182	-64	-10	-415	-1 065	720	-345
<b>Total net interest income</b>	<b>528</b>	<b>217</b>	<b>91</b>	<b>17</b>	<b>389</b>	<b>491</b>	<b>45</b>	<b>58</b>	<b>1 837</b>	-	<b>1 837</b>
Payment service commissions	5	1	-	1	-	9	-	-	16	-	16
Lending commissions	150	35	41	20	42	13	-1	-	301	-	301
Compensation, mediated insurance	139	20	30	3	-1	47	5	-	244	-	244
Other commissions	6	3	6	0	2	0	0	-	19	-	19
<b>Commission income</b>	<b>301</b>	<b>59</b>	<b>77</b>	<b>24</b>	<b>43</b>	<b>70</b>	<b>7</b>	-	<b>582</b>	-	<b>582</b>
Commission expense	-102	-18	-43	-6	-35	-37	-6	-2	-248	-	-248
<b>Commission, net</b>	<b>200</b>	<b>41</b>	<b>34</b>	<b>18</b>	<b>8</b>	<b>33</b>	<b>2</b>	<b>-2</b>	<b>333</b>	-	<b>333</b>
Lease income	1 994	1 065	559	281	-	-	-	-	3 898	-	3 898
Depreciation on leasing assets	-1 749	-946	-473	-251	-	-	-	-	-3 419	-	-3 419
<b>Leasing Income, net</b>	<b>244</b>	<b>118</b>	<b>86</b>	<b>31</b>	-	-	-	-	<b>479</b>	-	<b>479</b>
<b>Net Interest, fee and leasing income</b>	<b>972</b>	<b>377</b>	<b>211</b>	<b>65</b>	<b>397</b>	<b>524</b>	<b>47</b>	<b>56</b>	<b>2 649</b>	-	<b>2 649</b>
Other income	13	14	10	3	2	5	2	744	793	-754	39
Other direct expenses	-31	-9	-13	-5	-14	-21	-1	0	-94	-	-94
<b>Operating margin before net loan losses and operational expenses</b>	<b>954</b>	<b>382</b>	<b>209</b>	<b>63</b>	<b>385</b>	<b>508</b>	<b>48</b>	<b>799</b>	<b>3 348</b>	<b>-754</b>	<b>2 594</b>
Other expenses	-942	-338	-192	-78	-463	-443	-55	-794	-3 304	756	-2 549
Allocated overhead expenses	-7	-2	-3	0	-4	-5	0	0	-20	-1	-22
<b>Operating result</b>	<b>6</b>	<b>42</b>	<b>14</b>	<b>-15</b>	<b>-82</b>	<b>61</b>	<b>-8</b>	<b>5</b>	<b>23</b>	<b>0</b>	<b>23</b>
Of which:											
Total internal income	136	35	-	-	68	25	-	1 212	1 475	-1 475	-
Total external income	1 253	424	322	85	549	605	64	-	3 302	-	3 302
Total internal expenses	-438	-128	-143	-25	-238	-180	-40	-282	-1 475	1 475	-
Appropriations	-	-	-	-	-	-	-	-	-	-	-
Tax expense	0	-18	3	-	0	-25	-2	-148	-190	-	-190
<b>Net result for the year</b>	<b>6</b>	<b>24</b>	<b>17</b>	<b>-15</b>	<b>-82</b>	<b>37</b>	<b>-10</b>	<b>-143</b>	<b>-167</b>	<b>0</b>	<b>-167</b>

2019	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
SEK m											
Interest income	788	313	191	28	610	604	71	530	3 135	-793	2 342
Interest expense	-259	-72	-91	-12	-190	-77	-15	-475	-1 191	793	-398
<b>Total net interest income</b>	<b>529</b>	<b>241</b>	<b>100</b>	<b>16</b>	<b>420</b>	<b>527</b>	<b>56</b>	<b>55</b>	<b>1 944</b>	-	<b>1 944</b>
Payment service commissions	11	1	0	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	3	1	1	0	28	-	28
<b>Commission income</b>	<b>309</b>	<b>68</b>	<b>102</b>	<b>27</b>	<b>69</b>	<b>80</b>	<b>4</b>	<b>0</b>	<b>659</b>	-	<b>659</b>
Commission expense	-140	-13	-51	-7	-55	-30	-6	0	-302	-	-302
<b>Commission, net</b>	<b>169</b>	<b>55</b>	<b>51</b>	<b>20</b>	<b>14</b>	<b>50</b>	<b>-2</b>	<b>0</b>	<b>357</b>	-	<b>357</b>
Lease income	2 026	1 072	633	280	-	-	-	-	4 011	-	4 011
Depreciation on leasing assets	-1 791	-944	-539	-248	-	-	-	-	-3 522	-	-3 522
<b>Leasing Income, net</b>	<b>235</b>	<b>128</b>	<b>94</b>	<b>32</b>	-	-	-	-	<b>489</b>	-	<b>489</b>
<b>Net Interest, fee and leasing income</b>	<b>933</b>	<b>424</b>	<b>245</b>	<b>68</b>	<b>434</b>	<b>577</b>	<b>54</b>	<b>55</b>	<b>2 790</b>	-	<b>2 790</b>
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
<b>Operating margin before net loan losses and operational expenses</b>	<b>927</b>	<b>438</b>	<b>247</b>	<b>65</b>	<b>446</b>	<b>564</b>	<b>55</b>	<b>795</b>	<b>3 534</b>	<b>-717</b>	<b>2 817</b>
Other expenses	-904	-356	-233	-67	-501	-487	-53	-716	-3 314	717	-2 597
Allocated overhead expenses	-9	-3	-3	0	-7	-9	0	0	-31	-	-31
<b>Operating result</b>	<b>14</b>	<b>79</b>	<b>11</b>	<b>-2</b>	<b>-62</b>	<b>68</b>	<b>2</b>	<b>79</b>	<b>189</b>	-	<b>189</b>
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	47	-4	-	-4
<b>Net result for the year</b>	<b>13</b>	<b>65</b>	<b>6</b>	<b>-2</b>	<b>-66</b>	<b>41</b>	<b>1</b>	<b>406</b>	<b>465</b>	-	<b>465</b>

SEK m	2020	2019
Corporate	779	823
Sales Finance	1 512	1 711
Consumer	977	1 000
Other	33	74
<b>Total external income</b>	<b>3 302</b>	<b>3 608</b>

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

2020	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
SEK m									
Fixed assets other than financial instruments	498	0	0	0	0	4	1	-	503
Deferred tax assets	36	-	-	-	-	25	-	-	61
Other assets	28 177	4 508	2 483	1 069	6 146	6 548	612	-7 141	42 403
<b>Total assets</b>	<b>28 711</b>	<b>4 508</b>	<b>2 483</b>	<b>1 069</b>	<b>6 146</b>	<b>6 577</b>	<b>613</b>	<b>-7 141</b>	<b>42 965</b>
Liabilities and provisions	22 596	4 512	2 431	1 159	6 199	6 543	718	-7 141	37 018

2019	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
SEK m									
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
<b>Total assets</b>	<b>34 368</b>	<b>5 915</b>	<b>3 187</b>	<b>1 132</b>	<b>6 993</b>	<b>8 028</b>	<b>585</b>	<b>-14 252</b>	<b>45 956</b>
Liabilities and provisions	31 454	4 539	2 861	1 211	6 965	6 444	692	-14 252	39 914



### 3 Net interest income

SEK '000	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
<b>Interest income</b>				
Loans to the public	1 043 198	1 163 873	2 166 870	2 328 554
Interest-bearing securities	6 836	6 477	15 544	13 225
<b>Total</b>	<b>1 050 034</b>	<b>1 170 350</b>	<b>2 182 414</b>	<b>2 341 779</b>
<i>Of which: Interest income from financial assets not valued at fair value through profit or loss</i>	<i>1 043 198</i>	<i>1 163 873</i>	<i>2 166 870</i>	<i>2 328 554</i>
<b>Interest expense</b>				
Liabilities to credit institutions	-8 236	-17 270	-24 742	-34 682
Deposits from the public	-91 229	-94 766	-193 307	-197 102
<i>Of which: deposit guarantee fee</i>	<i>-13 314</i>	<i>-15 897</i>	<i>-31 625</i>	<i>-34 719</i>
Issued securities	-28 024	-26 750	-62 911	-47 821
Derivatives	-5 101	-39 585	-31 348	-76 816
- Hedge accounting	-1 677	-2 972	-4 394	-5 608
- Not hedge accounting	-3 424	-36 613	-26 954	-71 209
Subordinated liabilities	-11 122	-12 194	-22 918	-24 249
Other interest expenses	-5 670	-7 378	-10 319	-17 297
<i>Of which: Resolution/Stability fee</i>	<i>-3 223</i>	<i>-5 586</i>	<i>-7 631</i>	<i>-14 515</i>
<b>Total</b>	<b>-149 382</b>	<b>-197 942</b>	<b>-345 545</b>	<b>-397 967</b>
<i>Of which: Interest expense from financial assets not valued at fair value through profit or loss</i>	<i>-144 282</i>	<i>-158 358</i>	<i>-314 198</i>	<i>-321 151</i>
<b>Total net interest income</b>	<b>900 652</b>	<b>972 408</b>	<b>1 836 868</b>	<b>1 943 812</b>

### 4 Leasing income

SEK '000	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Leasing income, gross	1 945 053	2 029 297	3 898 213	4 011 000
Less: Depreciation according to plan	-1 710 952	-1 783 364	-3 418 874	-3 521 925
<b>Leasing income, net</b>	<b>234 101</b>	<b>245 933</b>	<b>479 339</b>	<b>489 075</b>
Leasing income from financial lease agreements	1 945 053	2 029 297	3 898 213	4 011 000
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 710 952	-1 783 364	-3 418 874	-3 521 925
<b>Leasing income, net for financial lease agreements</b>	<b>234 101</b>	<b>245 933</b>	<b>479 339</b>	<b>489 075</b>
Interest income	4 293	4 634	9 990	10 135
Interest expenses	-50 811	-50 811	-127 680	-127 680
<b>Leasing, net</b>	<b>187 582</b>	<b>199 756</b>	<b>361 648</b>	<b>371 530</b>

### 5 Net commission

SEK '000	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
<b>Commission income</b>				
Payment service commissions	7 394	13 934	15 766	26 419
Lending commissions	140 989	175 666	303 314	365 293
Other commissions	121 671	126 965	262 443	267 381
<b>Total</b>	<b>270 054</b>	<b>316 565</b>	<b>581 523</b>	<b>659 093</b>
<b>Commission expense</b>				
Payment brokerage commissions	-4 786	-5 831	-11 388	-9 586
Lending commissions	-98 104	-113 632	-196 718	-233 488
Other commissions	-22 073	-28 711	-44 901	-58 786
<b>Total</b>	<b>-124 962</b>	<b>-148 174</b>	<b>-253 007</b>	<b>-301 860</b>
<b>Net commission income</b>	<b>145 092</b>	<b>168 391</b>	<b>328 516</b>	<b>357 233</b>

## 6 Other operating income

SEK '000	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Realised gain arising from the disposal of tangible assets	14 247	21 237	23 369	37 544
Other operating income	17 354	50 043	35 049	80 656
<b>Total</b>	<b>31 601</b>	<b>71 282</b>	<b>58 418</b>	<b>118 200</b>

## 7 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 4.3 m (1.9) 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).

In 2020, the bank has implemented a new model for incorporating forward-looking information in all the bank's markets. When needed it is supplemented with expert statements to calculate expected loan losses. The model has been introduced under

exceptional circumstances and has been supplemented with manual adjustments where the outcome assessed by the bank is believed to deviate from the model's estimate. For the corporate market, there are still outstanding volumes with deferrals in some industries, hard hit by the pandemic. Due to this, the bank has, in accordance with management decision, chosen to make additional provisions for future credit losses of SEK 51 million. The bank's assessment is that the provisioning model has handled increased credit risks for the consumer market caused by the pandemic in a satisfactory manner and no further provisions have been made for that market.

SEK 000	Jul-Dec 2020	Jul-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
<b>Stage 1 - Assets without significant increase in credit risk since</b>				
Change in provisions of receivables from stage 1	-19 264	-5 608	-6 827	-19 805
Write-off and removal of receivables from stage 1	-	-	-	-
Recoveries from previously determined loan losses for stage 1	-	-19	-	-19
<b>Net cost for the period for loan losses - stage 1</b>	<b>-19 264</b>	<b>-5 627</b>	<b>-6 827</b>	<b>-19 824</b>
<b>Stage 2 - Assets with significant increase in credit risk since initial recognition but not credit-impaired</b>				
Change in provisions of receivables from stage 2	-32 805	-28 109	-162 810	5 848
Write-off and removal of receivables from stage 2	-121 517	-280 007	-322 466	-571 430
Recoveries from previously determined loan losses for stage 2	65 035	169 896	184 510	348 724
<b>Net cost for the period for loan losses - stage 2</b>	<b>-89 287</b>	<b>-138 221</b>	<b>-300 766</b>	<b>-216 858</b>
<b>Stage 3 - Credit-impaired assets</b>				
Change in provisions of receivables from stage 3	-22 113	206 504	-2 717	180 505
Write-off and removal of receivables from stage 3	-296 109	-665 470	-721 248	-970 007
Recoveries from previously determined loan losses for stage 3	119 223	232 926	256 089	323 895
<b>Net cost for the period for loan losses - stage 3</b>	<b>-198 999</b>	<b>-226 040</b>	<b>-467 876</b>	<b>-465 607</b>
<b>Net cost for the period for loan losses - Total</b>	<b>-307 550</b>	<b>-369 889</b>	<b>-775 469</b>	<b>-702 289</b>

## 8 Tax expense for the period

Tax on the result for the period of SEK 190 m consists of current taxes of SEK 164 m on items reported in the income statement for the period, adjustment of taxes for previous periods of SEK 7 m and changes in deferred taxes of SEK 19 m. Tax on deductible

exchange rate differences regarding assets and liabilities in foreign branches reduces the total tax by SEK 91 m, but is reported in other comprehensive income.

## 9 Loans to the public

SEK 000	2020	2019
<b>Outstanding receivables, gross</b>		
- Swedish currency	9 108 234	9 147 612
- Foreign currency	16 682 624	19 261 796
<b>Total</b>	<b>25 790 858</b>	<b>28 409 408</b>
<i>Of which: Non-performing loans</i>	698 578	782 571
Specific provision for individually assessed receivables	-760 095	-748 479
<b>Carrying amount, net</b>	<b>25 030 764</b>	<b>27 660 929</b>

## 10 Deposits from the public

SEK 000	2020	2019
<b>Public</b>		
- Swedish currency	13 042 852	12 203 869
- Foreign currency	13 180 440	13 753 910
<b>Total</b>	<b>26 223 293</b>	<b>25 957 779</b>
<b>Deposits specified by category of borrower</b>		
Corporate sector	1 594 405	1 459 887
Household sector	24 628 888	24 497 892
<b>Total</b>	<b>26 223 293</b>	<b>25 957 779</b>

## 11 Issued securities

SEK 000	2020	2019
Certificates of deposits	1 129 206	2 187 705
Bonds	5 254 435	6 407 344
<b>Total</b>	<b>6 383 642</b>	<b>8 595 049</b>

## 12 Contingent liabilities

SEK 000	2020	2019
<b>Contingent liabilities</b>		
PRI	739	718
<b>Total</b>	<b>739</b>	<b>718</b>
<b>Commitments</b>		
Loan commitments, irrevocable	2 566 806	2 671 685
Unused credit limits	23 846 533	32 408 160
<b>Total</b>	<b>26 413 339</b>	<b>35 079 845</b>

Undertakings that consist of granted unutilized credits can be terminated with immediate effect to the extent permitted by the Consumer Credit Act.

The bank is subject to claims and in some cases has claims, in a number of civil cases that are conducted in a general court. The assessment is that

the litigation will essentially be in the bank's favour. Provisions are made when an outflow of resources is likely. The dispute amounts are not considered to have a significant impact on the bank's position or results

## 13 Financial assets and liabilities

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

2020				
SEK 000	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Derivatives	-	114 833	-	114 833
Shares and participations in other companies	42 097	-	-	42 097
<b>Financial assets at fair value through other comprehensive income</b>				
Bonds and other interest-bearing securities	1 900 334	704 901	-	2 605 234
Treasury bills	1 362 832	433 290	-	1 796 121
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives	-	15 826	-	15 826
2019				
SEK 000	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Derivatives	-	28 929	-	28 929
Shares and participations in other companies	41 629	-	-	41 629
<b>Financial assets available-for-sale</b>				
Bonds and other interest-bearing securities	1 646 637	799 973	-	2 446 610
Treasury bills	1 502 652	169 961	-	1 672 613
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives	-	56 751	-	56 751

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.

## Financial instruments offset in the Balance Sheet or subject to netting agreements

Ikano Bank is party to 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 2020.

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.

2020						
Amounts not offset in Balance Sheet						
SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Netting agreements	Issued/Received collateral	Net value
Derivatives	114 833	-	114 833	-15 826	-147 640	-48 633
<b>Total financial assets</b>	<b>114 833</b>	<b>-</b>	<b>114 833</b>	<b>-15 826</b>	<b>-147 640</b>	<b>-48 633</b>
Derivatives	15 826	-	15 826	-15 826	-	-
<b>Total financial liabilities</b>	<b>15 826</b>	<b>-</b>	<b>15 826</b>	<b>-15 826</b>	<b>-</b>	<b>-</b>
2019						
Amounts not offset in Balance Sheet						
SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Netting agreements	Issued/Received collateral	Net value
Derivatives	28 929	-	28 929	-22 865	-28 173	-22 110
<b>Total financial assets</b>	<b>28 929</b>	<b>-</b>	<b>28 929</b>	<b>-22 865</b>	<b>-28 173</b>	<b>-22 110</b>
Derivatives	56 751	-	56 751	-22 865	-8 766	25 120
<b>Total financial liabilities</b>	<b>56 751</b>	<b>-</b>	<b>56 751</b>	<b>-22 865</b>	<b>-8 766</b>	<b>25 120</b>



## 14 Capital management and liquidity

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). Ikano Bank applies the IFRS 9 phase-in rules in accordance with article 473a in capital requirements regulation (EU No 575/2013) regarding the Day 1 effect. In the annual report and in the report Periodic information of capital adequacy and liquidity the impact of this phase-in effect is presented. These reports are available at the Bank's webpage [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information).

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 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 2020, the Bank had own funds of SEK 5,577 m (6,703), all of which is common equity Tier 1. As of January 20, 2021, the bank has redeemed all subordinated loans, and these have therefore not been included in the capital base as of December 31, 2020. All subordinated loans had a remaining maturity of less than five years, which meant that they could not be fully included in the capital base before redemption. The statutory own funds requirement for Pillar 1-risk amounted to SEK 2,542 m (3,036). After a statutory minimum for common equity Tier 1 capital, a further SEK 3,035 m remains available as common equity Tier 1 capital. The internal own funds requirement (Pillar 2 requirements) totalled SEK 585 m (840) and is covered by available capital.

The combined buffer requirement for Ikano Bank consists of the capital conservation buffer and the countercyclical capital buffer. According to the law (2014:966) regarding capital buffers, the capital conservation buffer shall consist of a common equity Tier 1 capital equivalent to 2.5 percent of the Bank's total risk exposure amounts. For Ikano Bank, the capital conservation buffer totals SEK 794 m (949) 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 0.07 percent (1.52) or SEK 22 m (578) after weighting the applicable geographic requirements, which for the Bank means mainly Norway. As a consequence of the Covid-19 pandemic authorities in all markets where the Bank operates have reduced the counter cyclical buffer requirements during spring 2020. Ikano Bank's combined buffer requirement is SEK 817 m (1,527).

The total capital ratio was 17.6 percent (17.7) with a corresponding Tier 1 capital ratio (15.4). The capital ratio is positively affected by a change in equity from EUR, DKK and NOK to SEK, which reduces the exchange rate risk. Credit risk also decreases, partly as a result of reduced lending, and partly due to increased provisions.

## Summary of own funds and risk exposure amount

SEK 000	2020	2019
Tier 1 capital	5 577 416	5 838 310
Tier 2 capital	-	865 187
<b>Own funds</b>	<b>5 577 416</b>	<b>6 703 496</b>
<b>Total risk exposure amount</b>	<b>31 777 238</b>	<b>37 949 156</b>
<b>Total own funds requirements</b>	<b>2 542 179</b>	<b>3 035 932</b>
<b>Total Capital ratio</b>	<b>17.6%</b>	<b>17.7%</b>
<b>Tier 1 Capital ratio</b>	<b>17.6%</b>	<b>15.4%</b>
<b>Common equity Tier 1 ratio</b>	<b>17.6%</b>	<b>15.4%</b>
<b>Available common equity Tier 1 Capital <sup>1)</sup></b>	<b>3 035 237</b>	<b>3 561 360</b>
<b>Available common equity Tier 1 Capital in relation to Total risk exposure amount <sup>1)</sup></b>	<b>9.6%</b>	<b>9.4%</b>
Capital conservation buffer	794 431	948 729
Counter-cyclical capital buffer	22 308	578 488
Combined buffer requirement	816 739	1 527 217

1) Amounts presented in the original version of the Year-end Report 2020 have been updated

## Specification of own funds

SEK 000	2020	2019
<b>Equity reported in the balance sheet</b>	<b>5 850 726</b>	<b>5 944 637</b>
Share capital	78 994	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	471 640	293 925
Fund for fair value	312 306	239 111
Retained earnings	4 961 236	4 673 550
Net result for the period	-167 105	465 401
Untaxed reserves (79.4% of which)	76 984	76 208
<b>CET1 capital before regulatory adjustments</b>	<b>5 927 710</b>	<b>6 020 844</b>
<b>CET1 capital: regulatory adjustments</b>		
Intangible assets	-493 883	-352 138
Cash flow hedge	-7 303	-14 938
Value adjustments due to the requirements for prudential valuation	-4 582	-4 250
Adjustment for IFRS 9 Day 1 effect according to transitional arrangements	155 474	188 790
<b>Total Common Equity Tier 1 Capital</b>	<b>5 577 416</b>	<b>5 838 309</b>
<b>Total Tier 1 Capital</b>	<b>5 577 416</b>	<b>5 838 309</b>
<b>Tier 2 capital</b>		
Subordinated liabilities	-	865 187
<b>Total Tier 2 Capital</b>	<b>-</b>	<b>865 187</b>
<b>Total own funds</b>	<b>5 577 416</b>	<b>6 703 496</b>

## Specification of risk exposure amount and own funds requirements

SEK 000	2020		2019	
	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
<b>Credit risk according to the standardised approach</b>				
Exposures to regional governments or local authorities	10 975	878	11 755	940
Institutional exposure	535 028	42 802	506 566	40 525
Corporate exposure	3 630 378	290 430	4 220 076	337 606
Retail exposure	21 438 465	1 715 077	23 453 213	1 876 257
Equity exposure	64 612	5 169	55 610	4 449
Past due items	425 912	34 073	856 320	68 506
Covered bond exposure	111 752	8 940	121 310	9 705
Other items	369 614	29 569	390 486	31 239
<b>Total credit risk</b>	<b>26 586 735</b>	<b>2 126 939</b>	<b>29 615 335</b>	<b>2 369 227</b>
<b>Operational risk according to the basic indicator approach</b>	<b>5 116 603</b>	<b>409 328</b>	<b>5 071 525</b>	<b>405 722</b>
<b>Foreign exchange risk according to the standardised approach</b>	<b>54 613</b>	<b>4 369</b>	<b>3 248 969</b>	<b>259 917</b>
<b>CVA risk according to the standardised approach</b>	<b>19 287</b>	<b>1 543</b>	<b>13 328</b>	<b>1 066</b>
<b>Total</b>	<b>31 777 238</b>	<b>2 542 179</b>	<b>37 949 156</b>	<b>3 035 932</b>

### 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 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 is 12.7 percent (12.1).

## 15 Liquidity

Ikano Bank's liquidity is managed within the framework of the Bank's liquidity portfolio. The liquidity portfolio consists of deposits with banks, short-term lending to credit institutions and investments in liquid interest-bearing securities, which can be sold and converted into cash on short notice. The Bank also has other liquidity creating measures at its disposal, such as immediately accessible overdraft facilities as well as committed credit facilities. The composition and size of the Bank's liquidity portfolio and 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. Investments in this portfolio are to have a minimum rating of AA- according to Standard and Poor's (or equivalent according to Moody's). 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 3,073 m (3,053) 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 2020 totalled SEK 6,246 m (6,038) excluding overdraft facilities and constitutes 24 percent (23) of deposits from the public. It includes cash and balances with banks SEK 1,833 m (1,909), the liquidity reserve, SEK 3,073 m (3,053) and other interest-bearing securities, SEK 1,340 m (1,075). None of the assets are being utilised as collateral and no non-performing loans exist. Assets are being valued at fair value.

In addition to the liquidity portfolio, committed credit facilities for a total of SEK 2,410 m (2,872) are available.

As of 31 December 2020, the Bank's liquidity coverage ratio (LCR) totalled 256 percent (276). This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. The statutory limit for the liquidity coverage ratio is 100 percent.

The NSFR is a measure of the bank's 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 107 percent (105) at year-end 2020.

Additional information about the Bank's capital adequacy and liquidity risk management can be found in the latest Annual Report and report Periodic information of capital adequacy and liquidity. These reports are available at the Bank's webpage [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information).

## Summary of liquidity reserve

2020						
SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 799	1 348	-	143	308	-
Securities issued by financial corporations	157	5	151	-	-	-
Covered bonds	1 118	774	280	64	-	-
<b>Liquidity reserve</b>	<b>3 073</b>	<b>2 127</b>	<b>432</b>	<b>207</b>	<b>308</b>	-
Other operating liquidity invested in securities	1 340	1 340	-	-	-	-
Cash and balances in central banks and other banks	1 833	753	460	278	148	194
<b>Total liquidity portfolio</b>	<b>6 246</b>	<b>4 219</b>	<b>892</b>	<b>484</b>	<b>457</b>	<b>194</b>
Distribution per currency (%)	100%	68%	14%	8%	7%	3%
<b>Other liquidity-creating measures</b>						
Granted unused credit facilities	2 410	600	937	649	224	-
2019						
SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 676	1 246	-	38	392	-
Securities issued by financial corporations	164	5	159	-	-	-
Covered bonds	1 213	843	302	68	0	-
<b>Liquidity reserve</b>	<b>3 053</b>	<b>2 095</b>	<b>461</b>	<b>106</b>	<b>392</b>	-
Other operating liquidity invested in securities	1 075	1 075	-	-	-	-
Cash and balances in central banks and other banks	1 909	455	163	895	131	265
<b>Total liquidity portfolio</b>	<b>6 038</b>	<b>3 625</b>	<b>624</b>	<b>1 001</b>	<b>523</b>	<b>265</b>
Distribution per currency (%)	100%	60%	10%	17%	9%	4%
<b>Other liquidity-creating measures</b>						
Granted unused credit facilities	2 872	508	1 326	790	248	-



## 16 Related-party transactions

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.

SEK 000	Year	Income	Expenses	Receivables with related parties, 31 December	Liabilities with related parties, 31 December
Ikano S.A.	<b>2020</b>	-	<b>-19 705</b>	-	<b>2 663</b>
Ikano S.A.	<b>2019</b>	-	-26 790	-	1 130
Other Group companies	<b>2020</b>	<b>1 889</b>	<b>-51 784</b>	<b>8 010</b>	<b>837 533</b>
Other Group companies	<b>2019</b>	254	-53 327	3 137	872 469

## 17 Events after the balance sheet date

As of January 20, 2021, the bank has redeemed all subordinated liabilities.

On February 11, 2021, it was announced that Ingka Investments B.V. intends, through a directed

new share issue, to become a part-owner to 49% of Ikano Bank. The transaction is subject to approval by the relevant regulatory authorities.