

Information on remuneration (financial year 2018)

Policy on remuneration and benefits

The bank's remuneration system follows 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, defined as the "Regulation" in this document).

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. The policy states, among other things, that variable remuneration for identified staff shall never exceed 100 per cent of the employee's fixed annual salary. However, the bank's current model for variable remuneration has a maximum bonus potential of five months' salary. 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 2018, the remuneration committee held seven meetings. At least once a year, the bank analyses the risks associated with its remuneration policy and remuneration structure and also details identified staff according to the categories listed in the Regulation. 220 of the Bank's 871 employees (average number 2018) have been identified as specially regulated personnel for 2018.

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 banks 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 is important in order to be able to hire and keep competent personnel.

Variable remuneration

The reasons for the bank to have variable remuneration are to stimulate personnel to perform better, to stay within the bank and to develop their respective area of responsibility. Ikano Bank AB (publ) applied (2018) just one model for variable remuneration; Ikano Bank AB (publ) Performance Incentive Plan for the bank's executive management and country managers ("PIP"). In addition, in 2018 there were also remaining deferred payments under the former Ikano Bank AB (publ) Short Term Incentive Plan ("STIP") and the Ikano Bank AB (publ) Long Term Incentive Plan ("LTIP"). All variable remuneration was disbursed as salary/in cash.

The bank's executive management (except the Chief Risk Officer and the Chief Compliance Officer) and country managers participate in the PIP. The criteria for variable remuneration are linked to the bank and the branches (if relevant) and to the individual. 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 installments during a period of three and a half years from the starting point of earning. Deferred remuneration (at least 60 percent) is paid pro rata once a year starting at least one year after earning.

The bank does not pay any variable remuneration unless it at each time of payment is defensible as seen from the bank's financial situation and motivated by the result 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). For country managers, the corresponding bonus cap is three months' salary.

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 2018.

SEK '000	2018
Sweden	391 670
Denmark	62 283
Norway	39 808
Finland	16 388
UK	108 311
Germany	91 011
Poland	20 392
Total	729 863

Fixed and variable remuneration

The amounts below (fixed and variable remuneration) represent total remuneration paid during 2018 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, pensions and other benefits, that is not variable remuneration. *Variable remuneration* is such remuneration that is covered by the definition of variable remuneration in the Regulation. As far as the bank is concerned, the definition includes the above mentioned bonus schemes.

No adjustment has been made of the variable remuneration that was paid during 2018.

2018	kSEK	Number of people that have received		Number of people that have received	
		Fixed remuneration	fixed remuneration	Variable remuneration	variable remuneration
Executive management		25 654	13	2 364	7
Other especially regulated personnel		172 943	207	381	4
Other personnel		329 203	1 022	0	0
Total		527 799	1 242	2 745	11

Deferred variable remuneration

With respect to the former LTIP and STIP, 80 percent of the outcome has been deferred for payment in three parts (pro rata) during a three year period (20-40-20). The amounts below refer to deferred bonus that is accrued (the bank does not have any deferred bonus that is not accrued). There are no deferred payments under PIP (since this program has not yet generated any bonus).

Deferred variable remuneration

SEK 000	2018
Executive management	6 434
Other especially regulated personnel	2 615
Other personnel	0
Total	9 049

Pledged and paid remuneration

The amounts below include fixed and variable remuneration paid in 2018, as well as such remuneration that was earned and/or pledged during 2018.

Pledged and paid remuneration

SEK 000	2018
Executive management	33 831
Other especially regulated personnel	175 748
Other personnel	329 203
Total	538 781

No employee has received 1 million EUR or more (in total) during 2018.

Severance payment

The table regarding severance payments below does not include disbursed salaries during notice of termination when the employee has been excused from work duties or promised extended notice of termination.

In September 2017, the bank entered into a termination agreement with its managing director in 2017, entitling the managing director to 24 months' garden 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 another position outside the bank. In addition, the bank gave notice of termination to its previous managing director in September 2018, which entitled the previous managing director to 12 months' notice period with salary and other benefits as from this date. Finally, the bank has in 2018 paid out salary and other benefits under the termination agreements with the former COO and the former CIO (both these agreements entitling the managers to twelve months' garden leave with salary and other benefits). Accordingly, all these occurrences affect the results for 2018 and are included in the column above regarding Pledged and paid remuneration Executive management.

For more information about notice of termination for the executive management, see the bank's annual report for the financial year 2018.

Severance payment						
2018	kSEK	Paid	Number of people paid	Pledged	Number of people pledged	
Executive management		0	-	-	-	-
Other especially regulated personnel		463	1	0		0
Other personnel		2 739	13	104		1
Total		3 202	14	104		1

As shown in the table above (Severance payment) 15 coworkers have been entitled to severance payments during 2018. The highest individual severance payment disbursed during 2018 amounted to 890 kSEK.

No so-called sign-on bonus has been approved or disbursed.

Guaranteed variable remuneration

No guaranteed variable remuneration has been disbursed in 2018.
