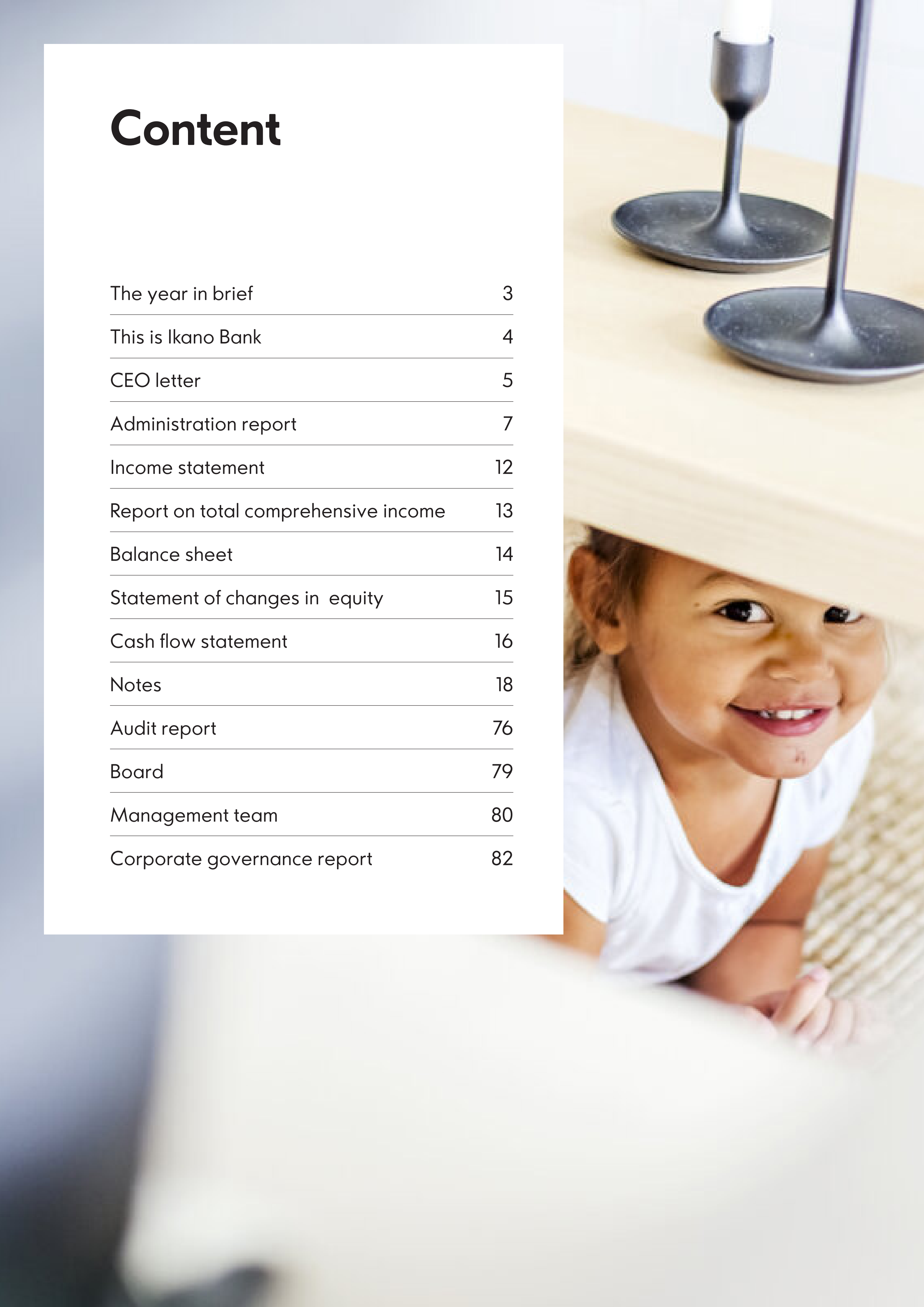
Annual report

2022

IKANO BANK

Content

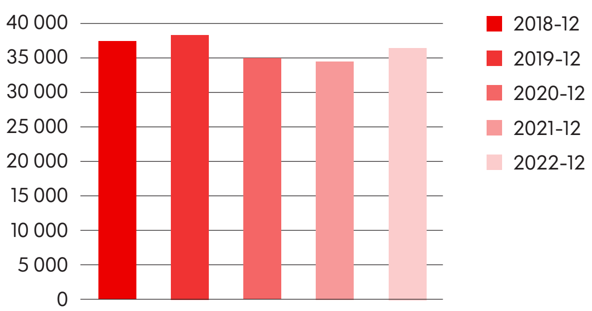


The year in brief

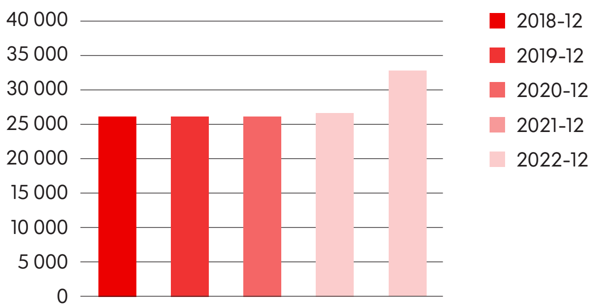
- Profit before loan losses amounted to SEK 307 m (303).
- Operating result amounted to SEK -337 m (-211).
- The Common Equity Tier 1 capital is the same as the total capital ratio and amounted to SEK 9,332 m (9,792).
- Liquidity coverage ratio (LCR) amounted to 372 percent (281). The statutory limit for the liquidity coverage ratio is 100 percent.
- Interest income increased to SEK 2,229 m (1,952) driven by a combination of both higher lending volumes and higher margins. Interest expense increased to SEK 404 m (249).
- Loans to the public increased to SEK 26,331 m (24,737) as a result of loan portfolio acquisition in Denmark.
- Loan losses has increased to SEK 633 m (496) partly as a result of day-one provisions related to loan portfolio acquisition in Denmark.
- Extensive and long-term investments continue in the new banking platform to increase customer satisfaction, growth and profitability.
- During the year, several new products based on new technology were launched.
- Won award for best credit product in the UK together with IKEA, Fairness Award in Germany and first place in the Swedish Quality Index (SKI) for best private loan in Sweden.
- Laid the foundation for new platform for financing services for businesses.

Key ratios	2022	2021
C/I-ratio before loan losses	89.1%	88.6%
Return on adjusted equity	-2.6%	-2.1%
Loan loss ratio	1.8%	1.4%
Common equity Tier 1 ratio	25.8%	29.5%

Lending including leasing, SEK m



Deposits from the public, SEK m



This is Ikano Bank

Our vision is to create opportunities for better living. Together we create possibilities for better living by offering simple, fair and affordable services, enabling a healthy economy for the many people and businesses. Our financing solutions are offered to consumers and companies, both directly and indirectly via partners. We operate in Sweden, Denmark, Finland, Norway, the UK, Poland, Germany and Austria.

Ikano Bank is part of the Ikano Group, who owns 51 percent of Ikano Bank. Ingka Group, the largest IKEA retailer, owns the remaining 49 percent of the Bank. Ikano Bank's head office is in Malmö and the company is registered in Älmhult, where the business was once founded.

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.

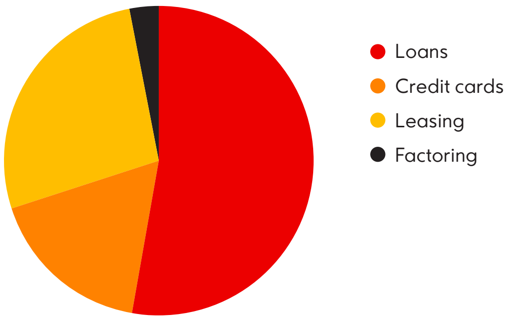
Business lines

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

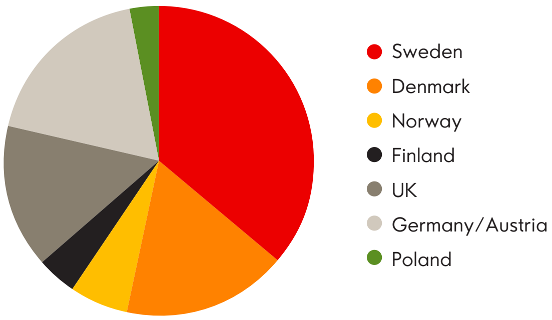
Sales finance
We offer sales supporting finance solutions, including loans, cards and instalment payment solutions, to retail partners. Our services enable our partners to increase loyalty and generate additional sales, as well as offer their end-customers increased financial flexibility.

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

Lending per product area



Lending per country



A new bank is emerging

We are making extensive changes in the Bank to increase customer satisfaction, growth and profitability. Work that has been further accelerated since Ingka became part-owner of the Bank in the summer of 2021. Transforming the bank involves major challenges, both commercially, technically, and organisationally. Our long-term goal is to strengthen the Bank's commercial relevance and to be a leader in sustainable banking. Step by step digitisation is increasing, and I am proud to state that we are delivering according to plan, while at the same time keeping our customer focus. Providing service to our customers while maintaining a high level of customer satisfaction, in both existing legacy systems and new systems. This was also confirmed by the recognition we received during the year.

New products and satisfied customers

With a new cloud-based banking platform and new products, we are step by step increasing our relevance in the market, with smoother digital processes for both customers and employees, leading to higher efficiency and lower costs. The first products were launched in 2021 and during 2022 we have continued to deliver. Our loan product with IKEA in the UK has grown to over SEK 1 billion in lending. Another example is the mortgage offer through our part-ownership in the fintech and mortgage company Borgo, where we have mediated loans of over SEK 2 billion and seen a positive effect on our brand awareness. It is a good example of how a transparent and fully digital product has strengthened our brand on the Swedish market.

Our digitisation also aims at improving customer experience, by making it easier to use our products. We are already seeing results in increased customer satisfaction and recognition. During the year, we won an award for best credit product in the UK together with IKEA, we received Fairness Award for our credit card in Germany, and in Sweden our loan reached first place the Swedish Quality Index for best private loan.

In 2023, we take the next step in the digital transformation, with among other things an increased focus on our corporate business with the rollout of a new platform for financing services. The Swedish and Finish markets are first out, with services such as leasing, factoring and invoice purchase. In addition, our close collaboration with IKEA is constantly developing. During the year, we have launched several new products and we see great opportunities to increase lending in all areas and markets where we operate today.

The result is weighed down by investments

As planned, the Bank's financial results were negatively affected by the investments we are making for the future. With a new banking platform and new products, we are well on our way to growth, while spending time and effort on the phase-out of legacy systems. Over a period of time, this results in increased costs, at the same time as the underlying business is gradually getting stronger. In August, for example, we broke a historic record in number of new customers in one month in the Swedish market.

Going forward, our assessment is that the economic situation in society will continue to be strained. As always, our goal is to assist customers in a responsible manner and on fair terms, which is especially important in tougher financial times. With our long-term perspective, this makes us a reliable financial partner. At the same time, the tougher conditions, in society and for our industry, may lead to a possible consolidation. This might open interesting business opportunities and potential acquisitions for us.

One sustainable bank on multiple markets

Long-term thinking is at the core of our business. We want to contribute to a healthy economy for more people and be an active part of a sustainable society where we can make a difference. This year we have taken further steps in our lending to give more of the many access to financial services on fair terms. Important work is underway to investigate how we can provide insights and support more people to lead a more sustainable everyday life.

In 2022, we have left our history of eight local banking operations behind, and now operate Ikano Bank as one organisation. In this work we keep customers fully in focus, while the structure and processes around regulations have been fine-tuned. Conducting our business more efficiently as one company is part of our long-term ambition.

An agile culture in a changing world

With external factors such as pandemic, war, high inflation, rising interest rates and a potential recession in Europe, we must constantly be prepared to adapt and change. The transformation changes and strengthens our culture. We now work completely functionally, which gives us good opportunities for coordination across our 8 markets. Agile work methods are spreading across the Bank, making us more adaptable to the changing world that surrounds us. We have once again become the entrepreneurial, forward-leaning company that has the courage to test and fail, thereby developing and finding new ways.

I would like to conclude by thanking all employees, customers, partners, and suppliers for the past year. 2023 will be a year of continued large investments and intensive work to create even better digital services, even better customer experiences and sustainable growth. I look forward to continuing this journey together with you.

Malmö, mars 2023

Henrik Eklund
Vd, Ikano Bank AB (publ)

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 2022.

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. 51% of Ikano Bank is owned by Ikano S.A with registered domicile in Luxemburg, and 49% is owned by Ingka Investments B.V. with registered domicile in Leiden, Netherlands. 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, data analytics 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. The Bank's Business in UK, after the end of the transitional period requires authorisation from the British supervisory authorities. During the processing of the bank's British authorisation application, the bank operates under the so-called Temporary Permissions Regime in the UK.

Operations

The Bank's operations are followed up based on 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, the Bank offers financial solutions for corporate clients in the form of leasing agreements, object financing, invoice purchasing and factoring . 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 loans. The largest partner within Sales Finance is IKEA Retail, part of the Ingka Group.

Consumer

The Consumer business line works towards private individuals and offers simple, beneficial products and services for savings and loans.

Lending is offered as unsecured loans and Visa credit cards. Lending is provided as unsecured loans and card products in Sweden, Denmark, Norway, Poland and Germany. Unsecured loans are also offered in the UK market. Deposits are offered in the Swedish, Danish, German and UK markets. The Bank distributes, through an associated company, mortgages on the Swedish market.

Significant events during the year

The purchase of a loan portfolio from Basisbank in Denmark, at the point of acquisition worth approximately DKK 2 bn, was completed in February 2022.

The Bank has, together with a number of partners, continued to invest in the fintech company Borgo. See Note 21.

Total assets and business volumes

The Bank's total assets increased during the year by SEK 4,538 m to SEK 48,417 m (43,879), maily as a result increased loans to the public together with the above-mentioned portfolio acquisition.

The Bank's equity decreased by SEK 270 m to SEK 9,990 m (10,259), mainly due to a negative result for the year.

Overall business volumes of loans to the public, deposits from the public and leasing assets increased to SEK 69,375 m (61,238). The Bank's loans to the public increased by 6 percent to SEK 26,331 m (24,737) after provisions for loan losses. Increase varies between the Banks' markets. The largest increase in loans to the public has occurred in Denmark and is explained by the loan portfolio acquisition.

Leased assets held on customers' behalf increased by 4 percent to SEK 9,931 m (9,592), driven by increase primarily in Finland but also in Denmark and Norway.

Deposits from the public increased by 23 percent to SEK 33,112 m (26,909). The increase was driven primarily from the Swedish market. Deposits are an important part of the Bank's funding and at year-end, deposits from the public corresponded to 68 percent (61) of the Bank's total funding.

The Bank regularly obtains funding from the capital markets. The Bank's volume of issued securities decreased by SEK 1,400 m to SEK 2,349 m (3,749). In 2022, 1 (2) new bond with maturity of three years has been issued.

The Bank's liquidity portfolio totalled to-SEK 9,240 m as of 31 December 2022 (7,379), which corresponds to 28 (28) percent of the Bank's total deposits from the public.

The Bank's development over a five-year period is reported on page 10.

Result

Profit before loan losses increased to SEK 307 m (303), whereas operating result decreased to SEK -337 m (-211). In 2022, the extensive transformation work related to investments in IT continued. Sales of new loans developed positively during the year as pandemic restrictions were phased out. The underlying profitability of the bank is stable and is supported by well-established financing operations.

In 2022, total income increased by 3.5 percent to SEK 6,251 m (6,039). Costs increased by 3.6 percent to SEK 5,943 m (5,735). The result for 2022 was negatively affected by an increase in loan losses by SEK -137 m, partly as a result of day-one provisions related to loan portfolio acquisition in Denmark.

Net interest income increased to SEK 1,825 m (1,703). The increase is primarily driven by a combination of higher lending volumes and higher margins as a result of higher market interest rates.

Leasing income net after depreciation increased to SEK 498 m (466), driven by volume increase mainly in Finland but also in Denmark and Norway.

Net commission income increased to SEK 299 m (235). The increase is mainly explained by higher lending commissions. Net commissions increased primarily in Denmark, Germany and Sweden.

Operating expenses, excluding depreciation on leased assets held on behalf of customers, increased by 10 percent to SEK 2,411 m (2,193). The increase is primarily attributable to an increase of personnel costs but also the cost for IT in both cases related to the transformation.

Loan loss ratio increased to 1.8 percent (1.4). Net loan losses increased to SEK 633 m (496), where of SEK 160 m related to the portfolio acquisition in Denmark.

Employees

Our values are the foundation of everything we do and how we create the best possibilities for our employees to perform and contribute to the development of the Bank. A prioritized area to keep our competitiveness and attractiveness as an employer is competence development. The Bank works continuously with competence development with in-house as well as external training available for all employees. Newly appointed and newly hired managers participate in Ikano's Culture and Leadership Programme. During the year an updated training for leaders about leading in change was launched. 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, meets regularly during the year. The Works Council consists of elected employee representatives from each country, together with the CEO and the Chief People and Communications Officer.

Average number of employees totalled to 1,061 (1,069). Information regarding principles and processes relating to remuneration and benefits to key personnel can be found in Note 12, General administrative expenses.

Management and Board of Directors

On the Annual General Meeting on April 5, 2022, the Bank's Board of Directors expanded with Nigel Hinshelwood, an independent board member, who was also elected as vice chairman of the board.

As of May 31, 2022, Krister Mattsson left the Bank's Board of Directors and was replaced by Lone Fønss Schrøder as representative from Ingka.

The Bank's management team was expanded in April 2022 with Christian Lund as the new Chief Credit Officer, and in November 2022 with Henrik Staulund as the new Chief Commercial Officer B2B. From 1 January 2023, Louise von Scheven is the new Chief Commercial Officer B2C.

Risks and uncertainty factors

The Bank's earnings are affected by external changes. The Bank's earnings performance is affected by factors including macroeconomic change such as GDP and unemployment as well as changes in interest rates and exchange rates.

The geopolitical situation remains tense due to the Russian invasion of Ukraine. Ikano Bank's has no exposures to Russia, Ukraine and Belarus. However, there is an overall European dependence on the progress of the geopolitical situation by its impact on the existing supply chain problems from the pandemic leading to shortages and drastic price increases for energy, food and a number of raw materials. The progress of the situation will have an impact on the Bank's operations, results and financial position.

The tax area is complex and leaves room for judgement. Practices and interpretations of applicable laws can be changed, sometimes retroactively. In the event that the tax authorities and, where appropriate, the tax courts decide on a different interpretation than what Ikano Bank initially made, it could impact the Banks's operations, results and financial position.

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 2022 was 25.8 percent (29.5), the same as the total capital ratio 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 1,219 m as of 31 December 2022 (851).

The leverage ratio for the Bank was 19 percent as of 31 December 2022 (21.6) and thus above the binding minimum level for the leverage ratio of 3 percent.

For more information about the capital adequacy calculation, see Note 39, Capital analysis.

Liquidity

At year-end, the Bank's liquidity coverage ratio (LCR) totalled to 372 percent (281). 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 Net Stable Funding Ratio (NSFR) is a measure of the bank's structural liquidity, defined as the ratio between available stable funding and required stable funding. A minimum requirement for NSFR is 100 percent. For Ikano Bank, the Net Stable Funding Ratio (NSFR) amounted to 137 percent (135) at the end of 2022.

Corporate Governance Report

Ikano Bank's corporate governance report for 2022 is attached to this Annual Report on page 82.

Sustainability report

With support of The Swedish Annual Reports Act chapter 6, §11, the Bank has chosen to have a Sustainability Report separated from the Annual Report. Ikano Bank's sustainability report for 2022 is published on the Bank's website.

Outlook

The uncertainty in the macro environment, with rising inflation and interest rates, as well as in the geopolitical environment, will influence society at large and have an impact on the Bank's business. This situation may also lead to business opportunities and potential acquisitions for the Bank. Ikano Bank continues to focus on becoming a more relevant bank for the many people and businesses. The extensive and long-term investments being made to become more affordable for the many, faster and bring new financial services and solutions to the market continues into 2023. Several new digital products will be launched, and in more markets.

Proposal appropriation of profits

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

Share premium reserve	4,479,854,913
Fund for fair value	314,334,061
Retained earnings	4,596,620,458
Net result for the year	-340,799,903
Total	9,050,009,529

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

To be carried forward	9,050,009,529
of which to share premium reserve	*4,479,854,913*
of which to fund for fair value	*314,334,061*

Current regulations on capital coverage and large exposures mean that a company must at all times have a capital base that corresponds to at least the sum of the capital requirements for credit risks, market risks and operational risks and capital buffers, as well as calculated capital requirements for additionally identified risks in the business in accordance with the company's internal capital evaluation policy. As no dividend distribution is proposed, the capital base is not affected.

5-year summary

SEK m	2022	2021	2020	2019	2018
Income statement					
Interest income calculated according to the effective interest method	1 856	1 570	1 801	1 939	1 986
Other interest income	373	382	381	403	352
Leasing income	4 031	4 008	3 898	4 011	3 790
Interest expense	-404	-249	-346	-398	-403
Dividends received	10	19	-	-	-
Net commission	299	235	329	357	353
Net gains and losses on financial transactions	10	17	-24	21	0
Other operating income	75	56	58	118	152
Total operating income	**6 251**	**6 039**	**6 098**	**6 451**	**6 230**
General administrative expenses	-1 990	-1 859	-1 631	-1 749	-1 749
Depreciation/ amortisation and impairments of tangible and intangible assets	-3 763	-3 754	-3 537	-3 624	-3 437
Other operating expenses	-190	-122	-131	-188	-209
Loan losses	-633	-496	-775	-702	-476
Impairment of financial assets	-12	-19	-	-	-
Other operating expenses	**-6 588**	**-6 250**	**-6 075**	**-6 263**	**-5 871**
Operating result	**-337**	**-211**	**23**	**189**	**359**
Appropriations	-	97	-	281	320
Taxes	-3	13	-190	-4	-137
Net result for the year	**-341**	**-101**	**-167**	**465**	**541**

SEK m	2022	2021	2020	2019	2018
Balance Sheet					
Cash	30	23	0	34	36
Loans to credit institutions	2 380	1 817	1 932	1 909	2 151
Loans to the public	26 331	24 737	25 031	27 661	27 289
Interest-bearing securities	7 083	5 740	4 401	4 119	3 514
Tangible assets	9 940	9 600	9 724	10 282	9 916
Other assets	2 653	1 961	1 877	1 950	1 825
Total assets	**48 417**	**43 879**	**42 965**	**45 956**	**44 731**
Liabilities to credit institutions	535	639	1 486	2 010	2 250
Deposits from the public	33 112	26 909	26 223	25 958	26 206
Issued securities	2 349	3 749	6 384	8 595	7 138
Other liabilities	1 057	876	793	1 003	1 000
Accrued expenses and deferred income	1 252	1 329	1 173	1 323	1 293
Provisions	121	118	129	160	181
Subordinated liabilities	-	-	830	865	839
Total liabilities and provisions	**38 428**	**33 620**	**37 018**	**39 914**	**38 909**
Untaxed reserves	-	-	97	97	378
Equity	9 990	10 259	5 851	5 945	5 444
Total liabilities, provisions and equity	**48 417**	**43 879**	**42 965**	**45 956**	**44 731**

5-year summary

SEK m	2022	2021	2020	2019	2018
Volumes					
Business volume	69,375	61,238	60,968	63,887	63,394
Change during the year	*13.3%*	*0.4%*	*-4.6%*	*0.8%*	*-6.6%*
Loans to the public	26,331	24,737	25,031	27,661	27,289
Change during the year	*6.4%*	*-1.2%*	*-9.5%*	*1.4%*	*-1.8%*
Deposits from the public	33,112	26,909	26,223	25,958	26,206
Change during the year	*23.1%*	*2.6%*	*1.0%*	*-0.9%*	*2.3%*
Capital					
Equity ratio [1)]	20.6%	23.4%	13.8%	13.1%	12.8%
Total Capital ratio	25.8%	29.5%	17.6%	17.7%	17.2%
Common Equity Tier 1 ratio	25.8%	29.5%	17.6%	15.4%	14.9%
Leverage ratio	19.0%	21.6%	12.7%	12.1%	11.8%
Liquidity					
Liquidity portfolio in relation to deposits from the public	28.0%	27.8%	23.8%	23.0%	21.2%
Depostis from the public in relation to total assets	68.4%	61.3%	61.0%	56.5%	58.6%
Liquidity coverage ratio (LCR)	372%	281%	256%	276%	191%
Result					
Investment margin	4.0%	3.9%	4.1%	4.3%	4.4%
Return on adjusted equity [1)]	-2.6%	-2.1%	0.3%	2.5%	4.9%
C/I-ratio before loan losses	89.1%	88.6%	70.2%	69.6%	71.1%
Return on total assets	-0.7%	-0.2%	-0.4%	1.0%	1.2%
Credit quality					
Provision for non performing loans	62.4%	67.8%	59.3%	55.6%	50.0%
Share of non performing loans	0.7%	0.6%	0.8%	0.9%	1.5%
Loan loss ratio	1.8%	1.4%	2.1%	1.9%	1.3%
Other information					
Average number of employees	1,061	1,069	932	1,067	846

1) Calculated according to each year's applicable tax rate.

For definitions and explanations to above mentioned key figures please refer to page 71 of this report.

Income statement

SEK 000	Note	2022	2021
Interest income calculated according to the effective interest method	*5*	1 856 356	1 569 822
Other interest income	*5*	373 086	382 346
Leasing income	*6*	4 030 612	4 008 280
Interest expense	*5*	-404 069	-248 778
Dividends received	*7*	10 129	19 262
Commission income	*8*	559 140	503 473
Commission expense	*8*	-259 854	-268 814
Net commission income		**299 286**	**234 658**
Net gains and losses on financial transactions	*9*	9 664	17 290
Other operating income	*10*	75 445	55 628
Total income		**6 250 509**	**6 038 508**
General administrative expenses	*12*	-1 990 182	-1 859 012
Depreciation/amortisation and impairments of tangible and intangible assets	*23, 24*	-3 763 113	-3 753 768
Other operating expenses	*13*	-190 027	-122 317
of which resolution fee cost		-7 663	-8 333
Total expenses before loan losses		**-5 943 322**	**-5 735 097**
Profit before loan losses		**307 188**	**303 411**
Loan losses, net	*14*	-633 014	-495 534
Impairment of financial assets	*15*	-11 571	-18 944
Operating result		**-337 397**	**-211 068**
Appropriations	*16*	-	96 957
Tax expense	*16*	-3 403	12 910
Net result for the year		**-340 800**	**-101 201**

Report on total comprehensive income for the year

SEK 000	2022	2021
Net result for the year	**-340 800**	**-101 201**
Other comprehensive income		
Items that can be reclassified to net profit for the year		
Translation difference for the year, foreign branches	-1 831	-8 813
Changes in fair value through other comprehensive income	-32 492	1 645
Change in loss allowance for financial assets valued at fair value via other comprehensive income	6 741	-831
Fair value changes for cash flow hedges	139 540	20 719
Tax related to changes in translation differences for the year	-19 950	-53 622
Tax related to changes in financial assets valued at fair value via other comprehensive income	6 617	-339
Tax related to changes in fair value of cash flow hedges	-27 661	-4 576
Other comprehensive income for the year, net of tax	**70 964**	**-45 816**
Total comprehensive income for the year, net of tax	**-269 836**	**-147 017**

Balance sheet

SEK 000	Note	2022	2021
Assets			
Cash		30 138	23 386
Treasury bills	17	2 587 091	2 274 319
Loans to credit institutions	18	2 380 407	1 817 046
Loans to the public	19	26 331 020	24 737 483
Bonds and other interest-bearing securities	20	4 495 980	3 465 763
Shares and participations in associated companies	21	350 561	95 202
Shareholdings in other companies	22	43 304	39 502
Intangible assets	23	593 701	572 123
Tangible assets	24	9 939 561	9 599 975
- Leasing assets		*9 931 266*	*9 591 641*
- Equipment		*8 295*	*8 334*
Other assets	27	1 178 529	892 173
Deferred tax assets	16	121 848	21 982
Prepaid expenses and accrued income	28	365 285	340 116
Total assets		**48 417 424**	**43 879 071**
Liabilities, provisions and equity			
Liabilities to credit institutions	29	535 309	638 686
Deposits from the public	30	33 112 446	26 909 171
Issued securities	31	2 349 379	3 748 933
Other liabilities	32	1 056 784	876 080
Accrued expenses and deferred income	33	1 252 452	1 328 871
Provisions		121 428	117 867
- Provisions for pensions	34	*44 549*	*37 594*
- Deferred tax liabilities	16	*29 111*	*50 189*
- Other provisions		*47 768*	*30 084*
Total liabilities and provisions		**38 427 798**	**33 619 608**
Equity	36		
Restricted equity		**939 617**	**918 451**
Share capital		154 893	154 893
Statutory reserve		193 655	193 655
Fund for development expenses		591 069	569 903
Non-restricted equity		**9 050 009**	**9 341 011**
Share premium reserve		4 479 855	4 479 855
Fund for fair value		314 334	243 372
Retained earnings		4 596 620	4 718 985
Net result for the year		-340 800	-101 201
Total equity		**9 989 626**	**10 259 462**
Total liabilities, provisions and equity		**48 417 424**	**43 879 071**

Statement of changes in equity

	Restricted equity			Non-restricted equity						
					Fund for fair value					
SEK 000	Share capital	Statutory reserve	Fund for develop-ment expenses	Share premium reserve	Fair value reserve	Translation reserve	Cash flow hedge reserve	Retained earnings or losses	Net result for the year	**Total equity**
Opening balance 2021-01-01	**78 994**	**193 655**	**471 640**	**-**	**6 593**	**298 409**	**7 303**	**4 961 237**	**-167 105**	**5 850 726**
Adjustment, correction of misstatement	-	-	-	-	-	-	-23 118	23 118	-	-
Adjusted equity 2021-01-01	**78 994**	**193 655**	**471 640**	**-**	**6 593**	**298 409**	**-15 815**	**4 984 355**	**-167 105**	**5 850 726**
Appropriation of profits	-	-	-	-	-	-	-	-167 105	167 105	-
New share issue	75 899	-	-	4 479 855	-	-	-	-	-	4 555 754
Change in fund for development expenses	-	-	98 264	-	-	-	-	-98 264	-	-
Net result for the year	-	-	-	-	-	-	-	-	-101 201	-101 201
Other comprehensive income for the year	-	-	-	-	475	-62 435	16 144	-	-	-45 816
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**475**	**-62 435**	**16 144**	**-**	**-101 201**	**-147 017**
Closing balance 2021-12-31	**154 893**	**193 655**	**569 903**	**4 479 855**	**7 068**	**235 974**	**329**	**4 718 985**	**-101 201**	**10 259 462**
Opening balance 2022-01-01	**154 893**	**193 655**	**569 903**	**4 479 855**	**7 068**	**235 974**	**329**	**4 718 985**	**-101 201**	**10 259 462**
Appropriation of profits	-	-	-	-	-	-	-	-101 201	101 201	-
Change in fund for development expenses	-	-	21 165	-	-	-	-	-21 165	-	-
Net result for the year	-	-	-	-	-	-	-	-	-340 800	-340 800
Other comprehensive income for the year	-	-	-	-	-19 134	-21 781	111 879	-	-	70 964
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-19 134**	**-21 781**	**111 879**	**-**	**-340 800**	**-269 836**
Closing balance 2022-12-31	**154 893**	**193 655**	**591 069**	**4 479 855**	**-12 067**	**214 193**	**112 208**	**4 596 620**	**-340 800**	**9 989 626**

Cash flow statement

SEK 000	2022	2021
Operating activities		
Operating result	-337 397	-211 068
Of which interest paid	*-411 732*	*-257 112*
Of which interest received	*2 229 443*	*1 952 168*
Adjustment for non-cash items	**4 472 959**	**4 085 695**
Depreciation /amortisation	3 763 113	3 753 768
Loan losses	1 086 377	848 452
Other adjustments	-197 314	-434 435
Income tax paid	-179 216	-82 090
Cash flows from operating activities before changes in working capital	**4 135 562**	**3 874 627**
Cash flows from changes in working capital	**1 873 532**	**-635 897**
Changes in loans to the public	-1 731 481	280 766
Changes in securities	-1 375 109	-1 337 081
Changes in deposits from the public	5 204 664	144 703
Changes in other assets	-255 929	154 763
Changes in other liabilities	31 387	120 953
Cash flows from operating activities	**6 009 094**	**3 238 730**
Investing activities		
Sale of financial assets	13	10 235
Investment in financial assets	-256 895	-71 788
Received dividend	241	318
Change of intangible assets	-250 348	-287 025
Sale of tangible assets	535	-
Acquisition of tangible assets	-1 886	-1 535
Sale of leasing assets	1 091 867	1 127 689
Acquisition of leasing assets	-4 565 494	-4 349 215
Cash flows from investing activities	**-3 981 966**	**-3 571 321**
Financing activities		
Issuance of interest-bearing securities	700 000	1 150 000
Repayment of interest-bearing securities	-2 100 000	-3 786 000
Borrowing from credit institutions	-139 754	-892 415
Amortisation of subordinated liabilities	-	-830 357
New share issue	-	4 555 753
Cash flows from financing activities	**-1 539 754**	**196 980**
Cash flow for the year	**487 374**	**-135 611**
Cash and cash equivalents at beginning of the year	1 830 999	1 919 367
Exchange rate difference in cash and cash equivalents	81 169	47 242
Cash and cash equivalents at the end of the year	**2 399 542**	**1 830 999**

Additional information about change in liabilities from financing activities

SEK 000	2022-01-01	Cash flows (incl. interest)	Foreign exchange movement	2022-12-31
Certificates of deposits	149 976	-49 979	-	99 997
Bonds	3 598 958	-1 349 576	-	2 249 382
Borrowing from credit institutions	629 251	-139 754	34 809	524 306
Subordinated loans	-	-	-	-
Total liabilities from financing activities	**4 378 184**	**-1 539 308**	**34 809**	**2 873 685**

SEK 000	2021-01-01	Cash flows (incl. interest)	Foreign exchange movement	2021-12-31
Certificates of deposits	1 129 206	-979 231	-	149 976
Bonds	5 254 435	-1 655 478	-	3 598 958
Borrowing from credit institutions	1 472 376	-892 415	49 291	629 251
Subordinated loans	830 357	-830 357	-	-
Total liabilities from financing activities	**8 686 373**	**-4 357 481**	**49 291**	**4 378 184**

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 2,410 m (1,840), with deductions for current liabilities to credit institutions SEK 11 m (9). Cash and cash equivalents include blocked funds of SEK 107 m (169).

Notes

1 General information

The annual report is made for Ikano Bank AB (publ), corporate registration number 516406-0922, as of 31 December 2022. Ikano Bank is a limited liability banking company with registered office in Älmhult. 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 28 March 2023 at the latest.

Parent company 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 and possibilities for exceptions 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 ÅRKL, RFR 2 and FFFS2008:25 have been applied. The following accounting principles have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

Ikano Bank applies the exemption rule for legal entities regarding IFRS 16 in RFR 2.

The accounting currency of Ikano Bank is Swedish krona (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 except for certain financial assets that are reported at fair value. 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 acquisition cost, adjusted for write-downs, are:
- Shares and participations in associated companies

Foreign branches

The Bank conducts its operations in seven countries except Sweden. Foreign operations are carried out as branches where operations in Austria is conducted by German branch. 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 within Net gains and losses on financial transactions.

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 2021. Significant assessments related to these estimations are detailed in this note as well as note 3 Risks and risk management, Credit risk.

Provisions for future 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 also covered by loan loss models in accordance with IFRS 9.

Models and assumptions applied in the provisioning for future 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 Loan Losses and impairment 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 2022 are not considered to have had any significant effect on the bank's financial position, results or disclosures for 2022.

The bank applies the changes made in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 regarding the Interest Rate Benchmark Reform Phase 2 starting from January 1, 2021.

The changes in phase 2 include practical relief rules in the accounting when a financial instrument which referrers to an interest rate benchmark which have been replaced with an alternative interest rate benchmark. If the future contractual cash flows for a financial asset or financial liability valued to amortised cost is changed following a change in interest rate benchmark the bank will update the effective rate in order to reflect this. Changes made in identified hedges and hedge documentation due to change in interest rate benchmark is allowed without needing to close the hedging relationship. See more information in note 38.

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 statements.

IFRS 17 Insurance contracts was approved by the EU in November 2021 and should be applied starting January 1, 2023. This standard is not expected to have any material effect on the banks result and financial position. The Bank intends to apply exception rule for legal entities allowed by Financial Supervisory Authority.

No other 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.

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 team 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

Revenue recognition takes place for interest in accordance with IFRS 9, for leasing in accordance with IFRS 16 and RFR 2 and for commissions in accordance with IFRS 15.

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, 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 reported as commission income and consists primarily of services, commissions and fees related to leasing, payment settlements, clearing transactions and account administration. Commission income is reported when the performance commitment or commitments are fulfilled by performing the promised service. The income can be reported at a given time, for example payment commissions, or over time as the service is performed, for example brokerage commissions.

Estimated variable remuneration is only included to such an extent that it is very probable that a material reversal of accumulated income that is reported does not arise when the uncertainty associated with the variable remuneration subsequently ceases.

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 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 gains and losses on financial transactions

The item Net gains and losses on financial transactions includes the realised and unrealised changes in value arising due to financial transactions. Net gains and losses 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 benefits 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 RFR 2. 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 valid 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 of 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 effective per the balance sheet date.

Deferred tax assets regarding deductible temporary differences and deficit deductions are only reported to the extent that it is probable that these will result in a 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 expense 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 simultaneously 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 to 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 principal 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. Information on derivatives classification is provided on the next page.

On the asset side equity instruments are measured at fair value through profit and loss, as long as Ikano Bank does not choose 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 Loan 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 gains and losses 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 where 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 according to cash flow hedging is not applied, equity instruments as well as option linked to its shares in Borgo AB (publ). Financial instruments in this category are measured continuously at fair value with changes recognised in profit and loss.

Financial liabilities measured at amortised cost

This category is constituted of liabilities to credit institutions, deposits from the public, issued securities, as well as other financial liabilities. Other financial liabilities are mainly related to other liabilities and accrued expenses.

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.

Unused credits refer to credit facilities granted to our customers. All approved unused credit card accounts can be terminated with immediate effect to the extent this is permitted under the Consumer Credit Act. Granted irrevocable loan commitments are valid for a limited period of time. 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 however recognised in profit and loss under the item Loan losses, net 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. The Bank has also an option linked to its shares in Borgo AB (publ).

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 loans (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 loans means that the loans 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.

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 as 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 mid-market 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 stock 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 38, 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 38, Financial assets and liabilities. The Bank's valuation of interest- and foreign exchange swaps at fair value is solely based on input data that is directly or indirectly observable in the market.

Instruments that are not listed on an active market can be found in the balance sheet items Treasury bills, Bonds and other interest-bearing securities, Shares and participations in associated companies, Shareholdings in other companies, Other assets (derivatives), Deposits from the public and Other liabilities (derivatives).

Loan losses and impairment of financial instruments

Credit impairment provisions are made based on IFRS 9, which is based on a forward-looking expected loan loss model in which a provision is made already when new loans are granted, based on the financial asset's credit risk.

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. Rules of 90 day quarantine is related to moves from both stage 2 and 3.

No model changes with a material effect on the result have been made during 2022. The increase in loan loss provisions made in 2020 due to the pandemic have been dissolved during the year, as that risk no longer exists. The macro situation has been judged to be of a different nature than what the bank's macro model is able to capture. The bank has therefore manually increased macro reserves for inflation and rising energy prices. The net of these two transactions is a total dissolution of reserves corresponding to SEK 28 m.

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 2022. Instruments in stage 3 remain unaffected by this criterion and currently account for 39 percent (37) of expected credit losses. A halving of the threshold would result in an increase in expected credit losses of 1.4 percent (1.3) or SEK 8.6 m (7.1). Doubling of the threshold would result in a decrease in expected credit losses by 1.6 percent (1.9) or SEK 9.8 m (10).

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%	1,7%	-2,9%	98 728	57%
	Medium	>2% - 5%	8,5%	-8,9%	120 357	16%
	Higher	>5% - <100%	1,2%	-1,4%	392 453	10%
		Total	1,4%	-1,6%	611 538	83%
				Financial instruments subject to the low credit risk exemption	10 248	16%
				Financial instruments in stage 3	451 631	2%
				Manual adjustments	78 126	0%
				Total provisions	**1 151 544**	**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 for each market, the macro variable that best explains the development of credit losses is used, and for the Bank includes for example disposable income, gross domestic product and unemployment. During the quarterly update of forecasts for the variables, a qualitative review is also made to take into account developments that are not captured by the variables. At the end of 2022, the bank has chosen to make a major adjustment for all markets as the models are not considered to capture an environment with strong inflation, high energy prices and rising interest rates. 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 losses. 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 2022. A positive macro scenario would result in a decrease of existing credit impairment provisions by 6.1 percent (5.4) and a negative scenario would increase the same by 7.6 percent (6.4).

Incorporation of forward-looking macroeconomic scenarios

kSEK	Scenarios	Credit impairment provisions resulting from the scenario	Difference from the recognised probability weighted credit impairment
Corporate	Upturn	290 483	-3,2%
	Downturn	312 250	4,1%
Sales Finance and Consumer	Upturn	790 991	-7,1%
	Downturn	927 151	8,9%
Total	Upturn	1 081 474	-6,1%
	Downturn	1 239 401	7,6%

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income comprise mainly of bonds and other interest-bearing securities. Impairment is calculated in line with IFRS 9 and recognised in profit and loss in the line item net gains and losses 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 which can be converted into cash at short notice. Asset quality requirements are high and the investments can be divested before they are regarded to have 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 14.

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. Write-offs on loans with forbearance measures occur to a very limited extent since loans are written off on most markets when sold externally.

Shares and participations in associated companies

Shares and participation in associated companies are valued to acquisition value method. This means that transaction cost is included in the reported value of shares in associated companies. Any received dividends are accounted for as a revenue. A received dividend is however a possible indication to assess potential impairment.

Impairment is reported in the income statement in the line Impairment of financial assets.

Intangible assets

Intangible fixed 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 related to maintenance and investigative work are reported as an expense in the income statement.

The reported acquisition value is reduced by straight-line amortisation over the asset's estimated useful life. Amortisation commences from the date the asset is ready for use. A general amortisation period of 3-5 years is applied, but the useful life is evaluated for each individual asset. The amortisation methods used and residual values 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
- Leasehold Improvement 20 years

The depreciation methods used and residual values of the assets 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.

Assets taken over for protection of claim

Taken over assets are property taken over to secure the claim. In some cases, the bank waives a loan receivable and instead takes over property provided as security for the loan.

An asset that has been taken over to protect the receivable is reported in the balance sheet together with assets of the corresponding type that have been acquired in other way.

All assets taken over to secure the receivable are reported at fair value at the first reporting date and the fair value of the acquired asset is reported in the item Loan losses, net as a recovery. The fair value on the reporting date becomes the asset's acquisition value. In subsequent periods, assets taken over to secure the receivable, are valued in accordance with the applicable valuation principles for the asset class.

Impairment of intangible and tangible assets

The need for impairment of an intangible or tangible asset is tested when there is an indication that the asset's value may have declined. For internally developed assets and 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 of 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. Defined benefit plans are other plans for compensation after termination of employment than defined contribution plans.
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 parts of the pension plans. The Swedish Pension Obligations Vesting Act for calculating the size of the obligation is applied. The commitment is credit-insured by FPG/PRI.

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 34 Provisions for pensions.

Severance pay

An expense for payments in connection 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. This, together with the criteria existing in order for variable remuneration to be paid, is to ensure that compensation system does not encourage 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: https://ikanobank.se/om-banken/ekonomisk-information/.

Provisions

Provisions differ from other liabilities in that there is uncertainty concerning the payment date or the amount to settle the provision. Provisions are recognized in the balance sheet when there is a legal or informal obligation due to a past event, and when it is probable that an outflow 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 reporting 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.

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 lies 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 operational business acts as 1st line of defence with the main responsibility for identification, assessment, mitigation and ownership of risks. Risk Control and Compliance functions is an independent 2nd line of defence and is responsible for oversight and guidance. Internal Audit is the 3rd line of defence and provides independent assurance to the Board.

The Bank's risk strategy identifies, measures, reports and mitigates the risks that the Bank deems to be material. The risk strategy is updated annually in connection 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 methods 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 regulatory and legal risk, but not strategic 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 the guidelines are available to prevent and mitigate losses caused by operational risks.

The Risk Control Function is responsible for establishing and maintaining the Bank's framework for risk management and supporting the coordination of work with operational risk in business operations. Responsibility for managing operational risk lies with each business area. Operational risk assessments are carried out continuously within the Banks identified essential processes to ensure that the risks are identified, managed and documented with action plans.

New products, processes, markets, partners and IT systems are risk assessed before they are implemented. This process is called NPAP (New Product Approval Process). 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 continuously and reported on by the Risk Control Function to the Bank's Board of Directors and management.

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.

Business risk also includes strategic risk, i.e. internal or external threats that negatively affects the organization's ability to reach its strategic goals.

Credit risk

Credit risk is the Bank's main risk and is defined as the risk that the counterparty does not fulfil its obligations. Credit risk arises in lending operations, investing the Bank's operating liquidity, overnight placement and 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 its payment obligations or deliver the securities in accordance with what has been agreed upon. Exposure per counterparty group is limited by internal limits and risk levels.

The Bank's lending operations consist of leasing, factoring, credit card loans and unsecured loans. The Bank applies scoring models in the assessment of credit risk. During the application process these scoring models are used, before a credit is granted, to assess the risk of default . 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 applicable to corporate models. If the risk exceeds the internally accepted maximum risk exposure, the credit is denied. In addition to application scoring, Ikano Bank applies 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 in case of repurchase guarantee is missing.

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 have at the time of application.

Credit assessment takes place based on the information companies' scoring and rating models as well as the banks internal score models and customary credit information with the 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 updated annually and 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.

Realised loan losses are at a lower level than what the bank expected when the pandemic started in 2020. The extra provisions that were taken then as a result of increased payment deferrals and payment reductions were retained in 2021 for evaluation in 2022. The risk of the pandemic has now been deemed to be over and the extra provision that was made has been dissolved.

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 provisions since the credit risk at the reporting date is considered to be immaterial. These accounts are classified as loans to credit institutions below. Accrued interest is reported in the balance sheet item Prepaid expenses and accrued income. The credit impairment provisions are not material.

The table illustrates the maximum credit exposure before and after credit impairment provisions 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

2022 SEK 000	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost according to IFRS 9				
Loans to credit institutions				
AAA	116 249	-	-	116 249
AA+	14 470	-	-	14 470
AA-	1 055 522	-	-	1 055 522
A+	469 292	-	-	469 292
A	672 911	-	-	672 911
A-	50 086	-	-	50 086
BBB+	738	-	-	738
BBB-	1 139	-	-	1 139
Credit impairment provisions	-	-	-	-
Total carrying amount	**2 380 407**	**-**	**-**	**2 380 407**
Loans to the public				
Low	17 498 208	550 518	-	18 048 725
Medium	4 197 788	1 087 566	-	5 285 354
High	1 182 423	2 232 931	435 930	3 851 284
Credit impairment provisions	-166 570	-401 273	-286 549	-854 392
Total carrying amount	**22 711 848**	**3 469 741**	**149 381**	**26 330 971**
Financial assets measured at fair value according to IFRS 9				
Treasury bills				
AAA	1 479 253	-	-	1 479 253
AA+	468 543	-	-	468 543
AA	408 531	-	-	408 531
AA-	230 764	-	-	230 764
Credit impairment provisions	-830	-	-	-830
Total carrying amount	**2 586 261**	**-**	**-**	**2 586 261**
Bonds and other interest-bearing securities				
AAA	1 933 317	-	-	1 933 317
AA+	56 108	-	-	56 108
AA-	49 767	-	-	49 767
A+	-	-	-	-
A	494 294	-	-	494 294
A-	1 271 861	-	-	1 271 861
BBB+	690 633	-	-	690 633
Credit impairment provisions	-9 418	-	-	-9 418
Total carrying amount	**4 486 562**	**-**	**-**	**4 486 562**
Total gross carrying amount for financial assets measured at amortised cost or fair value through other comprehensive income	**31 616 192**	**3 871 014**	**435 930**	**35 923 137**
Total credit impairment provisions	**-176 819**	**-401 273**	**-286 549**	**-864 641**
Total carrying amount	**31 439 374**	**3 469 741**	**149 381**	**35 058 496**
Leasing objects including trade recievables leasing				
Low	4 130 388	493 337	-	4 623 725
Medium	2 001 754	1 759 887	-	3 761 640
High	341 473	1 558 548	288 101	2 188 122
Credit impairment provisions	-15 578	-83 498	-165 080	-264 156
Total carrying amount	**6 458 037**	**3 728 273**	**123 021**	**10 309 332**
Commitments and undrawn limits				
Low	22 733 418	147 946	-	22 881 363
Medium	5 135 753	136 919	-	5 272 672
High	270 041	369 565	-	639 606
Credit impairment provisions	-12 561	-10 186	-	-22 747
Total commitments and undrawn limits	**28 126 650**	**644 244**	**-**	**28 770 894**

2021

SEK 000	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost according to IFRS 9				
Loans to credit institutions				
AAA	21 771	-	-	21 771
AA	685 390	-	-	685 390
A	1 100 289	-	-	1 100 289
BBB	9 597	-	-	9 597
Credit impairment provisions	-	-	-	-
Total carrying amount	**1 817 046**	**-**	**-**	**1 817 046**
Loans to the public				
Low	17 519 264	393 109	-	17 912 373
Medium	3 397 954	909 902	-	4 307 856
High	843 164	2 009 357	417 927	3 270 449
Credit impairment provisions	-143 615	-315 588	-293 992	-753 195
Total carrying amount	**21 616 767**	**2 996 781**	**123 935**	**24 737 483**
Financial assets measured at fair value according to IFRS 9				
Treasury bills				
AAA	1 189 181	-	-	1 189 181
AA+	547 021	-	-	547 021
AA	305 673	-	-	305 673
AA-	232 444	-	-	232 444
Credit impairment provisions	-1 039	-	-	-1 039
Total carrying amount	**2 273 280**	**-**	**-**	**2 273 280**
Bonds and other interest-bearing securities				
AAA	2 178 419	-	-	2 178 419
AA+	129 221	-	-	129 221
AA-	50 040	-	-	50 040
A+	20 009	-	-	20 009
A	131 770	-	-	131 770
A-	750 599	-	-	750 599
BBB+	205 706	-	-	205 706
Credit impairment provisions	-2 469	-	-	-2 469
Total carrying amount	**3 463 294**	**-**	**-**	**3 463 294**
Total gross carrying amount for financial assets measured at amortised cost or fair value through other comprehensive income	**29 316 471**	**3 312 369**	**417 927**	**33 046 767**
Total credit impairment provisions	**-147 123**	**-315 588**	**-293 992**	**-756 703**
Total carrying amount	**29 169 348**	**2 996 781**	**123 935**	**32 290 065**
Leasing objects including trade recievables leasing				
Low	3 711 866	556 359	-	4 268 225
Medium	1 374 479	2 185 601	-	3 560 080
High	212 110	2 028 708	262 944	2 503 762
Credit impairment provisions	-13 794	-161 179	-167 740	-342 714
Total carrying amount	**5 284 661**	**4 609 489**	**95 203**	**9 989 354**
Commitments and undrawn limits				
Low	27 419 942	137 812	-	27 557 754
Medium	3 131 030	244 149	-	3 375 179
High	890 196	469 231	-	1 359 427
Credit impairment provisions	-12 479	-10 998	-	-23 476
Total commitments and undrawn limits	**31 428 690**	**840 194**	**-**	**32 268 883**

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	2022	2021
Loan receivables, gross		
- household sector	26 075 193	24 689 383
- corporate sector	11 502 045	10 988 924
- public sector	181 612	144 438
Total	**37 758 851**	**35 822 745**
Of which:		
Non performing loans	**724 034**	**680 873**
- household sector	401 486	386 029
- corporate sector	322 321	290 721
- public sector	227	4 123
Less:		
Specific impairment for individually assessed loans	**1 118 549**	**1 101 209**
- household sector	823 955	739 083
- corporate sector	294 187	360 826
- public sector	406	1 299
Loan receivables, net reported value		
- household sector	25 251 238	23 950 300
- corporate sector	11 207 858	10 628 098
- public sector	181 206	143 139
Total	**36 640 303**	**34 721 536**

Credit impairment provisions increased by SEK 29 m during 2022.

Provisions have mainly increased in stage 1 due to portfolio purchases in Denmark. Overall, the reservation rate in each step has decreased slightly during the year.

Credit risk exposure for financial assets not subject to credit impairment provisions

Maximum exposure to credit risk for financial assets that are 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	149 367	-74 043	223 411
Total carrying amount	**149 367**	**-74 043**	**223 411**

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

In the balance sheet, no amounts have been offset for 2022 or 2021.

Amounts not offset in the balance sheet are presented as a reduction of the reported value of financial assets and liabilities to disclose the net exposure of the asset and liability. 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.

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.

2022 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	149 367	-	149 367	-234 381	106 958	21 944
Total financial assets	**149 367**	**-**	**149 367**	**-234 381**	**106 958**	**21 944**
Derivatives	234 381	-	234 381	-234 381	-32 915	-32 915
Total financial liabilities	**234 381**	**-**	**234 381**	**-234 381**	**-32 915**	**-32 915**

2021 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	10 074	-	10 074	-187 699	168 523	-9 101
Total financial assets	**10 074**	**-**	**10 074**	**-187 699**	**168 523**	**-9 101**
Derivatives	187 699	-	187 699	-187 699	-	-
Total financial liabilities	**187 699**	**-**	**187 699**	**-187 699**	**-**	**-**

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.

2022 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	-	394	394	-	-
Interest-bearing securities	-	7 083	7 043	-	-
Other assets	275	40 665	40 665	-	-
Total	**275**	**48 142**	**48 102**	**-**	-

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	234	275

2021 SEK	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	-	135	135	-	-
Interest-bearing securities	-	5 740	5 754	-	-
Other assets	215	37 789	37 789	-	-
Total	**215**	**43 664**	**43 677**	**-**	**-**

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	188	215

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 on 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 on the Bank's liquidity limits specified in the Bank's steering documents. Liquidity planning is a significant component of the liquidity management. 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, that the liquidity reserve decreases in value, that customers' utilization rate of credits increases and that access to market financing is severely limited and, in some cases, completely ceased. The Bank has a contingency funding plan containing action plans in the event that disruptions in the liquidity supply occurs. 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 regarding 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 contractual remaining maturity of the reported cash flows as per 31 December 2022. 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 is to take place. Analysis 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 therefore distributed, in practice, 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 behaviour.

The Bank's risk appetite is defined by two different measures of liquidity: survival horizon and liquidity coverage ratio. 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 125 percent according to the bank's internal limit. 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

2022 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	30	-	-	-	-	-	-	-	-	**30**	-
Treasury bills	-	670	254	702	693	53	215	-	-	**2 587**	961
Loans to credit institutions	2 380	-	-	-	-	-	-	-	-	**2 380**	-
Loans to the public	-	3 246	1 677	2 924	3 994	2 471	2 745	3 618	5 657	**26 331**	11 020
Leasing receivables	-	1 394	841	1 461	2 534	1 900	1 875	303	-	**10 309**	6 491
Bonds and other interest-bearing securities	-	1 445	783	693	1 013	562	-	-	-	**4 496**	1 575
Derivatives	-	3	3	10	47	51	30	14	-	**163**	142
Other assets	-	-	-	-	-	-	-	-	2 120	**2 120**	-
Total assets	**2 411**	**6 764**	**3 559**	**5 790**	**8 282**	**5 036**	**4 864**	**3 934**	**7 778**	**48 417**	**20 189**
Liabilities and equity											
Liabilities to credit institutions	-	99	55	110	220	51	-	-	-	**535**	271
Deposits from the public	29 574	624	405	871	1 056	456	126	-	-	**33 112**	1 716
Derivatives	-	227	6	-	0	-	1	-	-	**234**	1
Issued securities	-	100	250	600	900	500	-	-	-	**2 349**	1 400
Other liabilities	-	-	-	-	-	-	-	-	822	**822**	-
Accrued expenses and prepaid income	-	-	-	-	-	-	-	-	1 252	**1 252**	-
Provisions	-	-	-	-	-	-	-	-	121	**121**	-
Equity and untaxed reserves	-	-	-	-	-	-	-	-	9 990	**9 990**	-
Total liabilities and equity	**29 574**	**1 050**	**716**	**1 581**	**2 176**	**1 007**	**127**	**-**	**12 186**	**48 417**	**3 388**
Loan promises and unused credit limits	28 794	-	-	-	-	-	-	-	-	**28 794**	
Operational lease agreements	-	16	16	32	17	17	17	-	-	**115**	
Total difference	**-55 958**	**5 698**	**2 827**	**4 177**	**6 089**	**4 012**	**4 720**	**3 934**	**-4 408**	**-28 908**	

2021 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	23	-	-	-	-	-	-	-	-	**23**	-
Treasury bills	-	299	339	204	728	433	271	-	-	**2 274**	1 433
Loans to credit institutions	1 817	-	-	-	-	-	-	-	-	**1 817**	-
Loans to the public	-	2 978	1 503	2 752	3 813	2 425	2 606	3 215	5 447	**24 737**	11 462
Leasing receivables	-	1 435	841	1 546	2 517	1 774	1 597	273	-	**9 984**	6 243
Bonds and other interest-bearing securities	-	604	581	413	865	561	442	-	-	**3 466**	1 868
Derivatives	-	0	-	0	1	2	7	-	-	**10**	10
Other assets	-	-	-	-	-	-	-	-	1 567	**1 567**	-
Total assets	**1 840**	**5 315**	**3 264**	**4 915**	**7 924**	**5 195**	**4 923**	**3 489**	**7 013**	**43 879**	**21 016**
Liabilities and equity											
Liabilities to credit institutions	-	49	40	91	206	206	47	-	-	**639**	459
Deposits from the public	23 993	494	372	764	677	302	308	-	-	**26 909**	1 287
Derivatives	-	164	22	0	2	-	-	-	-	**188**	2
Issued securities	-	150	300	1 550	850	900	-	-	-	**3 749**	1 749
Other liabilities	-	-	-	-	-	-	-	-	688	**688**	-
Accrued expenses and prepaid income	-	-	-	-	-	-	-	-	1 329	**1 329**	-
Provisions	-	-	-	-	-	-	-	-	118	**118**	-
Equity and untaxed reserves	-	-	-	-	-	-	-	-	10 259	**10 259**	-
Total liabilities and equity	**23 993**	**856**	**733**	**2 405**	**1 735**	**1 407**	**356**	**-**	**12 395**	**43 879**	**3 497**
Loan promises and unused credit limits	29 780	-	-	-	-	-	-	-	-	**29 780**	
Operational lease agreements	-	16	16	31	13	13	26	-	-	**115**	
Total difference	**-51 933**	**4 443**	**2 515**	**2 479**	**6 177**	**3 775**	**4 541**	**3 489**	**-5 381**	**-29 895**	

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

2022 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	30	-	-	-	-	-	-	-	-	**30**
Treasury bills	-	683	264	728	776	59	213	-	-	**2 723**
Loans to credit institutions	2 380	-	-	-	-	-	-	-	-	**2 380**
Loans to the public	-	3 597	1 996	3 488	4 899	3 149	3 668	3 958	5 657	**30 413**
Leasing receivables	-	1 161	972	1 685	2 861	2 090	2 024	320	-	**11 114**
Bonds and other interest-bearing securities	-	1 473	806	728	998	565	-	-	-	**4 570**
Derivatives	-	13	23	52	72	31	22	1	-	**214**
Other assets	-	-	-	-	-1	-	-	-	2 120	**2 120**
Total assets	**2 411**	**6 928**	**4 061**	**6 681**	**9 606**	**5 894**	**5 927**	**4 279**	**7 778**	**53 565**
Liabilities and equity										
Liabilities to credit institutions	-	102	58	114	224	52	-	-	-	**549**
Deposits from the public	29 574	644	421	897	1 083	464	129	-	-	**33 213**
Derivatives	-	3	7	9	18	10	14	1	-	**61**
Issued securities	-	116	266	629	930	503	0	-	-	**2 444**
Other liabilities	-	-	-	-	-	-	-	-	2 196	**2 196**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	9 990	**9 990**
Total liabilities and equity	**29 574**	**865**	**752**	**1 649**	**2 256**	**1 029**	**142**	**1**	**12 186**	**48 454**
Loan promises and unused credit limits	28 794	-	-	-	-	-	-	-	-	**28 794**
Operational lease agreements	-	16	16	32	17	17	17	-	-	**115**
Total difference	**-55 958**	**6 047**	**3 294**	**5 000**	**7 333**	**4 847**	**5 768**	**4 279**	**-4 408**	**-23 798**

2021 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	23	-	-	-	-	-	-	-	-	**23**
Treasury bills	-	304	346	214	728	429	264	-	-	**2 285**
Loans to credit institutions	1 817	-	-	-	-	-	-	-	-	**1 817**
Loans to the public	-	3 127	1 709	3 069	4 354	2 875	3 210	3 715	5 475	**27 535**
Leasing receivables	-	1 660	980	1 758	2 823	1 955	1 732	294	-	**11 203**
Bonds and other interest-bearing securities	-	609	585	420	867	557	432	-	-	**3 471**
Derivatives	-	3	2	5	7	5	4	-	-	**26**
Other assets	-	-	-	-	-1	-	-	-	1 567	**1 567**
Total assets	**1 840**	**5 704**	**3 622**	**5 465**	**8 780**	**5 822**	**5 642**	**4 010**	**7 042**	**47 927**
Liabilities and equity										
Liabilities to credit institutions	-	9	-	0	-	481	156	-	-	**647**
Deposits from the public	24 009	478	372	765	681	305	315	-	-	**26 926**
Derivatives	-	3	5	6	5	-	-	-	-	**19**
Issued securities	-	157	307	1 562	863	904	-	-	-	**3 793**
Other liabilities	-	-	-	-	-	-	-	-	2 135	**2 135**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	10 259	**10 259**
Total liabilities and equity	**24 009**	**648**	**685**	**2 334**	**1 548**	**1 690**	**472**	**-**	**12 395**	**43 780**
Loan promises and unused credit limits	29 780	-	-	-	-	-	-	-	-	**29 780**
Operational lease agreements	-	16	16	31	13	13	26	-	-	**115**
Total difference	**-51 949**	**5 040**	**2 922**	**3 101**	**7 218**	**4 118**	**5 144**	**4 010**	**-5 353**	**-25 749**

Ikano Bank's liquidity is managed within the framework of the Bank's liquidity portfolio. The liquidity portfolio consists of bank deposits, short-term loans 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 3 percent of deposits from the public. Consequently, the liquidity portfolio shall always amount to at least 13 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. The assets are to be available for realisation and conversion into cash at short notice. Unused bank overdraft facilities are not included in the liquidity portfolio.

The Bank's operating liquidity is managed in the investment portfolio. The assets in the portfolio consist of interest-bearing securities. Investments in this portfolio are to have a minimum rating of BBB+ rating according to Standard and Poor's (or equivalent according to Moody's).

The Bank's liquidity reserve amounts to SEK 4,535 m (4,465) and consists of high quality liquid assets which are eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 31 December 2022 totalled SEK 9,240 m (7,379) excluding overdraft facilities and constitutes 28 percent (27) of deposits from the public. It includes cash and balances with banks of SEK 2,135 m (1,625), the liquidity reserve of SEK 4,535 m (4,465) and other interest-bearing securities of SEK 2,570 m (1,288). 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 1,046 m (1,051) are available. As of 31 December 2022, the Bank's liquidity reserve according to the LCR act delegated by the EU commission totalled 372 percent (281). 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. Net Stable Funding Ratio (NSFR) for Ikano Bank was 137 percent (135) at year-end 2022. More information on liquidity is available in the report Periodic information on capital adequacy and liquidity, available at the Bank's webpage https://ikanobank.se/om-banken/ekonomisk-information/.

Summary of liquidity reserve

2022 SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	2 594	1 786	55	343	410	-
Securities issued by financial corporations	503	273	230	-	-	-
Covered bonds	1 437	1 292	146	-	-	-
Liquidity reserv	**4 535**	**3 351**	**431**	**343**	**410**	-
	-	-	-	-	-	-
Other operating liquidity invested in securities	2 570	2 570	-	-	-	-
Cash and balances in central banks and other banks	2 135	1 396	135	158	345	103
Total liquidity portfolio	**9 240**	**7 316**	**566**	**501**	**754**	**103**
Distribution per currency (%)	100%	79%	6%	5%	8%	1%
Other liquidity creating measures	-	-	-	-	-	-
Granted unused credit facilities	1 046	600	446	-	-	-

2021 SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	2 283	1 773	-	104	406	-
Securities issued by financial corporations	193	5	188	-	-	-
Covered bonds	1 989	1 402	524	63	-	-
Liquidity reserv	**4 465**	**3 181**	**712**	**167**	**406**	-
	-	-	-	-	-	-
Other operating liquidity invested in securities	1 288	1 288	-	-	-	-
Cash and balances in central banks and other banks	1 625	930	109	35	345	206
Total liquidity portfolio	**7 379**	**5 399**	**820**	**202**	**751**	**206**
Distribution per currency (%)	100%	73%	11%	3%	10%	3%
Other liquidity creating measures	-	-	-	-	-	-
Granted unused credit facilities	1 051	600	435	-	-	16

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 hedging, according to the rules in IFRS 9, for parts of the deposits at variable interest because the hedged risk is uncertainty in future interest cash flows. Cash flow hedges are used to hedge the risk of changes in future cash flows as a result of changes in the reference interest rate, which is an observable and reliably measurable component of the total interest rate risk and in the cash flows of the hedged item. Other risk components, such as the credit risk component, are not included in the hedging relationship. Interest rate swaps are used for hedging. The interest rate swaps are valued at fair value in the balance sheet. In the income statement, accrued and paid interest is reported as interest expense and other changes in the value of the interest rate swap are reported in other comprehensive income and accumulated in the fund for fair value in equity to the extent that the hedge was effective until the hedged item affects income statement. All ineffectiveness from the hedging is reported in the income statement in the result item Net gains and losses on financial transactions and amounts to SEK -6,5 m (0,4) for 2022. Possible causes of inefficiency identified for this type of hedging relationship are:

- Different interest rate adjustment days for hedging instruments compared to the hedged item
- Credit risk that affects the valuation of hedging instruments but whose counterpart does not exist for the hedged item

The financial relationship between the hedged item and the hedging instruments is established based on a qualitative analysis of the critical conditions. The critical terms are currency, maturity date, nominal amount, reference rate and interest rate adjustment date. The financial connection is deemed to be strong as the critical conditions in the hedging instrument correspond to a high degree with the critical conditions in the hedged item.

The bank also applies fair value hedge accounting for part of the lending at fixed interest rates, according to the rules in IAS 39. Fair value hedge accounting is used to hedge the risk of changes in fair value as a result of changes in the reference interest rate, which is an observable and reliably measurable component of the total interest rate risk and of the fair value of the hedged item. Other risk components, for example the credit risk component, are not included in the hedging relationship. The hedging instrument and the hedged item are both valued at fair value in the income statement item Net gains and losses on financial transactions and the booked inefficiency for 2022 is SEK 0,1 m (0). Possible causes of inefficiency identified for this type of hedging relationship are:

- Changes in fair value from the moving leg of the hedging instrument whose counterpart is not in the hedged item
- Credit risk that affects the valuation of hedging instruments but whose counterpart does not exist for the hedged item

The bank also limits the interest rate risk separately for the investments and the borrowing portfolio that the treasury function handles. These measures entail an indirect limitation of volume and fixed interest periods on the bank's interest-bearing investments as well as total net exposure.

The fixed interest period for the bank's assets and liabilities in the balance sheet as well as items outside the balance sheet is reported in the table below. A sensitivity analysis shows that if the market interest rate changes by one (1) percentage point, the net interest income for the next twelve-month period increases/decreases by SEK 36,9 m (30,6), given the interest-bearing assets and liabilities that exist as of the balance sheet date. A parallel shift of the yield curve upwards by one (1) percentage point would have an impact on equity after tax of SEK -15,8 m (-17,1) and SEK 16,3 m (17,8) with a parallel shift of the yield curve downwards.

As of 31 December 2022, the bank had interest rate swaps with a contract value of SEK 3,346 m (3,035). The net fair value of the swaps on December 31, 2022 amounted to SEK 144,9 m (6,8), consisting of assets of SEK 146,3 m (10,2) and liabilities of SEK 1,4 m (3,4). Hedge accounting is applied to 100% of all interest rate swaps.

Interest rate exposure – fixed interest periods for assets and liabilities

2022 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	-	-	-	-	-	30	**30**	0.0 years
Treasury bills	1 560	204	459	364	-	-	**2 587**	0.4 years
Loans to credit institutions	2 380	-	-	-	-	-	**2 380**	0.1 years
Loans to the public	15 206	1 985	4 597	4 174	370	-	**26 331**	0.7 years
Leasing receivables	8 068	215	382	1 567	77	-	**10 309**	0.6 years
Bonds and other interest-bearing securities	3 788	341	228	140	-	-	**4 496**	0.2 years
Other assets	63	87	-	-	-	2 133	**2 284**	0.0 years
Total assets	**31 065**	**2 832**	**5 665**	**6 245**	**447**	**2 163**	**48 417**	
Liabilities and equity								
Liabilities to credit institutions	394	13	26	103	-	-	**535**	0.5 years
Deposits from the public	26 356	1 249	1 957	3 440	110	-	**33 112**	0.4 years
Issued securities	2 349	-	-	-	-	-	**2 349**	0.1 years
Other liabilities	1 827	6	-	-	-	598	**2 431**	0.1 years
Equity and untaxed reserves	-	-	-	-	-	9 990	**9 990**	0.0 years
Total liabilities and equity	**30 926**	**1 268**	**1 983**	**3 543**	**110**	**10 587**	**48 417**	
Difference assets and liabilities	**139**	**1 562**	**3 682**	**2 702**	**337**	**-8 424**	**-**	
Interest rate derivatives, long positions [1)]	1 777	1 569	-	-	-	-	**3 346**	
Interest rate derivatives, short positions [1)]	669	223	335	2 063	56	-	**3 346**	

2021 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	-	-	-	-	-	23	**23**	0.0 years
Treasury bills	1 291	289	204	491	-	-	**2 274**	0.6 years
Loans to credit institutions	1 817	-	-	-	-	-	**1 817**	0.1 years
Loans to the public	13 684	1 847	3 845	4 689	673	-	**24 737**	0.8 years
Leasing receivables	8 126	179	325	1 291	62	-	**9 984**	0.5 years
Bonds and other interest-bearing securities	2 603	422	114	327	-	-	**3 466**	0.3 years
Other assets	3	8	-	-	-	1 567	**1 577**	0.0 years
Total assets	**27 525**	**2 745**	**4 487**	**6 798**	**735**	**1 590**	**43 879**	
Liabilities and equity								
Liabilities to credit institutions	639	-	-	-	-	-	**639**	0.1 years
Deposits from the public	22 687	750	1 071	2 402	-	-	**26 909**	0.4 years
Issued securities	3 749	-	-	-	-	-	**3 749**	0.1 years
Other liabilities	1 478	24	-	-	-	821	**2 323**	0.1 years
Equity and untaxed reserves	-	-	-	-	-	10 259	**10 259**	0.0 years
Total liabilities and equity	**28 552**	**773**	**1 071**	**2 402**	**-**	**11 081**	**43 879**	
Difference assets and liabilities	**-1 028**	**1 971**	**3 417**	**4 396**	**735**	**-9 491**	**-**	
Interest rate derivatives, long positions [1)]	1 337	1 698	-	-	-	-	**3 035**	
Interest rate derivatives, short positions [1)]	-	412	360	2 263	-	-	**3 035**	

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.

2022 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						
Currency-related contracts						
Swappar	-229 073	-	-	-229 073	3 942	-233 015
Share-related contracts						
Options	-	-	13 803	13 803	13 803	-
Total	**-229 073**	**-**	**13 803**	**-215 270**	**17 745**	**-233 015**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	17 527	127 753	1 017	146 297	146 297	-
Total	**17 527**	**127 753**	**1 017**	**146 297**	**146 297**	**-**
Derivatives for cash flow hedges						
Interest-related contracts						
Swaps	-	-1 366	-	-1 366	-	-1 366
Total	**-**	**-1 366**	**-**	**-1 366**	**-**	**-1 366**
Total sum	**-211 546**	**126 387**	**14 819**	**-70 340**	**164 041**	**-234 381**

2021 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						
Currency-related contracts						
Swaps	-184 119	-	-	-184 119	174	-184 292
Share-related instrument				-	-	-
Options	-	-	-	-	-	-
Total	**-184 119**	**-**	**-**	**-184 119**	**174**	**-184 292**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	-1 361	8 152	-	6 791	10 197	-3 406
Total	**-1 361**	**8 152**	**-**	**6 791**	**10 197**	**-3 406**
Derivatives for cash flow hedges						
Interest-related contracts						
Swaps	-	-	-	-	-	-
Summa	-	-	-	-	-	-
Total sum	**-185 480**	**8 152**	**-**	**-177 328**	**10 371**	**-187 699**

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.

kSEK	Nominal amount	Carrying amount Assets	Liabilities	Balance sheet item where the hedge instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Item in income statement that includes hedge ineffectiveness
Interest swap contract cash flow hedge						
Interest rate swaps, positive values	3 179 232	146 297		Other assets	-3 318	Net gains and losses on financial transactions
Interest rate swaps, negative values				Other liabilities		Net gains and losses on financial transactions
Interest swap contract fair value hedge						
Interest rate swaps, positive values				Other assets		Net gains and losses on financial transactions
Interest rate swaps, negative values	166 887		1 366	Other liabilities	-1 552	Net gains and losses on financial transactions

Hedged items cash flow hedges

kSEK	Nominal amount	Balance sheet item in which the hedge item is included	used for calculating hedge ineffectiveness	Hedge reserve	Hedge ineffectiveness recognised in the income statement	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Hedge item						
Deposits from the public	3 179 232	Deposits from the public	-9 848	112 208	-6 530	-

Hedged items in fair value hedge

kSEK	Nominal amount	Balance sheet item in which the hedge item is included	used for calculating hedge ineffectiveness	Changes in value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in the income statement	Balances remaining in the fair value hedge from hedging relationships for which hedge accounting is no longer applied
Hedge item						
Loans to the public (Portfolio hedge)	166 887	Deposits from the public	1 636	-1 552	84	-

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 -4,9 m (-4,5).

In the Bank's income statement, exchange rate results with SEK 2,5 m (8,9) 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

2022 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	**Total**
Assets							
Treasury bills	2 179	-	409	-	-	-	**2 587**
Loans to credit institutions	1 502	266	345	158	6	134	**2 411**
Loans to the public	8 259	7 073	5 321	3 265	1 160	1 253	**26 331**
Leasing receivables	4 701	1 323	-	2 928	1 358	-	**10 309**
Bonds and other interest-bearing securities	4 123	373	-	-	-	-	**4 496**
Other assets	1 189	408	70	437	143	37	**2 283**
Total assets	**21 953**	**9 443**	**6 144**	**6 788**	**2 667**	**1 424**	**48 417**
Nominal amount currency derivative	10 371	-	-	-	-	-	**10 371**
Liabilities and equity							
Liabilities to credit institutions	44	360	-	0	131	-	**535**
Deposits from the public	18 861	6 459	3 713	4 080	-	-	**33 112**
Issued securities	2 349	-	-	-	-	-	**2 349**
Other liablities incl. Equity	11 260	357	147	326	197	133	**12 420**
Total equity and liabilities	**32 514**	**7 176**	**3 860**	**4 406**	**328**	**133**	**48 417**
Nominal amount currency derivative	-	2 167	2 302	2 433	2 359	1 349	**10 610**
Differences between assets and liabilities, incl. Nominal amount currency derivative	-190	100	-18	-52	-20	-58	-239
Equity	10 328	-98	-244	46	-8	-33	9 990
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		10.0	10.0	5.2	-2.0	-5.8	-4.9
Effect on equity of a 10% increase in the exchange rate in SEK against foreign currency		-9.8	-24.4	4.6	-0.8	-3.3	-33.8

2021 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	**Total**
Assets							
Treasury bills	1 870	-	404	-	-	-	**2 274**
Loans to credit institutions	1 098	144	345	35	142	76	**1 840**
Loans to the public	8 329	6 343	6 321	1 810	1 131	803	**24 737**
Leasing receivables	5 083	977	-	2 635	1 295	-	**9 989**
Bonds and other interest-bearing securities	2 693	710	-	63	-	-	**3 466**
Other assets	1 181	98	43	175	55	19	**1 572**
Total assets	**20 254**	**8 272**	**7 114**	**4 718**	**2 624**	**898**	**43 879**
Nominal amount currency derivative	7 909	-	-	-	-	-	**7 909**
Liabilities and equity							
Liabilities to credit institutions	9	439	-	0	190	-	**639**
Deposits from the public	13 060	6 282	3 116	4 452	-	-	**26 909**
Issued securities	3 749	-	-	-	-	-	**3 749**
Other liablities incl. Equity	11 492	231	319	250	323	-32	**12 582**
Total equity and liabilities	**28 310**	**6 952**	**3 434**	**4 702**	**513**	**-32**	**43 879**
Nominal amount currency derivative	-	1 267	3 746	-	2 135	953	**8 101**
Differences between assets and liabilities, incl. Nominal amount currency derivative	-147	52	-67	17	-24	-23	-192
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		5.2	-6.7	1.7	-2.4	-2.3	-4.5

4 Operating segments

2022 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions [1]	Total before eliminations	Eliminations	Total
Interest income	842	419	110	29	520	496	130	638	3 183	-954	2 229
Interest expense	-393	-80	-68	-11	-159	-65	-57	-525	-1 358	954	-404
Total net interest income	**449**	**339**	**42**	**18**	**361**	**431**	**73**	**112**	**1 825**	**0**	**1 825**
Payment service commissions	8	1	-	0	-	9	-	-	18	-	18
Lending commissions	133	66	40	18	25	11	1	0	295	-	295
Compensation, mediated insurance	122	23	28	1	0	43	7	-	224	-	224
Other commissions	11	3	7	0	0	0	0	-	22	-	22
Commission income	**273**	**94**	**74**	**20**	**25**	**64**	**8**	**0**	**559**	**-**	**559**
Commission expense	-105	-16	-51	-9	-34	-32	-6	-2	-255	-	-255
Commission, net	**168**	**78**	**24**	**11**	**-8**	**32**	**2**	**-2**	**304**	**-**	**304**
Lease income	1 974	1 082	571	404	-	-	-	-	4 031	0	4 031
Depreciation on leasing assets	-1 714	-960	-498	-360	-	-	-	-	-3 533	-	-3 533
Leasing Income, net	**260**	**122**	**73**	**44**	**-**	**-**	**-**	**-**	**498**	**0**	**498**
Net Interest, fee and leasing income	**877**	**538**	**138**	**73**	**353**	**463**	**75**	**110**	**2 628**	**-**	**2 628**
Other income	41	14	25	4	1	2	2	932	1 020	-937	84
Other direct expenses	-46	-12	-10	-5	-46	-23	-1	-2	-144	-	-144
Operating margin before net loan losses and operational expenses	**871**	**541**	**153**	**72**	**308**	**442**	**77**	**1 041**	**3 505**	**-937**	**2 568**
Other expenses	-910	-483	-182	-79	-554	-541	-103	-1 001	-3 853	970	-2 883
Allocated overhead expenses	4	2	0	1	2	1	1	-	11	-33	-22
Operating result	**-35**	**60**	**-28**	**-5**	**-245**	**-98**	**-25**	**39**	**-337**	**0**	**-337**
Of which:											
Total internal income	*0*	*45*	*-*	*-*	*69*	*33*	*-*	*1744*	*1891*	*-1891*	*-*
Total external income2)	*1 232*	*604*	*282*	*97*	*477*	*529*	*141*	*10*	*3 372*	*-*	*3 372*
Total internal expenses	*-232*	*-180*	*-154*	*-82*	*-386*	*-249*	*-52*	*-556*	*-1891*	*1891*	*-*
Appropriations	-	-	-	-	-	-	-	-	-	-	-
Tax expense	-	-17	2	-	-	5	-7	13	-3	-	-3
Net result for the year	**-35**	**43**	**-26**	**-5**	**-245**	**-93**	**-32**	**53**	**-341**	**0**	**-341**

2021 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions [1]	Total before eliminations	Eliminations	Total
Interest income	716	238	125	27	538	480	61	361	2 544	-592	1 952
Interest expense	-235	-46	-39	-7	-151	-44	-9	-310	-841	592	-249
Total net interest income	**480**	**192**	**86**	**19**	**387**	**435**	**53**	**50**	**1 703**	**-**	**1 703**
Payment service commissions	5	1	-	0	-	7	-	-	13	-	13
Lending commissions	135	31	40	18	23	11	2	-	260	-	260
Compensation, mediated insurance	120	19	28	2	0	38	6	-	213	-	213
Other commissions	8	3	6	0	1	0	0	-	18	-	18
Commission income	**268**	**53**	**74**	**20**	**24**	**57**	**8**	**-**	**503**	**-**	**503**
Commission expense	-113	-15	-41	-8	-48	-35	-6	-3	-269	-	-269
Commission, net	**155**	**39**	**33**	**12**	**-25**	**21**	**2**	**-3**	**234**	**-**	**234**
Lease income	2 069	1 035	578	327	-	-	-	-	4 008	-	4 008
Depreciation on leasing assets	-1 826	-926	-499	-292	-	-	-	-	-3 542	-	-3 542
Leasing Income, net	**243**	**109**	**79**	**35**	**-**	**-**	**-**	**-**	**466**	**-**	**466**
Net Interest, fee and leasing income	**879**	**340**	**198**	**66**	**362**	**457**	**55**	**48**	**2 404**	**-**	**2 404**
Other income	36	11	14	4	1	2	1	829	899	-826	73
Other direct expenses	-34	-7	-12	-4	-13	-24	0	-2	-96	-	-96
Operating margin before net loan losses and operational expenses	**881**	**344**	**200**	**66**	**350**	**436**	**56**	**875**	**3 208**	**-826**	**2 381**
Other expenses	-929	-319	-176	-72	-481	-478	-59	-905	-3 420	846	-2 573
Allocated overhead expenses	2	1	0	1	0	-2	0	-	1	-20	-19
Operating result	**-46**	**26**	**24**	**-5**	**-131**	**-44**	**-4**	**-30**	**-211 -**	**0**	**-211**
Of which:											
Total internal income	*118*	*32*	*-*	*-*	*60*	*16*	*-*	*1192*	*1419*	*-1419*	*-*
Total external income2)	*1 129*	*380*	*288*	*86*	*502*	*522*	*71*	*19*	*2 997*	*-*	*2 997*
Total internal expenses	*-606*	*-144*	*-129*	*-24*	*-303*	*-251*	*-43*	*80*	*-1 419*	*1419*	*-*
Appropriations	-	-	-	-	-	-	-	97	97	-	97
Tax expense	5	-3	-11	-	-	10	-5	17	13	-	13
Net result for the year	**-41**	**23**	**13**	**-5**	**-131**	**-35**	**-8**	**84**	**-101**	**0**	**-101**

1) Shared functions also include the Treasury function.
2) An explanation of the relationship between the segmented income information (in the table below) and income information provided for each segment (in the table above).

External income

SEK m	2022	2021
Corporate	858	771
Sales Finance	1 340	1 331
Consumer	1 084	876
Other	90	19
Total external income	**3 372**	**2 997**

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

Balance sheet

2022 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	597	-	1	-	-	4	1	-	**602**
Deferred tax assets	-	8	92	-	-	22	-	-	**122**
Other assets	32 674	6 376	2 467	1 598	5 658	6 870	1 383	-9 332	**47 694**
Total assets	**33 271**	**6 384**	**2 559**	**1 598**	**5 658**	**6 896**	**1 384**	**-9 332**	**48 417**
Liabilities and provisions	**22 943**	**6 338**	**2 568**	**1 599**	**5 902**	**6 993**	**1 417**	**-9 332**	**38 428**

2021 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	575	-	1	-	-	3	2	-	**580**
Deferred tax assets	-	-	-	-	-	22	-	-	**22**
Other assets	29 222	4 701	2 429	1 216	6 657	6 563	837	-8 347	**43 277**
Total assets	**29 796**	**4 701**	**2 430**	**1 216**	**6 657**	**6 588**	**838**	**-8 347**	**43 879**
Liabilities and provisions	**19 217**	**4 682**	**2 361**	**1 314**	**6 850**	**6 588**	**954**	**-8 347**	**33 620**

5 Net interest

SEK 000	2022	2021
Interest income		
Loans to credit institutions	-	113
Loans to the public	2 187 406	1 957 376
Interest-bearing securities	42 037	-5 321
Total	**2 229 443**	**1 952 168**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*2 187 406*	*1 957 489*
Interest income from non-performing loans	*39 433*	*36 226*
Interest expense		
Liabilities to credit institutions	-13 528	-10 292
Deposits from the public	-248 072	-170 093
Of which: Deposit guarantee fee	*-28 622*	*-30 690*
Issued securities	-50 020	-42 172
Derivatives	-87 474	-23 013
- *Hedge accounting*	*8 726*	*-7 314*
- *Not hedge accounting*	*-96 199*	*-15 699*
Subordinated liabilities	-	-1 159
Other interest expenses	-4 975	-2 049
Of which: Stability fee	*-7 663*	*-8 333*
Total	**-404 069**	**-248 778**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*-316 595*	*-234 099*
Total net interest income	**1 825 374**	**1 703 390**
Interest margin	3.7%	3.8%
Investment margin	4.0%	3.9%

6 Leasing income

SEK 000	2022	2021
Leasing income, gross	4 030 612	4 008 280
Less: Depreciation according to plan	-3 532 541	-3 541 928
Leasing income, net	**498 072**	**466 352**
Leasing income from financial lease agreements	4 030 612	4 008 280
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-3 532 541	-3 541 928
Leasing income, net for financial lease agreements	**498 072**	**466 352**
Interest income	7 868	7 487
Interest expenses	-147 337	-96 611
Total net interest income	**358 603**	**377 228**

7 Dividends recieved

SEK 000	2022	2021
Shares and participations in associated companies	9 888	18 944
Shares and participations in other companies	241	318
Total	**10 129**	**19 262**

8 Net commission

SEK 000	2022	2021
Commission income		
Payment service commissions	18 269	13 209
Lending commissions	295 005	259 696
Compensation, mediated insurance	223 736	212 738
Other commissions	22 131	17 829
Total	**559 140**	**503 473**
Commission expenses		
Payment service commissions	-9 704	-10 811
Lending commissions	-209 762	-210 262
Other commissions	-40 388	-47 741
Total	**-259 854**	**-268 814**
Net commission income	**299 286**	**234 658**

9 Net gains and losses on financial transactions

SEK 000	2022	2021
Interest-bearing securities	13 803	2 238
Other financial instruments	-6 601	6 137
Exchange rate fluctuations	2 462	8 915
Total	**9 664**	**17 290**
Net profit/loss divided per valuation category		
Financial assets at fair value through profit or loss	364 489	130 054
Financial assets at amortised cost	503 502	444 190
Financial liabilities at fair value through profit or loss	-839 056	-567 701
Financial liabilities at amortised costs	-5 989	2 642
The ineffective portion of changes in fair value of the hedging instrument in a cash flow hedge	-6 530	360
Changes in credit impairment provisions for assets at fair value through other comprehensive income	-6 741	831
Exchange rate fluctuations	-11	6 912
Total	**9 664**	**17 290**
Net profit or loss on financial assets available-for-sale recognised in comprehensive income	**-25 875**	**1 306**

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.

10 Other operating income

SEK 000	2022	2021
Realised gain arising from the disposal of tangible assets	38 819	33 774
Other operating income	36 626	21 854
Total	**75 445**	**55 628**

11 Geographic distribution of income

2022

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	666 042	28 772	374 190	113 980	450 820	454 584	131 582	9 472	**2 229 443**
Leasing income	1 973 665	404 069	1 082 035	570 845	-	-	-	-	**4 030 612**
Dividends recieved	10 125	-	-	-	-	3	-	-	**10 129**
Commission income	265 838	23 883	93 827	77 327	25 333	62 745	9 059	1 129	**559 140**
Net gains and losses from financial transactions	8 897	267	-139	612	7	-16	58	-24	**9 664**
Other operating income	26 832	4 000	14 501	24 690	822	2 111	2 489	0	**75 445**
Total	**2 951 399**	**460 991**	**1 564 413**	**787 454**	**476 983**	**519 427**	**143 188**	**10 577**	**6 914 433**

2021

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	592 857	26 679	206 059	124 911	477 396	455 058	61 156	8 052	**1 952 168**
Leasing income	2 069 002	326 750	1 034 935	577 593	-	-	-	-	**4 008 280**
Dividends recieved	19 211	-	-	44	-	6	-	-	**19 262**
Commission income	253 835	25 334	53 264	79 978	23 512	55 753	9 904	1 893	**503 473**
Net gains and losses from financial transactions	10 173	1 464	-97	5 055	3	-9	496	205	**17 290**
Other operating income	25 188	4 219	11 175	10 452	734	2 460	1 398	0	**55 628**
Total	**2 970 266**	**384 447**	**1 305 336**	**798 033**	**501 645**	**513 268**	**72 954**	**10 151**	**6 556 100**

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

12 General administrative expenses

SEK 000	2022	2021
Personnel costs		
- salaries and fees	-626 643	-548 723
- social security contributions	-121 162	-133 866
- pension costs	-70 840	-65 559
- other personnel costs	-37 413	-16 569
Total personnel costs	**-856 058**	**-764 717**
Other general administrative expenses		
- postage and telephone	-42 313	-43 751
- IT costs	-737 286	-720 176
- consultancy services	-44 551	-39 367
- agency staff	-9 899	-16 540
- audit	-14 493	-16 620
- rent and other costs for premises	-59 665	-54 812
- internal Group services	-22 057	-19 334
- cost of materials	-51 229	-47 878
- travel costs	-24 543	-15 290
- other	-128 088	-120 525
Total other general administrative expenses	**-1 134 124**	**-1 094 295**
Total general administrative expenses	**-1 990 182**	**-1 859 012**

Salaries, other remuneration, pensions and social costs

	2022		2021	
SEK 000	Senior management (23 persons)	Other employees	Senior management (21 persons)	Other employees
Salaries and other remunerations	-27 567	-593 350	-24 713	-527 096
Variable remuneration	-	-5 726	-	3 085
Pensions	-5 578	-65 263	-6 574	-58 985
Social security contributions	-8 268	-112 894	-7 460	-126 406
Of which: social security contributions regarding pensions	*-1 326*	*-10 096*	*-1 595*	*-8 914*
Total	**-41 412**	**-777 233**	**-38 747**	**-709 401**

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 2022.

The Bank has no overdue payments to pension schemes for senior executives. Senior management are the current and previous Board members, CEOs and management groups that have been active in their role in 2022 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 or the Ingka 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

2022 SEK 000	Base salary	Variable remuneration	Other benefits	Pension costs	Total
Mats Håkansson, chairman of the Board of Directors [1]	-	-	-	-	-
Heather Jackson	-881	-	-	-	**-881**
Diedrick van Thiel	-896	-	-	-	**-896**
Lars Thorsén [1]	-	-	-	-	-
Yohann Adolphe [1]	-	-	-	-	-
Henrik Eklund, CEO	-4 216	-	-116	-702	**-5 033**
Lars Ljungälv	-635	-	-	-	**-635**
Viveka Strangert	-689	-	-	-	**-689**
Mikael Palmquist [1]	-	-	-	-	-
Krister Mattsson [1]	-	-	-	-	-
Lone Fønss Schrøder [1]	-	-	-	-	-
Nigel Grant Hinshelwood	-1 302	-	-	-	**-1 302**
Other senior management	-18 024	-	-809	-4 876	**-23 709**
Total	**-26 642**	**-**	**-925**	**-5 578**	**-33 145**

2021 SEK 000	Base salary	Variable remuneration	Other benefits	Pension costs	Total
Mats Håkansson, chairman of the Board of Directors [1]	-	-	-	-	-
Heather Jackson	-936	-	-	-	**-936**
Diedrick van Thiel	-704	-	-	-	**-704**
Lars Thorsén [1]	-	-	-	-	-
Yohann Adolphe [1]	-	-	-	-	-
Henrik Eklund, CEO	-4 065	-	-74	-786	**-4 925**
Lars Ljungälv	-546	-	-	-	**-546**
Viveka Strangert	-575	-	-	-	**-575**
Mikael Palmquist [1]	-	-	-	-	-
Krister Mattsson [1]	-	-	-	-	-
Other senior management	-17 347	-	-467	-5 788	**-23 602**
Total	**-24 172**	**-**	**-540**	**-6 574**	**-31 287**

1) No fee is paid to employees of the Ikano S.A Group or the Ingka Group.
2) Amount includes compensation related to previous periods.

Gender distribution, Board and management	2022	2021
Board of Directors		
Women	3	2
Men	8	7
Other senior management incl. Managing Director		
Women	5	5
Men	7	5

Number of employees

Ordinary working hours are defined as available working time. This does not include overtime, or full or part-time leave. The information refers to full year. The average number of employees is converted to full-time employees.

Number of employees per country	2022			2021		
	Women	Men	Total	Women	Men	Total
Sweden	290	246	536	291	238	529
Denmark	44	45	89	42	45	87
Norway	18	23	41	20	19	39
Finland	13	11	24	13	8	21
United Kingdom	83	67	150	90	72	162
Germany (including Austria)	78	51	129	87	55	142
Poland	55	37	92	53	36	89
Total	**581**	**480**	**1 061**	**596**	**473**	**1 069**

Remuneration to auditors

The auditing assignment involves an audit of the annual report, 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	2022	2021
KPMG		
Audit assignment	-6 720	-384
Audit work in addition to the audit assignment	-150	-
Tax consultancy	-521	-
Total	**-7 391**	**-384**
Deloitte AB		
Audit assignment	-	-11 913
Audit work in addition to the audit assignment	-	-124
Other services	-276	-
Total	**-276**	**-12 037**

Amount reported as audit assignment fee from Deloitte for the year 2021 includes kSEK 3,250 excl. VAT, which refers to the audit fee in relation to the audit of Ingka's year-end financial statements as of 31 August 2021. The corresponding fee from KPMG for 2022 amounted to kSEK 3,811 excl. VAT but is not reported in the above amount for audit assignment regarding 2022 since the fee is billed with the full amount to Ingka Group.

13 Other operating expenses

SEK 000	2022	2021
Marketing expenses	-114 809	-96 012
Membership fees to organisations	-3 485	-3 638
Insurance expenses	-3 567	-7 689
Resolution fee cost	-7 663	-8 334
Other operating expenses	-60 503	-6 644
Total	**-190 027**	**-122 317**

14 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 10 m (3,5) and have been recognised in equity in the item fair value reserve. The credit impairment ratio was 1.8 percent (1.4).

The Bank is using a model for incorporating forward-looking information to calculate future expected loan losses in all the bank's markets. When needed it is supplemented with expert statements. Loan losses are higher than previous year, 28 percent. This is mainly explained by the acquisition of Basis Bank in February 2022. Realized loan losses are at a low level compared to what the bank expected when the pandemic started in 2020. The extra provisions that were taken then as a result of increased payment deferrals and payment delays were retained in 2021 for evaluation in 2022. The risk of the pandemic has now been considered to be over and the extra reservation that was made has been dissolved. At the same time, the macro situation has been judged to be of a different nature than what the bank's macro model is able to capture. The bank has therefore manually increased the macro reserves for inflation and rising energy prices. The net of these two transactions is a total dissolution of reserves corresponding to SEK 28 m.

SEK 000	2022	2021
Stage 1 - assets not credit impaired since initial recognition		
Change in credit impairment provisions related to stage 1	-15 875	-712
Derecognition of loans stage 1	-3	-
Reversal of previous provisions and recoveries stage 1	-	-212
Net credit losses for the period- stage 1	**-15 877**	**-924**
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	16 478	44 632
Derecognition of loans stage 2	-459 029	-215 067
Reversal of previous provisions and recoveries stage 2	211 137	96 639
Net credit losses for the period- stage 2	**-231 414**	**-73 796**
Stage 3 - credit impaired assets		
Change in credit impairment provisions related to stage 3	23 418	-29 890
Derecognition of loans stage 3	-652 908	-651 106
Reversal of previous provisions and recoveries stage 3	243 769	260 183
Net credit losses for the period credit impaired assets - stage 3	**-385 723**	**-420 814**
Total net credit losses for the period	**-633 014**	**-495 534**

15 Impairment of financial assets

SEK 000	2022	2021
Shares and participations in associated companies	-11 571	-18 944
Total	**-11 571**	**-18 944**

16 Appropriations and taxes

Reported in the income statement

SEK 000	2022	2021
Current tax expense		
Tax expense for the year	-34 669	-42 363
Adjustment of taxes attributable to previous years	-89 678	20 346
Current tax expense	**-124 347**	**-22 017**
Deferred tax related to temporary differences	44 163	34 927
Deferred tax related to reassessment/revaluation of the reported value of deferred tax receivables	76 781	-
Total reported tax expense in accordance with the income statement	**-3 403**	**12 910**

Tax expense for the period

Tax on the result for the period of SEK -3,4 m (13) consists of current taxes for the year of SEK -35 m (-42) on items reported in the income statement for the period in the bank's branches, adjustment of taxes for previous periods of SEK - 90 m (20) and changes in deferred taxes of SEK 121 m (35). Adjustment of taxes for previous periods refers to adjustments in the bank's branches in Norway and Germany. Adjustment in the Norwegian branch is the result of the adjustments of the tax depreciation on leasing assets and adjustment in the German branch of the adjustment of the tax deductions for provisions for expected credit losses Tax on taxable exchange rate differences regarding assets and liabilities in foreign branches increases the total tax by SEK 20 m (54) but is reported in other comprehensive income. Total unused taxable deficit amounted to SEK 894 m as of 31 December 2022 (245). There are foreign taxes in the bank's branches possible to credit that may be used to reduce potential Swedish tax in the future. Tax losses carried forward for which a deferred tax asset have not been booked as of December 31, 2022, is SEK 134 m (51), based on tax losses carried forward which are not deemed probable to be utilised during the next few years.

Reconciliation of effective tax

SEK 000	2022		2021	
Result before tax		-337 397		-114 111
Tax according to current tax rates	20.6%	69 504	20.6%	23 507
Non deductible tax expenses	-1.9%	-6 282	-6.5%	-7 361
Non-taxable income	1.0%	3 386	3.4%	3 902
Taxes attributable to previous years	-26.6%	-89 678	17.8%	20 346
Non-deductible/non-taxable internal exchange rate differences	23.9%	80 496	74.4%	84 904
Effect of other tax bases and tax rates in the foreign branches	-1.1%	-3 839	-	-
Effect of non-deductible taxes in the foreign branches	-	-	-37.1%	-42 363
Effect of revaluation of other deferred taxes	22.8%	76 781	-16.7%	-19 034
Effect of tax deficit without corresponding activation of deferred tax	-39.6%	-133 770	-44.7%	-50 992
Reported effective tax	**-1.0%**	**-3 403**	**11.3%**	**12 910**

Tax relating to other comprehensive income

	2022			2021		
SEK 000	Before tax	Tax	After tax	Before tax	Tax	After tax
Foreign currency translation differences in foreign branches	-1 832	-19 950	-21 782	-8 813	-53 622	-62 435
Financial assets valued at fair value through other comprehensive income	-32 492	6 617	-25 875	1 645	-339	1 306
Changes in loss allowance for financial assets valued at fair value via other comprehensive income	6 741	-	6 741	-831	-	-831
Changes in fair value of cash flow hedges	139 540	-27 661	111 879	20 719	-4 575	16 144
Other comprehensive income	**111 957**	**-40 994**	**70 963**	**12 720**	**-58 536**	**-45 816**

Reported in the balance sheet

	Deferred tax assets		Deferred tax liabilities	
SEK 000	2022	2021	2022	2021
Financial assets at fair value	-	-	29 111	6 344
Tangible fixed assets	99 612	-	-	43 845
Loans to the public	14 120	21 982	-	-
Other provisions	8 116	-	-	-
Tax assets/liabilities	**121 848**	**21 982**	**29 111**	**50 189**

Appropriations

SEK 000	2022	2021
Difference between recognised depreciation and depreciation according to plan	-	96 957
Total	**-**	**96 957**

17 Treasury bills

	2022		2021	
SEK 000	Fair value	Carrying amount	Fair value	Carrying amount
Treasury bills				
- Swedish government	644 836	644 836	561 923	561 923
- Swedish municipalities	1 135 200	1 135 200	1 204 275	1 204 275
- Foreign governments	807 055	807 055	508 121	508 121
Total	**2 587 091**	**2 587 091**	**2 274 319**	**2 274 319**
Positive difference as an effect of the carrying amount exceeding the nominal amount		11 153		36 452
Negative difference as an effect of the carrying amount being less than the nominal amount		20 595		497
Total		**31 748**		**36 949**

Values above are gross values.

18 Loans to credit institutions

SEK 000	2022	2021
Swedish banks		
- Swedish currency	1 238 234	818 826
- Foreign currency	240 760	298 431
Foreign banks		
- Swedish currency	264 253	279 335
- Foreign currency	637 160	420 454
Total	**2 380 407**	**1 817 046**

The item Loans to credit institutions includes liquidity and transaction accounts with other banks where liquidity is handled by the bank's treasury function, with the exception of loan loss provisions as these are immaterial. These are reported as loans to the public below.

19 Loans to the public

SEK 000	2022	2021
Outstanding receivables, gross		
- Swedish currency	8 873 255	8 746 482
- Foreign currency	18 312 107	16 744 196
Total	**27 185 363**	**25 490 678**
Of which: Non-performing loans	*435 930*	*417 927*
Specific provision for individually assessed receivables	-854 343	-753 195
Carrying amount, net	**26 331 020**	**24 737 483**

The table below shows changes in gross carrying amount and credit impairment provisions during 2022. Receivables in stage 3 have increased by 4 percent from SEK 418 m to SEK 436 m during the year. The net increase can be attributed to Norway, where receivables are held longer before being sold. This also applies to certain products in Poland that also contribute. The Norwegian portfolio is expected to be sold in 2023. In 2022, a stage 3 portfolio in Great Britain has also been sold. This consisted of older receivables, which positively affected the provision rate for stage 3 receivables during the year.

Under the item New financial assets, new loans granted 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 2022. 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 beginning 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.

Total loan losses provisions are shown in Note 3, table Credit risk exposure gross and net, divided into credit ratings for financial assets and off-balance sheet items.

Changes in carrying amounts and credit impairment provisions

	Not credit impaired		Credit impaired	
2022 SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2022	**21 863 898**	**3 208 852**	**417 927**	**25 490 677**
New financial assets originated	12 485 133	79 870	5 424	12 570 427
Financial assets derecognised	-10 290 085	-1 323 545	-242 259	-11 855 890
Transfers during the period:	-2 037 751	1 797 536	240 215	-
from stage 1 to stage 2	*-2 661 957*	*2 661 957*	-	-
from stage 1 to stage 3	*-179 340*	-	*179 340*	-
from stage 2 to stage 1	*799 349*	*-799 349*	-	-
from stage 2 to stage 3	-	*-73 104*	*73 104*	-
from stage 3 to stage 1	*4 198*	-	*-4 198*	-
from stage 3 to stage 2	-	*8 032*	*-8 032*	-
Change in exchange rates and other	857 224	108 302	14 623	980 149
Gross carrying amount per 31 December 2022	**22 878 418**	**3 871 015**	**435 930**	**27 185 363**
Credit impairment provisions per 1 January 2022	**-143 615**	**-315 589**	**-293 990**	**-753 195**
New financial assets originated	-280 599	-6 560	-2 607	-289 766
Financial assets derecognised	70 471	147 690	179 296	397 457
Changes in risk variables (EAD, PD, LGD)	-2 462	-10 205	1 061	-11 606
Changes in macroeconomic factors	-1 861	25 101	-75	23 165
Changes due to expert credit judgement (individual assessments and manual adjustments)	1 732	-498	4 277	5 511
Transfers during the period:	191 275	-208 712	-139 111	-156 548
from stage 1 to stage 2	*142 645*	*-254 777*	-	*-112 131*
from stage 1 to stage 3	*54 678*	-	*-104 780*	*-50 102*
from stage 2 to stage 1	*-6 036*	*36 243*	-	*30 207*
from stage 2 to stage 3	-	*10 689*	*-37 733*	*-27 044*
from stage 3 to stage 1	*-12*	-	*716*	*704*
from stage 3 to stage 2	-	*-867*	*2 686*	*1 819*
Reevaluation due to change in credit risk	4 862	-20 077	-25 040	-40 255
Change in exchange rates and other	-6 373	-12 423	-10 361	-
Credit impairment provisions per 31 December 2022	**-166 570**	**-401 273**	**-286 549**	**-854 392**
Net carrying amount	**22 711 848**	**3 469 742**	**149 381**	**26 330 971**

2021 SEK 000	Not credit impaired Stage 1	Stage 2	Credit impaired Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2021	**21 194 509**	**4 211 277**	**385 073**	**25 790 859**
New financial assets originated	9 800 258	202 649	17 124	10 020 032
Financial assets derecognised	-9 203 223	-1 799 650	-192 182	-11 195 055
Transfers during the period:	-658 976	468 747	190 229	-
from stage 1 to stage 2	*-1 846 590*	*1 846 590*	-	-
from stage 1 to stage 3	*-107 003*	-	*107 003*	-
from stage 2 to stage 1	*1 287 426*	*-1 287 426*	-	-
from stage 2 to stage 3	-	*-98 614*	*98 614*	-
from stage 3 to stage 1	*7 191*	-	*-7 191*	-
from stage 3 to stage 2	-	*8 196*	*-8 196*	-
Change in exchange rates and other	731 329	125 829	17 683	874 841
Gross carrying amount per 31 December 2021	**21 863 898**	**3 208 852**	**417 927**	**25 490 677**
Credit impairment provisions per 1 January 2021	**-139 162**	**-362 023**	**-258 910**	**-760 095**
New financial assets originated	-169 690	-12 897	-10 914	-193 501
Financial assets derecognised	54 696	162 979	117 931	335 605
Changes in risk variables (EAD, PD, LGD)	4 779	4 207	-250	8 736
Changes in macroeconomic factors	3 854	44 036	-90	47 800
Changes due to expert credit judgement (individual assessments and manual adjustments)	63	-11 316	749	-10 505
Transfers during the period:	111 206	-106 384	-126 357	-121 535
from stage 1 to stage 2	*83 323*	*-178 938*	-	*-95 616*
from stage 1 to stage 3	*36 590*	-	*-75 475*	*-38 885*
from stage 2 to stage 1	*-8 690*	*52 330*	-	*43 640*
from stage 2 to stage 3	-	*21 020*	*-55 283*	*-34 263*
from stage 3 to stage 1	*-16*	-	*1 422*	*1 406*
from stage 3 to stage 2	-	*-796*	*2 979*	*2 183*
Reevaluation due to change in credit risk	-4 374	-20 519	-1 821	-26 714
Change in exchange rates and other	-4 987	-13 671	-14 328	-
Credit impairment provisions per 31 December 2021	**-143 615**	**-315 589**	**-293 990**	**-753 195**
Net carrying amount	**21 720 283**	**2 893 263**	**123 937**	**24 737 483**

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

20 Bonds and other interest-bearing securities

SEK 000	2022 Fair value	2022 Carrying amount	2021 Fair value	2021 Carrying amount
Issued by Swedish borrowers				
- Mortgage institutions	711 314	711 314	1 036 994	1 036 994
- Non-financial entities	2 216 835	2 216 835	1 106 643	1 106 643
- Financial entities	295 702	295 702	30 347	30 347
Foreign issuers	1 272 129	1 272 129	1 291 779	1 291 779
Total bonds and other interest-bearing securities	**4 495 980**	**4 495 980**	**3 465 763**	**3 465 763**
Of which:				
Listed securities		*3 553 678*		*3 015 923*
Unlisted securities		*942 302*		*449 840*
Positive difference as an effect of the carrying amount exceeding the nominal amount		14 208		34 415
Negative difference as an effect of the carrying amount being less than the nominal amount		19 505		162

Values above are gross values. Credit impairment provisions for assets measured at fair value via other comprehensive income amounts to SEK 10 m (3,5) and have been reported under the item Net gains and losses on financial transactions in the income statement.

21 Shares and participations in associated companies

SEK 000	2022	2021
Credit institutions	350 561	83 619
Other	-	11 584
Total shares and other participations	**350 561**	**95 202**
Accumulated acquisition values		
At the beginning of the year	114 146	20 980
Aquisitions and capital injections	266 942	93 167
Closing balance, 31 December	**350 561**	**114 146**
Accumulated impairments		
At the beginning of the year	-18 944	-
Impairments of the year	-11 571	-18 944
Closing balance, 31 December	-	-18 944
Carrying value, 31 December	**350 561**	**95 202**

2022

SEK 000	Net result	Equity	Capital share	Number of shares	Carrying amount
Borgo AB (publ), 559153-2303, Stockholm	-111 799	1 151 343	26%	2 258 935	350 561

2021

SEK 000	Net result	Equity	Capital share	Number of shares	Carrying amount
IISÅ Holdco AB, 559217-9203, Stockholm	-150	39 901	25%	54 412	11 584
Borgo AB (publ), 559153-2303, Stockholm	-45 713	257 018	23%	500 232	83 619

The associated company IISÅ Holdco AB has been divested in June 2022. Dividends have been received from IISÅ Holdco AB of SEK 9,888 k. During the period, 54,412 shares in Borgo AB (publ) were acquired from IISÅ Holdco AB for SEK 10,048 k. During 2022, the Bank has invested in additional 1,704,291 shares in Borgo AB (publ) for a total of SEK 256,894 k. At the end of the period, the item shares in associated companies consists of 2,258,935 shares in Borgo AB (publ), which corresponds to an ownership share of 26%. Impairment of the year in the table above incurred in connection with the dividend from IISÅ Holdco AB. The dividend was part of a transfer and division of the indirect ownership in Borgo AB to the shareholders in IISÅ Holdco AB and then the divestment of IISÅ Holdco AB.

22 Shares and participations in other companies

SEK 000	2022	2021
Shares and participations, unlisted securities	1 419	1 535
Shares and participations, listed securities	41 885	37 967
Total shares and other participations	**43 304**	**39 502**

23 Intangible assets

SEK 000	Internally generated intangible assets Other technical/contract based assets	Acquired intangible assets Market and customer based assets	Acquired intangible assets Other technical/contract based assets	Total
Acquisition cost				
Opening balance, 1 January 2021	867 478	41 065	42 692	951 234
Acquisitions	286 160	-	865	287 025
Translation difference	-	995	1 200	2 195
Closing balance, 31 December 2021	**1 153 638**	**42 060**	**44 757**	**1 240 454**
Opening balance, 1 January 2022	1 153 638	42 060	44 757	1 240 454
Acquisitions	250 332	-	15	250 348
Sales and disposals	-41 283	-40 546	-204	-82 033
Translation difference	-	3 546	3 567	7 113
Closing balance, 31 December 2022	**1 362 687**	**5 060**	**48 134**	**1 415 881**
Amortisation				
Opening balance, 1 January 2021	-376 057	-40 566	-40 727	-457 350
Amortisation for the year	-131 641	-136	-1 016	-132 793
Translation difference	-	-986	-1 166	-2 151
Closing balance, 31 December 2021	**-507 698**	**-41 688**	**-42 908**	**-592 294**
Opening balance, 1 January 2022	-507 698	-41 688	-42 907	-592 294
Amortisation for the year	-227 642	-136	-1 095	-228 873
Sales and disposals	41 283	40 546	204	82 033
Translation difference	-	-3 521	-3 488	-7 009
Closing balance, 31 December 2022	**-694 057**	**-4 799**	**-47 287**	**-746 144**
Impairments				
Opening balance, 1 January 2021	-	-	-	-
Impairment of the year	-76 036	-	-	-76 036
Closing balance, 31 December 2021	**-76 036**	-	-	**-76 036**
Opening balance, 1 January 2022	-76 036	-	-	-76 036
Impairment of the year	-	-	-	-
Closing balance, 31 December 2022	**-76 036**	**-**	**-**	**-76 036**
Carrying amount				
As of 1 January 2021	491 421	499	1 962	493 883
As of 31 December 2021	**569 903**	**371**	**1 848**	**572 123**
As of 1 January 2022	569 903	371	1 848	572 123
As of 31 December 2022	**592 594**	**260**	**847**	**593 701**

24 Tangible assets

SEK 000	Equipment	Leased assets	Total
Acquisition cost			
Opening balance, 1 January 2021	130 019	17 697 203	17 827 222
Acquisitions	1 535	4 349 215	4 350 750
Sales and disposals	-19 597	-4 255 506	-4 275 103
Translation difference	2 767	326 693	329 460
Closing balance, 31 December 2021	**114 723**	**18 117 607**	**18 232 330**
Opening balance, 1 January 2022	114 723	18 117 607	18 232 330
Acquisition	1 886	4 565 494	4 567 380
Sales and disposals	-79 935	-4 719 649	-4 799 583
Translation difference	7 955	621 487	629 442
Closing balance, 31 December 2022	**44 629**	**18 584 940**	**18 629 569**
Depreciation			
Opening balance, 1 January 2021	-120 281	-7 701 976	-7 822 257
Depreciation for the year	-3 010	-3 541 928	-3 544 938
Sales and disposals	19 597	3 214 792	3 234 390
Translation difference	-2 697	-182 598	-185 294
Closing balance, 31 December 2021	**-106 389**	**-8 211 710**	**-8 318 099**
Opening balance, 1 January 2022	-106 389	-8 211 710	-8 318 099
Depreciation for the year	-1 699	-3 532 541	-3 534 239
Sales and disposals	79 495	3 666 516	3 746 010
Translation difference	-7 742	-343 291	-351 032
Closing balance, 31 December 2022	**-36 334**	**-8 421 026**	**-8 457 360**
Impairments			
Opening balance, 1 January 2021	-	-281 425	-281 425
Impairments for the year	-	-82 929	-82 929
Reversals of previous impairment	-	54 756	54 756
Translation difference	-	-4 658	-4 658
Closing balance, 31 December 2021	**-**	**-314 256**	**-314 256**
Opening balance, 1 January 2022	-	-314 256	-314 256
Impairments for the year	-	-22 635	-22 635
Reversals of previous impariment	-	110 183	110 183
Translation difference	-	-5 941	-5 941
Closing balance, 31 December 2022	**-**	**-232 649**	**-232 649**
Carrying amount			
As of 1 January 2021	9 738	9 713 803	9 723 541
As of 31 December 2021	**8 334**	**9 591 641**	**9 599 975**
As of 1 January 2022	8 334	9 591 641	9 599 975
As of 31 December 2022	**8 295**	**9 931 266**	**9 939 561**

Change in impairment for financial leases recognised as operating

SEK 000	2022	2021
Opening balance	**314 256**	**281 424**
Impairment of loan losses for the year	22 635	82 929
Reversal of previous impairment of loan losses recognised in the annual accounts as	-110 183	-54 756
Translation difference	5 941	4 658
Closing balance	**232 649**	**314 256**

The table below shows changes in gross carrying amount and credit impairment provisions during 2022. The carrying amounts have decreased with 3 percent from SEK 9,989 m to SEK 10,309 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 in the beginning of 2022. 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 in the beginning 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. Total loan loss provisions are shown in Note 3, table Credit risk exposure gross and net, divided into credit ratings for financial assets and off-balance sheet items.

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

	Not credit impaired		Credit impaired	
2022				
SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2022	**5 298 455**	**4 770 668**	**262 944**	**10 332 067**
New leasing objects	3 873 820	55 179	3 367	3 932 367
Derecognised leasing objects	-2 045 521	-1 861 512	-138 131	-4 045 164
Transfers during the period:	-815 364	662 972	152 392	-
from stage 1 to stage 2	*-1 678 210*	*1 678 210*	-	-
from stage 1 to stage 3	*-68 090*	-	*68 090*	-
from stage 2 to stage 1	*927 459*	*-927 459*	-	-
from stage 2 to stage 3	-	*-109 713*	*109 713*	-
from stage 3 to stage 1	*3 476*	-	*-3 476*	-
from stage 3 to stage 2	-	*21 934*	*-21 934*	-
Change in exchange rates and other	162 225	184 464	7 529	354 219
Gross carrying amount per 31 December 2022	**6 473 615**	**3 811 772**	**288 101**	**10 573 488**
Credit impairment provisions				
Credit impairment provisions per 1 January 2022	**-13 794**	**-161 140**	**-167 780**	**-342 713**
New leasing objects	-36 271	-1 989	-625	-38 885
Derecognised leasing objects	6 271	59 841	110 003	176 113
Changes in risk variables (EAD, PD, LGD)	23	-232	-2 063	-2 272
Changes in macroeconomic factors	-2 854	13 309	-117	10 337
Changes due to expert credit judgement (individual assessments and manual adjustments)	-7 007	-9 722	-14 093	-30 820
Transfers during the period:	33 128	-9 502	-63 391	-39 765
from stage 1 to stage 2	*19 739*	*-32 787*	-	*-13 049*
from stage 1 to stage 3	*16 086*	-	*-26 105*	*-10 019*
from stage 2 to stage 1	*-2 687*	*6 646*	-	*3 959*
from stage 2 to stage 3	-	*17 020*	*-43 293*	*-26 273*
from stage 3 to stage 1	*-10*	-	*1 661*	*1 652*
from stage 3 to stage 2	-	*-380*	*4 345*	*3 965*
Reevaluation due to change in credit risk	*5 366*	*30 128*	*-24 168*	*11 326*
Change in exchange rates and other	-439	-4 193	-2 846	-
Credit impairment provisions per 31 December 2022	**-15 578**	**-83 498**	**-165 080**	**-264 155**
Net closing balance per 31 December 2022	**6 458 037**	**3 728 273**	**123 021**	**10 309 333**

2021 SEK 000	Not credit impaired Stage 1	 Stage 2	Credit impaired Stage 3	 Total
Gross carrying amount				
Gross carrying amount per 1 January 2021	**5 394 519**	**4 670 159**	**313 503**	**10 378 181**
New leasing objects	3 564 892	13 164	695	3 578 752
Derecognised leasing objects	-1 899 313	-1 717 601	-179 804	-3 796 719
Transfers during the period:	-1 869 595	1 746 364	123 231	-
from stage 1 to stage 2	*-2 489 993*	*2 489 993*	-	-
from stage 1 to stage 3	*-80 435*	-	*80 435*	-
from stage 2 to stage 1	*696 275*	*-696 275*	-	-
from stage 2 to stage 3	-	*-93 623*	*93 623*	-
from stage 3 to stage 1	*4 558*	-	*-4 558*	-
from stage 3 to stage 2	-	*46 269*	*-46 269*	-
Change in exchange rates and other	107 953	58 583	5 318	171 854
Gross carrying amount per 31 December 2021	**5 298 455**	**4 770 668**	**262 944**	**10 332 067**
Credit impairment provisions				
Credit impairment provisions per 1 January 2021	**-9 765**	**-148 755**	**-155 117**	**-313 635**
New leasing objects	-111 773	-398	-369	-112 539
Derecognised leasing objects	3 174	47 451	87 053	137 677
Changes in risk variables (EAD, PD, LGD)	60	-857	-	-797
Changes in macroeconomic factors	-4 685	15 696	512	11 522
Changes due to expert credit judgement (individual assessments and manual adjustments)	1 386	-13 124	17 357	5 620
Transfers during the period:	111 790	-47 249	-98 365	-33 824
from stage 1 to stage 2	*49 947*	*-62 334*	-	*-12 386*
from stage 1 to stage 3	*63 251*	-	*-77 280*	*-14 028*
from stage 2 to stage 1	*-1 375*	*6 472*	-	*5 097*
from stage 2 to stage 3	-	*13 390*	*-29 269*	*-15 878*
from stage 3 to stage 1	*-33*	-	*705*	*672*
from stage 3 to stage 2	-	*-4 778*	*7 478*	*2 700*
Reevaluation due to change in credit risk	*-3 703*	*-11 728*	*-15 867*	*-31 298*
Change in exchange rates and other	-279	-2 176	-3 002	-
Credit impairment provisions per 31 December 2021	**-13 794**	**-161 140**	**-167 780**	**-342 713**
Net closing balance per 31 December 2021	**5 284 661**	**4 609 529**	**95 164**	**9 989 354**

Of the total carrying value of leasing objects, SEK 3 m (23) are repossessed leasing objects, of which SEK 2 m (13) have been reserved for credit impairments. Residual value amounts guaranteed by suppliers totalled SEK 46 m (145).

25 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 2022. The carrying amounts have decreased with SEK 3,498 m to SEK 28,771 m (32,269) 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 beginning of 2022. 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 beginning of the year and returned to stage 1 during the year. The largest part of transfers to stage 2 or 3 is related to undrawn limits since the majority of loan promises are never converted to loans. 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. Note 3, table Credit risk exposure gross and net, divided into credit ratings for financial assets and off-balance sheet items.

Changes in credit impairment provisions for loan commitments and undrawn limits

	Not credit impaired		Credit impaired	
2022 SEK 000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount				
Gross carrying amount per 1 January 2022	**31 428 690**	**840 194**	**-**	**32 268 883**
New loan commitments and undrawn limits	9 925 719	300 038	20 974	10 246 732
Derecognised loan commitments and undrawn limits	-14 665 359	-250 815	-	-14 916 174
Transfers during the period:	279 605	-258 630	-20 974	-
from stage 1 to stage 2	*-421 569*	*421 569*	-	-
from stage 1 to stage 3	-	-	-	-
from stage 2 to stage 1	*685 137*	*-685 137*	-	-
from stage 2 to stage 3	-	-	-	-
from stage 3 to stage 1	*16 037*	-	*-16 037*	-
from stage 3 to stage 2	-	*4 938*	*-4 938*	-
Change in exchange rates and other	1 170 557	23 644	-	1 194 201
Gross carrying amount per 31 December 2022	**28 139 212**	**654 430**	**-**	**28 793 642**
Credit impairment provisions per 1 January 2022	**-12 479**	**-10 998**	**-**	**-23 476**
New loan commitments and undrawn limits	-10 408	-3 334	-63	-13 805
Derecognised loan commitments and undrawn limits	5 871	3 805	-	9 675
Changes in risk variables (EAD, PD, LGD)	-422	-393	-	-815
Changes in macroeconomic factors	1 596	924	-7	2 513
Changes due to expert credit judgement (individual assessments and manual adjustments)	-35	45	-	10
Transfers during the period:	2 160	-212	70	2 017
from stage 1 to stage 2	*2 518*	*-6 381*	-	*-3 863*
from stage 1 to stage 3	*-10*	-	-	*-10*
from stage 2 to stage 1	*-346*	*6 303*	-	*5 957*
from stage 2 to stage 3	-	*-74*	-	*-74*
from stage 3 to stage 1	*-3*	-	*4*	-
from stage 3 to stage 2	-	*-60*	*67*	*6*
Reevaluation due to change in credit risk	1 590	356	-	1 947
Change in exchange rates and other	-434	-379	-	-1 092
Credit impairment provisions per 31 December 2022	**-12 561**	**-10 186**	**-**	**-22 747**
Net closing balance per 31 December 2022	**28 126 650**	**644 245**	**-**	**28 770 895**

2021 SEK 000	Not credit impaired Stage 1	 Stage 2	Credit impaired Stage 3	 Total
Gross carrying amount				
Gross carrying amount per 1 January 2021	**29 445 616**	**877 108**	**-**	**30 322 724**
New loan commitments and undrawn limits	9 712 711	353 166	22 230	10 088 107
Derecognised loan commitments and undrawn limits	-8 556 011	-329 110	-	-8 885 122
Transfers during the period:	95 052	-72 822	-22 230	-
from stage 1 to stage 2	*-583 490*	*583 490*	-	-
from stage 1 to stage 3	-	.	-	-
from stage 2 to stage 1	*660 623*	*-660 623*	-	-
from stage 2 to stage 3	-	-	-	-
from stage 3 to stage 1	*17 919*	.	*-17 919*	-
from stage 3 to stage 2	.	*4 311*	*-4 311*	-
Change in exchange rates and other	743 802	22 850	-	766 651
Gross carrying amount per 31 December 2021	**31 441 168**	**851 191**	**-**	**32 292 360**
Credit impairment provisions per 1 January 2021	**-14 472**	**-11 675**	**-**	**-26 146**
New loan commitments and undrawn limits	-9 591	-4 566	-54	-14 212
Derecognised loan commitments and undrawn limits	5 706	4 163	-	9 869
Changes in risk variables (EAD, PD, LGD)	742	158	-	900
Changes in macroeconomic factors	1 788	1 337	-6	3 119
Changes due to expert credit judgement (individual assessments and manual adjustments)	4	2	-2	4
Transfers during the period:	1 171	483	62	1 716
from stage 1 to stage 2	*1 545*	*-6 557*	-	*-5 012*
from stage 1 to stage 3	*-11*	-	-	*-11*
from stage 2 to stage 1	*-361*	*7 230*	-	*6 869*
from stage 2 to stage 3	-	*-138*	-	*-138*
from stage 3 to stage 1	*-2*	-	*2*	-
from stage 3 to stage 2	-	*-52*	*60*	*8*
Reevaluation due to change in credit risk	2 796	-500	-	2 296
Change in exchange rates and other	-623	-399	-	-1 092
Credit impairment provisions per 31 December 2021	**-12 479**	**-10 998**	**-**	**-23 476**
Net closing balance per 31 December 2021	**31 428 690**	**840 194**	**-**	**32 268 883**

26 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	2022	2021
Irrevocable lease payments amount to:		
Within 1 year	3 818 740	4 398 155
1-5 years	6 974 922	6 510 663
More than 5 years	320 432	294 335
Total	**11 114 094**	**11 203 153**

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 is to redeem the contract at its guaranteed residual value.

Lease payments entered as expenses in 2022 totalled SEK 5,0 m (3,3). For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

SEK 000	2022	2021
Irrevocable lease payments amount to:		
Within 1 year	63 190	63 190
1-5 years	51 327	51 327
More than 5 years	-	-
Total	**114 517**	**114 517**

27 Other assets

SEK 000	2022	2021
Positive value of derivative instruments	163 170	10 074
Accounts receivable leasing	378 067	397 712
Accounts receivable other	38 845	43 984
Tax receivables	513 745	408 455
Account receivable, Group companies	93	95
VAT receivable	6 173	845
Other assets	78 436	31 009
Total	**1 178 529**	**892 173**

Accounts receivable leasing shows the gross value because credit loss provisions for leasing receivables are reported as part of the leasing provisions. For other assets, no significant credit loss provisions are deemed to exist.

28 Prepaid expenses and accrued income

SEK 000	2022	2021
Accrued fees and commissions	52 777	73 357
Accrued interest income	48 063	31 798
Other prepaid expenses and accrued income	264 445	234 960
Total	**365 285**	**340 116**

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

29 Liabilities to credit institutions

SEK 000	2022	2021
Swedish banks		
- Swedish currency	11 003	9 434
- Foreign currency	-	-
Total Swedish banks	**11 003**	**9 434**
Foreign banks		
- Swedish currency	32 915	-
- Foreign currency	491 392	629 251
Total foreign banks	**524 306**	**629 251**
Total	**535 309**	**638 686**

30 Deposits from the public

SEK 000	2022	2021
Public		
- Swedish currency	18 860 571	13 060 016
- Foreign currency	14 251 875	13 849 155
Total	**33 112 446**	**26 909 171**
Deposits specified by category of borrower		
Corporate sector	1 806 113	1 594 755
Household sector	31 306 333	25 314 416
Total	**33 112 446**	**26 909 171**

31 Issued securities

SEK 000	2022	2021
Certificates of deposits	99 997	149 976
Senior unsecured bonds	2 249 382	3 598 958
Total	**2 349 379**	**3 748 933**

32 Other liabilities

SEK 000	2022	2021
Negative value of derivative instruments	234 381	187 699
Accounts payable	276 782	213 757
Preliminary tax, interests	38 119	16 937
Settlement and clearing items	445 074	356 070
Group liabilities	370	1 068
Tax liabilities	34 690	43 113
Other liabilities	27 367	57 434
Total	**1 056 784**	**876 080**

33 Accrued expenses and prepaid income

SEK 000	2022	2021
Accrued interest expenses	70 764	57 967
Accrued personnel costs	138 207	104 705
Prepaid lease payments	384 763	397 477
Prepaid income from partners	350 161	385 693
Accrued audit costs	13 539	7 643
Prepaid income related to leasing insurance	24 988	25 168
Other prepaid income	81 577	61 071
Other accrued expenses	188 452	289 147
Total	**1 252 452**	**1 328 871**

34 Provisions for pensions

SEK 000	2022	2021
Provision for pensions	44 549	37 594
Total	**44 549**	**37 594**
Change in net debt		
Net debt regarding pension obligations at the beginning of the year	37 594	36 957
+ Personal pension expenses, excluding interest expense, reported in income statement	-	-
+ Interest expenses	8 210	1 661
- Pension payments	-1 256	-1 024
= Net debt at year-end	**44 549**	**37 594**
Of which credit insured by FPG/PRI	44 549	37 594
Pension costs		
Personal pension plan		
Cost of earning pensions etc.	-	-
+ Interest expense (calculated discounting effect)	8 209	1 661
= Pension expenses for personal pension plan exluding taxes	**8 209**	**1 661**
Pensions through insurance		
+ Insurance premiums or equivalent	62 630	63 898
= Total pension costs excluding taxes	**70 840**	**65 559**

Next year's expected payment in regard to defined benefit pension plans amounts to SEK 891 k (752). The entire provision reported in the balance sheet is covered by the Pension Obligations Vesting Act.

35 Untaxed reserves

SEK 000	2022	2021
Equipment, accumulated depreciation in excess of plan		
Opening balance, 1 January	-	96 957
Reversal of depreciation in excess of plan during the year	-	-96 957
Closing balance, 31 December	-	-

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

36 Equity

Share capital

The number of shares totals 19,616, with a nominal value of SEK 7,896.

Statutory reserve

The statutory reserve consists of restricted equity.

Fund for development expenses

Fund for development expenses is restricted equity which corresponds to the costs for own development classified as intangible assets.

Share premium reserve

Share premium reserve consists of shares issued at a premium at the new shares issue made on June 29, 2021. The Share premium reserve is non-restricted equity.

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 derecognised 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.

Retained earnings

Retained earnings consist of the previous year's retained earnings after the distribution of dividends. Together with the net result 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):

Share premium reserve	4,479,854,913
Fund for fair value	314,334,061
Retained earnings	4.596,620,458
Net result for the year	-340,799,903
Total	9,050,009,529

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

To be carried forward	9,050,009,529
of which to share premium reserve	*4,479,854,913*
of which to fund for fair value	*314,334,061*

Change in the Fund for fair value

SEK 000	2022	2021
Fair value reserve		
Opening balance, 1 January	7 068	6 593
Unrealised changes in fair value reported in other comprehensive income for the year	-25 752	814
Tax attributable to unrealised changes in fair value of financial assets during the year	6 617	-339
Closing balance, 31 December	**-12 067**	**7 068**
Hedging reserve		
Opening balance, 1 January	329	7 303
The year's change in fair value of cash flow hedges	139 540	-7 292
Tax attributable to the year's change in fair value of cash flow hedges	-27 661	317
Closing balance, 31 December	**112 208**	**329**
Translation reserve		
Opening balance, 1 January	235 974	298 409
Translation differences, branches	-1 833	-8 813
Tax related to translation differences	-19 950	-53 622
Closing balance, 31 December	**214 193**	**235 974**
Closing balance, Fund for fair value	**314 334**	**243 371**

37 Contingent liabilities and commitments

SEK 000	2022	2021
Contingent liabilities		
PRI	891	752
Total	**891**	**752**
Commitments		
Loan commitments, irrevocable	2 575 104	4 089 830
Loan commitments, revocable	2 371 751	1 630 218
Unused credit limits	23 846 786	28 202 529
Total	**28 793 641**	**33 922 577**

Commitments in a form of granted unused credits can be terminated with immediate effect to the extent it is permitted under the Consumer Credit Act. The bank is subject to claims and in some cases has claims, in a number of civil cases that are pursued in a general court. Based on conducted assessment the disputes are expected to be essentially in the bank's favour. Provisions are made when an outflow of resources is probable. The dispute amounts are not considered to have a significant impact on the bank's position or results.

38 Financial assets and liabilities

Information on carrying and fair values per category of financial instruments is summarised below. 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 for instruments that are not reported 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 of deposits is calculated based on current market interest rates where the original credit spread has remained constant unless there is clear evidence that a change in the Bank's creditworthiness has led to an observable change in the Bank's credit spread.

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 cases where no rate is available, generally accepted valuation models are used instead. Controls of these models are performed continuously 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's valuations. Finally, controls are performed on the model's ability to generate a correct fair value.

Financial assets and liabilities

2022 SEK m	Financial assets at fair value through profit or loss	Financial assets at Amortised cost	Financial assets at fair value through other comprehensiv e 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	-	30	-	-	-	-	30	30
Treasury bills	-	-	2 587	-	-	-	2 587	2 587
Loans to credit institutions	-	2 380	-	-	-	-	2 380	2 380
Loans to the public	-	26 331	-	-	-	-	26 331	26 002
Bonds and other interest-bearing securities	-	-	4 496	-	-	-	4 496	4 496
Shares and participations in associated companies	-	351	-	-	-	-	351	351
Shares and participations in other companies	43	-	-	-	-	-	43	43
Derivatives	18	-	-	-	-	146	164	164
Accrued income	-	101	-	-	-	-	101	101
Other financial assets	-	502	-	-	-	-	502	502
Total	**47**	**29 695**	**7 083**	**-**	**-**	**146**	**36 985**	**36 656**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	535	-	535	536
Deposit from the public	-	-	-	-	33 112	-	33 112	33 025
Issued securities	-	-	-	-	2 349	-	2 349	2 348
Derivatives	-	-	-	234	-	-	234	234
Other liabilities	-	-	-	-	788	-	788	788
Accrued expenses	-	-	-	-	1 252	-	1 252	1 252
Total	**-**	**-**	**-**	**233**	**38 039**	**-**	**38 272**	**38 184**

2021 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	-	23	-	-	-	-	23	23
Treasury bills	-	-	2 274	-	-	-	2 274	2 274
Loans to credit institutions	-	1 817	-	-	-	-	1 817	1 817
Loans to the public	-	24 737	-	-	-	-	24 737	24 729
Bonds and other interest-bearing securities	-	-	3 466	-	-	-	3 466	3 466
Shares and participations in associated companies	-	95	-	-	-	-	95	95
Shares and participations in other companies	40	-	-	-	-	-	40	40
Derivatives	0	-	-	-	-	10	10	10
Accrued income	-	105	-	-	-	-	105	105
Other financial assets	-	474	-	-	-	-	474	474
Total	**40**	**27 252**	**5 740**	**-**	**-**	**10**	**33 042**	**33 033**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	639	-	639	642
Deposits from the public	-	-	-	-	26 909	-	26 909	26 913
Issued securities	-	-	-	-	3 749	-	3 749	3 749
Derivatives	-	-	-	184	0	3	188	188
Other liabilities	-	-	-	-	645	-	645	645
Accrued expenses	-	-	-	-	1 329	-	1 329	1 329
Total	**-**	**-**	**-**	**184**	**33 271**	**3**	**33 459**	**33 466**

The following tables provide information on the measurement of fair value of financial instruments that are measured at fair value in the balance sheet. 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

2022 SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	149 367	13 803	**163 170**
Shares and participations in other companies	41 885	-	1 419	**43 304**
Financial assets at fair value through other comprehensive income				
Bonds and other interest-bearing securities	3 553 678	942 303	-	**4 495 980**
Treasury bills	2 587 091	-	-	**2 587 091**
Financial liabilities at fair value through profit or loss				
Derivatives	-	234 381	-	**234 381**

2021 SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	10 074	-	**10 074**
Shares and participations in other companies	37 967	-	1 535	**39 502**
Financial assets available-for-sale				
Bonds and other interest-bearing securities	3 015 923	449 840	-	**3 465 763**
Treasury bills	2 120 361	153 958	-	**2 274 319**
Financial liabilities at fair value through profit or loss				
Derivatives	-	187 699	-	**187 699**

The input data used in valuation techniques are based, to the extent possible, on market information.

Derivatives include interest rate and currency swaps as well as an option linked to share holdings in Borgo. The fair value of interest rate and currency swaps is calculated using established valuation techniques and observable market interest rates. The fair value of the option is calculated using a model where inputs that are not observable in the market are used. 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.

Financial assets and liabilities not reported at fair value in the balance sheet

Information is provided below on how fair value was determined for the financial assets and liabilities that are not reported at fair value in the balance sheet, as well as levels in the fair value hierarchy to which the valuation method on the respective instruments is assigned.

Due to its short-term nature, the fair value of Cash is assumed to be the same as the reported value and is assigned to level 3 in the fair value hierarchy.

The fair value of Loans to credit institutions, Loans to the public has been calculated by discounting the expected future cash flows with an assumed customer interest rate that would have been used in the market if the loans had been issued at the time of valuation. For instruments with a remaining useful life of less than six months, the reported value is considered to reflect fair value. The fair value valuation has been assigned to level 3 of the fair value hierarchy.

The balance sheet item Shares and participations in associated companies contains shares in non-listed companies. Shareholdings are tested for the need for write-downs at the end of the financial year. In the impairment test, the company's specific and market indicators are used, thus the reported value has been attributed to level 3 in the hierarchy for fair value.

The fair value of Accrued income and Other assets consist of short-term receivables. The fair value is therefore considered to be the same as the reported value and has been assigned to level 3 in the fair value hierarchy.

The fair value of Liabilities to credit institutions, Deposits from the public, Securities issued has been calculated by discounting the expected future cash flows with an interest rate that would have been used in the market if the debt had been assumed at the valuation date. For instruments with a remaining life of less than six months, the reported value is considered to reflect fair value. The fair value has been assigned to level 3 of the fair value hierarchy.

The fair value of Accrued expenses and Other liabilities consist of short-term liabilities, mainly fund liquid liabilities. The fair value is therefore considered to be the same as the reported value and has been assigned to level 3 in the fair value hierarchy.

Interest Rate Benchmark Reform

The Interest Rate Benchmark Reform is a transition from current Interbank Offered Rates (IBOR) to Risk Free Rates (RFR). Interbank Offered Rates are used today as interest rate benchmark in a large number of financial instruments and is very important for the financial stability.

Ikano Bank has worked to ensure a smooth transition by ensuring that existing contracts and products that are based on alternative reference rates have been mapped and started work on shifting reference rates from IBOR to alternative reference rates.

The Libor rates (for example GBP) were the first to cease as of December 31, 2021. All systems and existing contracts have been changed from IBOR to Risk Free Rates.

Other IBOR rates (such as Euribor, Stibor, Nibor, Cibor) have been reformed in order to comply with Benchmark regulation demands and are expected to be published within the foreseeable future. If transition occurs for these Interbank Offered Rates towards alternative reference rates, Ikano Bank is ready to act according to the new conditions.

All of Ikano bank's bilateral ISDA agreements, the bank's bond issuance program and credit facilities for bank loans have been updated with correct fallback writing for the reference rates that are expected to end. As of December 31, 2022, the bank has an exposure to financial assets that are not derivatives against Stibor of SEK 3,666 m. For financial liabilities that are not derivatives, there is an exposure to Stibor of SEK 2,250 m and to Euribor there is EUR 18 m. There is an exposure of EUR 285 m against derivatives.

39 Capital analysis

The below information is provided regarding own funds and own funds requirements in accordance with FFFS 2008:25 that refers to regulation (EU) No 575/2013 and SFSA regulations regarding prudential requirements and capital buffers (FFFS 2014:12). According to (EU) 575/2013, the bank is classified as "other institution" as it neither meets the requirements for "large" nor "small or non-complex" institution. No consolidated situation exists.

The capital requirements regulations help to strengthen resilience against financial losses and thereby protect the Bank's customers. The Bank's own funds must cover the regulatory minimum requirements, called Pillar I 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 and the requirements stipulated by the Board of Directors, also referred to as Pillar 2 requirements as well as statutory requirements for capital buffers. On 17 August 2022, the Financial Supervisory Authority announced a decision that the bank must meet a special capital base requirement regarding concentration risk for credit risk, interest rate risk and market risks in other operations of 1.49 percent of the total risk-weighted exposure amount, which is a reduction of 0.1 percentage point compared to the previously conducted internal evaluation. Furthermore, the Financial Supervisory Authority announced that the bank should hold additional capital (pillar 2 guidance) corresponding to 5.50 percent of the institution's total risk-weighted exposure amount and 5.00 percent of the total exposure measure for leverage ratio, which is an increase of approximately 3.5 percentage points compared to the previously carried out internal evaluation. The bank has followed the Financial Supervisory Authority's recommendation.

Ikano Bank has, as a part of the Bank's risk appetite framework, 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.

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 own fund's requirement in the business. 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 reflect 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 2022, the Bank had own funds of SEK 9,332 m (9,769), all of which is Common Equity Tier 1 capital both 2022 and 2021. The statutory own funds requirement for Pillar 1-risk amounted to SEK 2,896 m (2,647). After a statutory minimum for common equity Tier 1 capital has been allocated to cover requirement calculated in accordance with Pillar 1, a further SEK 6,436 m (7,122) remain available. The internal own funds requirements (Pillar II) totalled SEK 2,449 m (508), including Pillar 2 guidance that was not included in the comparison period, 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 905 m (827) 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 credit exposures of the Bank are located. The institution-specific countercyclical buffer after weighting the applicable geographic requirements, which for the Bank now mainly means Norway, amounts per 31 December 2022 to 0.87 percent of risk weighted exposure amounts or SEK 315 m (24). Ikano Bank's combined buffer requirement is SEK 1,219 m (851).

The total capital ratio was 25.8 percent (29.5), the same as Common Equity Tier 1 capital ratio. The capital relations are negatively affected partly by a negative result for 2022 and partly by increased risk-weighted exposures as a result of a growing loan stock.

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.

Information about the bank's Pillar 3 risks can be found on the website: www.ikanobank.se

Own funds

The Bank's own funds totalled to SEK 9,332 m (9,769) and consists only of Tier 1 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 hedge reserve), retained earnings, untaxed reserves (78.6 percent thereof) and net result for the year. Share capital consists of 19,616 shares with a nominal 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 earnings consist of the Bank's accumulated earnings and a capital contribution by the shareholders. The Bank has, per 31 December 2022, no untaxed reserves.

Deductions from the core Tier 1 capital were made for intangible assets, which for the Bank 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 112 m (0,3) 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. Purpose of the deduction is to adjust for uncertainty of positions measured and recognised at fair value.

On 31 December 2022, 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 (EU) 2021/637. 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.

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 17 exposure classes with defined, weighted risks. The risk exposure amount for credit risk is SEK 30,265 m (26,922), which results in an own funds requirement of SEK 2,421 m (2,154).

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 4,673 m (4,926), resulting in an own funds requirement of SEK 374 m (394).

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 at closing rate. Own funds requirements of 8 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 1,233 m (1,221), with an own fund's requirement of SEK 99 m (98). The increase of foreign exchange risk is explained by an increase in off balance sheet exposures that cannot be hedged.

The Bank's risk exposure amount for CVA risk is SEK 23 m (16), giving an own funds requirement of SEK 2 m (1).

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

	2022		2021	
	SEK 000	%of REA*	SEK 000	%of REA*
Common equity Tier 1	9 331 514	25,8%	9 792 004	29,5%
Tier 1 capital	9 331 514	25,8%	9 792 004	29,5%
Own funds	**9 331 514**	**25,8%**	**9 792 004**	**29,5%**
Total risk exposure amount	**36 194 527**		**33 085 187**	
Minimum capital requirement (Pillar 1)	**2 895 562**	**8,0%**	**2 646 815**	**8,0%**
Additional capital requirement (Pillar 2)	**631 000**	**1,7%**	**771 000**	**2,3%**
Pillar 2 guidance (P2G)	1 990 699	**5,5%**	-	**0,0%**
Combined buffer requirement	**1 219 499**	**3,4%**	**851 162**	**2,6%**
Capital conservation buffer	904 863	2,5%	827 130	2,5%
Counter-cyclical capital buffer	314 636	0,9%	24 032	0,1%
Total capital requirement	**6 736 760**	**18,6%**	**4 268 977**	**12,9%**
Available common equity Tier 1 Capital	**7 159 842**	**19,8%**	**7 783 775**	**23,5%**

* Risk-weighted exposure amount

Specification of own funds

SEK 000	2022	2021
Equity reported in the balance sheet	**9 989 624**	**10 259 462**
Share capital	154 893	154 893
Statutory reserve	193 655	193 655
Fund for development expenses	591 069	569 903
Share premium reserve	4 479 855	4 479 855
Fund for fair value	314 334	243 372
Retained earnings	4 596 620	4 718 986
Net result for the year	-340 800	-101 201
CET1 capital before regulatory adjustments	**9 989 626**	**10 259 462**
CET1 capital: regulatory adjustments		
Intangible assets	-593 701	-572 123
Cash flow hedge	-112 208	-329
Value adjustments due to the requirements for prudential valuation	-7 729	-6 059
Adjustment for IFRS 9 one-off effect according to transitional arrangements	55 526	111 053
Total Common Equity Tier 1 Capital	**9 331 514**	**9 792 004**
Total Tier 1 Capital	**9 331 514**	**9 792 004**
Total own funds	**9 331 514**	**9 792 004**

Specification of risk exposure amounts and own funds requirements

	2022		2021	
SEK 000	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
Credit risk according to the standardised approach				
Exposures to regional governments or local authorities	1 267	101	13 441	1 075
Institutional exposure	743 553	59 484	452 488	36 199
Corporate exposure	5 297 915	423 833	3 853 039	308 243
Retail exposure	22 278 585	1 782 287	21 312 261	1 704 981
Equity exposure	919 707	73 577	305 924	24 474
Past due items	417 017	33 361	432 732	34 619
Covered bond exposure	143 729	11 498	198 903	15 912
Other items	463 325	37 066	353 427	28 274
Total credit risk	**30 265 098**	**2 421 208**	**26 922 215**	**2 153 777**
Operational risk according to the basic indicator approach	**4 673 247**	**373 860**	**4 926 047**	**394 084**
Foreign exchange risk according to the standardised approach	**1 233 268**	**98 661**	**1 220 521**	**97 642**
CVA risk according to the standardised approach	**22 914**	**1 833**	**16 404**	**1 312**
Total	**36 194 527**	**2 895 562**	**33 085 187**	**2 646 815**

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

SEK 000	2022	2021
Available capital		
Common Equity Tier 1 (CET1) capital	9 331 514	9 792 004
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	9 275 987	9 657 834
Tier 1 capital	9 331 514	9 792 004
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	9 275 987	9 657 834
Total capital	9 331 514	9 792 004
Total capital as if IFRS 9 transitional arrangements had not been applied	9 275 987	9 657 834
Risk-weighted assets		
Total risk-weighted assets	36 194 527	33 085 187
Inphasing	13 155	41 200
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	36 181 371	33 043 987
Capital ratios		
Common Equity Tier 1 (as a percentage of risk exposure amount)	25.8%	29.5%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	25.6%	29.2%
Tier 1 (as a percentage of risk exposure amount)	25.8%	29.5%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been a	25.6%	29.2%
Total capital (as a percentage of risk exposure amount)	25.8%	29.5%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	25.6%	29.2%
Leverage ratio		
Leverage ratio total exposure measure	49 137 930	45 194 682
Leverage ratio	19.0%	21.6%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	18.9%	21.4%

Leverage ratio

The leverage ratio is a measure that provides an alternative to the risk-based capital requirement. The aim is to have 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 was implemented when the revised Capital Requirements Regulation entered into force on June 28, 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 2022 is 19 percent (21.6).

	2022		2021	
	SEK 000	% of total exposure measure	SEK 000	% of total exposure measure
Total exposure measure*	**49 137 930**		**45 194 682**	
Tier 1 capital	**9 331 514**	**19,0%**	**9 792 004**	**21,6%**
Overall leverage ratio requirement	**1 474 138**	**3,0%**	**1 355 840**	**3,0%**

Liquidity coverage ratio

SEK 000	2022-12-31	2022-09-30	2022-06-30	2022-03-31	2021-12-31
Total high-quality liquid assets (HQLA)	**4 176 751**	**2 864 414**	**3 165 421**	**3 383 266**	**4 324 565**
Cash outflows	4 489 702	4 302 238	3 992 304	3 993 230	4 063 017
Cash inflows	4 923 066	2 630 472	2 642 661	2 824 474	2 524 193
Total net cash outflows	**1 122 426**	**1 671 766**	**1 349 644**	**1 168 756**	**1 538 824**
Liquidity coverage ratio (%)	**372%**	**171%**	**235%**	**289%**	**281%**

Net stable funding ratio

SEK 000	2022-12-31	2022-09-30	2022-06-30	2022-03-31	2021-12-31
Total available stable funding	41 397 863	36 694 366	39 141 720	40 196 556	36 958 727
Total required stable funding	30 307 558	28 470 481	28 716 596	28 689 887	27 286 679
NSFR ratio (%)	**137%**	**138%**	**136%**	**140%**	**135%**

40 Transactions with related parties

Companies within the Ikano Group, companies within the Ingka Group as well as the Bank's associated companies are related parties to the Bank. Transaction with these parties are shown in the table below.

Transactions with the Ingka Group have, other than what is shown in the table below, included a capital injection which took place before this entity was seen as related party. The companies within the Ingka Group are seen as related parties from July 1, 2021.

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

For information about salaries and other remuneration, pensions and loans to key personnel in leading positions, see note 12 General administrative expenses.

SEK 000	År	Sale of goods or services to a related party	Purchase of goods or services from a related party	Other (interest, dividend etc)	Receivables with related parties, December 31	Liabilities with related parties, December 31
Group companies	**2022**	**384**	**-57 333**	**-**	**9 771**	**907**
Group companies	**2021**	366	-47 812	-	14 150	1 216
Associated companies	**2022**	**938**	**-755**	**9 888**	**938**	**2 630**
Associated companies	**2021**	-	-	18 944	-	-
Other related parties	**2022**	**252 935**	**-9 442**	**-**	**81 271**	**2 013 627**
Other related parties	**2021**	75 059	1 524	-	39 549	1 749 237

The Bank's shares in the associated company IISÅ Holdco AB have been divested in June 2022. Dividend received from IISÅ Holdco AB amounted to SEK 9,888 k. During the period 54,412 shares in Borgo AB (publ) were acquired from IISÅ Holdco AB at the amount of SEK 10,048 k. During 2022 the Bank has further invested in 1,704,291 shares in Borgo AB (publ) at new share issues, at the amount of SEK 256,894 k. The balance sheet item of Shares in associated companies consists of 2,258,935 shares in Borgo AB (publ) as of the end of the period, which corresponds to an ownership share of 26%.

41 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

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, date according to digital signature.

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	Lone Fønss Schrøder Board member	Mikael Palmquist Board member
Nigel Hinshelwood Board member	Henrik Eklund CEO	

Our auditor's report was submitted, date according to digital signature.

KPMG AB

Mårten Asplund
Authorised public accountant

Definitions and explanation

Alternative key figures

Alternative key figures are financial measures of historical or future profit development, financial position or cash flow that are neither defined in IFRS nor in the capital adequacy regulations. These do not have to be comparable with similar key figures presented by other companies.

The Bank's financial reports contain alternative key figures that Ikano Bank deems provide additional relevant information to the reader, as they are used by group management for internal governance and performance monitoring as well as for comparisons between reporting periods.

Share of non-performing loans
Net non-performing loans in relation to total loans to the public, credit institutions (excluding banks) and lease receivables.

Return on total assets
Net result for the year in relation to total assets.

Retained earnings
Retained earnings consists of the previous year's net result after dividends paid during the year. This item, together with the year's net result and fund for fair value, constitutes the sum of non-restricted equity, i.e. the amount available for distribution to the shareholders.

Balance sheet total
Total assets

Equity
Total assets reduced by amount liabilities, provisions, and untaxed reserves.

Fund for development expenses
Fund for development expenses is restricted equity that represents the expenses for own development of intangible fixed assets.

Expected credit losses
Probability-weighted credit losses with the respective risk of default. Expected credit losses shall indicate how large credit losses the bank is expected to incur. Expected credit losses are a product of the parameters, loss at default, risk of default and the exposure amount.

Average total assets
Average of total assets at the beginning and at the end of the period.

Average equity
Average of the equity at the beginning and at the end of the period.

Average adjusted equity
Average of the equity at the beginning and at the end of the period, adjusted for changes in the value of financial assets measured at fair value through other comprehensive income, derivatives in cash flow hedges, revaluation effects of defined pension plans and a weighted average of new issues of shares, dividends and repurchases of shares.

Average total loans
Average total loans to the public, credit institutions (excluding banks) and lease receivables at the beginning and at the end of the period.

Deposits from the public
All deposits and borrowing from the public, i.e. from other than credit institutions and the central bank. Deposits and borrowing from the National Debt Office are also reported here.

Income
Total income according to the bank's income statement.

Intra-day liquidity
Intra-day liquidity handles the bank's daily payment obligations. The liquidity in this portfolio must be available within one day and consist of funds in the bank account, investments that are available the following banking day and confirmed overdrafts.

C/I-ratio before loan losses
Operating expenses in relation to operating income with lease operations offset in operating income.

Expenses
Total expenses before loan losses according to the bank's income statement.

Loan losses
Realized losses and provisions for loan losses with deductions for recoveries as well as the year's net expenses regarding loan losses for guarantees and other contingent liabilities.

Loan loss ratio
Loan losses in relation to average total loans to the public, credit institutions (excluding banks) and lease receivables.

Non-performing loans
Loans are classified as non-performing when one or more events that have a negative impact on the estimated future cash flows of the financial asset has occurred. A loan is considered non-performing when it is 90 days overdue in payments or when there is other evidence in the form of observable data of the following events:
a) Significant financial difficulties of the issuer or borrower.

b) A breach of contract, such as missed or unsettled payments.
c) The lender or the borrower has, for financial or contractual reasons in connection with the borrower's financial difficulties, granted a concession to the borrower that the lender would not otherwise consider doing.
d) It becomes likely that the borrower will go into bankruptcy or other financial restructuring.

Leasing income net after depreciation
All leasing agreements where the bank is the lessor are reported as if they were operational. Leasing income net after depreciation is gross leasing income less scheduled depreciation on leased assets.

Leasing assets
Assets held on behalf of customers, where the bank is the lessor. The bank applies the exception rules, regarding IFRS 16, in RFR 2 and reports all leasing agreements as if they were operational. The value of leasing assets is thus the acquisition value less depreciation and any write-downs.

Cash and cash equivalents
Cash and balances with central banks, loans to credit institutions with deductions for current liabilities to credit institutions.

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.

Average number of employees
Average number of employees at the beginning and end of the year expressed in full-time positions, excluding long-term absences.

Investment margin
Net interest income in relation to total assets.

Net commission
Net of commission income and commission expenses.

Provision for non-performing receivables
Total provision for probable loan losses in relation to non-performing loans, gross.

Credit loss provision
Provision for expected credit loss regarding financial assets, contract assets, loan commitments and financial guarantees.

Return on adjusted equity
Operating result after standard tax rate in relation to average adjusted equity.

Interest margin
Total interest income in relation to average balance sheet total, less total interest expenses in relation to average balance sheet total excluding average adjusted equity.

Net interest
Interest income reduced by interest expense.

Operating result
Result before appropriations and tax expense.

Profit before loan losses
Result before loan losses, write-downs of financial assets, appropriations, and tax.

Total net interest
The sum of:
a) Interest income,
b) Leasing income from financial leasing agreements according to IFRS 16 Leasing agreements, including those reported as operational leasing agreements,
c) Interest expense, and
d) Depreciation according to plan for assets that are covered by financial leasing agreements according to IFRS 16, but which are reported as operational leasing agreement

Equity ratio
Adjusted equity, calculated according to the respective year's applicable tax rate, in relation to the balance sheet total.

Total funding
The bank's total funding consists for the most part of deposits from the public but also of issued securities, loans from credit institutions and equity.

Loans to the public
Loans to the public includes receivables, including payment card claims, on customers who are not credit institutions. The item also includes claims on the National Debt Office.

Lending, including leasing
The sum of loans to the public and lending to leasing objects.

Share premium reserve
Share premium reserve includes the part of the price of newly issued shares that exceeds their nominal value. The premium fund is a free equity capital.

Key figures and concepts defined in the capital adequacy regulations - Capital Requirement Regulation, CRR, regulation (EU) 575/2013

Leverage ratio
The primary capital in relation to the total exposure amount, according to article 429.4 of the CRR, including certain off-balance sheet items recalculated with conversion factors defined in the standardized method as well as regular adjustments from the capital base.

Exposure at default (EAD)
Exposure at default (EAD) measures the utilized exposures that are in default. For off-balance sheet exposures, EAD is calculated by using a credit conversion factor (CCF) that calculates the expected utilization in the future of today's unutilized amount.

Exposure amount (IRK)
Exposure amount is the amount that must be capital covered. The amount is calculated including interest and fees. Amounts for off-balance sheet items are converted using a conversion factor (KF). For derivatives, the exposure value is calculated in accordance with the standardized method for counterparty risk (SA-CCR).

Default
Credit exposures are considered in default when judgment has been made indicating that the counterparty is unlikely to fulfil his payment obligations or where those payment obligations are more than 90 days past due.

Fund for fair value
The fair value fund includes fair value reserve, cash flow hedge reserve and translation reserve.

Loss given default (LGD)
Loss given default measures how much of the exposure amount is expected to be lost in the event of default.

Capital base
The capital base consists of the sum of Tier 1 and Tier 2 capital.

Capital requirements
Statutory capital requirements mean that institutions subject to the CRR must have a common equity Tier 1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6% and a total capital ratio of at least 8%. This means that the capital base for each relationship must amount to the stated percentage of the risk exposure amount. For definitions of the respective capital base amount, see common equity Tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority can add institution-specific requirements in accordance with the second pillar of the regulations.

Capital conservation buffer
Part of the combined buffer requirement for the bank. 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.

Combined buffer requirement
The sum of the capital conservation buffer and the countercyclical capital buffer.

Countercyclical capital buffer
Part of the combined buffer requirement for the bank. According to the law (2014:966) 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 credit exposures of the Bank are located.

Credit valuation adjustment risk (CVA)
Credit valuation adjustment risk measures the risk that the market value of a derivative decreases depending on the deterioration of the creditworthiness of the counterparty. Credit-worthiness adjustment is a component of the regulatory framework for valuation of derivatives. The adjustment of the value is based on the counterparty's creditworthiness. An exposure to a counterparty with a worse credit rating must have a lower reported value than the corresponding exposure to a counterparty with a better credit rating. Credit risk in this context means that if a given counterparty's creditworthiness deteriorates, the value in the balance sheet of all derivative transactions with a positive market value against this counterparty immediately decreases, and thus the bank's equity decreases. To account for this risk in the capital adequacy, credit rating adjustment risk has been introduced as part of the capital adequacy rules.

Common equity Tier 1 capital
Common equity Tier 1 capital is a sub-component of the capital base and mainly consists of equity. Deductions are made for, among other things, accrued dividends, goodwill, and other intangible assets as well as the difference between expected loss and provisions made for probable loan losses.

Common equity Tier 1 ratio
Common equity Tier 1 capital in relation to risk exposure amount.

Liquidity coverage ratio (LCR)
High-quality liquid assets in relation to an estimated net liquidity outflow over a period of 30 days.

Liquidity reserve
Liquidity reserve according to the EU Commission's delegated LCR act. The measure shows how the bank's highly liquid assets stand in relation to the net outflow during a thirty-day period under stressed market conditions.

Translation reserve
The translation reserve includes the exchange rate differences that arise when consolidating the bank's foreign branches and translating their financial reports into SEK.

Tier 1 capital
The sum of Common equity Tier 1 capital and other primary capital.

Risk exposure amount
Risk-weighted exposure amount, i.e. the exposure amount after taking into account the inherent risk in the asset. Capital requirement according to CRR multiplied by 12.5. Risk exposure amounts are used in connection with market risks and operational risks.

Risk-weighted exposure amount (Risk-weighted assets) Exposure amount (assets) multiplied by risk weight. Risk-weighted exposure amounts are used in connection with credit risks including counterparty risks.

Probability of default (PD)
The probability of a counterparty defaulting over a one-year period.

Tier 2 capital
Tier 2 capital is a sub-component of the capital base and mainly consists of subordinated loans that meet the requirements set out in Regulation (EU) No. 575/2013 to be included in the Tier 2 capital.

Cash flow hedge reserve
The effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

Total Capital ratio
Own funds in relation to risk exposure amount.

Fair value reserve
The accumulated unrealized net change in fair value of assets valued at fair value through other comprehensive income until the asset is derecognised from the balance sheet. Value changes due to write-downs are, however, reported in the income statement.

Explanations

Business risk
Risk that the Bank's earnings deteriorate and are not sufficient to cover operating expenses. Business risk includes Reputational risk and Strategic risk.

The Bank
Ikano Bank AB (publ), 516406-0922

CRR
Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on supervisory requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Unused credits
Granted credits that have not yet been used.

Ikano Bank
Ikano Bank AB (publ), 516406-0922

The Ikano Group
Ikano S.A. with its subsidiaries

Short-term commercial paper programme
Deposits in the form of issued bank certificates with a maturity of maximum one year.

Credit risk
The risk that the counterparty does not fulfill its obligations and the risk that collateral provided does not cover the receivable.

IFRS limited by statutes
IFRS limited by statutes refers to standards that have been adopted for application with the limitations and possibilities for exceptions that follow from ÅRKL, RFR 2 and FFFS 2008:25.

Liquidity portfolio
The bank's liquidity portfolio mainly consists of investments in high-quality liquid interest-bearing securities which can be realized and converted into cash at short notice and whose quality requirements are regulated in the bank's governing documents. The quality requirements are high, and an investment will be utilized before it is considered to have had a significant increase in credit risk.

Liquidity risk
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.

Loan promise
A unilateral commitment to issue a loan with predetermined conditions, such as interest, which the borrower can choose to accept.

Market risk
Market risk is the risk of decreases in profits due to adverse market fluctuations in interest rates and currencies.

NPAP
NPAP (New Product Approval Process). New products, processes, markets, partners and IT systems are risk assessed before they are implemented. The goal is to ensure efficient processes and minimize operational risks so that the bank's customers and other stakeholders are assured that Ikano Bank has a high level of security and availability.

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 also includes legal risk, but not strategic and reputational risk.

Bond programme
The bank's bond program (Medium Term Note program) consists of issued senior unsecured bonds with a maturity longer than one year.

Reputation risk
The risk of financial losses due to customers, partners and/or lenders losing confidence in the bank, its brand, or the industry, for example in the event of negative publicity or periods of systemic stress.

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.

Standardised approach
Standardised method is the method prescribed in Chapter 2 of Regulation (EU) No. 575/2013 for calculating risk-weighted exposure amounts according to Article 92.3 a and f.

Strategic risk
The risk that the bank will not achieve its strategic goals.

Auditor's Report

To the general meeting of the shareholders of Ikano Bank AB (publ), corp. id 516406-0922

Report on the annual accounts

Opinions

We have audited the annual accounts of Ikano Bank AB (publ) for the year 2022. The annual accounts of the company are included on pages 7-70 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 Ikano Bank AB (publ) as of 31 December 2022 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.

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 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.

Other Matter

The audit of the annual accounts for year 2021 was performed by another auditor who submitted an auditor´s report dated 4 April 2022, with unmodified opinions in the Report on the annual accounts.

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.

Lending and provision for credit losses

See note 14 and 17 and accounting principles in note 2 in the annual report for detailed information and description of the area.

Description of key audit matter

Lending in Ikano Bank mainly consists of housing loans, leasing, factoring, consumer financing and personal loans. Lending takes place in Sweden, Denmark, Norway, Finland, Germany, Poland and Great Britain.

The company's total lending to the public amounts to SEK 26,331 million as of December 31, 2022, which corresponds to 54 percent of the company's total assets. The company's reserve for expected credit losses in the loan portfolio amount to SEK 854 million.

Ikano Bank applies IFRS 9 for calculating the credit loss reserve. The reserves for credit losses in the company's loan portfolio correspond to the company's best estimate of potentially incurred losses in the loan portfolio as of the balance sheet date.

The provisions require the company to make assessments and assumptions regarding the credit risks and calculations for expected credit losses. The complexity of these calculations as well as the assessments and assumptions that are made lead us to see this as a particularly significant area.

Response in the audit

We have tested the company's key controls in the lending process including credit decisions, credit review, rating classification and models for provisioning for credit losses. Tested controls consist of both manual controls and automatic controls in application systems. We have also tested general IT controls for current systems.

We have reviewed the company's principles based on IFRS 9 to assess whether the company's interpretation of these is reasonable. Furthermore, we have tested the company's key controls regarding the reservingprocess. We have also by random sampling checked the input data in the models and the accuracy of the calculations. We have also reviewed and assessed the outcome of the model validation that was carried out. In our audit, we have used our internal model specialists to assist us in the audit procedures we performed. We have assessed the circumstances presented in the disclosures in the annual report and consolidated accounts and whether the information is sufficiently comprehensive as a description of the company's assessments

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-6, 71-75, 79-81. 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 intend 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

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 and consolidated 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.

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 year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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 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.

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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company’s profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company’s situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors’ proposed appropriations of the company’s profit or loss we examined whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Ikano Bank AB (publ) by the general meeting of the shareholders on the 5 of April 2022. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2022.

Stockholm

KPMG AB

Mårten Asplund
Authorized Public Accountant

Board of Directors

Auditor
Mårten Asplund, Authorised public accountant, KPMG AB. Auditor Ikano Bank AB (publ) since 2022.

Mats Håkansson
Born 1962. MSc in Business and Economics. Elected 2009. Chairperson of the board since 2013, member of the Audit, Risk and Compliance committee, the Credit committee and the Digital, Business and Transformation committee. VP of Ikano S.A. Former CFO Ikano S.A. and Authorised Public Accountant, Arthur Andersen Sweden. Other board assignments in subsidiaries within the Ikano Group.

Nigel Hinshelwood
Born 1966. HCIMA Oxford Brookes University. Elected 2022. Deputy chairperson, chairperson of the Digital, Business and Transformation committee, member of the Audit, Risk and Compliance committee, Credit committee and the People and Remuneration committee. International experience from the financial sector. Other assignments; Senior Independent Director of Lloyds Bank Plc and Bank of Scotland Plc, Chairman of AXA XL UK and Lloyd's, member of the Adobe International Advisory Board.

Yohann Adolphe
Born in 1974. Engineer in Industrial Processes, Master in Business Administration, Chartered Financial Analyst, Financial Risk Manager certified by GARP. Elected 2018. Member of the Audit, Risk and Compliance committee. CFO Ikano S.A. Previously Corporate Finance manager, Deloitte. Other board assignments in subsidiaries within the Ikano Group.

Lone Fønss Schrøder
Born 1960. Master of Laws University of Copenhagen. Elected 2022. Member of the Audit, Risk and Compliance committee. Experience from various leading positions within large international corporate groups and listed companies. CEO of Concordium. Board member of Ingka Holding, Volvo Cars, Geely Sweden Holdings, and Aker Group.

Heather Jackson
Born 1965. BA Modern History, Oxford University. Elected 2014. Chairperson of the People and Remuneration committee and member of the Digital, Business and Transformation committee and Credit committee. Experience from the finance and retail sectors from leading roles working within change, operations, technology, and digital transformation.

Lars Ljungälv
Born 1969. Bachelor of Science in Business Administration and Economics, University of Lund. Elected 2019. Chairperson of the Credit committee and member of the People and Remuneration committee. CEO of Bergendahl & Son AB. Experience from the financial sector, from working in various leading roles at Swedbank, CEO of Sparbanken Öresund AB and Färs och Frosta Sparbank AB.

Mikael Palmquist
Born 1972. M.S. in Business Administration, Gothenburg School of Economics. Elected 2021. Member of the Digital, Business and Transformation committee. Deputy Retail Operations Manager, Ingka Group since 2018, and experience from working in various leading positions in Ingka Group (formerly IKEA Group).

Viveka Strangert
Born 1967. Master in Philosophy and Master of Laws, LL. M. from Stockholm University. Elected 2019. Chairperson of the Audit, Risk and Compliance Committee and member of the Credit committee. Experience from the financial sector having worked various leading positions at KPMG, Swedbank, DnB NOR, and Old Mutual/Skandia.

Diederick van Thiel
Born 1968. MBA Erasmus University Rotterdam & IMD Lausanne. Elected 2014. Chairperson of the Sustainability committee, member of the Digital, Business and Transformation committee. Entrepreneur and business angel since 2010 specialised in big data, AI and robotisation.

Lars Thorsén
Born 1965. BA in International Economics and Finance, Copenhagen Business School. Elected 2015. Member of the Sustainability committee. CEO Ikano S.A. Experience from international management, procurement and supply chain including the position as Regional Purchase Manager of IKEA Asia Pacific.

Management team

Henrik Eklund
CEO. Born 1974. Employed since 2018. Joined Ikano Bank as Chief Operations Officer in May 2018. Has experience from working in the banking sector as well as in sales and e-commerce. Previously held positions as COO and CIO at Resurs Bank and as COO and other leading positions at cdon.com.

Johan Bjurup
Chief Digital Officer. Born 1981. Employed since 2020. Has held senior positions as both CIO and Chief Digital Officer in the insurance and banking sector. Has extensive experience from delivering large change and transformational programmes.

Petter Brandt
Chief Risk Officer. Born 1963. Employed since 2019. Previously Head of Risk Swedish Banking at Swedbank, CRO for Sparbanken Öresund and Swedbank Robur. Has also held leading positions in risk management at companies such as Hexagon, Ericsson and PWC.

Dan Hedgate
Chief Operations Officer. Born 1975. Employed since 2018. Joined Ikano Bank as Head of Operations Services. Previously Operations Services Manager at Resurs Bank and has extensive experience in management of Operations services.

Anna Idorn
Chief Compliance Officer. Born 1979. Employed since 2015. Previously Chief Information Security Officer at Ikano Bank. Experience working with risk management mainly within the financial sector specialised in IT risk. Former Internal Auditor at SEB and Information Security risk consultant at E&Y.

Christian Lund
Chief Credit Officer. Born 1968. Worked at Ikano Bank in Denmark from 2013 to 2017. Re-joined the Bank again in 2021. Previously Head of Credit at Ikano Bank. Experience of the financial industry and credit management and from being part of starting up Aprila Bank, a Fintech company based in Norway.

Niclas Olsson
CFO. Born 1975. Employed since 2021. Former CFO of PayEx with experience from working in various leading positions in Swedbank, and as management consultant for Ernst & Young and Zeb Nordics.

Teresia Palm
Chief People & Communications Officer. Born 1970. Employed since 2021. Experience within HR, communication and marketing. Previously worked in various leading positions within different IKEA organisations in Älmhult-Sweden, Denmark and Germany.

Louise von Scheven
Chief Commercial Officer B2C. Born 1978. Employed since 2023. Experience from the financial sector in various commercial and strategic positions, e.g. responsible for Enter-Card's D2C business in the Nordics. Has also worked at several consulting- & accounting firms.

Henrik Staulund
Chief Commercial Officer B2B. Born 1968. Worked at Ikano Bank in Denmark from 1993 to 2002 and re-joined the Bank again in 2011. Former manager of the Bank's Danish branch. Experience from various leading positions at Citigroup, Credit Agricole, BNP and Nordax Bank.

Management team (continued)

Anna Wanby
Chief Legal Officer. Born 1966. Employed since 2020. Previously Head of Legal in the south-eastern region of Svenska Handels-banken. Experience from the banking sector, having worked in a number of positions within the legal field.

Anna Werntoft
Chief Transformation Officer. Born 1970. Employed since 2021. Experience from various leading positions in the IT Service industry. Previously Executive Partner at IBM, CEO for Stratiteq, IT manager at Cerdo Bankpartner and partner and co-owner of the management consultancy company BSI & Partners.

Corporate governance report

Ikano Bank AB (publ) ("Ikano Bank" or the "Bank") is a subsidiary of Ikano S.A. with registered office in Luxembourg. Ikano S.A. owns 51 percent of the Bank. Ingka Investments B.V., registerd in Leiden, owns the remaining 49 percent. 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.

Ikano Bank's corporate governance report is based on the Swedish Code of Corporate Governance (the "Code") even though Ikano Bank has no direct obligation to apply the Code as its shares are not admitted to trading on a regulated market. The Code mainly targets companies with a dispersed ownership. For the Bank, which only has two owners, some rules consequently lack relevance and an application of such rules would not serve any reasonable purpose.

The Code is based on the principle "comply or explain" which entails that a company actively shall decide on how to 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 in the corporate governance report. 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 - Date and place for general meeting shareholder right of initiative.	The objective of the rule is to provide 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 companies with two owners only, there is no reason to apply the rule.
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, 4.4-4.6, 8.1, 10.2 and 10.3 in the Code are not applicable.
Item 4.6 - Nominees to positions on the board are to provide the nomination committee with sufficient information to enable an assessment of the candidate's independence as defined in 4.4 and 4.5.	As stated above the Bank has no nomination committee. In connection with appointment and management suitability assessment of new member of the board Ikano Bank and its owner is provided with corresponding information.
Item 7.6 - The board of directors is to ensure that the company's six-month report is reviewed by the company's auditor.	Review of the company's six-month report is conducted when Ikano Bank intends to apply to include the interim result in its CET 1 capital before AGM resolution approving the final interim result. For the interim report 2022 no review was made.
Item 8.1 - The results of this evaluation are to be reported to the nomination committee.	As stated above the Bank has no nomination committee. The results of the evaluation of the board of directors is reported to the board and conveyed to the shareholder.

Item 10.3 – The company is to have a section of its website devoted to corporate governance matters.

The Bank has a section for corporate governance matters on its website. The Bank's corporate governance report is a part of the Bank's annual report and consequently published under the section devoted to financial information. The audit report which includes the corporate governance report is available on the same section. The section regarding corporate governance matters on the Bank's website, the corporate governance report and the annual report together convey the information to be made available. Reference to share and share price related incentive programmes are not applicable due to the Bank not having listed shares and the Bank's articles of association are not posted on the website. The Bank does not post a report on the results of the evaluation according to the second and third bullets in rule 9.1 but refers to the description in the corporate governance report regarding the evaluation by the People and remuneration committee of the remuneration policy and system.

Item 10.5-10.6 – The remuneration report is to contain a reference to where in the company's annual report the information required by chapter 5, sections 40-44 of the Annual Accounts Act (1995:1554) is to be found. - The remuneration report is to contain a summary description of each outstanding share and share-price related incentive programme and any such programme that was completed during the year.

Due to Ikano Bank not having listed shares the rules are not applicable.

Corporate governance

Ikano Bank's corporate governance is mainly based on Swedish law, Swedish Financial Supervisory Authority's regulations and guidelines, thearticles of association and internal steering documents. In addition to the rules in the Swedish Companies Act, the Annual Accounts Act and the Banking and Finance Business Act, the Bank also applies the Code, EBA guidelines on internal governance and other applicable laws and regulations relevant for banks.

The Swedish Financial Supervisory Authority exercises supervision over the Bank's operations in Sweden and in the countries in which the Bank conducts business through branches or cross border business. The Bank's foreign branches are also subject to limited supervision by the financial supervisory authority of the country in question.

Customers' confidence in the Bank's operation is of major importance. An appropriate and effective framework for internal governance and control with clear internal rules and a sound risk culture are essential elements in the Bank's work with governance.

Executive and shareholder functions of the Company

Annual general meeting

The annual general meeting is the highest decision-making body of Ikano Bank and exercises its influence at the annual general meeting and extraordinary shareholder meetings (if relevant). On the annual general meeting, to be held within six months from the end of the financial year, the annual report including income statement and balance sheet 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.

2022 Annual general meeting

The annual general meeting was held on 5 April 2022. The following main resolutions were passed:

- Adoption of the annual report including income statement and balance sheet
- Resolution on appropriation of the Bank's profit according to the adopted balance sheet
- Resolution on discharge from liability for the members of the board and the CEO
- Determination of fees for each external board member and auditors. Board fees to each external board member shall amount to SEK 500 000 or GBP 47 700 or EUR 56 370, depending on the currency in each board member's country of residence. The fee to an external board member elected as chairman of the board shall amount to SEK 1 000 000 or GBP 95 420 or EUR 112 740 and the fee

to an external board member elected as vice chairman of the board shall amount to till SEK 750 000 or GBP 71 560 or EUR 84 555, depending on the currency in each board member's country of residence. In addition, fees shall be paid to:

(i) each external board member being appointed as chairman of a board committee (with the exception of the Credit Committee) with SEK 135 000 or GBP 12 880 or EUR 15 220 , depending on the currency in each director's country of residence,

(ii) each external board member being appointed as a member of a board committee (with the exception of the Credit Committee) with SEK 102 000, or GBP 9 730, or EUR 11 500, depending on the currency in each director's country of residence, and to

(iii) external board members for additional work performed over and above ordinary board work with SEK 21 800, or GBP 2 112 or EUR 2 800 per day, depending on the currency in each director's country of residence.

- Nigel Hinshelwood was elected new board member and the present board members below 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
    - Lars Ljungälv
    - Krister Mattsson
    - Mikael Palmquist
- KPMG AB, with Mårten Asplund as auditor-in-charge, was elected auditor for the period until the next annual general meeting.

2022 extraordinary general meetings

An extraordinary general meeting was held on 31 May 2022. The meeting resolved, among other things, to elect Lone Fønss Schrøder as new board member. In connection with the meeting, Krister Mattsson resigned from the board of directors.

An extraordinary general meeting was also held on 28 November 2022. The meeting resolved on fees to the members of the board's Credit Committee whereas fees shall be paid to:

(i) each external board member being appointed as chairman of the Credit Committee with SEK 8 992 or GBP 871 or EUR 1 155 per meeting, depending on the currency in each director's country of residence, and to

(i) each external board member being appointed as member of the Credit Committee with SEK 8 175 or GBP 792 or EUR 1 050 per meeting, depending on the currency in each director's country of residence.

Auditor

KPMG AB, with authorized auditor Mårten Asplund as auditor-in-charge, is the Bank's auditor since the 2022 annual general meeting. KPMG AB succeeded Deloitte AB, which had been the Bank's auditor since 2013. Mårten Asplund is a licensed auditor in financial companies. Mårten Asplund's other current audit assignments comprises, among others, Kinnevik AB, Qliro AB and Brummer & Partners AB.

The auditor meets with the entire board at least 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

Second to the general meeting of shareholders the board of directors is the highest decision-making body of the Bank, and it is also the highest executive body. The responsibility of the board 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 work of the board is mainly governed by Swedish Companies Act. The board's work is further governed 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 a board meeting in November 2022. According to the work plan, the board establishes and resolves on the Bank's overall strategy, business plan, and budget and adopts policies. Furthermore, the board shall monitor the Bank's financial development and ensure the quality of the financial reporting and follow up the Bank's business based on established targets and policies. The board also resolves on acquisitions and material commitments and investments of the Bank. The work plan of the board includes the board's instruction to the CEO that sets out 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. In addition to the members of the board of directors, the CEO, CFO and Chief Legal Officer also participate on the meetings of the board. The Chief Legal Officer is permanent secretary of the board.

The Articles of Association state that the board shall consist of no less than three and no more than ten members without deputies. The members shall be elected at a general meeting for the period until the end of the next annual general meeting.

Board members

Ikano Bank's board currently consists of ten board members. The Bank has a policy for selecting and assessing board members. The same policy applies for key function holders of the Bank. 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 any shareholder group. All of the current board members are deemed independent in relation to the Bank and its executive management and five of ten board members are independent also in relation to the Bank's owner. 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.
The table on page 88 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.

For a more detailed presentation of the board members, refer to page 79.

Chairperson of the board

The chairperson of the board, or in his or her absence the vice chairperson of the board, organises and directs the board's work so that it is effective and in accordance with applicable laws and rules, 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 shareholders 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 and the board members knowledge is evaluated annually through self-assessments and assessment of the board as a whole. The chairperson reports the results to the board and conveys the result to the shareholders.

The board's work in 2022

In 2022, nine ordinary board meetings (including the inaugural), eight meetings were held by circulation and two extraordinary board meetings were held. The ordinary board meetings were held physically, digitally and/or via telephone.

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

- Operational matters 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 2022 was the war in Ukraine, the global financial climate, strategy and the Bank's continued work with the digital transformation.

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.

In accordance with the above the Bank's board has established five committees: the Audit, Risk- & Compliance Committee, the People and Remuneration Committee, the Digital, Business and Transformation Committee, the Sustainability Committee and the Credit Committee.

Audit, Risk- & Compliance committee

This committee consists of five board members Viveka Strangert (chairperson), Mats Håkansson, Yohann Adolphe, Nigel Hinshelwood and Lone Fønss Schrøder.

The committee monitors accounting and financial reporting, as well as the effectiveness of the Bank's systems and processes for internal control, internal audit and risk management. 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 the Audit, Risk & Compliance Committee has held seven ordinary minuted meetings, three meetings by circulation of the minutes and one extraordinary minuted meeting. The Audit, Risk & Compliance Committee has both an advisory as well as a preparatory function in respect of matters to be resolved on by the board.

Digital, Business and Transformation Committee

The committee consists of five board members – Nigel Hinshelwood (chairperson), Heather Jackson, Diederick van Thiel, Mats Håkansson and Mikael Palmqvist.

The committee prepares the Bank's strategy for transformation and digitalisation, including IT and IT risks, for decisions by the board and monitors that its implementation takes place in line with the Bank's overall business plan and risk strategy.

During the year the committee held four ordinary minuted meetings.

People & Remuneration committee

The committee consists of three board members - Heather Jackson (chairperson), Nigel Hinshelwood and Lars Ljungälv.

The People and 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 to 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 follows up and evaluates the application of the Bank's remuneration framework and annually conducts 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 meetings and four meetings by circulation of the minutes.

Sustainability Committee

The committee consists of two board members - Diederick van Thiel (chairperson) and Lars Thorsén.

The committee prepares the Bank's strategy regarding sustainability matters and monitors the Bank's implementation of guidelines within sustainability in line with the Bank's overall business plan and risk strategy.

During the year, the Sustainability Committee held two ordinary minuted meetings and one meeting by circulation of the minutes.

Credit Committee

The committee was established in November 2022 and consists of five board members - Lars Ljungälv (chairperson), Mats Håkansson, Nigel Hinshelwood, Viveka Strangert and Heather Jackson.

The committee shall decide on credit facility requests at thresholds determined in the Bank's Credit Risk Policy. The committee shall also assist the board in fulfilling its corporate governance and oversight responsibilities in relation to the company's overall credit risk management by identification and suggested amendments to the credit risk framework to ensure relevancy and effectiveness.

During the year, the Credit Committee two ordinary minuted meetings.

Board and committee work 2022										
Name	Mats Håkansson	Lars Thorsén	Heather Jackson	Diederick van Thiel	Lars Ljungälv	Viveka Strangert	Yohann Adolphe	Lone Fønss Schrøder[1]	Mikael Palmquist	Nigel Hinshelwood[2]
Board attendance	19/19	19/19	19/19	19/19	19/19	19/19	19/19	10/19	18/19	13/19
Attendance at People and Remuneration Committee meetings	-	-	8/8	-	8/8	-	-	-	-	3/8
Attendance at Audit, Risk and Compliance Committee meetings	10/11	-	-	-	-	11/11	11/11	5/11	-	7/11
Attendance at Digital, Business and Transformation Committee meetings	3/4	-	4/4	4/4	-	-	-	-	3/4	3/4
Attendance at Sustainability Committee meetings	-	5/5	-	5/5	-	-	-	-	-	-
Attendance at Credit Committee[3] meetings	2/2	-	2/2	-	2/2	2/2	-	-	-	0/2
Independence	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ikano S.A.	Independent	Independent	Independent	Independent	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ingka Investments B.V.	Not independent in relation to the shareholder Ingka Investments B.V.	Independent

[1] Elected board member in May 2022
[2] Elected board member in April 2022
[3] Committee established in November 2022

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 and EBA guidelines.

The main features of the Bank's remuneration package 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 12, page 45, and the Information on remuneration disclosed by the Bank.

The Bank's organisation and management

Organisation

The operational business is conducted on seven geographic markets: Sweden and the six foreign branches in Denmark, Norway, Finland, UK, Germany (incl. cross border business into Austria) and Poland. The head office with management is located in Malmö, Sweden. The Bank's functions comprise Finance, Operations, Commercial B2C and Commercial B2B, Digital (which includes IT), People and Communications, Credit, Transformation Office, Legal, Risk Control, Compliance, and Internal Audit.

Chief Executive Officer (CEO)

The CEO of the Bank is subordinate to the board and is responsible for the Bank's day-to-day administration. The CEO shall 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 any other guidelines and directives issued by the board.

The delegation of duties between the CEO and the board is set out in the board's work plan and the instruction to the CEO from the board. Henrik Eklund is CEO of the Bank since 2019.

Management team

The Bank's management team consists of twelve people. In addition to the CEO, the management team includes the Chief Financial Officer, Chief Digital Officer, Chief Operations Officer, Chief People and Communications Officer, Chief Commercial Officer B2C, Chief Commercial Officer B2B, Chief Legal Officer, Chief Transformation Officer, Chief Credit Officer, 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 80.

Internal control structure

The board shall ensure that the Bank has a risk control function, a compliance function (that together constitute the second line of defence), and an internal audit function (third line of defence). The control functions regularly report to CEO and the board on material weaknesses and risks and follow up on earlier reported weaknesses and risks. The board and CEO shall ensure that appropriate actions based on reports from the control functions are taken as soon as possible and that such actions are followed up on. It is the board's task to ensure an appropriate, robust and transparent organisational structure with efficient communication and reporting channels in a suitable and effective internal control structure. The board's responsibility regarding internal control is regulated in the Swedish Companies Act, the Annual Accounts Act, the Code and the regulations and general guidelines from the Swedish Financial Supervisory Authority. The internal control structure within the Bank shall, in addition to the independent control functions for Internal Audit, Compliance and Risk Control, also include appropriate processes and procedures for internal control of the operational business, and in particular also regarding accounting and financial reporting. The board annually establishes a number of policies that together with the external regulations constitute the basis of the Bank's internal control structure and create the overarching boundaries of the control of the business. The Bank's internal regulations also includes guidelines and instructions.

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 material 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 2022, EY 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: (i) Risk assessment, (ii) control measures, (iii) information and communication, and (iv) 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 controls.

The Bank's control processes include the involvement of board, management and other staff. Before each ordinary board meeting the board receives information regarding 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 ordinary 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.

Translation from the Swedish original

Auditor’s report on the corporate governance statement

To the general meeting of the shareholders in Ikano Bank AB (publ), corporate identity number 516406-0922

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2022 on pages 82 - 90 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR’s auditing standard RevR 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.

Opinions

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

Stockholm

KPMG AB

Mårten Asplund
Authorized Public Accountant