

# Year-end Report 2021-12



**IKANO**  
**BANK**

# Ikano Bank AB (publ) Year-End Report 2021

## Results for the full year 2021

- Business volume amounted to SEK 61,238 m (60,968)
- Lending, including leasing, amounted to SEK 34,329 m (34,745)
- Deposits from the public amounted to SEK 26,909 m (26,223)
- Profit before loan losses decreased to SEK 303 m (799)
- Operating result decreased to SEK -211 m (23)
- C/I-ratio before loan losses was 88.6 percent (70.2)
- Loan losses decreased by 36.1 percent to SEK -496 m (-775)
- Net interest income decreased by 7.7 percent to SEK 1,695 m (1,837)
- Return on adjusted equity decreased to -2.1 percent (0.3)
- Total Capital ratio is the same as the Common equity Tier 1 ratio of 29.5 percent (17.6)
- The liquidity reserve totalled SEK 4,465 m (3,073) and the total liquidity portfolio amounted to SEK 7,379 m (6,246)

## Results for the second half year 2021

- Operating result decreased to SEK -272 m (104) which is mainly explained by increasing costs connected to the transformation
- Net interest income decreased by 6.8 percent to SEK 840 m (901)
- Return on adjusted equity for the second half of the year amounted to -5.3 percent (2.7)

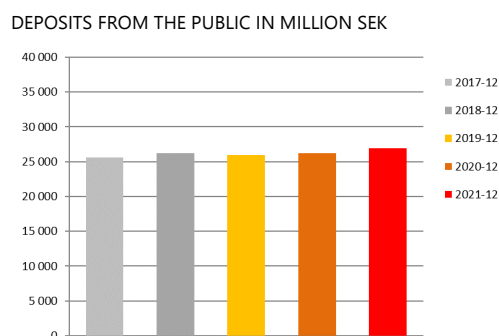
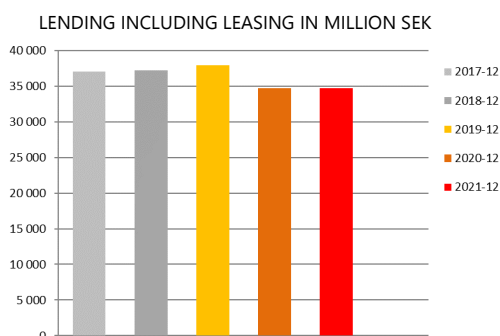
## Outlook for 2022

- Ikano Bank continues to focus on becoming a fully digitalised sustainable bank for the many people.
- The extensive and long-term investments being made to streamline and improve the bank's competitiveness, customer offering and sales continues.
- Develop the collaboration together with Ingka Group as a part-owner.
- Several new digital products are launched and in more markets.
- The uncertainty in both the macro environment, with increasing inflation and interest rates, and the geopolitical environment, will have an effect on society that can come to have an effect on our business.

### Key ratios

	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Total Capital ratio	29.5%	17.6%	29.5%	17.6%
Common equity Tier 1 ratio	29.5%	17.6%	29.5%	17.6%
Investment margin	3.9%	4.1%	3.9%	4.1%
Return on adjusted equity	-5.3%	2.7%	-2.1%	0.3%
Leverage ratio	21.6%	12.7%	21.6%	12.7%
C/I-ratio before loan losses	98.8%	68.2%	88.6%	70.2%
Loan loss ratio	1.7%	2.0%	1.4%	2.1%

Comparative figures in parentheses refer to the same period of the previous year unless otherwise stated.



## CEO Statement

*We are on our way to becoming a fully digitalised, sustainable bank. During 2021 we successfully launched the first two products on our new digital platform. Ingka Group became part-owner of the Bank during the year creating huge possibilities. We accelerated the transformation further in order to have a renewed bank within a few years where we have shut down legacy systems. We have a long-term strategy underpinning everything we do. We offer simple and fair financial solutions based on the latest technology thereby giving better access to finance to more of the many people.*

Over the past year, the Bank's transformation journey has been focused on establishing and rolling-out our new digital platform. The first fully digital loan product on the new platform was successfully launched in May for IKEA's customers in the UK. In 2022, the loan product will be launched in additional countries and we continue to develop more accessible products for our B2C customers. New financial products will also be developed for our business customers in the Nordics based on new technology to improve our offering even further.

Cooperation with IKEA Retail provides new opportunities

The Ingka Group became 49 % shareholder in June 2021, through a new share issue. The deepened cooperation with IKEA Retail within the Ingka Group opens new opportunities to get closer to our customers through customised financial services and to contribute to a healthy economy for more of the many people.

Financial strength and long-term thinking

During the autumn the pace of the development and transformation work to renew the Bank accelerated. We will thus become a fully digitalised and sustainable bank much faster and grow our sales and results in a more efficient way in all 8 markets. In 2021 and the coming years the result is depressed due to the costs rolling out the new bank platform at the same time as having to support our legacy platform. We also have non-recurring items, for example write-downs of previously made IT investments affecting the result. The underlying profitability of the bank is stable. We continue to use our strong financial position to make acquisitions, as we agreed to purchase of the loan portfolio from Basisbank in Denmark, worth approximately DKK 2 billion, during the autumn.

Breaking new ground with mortgage offer

Since autumn 2021 we once again offer mortgages to our customers. With a fully digital mortgage process, we break new ground through our part-ownership in the fintech mortgage company Borgo. Together with our partners we look forward to

creating a new large digital competitor on the Swedish mortgage market.

One sustainable bank

We have set our strategic direction and a new business plan for the coming three years. In our long-term ambition for 2030 sustainability is as before in the centre and our main contribution is to enable a healthy economy for the many people and give more people the possibility to have access to financing on fair terms. The strategy also means that we benefit from acting as one bank in all our countries. Here we see opportunities to, with common systems, processes, and structures in place, gain economies of scale and in a cost-effective way bring out new innovative solutions to our customers.

We are working together

All this is possible thanks to all the fantastic colleagues, their commitment, creativity and drive. In our digital function, we now have 35 agile development teams running, continuously delivering in a safe and stable way, despite all the changes and remote work during the pandemic. The extensive transformation of the Bank involves everyone, and I am proud of everyone's commitment and willingness to strengthen our role as the fair and sustainable bank for the many people.

Malmö, February 2022

Henrik Eklund

CEO, Ikano Bank

### Ikano Bank in brief

Ikano Bank offers simple and fair banking and financing solutions for the many people and businesses. Our offer to consumers includes cards, loans and savings accounts.

We deliver sales finance and customer insight services to retail partners, with Ikea as its largest partner, and provide businesses with leasing and factoring solutions.

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

## The Bank's result for the full year 2021

### Operating result

In 2021, the extensive transformation work continued. The pandemic and subsequent shutdowns continued to have a negative effect on the inflow of new loans, while investments in the transformation increased according to plan, both contributing to a decreased operating profit of SEK -211 m (23). However, the underlying profitability of the bank is stable and is supported by well-established financing operations.

In 2021, revenues decreased, 1.1 percent to SEK 6,030 m (6,098). Costs increased with 8 percent to SEK 5,727 m (5,300). The result for 2021 was positively affected by a decrease in loan loss, SEK -280 m or 36.1 percent.

### Net interest income

Net interest income decreased by SEK 142 m to SEK 1,695 m (1,837). The decrease is driven by a combination of lower lending volumes as well as reduced margins due to a change in product mix.

### Net leasing and net commission income

Leasing, net after interest income and interest cost, increased slightly to SEK 377 m (375). Leasing income net after depreciation decreased by 2.7 percent to SEK 466 m (479), mainly driven by volume declines in the Swedish market, while the rest of the markets made a positive contribution.

Net commission income decreased by 28.6 percent to SEK 235 m (329). The decrease is mainly explained by reduced lending commissions. Net commission income decreased in all markets.

### Operating expenses

Operating expenses, excluding depreciations on leased assets held on behalf of customers, increased by 16.2 percent to SEK 2,185 m (1,881). The increase is primarily attributable to increase cost for IT related to the transformation.

### Loan losses

Loan losses measured as a percentage of average total lending decreased to 1.4 percent (2.1). Net loan losses decreased to SEK 496 m (775). Loan losses for 2020 year were affected by provisions directly related to the Covid-19 pandemic.

## The Bank's result for the second half-year 2021

### Operating result

Operating result for the second half of the year decreased to SEK -272 m (104). The profit before loan losses decrease to SEK 33 m (411). Revenue increased by 1.2 percent to SEK 3,041 m (3,004) while costs increased and amounted to SEK 3,007 m (2,593). Loan losses decreased with 6.9 percent to SEK 286 m (308). Impairment of financial assets have impacted the operating result negatively with SEK 19 m.

### Net interest income

Net interest income decreased by 6.8 percent to SEK 840 m (901). The lower interest income in the second half of the year follows the same trend as for the full year.

### Net leasing and net commission income

Leasing, net after interest income and interest cost, amounted to SEK 188 m (188). Net leasing income decreased by 1.4 percent to SEK 231 m (234) compared with the corresponding period in 2020. Net leasing income decreased mainly increased in Sweden and Denmark but increased somewhat in Norway and Finland.

Net commission income decreased by 20.2 percent to SEK 116 m (145). The decrease is mainly due to reduced loan commission income.

### Operating expenses

Operating expenses, excluding depreciations on leased assets held on behalf of customers, increased by 37.7 percent to SEK 1,214 m (882). The increase is primarily a result of increased IT related costs connected to the banks transformation.

### Loan losses

Loan losses decreased by 6.9 percent to SEK 286 m (308) due to lower provisions for expected loan losses. Loan losses, measured as a percentage of average total lending, was 1.7 percent (1.7) during the second half of the year.

## The Bank's position as of 31 December 2021

### Deposits from the public

Deposits from the public increased by 3 percent to SEK 26,909 m (26,223) The increase was driven from the Swedish, Danish and German market, but decreased in UK.

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

### Loans to the public

The Bank's loans to the public decreased by 1 percent to SEK 24,737 m (25,031) after provisions for loan losses. Decrease varies between the Banks' markets, the largest decrease is found in loans to the public in Sweden and Germany.

Leased assets held on customers' behalf decreased by 1 percent to SEK 9,592 m (9,714) driven by decrease on the Swedish market.

### Total business volume

Overall business volumes, loans to the public, deposits from the public and leasing assets increased slightly by to SEK 61,238 m (60,968). Lending volumes decreased while deposit volumes increased.

### Liquidity reserve the Bank's bonds

The Bank's liquidity portfolio totalled SEK 7,379 m (6,246) as of year-end, which corresponds to 28.0 percent (24) of the Bank's total deposits from the public.

The Bank regularly obtains funding from the capital markets. The Bank's volume of issued securities decreased by SEK 2.6 bn to SEK 3.8 bn (6.4). Demand for the bank's short-term certificate program as well as for the bank's bond program (Medium Term Note program) has been greater than the need as the bank has had reduced lending due to Covid-19 as well as received capital injection from Ingka. In 2021, 2 (1) bonds with maturity of three years have been issued.

At the turn of the year, the bank's liquidity reserve according to the European Commission's delegated LCR act was 281 percent (256). The measure shows how the bank's highly liquid assets are in relation to the net outflow during a thirty-day period under stressed market conditions. The statutory limit is 100 percent.

The structural liquidity measure, Net Stable Funding Ratio (NSFR), is defined as the relationship between available stable financing and the need for stable financing. For Ikano Bank, the Net Stable Funding Ratio (NSFR) amounted to 135 percent (107) at the end of 2021. A minimum requirement of 100 percent took effect in June 2021.

## Other information

Ikano Bank AB (publ), corporate identity number 516406-0922, is a limited liability company licensed to conduct banking business, with its registered office in Älmhult and its head office in Malmö, Sweden. The majority of Ikano Bank 51 percent (100), is owned by Ikano S.A. with registered office in Luxemburg, and since June 29, 2021 49 percent is owned by Ingka Investments B.V. with registered office in Leiden in the Netherlands. Originally part of IKEA, Ikano S.A. became an independent group in 1988. Apart from finance, the Ikano Group deals with insurance, production, real estate and retail sales. Ikano Bank has operated its business under a Banking license since 1995.

## Operations

Ikano Bank AB (publ) conducts banking operations in Sweden, the UK, Norway, Denmark, Finland, Germany, Austria and Poland under the supervision of the Swedish Financial Supervisory Authority.

The Bank's Business in UK, after the end of the transitional period which was from when the Brexit-deal came into effect until 31 December 2020, also requires authorisation from the British supervisory authorities. From January 1, 2021 and during the time that the banks British permission application is handles, the bank is working under the so-called Temporary Permissions Regime in the UK.

There are three business lines: Corporate, Sales Finance and Consumer. The operations outside Sweden are operated as branches.

Ikano Bank has continued the strategic investment in the fintech company Borgo together with a number of partners in the Swedish market and offers since December 2021 mortgage loans in Sweden.

## Management and Board of Directors

The Board of Directors expanded on June 29, 2021 with Krister Mattsson and Mikael Palmquist, both representatives from Ingka.

On December 1, 2021 Niclas Olsson joined the bank as CFO and thereby became part of the Bank's management team.

## Outlook

We continue to focus on becoming a fully digitalised sustainable bank for the many people. The extensive and long-term investments being made to streamline and improve the bank's competitiveness, customer offering and sales continues. We develop the collaboration together with Ingka Group as a part-owner. Several new digital products are launched and in more markets. The uncertainty in both the macro environment, with increasing inflation and interest rates, and the geopolitical environment, will have an effect on society that can come to have an effect on our business.

## Risks and uncertainty factors

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

Risk management is an integrated component of the Bank's daily operations. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but must also manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and CEO are ultimately responsible for risk management at Ikano Bank. Risk management is intended to ensure that the risks do not exceed the risk tolerances set by the Board. The Bank's risks are monitored centrally, but the responsibility for risk management rests primarily with local business units. This means that operating businesses own and manage the risk in daily operations. The central risk control function is responsible for monitoring and evaluating risk management.

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

## Annual Report

Ikano Bank's Annual Report will be available on the Bank's website during week 14.

## Next reporting date

Ikano Bank reports its results half-yearly. The interim report for the first half of 2022 will be available on the Bank's website at the end of August 2022.

Älmhult, 24 February 2022

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

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

Board of Directors and CEO  
Ikano Bank AB (publ)

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

# Income statement

SEK 000	Note	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Interest income	3	963 475	1 050 034	1 952 168	2 182 414
Interest expense	3	-123 638	-149 382	-257 112	-345 546
<b>Net interest income</b>		<b>839 836</b>	<b>900 652</b>	<b>1 695 056</b>	<b>1 836 868</b>
Dividends received		19 262	-	19 262	-
Leasing income	4	2 023 992	1 945 052	4 008 280	3 898 213
Commission income	5	254 298	270 054	503 473	581 523
Commission expense	5	-138 511	-124 962	-268 814	-253 007
<b>Net commission income</b>		<b>115 787</b>	<b>145 092</b>	<b>234 658</b>	<b>328 516</b>
Net gains and losses on financial transactions		12 141	-18 538	17 290	-23 828
Other operating income	6	29 477	31 602	55 628	58 418
<b>Total income</b>		<b>3 040 495</b>	<b>3 003 860</b>	<b>6 030 173</b>	<b>6 098 187</b>
General administrative expenses		-986 414	-777 287	-1 859 012	-1 630 887
Depreciation/amortisation and impairment of tangible and intangible assets		-1 953 086	-1 766 692	-3 753 768	-3 537 386
Other operating expenses		-67 594	-48 767	-113 983	-131 407
<b>Total expenses before loan losses</b>		<b>-3 007 094</b>	<b>-2 592 746</b>	<b>-5 726 763</b>	<b>-5 299 680</b>
<b>Profit before loan losses</b>		<b>33 401</b>	<b>411 114</b>	<b>303 411</b>	<b>798 507</b>
Loan losses, net	7	-286 371	-307 550	-495 534	-775 469
Write-down of financial assets		-18 944	-	-18 944	-
<b>Operating result</b>		<b>-271 915</b>	<b>103 564</b>	<b>-211 068</b>	<b>23 038</b>
Appropriations		96 957	-	96 957	-
Tax expense	8	-20 061	-92 719	12 910	-190 143
<b>Net result for the period</b>		<b>-195 017</b>	<b>10 845</b>	<b>-101 201</b>	<b>-167 105</b>

# Statement of total comprehensive income

SEK 000	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Net result for the period</b>	<b>-195 017</b>	<b>10 845</b>	<b>-101 201</b>	<b>-167 105</b>
<b>Other comprehensive income</b>				
<b>Items that can be reclassified to net profit or loss for the period</b>				
Translation difference for the period, foreign branches	49 564	-38 367	-8 813	-13 754
Change in financial assets valued at fair value via other comprehensive income	1 645	1 004	1 645	1 356
Change in loss allowance for financial assets valued at fair value via other comprehensive income	-6 034	924	-831	2 483
Changes in fair value on financial assets available for sale	4 593	-	-	-
Changes in fair value on cash flow hedges	11 403	-6 493	20 719	-9 323
Tax related to changes in translation differences for the year	-65 648	18 362	-53 622	90 949
Tax related to changes in financial assets valued at fair value via other comprehensive income	-339	-810	-339	-204
Tax related to changes in fair value of financial assets available for sale	-946	-	-	-
Tax related to changes in fair value of cash flow hedges	-2 656	1 763	-4 576	1 688
<b>Other comprehensive income for the period, net of tax</b>	<b>-8 417</b>	<b>-23 617</b>	<b>-45 816</b>	<b>73 195</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-203 435</b>	<b>-12 772</b>	<b>-147 017</b>	<b>-93 910</b>



# Balance sheet

SEK 000	Note	2021	2020
<b>Assets</b>			
Cash		23 386	151
Treasury bills		2 274 319	1 796 121
Loans to credit institutions		1 817 046	1 932 483
Loans to the public	9	24 737 483	25 030 764
Bonds and other interest-bearing securities		3 465 763	2 605 234
Shares and participations in associated companies		95 202	20 980
Shareholdings in other companies		39 502	43 632
Intangible assets		572 123	493 883
Tangible assets		9 599 975	9 723 541
- Leasing assets		9 591 641	9 713 802
- Equipment		8 334	9 738
Other assets		892 173	976 555
Deferred tax assets		21 982	62 218
Prepaid expenses and accrued income		340 116	279 883
<b>Total assets</b>		<b>43 879 071</b>	<b>42 965 445</b>
<b>Liabilities, provisions and equity</b>			
Liabilities to credit institutions		638 686	1 485 643
Deposits from the public	10	26 909 171	26 223 293
Issued securities	11	3 748 933	6 383 642
Other liabilities		876 080	793 442
Accrued expenses and deferred income		1 328 871	1 172 699
Provisions		117 867	128 687
- Provisions for pensions		37 594	36 957
- Deferred tax liabilities		50 189	63 987
- Other provisions		30 084	27 743
Subordinated liabilities		-	830 357
<b>Total liabilities and provisions</b>		<b>33 619 608</b>	<b>37 017 763</b>
<b>Untaxed reserves</b>		<b>-</b>	<b>96 957</b>
<b>Equity</b>			
<b>Restricted equity</b>		<b>918 451</b>	<b>744 289</b>
Share capital		154 893	78 994
Statutory reserve		193 655	193 655
Fund for development expenses		569 903	471 640
<b>Non-restricted equity</b>		<b>9 341 011</b>	<b>5 106 436</b>
Share premium reserve		4 479 855	-
Fund for fair value		266 490	312 306
Retained earnings		4 695 867	4 961 236
Net result for the year		-101 201	-167 105
<b>Total equity</b>		<b>10 259 462</b>	<b>5 850 725</b>
<b>Total liabilities, provisions and equity</b>		<b>43 879 071</b>	<b>42 965 445</b>

# Statement of changes in equity

SEK 000	Restricted equity				Non-restricted equity					Total equity
	Share capital	Statutory reserve	Fund for development expenses	Share premium reserve	Fund for fair value			Retained earnings or losses	Net result for the year	
					Fair value reserve	Translation reserve	Cash flow hedge reserve			
<b>Opening balance 2020-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>293 925</b>	-	<b>2 959</b>	<b>221 214</b>	<b>14 938</b>	<b>4 673 550</b>	<b>465 401</b>	<b>5 944 636</b>
Appropriation of profits	-	-	-	-	-	-	-	465 401	-465 401	-
Change in fund for development expenses	-	-	177 714	-	-	-	-	-177 714	-	-
Net result for the year	-	-	-	-	-	-	-	-	-167 105	-167 105
Other comprehensive income for the year	-	-	-	-	3 634	77 195	-7 635	-	-	73 195
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>3 634</b>	<b>77 195</b>	<b>-7 635</b>	-	<b>-167 105</b>	<b>-93 910</b>
<b>Closing balance 2020-12-31</b>	<b>78 994</b>	<b>193 655</b>	<b>471 640</b>	-	<b>6 593</b>	<b>298 409</b>	<b>7 303</b>	<b>4 961 237</b>	<b>-167 105</b>	<b>5 850 726</b>
<b>Opening balance 2021-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>471 640</b>	-	<b>6 593</b>	<b>298 409</b>	<b>7 303</b>	<b>4 961 237</b>	<b>-167 105</b>	<b>5 850 726</b>
Appropriation of profits	-	-	-	-	-	-	-	-167 106	167 106	-
Change in fund for development expenses	75 899	-	98 264	-	-	-	-	-98 264	-	-
New share issue	-	-	-	4 479 855	-	-	-	-	-	4 555 754
Net result for the year	-	-	-	-	-	-	-	-	-101 201	-101 201
Other comprehensive income for the year	-	-	-	-	475	-62 435	16 144	-	-	-45 816
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>475</b>	<b>-62 435</b>	<b>16 144</b>	-	<b>-101 201</b>	<b>4 408 736</b>
<b>Closing balance 2021-12-31</b>	<b>154 893</b>	<b>193 655</b>	<b>569 903</b>	<b>4 479 855</b>	<b>7 068</b>	<b>235 974</b>	<b>23 447</b>	<b>4 695 867</b>	<b>-101 201</b>	<b>10 259 462</b>

## Cash flow statement

SEK '000	2021	2020
<b>Operating activities</b>		
Operating result	<b>-211 068</b>	<b>+23 038</b>
Adjustment for non-cash items	+4 085 694	+5 354 414
<b>Cash flows from operating activities before changes in working capital</b>	<b>+3 874 627</b>	<b>+5 377 453</b>
<b>Cash flow from changes in working capital</b>	<b>-3 857 423</b>	<b>-2 382 963</b>
<b>Cash flows from operating activities</b>	<b>+17 204</b>	<b>+2 994 489</b>
<b>Cash flows from investing activities</b>	<b>-349 795</b>	<b>-268 526</b>
<b>Cash flows from financing activities</b>	<b>+196 980</b>	<b>-2 648 191</b>
<b>Cash flow for the year</b>	<b>-135 611</b>	<b>+77 774</b>
Cash and cash equivalents at beginning of the year	+1 919 367	+1 921 393
Exchange rate difference	+47 242	-79 799
<b>Cash and cash equivalents at the end of the year</b>	<b>+1 830 999</b>	<b>+1 919 367</b>

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

as Loans to credit institutions, SEK 1,840 m (1,933), with deductions for current liabilities to credit institutions SEK 9 m (13). Cash and cash equivalents include blocked funds of SEK 169 m (0).

# Notes

## 1 Accounting principles

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

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

No material changes in the significant assessments and estimates have taken place compared with 31 December 2020.

New and amended standards and interpretations applicable from 1 January 2021 are not considered to have had any significant effect on the bank's financial position, results or disclosures for 2021.

As Ikano Bank applies the exemption rule in RFR 2 for legal entities, temporary reliefs in IFRS 16 concerning rental discounts as a result of the ongoing pandemic have not affected Ikano Bank's financial reports. The exception rule enables legal entities to report financial leasing agreements in the income statement and balance sheet as if they were operational leasing agreements. In 2020, relief rules were also introduced in RFR 2 concerning the accounting consequences of discounts granted as a result of Covid-19. The bank has not applied the relief rules. Nor is other news expected to have any significant impact on the bank's financial reports by 2021 or later.

Alternative performance measures are used by Ikano Bank when it is relevant to monitor and describe Ikano Bank's financial situation and to provide additional useful information to users of financial statements. For a definition of all measures please see the Annual Report 2020.

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

### Changes due to the Interest Rate Benchmark Reform – Phase 2

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 refers 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.

The changes have been applied retroactively. The bank has chosen to not recalculate the comparative figures, according to the transition rules. The bank had no transactions which were affected by the interest rate benchmark reform as of December 31, 2020, which is why no effects on the opening balances in equity have been reported.

The changes do not have any material effects on the bank's financial position, result, cash flow or disclosures.

### New standards not yet applied

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 bank's result and financial position.

## 2 Operating segments

2021	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
SEK m											
Interest income	716	238	125	27	538	480	61	361	2 544	-592	1 952
Interest expense	-244	-46	-39	-7	-151	-44	-9	-310	-849	592	-257
<b>Total net interest income</b>	<b>472</b>	<b>192</b>	<b>86</b>	<b>19</b>	<b>387</b>	<b>435</b>	<b>53</b>	<b>50</b>	<b>1 695</b>	-	<b>1 695</b>
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
<b>Commission income</b>	<b>268</b>	<b>53</b>	<b>74</b>	<b>20</b>	<b>24</b>	<b>57</b>	<b>8</b>	-	<b>503</b>	-	<b>503</b>
Commission expense	-113	-15	-41	-8	-48	-35	-6	-3	-269	-	-269
<b>Commission, net</b>	<b>155</b>	<b>39</b>	<b>33</b>	<b>12</b>	<b>-25</b>	<b>21</b>	<b>2</b>	<b>-3</b>	<b>234</b>	-	<b>235</b>
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
<b>Leasing Income, net</b>	<b>243</b>	<b>109</b>	<b>79</b>	<b>35</b>	-	-	-	-	<b>466</b>	-	<b>466</b>
<b>Net Interest, fee and leasing income</b>	<b>871</b>	<b>340</b>	<b>198</b>	<b>66</b>	<b>362</b>	<b>457</b>	<b>55</b>	<b>48</b>	<b>2 396</b>	-	<b>2 396</b>
Other income	36	11	14	4	1	2	1	829	899	-826	73
Other direct expenses	-25	-7	-12	-4	-13	-24	0	-2	-88	-	-88
<b>Operating margin before net loan losses and operational expenses</b>	<b>881</b>	<b>344</b>	<b>200</b>	<b>66</b>	<b>350</b>	<b>436</b>	<b>56</b>	<b>875</b>	<b>3 208</b>	<b>-826</b>	<b>2 381</b>
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	0	1	-20	-19
<b>Operating result</b>	<b>-46</b>	<b>26</b>	<b>24</b>	<b>-5</b>	<b>-131</b>	<b>-44</b>	<b>-4</b>	<b>-30</b>	<b>-211</b>	<b>0</b>	<b>-211</b>
Of which:											
Total internal income	118	32	-	-	60	16	-	1 192	1 419	-1 419	-
Total external income	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	1 419	-
Appropriations	-	-	-	-	-	-	-	-	97	97	-
Tax expense	5	-3	-11	-	0	10	-5	17	13	-	13
<b>Net result for the year</b>	<b>-41</b>	<b>23</b>	<b>13</b>	<b>-5</b>	<b>-131</b>	<b>-35</b>	<b>-8</b>	<b>84</b>	<b>-101</b>	<b>0</b>	<b>-101</b>

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

External income	2021	2020
SEK m		
Corporate	771	779
Sales Finance	1 331	1 512
Consumer	876	977
Other	17	33
<b>Total external income</b>	<b>2 997</b>	<b>3 302</b>

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

### Balance sheet

2021	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Eliminations	Total
SEK m									
Fixed assets other than financial instruments	575	-	-	1	-	-	3	2	579
Deferred tax assets	-	-	-	-	-	-	22	-	22
Other assets	29 223	4 701	2 430	1 216	6 657	6 563	838	-8 347	43 280
<b>Total assets</b>	<b>29 796</b>	<b>4 701</b>	<b>2 430</b>	<b>1 216</b>	<b>6 657</b>	<b>6 588</b>	<b>838</b>	<b>-8 347</b>	<b>43 879</b>
<b>Liabilities and provisions</b>	<b>19 217</b>	<b>4 682</b>	<b>2 361</b>	<b>1 314</b>	<b>6 850</b>	<b>6 588</b>	<b>954</b>	<b>-8 347</b>	<b>33 620</b>

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

### 3 Net interest income

SEK '000	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Interest income</b>				
Loans to credit institutions	113	-	113	-
Loans to the public	971 636	1 043 198	1 957 376	2 166 870
Interest-bearing securities	-8 274	6 836	-5 321	15 544
<b>Total</b>	<b>963 475</b>	<b>1 050 034</b>	<b>1 952 168</b>	<b>2 182 414</b>
<i>Of which: Interest income from financial assets not valued at fair value through profit or loss</i>	971 749	1 043 198	1 957 489	2 166 870
<b>Interest expense</b>				
Liabilities to credit institutions	-4 327	-8 236	-10 292	-24 742
Deposits from the public	-81 108	-91 229	-170 093	-193 307
<i>Of which: deposit guarantee fee</i>	-14 411	-13 314	-30 690	-31 625
Issued securities	-19 010	-28 024	-42 172	-62 911
Derivatives	-13 891	-5 101	-23 013	-31 348
- Hedge accounting	-3 711	-1 677	-7 314	-4 394
- Not hedge accounting	-10 180	-3 424	-15 699	-26 954
Subordinated liabilities	-	-11 122	-1 159	-22 918
Other interest expenses	-5 302	-5 670	-10 382	-10 319
<i>Of which: Resolution/Stability fee</i>	-3 625	-3 223	-8 333	-7 631
<b>Total</b>	<b>-123 638</b>	<b>-149 382</b>	<b>-257 112</b>	<b>-345 545</b>
<i>Of which: Interest expense from financial assets not valued at fair value through profit or loss</i>	-109 747	-144 282	-234 099	-314 198
<b>Total net interest income</b>	<b>839 836</b>	<b>900 652</b>	<b>1 695 056</b>	<b>1 836 868</b>

### 4 Leasing income

SEK '000	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Leasing income, gross	2 023 992	1 945 053	4 008 280	3 898 213
Less: Depreciation according to plan	-1 793 171	-1 710 952	-3 541 928	-3 418 874
<b>Leasing income, net</b>	<b>230 821</b>	<b>234 101</b>	<b>466 352</b>	<b>479 339</b>
Leasing income from financial lease agreements	2 023 992	1 945 053	4 008 280	3 898 213
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 793 171	-1 710 952	-3 541 928	-3 418 874
<b>Leasing income, net for financial lease agreements</b>	<b>230 821</b>	<b>234 101</b>	<b>466 352</b>	<b>479 339</b>
Interest income	3 784	4 293	7 487	9 990
Interest expenses	-46 485	-50 811	-96 611	-127 680
<b>Leasing, net</b>	<b>188 120</b>	<b>187 582</b>	<b>377 228</b>	<b>361 648</b>

### 5 Net commission

SEK '000	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Commission income</b>				
Payment service commissions	8 347	7 394	13 209	15 766
Lending commissions	131 115	140 989	259 696	303 314
Other commissions	114 836	121 671	230 567	262 443
<b>Total</b>	<b>254 298</b>	<b>270 054</b>	<b>503 473</b>	<b>581 523</b>
<b>Commission expense</b>				
Payment brokerage commissions	-4 717	-4 786	-10 811	-11 388
Lending commissions	-109 278	-98 104	-210 262	-196 718
Other commissions	-24 515	-22 073	-47 741	-44 901
<b>Total</b>	<b>-138 511</b>	<b>-124 962</b>	<b>-268 814</b>	<b>-253 007</b>
<b>Net commission income</b>	<b>115 787</b>	<b>145 092</b>	<b>234 658</b>	<b>328 516</b>

### 6 Other operating income

SEK '000	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Realised gain arising from the disposal of tangible assets	17 808	14 247	33 774	23 369
Other operating income	11 669	17 354	21 854	35 049
<b>Total</b>	<b>29 477</b>	<b>31 601</b>	<b>55 628</b>	<b>58 418</b>

## 7 Loan losses, net

The table below shows net loan losses including credit impairment provisions for credit commitments and undrawn limits.

Credit impairment provisions recognised at fair value via other comprehensive income amount to SEK 3.5 m (4.3) and have been recognised in equity against the item fair value reserve. The credit impairment ratio was 1.4 percent for 2019 (2.1).

The Bank is using a model for incorporating forward-looking information to calculate future expected loan loss in all the bank's markets. When

needed it is supplemented with expert statements. Loan losses are lower than previous year, -36.1 percent. This is mainly explained by lower loan loss reservation due to improved forward looking views as well as low levels of realized losses. Both changes consumption patterns and support programs have contributed to lower realised loan losses. Even though the forward-looking view have improved there is still a risk that some losses can arise before a more normalised situation is reached.

SEK 000	Jul-Dec 2021	Jul-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
<b>Stage 1 - Assets without significant increase in credit risk since</b>				
Change in provisions of receivables from stage 1	-4 913	-19 264	-712	-6 827
Write-off and removal of receivables from stage 1	-	-	-	-
Recoveries from previously determined loan losses for stage 1	-212	-	-212	-
<b>Net cost for the period for loan losses - stage 1</b>	<b>-5 125</b>	<b>-19 264</b>	<b>-924</b>	<b>-6 827</b>
<b>Stage 2 - Assets with significant increase in credit risk since initial recognition but not credit-impaired</b>				
Change in provisions of receivables from stage 2	-2 245	-32 805	44 632	-162 810
Write-off and removal of receivables from stage 2	-116 731	-121 517	-215 067	-322 466
Recoveries from previously determined loan losses for stage 2	52 058	65 035	96 639	184 510
<b>Net cost for the period for loan losses - stage 2</b>	<b>-66 919</b>	<b>-89 287</b>	<b>-73 796</b>	<b>-300 766</b>
<b>Stage 3 - Credit-impaired assets</b>				
Change in provisions of receivables from stage 3	-72 946	-22 113	-29 890	-2 717
Write-off and removal of receivables from stage 3	-237 442	-296 109	-651 107	-721 248
Recoveries from previously determined loan losses for stage 3	96 061	119 223	260 183	256 089
<b>Net cost for the period for loan losses - stage 3</b>	<b>-214 328</b>	<b>-198 999</b>	<b>-420 814</b>	<b>-467 876</b>
<b>Net cost for the period for loan losses - Total</b>	<b>-286 371</b>	<b>-307 550</b>	<b>-495 534</b>	<b>-775 469</b>

## 8 Tax expense for the period

Tax on the result for the period of SEK 13 m (-190) consists of current taxes for the year of SEK -42 m (-164) on items reported in the income statement for the period in the bank's branches, adjustment of taxes for previous periods of SEK 20 m (-7) and changes in deferred taxes of SEK 35 m (-19). Tax on taxable exchange rate differences regarding assets and liabilities in foreign branches increases the total

tax by SEK 54 m (-91) but is reported in other comprehensive income.

Tax losses carried forward for which a deferred tax asset have not been booked as of December 31, 2021, is SEK 51 m, based on tax losses carried forward which is not deemed probable it will be utilised during the next few years.

## 9 Loans to the public

SEK 000	2021	2020
<b>Outstanding receivables, gross</b>		
- Swedish currency	8 746 482	9 108 234
- Foreign currency	16 744 196	16 682 624
<b>Total</b>	<b>25 490 678</b>	<b>25 790 858</b>
<i>Of which: Non-performing loans</i>	<i>680 873</i>	<i>698 578</i>
Specific provision for individually assessed receivables	-753 195	-760 095
<b>Carrying amount, net</b>	<b>24 737 483</b>	<b>25 030 764</b>

## 10 Deposits from the public

SEK 000	2021	2020
<b>Public</b>		
- Swedish currency	13 060 016	13 042 852
- Foreign currency	13 849 155	13 180 440
<b>Total</b>	<b>26 909 171</b>	<b>26 223 293</b>
<b>Deposits specified by category of borrower</b>		
Corporate sector	1 594 755	1 594 405
Household sector	25 314 416	24 628 888
<b>Total</b>	<b>26 909 171</b>	<b>26 223 293</b>

## 11 Issued securities

SEK 000	2021	2020
Certificates of deposits	149 976	1 129 206
Bonds	3 598 958	5 254 435
<b>Total</b>	<b>3 748 933</b>	<b>6 383 642</b>

## 12 Contingent liabilities

SEK 000	2021	2020
<b>Contingent liabilities</b>		
PRI	752	739
<b>Total</b>	<b>752</b>	<b>739</b>
<b>Commitments</b>		
Loan commitments, irrevocable	4 091 737	2 566 806
Unused credit limits	25 688 183	23 846 533
<b>Total</b>	<b>29 779 920</b>	<b>26 413 339</b>

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

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

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

## 13 Financial assets and liabilities

The following tables provide information on the measurement of fair value of financial instruments that are measured at fair value in the balance sheet (excluding the items included in hedge accounting). The breakdown of how fair value is determined is based on the following three levels:

Level 1: according to prices listed on an active market for the same instrument

Level 2: based on directly or indirectly observable market data that is not included in level 1

Level 3: based on input that is not observable in the market

### Financial assets and liabilities

<b>2021</b>				
<b>SEK 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit or loss</b>				
Derivatives	-	10 074	-	<b>10 074</b>
Shares and participations in other companies	37 967	-	1 535	<b>39 502</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Bonds and other interest-bearing securities	3 015 923	449 840	-	<b>3 465 763</b>
Treasury bills	2 120 361	153 958	-	<b>2 274 319</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives	-	187 699	-	<b>187 699</b>
<b>2020</b>				
<b>SEK 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit or loss</b>				
Derivatives	-	114 833	-	<b>114 833</b>
Shares and participations in other companies	42 097	-	1 535	<b>43 632</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Bonds and other interest-bearing securities	1 900 334	704 901	-	<b>2 605 234</b>
Treasury bills	1 362 832	433 290	-	<b>1 796 121</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives	-	15 826	-	<b>15 826</b>

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

The fair value of derivative instruments is calculated using established valuation techniques and observable market interest rates. The Bank's valuation of derivatives at fair value is solely based on input data that is directly or indirectly observable in the market.

Fair value of financial instruments that are not derivative instruments is based on future cash flows and current market rates on the balance sheet date. The discount rate used is the market-based interest rate for similar instruments on the balance sheet date.

No changes between the levels have occurred during the year. The Bank has no assets or liabilities in Level 3.

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

Ikano Bank is party to derivative contracts under the International Swaps and Derivatives Association's (ISDA) master agreement, which means that when a counterparty cannot fulfil its obligations, the agreement is cancelled and all outstanding dealings between the parties are settled with a net amount. In

the balance sheet, no amounts have been offset in 2021.

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.



2021

Amounts not offset in Balance Sheet

SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Netting agreements	Issued/Received collateral	Net value
Derivatives	10 074	-	10 074	-187 699	168 523	-9 101
<b>Total financial assets</b>	<b>10 074</b>	<b>-</b>	<b>10 074</b>	<b>-187 699</b>	<b>168 523</b>	<b>-9 101</b>
Derivatives	187 699	-	187 699	-187 699	-	-
<b>Total financial liabilities</b>	<b>187 699</b>	<b>-</b>	<b>187 699</b>	<b>-187 699</b>	<b>-</b>	<b>-</b>

2020

Amounts not offset in Balance Sheet

SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Netting agreements	Issued/Received collateral	Net value
Derivatives	114 833	-	114 833	-15 826	-147 640	-48 633
<b>Total financial assets</b>	<b>114 833</b>	<b>-</b>	<b>114 833</b>	<b>-15 826</b>	<b>-147 640</b>	<b>-48 633</b>
Derivatives	15 826	-	15 826	-15 826	-	-
<b>Total financial liabilities</b>	<b>15 826</b>	<b>-</b>	<b>15 826</b>	<b>-15 826</b>	<b>-</b>	<b>-</b>

## 14 Risks and uncertainty factors

The Bank's earnings are affected by external changes that the company has no control over. The Bank's earnings performance is affected by factors including macroeconomic change such as unemployment, as well as fluctuations in interest and exchange rates. The Covid-19 pandemic is an unexpected event with unforeseen and unclear long-term consequences. This has caused different risks and has increased the focus on credit risk.

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 mandates set by the Board. The Bank's risks are controlled centrally, but the responsibility for risk management rests primarily with local business units. This means that operating businesses own and manage the risk in daily operations. The central risk control function is responsible for monitoring and evaluating risk management.

Apart from what is stated in this Year-End Report, more details are provided in Ikano Bank's Annual Report for 2020 and Ikano Bank's annual "Capital adequacy and risk management" report, available at [www.ikanobank.se](http://www.ikanobank.se).

## 15 Capital management and liquidity

The below information is provided regarding own funds and own funds requirements in accordance with among others regulation (EU No 575/2013) and SFSA regulations regarding prudential requirements and capital buffers (2014:12). Ikano Bank applies the IFRS 9 phase-in rules in accordance with article 473a in capital requirements regulation (EU No 575/2013) regarding the Day 1 effect. In the annual report and in the report Periodic information of capital adequacy and liquidity the impact of this phase-in effect is presented. These reports are available at the Bank's webpage [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information).

The capital requirements regulations help to strengthen resilience against financial losses and thereby protect the Bank's customers. The regulations

state that the Bank's own funds shall cover the minimum statutory own funds requirements, which for Ikano Bank include the requirements for credit risk, credit valuation adjustment risk (CVA risk), operational risk and foreign exchange risk. In addition, the own funds requirements include further identified risks in the operation in accordance with the Bank's internal capital adequacy assessment process and the requirements stipulated by the Board of Directors, also referred to as Pillar 2 requirements and statutory requirements for capital buffers.

Ikano Bank has quantified tolerance levels for the CET 1 ratio and total capital ratio above regulatory requirements. The margins represent buffers adapted to the Bank's risk profile in order to cover identified risks based on probability and financial impact. To meet

the anticipated expansion of loans, maintain strategic freedom of action and handle external changes, the Board of Directors has also expressed target levels for the Bank's capital ratios as part of the risk appetite framework.

To ensure that Ikano Bank's capital situation is satisfactory to cover the risks that the Bank is or may be exposed to, an internal capital and liquidity adequacy assessment (ICAAP/ILAAP) is conducted at least annually. The ICAAP/ILAAP is the Board's tool for assessing the need for changes in the own funds requirement. In the assessment process, stress tests and scenario analyses are carried out to assess potential additional own funds requirements, including strategic decisions or external events that affect the business and its development. As a part of this process, a risk analysis is performed to ensure underlying risks are adequately addressed and mirror the Bank's actual risk profile and capital requirements.

The risk control function is responsible for monitoring the process of the Bank's capital adequacy assessment. The capital requirements resulting from the ICAAP are regularly reported to the SFSA.

As of 31 December 2021, the Bank had own funds of SEK 9,769 m (5,577), all of which is common equity Tier 1 (5,577). The Bank does not have any Tier 2 capital. The statutory own funds requirement for Pillar 1-risk amounted to SEK 2,647 m (2,542). After a statutory minimum for common equity Tier 1 capital, a further SEK 7,122 m remains available as common equity Tier 1 capital. The internal own funds requirement (Pillar 2 requirements) totalled SEK 508 m (585) 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 827 m (794) and is covered by the available common equity Tier 1 capital. The countercyclical buffer is determined by multiplying the total risk exposure amount with the weighted average of the countercyclical buffer rates applicable in those countries where the relevant credit exposures of the Bank are located. The institution-specific countercyclical buffer amounts to 0.07 percent (0.07) or SEK 24 m (22) after weighting the applicable geographic requirements, which for the Bank means mainly Norway. Ikano Bank's combined buffer requirement is SEK 851 m (817).

Both the total capital ratio as well as the Tier 1 capital ratio for Ikano Bank was 29.5 percent (17.6). The capital ratio is positively affected by the new share issue which was made during 2021.

## Summary of own funds and risk exposure amount

	2021		2020	
	SEK 000	% of REA*	SEK 000	% of REA*
Common equity Tier 1	9 768 887	29.5%	5 577 416	17.6%
Tier 1 capital	9 768 887	29.5%	5 577 416	17.6%
<b>Own funds</b>	<b>9 768 887</b>	<b>29.5%</b>	<b>5 577 416</b>	<b>17.6%</b>
<b>Total risk exposure amount</b>	<b>33 085 187</b>		<b>31 777 238</b>	
<b>Minimum capital requirement (Pillar 1)</b>	<b>2 646 815</b>	<b>8.0%</b>	<b>2 542 179</b>	<b>8.0%</b>
<b>Additional capital requirement (Pillar 2)</b>	<b>771 000</b>	<b>1.9%</b>	<b>633 000</b>	<b>2.0%</b>
Pillar 2 guidance (P2G)	-	0.0%	-	0.0%
<b>Combined buffer requirement</b>	<b>851 162</b>	<b>2.6%</b>	<b>816 739</b>	<b>2.6%</b>
Capital conservation buffer	827 130	2.5%	794 431	2.5%
Counter-cyclical capital buffer	24 032	0.1%	22 308	0.1%
<b>Total capital requirement</b>	<b>4 268 977</b>	<b>12.5%</b>	<b>3 991 918</b>	<b>12.6%</b>
<b>Available common equity Tier 1 Capital</b>	<b>7 783 775</b>	<b>23.5%</b>	<b>3 670 782</b>	<b>11.6%</b>

\* Risk Exposure Amount

## Specification of own funds

SEK 000	2021	2020
<b>Equity reported in the balance sheet</b>	<b>10 259 462</b>	<b>5 850 726</b>
Share capital	154 893	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	569 903	471 640
Fund for fair value	266 490	312 306
Retained earnings	4 695 867	4 961 236
Net result for the year	-101 201	-167 105
Untaxed reserves (78% of which)	-	76 984
<b>CET1 capital before regulatory adjustments</b>	<b>5 779 608</b>	<b>5 927 710</b>
<b>CET1 capital: regulatory adjustments</b>		
Intangible assets	-572 123	-493 883
Cash flow hedge	-23 447	-7 303
Value adjustments due to the requirements for prudential valuation	-6 059	-4 582
Adjustment for IFRS 9 one-off effect according to transitional arrangements	111 053	155 474
<b>Total Common Equity Tier 1 Capital</b>	<b>5 289 032</b>	<b>5 577 416</b>
<b>Total Tier 1 Capital</b>	<b>5 289 032</b>	<b>5 577 416</b>
<b>Total own funds</b>	<b>9 768 887</b>	<b>5 577 416</b>

## Specification of risk exposure amount and own funds requirements

SEK 000	2021		2020	
	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
<b>Credit risk according to the standardised approach</b>				
Exposures to regional governments or local authorities	13 441	1 075	10 975	878
Institutional exposure	452 488	36 199	535 028	42 802
Corporate exposure	3 853 039	308 243	3 630 378	290 430
Retail exposure	21 312 261	1 704 981	21 438 465	1 715 077
Equity exposure	305 924	24 474	64 612	5 169
Past due items	432 732	34 619	425 912	34 073
Covered bond exposure	198 903	15 912	111 752	8 940
Other items	353 427	28 274	369 614	29 569
<b>Total credit risk</b>	<b>26 922 215</b>	<b>2 153 777</b>	<b>26 586 735</b>	<b>2 126 939</b>
<b>Operational risk according to the basic indicator approach</b>	<b>4 926 047</b>	<b>394 084</b>	<b>5 116 603</b>	<b>409 328</b>
<b>Foreign exchange risk according to the standardised approach</b>	<b>1 220 521</b>	<b>97 642</b>	<b>54 613</b>	<b>4 369</b>
<b>CVA risk according to the standardised approach</b>	<b>16 404</b>	<b>1 312</b>	<b>19 287</b>	<b>1 543</b>
<b>Total</b>	<b>33 085 187</b>	<b>2 646 815</b>	<b>31 777 238</b>	<b>2 542 179</b>

## Leverage ratio

The leverage ratio is a measure that provides an alternative to the risk-based capital requirement. The aim is that there should be a clear and simple measure of capital strength. The measurement shows capital as a percentage of asset size, without the actual risk level of the assets being taken into consideration. A legal minimum requirement of 3

percent was implemented when the revised Capital Requirements Regulation entered into force 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 is 21.6 percent (12.7) as of December 31, 2021.

	2021		2020	
	kSEK	% of total exposure measure	kSEK	% of total exposure measure
<b>Total exposure measure*</b>	<b>45 194 682</b>		<b>43 951 824</b>	
<b>Tier 1 capital</b>	<b>9 768 887</b>	<b>21.6%</b>	<b>5 577 416</b>	<b>12.7%</b>
<b>Overall leverage ratio requirement</b>	<b>1 355 840</b>	<b>3.0%</b>	<b>1 318 555</b>	<b>3.0%</b>

\*Total exposure measure for calculation of the leverage ratio in article 429.4 of the CRR

## Liquidity coverage ratio

kSEK	2021-12-31	2021-09-30	2021-06-30	2021-03-31	2020-12-31
<b>Total high-quality liquid assets (HQLA)</b>	<b>4 324 565</b>	<b>4 499 732</b>	<b>3 999 233</b>	<b>2 833 577</b>	<b>2 827 295</b>
Cash outflows	4 063 017	4 335 485	5 693 932	3 757 385	4 410 524
Cash inflows	2 524 193	3 359 193	5 658 393	2 507 554	3 312 243
Total net cash outflows	<b>1 538 824</b>	<b>1 083 871</b>	<b>1 423 483</b>	<b>1 249 831</b>	<b>1 102 631</b>
<b>Liquidity coverage ratio (%)</b>	<b>281%</b>	<b>415%</b>	<b>281%</b>	<b>227%</b>	<b>256%</b>

## Net stable funding ratio

kSEK	2021-12-31	2021-09-30	2021-06-30	2021-03-31	2020-12-31
Total available stable funding	36 958 727	37 794 268	37 846 954	34 321 417	34 818 026
Total required stable funding	27 286 679	27 396 651	27 393 479	32 381 162	32 666 774
<b>NSFR ratio (%)</b>	<b>135%</b>	<b>138%</b>	<b>138%</b>	<b>106%</b>	<b>107%</b>

## 16 Liquidity

Ikano Bank's liquidity is managed within the framework of the Bank's liquidity portfolio. The liquidity portfolio consists of deposits with banks, short-term lending to credit institutions and investments in liquid interest-bearing securities, which can be sold and converted into cash on short notice. The Bank also has other liquidity creating measures at its disposal, such as immediately accessible overdraft facilities as well as committed credit facilities. The composition and size of the Bank's liquidity portfolio and liquidity reserve is regulated in the Bank's steering documents, which are adopted by the Bank's Board of Directors. To ensure that the liquidity of Ikano Bank is adequate, an internal liquidity adequacy assessment (ILAAP) is performed at least annually. This process is a tool used by the Board of Directors to assess the need for changes in the liquidity requirement in the event of changed circumstances.

The liquidity portfolio is divided into three categories: Intra-day liquidity, liquidity reserve and an operational portfolio.

The Bank's liquidity reserve and operational portfolio shall always total at least 10 percent of deposits from the public. In addition to the liquidity

reserve, the Bank shall maintain an intra-day liquidity of at least 4 percent of deposits from the public. Consequently, the liquidity portfolio shall always amount to at least 14 percent of deposits from the public.

The liquidity reserve, together with other operating liquidity, is invested in interest-bearing securities in the markets where the Bank operates. Steering documents define that quality levels of securities included in the Bank's liquidity reserve are in line with the LCR Delegated Act. Intra-day liquidity manages the Bank's daily payment commitments. The liquidity in this portfolio shall be available within one day, and shall consist of funds in bank accounts, investments available the next banking day (overnight) and committed bank overdraft facilities in the Bank's cash pool.

The liquidity reserve shall constitute a separate reserve of high-quality liquid assets, which are to be quickly convertible in case of market stress situations that affect the Bank's funding options. The liquidity reserve is invested in interest-bearing securities with a high credit rating in the Swedish market. Investments in this portfolio are to have a minimum rating of AA- according to Standard and Poor's (or

equivalent according to Moody's). The assets are to be available for realisation and conversion into cash at short notice. Unused bank overdraft facilities are not included in the liquidity portfolio.

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

The Bank's liquidity reserve amounts to SEK 4,465 m (3,073) and consists of high-quality assets, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 31 December 2021 totalled SEK 7,379 m (6,246) excluding overdraft facilities and constitutes 28 percent (24) of deposits from the public. It includes cash and balances with banks SEK 1,794 m (1,833), the liquidity reserve, SEK 4,465 m (3,073) and other interest-bearing securities, SEK 1,288 m (1,340). None of the assets are being utilised as collateral and no non-performing loans exist. Assets are being valued at fair value.

In addition to the liquidity portfolio, committed credit facilities for a total of SEK 1,051 m (2,410) are available.

As of December 31, 2021, the banks liquidity reserve according to the EU commissions delegated LCR-act amounted to 281 percent (256). The measurement shows how the banks liquid assets stands in relation to the net outflow during a thirty-day period under stressed market circumstances. The statutory limit is 100 percent.

The structural liquidity measurement, Net Stable Funding Ratio (NSFR), is defined as the relation between available stable funding and the need of stable funding. For Ikano Bank the Net Stable Funding Ratio (NSFR) was 135 percent (107) at the end of 2021. A minimum requirement on 100 percent is required since June 2021.

Additional information about the Bank's capital adequacy and liquidity risk management can be found in the latest Annual Report as well as in Ikano Banks "Capital adequacy and risk management" annual report, available on [www.ikanobank.se](http://www.ikanobank.se).

## Summary of liquidity reserve

<b>2021</b>						
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	-	-
<b>Liquidity reserve</b>	<b>4 465</b>	<b>3 181</b>	<b>712</b>	<b>167</b>	<b>406</b>	-
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
<b>Total liquidity portfolio</b>	<b>7 379</b>	<b>5 399</b>	<b>820</b>	<b>202</b>	<b>751</b>	<b>206</b>
Distribution per currency (%)	101%	73%	11%	3%	10%	3%
<b>Other liquidity-creating measures</b>						
Granted unused credit facilities	1 051	600	435	-	-	16

<b>2020</b>						
SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 799	1 348	-	143	308	-
Securities issued by financial corporations	157	5	151	-	-	-
Covered bonds	1 118	774	280	64	-	-
<b>Liquidity reserve</b>	<b>3 073</b>	<b>2 127</b>	<b>432</b>	<b>207</b>	<b>308</b>	-
Other operating liquidity invested in securities	1 340	1 340	-	-	-	-
Cash and balances in central banks and other banks	1 833	753	460	278	148	194
<b>Total liquidity portfolio</b>	<b>6 246</b>	<b>4 219</b>	<b>892</b>	<b>484</b>	<b>457</b>	<b>194</b>
Distribution per currency (%)	100%	68%	14%	8%	7%	3%
<b>Other liquidity-creating measures</b>						
Granted unused credit facilities	2 410	600	937	649	224	-

## 17 Related-party transactions

The Bank has related party relationships with companies within the Ikano Group and companies within the Ingka Group. Transactions with these parties is shown below. Transactions with the Ingka Group have, other than what is shown in the below table, also included a capital injection which happened before these entities was seen as related

party. The companies within the Ingka Group is 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.

kSEK	Ar	Sale of goods or services to a related party	Purchase of goods or services from a related party	Receivables with related parties, December 31	Liabilities with related parties, December 31
Group companies	<b>2021</b>	<b>366</b>	<b>-47 812</b>	<b>14 150</b>	<b>1 216</b>
Group companies	<b>2020</b>	1 889	-71 489	8 010	837 533
Other related parties	<b>2021</b>	<b>75 059</b>	<b>1 524</b>	<b>39 549</b>	<b>1 749 237</b>
Other related parties	<b>2020</b>	-	-	-	-

## 18 Events after the balance sheet date

The Bank have, in the beginning of February 2022, following the approval from the Swedish Financial Supervisory Authority, completed the acquisition of

Basisbank A/S's consumer finance portfolio in Denmark, which was agreed in October 2021.