Capital adequacy and risk management 2020-12

IKANO BANK

Capital adequacy and risk management

This information refers to Ikano Bank AB (publ) ("Ikano Bank" or the "Bank"), Corporate Identity Number 516406-0922. The document contains information regarding the Bank's capital adequacy and risk management and refers to such information required for the own funds and own funds requirements in accordance with regulation (EU) No 575/2013 and the Swedish Financial Supervisory Authority's regulations regarding regulatory requirements and capital buffers (2014:12 and amendment provisions).

Operations

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

Corporate

Within the Corporate business line financial solutions for corporate clients in the form of leasing agreements, object financing, invoice purchasing and factoring are offered. 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. 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 information services for sales support. The largest partner within Sales Finance is IKEA.

Consumer

The Consumer business line is aimed at private individuals and offers simple, beneficial products and services for savings and loans. The customers carry out part of the application work themselves on the internet or by telephone, which enables an efficient handling whereby the Bank can offer customers cost-efficient and competitive products.

Lending is offered as unsecured loans and VISA credit cards. Lending is provided as unsecured loans and card products in Sweden, Denmark, Norway and Germany. Unsecured loans are also offered on the UK market. Deposits are offered in the Swedish, Danish, German and UK markets.

Significant events during the year

The Covid-19 pandemic has struck the world and Ikano Bank's operations are as well also affected. In the short term, we see a decline in the revenue base and increased provisions for future credit losses.
The pandemic has accelerated the ongoing transformation towards a strengthened digital offering with an improved customer experience, committed employees and an updated strategy.

Ikano Bank has, together with several partners in the Swedish market, continued investments in a fintech company with the purpose of being able to provide competitive mortgage loans to customers in Sweden.

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 tolerance 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 business units own and manage the risk in daily operations. The independent Risk Control Function is responsible for monitoring and evaluating the risk management in the Bank. Reporting is done monthly to the Bank's management and quarterly to the Board of Directors. The Bank's Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP/ILAAP) are updated at least annually and presented to the management and Board of Directors.

For more information on the Bank's risks and organisation for risk management see the Annual Report 2020, note 3 as well as the Governance report.

Organisation and responsibility

The Board of Directors and the Managing Director are ultimately responsible for risk management at Ikano Bank. To ensure sound risk management, the Board of Directors establishes policies including risk appetite and risk tolerance.

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

The Bank's risk strategy aims to identify, measure, report and mitigate the risks that the Bank deems material. The risk strategy is updated annually, and this is done in conjunction 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 processes to improve the Bank's risk management.

Recovery Planning

Ikano Bank has drawn up a recovery plan and put in place processes around a regular up-date of recovery indicators in accordance with the Bank Recovery and Resolution Directive, EBA guidelines and Swedish legislation. The recovery plan is a tool to identify options potentially available to counter extreme crisis scenarios and is an integral part of the Bank's risk and capital management framework.

Credit risk

Credit risk is the Bank's largest risk and is defined as the risk that the counterparty does not fulfil its obligations. Credit risk arises in lending operations, the investment of the Bank's operating liquidity, overnight investment and for derivatives with positive market values.

The Bank's lending operations consist of the products leasing, factoring, credit cards and unsecured loans. All products are designed for high quantity management. The Bank applies scoring models in the assessment of credit risk. During the application process, the risk of default is calculated before credit is granted. The result of the initial application gives a score on a scale reflecting the probability of going into default. The assessment is supplemented with customer information as well as information from external sources, example credit bureaus to assess repayment capacity 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 corporate models. If the risk exceeds the internally accepted maximum risk exposure, the credit is denied. In addition to application scoring, Ikano Bank utilises 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 in the Annual Report 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 Bank has a diversified loan portfolio in terms of customer, product and geographical market which means that no significant credit risk concentrations exist. No single customer accounts for more than 1 per cent of the loan book.

The realised loan losses are at a normal level for the year, and the levels of late payments don’t show any deviating pattern. Provisions for expected loan losses increased by SEK 185. Of this change, SEK 51 m is directly related to the Covid-19 pandemic and has been set aside for the corporate business line. The remaining increase is partly explained by macroeconomic factors that affect the Bank’s models for loan loss provisions and partly by an increase in the Stage 2 provisions. The Bank’s assessment is that payment holidays related to covid-19 are not in themselves a driver of increased credit risk. On the other hand, the Bank’s internal modelling means that a large proportion of these customers nevertheless migrate to Stage 2. Granted payment holidays have not automatically resulted in any significant modification of the loans.

A large number of payment holidays were granted in spring 2020 and many of these have now expired and customers have resumed payments according to the original plan and the overall realised losses due to the pandemic are still marginal. In the longer term, the uncertainty and possible effects on the economy is greater, and the Bank expects increased actual losses in 2021, which can be seen in the increased provisions that affected the result in 2020. Significant challenges can be seen in some corporate markets and some customers have asked for recurring payment holidays. These challenges are mainly related to sectors greatly impacted by the Covid-19 pandemic, such as hotels and restaurants, gyms and tourism-related industries. Apart from this, early delinquency status s so far show a normal pattern and the levels of payments exceed the previous expectations. Early in the pandemic, the Bank decided on a number of restrictions on new lending in order to ensure a sound credit portfolio

Even before the outbreak of the Covid-19 pandemic, the Bank saw slightly increased loan losses, especially in Sweden, Denmark and the UK. The loan loss ratio as a share of average total lending as of December 31, 2020 increased to 2.1 (1.9). This is higher than the Bank's historical loan loss level, however, still lower than during the most recent financial crisis in 2009.

The table below illustrates the Bank's credit exposure before and after credit risk impairment provisioning, specified as per the internal risk classification (low, medium or high) or an external credit rating depending on the counterparty.

Leasing assets are recognised as tangible fixed assets in the balance sheet. 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.

Liquidity and transaction accounts in other banks, where the liquidity is managed by the Bank's treasury function, are exempt from credit impairment provisioning since the credit risk is considered to be immaterial. These accounts are classified as loans to credit institutions below.

Accrued interest is reported in the balance sheet item Accrued income. The credit impairment provisions are not material.

Credit risk exposure, gross and net, per risk classification for financial assets, and commitments and undrawn limits

2020 SEK 000	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost according to IFRS 9				
Loans to credit institutions				
AAA	86 397	-	-	86 397
AA	999 290	-	-	999 290
A	837 843	-	-	837 843
BBB	8 954	-	-	8 954
Credit impairment provisions	-	-	-	1 932 483
Total carrying amount	**1 932 483**	**-**	**-**	**0**
Loans to the public				
Low	16 236 983	529 169	.	16 766 152
Medium	3 969 500	1 711 775	.	5 681 275
High	884 502	2 073 856	385 073	3 343 431
Credit impairment provisions	-139 162	-362 002	-258 930	-760 094
Total carrying amount	**20 951 823**	**3 952 799**	**126 143**	**25 030 765**
Financial assets measured at fair value according to IFRS 9				
Treasury bills				
AAA	622 497	-	-	622 497
AA+	731 913	-	-	731 913
AA	250 559	-	-	250 559
AA-	191 153	-	-	191 153
Credit impairment provisions	-895	-	-	-895
Total carrying amount	**1 795 226**	**-**	**-**	**1 795 226**
Bonds and other interest-bearing securities				
AAA	1 269 597	-	-	1 269 597
AA-	71 049	-	-	71 049
A+	20 060	-	-	20 060
A	164 125	-	-	113 329
A-	917 099	-	-	113 329
BBB+	113 329	-	-	113 329
NR	49 974	-	-	49 974
Credit impairment provisions	-3 444	-	-	-3 444
Total carrying amount	**2 601 790**	**-**	**-**	**2 601 790**
Total gross carrying amount for financial assets measured at amortised cost or fair value through other comprehensive income	**27 423 929**	**4 314 801**	**385 073**	**32 123 802**
Total credit impairment provisions	**-143 501**	**-362 002**	**-258 930**	**-764 433**
Total carrying amount	**27 280 428**	**3 952 799**	**126 143**	**31 359 369**
Leasing objects including trade recievables leasing				
Low	3 775 970	700 069	.	4 476 039
Medium	1 196 088	2 110 444	.	3 306 531
High	422 461	1 859 647	313 504	2 595 611
Credit impairment provisions	-9 765	-148 775	-155 097	-313 637
Total carrying amount	**5 384 754**	**4 521 384**	**158 407**	**10 064 545**
Commitments and undrawn limits				
Low	21 369 215	183 493	-	21 552 709
Medium	3 631 331	303 770	-	3 935 101
High	535 684	389 844	-	925 529
Credit impairment provisions	-14 472	-11 675	-	-26 146
Total commitments and undrawn limits	**25 521 759**	**865 433**	**-**	**26 387 192**

The tables below specify exposures in the credit portfolio, i.e. Loans to the public and Leasing receivables, before and after credit impairment provisions, broken down by industries etc. granted but unused credit limits are not included in the exposures.

A loan is classified as non-performing or credit impaired (stage 3) if one or more events have occurred that have an impact on the estimated future cash flows from the asset or group of assets. Payments that are more than 45–90 days overdue, depending on the product and market, are generally considered by the Bank as objective evidence that a loan is non-performing. Other objective evidence may be information about significant financial difficulties.

Unsettled receivables refer to receivables which are due for payment and which are not included in non-performing loans. These receivables are included in the additional assessment in which impairment is made at portfolio level. Non-performing loans and unsettled receivables by sector and geography are shown in the following tables.

Exposures in the credit portfolio before and after impairment and loan losses shown by industry

2020 SEK 000	Total exposures	Impairments	Exposure after impairments	Loan losses in the income statement
Households	24 979 381	751 082	24 228 299	-542 446
Trade	1 945 490	32 029	1 913 462	-23 132
Manufacturing industry	1 399 290	20 139	1 379 151	-14 545
Transport and communication	1 241 038	63 835	1 177 203	-46 103
Property and rental activity	1 202 804	33 028	1 169 776	-23 853
Legal, finance and technical industry	698 492	6 847	691 646	-4 945
Building activity	1 508 792	49 868	1 458 923	-36 016
Hotel and restaurant business	941 807	69 530	872 277	-50 216
Healthcare and social services	402 778	3 599	399 179	-2 599
Art and culture	436 033	18 559	417 474	-13 404
Education	230 294	2 072	228 222	-1 496
Water and waste handeling	159 561	2 975	156 586	-2 148
Service operations	194 880	8 153	186 728	-5 888
Finance and insurance	117 427	367	117 060	-265
Public administration and defense	100 137	1 933	98 204	-1 396
Farming, hunting and forestry	533 353	9 002	524 351	-6 501
Other businesses	77 483	715	76 768	-516
Total	**36 169 040**	**1 073 731**	**35 095 309**	**-775 469**

Exposures in the credit portfolio after impairments divided by sectors

SEK 000	**2020**
Loan recivables, gross	
- household sector	24 979 381
- corporate sector	10 987 193
- public sector	202 466
Total	**36 169 040**
Less:	
Specific impairment for individually assessed significant	**1 073 731**
- household sector	751 082
- corporate sector	320 728
- public sector	1 921
Impairment for collectively assessed homogenous	**-**
- household sector	-
- corporate sector	-
- public sector	-
Loan receivables, net reported value	
- household sector	24 228 299
- corporate sector	10 666 465
- public sector	200 545
Total	**35 095 309**

Performing and non-performing exposures and related provisions

SEK 000	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
2020		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1 Loans and advances	**35.499.032**	**26.488.396**	**9.010.635**	**800.914**	**93.047**	**707.867**	**648.013**	**148.860**	**499.154**	**425.718**	**11.689**	**414.029**		**1.272.883**	**78.294**
2 *Central banks*															
3 *General governments*	186.638	168.226	18.412	4.666		4.666	191	60	130	1.708		1.708		1	
4 *Credit institutions*	8.967	6.162	2.805	13		13	87	9	78	18		18			
5 *Other financial corporations*	23.324	18.577	4.747	5		5	84	21	63	5		5		171	
6 *Non-financial corporations*	10.388.097	5.246.276	5.141.821	409.040	79.008	330.032	153.541	9.616	143.924	161.729	3.748	157.981		1.267.415	77.918
7 *Of which SMEs*	7.099.575	3.598.131	3.501.444	287.435	65.656	221.779	84	5.849	72.063	108.217	3.150	105.017		971.615	55.118
8 *Households*	24.892.005	21.049.155	3.842.849	387.190	14.039	373.151	494.111	139.152	354.958	262.257	7.940	254.317		5.296	376
9 Debt securities	**4.243.227**	**4.243.227**					**4.339**	**4.339**							
10 *Central banks*	440.231	440.231					391	391							
11 *General governments*	1.282.735	1.282.735					304	304							
12 *Credit institutions*	1.517.607	1.517.607					2.248	2.248							
13 *Other financial corporations*	51.495	51.495					11	11							
14 *Non-financial corporations*	951.160	951.160					1.386	1.386							
15 Off-balance-sheet exposures	**26.348.126**	**25.585.979**	**762.147**	**65.953**	**56.441**	**9.512**	**23.445**	**12.974**	**10.471**	**81**	**69**	**12**			
16 *Central banks*	269.310	261.520	7.790	3.893	3.331	561	9	5	4						
17 *General governments*	260.866	253.321	7.546	107	92	15	29	16	13						
18 *Credit institutions*	22.688	22.032	656	9	8	1	5	3	2						
19 *Other financial corporations*	7.507	7.290	217	3	3	0	1	0	0						
20 *Non-financial corporations*	5.705.063	5.540.038	165.025	2.345	2.007	338	3.252	1.800	1.452						
21 *Households*	20.082.692	19.501.779	580.913	59.595	51.000	8.595	20.149	11.151	8.999						
22 Total	**66.090.385**	**56.317.602**	**9.772.782**	**866.866**	**149.488**	**717.379**	**675.798**	**166.173**	**509.624**	**425.799**	**11.758**	**414.041**	**-**	**1.272.883**	**78.294**

Credit quality of performing and non-performing exposures by past due days

SEK 000	a	b	c	d	e	f	g	h	i	j	k	l
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
2020		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1 Loans and advances	**35.499.032**	**34.993.049**	**505.982**	**800.914**	**123.752**	**228.470**	**211.838**	**122.353**	**98.356**	**7.797**	**8.347**	**770.727**
2 *Central banks*												
3 *General governments*	186.638	182.078	4.560	4.666	526	2.295	1.845					4.666
4 *Credit institutions*	8.967	8.736	232	13		13						13
5 *Other financial corporations*	23.324	21.848	1.477	5								5
6 *Non-financial corporations*	10.388.097	10.174.224	213.873	409.040	106.111	116.654	90.174	58.441	37.043	309	309	397.939
7 *Of which SMEs*	7.099.575	7.006.547	93.028	287.435	89.942	75.324	60.931	45.011	16.004	224	0	289.876
8 *Households*	24.892.005	24.606.164	285.840	387.190	17.115	109.509	119.819	63.912	61.309	7.488	8.038	368.104
9 Debt securities	**4.243.227**	**4.243.227**										
10 *Central banks*	440.231	440.231										
11 *General governments*	1.282.735	1.282.735										
12 *Credit institutions*	1.517.607	1.517.607										
13 *Other financial corporations*	51.495	51.495										
14 *Non-financial corporations*	951.160	951.160										
15 Off-balance-sheet exposures	**26.348.126**			**65.953**								**65.953**
16 *Central banks*	269.310			3.893								3.893
17 *General governments*	260.866			107								107
18 *Credit institutions*	22.688			9								9
19 *Other financial corporations*	7.507			3								3
20 *Non-financial corporations*	5.705.063			2.345								2.345
21 *Households*	20.082.692			59.595								59.595
22 Total	**66.090.385**	**39.236.276**	**505.982**	**866.866**	**123.752**	**228.470**	**211.838**	**122.353**	**98.356**	**7.797**	**8.347**	**836.680**

Non-performing loans divided by sector and geography

SEK 000	2020
- household sector	**362 682 705**
Sweden	56 322 714
Denmark	10 076 075
Norway	96 968 072
United Kingdom	145 441 132
Finland	2 455 304
Germany	49 531 718
Poland	1 887 691
- corporate sector	**331 497 209**
Sweden	199 469 513
Denmark	46 750 012
Norway	54 911 106
United Kingdom	-
Finland	28 936 870
Germany	1 429 708
Poland	-
- public sector	**4 398 431**
Sweden	**4 390 480**
Denmark	7 951
Norway	-
United Kingdom	-
Finland	-
Germany	-
Poland	-
Total	**698 578 345**

Unsettled receivables, not included in non-performing loans, divided by sector and geography

SEK 000	2020
- household sector	**828 917 338**
Sweden	383 039 450
Denmark	195 804 705
Norway	14 399 734
United Kingdom	101 374 648
Finland	11 523 436
Germany	101 815 616
Poland	20 959 749
- corporate sector	**460 227 835**
Sweden	221 118 198
Denmark	96 311 649
Norway	72 808 320
United Kingdom	-
Finland	68 841 214
Germany	1 148 454
Poland	-
- public sector	**11 251 481**
Sweden	8 542 262
Denmark	2 542 017
Norway	513
United Kingdom	-
Finland	166 689
Netherlands	-
Germany	-
Poland	-
Total	**1 300 396 654**

Forbearance

Forbearance is a measure made when a counterparty is experiencing financial difficulty in meeting its financial commitments and the bank decides to grant a concession, which implies that the contractual terms are amended in favour of the customer. The most common forbearance measure applied by the bank is amortisation holidays. Other forbearance measures include refinancing with new loan terms. Changes in contractual terms may be so significant that the loan is also considered impaired.

Credit quality of forborne exposures

	SEK 000	a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	2020			Of which defaulted	Of which impaired				
1	Loans and advances	**478.693**	**164.881**	**164.613**	**156.638**	**72.302**	**114.172**	**29.908**	**8.309**
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	1	-	-	-	0	-	-	-
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial*	-	-	-	-	-	-	-	-
6	*Non-financial*	58.733	29.790	29.790	29.269	4.333	17.137	29.908	8.309
7	*Households*	419.959	135.091	134.823	127.369	67.970	97.035	-	-
8	Debt Securities	-	-	-	-	-	-	-	-
9	Loan commitments	-	-	-	-	-	-	-	-
10	***Total***	**478.693**	**164.881**	**164.613**	**156.638**	**72.302**	**114.172**	**29.908**	**8.309**

Counterparty risk

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 their payment obligations or deliver the securities in accordance with what has been agreed upon. Exposure per counterparty group is limited through limits and rating requirements.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, systems or from external events. This definition includes legal risk but not strategic and reputational risk.

Ikano Bank, as a digital 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 continuously analysed and policies, guidelines and process instructions are available to prevent and mitigate losses caused by operational risks.

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

The New Product Approval Process (NPAP) is performed to assess and manage risks before introducing new products, services, IT-systems or other systems, processes or markets or making significant changes to existing ones. 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 internal control, security and accessibility.

The Bank's defined risk appetite for operational risk is monitored and reported on by the Risk Control Function.

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.

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 increase the overall net exposure by SEK 16,7 m.

In the Bank's income statement, exchange rate results with SEK -19.3 m 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.

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 Bank applies cash flow hedge for certain deposits at variable interest rates as the hedged risk is the uncertainty in future interest cash flows. For hedging, interest rate swaps are used. Swaps are measured at fair value in the balance sheet. In the income statement the accrued and paid interest are reported as interest expense and other changes in the value of the interest rate swap are recognized in other comprehensive income and accumulated in the fair value reserve in equity to the extent that the cash flow hedge has been effective until the hedged item affects profit or loss. All the ineffectiveness of the hedge is recognized in the income statement item Net gains and losses on financial transactions and amounted in 2020 to SEK -1.5 m. Per 31 December 2020 no fair value hedges exist.

The Bank also limits the interest rate risk separately for the investments and the borrowing portfolio managed by the Treasury function. Such measurements result in an indirect limitation of volume and fixed interest periods on the Bank's interest-bearing investments and total net exposure.
The fixed interest periods for both the Bank's assets and liabilities in the balance sheet and for non-balance sheet items are shown in the table below.

A sensitivity analysis shows that a change of one (1) percentage point in the market rate of interest increases/reduces the net interest income for the next 12-month period by SEK 1909 m, given the interest-bearing assets and liabilities that exist on the closing date. A parallel increase of one (1) percentage point in the interest rate curve would have an effect on equity after tax of SEK -14.7 m and SEK 15.5 m with a parallel decrease of the interest rate curve.

As of 31 December 2020, the Bank had interest rate swaps with a contract value of SEK 3.1 bn. The swaps' net fair value as of 31 December 2020 totalled SEK -14.3 m consisting of assets of SEK 0.0 m and liabilities of SEK 14.3 m.

Interest rate exposure – fixed interest periods for assets and liabilities

2020 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	-	-	-	-	-	0	**0**	0.0 years
Treasury bills	1 249	104	115	327	-	-	**1 796**	0.7 years
Loans to credit institutions	1 932	-	-	-	-	-	**1 932**	0.1 years
Loans to the public	14 413	2 103	3 812	4 556	147	-	**25 031**	0.6 years
Leasing receivables	8 327	161	289	1 220	68	-	**10 065**	0.7 years
Bonds and other interest-bearing securities	1 970	104	245	286	-	-	**2 605**	0.2 years
Other assets	48	3	-	-	-	1 486	**1 536**	0.0 years
Total assets	**27 939**	**2 475**	**4 461**	**6 390**	**215**	**1 486**	**42 965**	
Liabilities and equity								
Liabilities to credit institutions	1 174	311	-	-	-	-	**1 486**	0.2 years
Deposits from the public	21 392	981	1 406	2 444	-	-	**26 223**	0.4 years
Issued securities	6 184	200	-	-	-	-	**6 384**	0.2 years
Other liabilities	1 164	11	-	-	-	920	**2 095**	0.1 years
Subordinated liabilities	830	0	-	-	-	-	**830**	0.3 years
Equity and untaxed reserves	-	-	-	-	-	5 948	**5 948**	0.0 years
Total liabilities and equity	**30 745**	**1 503**	**1 406**	**2 444**	**-**	**6 867**	**42 965**	
Difference assets and liabilities	**-2 805**	**971**	**3 054**	**3 946**	**215**	**-5 381**	**-**	
Interest rate derivatives, long positions 1)	1 457	1 708	-	-	-	-	**3 165**	
Interest rate derivatives, short positions 1)	-	-	904	2 160	100	-	**3 165**	

1) Nominal values

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 risks 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 regarding the liquidity positions and development of liquidity.

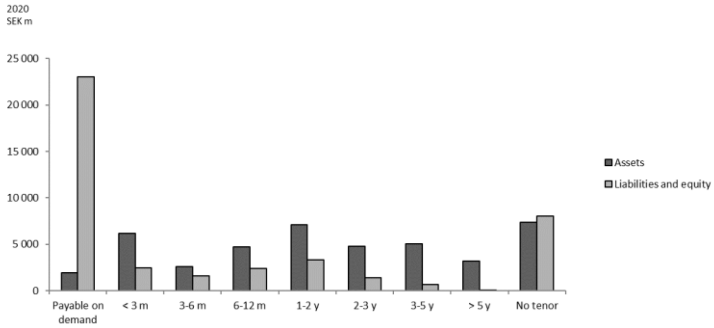
Liquidity risk is managed through effective liquidity planning, application of limits, measurement and analysis. Control and monitoring is conducted against the Bank's liquidity limits specified in the Bank's steering documents. Liquidity planning is a significant component of the liquidity management, and 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, as well as market financing ceasing to be available. The Bank has a contingency funding plan containing action plans in the event of disruptions and if the supply of liquidity is limited. The contingency funding plan is used if three or more of the Bank's defined internal risk indicators signal a heightened risk.

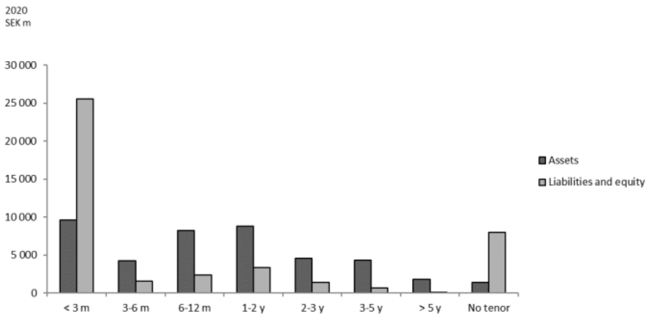
Measurement and monitoring of the balance sheet structure and liquidity exposure with respect to the remaining maturity of assets and liabilities are carried out continuously. Both contractual maturity and behavioural-modelled maturity are analysed.

The first graph below shows the Bank's maturity exposure based on the reported cash flow's contractual remaining maturity as of 31 December 2020. 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 should take place. Analyses 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, in practice, distributed over several time intervals which are shown in the second graph below.

Liquidity risk exposure - recognised cash flows remaining contractual term of recovery



Liquidity risk exposure - recognised cash flows remaining expected time of recovery



Ikano Bank offers a variety of card products where a majority implies that the customer receives a credit. 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 expected behaviour.

The Bank's risk appetite is defined by two different measures of liquidity: 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 100 percent. 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 portfolio and liquidity reserve

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 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.

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

The Bank's liquidity reserve, in accordance with the steering documents, 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, along 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 is to 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 is to 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. 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 operational liquidity is managed in the operational liquidity portfolio. The assets in the portfolio consist of interest-bearing securities in the Swedish market. Investments in this portfolio are to have a minimum rating of BBB+ rating according to Standard and Poor's (or equivalent according to Moody's).

The Bank's liquidity reserve amounts to SEK 3.1 bn and consists of high quality assets, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 31 December 2020 totalled SEK 6.2 bn excluding overdraft facilities and constitutes 23.3 percent of deposits from the public. It includes cash and balances with banks (SEK 1.8 bn), the liquidity reserve (SEK 3.1 bn) and other interest-bearing securities (SEK 1.3 bn). 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 2.4 bn are available. As of 31 December 2020, the Bank's LCR totalled 256 percent. This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent.

The Net Stable Funding Ratio (NSFR) is a measure of the banks structural liquidity, defined as the ratio between available stable funding and required stable funding. The EU has issued a minimum requirement of 100 percent to come into effect in June 2021. Net Stable Funding Ratio (NSFR) for Ikano Bank was 107 percent at year-end 2020.

Encumbered assets

Information on the Bank's encumbered assets can be found in the Bank's Annual Report and its website www.ikanobank.se – Additional information Pillar 3.

2020

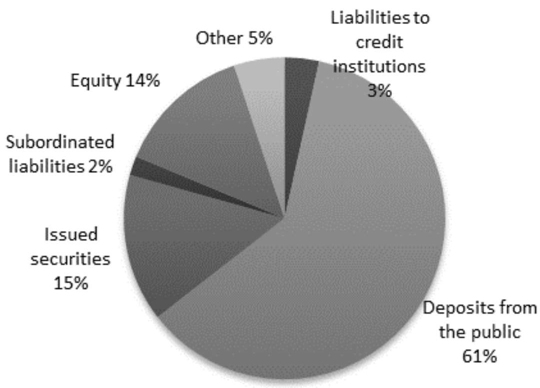
SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 799	1 348	-	143	308	-
Securities issued by non-financial corporations						
Securities issued by financial corporations	157	5	151	-	-	-
Covered bonds	1 118	774	280	64	-	-
Liquidity reserve	**3 073**	**2 127**	**432**	**207**	**308**	**-**
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
Total liquidity portfolio	**6 246**	**4 219**	**892**	**484**	**457**	**194**
Distribution per currency (%)	100%	68%	14%	8%	7%	3%
Other liquidity-creating measures						
Granted unused credit facilities	2 410	600	937	649	224	-

Sources of funding

The aim of the long-term funding plan is a diversified funding which takes into account the spread of risk and funding costs.

Summary of sources of funding

SEK 000	2020
Liabilities to credit institutions	1 486
Deposits from the public	26 223
Issued securities	6 384
Subordinated liabilities	830
Equity	5 851
Other	2 192
Total	**42 965**



Other information

SEK 000	2020
Total assets	42 965
Loans to the public	25 031
Deposits from the public	26 223
Ratio deposits/total assets	61%
Ratio liquidity portfolio/deposits	24%

Capital management and capital adequacy

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).

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 also handle external changes, the Board of Directors has also expressed target levels for the Bank’s capital ratios as part of the risk appetite framework.

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

As of 31 December 2020, the Bank had own funds of SEK 5.6 bn (6.7) all of which is common equity Tier 1 (5.8). The statutory own funds requirement for Pillar 1-risk amounted to SEK 2.5 bn (3.0). After a statutory minimum for common equity Tier 1 capital has been allocated to cover 75 percent of the total own funds requirement calculated in accordance with Pillar 1, a further SEK 3.7 bn remain available as common equity Tier 1 capital. The internal own funds requirement in addition to Pillar 1requirements totalled SEK 585 m and is covered by available capital.

Capital buffers

The combined buffer requirement for Ikano Bank consists of the capital conservation buffer and the countercyclical capital buffer. According to the law (2014:966) regarding capital buffers, the capital conservation buffer shall consist of a common equity Tier 1 capital equivalent to 2.5 percent of the Bank’s total risk exposure amounts. For Ikano Bank, the capital conservation buffer totals SEK 794 m 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 or SEK 22 m after weighting the applicable geographic requirements, which for the Bank now mainly means Norway. The countercyclical buffer was lowered in most countries were the bank operates as a measure to mitigate the effects from Covid-19 on the economies and avoid a possible credit crunch. Ikano Bank’s combined buffer requirement is SEK 817 m.

The total capital ratio was 17.6 percent (17.7) with a common equity tier 1 capital ratio of 17.6 percent (15.4).

For further information on the countercyclical capital buffer, see the Bank's website www.ikanobank.se - Additional information Pillar 3.

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

SEK 000	2020
Tier 1 capital	5 577 416
Tier 2 capital	-
Own funds	**5 577 416**
Total risk exposure amount	**31 777 238**
Total own funds requirements	**2 542 179**
Total Capital ratio	**17.6%**
Tier 1 Capital ratio	**17.6%**
Common equity Tier 1 ratio	**17.6%**
Available common equity Tier 1 Capital	**3 670 782**
Available common equity Tier 1 Capital in relation to Total risk exposure amount	**11.6%**
Capital conservation buffer	794 431
Counter-cyclical capital buffer	22 308
Combined buffer requirement	816 739

Own funds

The Bank's own funds totalled SEK 5.6 bn whereof all is Tier 1 capital. Of the Bank's Tier 1 capital, all components have characteristics to be qualified as common equity Tier 1 capital. The different components of the common equity Tier 1 capital are share capital, statutory reserves, fund for development expenses, fund for fair value (excluding the cash flow reserve), retained earnings, untaxed reserves (79.4 percent thereof) and the year's audited result. Share capital consists of 10 004 shares with a quota value of SEK 7 896. The reserve fund is included in 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 profit and loss consists of the Bank's accumulated earnings and a capital contribution by the shareholders. The Bank's untaxed reserves consist of accelerated depreciation on tangible assets, 79.4 percent of these are included in CET 1 capital.

Deductions from the CET 1 capital were made for intangible assets. The Bank’s intangible assets 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 7 m 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 CET 1 in line with EBA’s technical standard for prudent valuation. Aim of the deduction is to adjust for uncertainty of positions measured and recognised at fair value.

At 31 December 2020, the Bank has no deferred tax liabilities that rely on future profitability and that under certain circumstances should have been deducted from Own funds. Below is a specification of Ikano Bank's Own funds as of 31 December 2020.

For standardised settlement of equity instruments and capital, see the Bank’s website www.ikanobank.se – Additional information Pillar 3. The Bank’s balance sheet is described in the Bank’s Annual Report for 2020.

Specification of Own funds

SEK 000	2020
Equity reported in the balance sheet	**5 850 726**
Share capital	78 994
Statutory reserve	193 655
Fund for development expenses	471 640
Fund for fair value	312 306
Retained earnings	4 961 236
Net result for the period	-167 105
Untaxed reserves (79.4% of which)	76 984
CET1 capital before regulatory adjustments	**5 927 710**
CET1 capital: regulatory adjustments	
Intangible assets	-493 883
Cash flow hedge	-7 303
Value adjustments due to the requirements for prudential valuation	-4 582
Adjustment for IFRS 9 Day 1 effect according to transitional arrangements	155 474
Total Common Equity Tier 1 Capital	**5 577 416**
Total Tier 1 Capital	**5 577 416**
Tier 2 capital	
Subordinated liabilities	-
Total Tier 2 Capital	**-**
Total own funds	**5 577 416**

Risk exposure amount 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 seventeen exposure classes with defined, weighted risks. The risk exposure amount for credit risk is SEK 26.6 bn, which results in an own funds requirement of SEK 2.1 bn.

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 5.1 bn, resulting in an own funds requirement of SEK 409 m.

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 in accordance with the closing rate. Own funds requirements of eight 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 55 m, with an own funds requirement of SEK 4 m.

The Bank's risk exposure amount for CVA risk is SEK 19 m, giving an own funds requirement of SEK 2 m.

Specification of risk exposure amounts and own funds requirements

SEK 000	2020 Risk exposure amount	2020 Own funds requirements
Credit risk according to the standardised approach		
Exposures to regional governments or local authorities	10 975	878
Institutional exposure	535 028	42 802
Corporate exposure	3 630 378	290 430
Retail exposure	21 438 465	1 715 077
Equity exposure	64 612	5 169
Past due items	425 912	34 073
Covered bond exposure	111 752	8 940
Other items	369 614	29 569
Total credit risk	**26 586 735**	**2 126 939**
Operational risk according to the basic indicator approach	**5 116 603**	**409 328**
Foreign exchange risk according to the standardised approach	**54 613**	**4 369**
CVA risk according to the standardised approach	**19 287**	**1 543**
Total	**31 777 238**	**2 542 179**

Total exposure to credit risk and own fund requirements by exposure class and average exposure amounts for the period are shown below. The period's average exposure amounts are based on estimates of exposures for each quarter during the period. Total exposures refer to exposures in the balance sheet after provisions for loan losses and unused credit limits and other commitments.

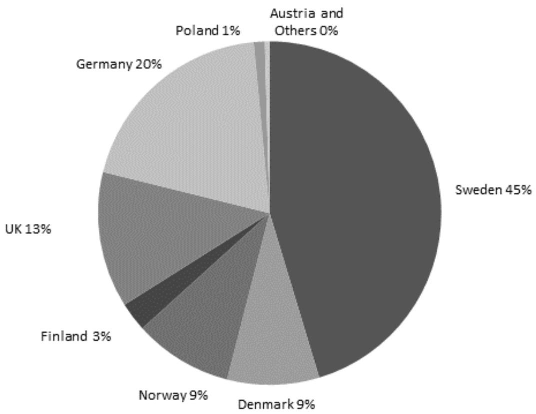
Breakdown of total exposures for credit risk shown by class of exposure

2020 SEK m	Total exposure	Own fund requirement	Average exposure amount
Government and central banks	2 882	-	2 913
Local government and comparable associations	316	1	277
Public sector entities	-	-	-
Mulitlateral developments	5	-	4
Institutional exposure	2 548	43	2 549
Corporate exposure	7 568	290	10 044
Retail exposure	52 082	1 715	54 789
Past due items	492	34	544
Covered bond exposure	1 118	9	1 096
Equity exposure	65	5	57
Other items	370	30	406
Total	**67 445**	**2 127**	**72 680**

Geographical breakdown of risk exposure amount for credit risk and specific credit risk adjustment

2020 SEK 000	Sweden	Denmark	Norway	United Kingdom	Finland	Germany	Poland	Austria	Others
Exposures to Central governments or central banks	-	-	-	-	-	-	-	-	-
Exposure to Regional governments or local authorities	936	243	9 787	-	9	-	-	-	-
Exposures to institutions	379 373	105 373	1 571	6 976	64	27 670	14 000	-	-
Corporate exposure	2 043 458	660 489	429 799	1 511	267 102	7 317	28 585	1 374	190 743
Specific credit risk adjustments deducted above	*49 593*	*15 431*	*14 184*	0	*8 702*	*16*	*1*	-	*3 012*
Retail exposure	8 708 460	2 256 606	1 325 011	4 616 385	505 376	3 522 553	398 128	97 033	8 912
Specific credit risk adjustments deducted above	*203 087*	*67 603*	*39 659*	*133 020*	*15 777*	*108 322*	*3 226*	*1 739*	*437*
Exposures in default	170 907	92 390	28 441	42 768	66 639	19 698	1 310	874	2 885
Equity exposures	64 612	-	-	-	-	-	-	-	-
Covered bond exposure	93 515	7 623	10 613	-	-	-	-	-	-
Other items	226 891	9 807	34 637	34 147	486	59 296	4 350	-	-
Total Risk Exposure Amount for Credit risk	**11 688 151**	**3 132 533**	**1 839 860**	**4 701 787**	**839 676**	**3 636 535**	**446 373**	**99 281**	**202 540**
Exposures to small and medium sized companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Corporate exposure	59 769	67 685	9 525	-	22 137	-	0	-	-
Retail exposure	2 325 086	954 579	494 204	-	320 788	-	0	-	2 441

Geographical breakdown of exposures



Total remaining contractual term of exposures shown by class of exposure

2020 SEK	On demand	<3 months	3-12 months	1-5 years	> 5 years	No tenor	Total
Government and central banks	269	527	549	1 522	15	-	**2 882**
Local government and comparable	261	8	13	33	1	-	**316**
Public sector entities	-	-	-	-	-	-	**-**
Multilateral development banks	-	-	-	5	-	-	**5**
Institutional exposure	23	502	560	1 411	52	-	**2 548**
Corporate exposure	3 481	1 272	809	1 934	72	-	**7 568**
Household exposure	22 291	3 742	5 421	12 228	2 903	5 497	**52 082**
Past due items	66	59	101	256	10	-	**492**
Covered bond exposure	-	148	145	824	0	-	**1 118**
Equity exposure	-	9	15	39	1	-	**65**
Other items	-	51	88	223	8	-	**370**
Total credit risks	**26 391**	**6 318**	**7 702**	**18 475**	**3 063**	**5 497**	**67 445**

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

SEK m	2020
Available capital	
Common Equity Tier 1 (CET1) capital	5 577
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 422
Tier 1 capital	5 577
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 422
Total capital	5 577
Total capital as if IFRS 9 transitional arrangements had not been applied	5 422
Risk-weighted assets	
Total risk-weighted assets	31 777
Inphasing	69
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	31 708
Capital ratios	
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.6%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	17.1%
Tier 1 (as a percentage of risk exposure amount)	17.6%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	17.1%
Total capital (as a percentage of risk exposure amount)	17.6%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	17.1%
Leverage ratio	
Leverage ratio total exposure measure	43 952
Leverage ratio	12.7%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	12.4%

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 implemented when the revised Capital Requirements Regulation enters into force in 2021

The leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. For the Bank, the leverage ratio per 31 December 2020 is 12.7 percent (12.4) and thus above the proposed binding measure. For a specification of Ikano Bank's leverage ratio see the file Additional information pillar 3 published on www.ikanobank.se.