Annual Report 2016

IKANO BANK

CONTENTS

The year in brief

HIGHLIGHTS

- Business volume expanded by 15 percent to SEK 63,501 m (55,119).
- Lending, including leasing, increased by15 percent to SEK 34,475 m (30,072).
- Deposits from the public rose by 20 percent to SEK 24,180 m (20,209).
- Operating result decreased by 21 percent to SEK 445 m (562). The outcome is affected by increased costs for non-deductible VAT where the largest part that affected 2016 relates to previous years.
- The operating result is also affected by the model standardisation for loan losses implemented at the beginning of the year and by investments in improvements of operational efficiency which led to increased costs for 2016.
- The lower operating result and the shareholders contribution of SEK 500 m led to return on equity falling to 7.2 percent (11.4).
- Good growth was experienced in all markets. The UK and Sweden stand out especially.
- The UK has begun to see results of the broader product range launched last year.
- Sweden has seen good growth of the loan business. Several agreements in sales finance have contributed, amongst others through the successful launch of Preem MasterCard.
- The Bank's joint customer centre for all Nordic markets opened in Malmö. The initiative is part of the Bank's growth plans.
- The Bank received awards for its focus on customer service in several countries. In Sweden the Bank's consumer loans were named the best in the annual Swedish Quality Index (SKI) for the fourth consecutive year.
- The Bank invested more in social responsibility by launching 'Social Day' which gives employees the opportunity to contribute through volunteer work during working hours.

BUSINESS VOLUME IN SEK BILLIONS

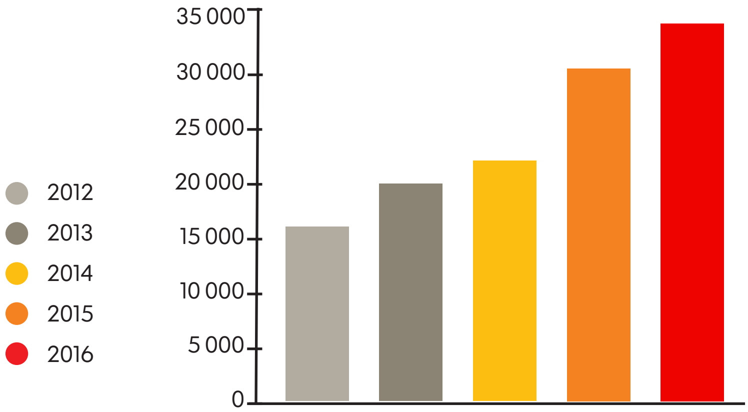
63.5

OPERATING PROFIT IN SEK MILLIONS

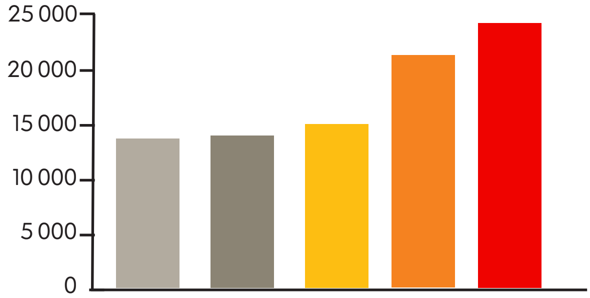
445

KEY RATIOS	2016	2015
Total Capital ratio	16.6%	16.8%
Common equity Tier 1 ratio	14.3%	14.1%
Investment margin	5.2%	6.4%
Return on adjusted equity	7.2%	11.4%
Leverage ratio	10.5%	9.4%
C/I-ratio before loan losses	74.2%	65.6%
Loan loss ratio	0.9%	1.6%

LENDING INCLUDING LEASING IN SEK MILLION



DEPOSITS IN SEK MILLION



This is Ikano Bank

Our services in financing solutions are for consumers and businesses, offered directly and indirectly via partners. We also provide savings solutions for consumers. We operate in Sweden, Norway, Denmark, Finland, the United Kingdom, Germany, Austria and Poland.

Ikano Bank is part of the Ikano Group, which has been an independent group since 1988. The Ikano Group was previously part of IKEA. In addition to finance, the Ikano Group also has real estate, insurance and retail operations.

In Ikano we are driven by a collective vision and values. We work together to deliver on our promise to customers, partners and each other – everything we do should be done on fair terms. Our vision is to create possibilities for better living.

BUSINESS LINES

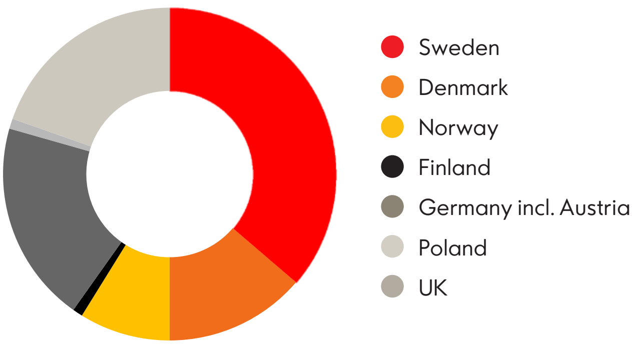
Consumer
We offer private customers simple and smart banking services for savings and loans, such as loans for private consumption, car loans, mortgages, credit cards and savings accounts.

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

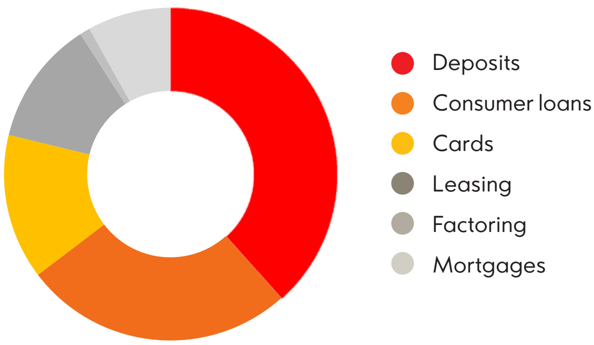
Corporate
We offer leasing and factoring services to companies through direct sales as well as via partners. Our services give customers greater financial flexibility. Our solutions enable customers to free up capital and finance their growth. In turn, our partners increase their sales.

GEOGRAPHIC PRESENCE

LENDING PER COUNTRY



BUSINESS VOLUME PER PRODUCT AREA



Continued growth and focus on efficiency

2016 has been a year of strong growth across all our markets. The products launched towards the end of 2015 and in early 2016 are developing in line with expectations and contributing to this positive growth. The overall result is affected by increased costs for non-deductible VAT but apart from these costs the result is in line with expectations. Our investments to increase the operational effectiveness had an impact also on the overall cost level in 2016. We see a continued need of IT- investments. Our future cooperation with the IT-partner Capgemini will strengthen the Bank's IT capacity with cost efficient services and will support the digital development of our offer.

Financial stability

Deposits are the Bank's most important funding source, and we have seen a stable growth in deposits during the year. Towards the end of 2015 we launched savings products in the UK market and they have been very well received, which is important to us since it is a critical component in the growth strategy for the Bank. Interest in our capital market financing programme is also strong.

Strong growth in all markets

Growth has been strong in all markets, where the UK and Sweden stand out with particularly good performance during the year. The UK market remains strong and we are beginning to see the impact of our broadened offering on that market. It is also gratifying to see that the sales finance business line in the UK has developed well during the year. Overall, it's a market where we see strong potential for the future and we are closely monitoring further developments around Brexit.

The Swedish market has developed very well and we increase market share. Good growth of loans and several important agreements in sales finance contribute - including a very successful launch of Preem MasterCard.

Customer Focus crucial for the future

We are now beginning to see the positive effects of our Nordic customer center that opened in Malmö during the first half of 2016. A joint customer center for all Nordic markets will make us more efficient and flexible and contributes to continued cost-effective growth.

It is a good example of how we must constantly challenge ourselves to see how we can improve our services while having a pronounced focus on costs. We need to develop and improve the services our customers demand and they should feel pleased with the service level and offer we provide.

‘We operate in a challenging business but we are financially strong and have solid growth across our markets and a good market position.’

Awards for customer satisfaction

The Bank has received awards in several markets in relation to customer service during the year. We have won awards in Norway, the UK and Germany, and have been awarded with the prize for most satisfied loan customers in the Swedish market for the fourth consecutive year. In an increasingly competitive market such as ours this is very pleasing: to understand and achieve appreciation from customers is critical to our business.

Efforts to develop our services and the way we approach our customers - whether it’s in the digital environment or on other platforms - are always ongoing.

Social responsbility and sustainability

During the year, we have taken further steps in terms of social responsibility and sustainability by giving all employees the opportunity to engage in voluntary work through our ‘Social Day’ and through enhanced cooperation with amongst others Save the Children. We have a great commitment to our sustainability efforts in all of the Bank’s countries. We have also worked actively to develop our action plans linked to the results of our employee survey VOICE, where we continuously develop our internal dialogue to ensure that our employees experience a good working environment.

Outlook 2017

Our outlook for 2017 is positive. We operate in a challenging business but we are financially strong and have solid growth across our markets and a good market position. We continue our work to further develop and improve our digital experience, efficiency and offer.

I would like to extend warm thanks to our customers and partners who helped make 2016 a good year. A special thanks to all the bank’s employees who, despite challenging conditions have done a fantastic job in 2016.

Malmö in April 2017

Stefan Nyrinder
Managing Director, Ikano Bank AB (publ)

Administration report

The Board of Directors and the Managing Director of Ikano Bank AB (publ), Corporate Registration Number 516406-0922, hereby present the annual accounts for the period from 1 January to 31 December 2016.

Owner and operating structure

Ikano Bank AB (publ) ("Ikano Bank" or the "Bank") conducts banking business with registered domicile in Älmhult, Sweden, and head office in Malmö, Sweden. Ikano Bank is owned by Ikano S.A. with its registered office in Luxembourg. Originally part of IKEA, Ikano S.A. (the "Ikano Group") became a separate Group in 1988 and now has four business areas – Insurance, Finance, Real Estate and Retail. Ikano Bank, which was granted a banking license for its operations in 1995 carries out banking operations in Sweden, Denmark, Norway, Finland, the UK, Germany, Austria and Poland. The foreign operations are branches of the Swedish entity, with the exception of the Austrian operations, which are conducted as cross-border business.

During the year, the business in the Bank's subsidiary Ikano Insight Ltd has been integrated with the Bank's operations. At year end, no operations remain in the subsidiary which will be liquidated during 2017.

Operations

The Bank's operations are followed up on the basis of geographic markets; see Note 5, Operating segments, for further details.

There are three business lines within these operations: Corporate, Sales Finance and Consumer.

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 retail, are managed and marketed within the Sales Finance business line. This business line is represented in all geographic markets. The services offered comprise 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 work themselves on the internet or by telephone, which enables efficient and timely handling and the Bank can offer customers cost-efficient and competitive products.

Lending is offered as unsecured loans, mortgage loans and Visa credit cards. Mortgage loans are offered in cooperation with SBAB Bank AB (publ), which means that loans are intermediated to and provided by SBAB under the Bank's "Ikano Bolån" brand. Lending is provided as unsecured loans and card products in Sweden, Denmark, Norway and Germany. Since the beginning of the year unsecured loans are also offered on the Brittish market. Deposits are offered in the Swedish, Danish, German and British markets and mortgage loan products are only offered in the Swedish market.

Significant events during the year

The common customer center for the Nordic operations based in Hyllie, Malmö has opened during the year. The initiative is part of Ikano Bank's growth plans. The change has, as previously communicated, primarily affected customer service in Älmhult and Sundbyberg in Sweden, Glostrup in Denmark and Asker in Norway.

As per 13 December the Bank received an unconditional shareholder contribution of SEK 500 m from the Bank's owner, Ikano S.A.. This shareholder contribution strengthens the Bank's own funds and contributes to enhancing the Bank's capital ratio in relation to the Bank's guidance of a total capital ratio of 17 percent.

Ikano Bank has in recent years applied a sales-based pro-rata method for calculating deductible input VAT. The previously accepted method is now no longer applicable according to the Tax Agency's decision with reference to a case in the European Court. Although the Bank has reported VAT according to current Swedish law, the Bank chooses to follow the Tax Agency's changed methodology at this point. This means that the Bank loses the right to deduct VAT of SEK 152 m, SEK 120 m of which refer to previous years as a one-off effect.

Per 1 January the Bank has implemented a model standardisation for loan loss provisioning that covers the Consumer business line. This led to a reversal of loan loss provisions with a positive effect of SEK 118 m during 2016.

Total assets and business volumes

The Bank's total assets increased by SEK 5.2 bn to SEK 41.5 bn (36.3). All markets in the consumer and Corporate business segments experienced good growth during the year, accounting for the largest part of the increase. A larger liquidity portfolio compared with the previous year also contributes. The Bank's equity increased by SEK 0.9 bn to SEK 4.7 bn (3.8). In addition to the results, the increase in the equity stems from the shareholder contribution of SEK 500 m received during the year.

The total business volume consisting of lending to the public, deposits from the public, leasing assets and mortgage loans increased by 15 percent to SEK 63.5 bn (55.1).

Loans to the public grew by 11 percent to SEK 26.8 bn (24.1), after provisions for loan losses. The increase comes from growth in all markets where the Swedish market accounts for the largest portion of the increase.

Leasing assets held on customers' behalf increased by 28 percent to SEK 7.6 bn (6.0). All markets had increased volumes due to good demand for financing from our partners in the Corporate segment.

Deposits from the public increased by 20 percent to SEK 24.2 bn (20.2) Deposits increased in all foreign markets and deposits on the British market which started in late 2015 amounted to SEK 1.8 bn. Volumes in the Swedish market were stable during the year.

Deposits constitute an important part of the Bank's financing, and the stable growth over several years shows that Ikano Bank has gained customers' confidence in managing their savings. At the end of the year, deposits from the public accounted for 58 percent of the Bank's total financing.

The Bank finances parts of its operations on the capital market. Demand for the Bank's short-term certificate programmes as well as on the Bank's bond programme (Medium Term Note Programme) has been good. In 2016, two bonds with maturities of two and three years were issued with good results and the Bank's short-term certificate has been traded actively.

The Bank's development over a five-year period is reported on page 9.

The Bank's liquidity portfolio totalled SEK 5.3 bn as of 31 December 2016 (4.5), which corresponds to 22 percent of the Bank's total deposits from the public.

Result

Operating income for 2016 decreased by 21 percent to SEK 445 m (562). The operating result was negatively affected by the Bank's partial loss of right to recover input VAT of SEK 152 m, SEK 120 m of which related to previous years as a one-off effect. Also in 2016, the result is affected by costs related to the investments made to increase operational efficiency. The model standardisation for loan loss provision, which was implemented during the first half of 2016, led to a reversal of loan loss provisions with a positive effect of SEK 118 m.

The underlying profitability of the Bank is deemed to be stable and supported by a well-founded loan business with good growth.

Net interest income was on the same level as last year, at SEK 2.0 bn (2.0), Interest income and interest expense increased marginally despite growth in both lending and deposits. The return on the Bank's liquidity portfolio decreased due to lower market interest rates.

Net leasing income increased by 3 percent to SEK 313 m (303). Net leasing income decreased slightly in the Swedish market while other markets increased supported by volume growth.

Net commission income fell by 3 percent to SEK 356 m (367). The operations in Germany, Poland and Norway contributed positively to the Bank's net commission income, while lower income from brokered insurance policies and higher commission expenses in other markets contributed negatively.

Operating expenses rose by 14 percent to SEK 4.5 bn (4.0). This increase is mainly attributable to increased depreciation on leased assets on behalf of customers, due to the volume growth in the Corporate segment and investments made to increase operational efficiency. Total operating expenses were negatively affected by SEK 152 m related to the Bank's partial loss of right to recover input VAT with SEK 120 m related to prior years.

Net loan losses decreased by 32 percent to SEK 278 m (412). Loan losses as a proportion of average total lending decreased to 0.9 percent (1.6). The nominal decrease is mainly explained by the standardisation of model for loan loss provision implemented during the first half of 2016 which led to a reversal of loan loss provisions of SEK 118 m.

Employees

The Bank works continuously with competence development. In 2016, a development programme for managers, Management Development Programme, and a programme for employees, the Personnel Development Programme, were carried out. In addition, newly appointed and newly hired managers participated in Ikano's Culture and Leadership Programme. We have also started up a common introduction programme for all the business area Finance for other employees and managers called Ikanoway.

The Works Council, which is the Bank's forum for participation in transnational HR topics, met on two occasions during the year. The Works Council consists of elected representatives from each country, together with the Managing Director and Head of HR.

The number of employees, based on full-time workers, totalled 967 (821) as an average during the year. The increase is due to the employees in Germany and Poland being included in the calculation of the average number in total for 2016.

Information regarding principles and processes relating to remuneration and benefits to key personnel can be found in note 12 General administrative expenses.

The board

Since 27 April Lars Thorsén, CEO of Ikano S.A. and Jean Champagne, HR Director of Ikano S.A. are included as directors of the Bank's board. Steen Helles resigned as a director of the board as of the same date.

Risks and risk management

Risk management is a well-integrated part of the daily work of the Bank. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but it also has to manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and Managing Director are ultimately responsible for risk management at Ikano Bank. Risk management aims to ensure that the risks do not exceed the risk levels established by the Board of Directors. The Bank's risks are controlled centrally, but the responsibility for risk management rests primarily on the local business units. This means that the operative business owns and manages risk in the daily operations. The central risk control function is responsible for monitoring and evaluating risk management.

Credit risk is the Bank's largest risk and is defined as the risk that the counterparty (the borrower) does not fulfil his obligations. Through good management of credit risk, profitability in the lending operations is optimised.

Operational risk is the risk of direct or indirect loss resulting from inadequate or defective internal processes, procedures and systems, administrational errors or external events and factors. Operational risk also includes legal risk. The goal is to ensure effective processes and maintain a high level of security and accessibility for the Bank's customers and other stakeholders.

Business risk is the risk that the Bank's earnings deteriorate and are not sufficient to cover operating expenses. Business risk also includes reputation risk, which is the risk of financial loss due to customers, partners and/or lenders losing confidence in the Bank, its brand, or the industry as a whole, for example due to adverse publicity or periods of system stress.

Objectives and policies for the Bank's risk management are further described in note 3, Risks and risk management. In recent years, the Bank's operation has been affected by the introduction of a variety of new and changing regulatory frameworks for the financial sector. Further increase in the regulatory burden is expected in future years. In response to these changes, the Bank has strengthened the organisation for monitoring, evaluating and implementing the new regulations.

In the various geographic markets in which the Bank operates, there are risk departments that report the risks that the Bank faces locally to the local management groups. The risk's second line of defence is also present in each country, which reports to the central risk function. The Bank's central risk function is an independent risk control of all the Bank's risks. These are reported monthly to the Bank's management and quarterly to the Board of Directors. The Bank's Internal Capital Adequacy Assessment Process (ICAAP) and future liquidity needs are updated quarterly and presented to the management group and Board of Directors.

Capital adequacy and leverage ratio

The common equity Tier 1 capital ratio for 2016 was 14.3 percent (14.1) and the total capital ratio was 16.6 percent (16.8). For more information about the capital adequacy calculation, see note 39 Capital analysis.

The leverage ratio for the Bank was 10.5 percent for 31 December 2016. The Bank therefore considers itself to have a comfortable level of capital strength.

The combined buffer requirement for Ikano Bank is made up of the capital conservation buffer and a countercyclical capital buffer introduced in 2015.

Liquidity

At year-end, the Bank's liquidity coverage ratio (LCR) totalled 283 percent. This measure shows how the Bank's highly liquid assets are related to net cash outflows over a thirty-day period during very strained market conditions. A limit value for the liquidity coverage ratio of 70 percent applies since 1 January 2016, with an increasing phasing to 100 percent on 1 January, 2018. For a healthy and stable liquidity management the Bank has decided to hold an internal limit of over 100 percent already today. The measure of stable financing (NSFR), has been introduced through Basel III, but as of 31 December 2016, had not been adopted in Sweden.

Corporate Governance Report

Ikano Bank's corporate governance report for 2016 is attached to this Annual Report on page 64.

Outlook

Our outlook for 2017 is positive. We operate in a challenging business but are well prepared with stable growth and good market position. Efforts on developing and improving our digital presence, efficiency and offer continues. As a part of this, and to support the growth strategy, the Bank has decided to initiate a profound partnership (conditional of approval from the Swedish Financial Supervisory Authority) with the IT partner Capgemini. The cooperation will strengthen the bank's IT capacity with cost efficient services and will support the digital development of the bank's offer. Our vision to be the bank for the many people will continue in 2017.

Proposal appropriation of profits

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

Fund for fair value	123 659 928
Retained earnings	3 919 047 111
Net result for the year	278 847 585
Total	4 321 554 624

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

To be carried forward	4 321 554 624

5-year summary

SEK m	2016	2015	2014	2013	2012
Income statement					
Net interest income	2 021	2 011	1 262	1 080	915
Leasing income	2 781	2 427	2 275	2 039	1 777
Net commission	356	367	356	356	351
Net gains and losses on financial transactions	9	-8	-7	7	-34
Other operating income	105	159	192	143	280
Total operating income	**5 273**	**4 956**	**4 078**	**3 625**	**3 290**
General administrative expenses	-1 689	-1 575	-1 194	-1 020	-872
Depreciation/ amortisation and impairments of tangible and intangible assets	-2 515	-2 167	-1 991	-1 756	-1 541
Other operating expenses	-346	-241	-138	-121	-115
Loan losses	-278	-412	-308	-295	-242
Other operating expenses	**-4 828**	**-4 395**	**-3 631**	**-3 192**	**-2 770**
Operating result	**445**	**561**	**447**	**433**	**520**
Appropriations	-	-	0	-178	-196
Taxes	-166	-54	-130	-64	-90
Net result for the year	**279**	**507**	**317**	**190**	**234**

SEK m	2016	2015	2014	2013	2012
Balance Sheet					
Cash	10	25	0	0	0
Loans to credit institutions	1 838	1 747	1 068	828	621
Loans to the public	26 845	24 105	16 573	14 887	11 584
Interest-bearing securities	3 449	2 805	2 225	2 126	2 787
Tangible assets	7 687	6 037	5 487	5 002	4 280
Other	1 708	1 567	833	940	835
Total assets	**41 536**	**36 286**	**26 186**	**23 783**	**20 107**
Liabilities to credit institutions	2 415	4 128	2 258	1 699	977
Deposits from the public	24 180	20 209	15 063	14 084	13 847
Other	8 517	6 511	4 758	4 295	2 197
Provisions	172	107	93	87	81
Subordinated liabilities	810	792	579	551	542
Total liabilities and provisions	**36 093**	**31 747**	**22 751**	**20 715**	**17 644**
Untaxed reserves	698	698	698	698	520
Equity	4 744	3 841	2 737	2 370	1 944
Total liabilities , provisions and equity	**41 536**	**36 286**	**26 186**	**23 783**	**20 107**

2012 has been converted from EURO to SEK at the rate of 8.5615 (ECB rate for the last Swedish banking day of 2012). On 3 August, 2015 sister company Ikano Bank GmbH in Germany merged with Ikano Bank AB (publ). This partly explains the differences between 2014 and 2015.

5-year summary

SEK m	2016	2015	2014	2013	2012
Volumes					
Business volume	63 501	55 119	41 777	38 918	35 085
Change during the year, %	*15,2%*	*31,9%*	*7,3%*	*10,9%*	*8,5%*
Customer-related loans and deposits, leasing and mediated mortage loans					
Loans to the public	26 845	24 105	16 573	14 887	11 584
Change during the year, %	*11,4%*	*45,4%*	*11,3%*	*28,5%*	*3,7%*
Deposits from the public	24 180	20 209	15 063	14 084	13 847
Change during the year, %	*19,6%*	*34,2%*	*7,0%*	*1,7%*	*13,7%*
Capital					
Equity ratio 1)	12,7%	12,1%	12,5%	12,3%	11,7%
Taxed equity +78 % of untaxed reserves in relation to total assets					
Total Capital ratio	16,6%	16,8%	17,8%	16,7%	16,5%
Own funds in relation to risk exposure amount					
Common equity Tier 1 ratio	14,3%	14,1%	15,1%	14,0%	13,5%
Common Equity Tier 1capital in relation to risk exposure amount					
Liquidity					
Liquidity portfolio in relation to deposits from the public	21,8%	22,3%	21,9%	21,0%	24,6%
Deposits from the public in relation to total assets	58,2%	55,7%	57,5%	59,2%	68,9%
Liquidity coverage ratio (LCR)	283%	160%	167%	-	-
Result					
Investment margin	5,2%	6,4%	5,1%	4,9%	4,7%
Net interest income in relation to average total assets					
Return on adjusted equity 1)	7,2%	11,4%	11,3%	12,8%	17,8%
Operating result after standard tax rate in relation to average equity					
C/I-ratio before loan losses	74,2%	65,6%	64,4%	61,9%	58,6%
Operating expenses in relation to operating income with lease operations offset in operating income					
Return on total assets	0,7%	1,4%	1,2%	0,8%	1,2%
Net result as % of total assets					
Credit quality					
Provision for non performing loans, %	58,6%	61,0%	63,9%	56,0%	54,5%
Total provision for probable loan losses in relation to non performing loans, gross					
Share of non performing loans, %	1,7%	2,2%	1,8%	2,3%	2,9%
non performing loans, in relation to total loans to the public, credit institutions (excluding banks) and lease receivables					
Loan loss ratio	0,9%	1,6%	1,5%	1,7%	1,6%
Loan losses in relation to average loans to the public, credit institutions (excluding banks) and lease receivables					
Other information					
Average number of employees	967	821	709	719	479

1) Calculated according to each year's applicable tax rate.
2012 has been converted from EURO to SEK at the rate of 8.5615 (ECB rate for the last Swedish banking day of 2012).

Income statement

SEK 000	Note	2016	2015
Interest income	6	2 421 986	2 405 079
Interest expense	6	-400 551	-394 030
Net interest income		**2 021 435**	**2 011 049**
Leasing income	7	2 780 577	2 427 472
Commission income	8	670 831	692 555
Commission expense	8	-314 750	-325 815
Commission, net		**356 081**	**366 740**
Net gains and losses on financial transactions	9	9 337	-7 791
Other operating income	10	105 108	158 679
Total income		**5 272 538**	**4 956 149**
General administrative expenses	12	-1 688 508	-1 574 825
Depreciation/amortisation and impairments of tangible and intangible assets	22, 23	-2 515 049	-2 166 987
Other operating expenses	13	-345 556	-240 467
Total expenses before loan losses		**-4 549 113**	**-3 982 279**
Profit before loan losses		**723 425**	**973 870**
Loan losses, net	14	-278 424	-412 347
Operating result		**445 001**	**561 523**
Tax expense	15	-166 153	-54 277
Net result for the year		**278 848**	**507 246**

Report on total comprehensive income for the year

SEK 000	2016	2015
Net result for the year	**278 848**	**507 246**
Other comprehensive income		
Items that can be reclassified to net profit for the year		
Translation difference for the year, foreign branches	98 524	-83 956
Changes in fair value on financial assets available-for-sale	35 321	-8 893
Cash flow hedges	-2 169	3 601
Tax attributable to change in fair value of financial assets available for sale	-7 770	1 956
Tax related to cash flow hedges	477	-792
Other comprehensive income for the year, net of tax	**124 383**	**-88 084**
Total comprehensive income for the year, net of tax	**403 231**	**419 162**

Balance sheet

SEK 000	Note	2016	2015
Assets			
Cash		9 881	24 816
Treasury bills	*16*	1 201 155	1 120 183
Loans to credit institutions	*17*	1 837 545	1 746 993
Loans to the public	*18*	26 845 453	24 105 331
Bonds and other interest-bearing securities	*19*	2 247 378	1 685 179
Shares and participations	*20*	15 083	4 323
Shares and participations in group companies	*21*	13 322	13 322
Intangible assets	*22*	322 072	187 930
Tangible assets	*23*	7 687 008	6 036 797
- Leasing assets		*7 629 348*	*5 966 990*
- Equipment		*57 660*	*69 807*
Other assets	*25*	908 297	870 163
Deferred tax assets	*15*	162 892	205 990
Prepaid expenses and accrued income	*26*	285 532	284 735
Total assets		**41 535 619**	**36 285 762**
Liabilities, provisions and equity			
Liabilities to credit institutions	*27*	2 414 715	4 127 651
Deposits from the public	*28*	24 179 555	20 200 755
Change in fair value on interest-rate hedged items in the portfolio	*29*	468	8 630
Issued securities	*30*	6 182 825	4 217 938
Other liabilities	*31*	1 035 082	981 407
Accrued expenses and deferred income	*32*	1 298 763	1 311 339
Provisions		172 179	106 633
- Provisions for pensions	*33*	*32 815*	*32 317*
- Deferred tax liabilities	*15*	*122 798*	*74 316*
- Other provisions		*16 566*	-
Subordinated liabilities	*34*	809 905	792 512
Total liabilities and provisions		**36 093 490**	**31 746 865**
Untaxed reserves	*35*	**698 157**	**698 157**
Equity	*36*		
Restricted equity		**422 417**	**272 649**
Share capital		78 994	78 994
Statutory reserve		193 655	193 655
Fund for development expenses		149 768	-
Non-restricted equity		**4 321 555**	**3 568 091**
Fund for fair value		123 659	-724
Retained earnings		3 919 048	3 061 569
Net result for the year		278 848	507 246
Total equity		**4 743 972**	**3 840 740**
Total liabilities, provisions and equity		**41 535 619**	**36 285 762**

Statement of changes in equity

SEK 000	Restricted equity: Share capital	Restricted equity: Statutory reserve	Restricted equity: Fund for develop-ment expenses	Non-restricted equity, Fund for fair value: Fair value reserve	Non-restricted equity, Fund for fair value: Translation reserve	Non-restricted equity, Fund for fair value: Cash flow hedge reserve	Non-restricted equity: Retained earnings or losses	Non-restricted equity: Net result for the year	**Total equity**
Opening balance 2015-01-01	**78 978**	**193 655**	**-**	**4 462**	**82 896**	**-**	**2 059 901**	**316 715**	**2 736 607**
Bonus issue	16	-	-	-	-	-	-	-	16
Merger difference	-	-	-	-	-	-	762 953	-	762 953
Appropriation of profits	-	-	-	-	-	-	316 715	-316 715	-
Net result for the year	-	-	-	-	-	-	-	507 246	507 246
Other comprehensive income for the year	-	-	-	-6 936	-83 956	2 809	-	-	-88 083
Total comprehensive income for the year	**-**	**-**	**-**	**-6 936**	**-83 956**	**2 809**	**-**	**507 246**	**419 163**
Group contributions paid	-	-	-	-	-	-	-100 000	-	-100 000
Tax regarding group contributions	-	-	-	-	-	-	22 000	-	22 000
Closing balance 2015-12-31	**78 994**	**193 655**	**-**	**-2 473**	**-1 060**	**2 809**	**3 061 569**	**507 246**	**3 840 740**
Opening balance 2016-01-01	**78 994**	**193 655**	**-**	**-2 473**	**-1 060**	**2 809**	**3 061 569**	**507 246**	**3 840 740**
Appropriation of profits	-	-	-	-	-	-	507 246	-507 246	-
Change in fund for development expenses	-	-	149 768	-	-	-	-149 768	-	-
Net result for the year	-	-	-	-	-	-	-	278 848	278 848
Other comprehensive income for the year	-	-	-	27 551	98 524	-1 692	-	-	124 383
Total comprehensive income for the year	**-**	**-**	**-**	**27 551**	**98 524**	**-1 692**	**-**	**278 848**	**403 231**
Shareholders contribution	-	-	-	-	-	-	500 000	-	500 000
Closing balance 2016-12-31	**78 994**	**193 655**	**149 768**	**25 078**	**97 465**	**1 117**	**3 919 047**	**278 848**	**4 743 972**

Cash flow statement

SEK 000	2016	2015
Operating activities		
Operating result	**+445 001**	**+561 523**
Of which interest paid	*-488 945*	*-331 644*
Of which interest received	*+2 422 283*	*+2 400 802*
Adjustment for non-cash items		
Depreciation /amortisation	+2 515 049	+2 166 987
Loan losses	+453 854	+545 038
Other adjustments	+228 045	-246 616
Income tax paid	-11 649	-74 561
Cash flows from operating activities before changes in working capital	**+3 630 300**	**+2 952 371**
Cash flows from changes in working capital		
Changes in loans to the public	-3 170 809	-1 426 153
Changes in securities	-643 171	-580 416
Changes in deposits from the public	+3 978 800	+761 777
Changes in leasing assets	-4 123 047	-2 612 624
Changes in other assets	-156 325	-279 450
Changes in other liabilities	+25 316	-240 640
Cash flows from operating activities	**-458 936**	**-1 425 136**
Investing activities		
Investment in financial assets	-521	-13 322
Change of intangible assets	-154 285	-118 760
Sale of tangible assets	+1 004	+0
Acquisition of tangible assets	-16 436	-59 968
Cash flows from investing activities	**-170 238**	**-192 050**
Financing activities		
Issuance of interest-bearing securities	+3 752 762	+2 217 203
Repayment of interest-bearing securities	-1 770 000	-990 000
Borrowing from credit institutions	-1 914 407	+236 130
Shareholders contribution	+500 000	-
Cash flows from financing activities	**+568 355**	**+1 463 333**
Cash flow for the year	**-60 819**	**-153 853**
Cash and cash equivalents at beginning of the year	+1 766 386	+1 057 905
Cash and cash equivalents from merger	+0	+863 347
Exchange rate difference in cash and cash equivalents	+2 269	-1 013
Cash and cash equivalents at the end of the year	**+1 707 836**	**+1 766 386**

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 1 847 m, with deductions for current liabilities to credit institutions SEK 140 m. The corresponding amounts for the previous year were SEK 1 772 m and SEK 6 m.

Notes

1 General information

The annual report for Ikano Bank AB (publ) as of 31 December 2016 has been approved for disclosure by the Board on 26 April 2017. The Annual report relates to Ikano Bank AB (publ), which is a limited liability company with registered office in Älmhult, corporate registration number 516406-0922. The head office is located in Malmö with the address Hyllie Boulevard 27, 200 49 Malmö, Sweden. The Bank operates under a banking license from the Swedish Financial Supervisory Authority to carry out banking business in accordance with the law on banking and finance.

The income statement and balance sheet are subject to approval at the Annual General Meeting on which will be held by 26 April 2017 at the latest.

The owner of the Bank is Ikano S.A. with corporate registration number B87.842. The address of the parent company is: 1, rue Nicolas Welter L-2740 Luxemburg. Ikano S.A. prepares the consolidated financial statements for the Group in which the Bank is a subsidiary.

2 Accounting principles

The annual report is prepared in accordance with the Annual Accounts Act for credit institutions and securities companies (AACS), the Financial Supervisory Authority and general advice on Annual Reports in credit institutions and securities companies (FFFS 2008: 25), in accordance with the amendment provisions as well as the Swedish Financial Reporting Board's recommendation, RFR 2, Accounting for legal entities. On this basis, the Bank applies statutory IFRS. This refers to standards adopted for application with the limits imposed by RFR 2 and FFFS 2008: 25 in accordance with the amending regulations. This means that all EU-endorsed IFRS and statements, to the extent possible, within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation, have been applied. The following accounting principles have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

All amounts reported in the financial statements are in Swedish kronor (SEK), rounded to the nearest thousand (SEK 000) unless otherwise stated.

Basis for valuation in the preparation of the Bank's financial reports

Assets and liabilities are reported at historical acquisition cost. Financial assets and liabilities are measured at the amortised cost, except for certain financial assets and liabilities measured at fair value. Financial assets and liabilities are reported at fair value constituted by:

- derivatives
- financial instruments classified as financial assets or liabilities at fair value in the income statement
- financial assets that can be sold

Foreign branches

The Bank has six foreign operations that are operated as branches. The functional currencies of these foreign entities are Danish kronor, Norwegian kronor, British pounds, Euros and Zloty. Translation of income statements and balance sheets for the foreign branches is done from the foreign branch's functional currency to Swedish kronor. Assets and liabilities are valued at closing rate. Revenues and expenses are translated at the period's average exchange rate. The resulting translation differences are reported in other comprehensive income.

Transactions in foreign currencies

Transactions in foreign currencies have been translated into the functional currency based on the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies have been translated into the functional currency using the exchange rate on the balance sheet date. Non-monetary assets and liabilities that are reported at acquisition cost are translated to the prevailing exchange rate on the transaction date. The resulting exchange rate differences are reported in the income statement.

Assessments and estimations in the financial reports

In order to prepare the financial reports in accordance with IFRS rules, as limited by statutes, the company's management must make assessments and estimations, and make assumptions that affect the application of the accounting principles and the reported amount of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and various other factors, which under current circumstances seem reasonable.

The Bank's management has taken into consideration the development of, and information regarding, the Bank's important accounting principles and taken a position on the selection and application of these.

Impairment of loan losses

Collective loss reserves are applied to loan losses for portfolios of a similar financial nature where the objective indications suggest that there is a risk of loss in the portfolio. When assessing the need for collective loan loss reserves, factors, such as credit quality, customer behaviour, portfolio size, concentrations, historical experience and other financial factors are taken into consideration. For quantitative information see note 3 Risks and risk management. Individual loss reserves are based on estimates of the present value of the expected cash flows. In estimating these cash flows, an assessment of the client's financial situation and the value of any collateral is carried out.

Models and assumptions applied in the impairment of loan losses are regularly checked by the Bank's independent function for risk control.

Changed accounting principles

New or Amendments and interpretations effective from 1 January, 2016 are assessed to have no material impact on the Bank's financial position, result or disclosures.

New IFRS and interpretations not yet implemented

A number of new or amended standards and interpretations that initially will come into effect during coming financial years have not been preliminarily adopted in the preparation of these financial reports. The following describes the standards that may affect the Bank's financial reports. In addition to these, no other new features are expected to have a significant impact on the Bank's financial reports in 2016 or later.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Reporting and valuation as of 1 January, 2018 in accordance with the current rules taking effect. IASB has divided the project into three parts. The first part covers classification and valuation of financial instruments and is not expected to have a considerable impact on Ikano Bank's profit and loss or balance sheet.

The second part mostly covers provision models. The changes mainly relates of a transition to a forward-looking model with expected losses unlike the current model under IAS 39, which is a model for incurred losses. The forward-looking model also includes scenarios of future economic forecasts probability weighted to give the expected losses. During the first half of 2017 models and processes are to be completed. During the second part of the year, these models will be calculated in parallel with the existing models to ensure stable processes and model results in line with expectations. In general, provisions for loan losses are expected to increase, reduce equity and affect the capital ratio negatively at the time of transition,

The third part that covers simplified conditions for hedge accounting enables an adaptation of hedge accounting to risk management.

The standard was approved in late 2016 for application within the EU. Assessment of the impact on the financial statements is not completed and Ikano Bank is in the process of quantifying the effects of the transition.

The new standard for revenue recognition IFRS 15 supersedes IAS 18 Revenue. The standard involves a model for revenue recognition for almost any revenue arising from contracts with customers, except for leases, financial instruments and insurance contracts. The basic principle is that an entity should recognize revenue in a manner that reflects the transfer of the promised goods or services to the customer, to the amount that the company is expected to receive in exchange for goods or services. IFRS 15 applies to financial years commencing 1 January, 2018 or later. Ikano Bank does not expect any significant impact from the new standard.

The new lease standard IFRS 16 that replaces IAS 17 will take effect from 2019. The impact of the standard has not yet been analysed, but involves changes to lessee accounting for leases, while for the lessors the expected accounting is to substantially comply with the current provisions of IAS 17.

Segment reporting

Ikano Bank carries out business using seven operating segments that coincide with the geographic markets. The geographic segments are Sweden, Denmark, Norway, Finland, UK, Germany/Austria and Poland. Each segment is internally reported on a monthly basis to the Bank's management group and Board of Directors.

The business in Denmark, Norway, Sweden and Finland, offers financing solutions to corporate customers with leasing in all four operating areas, as well as factoring in Sweden and Norway. In addition, the business in Sweden, Denmark, Germany and UK offer loans and savings products to private individuals. Loan products to private individuals are also offered by the Norwegian business. All segments offer sales supporting financing to retailers in the form of credit cards and loan products to consumers.

The operating segments are monitored on the basis of operating results. Income and expenses are attributed directly to the operating segments to which they relate or are distributed based on affiliation. Central expenses that have not been allocated are reported under the Common functions and consist primarily of other expenses. Eliminations relate primarily to the borrowing and lending between the central Treasury function and the segment, IT services and other administrative services. Pricing of internal interest rates is determined based on the Bank's actual cost of funds, administration and financial risk. For IT services and other administrative services, pricing is based on actual costs.

Income

The income is reported when the income can be considered reliable and it is probable that the financial benefits associated with the transaction will be paid to the Bank.

Interest income and expenses

Interest income on receivables and interest expenses on liabilities are calculated and reported using the effective interest method. The effective interest rate is the interest rate applied to ensure that the present value of all estimated future payments received and made during the expected fixed interest rate period are equal to the reported value of the receivables or liabilities.

Interest income and interest expenses include, when applicable, fees received, allocated over a period of time, which are taken into account in the effective interest rate, transaction costs and other differences between the original value of the receivable or liability and the amount settled on maturity. Interest expenses include direct transaction costs allocated over a period of time.

Income from commissions and fees

Income not treated as interest is included here and consists primarily of commissions and fees related to payment settlements, clearing transactions and account administration. Income from commissions and fees is reported as revenue when the revenue can be measured reliably, it is probable that the financial benefits associated with the transaction will be paid to the Bank and the expenditures incurred and the remaining expenses can be calculated reliably.

Commission expenses

Commission expenses are reported as costs for services received, such as the cost of credit information and the cost of cards and transactions to the extent that they are not to be regarded as interest. Transaction costs that are taken into account when calculating the effective interest rate are not reported here.

Net result from financial transactions

The item Net result on financial transactions includes the realised and unrealised changes in value arising due to financial transactions. Net result on financial transactions consists of:

- realised results from financial assets available for sale
- when applicable, impairment of financial assets available for sale
- realised and unrealised changes in the value of derivatives which are economic hedging instruments but where hedge accounting is not applied
- unrealised changes in fair value of derivatives where hedge accounting to fair value is applied
- unrealised changes in fair value of a hedged item in relation to a hedged risk in hedging of fair value
- the ineffective portion of value changes in hedging instruments in cash flow hedges
- exchange rate fluctuations

Classification of leasing agreements and reporting of leasing income

Leases are classified as operating leases or financial leases based on an assessment of the economic substance of the contractual agreements. If the economic substance of the contractual agreement is that the contract involves financing of an acquisition or an asset, the contract is classified as financial. If the economic substance of the contract is equivalent to a rental contract, the lease is classified as operational. The main factor in assessing the economic substance of the contract is an assessment of whether the risks and economic rewards associated with the tangible asset are essentially transferred from the lessor to the lessee. All leases at the Bank have been classified as financial leases.

Financial leases are reported in the income statement and balance sheet as if they were operating leases, in accordance with the regulations in RFR2. In the item Leasing income, leasing income is reported gross, i.e. before depreciation according to plan. Depreciation according to plan is distributed over time and reported according to the annuity method over the term of the lease contract (see also depreciation principles under Tangible assets).

Taxes

The company's income tax comprises current and deferred tax. Income tax is reported in the income statement except where the underlying transaction is reported directly in other comprehensive income or equity.

Current tax is the tax payable or refundable for the current year, using tax rates that have been established on the balance sheet date. This also includes the adjustment of current tax attributable to previous periods.

Deferred tax is calculated based on temporary differences between reported and fiscal values on assets and liabilities. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated at the tax rates and in accordance with the tax laws that have been established on the balance sheet date.

Deferred tax assets regarding deductible temporary differences and deficit deductions are only reported to the extent that it is likely that these will result in lower tax payments in the future. The value of deferred tax assets is reduced when it is no longer probable that they can be utilised.

Tax on net result for the year includes current tax, deferred tax and tax for previous years.

Financial instruments

Financial instruments reported in the balance sheet on the assets side include loans receivable, accounts receivable, accrued income, interest-bearing securities, stocks and shares as well as derivatives. Among liabilities and equity there are accounts payable, loan liabilities, issued securities and derivatives.

Recognition and derecognition in the balance sheet

A financial asset is reported in the balance sheet when the Bank becomes a party to the commercial terms and conditions of the instrument.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire or the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or has ceased for other reasons.

A financial asset and a financial liability are offset and reported with a net amount in the balance sheet only when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability.

The acquisition and sale of a financial asset is reported on the transaction date, which is the date on which the company commits to acquiring or selling the asset. Loan commitments are not reported in the balance sheet. Loans are reported in the balance sheet when the loan amount is disbursed to the borrower.

Classification and measurement

Financial instruments are initially measured at the instrument's fair value with additions for transaction costs except for derivatives and those instruments that are in the category Financial assets reported at fair value in the income statement, which are reported at the fair value exclusive transaction costs. A financial instrument is classified at the time of acquisition partly based on the purpose of acquiring the instrument but also on the options contained in IAS 39. The classification determines how the financial instrument is measured after its initial reporting.

Ikano Bank classifies financial assets into the following three categories at the time of acquisition: Financial assets measured at fair value in the income statement, Loan receivables and accounts receivable as well as Financial assets available for sale.

Ikano Bank classifies financial liabilities into the following two categories at the time of acquisition: Financial liabilities measured at fair value in the income statement and Other financial liabilities.

Financial assets measured at fair value in the income statement

This category includes interest rate and currency swaps for which hedge accounting is not applied. Financial instruments in this category are measured on an ongoing basis at the fair value with changes in value reported in the income statement.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets with fixed or determinable payments and are not listed on an active market. In the balance sheet, these are represented by the balance sheet items Loans to credit institutions, Loans to the public, Accrued income and Other assets. These assets are measured at the amortised cost. The amortised cost value is determined using the effective interest rate calculated at the date of acquisition. Accounts receivable and loan receivables are reported at the amounts expected to be received, i.e. after deductions for provisions of non-performing loans.

Financial assets available for sale

In the category Financial assets available for sale, interest-bearing securities and shares and participations are included. Assets in this category are measured at fair value with value changes reported in other comprehensive income and accumulated in the fund for fair value in equity. Shareholdings that are not listed on an active market and whose fair value cannot be reliably measured are measured at the acquisition cost.

Changes in value due to impairment or exchange rate differences on monetary items (interest-bearing securities) are reported in the income statement. When an asset is liquidated, the accumulated gain or loss, which was previously reported in other comprehensive income, is reported in the income statement.

Financial liabilities measured at fair value in the income statement

This category includes interest rate and currency swaps that are not used in hedge accounting.

Other financial liabilities

This category includes Liabilities to credit institutions, Deposits from the public, Issued securities, Subordinated liabilities, and Other financial liabilities. Other financial liabilities are mainly items relating to other liabilities and accrued expenses. These assets are measured at amortised cost.

Loan commitments and unused credit

Loan commitments refer to a unilateral commitment to provide a loan with predetermined conditions such as the interest rate, in which the borrower can choose whether he or she wants the loan.

Non-utilised credit refers to credit facilities granted to our customers. All approved unused credit card accounts can be terminated effective immediately to the extent this is permitted under the Consumer Credit Act. Granted irrevocable loan commitments are valid for two weeks. Loan commitments and unused credits are not reported in the balance sheet. Loans are reported in the balance sheet when the loan amount is disbursed to the borrower.

Derivatives

Derivatives are used to hedge the risk of interest rate and currency exposures that the Bank is exposed to. The derivatives that the Bank uses are interest-rate swaps to manage interest rate risk, and currency swaps to hedge the Bank's exposure to exchange rate fluctuations.

Derivatives are initially and subsequently measured at fair value in the balance sheet. If hedge accounting is not applied, changes in value are reported in the income statement and derivatives are categorised on the basis of the provisions of IAS 39 as holdings for trading purposes, even in the case that they financially hedge risk, but where hedge accounting is not applied. If hedge accounting is applied, changes in value of the derivative and the hedged item are reported as described below.

Hedge accounting

The Bank applies hedge accounting in accordance with IAS 39 in those cases the income effect would be too misleading if hedge accounting was not applied. For the Bank's hedging relationships, hedging is applied at fair value hedge and cash flow hedge.

Fair value hedge

Change in fair value of hedging instruments and hedged items with respect to the hedged risk are reported in the income item, Net gains and losses on financial transactions. For hedging of fixed-rate deposits, the derivative is reported at fair value in the balance sheet. The hedged liability's book value is adjusted taking into consideration the change in value of the hedged risk. Change in fair value of the derivative is reported in the income statement as well as the change in fair value of the hedged item under Net gains and losses on financial transactions.

Hedging instruments consist of interest rate swaps to hedge interest rate risk. Those items that are hedged, and where hedge accounting is applied, are fixed rate deposits (portfolio hedging). The hedged risk is the risk of changes in fair value due to interest rate fluctuations.

The portfolio method applied for hedge accounting of fixed rate deposits means that the deposits are distributed in different time intervals based on expected maturity dates. In each time span, an appropriate amount is allocated to hedging based on the Bank's risk management strategy. An efficiency test of the hedge relationships is performed every month by comparing the change in fair value of the hedged instrument with the change in fair value of the hedged amount in relation to the hedged risk in each time period. If efficiency is within the 80-125% range, an adjustment of the value of the hedged amount equivalent to the calculated change in fair value is reported on a separate line in the balance sheet. If the hedge relationship is no longer efficient, the relation is discontinued and previously reported value adjustments on the hedged item, up to the hedged item's expected maturity date, are distributed over time. If the hedging relationship is discontinued and the hedged item no longer appears on the balance sheet, the previously reported value adjustment of the hedged item is immediately posted to the result.

Cash flow hedge

Cash flow hedging is applied for borrowings at variable rates as the hedged risk is the uncertainty in future interest cash flows. For hedging, interest rate swaps are used. Swaps are measured at fair value in the balance sheet. In the Income statement, accrued and paid interest is reported as interest expense and other changes in value of interest rate swap are recognized in other comprehensive income and accumulated in the fair value reserve in equity to the extent that the hedge has been effective until the hedged item affects profit or loss. All the ineffectiveness of the hedge is recognized in the income statement in Net gains and losses on financial transactions.

If hedge accounting is discontinued, but the hedged cash flow is still expected, the fair value of the hedging-instrument is accrued and accounted in other comprehensive income and accumulated in the fair value reserves until the hedging relationship last met the criteria for hedge accounting, over the period of the expected cash flow is expected to affect profit or loss. If the hedging is cancelled but the hedged cash flow is no longer expected, the unrealized changes in value of the derivative are accounted as recognized in other comprehensive income and accumulated in the fair value reserve.

Methods for determining fair value

Below is a summary of methods for determining fair value.

Financial instruments listed on an active market

For financial assets that are listed on an active market, the actual value is determined by the asset's listed bid price on the balance sheet day. A financial instrument is considered to be listed on an active market if the listed prices are easily available on an exchange or with a broker, and that these prices represent actual and regularly occurring market transactions under professional business conditions. For financial liabilities, the actual value is based on the listed offer price. Information about fair value reported in the balance sheet is based on prices from an active market (level 1) is provided in note 38, Financial assets and liabilities.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, valuation techniques are used to determine the fair value. The input data used in valuation techniques are based, to the extent possible, on market information.

The fair value of derivative instruments is calculated using established valuation techniques and observable market interest rates.

Fair value of financial instruments that are not derivative instruments is based on future cash flows and current market rates on the balance sheet date. The discount rate used is the market-based interest rate for similar instruments on the balance sheet date. Information about fair value that is reported in the balance sheet is based on valuation techniques provided in note 38, Financial assets and liabilities. The Bank's valuation of derivatives at fair value is solely based on input data that is directly or indirectly observable in the market.

Where the fair value of unlisted shares cannot be determined reliably, the acquisition value, adjusted for possible impairment, is used as an approximation of fair value. The Bank has no intention to dispose of the unlisted shares in the foreseeable future.

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

Loan losses and impairment of financial instruments

At each reporting date, the Bank evaluates whether there is objective evidence that a financial asset or group of assets needs to be impaired. Objective evidence of the need for impairment includes observable data, for example, whether the debtor has financial difficulties and has made late payments or missed payments. Objective evidence may also be identified as adverse changes in the payment status of a group of financial assets with a similar risk profile.

Financial assets measured at amortised cost

A loan is classified as non-performing 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 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. The Bank assesses whether the need for impairment exists for non-performing loans and whether a credit loss shall be reported on an individual basis for all loans that are overdue and also for significant, individual loans.

When no need for impairment can be identified for loans evaluated in relation to the need for impairment on an individual basis, an additional assessment is carried out along with other loans with similar credit-risk properties to investigate whether a need for impairment exists at the group level. An assessment to establish group-wide impairment is carried out using statistical models, which calculate the probability that a receivable in the different groups will not be settled in accordance with the original contract.

The reported value of assets after impairment is calculated as the present value of future cash flows discounted by the effective interest rate that was applicable when the asset was initially reported. Short-term assets are not discounted. Impairment is charged to the income statement.

Financial assets available for sale

Financial assets available for sale consist mainly of bonds and other interest-bearing securities. These are subject to impairment if objective evidence has been identified, see above.

Reversal of impairments

Impairment is reversed if evidence of a need for impairment no longer exists. Reversals of impairments on loans are reported as a reduction of loan losses and are specified individually in note 14. Impairments of interest-bearing securities are reversed in the income statement if the fair value increases and such increase can objectively be attributed to an event taking place after the impairment was done.

Write-off of loan receivables

Loan receivables classified as non-performing are written off from the balance sheet when the loan loss is considered to be realised. A loan loss is considered to be realised upon bankruptcy or when the debt has been waived or disposed of. After the write-off, the loan receivables are no longer reported in the balance sheet. Reversals of previously reported write-offs are reported as a reduction of loan losses in the income statement item Loan losses, net.

Intangible assets

Intangible assets are reported at the acquisition cost less accumulated amortisation and impairment. The Bank's intangible assets consist of capitalised expenditures for internally generated and acquired software and IT systems.

An asset is capitalised in the balance sheet only if all of the conditions listed below are met:

- The asset is identifiable
- The Bank has control over the asset in the form of legal rights
- The asset is likely to generate future financial benefits that accrue to the Bank
- The acquisition cost of the asset can be calculated reliably

Expenditures relating to maintenance and investigative work are reported as an expense in the income statement.

The reported acquisition value is reduced by straight-line depreciation over the asset's estimated useful life. Depreciation commences from the date the asset is ready for use. A general depreciation period of four-five years is applied, but the useful life is evaluated for each individual asset. The depreciation methods and residual values that are used are reviewed at the end of each year.

Tangible assets

Tangible assets consist of equipment and leasing objects. Equipment is reported at acquisition cost less straight-line depreciation over the asset's estimated useful life.

The depreciation periods of 3-5 years are applied as shown below.

- IT equipment 3 years
- Furniture 5 years

The depreciation methods and residual values of the assets that are used are reviewed at the end of each year.

Any profit or loss arising when an asset is sold or disposed of comprises the difference between the selling price and the asset's reported value less direct selling costs. Gains and losses are reported as other operating income or expense.

Leasing agreements are reported in accordance with RFR 2 as operating leases. Assets for which the leasing agreement has been entered into where the Bank is the lessor are reported in the balance sheet on the line, Tangible assets. The leasing fee, when the Bank is the lessee, is expensed over the term of the agreement.

Fixed assets which are leased assets in financial leases where the Bank is the lessor are reported in the income statement and balance sheet as operating leases and are depreciated using the annuity method. Office equipment and other equipment is normally financed for 36 months, with a residual value between 0 and 10%.

Impairment of intangible and tangible assets

The need for impairment of an intangible or tangible asset is tested when there is any indication that the asset's value may have declined. For assets that are under development and not yet finished, an impairment assessment is carried out annually. The test is carried out by calculating the recoverable amount. The recoverable amount is the higher of the fair value less selling costs and the utilisation value.

In the case of impairment or reverse impairment of a leased asset, the rules for financial leasing agreements apply.

Impairment is reversed if there is an indication that the need for impairment no longer exists and there has been a change in the assumptions constituting the basis for calculating the recoverable amount.

Remuneration to employees

Post-employment benefits

The Bank's pension plans for collective occupational pensions consist of defined contribution and defined benefit plans.
According to IAS 19 a defined contribution pension plan, is a plan for post-employment benefits, under which the Bank pays fixed contributions into a separate legal entity and has no legal or constructive obligation to pay further contributions if the legal entity does not have sufficient assets to pay all employee benefits relating to what the employees earned in the current period and earlier. A defined benefit plan is defined as other plans for post-employment benefits other than defined contribution plan.

The information required for defined benefit plans, ITP 2, contained in collective agreements in accordance with IAS 19 is not obtainable and the Bank therefore applies the exception specified in UFR 10, which entails that defined benefit plans insured through Alecta are reported as defined contribution plans.

There is a provision in the Bank's own balance sheet for portions of the pension plans. The Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's regulations for estimating the size of commitments apply. This is a prerequisite for the right to deduct tax.

Pension costs for defined contribution plans are reported as expenses in the income statement as they are earned. The Bank's obligations to pay pensions in the future have been valued in the balance sheet at the present value of future expected pension payments. The calculation has been made for each employee and is based on assumptions such as the current salary level and the degree to which the pension is earned. The cost of insurance premiums for the year is reported in note 33 Provisions for pensions.

Severance pay

An expense for payments in conjunction with termination of personnel is reported only if the Bank is unquestionably obliged to prematurely terminate employment in a formal, detailed plan.

When payments are made as an offer to encourage voluntary resignations, these are reported as expenses when the employee has accepted the offer.

Variable remuneration

Ikano Bank have a low level of variable remuneration. It is considered that the criteria existing in order for variable remuneration to be paid, will not contribute to encouraging unsound risk-taking in the operations.

Information on remuneration which is required to be disclosed in accordance with the Swedish Financial Supervisory Authority's regulations is provided on the Bank's website:
www.ikanobank.se.

Provisions

Provisions differ from other liabilities with regard to uncertainty concerning the payment date or the size of the amount for the regulation of the provision. Provisions are reported in the balance sheet when there is a legal or informal obligation due to a past event, and when it is likely that a flow of economic resources will be required for the settlement of the provision, and when the amount can be estimated in a reliable manner.

Provisions are made in the amounts representing the best estimates of the amounts required for the settlement of the obligations existing on the closing date. When the effect of the timing of the payment is significant, provisions are calculated by discounting the expected future cash flows at a pre-tax interest rate reflecting current market assessments of the time value of money and, if appropriate, the risks associated with the liability in question.

Provisions for pensions, deferred tax liabilities and other provisions are included in this balance sheet item.

Group contributions

Group contributions paid are reported in accordance with the Swedish Financial Reporting Board, RFR 2 Accounting for legal entities. As a general rule, group contributions are reported directly against retained earnings after deduction for current tax effects and are considered equivalent to dividends paid to the parent company.

Contingent liabilities

A contingent liability is reported when there is a possible obligation arising from past events, the existence of which can only be confirmed by one or more uncertain future events, or when there is an obligation that is not reported as a liability or provision, as it is not probable that an outflow of resources will be required.

3 Risks and risk management

In its operations, the Bank is exposed to various types of risk, such as credit risk, operational risk, liquidity risk, and market risk. The Bank also manages other types of risk, such as strategic risk and reputation risk. The Bank's risk appetite is generally low and all volume growth takes place with controlled and conscious risk-taking.

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

Risk management aims to ensure that the risks do not exceed the risk tolerance levels established by the Board of Directors and management.

The Bank's control organisation comprises three lines of defence with respect to management and control of the company's risks.

The first line of defence is the operating units that are exposed to and manage the risks in daily operations. This includes the Managing Director/management and business line managers, as well as support functions. Each business area and support function has a compliance and risk coordinator who is responsible for reporting and dialogue with the Compliance and Risk Control function in the second line of defence.

The second line of defence is the independent control function responsible for identifying, quantifying and reporting risks. Compliance is responsible for monitoring the policies and rules determined by the Board of Directors. This function also provides advice and support for the business functions. The independent Risk Control function monitors exposures to Board-approved limits.

The third line of defence is the internal audit, which independently audits the first and second lines of defence. By testing and evaluating the efficiency in the risk management and control functions, the internal audit function is to ensure the quality in the Bank's management of risks. The function reports directly to the Board of Directors.

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. All new processes and products that are introduced in the Bank go through the Bank's New Product Approval Committee (NPAC). The NPAC identifies potential new risks and ensures that these can be measured, reported and mitigated.

Operational risk

Ikano Bank defines operational risk is the risk of direct or indirect loss resulting from inadequate or defective internal processes, procedures and systems, management errors or external events and factors. This definition includes legal risk, but excludes strategic risk and reputational risk.

Ikano Bank, as an Internet bank, is strongly dependent on IT systems and telephony. Follow-up of incidents and improvements in accessibility are priority areas. The Bank has an incident reporting system where incidents are reported and monitored. Risks are analysed continuously and policies, guidelines and procedure descriptions are available to prevent and limit damages due to operational risks.

Risk Control coordinates the work with operational risk but the respective managers in each business operation are responsible for operational risk. Annual risk reviews are carried out by the management for the different operations, where the greatest risks are measured and managed in an action plan. New products, partners and IT systems undergo a risk assessment that includes operational risk. The goal is to ensure efficient processes and minimise operational risks so that the Bank's customers and other stakeholders are ensured that Ikano Bank has a high level of security and accessibility.

The Bank's risk appetite in regard to operational risks is defined based on three different criteria:

1. The Bank's contingency plan - Business Continuity Planning, shall be updated and tested,
2. All new products must go through the NPAC and
3. Areas where the Bank's Operational Risk Assessment has identified a potential risk that may result in costs exceeding SEK 2 m for the Bank. In this case, the action plan shall be set in motion and be completed within 12 months.

All criteria are to be followed up.

Credit risk

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

The credit risk that occurs in trading with financial instruments is called counterparty risk. This is the risk that the counterparty in a financial transaction may be unable to fulfil 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.

The Bank's lending operations consist of the products leasing, factoring, credit card debts and unsecured loans. All products are designed for quantity management. The Bank has applied scoring models in the assessment of credit risk for many years. 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 default. The assessment is supplemented with details from credit information agencies before the credit is finally approved. 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 models to assess the need for provisions, is based on Basel Committee's principles for advanced models called PD (Probability of Default) and LGD (Loss Given Default) models.

The business line Corporate primarily comprises leasing of office equipment. The business line also includes factoring, which is the purchase or borrowing of invoices and is a form of financing that helps companies quickly convert accounts receivable into cash. Ikano Bank has a long-standing cooperation with multiple partners. In many cases, there are repurchase agreements in the event of default by the end customer and also residual value guarantees when the leasing agreement expires. Operations have been concentrated on a few object types, where there is good internal expertise regarding secondary markets where repurchase guarantees are lacking.

The business line Sales Finance consists of credit card loans with small revolving credit and loan products. Credit card loans include store cards with or without either VISA or MasterCard attached. This business line is represented in all geographic markets. Credit and loans are generated by the partners within trade that the Bank cooperates with.

The business line Consumer lending consists of loans from credit cards linked to VISA and unsecured loans to individuals. Sales of the various products are made via the Internet and telephone. Follow-up of the different sales channels is carried out regularly. Most products are sold by individual pricing where the price is a reflection of the risk class that the customer is deemed to belong to at the time of application.

Credit assessment takes place on the basis of the credit information agency's scoring and rating models and customary credit information. Limits for larger engagements are determined in the local credit committees and the largest engagements are forwarded to the central credit and risk committee. The established limits on partners and large engagements are followed up continuously during the year. The independent risk control function also monitors exposures against set limits. The Bank's risk appetite to credit risk is defined based on indicative regulatory capital and updated annually by the Board. The indicative capital is divided into three different exposure types - card lending, loans to individuals and corporate customers who have separate limits and are monitored separately.

The Bank's credit risk exposure, gross and net, concentrations regarding counterparties, as well as loan receivables by category of borrower are shown in the following table. Leasing receivables are reported as tangible fixed assets in the balance sheet.

Credit risk exposure, gross and net

2016 SEK 000	Total credit risk exposure (before impairment)	Impairment	Carrying amount	Value of collaterals regarding balance sheet items	Total credit risk exposure after value of collaterals
Treasury bills	1 201 155	-	1 201 155	-	**1 201 155**
- AAA	*517 588*	-	*517 588*	-	*517 588*
- AA	*683 567*	-	*683 567*	-	*683 567*
Loans to credit institutions	1 837 545	-	1 837 545	-	**1 837 545**
- AA	*1 067 719*	-	*1 067 719*	-	*1 067 719*
- A	*728 014*	-	*728 014*	-	*728 014*
- BB	*24*	-	*24*	-	*24*
- no rating	*41 788*	-	*41 788*	-	*41 788*
Loans to the public	27 800 085	954 632	26 845 453	-	**26 845 453**
Leasing receivables	8 101 489	83 116	8 018 373	1 859 809	**6 158 564**
Bonds and other interest-bearing securities	2 247 377	-	2 247 377	-	**2 247 377**
- AAA	*1 481 654*	-	*1 481 654*	-	*1 481 654*
- AA	*100 065*	-	*100 065*	-	*100 065*
- A	*500 164*	-	*500 164*	-	*500 164*
- BBB or lower	*85 220*	-	*85 220*	-	*85 220*
- no rating	*80 274*	-	*80 274*	-	*80 274*
Derivatives	52 595	-	52 595	-	**52 595**
- AA	*22 019*	-	*22 019*	-	*22 019*
- A	*34 619*	-	*34 619*	-	*34 619*
- no rating	*-4 043*	-	*-4 043*	-	*-4 043*
Commitments and contingent liabilities	39 376 537	-	39 376 537	-	**39 376 537**
Loan promises	1 957 201	-	1 957 201	-	1 957 201
Unused credit limits [1)]	37 418 680	-	37 418 680	-	37 418 680
Contingent liabilities	656	-	656	-	656
Total credit risk exposure	**80 616 783**	**1 037 748**	**79 579 035**	**1 859 809**	**77 719 226**

2015 SEK 000	Total credit risk exposure (before impairment)	Impairment	Carrying amount	Value of collaterals regarding balance sheet items	Total credit risk exposure after value of collaterals
Treasury bills	1 120 183	-	1 120 183	-	**1 120 183**
- AAA	*639 815*	-	*639 815*	-	*639 815*
- AA	*480 368*	-	*480 368*	-	*480 368*
Loans to credit institutions	1 746 994	-	1 746 994	-	**1 746 994**
- AA	*1 116 571*	-	*1 116 571*	-	*1 116 571*
- A	*568 473*	-	*568 473*	-	*568 473*
- BB	*282*	-	*282*	-	*282*
- no rating	*61 668*	-	*61 668*	-	*61 668*
Lonas to the public	25 243 477	1 138 145	24 105 332	-	**24 105 332**
Leasing receivables	6 324 915	59 904	6 265 011	788 441	**5 476 570**
Bonds and other interest-bearing securities	1 685 179	-	1 685 179	-	**1 685 179**
- AAA	*961 601*	-	*961 601*	-	*961 601*
- AA	*35 414*	-	*35 414*	-	*35 414*
- A	*452 879*	-	*452 879*	-	*452 879*
- BBB or lower	*85 169*	-	*85 169*	-	*85 169*
- no rating	*150 116*	-	*150 116*	-	*150 116*
Derivatives	313 861	-	313 861	-	**313 861**
- AA	*95 825*	-	*95 825*	-	*95 825*
- A	*226 489*	-	*226 489*	-	*226 489*
- no rating	*-8 453*	-	*-8 453*	-	*-8 453*
Commitments and contingent liabilities	41 151 847	-	41 151 847	-	**41 151 847**
Loan promises	2 200 117	-	2 200 117	-	**2 200 117**
Unused credit limits [1)]	38 951 084	-	38 951 084	-	**38 951 084**
Contingent liabilities	646	-	646	-	**646**
Total credit risk exposure	**77 586 456**	**1 198 049**	**76 388 407**	**788 441**	**75 599 966**

1) All approved, non-utilised credit facilities consist of credit card loans that may be terminated effective immediately to the extent permitted by the Consumer Credit Act.

Age analysis of non-performing loans

SEK 000	2016	2015
Receivables due up to 60 days	17 283	31 183
Receivables due > 60-90 days	21 873	39 181
Receivables due > 90-180 days	341 284	118 277
Receivables due > 180-360 days	306 672	368 262
Receivables due > 360 days	822 687	1 200 697
Total	**1 509 800**	**1 757 600**

Age analysis of unsettled loan receivables not included in non-performing loans

SEK 000	2016	2015
Receivables due up to 60 days	1 138 762	1 259 505
Receivables due > 60-90 days	185 379	79 501
Receivables due > 90-180 days	-	36 395
Receivables due > 180-360 days	-	9 022
Receivables due > 360 days	-	5 106
Total	**1 324 141**	**1 389 529**

For a definition of non-performing loans, see section Financial assets measured at amortised cost in note 2 Accounting principles. Unsettled loan receivables refer to the receivables which are due for payment and which are not included in non-performing loans. These receivables are included in the future assessment in which impairment is made at the group level. Collateral in the form of buy-backs and guarantees for overdue receivables amounted to SEK 179 k (135).

Loan receivables per category of borrower

SEK 000	2016	2015
Loan receivables, gross		
- household sector	26 715 972	24 326 185
- corporate sector	8 868 175	6 914 754
- public sector	317 427	327 453
Total	**35 901 574**	**31 568 392**
Of which:		
Non performing loans	**1 509 800**	**1 757 600**
- household sector	1 182 566	1 673 802
- corporate sector	324 948	83 798
- public sector	2 286	-
Less:		
Specific impairment for individually assessed loans	**92 587**	**70 938**
- household sector	15 654	-
- corporate sector	76 761	69 572
- public sector	172	1 366
Impairment for collectively assessed homogenous groups of loans	**945 160**	**1 127 113**
- household sector	923 050	1 121 037
- corporate sector	22 081	6 076
- public sector	29	-
Loan receivables, net reported value		
- household sector	25 777 267	23 205 148
- corporate sector	8 769 333	6 839 106
- public sector	317 226	326 086
Total	**34 863 826**	**30 370 341**

Credit quality, loan receivables

SEK 000	2016	2015
Corporate sector	**7 773 119**	**6 354 940**
Credit score 1-3, low to medium risk	7 231 342	5 090 782
Credit score 4-5, higher risk	541 777	1 264 158
Household sector	**25 294 515**	**22 692 420**
Credit score 1-3, low to medium risk	24 900 766	21 466 422
Credit score 4-5, higher risk	393 749	1 225 998
Total	**33 067 634**	**29 047 360**

Credit scores are assigned to receivables that are neither overdue nor defined as non-performing loans based on an internal assessment scale.

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

Ikano Bank enters into derivative contracts under the International Swaps and Derivatives Association's (ISDA) master netting agreement, which means that when a counterparty cannot settle their obligations, the agreement is cancelled and all outstanding dealings between the parties shall be regulated by a net amount. ISDA agreements do not meet the criteria for offsetting in the balance sheet since offsetting is only permitted due to a party's inability to regulate, and also that the intention to reach a net settlement exists. In the balance sheet, no amounts have been offset in 2016.

Since 2014, Ikano Bank receives and submits collateral in the form of bank deposits in accordance with the standard terms in the ISDA Credit Support Annex in regard to derivatives.

2016				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	124 174	-	124 174	-58 095	-83 906	-17 826
Total financial assets	**124 174**	**-**	**124 174**	**-58 095**	**-83 906**	**-17 826**
Derivatives	71 579	-	71 579	-58 095	-	13 484
Total financial liabilities	**71 579**	**-**	**71 579**	**-58 095**	**-**	**13 484**

2015				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	344 259	-	344 259	-9 738	-245 012	89 509
Total financial assets	**344 259**	**-**	**344 259**	**-9 738**	**-245 012**	**89 509**
Derivatives	30 398	-	30 398	-9 738	-	20 660
Total financial liabilities	**30 398**	**-**	**30 398**	**-9 738**	**-**	**20 660**

Asset encumbrance

The Bank's encumbered assets consist of collateral in the form of bank deposits in accordance with the standard terms of the International Swaps and Derivatives Association (ISDA) Credit Support Annex with regard to derivatives, as well as a deposit in Central Bank's due to ECB regulations for Euro transactions. Those liabilities that match encumbered assets consist of liabilities to counterparties in connection with derivative transactions in accordance with ISDA standard conditions.

Unencumbered assets and collateral received that may be encumbered is made up of other assets in the Bank's balance sheet and other collateral in the form of bank deposits that the Bank receives in order to reduce counterparty risk arising from derivative transactions.

Ikano Bank AB has not further pledged received collateral. The degree of encumbrance, i.e. encumbered assets as a percentage of the total balance, is very low (approx. 0.1%).

2016 SEK m	Encumbered assets, carrying value	Unencumbered assets, carrying value	Unencumbered assets, fair value	Received encumbered assets, fair value	Received collateral that can be encumbered, fair value
Assets					
Equity instruments	-	28	28	-	-
Interest-bearing securities	-	3 449	3 449	-	-
Other assets	24	38 035	38 035	-	84
Total	**24**	**41 512**	**41 512**	**-**	**84**

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	72	24

2015 SEK m	Encumbered assets, carrying value	Unencumbered assets, carrying value	Unencumbered assets, fair value	Received encumbered assets, fair value	Received collateral that can be encumbered, fair value
Assets					
Equity instruments	-	18	18	-	-
Equity instruments	-	2 805	2 805	-	-
Other assets	80	33 383	33 383	-	245
Total	**80**	**36 206**	**36 206**	**-**	**245**

	Matching liabilities	Encumbered assets
Carrying amount of selected financial liabilities	30	80

Liquidity risk

Ikano Bank defines liquidity risk as the risk of being unable to make payment when due, without significantly increasing the costs, or ultimately, not being able to meet payment obligations to any degree. The definition is also linked to the risk of being unable to receive renewed financing on maturity, so-called refinancing risk.

The matching of assets and liabilities, both in terms of maturity and volume, along with a good access to multiple funding sources forms the basis of the Bank's liquidity and financing strategy. The liquidity level must always be sufficient; this means there should always be a liquidity reserve and the Bank should always be able to fulfil its payment commitments and be in a position to strengthen liquidity without delay when necessary. The Bank's management and control of liquidity risks are centralised and the liquidity risk is reflected in the Bank's internal pricing.

The Bank's liquidity management and liquidity risk are handled by the Bank's central Treasury function in close cooperation with the local business units. The management of liquidity risk is controlled by the independent risk control function. The Bank's Board of Directors and management receive continuous reporting regarding the liquidity positions and development of liquidity.

The 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 issues 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 table on the following page shows the Bank's maturity exposure based on the reported cash flow's contracted remaining maturity as of 31 December 2016. Deposits from the public are comprised of both fixed term and non-fixed term deposits. Total deposits from the public are reported in the column On demand since the counterparty always 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.

Ikano Bank offers a variety of card products where a majority implies that the customer receives a credit. The unused portion of customer credits and loan commitments are reported within item Loan promises and unused credit limits. Customer behaviour is monitored carefully, and history shows that this item is at a stable level, i.e. customers' utilization rate follows a stable pattern.

The Bank performs monthly stress tests of increased outflow of deposits from the public and increased utilization in customers' unused credit. A liquidity reserve in addition to committed and uncommitted credit facilities are 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 measure show how the Bank's high quality liquid assets relate to the net cash outflow during a 30-day period of stress.

Liquidity risk exposure, discounted cash flows – remaining contractual term and expected time of recovery

2016 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	Total carrying amount	of which expected recovery time > 12 months
Assets											
Cash and balances with central banks	10	-	-	-	-	-	-	-	-	**10**	-
Treasury bills	-	-	151	135	232	279	404	-	-	**1 201**	914
Loans to credit institutions	1 647	2	-	-	2	-	-	-	187	**1 838**	6
Loans to the public	-	3 266	1 511	2 838	3 868	2 440	2 312	2 061	8 549	**26 845**	11 747
Leasing receivables	-	1 354	663	1 227	2 056	1 443	1 177	100	-	**8 020**	6 633
Bonds and other interest-bearing securities	-	710	100	239	207	327	665	-	-	**2 247**	1 198
Derivatives	-	106	17	-	-	0	1	-	-	**124**	1
Other assets	-	88	6	11	18	16	20	5	1 087	**1 250**	117
Total assets	**1 657**	**5 525**	**2 450**	**4 451**	**6 382**	**4 504**	**4 579**	**2 166**	**9 823**	**41 536**	**20 616**
Liabilities and equity											
Liabilities to credit institutions	-	163	463	1 051	258	480	-	-	-	**2 415**	738
Deposits from the public	22 416	132	137	384	526	359	226	-	-	**24 180**	15 219
Derivatives	-	40	12	6	10	2	1	-	-	**72**	1 125
Issued securities	-	1 130	1 255	450	2 099	550	700	-	-	**6 183**	3 349
Other liabilities	-	379	-	68	-	-	-	-	516	**964**	-
Accrued expenses and prepaid income	-	257	96	108	95	26	5	-	712	**1 299**	-
Provisions	-	-	-	-	-	-	-	-	172	**172**	126
Subordinated liabilities	-	-	-	-	-	-	-	810	-	**810**	810
Equity and untaxed reserves	-	-	-	-	-	-	-	-	5 442	**5 442**	-
Total liabilities and equity	**22 416**	**2 102**	**1 962**	**2 066**	**2 989**	**1 416**	**932**	**810**	**6 842**	**41 536**	**21 366**
Loan promises and unused credit limits	39 376	-	-	-	-	-	-	-	-	**39 376**	
Operational lease agreements	5	1	1	2	3	2	0	-	-	14	
Total difference	**-60 141**	**3 422**	**487**	**2 383**	**3 390**	**3 086**	**3 647**	**1 356**	**2 981**	**-39 390**	

2015 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	Total carrying amount	of which expected recovery time > 12 months
Assets											
Cash and balances with central banks	25	-	-	-	-	-	-	-	-	**25**	**-**
Treasury bills	-	85	-	150	289	232	364	-	-	**1 120**	235
Loans to credit institutions	1 582	2	-	-	2	-	-	-	161	**1 747**	1 363
Loans to the public	-	1 580	989	1 981	3 810	3 335	2 417	1 448	8 547	**24 105**	10 970
Leasing receivables	-	725	553	1 025	1 667	1 128	1 024	52	90	**6 265**	3 874
Bonds and other interest-bearing securities	-	312	458	141	281	104	389	-	-	**1 685**	911
Derivatives	-	268	55	8	13	0	-	-	-	**344**	331
Other assets	-	52	-	17	-	-	-	0	924	**994**	-
Total assets	**1 607**	**3 024**	**2 054**	**3 323**	**6 062**	**4 800**	**4 194**	**1 500**	**9 723**	**36 286**	**17 683**
Liabilities and equity											
Liabilities to credit institutions	-	1 120	619	1 162	736	491	-	-	-	**4 128**	2 840
Deposits from the public	20 108	-	-	-	-	-	10	92	-	**20 209**	13 711
Derivatives	-	0	2	3	11	11	3	-	-	**30**	5
Issued securities	-	500	820	450	650	1 099	699	-	-	**4 218**	1 769
Other liabilities	-	359	-	22	-	-	-	-	570	**951**	-
Accrued expenses and prepaid income	-	12	7	10	47	158	173	25	879	**1 311**	403
Provisions	-	-	-	-	-	-	-	-	107	**107**	-
Subordinated liabilities	-	-	-	-	-	-	-	793	-	**793**	-
Equity and untaxed reserves	-	-	-	-	-	-	-	-	4 539	**4 539**	-
Total liabilities and equity	**20 108**	**1 991**	**1 448**	**1 647**	**1 444**	**1 759**	**885**	**909**	**6 095**	**36 286**	**18 729**
Loan promises and unused credit limits	40 692	-	-	-	-	-	-	-	-	**40 692**	
Operational lease agreements	-	1	1	2	5	0	-	-	-	**10**	
Total difference	**-59 193**	**1 032**	**605**	**1 673**	**4 613**	**3 041**	**3 308**	**591**	**3 629**	**-40 701**	

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

2016 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	Total
Assets										
Cash and balances with central banks	10	-	-	-	-	-	-	-	-	**10**
Treasury bills	-	1	152	135	231	275	400	-	-	**1 195**
Loans to credit institutions	1 642	2	-	-	2	-	-	-	187	**1 833**
Loans to the public	-	3 105	1 572	2 942	4 297	2 871	2 836	2 653	8 913	**29 187**
Leasing receivables	-	1 265	757	1 392	2 301	1 598	1 305	109	-	**8 728**
Bonds and other interest-bearing securities	-	711	110	239	213	324	648	-	-	**2 244**
Derivatives	-	13	1	1	1	1	2	-	-	**18**
Other assets	-	88	6	11	18	16	20	5	1 070	**1 233**
Total assets	**1 652**	**5 184**	**2 599**	**4 719**	**7 063**	**5 084**	**5 211**	**2 767**	**10 169**	**44 448**
Liabilities and equity										
Liabilities to credit institutions	-	163	468	1 044	258	485	-	-	-	**2 418**
Deposits from the public	22 416	132	137	384	526	359	226	-	-	**24 180**
Derivatives	-	1 135	1 259	458	2 111	555	702	-	-	**6 219**
Issued securities	-	4	5	7	7	0	0	-	-	**24**
Other liabilities	-	536	41	79	-	-	-	-	1 386	**2 041**
Subordinated liabilities	-	0	-	9	22	22	43	886	-	**982**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	5 442	**5 442**
Total liabilities and equity	**22 416**	**1 970**	**1 909**	**1 981**	**2 924**	**1 421**	**971**	**886**	**6 828**	**41 306**
Loan promises and unused credit limits	39 376	0	-	-	-	-	-	-	-	**39 376**
Operational lease agreements	5	1	1	2	3	2	-	-	-	**14**
Total difference	**-60 145**	**3 212**	**689**	**2 736**	**4 136**	**3 662**	**4 240**	**1 880**	**3 342**	**-36 249**

2015 SEK m	On demand	Not longer than 3 months	Longer than 3 months, but not longer than 6 months	Longer than 6 months, but not longer than 1 year	Longer than 1 year, but not longer than 2 years	Longer than 2 years, but not longer than 3 years	Longer than 3 years, but not longer than 5 years	Longer than 5 years	No maturity	Total
Assets										
Cash and balances with central banks	25	-	-	-	-	-	-	-	-	**25**
Treasury bills	-	86	3	150	289	231	365	-	-	**1 124**
Loans to credit institutions	1 582	-	-	-	-	-	-	-	161	**1 743**
Loans to the public	-	1 640	1 096	2 134	4 085	3 575	2 904	2 559	9 049	**27 042**
Leasing receivables	-	777	605	1 114	1 790	1 194	1 073	54	90	**6 696**
Bonds and other interest-bearing securities	-	313	471	142	290	110	382	-	-	**1 707**
Derivatives	-	17	34	11	15	1	0	-	-	**78**
Other assets	-	52	-	17	-	-	-	0	908	**977**
Total assets	**1 607**	**2 885**	**2 209**	**3 569**	**6 468**	**5 111**	**4 724**	**2 613**	**10 208**	**39 393**
Liabilities and equity										
Liabilities to credit institutions	-	1 127	617	1 169	748	499	-	-	-	**4 159**
Deposits from the public	20 108	-	-	-	-	-	10	92	-	**20 209**
Derivatives	-	5	8	10	12	4	0	-	-	**39**
Issued securities	-	506	825	459	662	1 109	707	-	-	**4 267**
Other liabilities	-	826	7	32	47	158	173	25	1 344	**1 195**
Subordinated liabilities	-	2	9	7	19	19	38	913	-	**1 008**
Equity and untaxed reserves	-	-	-	-	-	-	-	-	4 545	**4 545**
Total liabilities and equity	**20 108**	**2 467**	**1 467**	**1 676**	**1 488**	**1 788**	**928**	**1 029**	**5 889**	**36 841**
Loan promises and unused credit limits	40 692	0	-	-	-	-	-	-	-	**40 692**
Operational lease agreements	-	1	1	2	5	0	-	-	-	**10**
Total difference	**-59 193**	**417**	**741**	**1 890**	**4 974**	**3 323**	**3 796**	**1 584**	**4 319**	**-38 149**

The tables above show the liquidity exposure of non-discounted cash flows specified according to remaining contractual term.

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 composition and size of the Bank's liquidity portfolio and the liquidity reserve is regulated in steering documents established by the Bank's Board of Directors.

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

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. Therefore, in accordance with this policy, the liquidity portfolio shall always total 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 Bank's markets. Steering documents define what quality level the securities that are included in the Bank's liquidity reserve shall have. Intra-day liquidity manages the Bank's daily payment commitments. The liquidity in this portfolio is to be available within one day, and is to consist of funds in bank accounts, investments available the next banking day (overnight) and bank overdraft facilities, granted in writing.

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 financing options. The liquidity reserve is invested in interest-bearing securities with a high credit rating on 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 on the Swedish market. Investments in this portfolio are to have a minimum rating of BBB+ (rating according to Standard and Poor's).

The Bank's liquidity reserve is based on the Financial Supervisory Authority's current regulations on liquidity risk and asset classification in the European Commission's delegated act for the liquidity coverage requirement.

The Financial Supervisory Authority, in its regulations regarding the handling of liquidity risks, FFFS 2010:7, has included a definition of liquidity reserve. This definition coincides with the Bank's definition, with the exception of cash and deposits with credit institutions, which are not part of the Bank's liquidity reserve. According to the Financial Supervisory Authority's definition, the liquidity reserve totals SEK 4.5 bn. These assets are of a high quality, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio totalled SEK 5.3 bn as of 31 December 2016, which constitutes 22 percent of deposits from the public. It includes the liquidity reserve in accordance with the above and other interest-bearing securities with a value of SEK 0.8 bn. None of the assets are being utilised as collateral and no non-performing assets exist. The assets are measured at market value.

In addition to the liquidity portfolio, the Bank has access to committed credit facilities of SEK 3.4 bn.

At year-end, the Bank's liquidity coverage ratio (LCR) totalled 283 percent. This measure shows how the Bank's high quality liquid assets are related to net outflows over a thirty-day period under stressed conditions. A statutory limit for the liquidity coverage ratio of 70 percent applies since 1 January 2016, with an increasing phasing to 100 percent on 1 January 2018. For a healthy and stable liquidity management, the Bank has already decided to hold a LCR of over 100 percent.

Market risk

Market risk is the risk of decreases in profits due to adverse market fluctuations in interest rates and currencies. Market risk is managed by the Bank's Treasury function. The Bank does not trade on its own behalf or on behalf of clients with derivatives or financial instruments. Therefore, the Bank has no capital requirement in accordance with the regulations for trading. Securities are held solely in order to maintain sufficient liquidity in accordance with the liquidity regulations. Derivatives are traded in order to minimise positions in business balances arising in the deposit and lending operations for customers.

Interest 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 limits (hedges) the interest rate risk for fixed interest deposits by entering into interest rate swap agreements whereby the Bank receives a fixed interest rate and pays a variable interest rate. For these fair value hedges, the Bank applies hedge accounting. During the period, the change in fair value of the hedged items (fixed interest deposits), with regard to the hedged risk, amounted to SEK 8.2 m (-10.9) and on hedging instruments (derivatives) to SEK -8.2 m (6.8). The reported net amount of SEK 0 m is consequently the period's reported inefficiency. 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 income from financial transactions and amounted in 2016 to SEK 7.7 m.

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 Bank also hedges the interest rate risk in a lending portfolio with fixed interest. Hedge accounting is not applied to this.

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 30.1 m (11.1), 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 19.4 m and SEK -21.0 m with a parallel decrease of the interest rate curve.

As of 31 December 2016, the Bank had interest rate swaps with a contract value of SEK 2.9 bn (3.6). The swaps' net fair value as of 31 December 2016 totalled SEK -6.2 m (39.3) consisting of assets of SEK 14.0 m (69.3) and liabilities of SEK 20.2 m (30.0).

Interest rate exposure – fixed interest periods for assets and liabilities

2016 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	-	-	-	-	10	**10**	0.0 years
Treasury bills	1 135	66	-	-	-	-	**1 201**	0.1 years
Loans to credit institutions	1 787	-	-	-	-	50	**1 838**	0.1 years
Loans to the public	15 554	1 842	3 127	5 392	931	-	**26 845**	0.9 years
Leasing receivables	6 868	157	193	623	23	154	**8 018**	0.3 years
Bonds and other interest-bearing securities	1 532	370	345	-	-	-	**2 247**	0.3 years
Other assets	106	19	-	-	-	1 252	**1 376**	0.0 years
Total assets	**26 982**	**2 454**	**3 665**	**6 015**	**953**	**1 466**	**41 536**	
Liabilities and equity								
Liabilities to credit institutions	1 587	798	29	-	-	-	**2 415**	0.2 years
Deposits from the public	18 642	667	1 620	3 020	-	231	**24 180**	0.4 years
Issued securities	4 729	1 255	200	-	-	-	**6 183**	0.2 years
Other liabilities	52	18	1	-	-	2 434	**2 506**	0.0 years
Subordinated liabilities	50	760	-	-	-	-	**810**	0.4 years
Equity and untaxed reserves	-	-	-	-	-	5 442	**5 442**	0.0 years
Total liabilities and equity	**25 060**	**3 497**	**1 850**	**3 020**	**-**	**8 108**	**41 536**	
Total difference	**1 922**	**-1 044**	**1 816**	**2 995**	**953**	**-6 642**	**-**	
Interest rate derivates, long positions [1]	1 125	1 810	-	-	-	-	**2 935**	
Interest rate derivates, short positions [1]	178	150	582	2 025	-	-	**2 935**	

2015 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	-	-	-	-	25	**25**	0.2 years
Treasury bills	1 052	68	-	-	-	-	**1 120**	0.9 years
Loans to credit institutions	1 659	-	-	-	-	88	**1 747**	0.2 years
Loans to the public	14 834	975	2 869	4 689	737	1	**24 105**	0.9 years
Leasing receivables	5 151	143	188	555	16	212	**6 266**	0.4 years
Bonds and other interest-bearing securities	1 004	544	137	-	-	-	**1 685**	0.3 years
Other assets	269	53	8	15	-	993	**1 338**	0.1 years
Total assets	**23 970**	**1 783**	**3 202**	**5 259**	**753**	**1 319**	**36 286**	
Liabilities and equity								
Liabilities to credit institutions	3 928	172	28	-	-	-	**4 128**	0.2 years
Deposits from the public	16 474	595	1 178	1 870	-	92	**20 209**	0.4 years
Issued securities	3 298	920	-	-	-	-	**4 218**	0.2 years
Other liabilities	1 048	-3	3	30	-	1 321	**2 399**	0.1 years
Subordinated liabilities	362	431	-	-	-	-	**793**	0.3 years
Equity and untaxed reserves	-	-	-	-	-	4 539	**4 539**	0.0 years
Total liabilities and equity	**25 110**	**2 115**	**1 208**	**1 900**	**-**	**5 952**	**36 286**	
Total difference	**-1 141**	**-333**	**1 994**	**3 358**	**753**	**-4 633**	**-**	
Interest rate derivates, long positions [1]	2 166	1 116	93	178	-	-	**3 553**	
Interest rate derivates, short positions [1]	614	417	883	1 639	-	-	**3 553**	

1) Nominal value

Derivatives

Derivatives are used to reduce exposure to interest rate and foreign exchange risk and include interest rate and currency derivatives according to the table below. Below, all derivatives are reported at fair value and distributed based on the remaining term are shown.

Derivatives - assets and liabilities

2016 SEK 000	> 1 year	> 1 year - 5 years	> 5 years	Total	Assets (positive market value)	Liabiities (negative market value)
Derivatives at fair value through profit or loss						
Interest-related contracts						
Swaps	-1 555	-1 937	-	-3 492	-	-3 492
Currency-related contracts						
Swaps	58 755	-	-	58 755	110 120	-51 365
Total	**57 200**	**-1 937**	**-**	**55 263**	**110 120**	**-54 857**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	-5 137	-10 483	-	-15 620	1 103	-16 723
Total	**-5 137**	**-10 483**	**-**	**-15 620**	**1 103**	**-16 723**
Derivatives for cash flow hedges						
Interest-related contracts						
Swaps	12 951	-	-	12 951	12 951	-
Total	**12 951**	**-**	**-**	**12 951**	**12 951**	**-**
Total sum	**65 014**	**-12 420**	**-**	**52 594**	**124 174**	**-71 580**

2015 SEK 000	> 1 year	> 1 year - 5 years	> 5 years	Total	Assets (positive market value)	Liabiities (negative market value)
Derivatives at fair value through profit or loss						
Interest-related contracts						
Swaps	-3 533	-5 298	-	-8 831	2	-8 833
Currency-related contracts						
Swaps	274 560	-	-	274 560	274 948	-388
Total	**271 027**	**-5 298**	**-**	**265 729**	**274 950**	**-9 221**
Derivatives for fair value hedges						
Interest-related contracts						
Swaps	-1 385	-19 492	-	-20 877	300	-21 177
Total	**-1 385**	**-19 492**	**-**	**-20 877**	**300**	**-21 177**
Derivatives for cash flow hedges						
Interest-related contracts						
Swaps	55 639	13 371	-	69 010	69 010	-
Summa	**55 639**	**13 371**	**-**	**69 010**	**69 010**	**-**
Total sum	**325 281**	**-11 419**	**-**	**313 862**	**344 260**	**-30 398**

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 reduces the overall net exposure by SEK 16.8 m.

In the Bank's income statement, exchange rate results with SEK -2.1 m (-3.4) 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.

Assets and liabilities per significant currencies

2016 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	Total
Assets							
Treasury bills	1 201	-	-	-	-	-	**1 201**
Loans to credit institutions	1 097	127	211	104	103	203	**1 847**
Loans to the public	8 735	7 333	5 968	2 534	1 824	452	**26 845**
Leasing receivables	3 702	220	-	2 577	1 553	-	**8 052**
Bonds and other interest-bearing securities	1 618	292	337	-	-	-	**2 247**
Other assets	948	79	81	95	121	19	**1 343**
Total assets	**17 302**	**8 052**	**6 597**	**5 310**	**3 601**	**674**	**41 536**
Nominal amount currency derivative	7 028	-	-	-	-	-	**7 028**
Liabilities and equity							
Liabilities to credit institutions	99	364	673	627	369	283	**2 415**
Deposits from the public	14 258	5 483	1 764	2 676	-	-	**24 180**
Issued securities	6 183	-	-	-	-	-	**6 183**
Subordinated liabilities	200	379	79	116	37	-	**810**
Other liablities incl. Equity	3 758	1 755	683	1 290	530	-68	**7 948**
Total equity and liabilities	**24 498**	**7 980**	**3 198**	**4 709**	**936**	**215**	**41 536**
Nominal amount currency derivative	-	-	3 382	576	2 606	465	**7 028**
Differences between assets and liabilities, incl. Nominal amount currency derivative	-168	71	17	25	60	-5	0
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		7.1	1.7	2.5	6.0	-0.5	16.8

2015 SEK m	SEK	EUR	GBP	DKK	NOK	Other currencies	Total
Assets							
Treasury bills	1 120	-	-	-	-	-	**1 120**
Loans to credit institutions	1 010	360	168	50	32	153	**1 773**
Loans to the public	7 741	6 590	5 889	2 216	1 299	370	**24 105**
Leasing receivables	2 930	104	-	2 095	1 136	-	**6 265**
Bonds and other interest-bearing securities	1 548	137	-	-	-	-	**1 685**
Other assets	769	109	214	110	121	15	**1 338**
Total assets	**15 118**	**7 300**	**6 271**	**4 471**	**2 588**	**538**	**36 286**
Nominal amount currency derivative	7 852	-	-	-	-	-	**7 852**
Liabilities and equity							
Liabilities to credit institutions	664	1 077	944	859	315	269	**4 218**
Deposits from the public	14 522	3 777	10	1 900	-	-	**20 209**
Issued securities	4 218	-	-	-	-	-	**4 218**
Subordinated liabilities	200	362	88	110	33	-	**793**
Other liablities incl. Equity	3 455	1 352	702	1 041	460	-72	**6 938**
Total equity and liabilities	**23 059**	**6 568**	**1 744**	**3 910**	**808**	**197**	**36 286**
Nominal amount currency derivative	-	717	4 443	571	1 777	343	**7 852**
Differences between assets and liabilities, incl. Nominal amount currency derivative	-89	15	84	-10	2	-2	0
Effect (before tax) of 10% increase in exchange rate of SEK against foreign currency		1.5	8.4	-1.0	0.2	-0.2	8.9

4 Information about subsidiary

On 1 October 2015, all shares in the group company, Ikano Insight Ltd. were acquired. The Bank does not perform consolidated statements with reference to the Annual Accounts Act § 7: 3a. Financial position and results of Ikano Insight Ltd. has no material effect on the financial position and ratios for Ikano Bank.

Operations in the Bank's subsidiary have in 2016 been integrated into the Bank's operations. At year end, Ikano Insight Ltd. conducts no operations and liquidation will take place during 2017.

Financial position and result of Ikano Insight Ltd

SEK 000	2016	2015
Assets		
Loans to credit institutions	-	14 864
Intangible assets	-	1 566
Other assets	14 949	16 689
Total assets	**14 949**	**33 119**
Liabilities and equity		
Other liabilities	-	13 148
Equity	14 949	19 971
Total liabilities and equity	**14 949**	**33 119**

SEK 000	2016	2015
Net interest income	55	254
Net commission	-5 186	-12 567
Other income	44 098	61 823
Total income	**38 967**	**49 510**
General administrative expenses	-41 040	-39 689
Other expenses	-1 057	-1 672
Tax expense	-392	-1 196
Net result for the year	**-3 522**	**6 953**

5 Operating segments

2016 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	738	346	206	25	550	703	45	411	3 023	-602	2 421
Interest expense	-213	-79	-64	-5	-131	-102	-11	-397	-1 002	602	-399
Total net interest income	**525**	**266**	**142**	**20**	**418**	**601**	**34**	**14**	**2 021**	**-**	**2 021**
Commission income	298	72	100	22	88	87	4	-	671	-	671
Commission expense	-134	-11	-51	-5	-39	-35	-3	-4	-283	-	-283
Commission, net	**163**	**60**	**49**	**16**	**48**	**53**	**1**	**-4**	**388**	**-**	**388**
Lease income	1 418	801	506	56	-	-	-	-	2 781	-	2 781
Depreciation on leasing assets	-1 291	-699	-431	-47	-	-	-	-	-2 468	-	-2 468
Leasing Income, net	**128**	**102**	**75**	**9**	**-**	**-**	**-**	**-**	**313**	**-**	**313**
Net Interest, fee and leasing income	**816**	**428**	**267**	**45**	**467**	**654**	**36**	**10**	**2 722**	**-**	**2 722**
Other income	26	25	9	1	5	2	5	1 063	1 136	-1 021	115
Other direct expenses	-47	-21	-15	-5	-25	-45	-1	-1	-160	-	-160
Operating margin before net loan losses and operational expenses	**795**	**432**	**261**	**41**	**447**	**612**	**39**	**1 072**	**3 698**	**-1 021**	**2 677**
Other expenses	-706	-277	-274	-51	-425	-248	-38	-1 189	-3 208	1 014	-2 194
Allocated overhead expenses	-14	-6	-3	-1	-9	-11	-1	-1	-45	7	-37
Operating result	**74**	**149**	**-16**	**-11**	**14**	**353**	**1**	**-118**	**445**	**-**	**445**
Of which:											
Total internal income	*122*	*26*	*-*	*-*	*16*	*33*	*-*	*1 428*	*1 624*	*-1 624*	*-*
Total external income	*1 065*	*519*	*390*	*56*	*627*	*760*	*54*	*39*	*3 511*	*-*	*3 511*
Total internal expenses	*-513*	*-58*	*-133*	*-23*	*-226*	*-177*	*-24*	*-471*	*-1 624*	*1 624*	*-*
Tax expense	-	-30	4	-	-5	-126	-	-9	-166	-	-166
Net result for the year	**74**	**119**	**-12**	**-11**	**9**	**227**	**1**	**-128**	**279**	**-**	**279**

2015 SEK m	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Elimin- ations	Total
Interest income	807	315	173	24	0	546	704	37	371	2 977	-572	2 405
Interest expense	-278	-67	-60	-4	0	-108	-86	-10	-356	-966	572	-394
Total net interest income	**529**	**248**	**113**	**20**	**0**	**440**	**618**	**27**	**15**	**2 011**	**-**	**2 011**
Commission income	296	71	96	20	0	111	93	5	0	693	-	692
Commission expense	-111	-11	-52	-4	0	-55	-62	-4	-1	-300	-	-300
Commission, net	**185**	**60**	**44**	**16**	**0**	**56**	**31**	**1**	**-1**	**392**	**-**	**392**
Lease income	1 295	678	443	12	-	-	-	-	-	2 427	-	2 427
Depreciation on leasing assets	-1 157	-586	-372	-9	-	-	-	-	-	-2 125	-	-2 125
Leasing Income, net	**138**	**92**	**70**	**2**	**-**	**-**	**-**	**-**	**-**	**303**	-	**302**
Net Interest, fee and leasing income	**852**	**400**	**228**	**39**	**0**	**496**	**650**	**28**	**15**	**2 706**	**-**	**2 706**
Other income	9	27	7	1	0	9	11	5	821	890	-739	151
Other direct expenses	-48	-25	-15	-5	0	-28	-29	-1	0	-149	-	-149
Operating margin before net loan losses and operational expenses	**813**	**402**	**220**	**36**	**0**	**478**	**632**	**32**	**835**	**3 447**	**-739**	**2 707**
Other expenses	-566	-250	-168	-29	-7	-319	-454	-30	-830	-2 653	540	-2 112
Allocated overhead expenses	-102	-22	-19	-6	0	-53	-29	-3	0	-233	199	-34
Operating result	**145**	**130**	**33**	**1**	**-7**	**106**	**149**	**-1**	**5**	**561**	**-**	**561**
Of which:												
Total internal income	*171*	*18*	*-*	*-*	*-*	*-*	*31*	*-*	*1 092*	*1 312*	*-1 312*	*-*
Total external income	*1 076*	*487*	*346*	*48*	*0*	*667*	*784*	*47*	*99*	*3 554*	*-*	*3 554*
Total internal expenses	*-412*	*-3*	*-114*	*-15*	*-1*	*-182*	*-132*	*-19*	*-433*	*-1 312*	*1 312*	*-*
Tax expense	-	-33	-5	-	-	-27	-40	-	51	-54	-	-54
Net result for the year	**145**	**97**	**28**	**1**	**-7**	**79**	**109**	**-1**	**56**	**507**	**-**	**507**

External income

SEK m	2016	2015
Corporate	595	530
Sales Finance	2 002	2 096
Consumer	825	778
Other	89	150
Total external income	**3 511**	**3 554**

Ikano Bank, or each segment individually, has no single customer that accounts for 10 percent or more of total revenues.

Balance Sheet

2016 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	323	39	1	0	6	9	1	-	**380**
Deferred tax assets	112	-	-	-	4	6	-	-	**122**
Other assets	31 432	5 186	3 407	526	6 179	7 378	598	-13 672	**41 034**
Total assets	**31 868**	**5 225**	**3 408**	**526**	**6 189**	**7 393**	**599**	**-13 672**	**41 536**
Liabilities and provisions	**29 032**	**4 223**	**3 089**	**562**	**6 001**	**6 160**	**700**	**-13 672**	**36 093**

2015 SEK m	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Germany/ Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	180	52	1	0	-	11	13	1	-	**258**
Deferred tax assets	200	-	-	-	-	5	0	-	-	**206**
Other assets	29 804	4 389	2 457	367	-	6 108	6 449	489	-14 241	**35 822**
Total assets	**30 185**	**4 441**	**2 458**	**367**	**-**	**6 124**	**6 462**	**490**	**-14 241**	**36 286**
Liabilities and provisions	**27 745**	**3 602**	**2 159**	**390**	**75**	**5 925**	**5 502**	**589**	**-14 241**	**31 747**

6 Net interest

SEK 000	2016	2015
Interest income		
Loans to credit institutions	0	17
Loans to the public	2 418 572	2 399 935
Interest bearing securities	3 414	5 127
Total	**2 421 986**	**2 405 079**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*2 418 572*	*2 399 952*
Interest income from non-performing loans	*114 489*	*199 456*
Interest expense		
Liabilities to credit institutions	-48 010	-44 769
Deposits from the public	-193 886	-218 823
Of which: deposit guarantee fee	*-23 971*	*-16 920*
Issued securities	-25 901	-34 242
Derivatives	-98 737	-62 111
- hedge accounting	*6 042*	*9 070*
- not hedge accounting	*-104 779*	*-71 181*
Subordinated liabilities	-22 228	-19 824
Other interest expenses	-11 789	-14 261
Of which: stability fee	*-4 709*	*-8 137*
Total	**-400 551**	**-394 030**
Of which: Interest income from financial assets		
not measured at fair value through profit or loss	*-301 814*	*-331 919*
Total net interest income	**2 021 435**	**2 011 049**
Interest margin	5.0%	6.3%
Total interest income in relation to average balance sheet total, less total interest expenses in relation to average balance sheet total excluding average equity and 78% of untaxed reserves		
Investment margin	5.2%	6.4%
Net interest income in relation to average balance sheet total		

7 Leasing income

SEK 000	2016	2015
Leasing income, gross	2 780 577	2 427 472
Less: Depreciation according to plan	-2 467 504	-2 124 969
Leasing income, net	**313 073**	**302 503**
Leasing income from financial lease agreements	2 780 577	2 427 472
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-2 467 504	-2 124 969
Leasing income, net for financial lease agreements	**313 073**	**302 503**
Interest income	6 327	5 833
Interest expenses	-79 920	-77 163
Leasing, net	**239 479**	**231 173**

8 Net commission

SEK 000	2016	2015
Commission income		
Payment service commissions	23 245	22 660
Lending commissions	409 033	424 824
Other commissions	238 552	245 071
Total	**670 831**	**692 555**
Commission expenses		
Payment service commissions	-9 724	-43 796
Lending commissions	-260 942	-249 448
Other commissions	-44 084	-32 571
Total	**-314 750**	**-325 815**
Commission, net	**356 081**	**366 740**

9 Net result on financial transactions

SEK 000	2016	2015
Other financial instruments	11 412	-4 380
Exchange rate fluctuations	-2 075	-3 411
Total	**9 337**	**-7 791**
Net profit/loss divided per valuation category		
Financial assets at fair value through profit or loss	624 493	552 839
Loan receivables and accounts receivable	-103 842	-286 251
Financial liabilities at fair value through profit or loss	-463 702	-374 536
Financial liabilities at amortised costs	-57 201	101 215
Change in fair value for derivatives that are hedging instruments in fair value	-8 220	-10 886
Change in fair value for hedged item in respect of the hedged risk in fair value	8 173	6 818
The ineffective portion of changes in fair value of the hedging instrument in a cash flow hedge	7 736	1 297
Exchange rate fluctuations	1 900	1 713
Total	**9 337**	**-7 791**
Net profit or loss on financial assets available-for-sale recognised in comprehensive income	**27 551**	**-6 936**

The net gain or net loss refers to realised and unrealised value changes. No interest-difference-compensation for early repayment of loans has been paid.

10 Other operating income

SEK 000	2016	2015
Realised gain arising from the disposal of tangible assets	29 806	21 366
Intra-Group services	8 148	7 879
Input VAT to receive regarding previous years	-	88 964
Dividend on Visa shares	26 942	-
Other operating income	40 212	40 470
Total	**105 108**	**158 679**

11 Geographic distribution of income

2016

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	610 788	31 462	321 390	207 790	534 017	661 764	45 905	8 870	**2 421 986**
Leasing income	1 416 327	57 466	800 748	505 975	0	61	0	0	**2 780 577**
Commission income	292 595	24 656	72 000	101 910	87 710	85 829	4 394	1 737	**670 831**
Net gains and losses from financial transactions	9 773	-236	-76	-109	-5	8	-1	-17	**9 337**
Other operating income	51 095	1 450	24 831	9 340	11 584	2 609	4 199	0	**105 108**
Total	**2 380 578**	**114 798**	**1 218 893**	**824 906**	**633 306**	**750 271**	**54 497**	**10 590**	**5 987 839**

2015

SEK 000	Sweden	Finland	Denmark	Norway	United Kingdom	Germany	Poland	Other	Total
Interest income	640 735	23 686	296 951	173 224	546 446	685 087	30 830	8 121	**2 405 079**
Leasing income	1 289 307	16 317	678 228	443 554	0	54	8	3	**2 427 471**
Commission income	292 946	22 056	71 696	96 471	111 086	91 280	5 118	1 902	**692 555**
Net gains and losses from financial transactions	-11 177	-63	-15	-233	0	3 741	-13	-31	**-7 791**
Other operating income	99 897	1 423	27 300	7 202	12 445	4 302	4 688	1 423	**158 679**
Total	**2 311 708**	**63 419**	**1 074 160**	**720 217**	**669 977**	**784 464**	**40 630**	**11 417**	**5 675 995**

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

12 General administrative expenses

SEK 000	2016	2015
Personnel costs		
- salaries and fees	-516 622	-525 576
- social security contributions	-133 910	-117 598
- pension costs	-66 520	-60 178
- other personnel costs	-48 107	-41 109
Total personnel costs	**-765 159**	**-744 461**
Other general administrative expenses		
- postage and telephone	-103 912	-96 560
- IT costs	-409 427	-300 334
- consultancy services	-57 624	-122 952
- agency staff	-55 118	-37 474
- audit	-9 684	-6 809
- rent and other costs for premises	-50 229	-57 726
- internal Group services	-37 361	-33 924
- cost of materials	-48 612	-46 788
- travel costs	-48 507	-46 547
- other	-102 875	-81 250
Total other general administrative expenses	**-923 349**	**-830 364**
Total general administrative expenses	**-1 688 508**	**-1 574 825**

Salaries, other remuneration, pensions and social costs

	2016		2015	
SEK 000	Senior management (14 persons)	Other employees	Senior management (16 persons)	Other employees
Salaries and other remunerations	-18 955	-485 319	-23 968	-485 880
Variable remuneration	-9 291	-3 056	-5 170	-10 628
Pensions	-4 142	-62 378	-5 702	-54 476
Social security contributions	-10 608	-123 302	-10 538	-107 060
Of which: social security contributions regarding pensions	*-1 005*	*-10 304*	*-1 383*	*-7 825*
Total	**-42 996**	**-674 056**	**-45 378**	**-657 974**

The Bank has no outstanding pension obligations to senior executives. Senior management are the current and previous Board members, Managing Directors and management groups where compensation has been paid.

Employment conditions for senior executives

A Board fee and committee fee is paid to the Board members in accordance with a resolution adopted by the Annual General Meeting. No fee is paid to employees of the Ikano S.A. Group.

During the year, Lars Thorsén, Managing Director of Ikano S.A., and Jean Champagne, Head of HR for Ikano S.A, have been appointed as members of the Bank's Board of Directors. Steen Helles has resigned as member of the Board.

Remuneration to the Managing Director and other senior executives has been decided by the Board. In regard to the Managing Director, the Bank's pension commitments are covered by ongoing insurance premiums. All pension benefits are vested employee benefits, i.e. not conditional on future employment. Retirement age for the Managing Director is 65 years.

Neither the Managing Director nor Board members have loans in the Bank. The Bank has not pledged collateral or undertaken contingent liabilities for the benefit of senior executives. The Bank has adopted a remuneration policy conforming to FFFS 2011:1/FFFS 2014:22 regarding remuneration policies in credit institutions, securities companies and fund management companies with permission to undertake discretionary portfolio management.

Disclosure of information regarding remuneration

Information regarding remuneration which is required to be disclosed in accordance with the Swedish Financial Supervisory Authority's regulations is provided on the Bank's website, www.ikanobank.se.

Salaries and remuneration to the Board of Directors and senior executives

2016 SEK 000	Base salary	Variable remuneration	Other benefits	Pension costs	Total
Mats Håkansson, Chairman of the Board [1)]	-	-	-	-	-
Steen Lopdrup Helles [1)]	-	-	-	-	-
Olle Claeson	-544	-	-	-	**-544**
Heather Jackson	-846	-	-	-	**-846**
Diederick van Thiel	-631	-	-	-	**-631**
Lars Thorsén [1)]	-	-	-	-	-
Jean Champagne [1)]	-	-	-	-	-
Stefan Nyrinder, MD	-3 350	-2 767	-49	-744	**-6 910**
Other senior management (10 persons)	-13 121	-6 525	-413	-3 398	**-23 456**
Total	**-18 493**	**-9 291**	**-462**	**-4 142**	**-32 388**

2015 SEK 000	Base salary	Variable remuneration	Other benefits	Pension costs	Total
Mats Håkansson, Chairman of the Board [1)]	-	-	-	-	-
Arja Taaveniku [1)]	-	-	-	-	-
Steen Lopdrup Helles [1)]	-	-	-	-	-
Olle Claeson	-550	-	-	-	**-550**
Heather Jackson	-684	-	-	-	**-684**
Diederick van Thiel	-396	-	-	-	**-396**
Stefan Nyrinder, MD	-3 205	-890	-50	-629	**-4 773**
Other senior management (12 persons)	-18 201	-4 280	-882	-5 073	**-28 437**
Total	**-23 036**	**-5 170**	**-932**	**-5 702**	**-34 840**

1) No fee is paid to employees of the Ikano S.A. Group.

Gender distribution, Board and management	2016	2015
Board of Directors		
Women	1	1
Men	5	4
Other senior management incl. Managing Director		
Women	1	3
Men	7	5

Number of employees

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

Number of employees per country	2016			2015		
	Women	Men	Total	Women	Men	Total
Sweden	220	213	433	198	176	374
Denmark	32	70	102	52	73	125
Norway	20	19	39	35	23	58
Finland	5	4	9	5	4	9
United Kingdom	117	86	203	104	76	180
Germany	68	61	129	28	27	55
Poland	31	21	52	12	8	20
Total	**493**	**474**	**967**	**434**	**387**	**821**

Remuneration to auditors

The auditing assignment involves an audit of the annual report and accounting records and the administration by the Board of Directors and the Managing Director, other work incumbent on the Bank's auditors, and providing advice or other assistance deemed necessary after such an examination or the execution of such other work.

Remuneration to auditors

SEK 000	2016	2015
Deloitte AB		
Statutory audit	-5 074	-4 088
Tax consultancy	-76	-3 064
Other services	-	-192
Total	**-5 150**	**-7 345**

13 Other operating expenses

SEK 000	2016	2015
Marketing expenses	-207 094	-194 652
Non deductible VAT regarding previous years	-120 110	-
Membership fees to organisations	-4 224	-4 959
Insurance expenses	-3 306	-3 715
Other operating expenses	-10 821	-37 141
Total	**-345 556**	**-240 467**

14 Loan losses, net

SEK 000	2016	2015
Specific provision for individually assessed loan receivables		
Provisions for the year	-50 488	-32 615
Write-off for the year for determined loan losses	-312 002	-144 899
Reversal of previous provisions for loan losses	176 055	32 682
Recoveries from previously determined loan losses	9 149	7 943
Net cost for the year for individually assessed loan receivables	**-177 286**	**-136 889**
Specific provision for collectively assessed loan receivables		
Provisions for the year	218 347	-12 143
Write-off for the year for determined loan losses	-485 766	-388 063
Recoveries from previously determined loan losses	166 282	124 748
Net cost for the year for collectively assessed loan receivables	**-101 138**	**-275 458**
Net costs for the year for loan losses	**-278 424**	**-412 347**

15 Taxes

Reported in the income statement

SEK 000	2016	2015
Current tax expense		
Tax expense for the year	-55 798	-175 712
Adjustment of taxes attributable to previous years	-29 306	-1 654
Current tax expense	**-85 104**	**-177 366**
Deferred tax income	-70 006	65 016
Deferred tax referring to changes in tax rates/regulations	-	2 991
Deferred tax income in capitalized tax loss carryforwards	-	3 159
Deferred tax from non-creditable foreign taxes	-11 044	51 923
Total reported tax expense in accordance with the income statement	**-166 153**	**-54 277**

Reconciliation of effective tax

SEK 000	2016		2015	
Result before tax		445 001		561 523
Tax according to current tax rates	22.0%	-97 900	22.0%	-123 535
Non tax-deductible expenses	-0.4%	-1 658	-73.1%	-410 316
Non-taxable income	0.0%	124	64.5%	362 432
Tax attributable to merger	0.0%	-	-0.8%	-4 294
Taxes attributable to previous years	-6.6%	-29 306	-0.3%	-1 653
Adjustment associated to transition to residual value depreciation	0.0%	-	11.7%	65 747
Difference between tax base and tax rate	-6,1%	-26 983	0.0%	-
Non-creditable foreign tax	-2.5%	-11 044	9.2%	51 923
Reversal of previously recognised deferred tax receivable	0.0%	-	-4.3%	5 419
Other	0.1%	614	0,0%	-
Reported effective tax	**37.3%**	**-166 153**	**9.7%**	**-54 277**

Tax relating to other comprehensive income

	2016			2015		
SEK 000	Before tax	Tax	After tax	Before tax	Tax	After tax
Financial assets available-for-sale	35 321	-7 770	27 551	-8 892	1 956	-6 936
The year's change in fair value of cash flow hedges	-2 169	477	-1 692	3 601	-792	2 809
Other comprehensive income	**33 152**	**-7 293**	**25 859**	**-5 291**	**1 164**	**-4 127**

Tax items recognized directly in equity

	2016			2015		
SEK 000	Before tax	Tax	After tax	Before tax	Tax	After tax
Current tax on group contributions paid	-	-	-	100 000	-22 000	78 000
Total	**-**	**-**	**-**	**100 000**	**-22 000**	**78 000**

Reported in the balance sheet

	Deferred tax assets		Deferred tax liabilities	
SEK 000	2016	2015	2016	2015
Tangible/intangible assets	-	154 067	-	74 316
Financial assets available for sale	-	-	784	-
Non-creditable foreign taxes	40 879	51 923	-	-
Offsetting	122 014	-	122 014	-
Tax assets/liabilities	**162 893**	**205 990**	**122 798**	**74 316**

16 Treasury bills

	2016		2015	
SEK 000	Fair value	Carrying amount	Fair value	Carrying amount
Treasury bills				
- Swedish municipalities	1 201 155	1 201 155	1 120 183	1 120 183
Total	**1 201 155**	**1 201 155**	**1 120 183**	**1 120 183**
Positive difference as an effect of the carrying amount exceeding the nominal amount		11 155		6 415
Negative difference as an effect of the carrying amount being less than the nominal amount		-		1 232
Total		**11 155**		**7 647**

17 Loans to credit institutions

SEK 000	2016	2015
Swedish banks		
- Swedish currency	975 769	716 853
- Foreign currency	311 407	363 194
Foreign banks		
- Swedish currency	121 469	292 933
- Foreign currency	428 900	374 013
Total	**1 837 545**	**1 746 993**

18 Loans to the public

SEK 000	2016	2015
Outstanding receivables, gross		
- Swedish currency	8 886 408	7 904 512
- Foreign currency	18 913 677	17 338 964
Total	**27 800 085**	**25 243 476**
Of which: non performing loans	*1 204 226*	*1 686 750*
Specific provision for individually assessed receivables	-28 809	-11 032
Specific provision for collective assessed receivables	-925 823	-1 127 113
Carrying amount, net	**26 845 453**	**24 105 331**

Reconciliation of provision for loan losses SEK 000	Individually assessed non performing loans	Collectively assessed non performing loans	Total
Opening balance, 1 January 2016	11 032	1 127 113	1 138 145
Impairment for loan losses for the year	-139 209	-544 300	-683 509
Reversals of no longer required provisions for loan losses	144 798	340 356	485 155
Reversal of previous write-downs for loan losses now reported as actual losses	12 187	2 654	14 841
Closing balance, 31 December 2016	**28 809**	**925 823**	**954 632**

For a definition of non-performing loans, see section Financial assets carried at amortised cost in note 2 Accounting principles.

19 Bonds and other interest-bearing securities

	2016		2015	
SEK 000	Fair value	Carrying amount	Fair value	Carrying amount
Issued by Swedish borrowers				
- Mortgage institutions	688 484	688 484	824 423	824 423
- Non-financial entities	615 542	615 542	347 244	347 244
- Financial entities	314 043	314 043	170 969	170 969
Foreign issuers	629 310	629 310	342 543	342 543
Total bonds and other interest-bearing securities	**2 247 378**	**2 247 378**	**1 685 179**	**1 685 179**
Of which:				
Listed securities		*1 647 096*		*1 373 210*
Unlisted securities		*600 282*		*311 969*
Positive difference as an effect of the carrying amount exceeding the nominal amount		40 330		26 105
Negative difference as an effect of the carrying amount being less than the nominal amount		28 752		2 051

20 Shares and participations

SEK 000	2016	2015
Shares and participations, unlisted securities	1 535	1 535
Shares and participations, listed securities	13 548	2 788
Total shares and other participations	**15 083**	**4 323**

21 Shares and participations in group companies

SEK 000	2016	2015
Other	13 322	13 322
Total shares and other participations	**13 322**	**13 322**
Accumulated acquisition values		
At the beginning of the year	13 322	-
Purchase	-	13 322
Carrying value, 31 December	**13 322**	**13 322**

Specification of holding shares in subsidary

Subsidiariy / Corporate Registration Number / Registered office	Net result	Equity	Capital share	Number of shares	Carrying amount
Ikano Insight Limited/2928560/Nottingham	-3 522	14 949	100%	1 000 000	13 322

22 Intangible assets

SEK 000	Internally generated intangible assets Other technical/contract based assets	Acquired intangible assets Market and customer based assets	 Other technical/contract based assets	Total
Acquisition cost				
Opening balance, 1 January 2015	55 732	37 587	30 065	123 384
Acquisitions	-	568	37 018	37 586
Other investments	151 640	-	806	152 446
Other changes	-	-	-6 627	-6 627
Translation difference	-	-1 287	-913	-2 200
Closing balance, 31 December 2015	**207 372**	**36 868**	**60 349**	**304 589**
Opening balance, 1 January 2016	207 372	36 868	60 349	304 589
Acquisitions	-	-	3 611	3 611
Other investments	152 519	565	667	153 752
Sales and disposals	-	-	-2 103	-2 103
Translation difference	-	1 746	-47	1 699
Closing balance, 31 December 2016	**359 892**	**39 180**	**62 476**	**461 547**
Amortisation				
Opening balance, 1 January 2015	-32 227	-30 449	-16 342	-79 018
Acquired amortisation	-	-6	-34 140	-34 146
Amortisation for the year	-4 941	-2 203	-5 623	-12 767
Other changes	421	-	6 627	7 048
Translation difference	-	1 215	1 009	2 224
Closing balance, 31 December 2015	**-36 747**	**-31 443**	**-48 469**	**-116 659**
Opening balance, 1 January 2016	-36 747	-31 443	-48 469	-116 659
Acquired depreciation	-	-	-2 669	-2 669
Amortisation for the year	-12 907	-2 080	-5 156	-20 143
Sales and disposals	-	-	2 103	2 103
Translation difference	-	-1 501	-606	-2 108
Closing balance, 31 December 2016	**-49 654**	**-35 024**	**-54 797**	**-139 475**
Carrying amount				
As of 1 January 2015	23 505	7 138	13 723	44 366
As of 31 December 2015	**170 625**	**5 425**	**11 880**	**187 930**
As of 1 January 2016	170 625	5 425	11 880	187 930
As of 31 December 2016	**310 237**	**4 155**	**7 680**	**322 072**

23 Tangible assets

SEK 000	Equipment	Leased assets	Total
Acquisition cost			
Opening balance, 1 January 2015	164 457	9 054 715	9 219 172
Acquisitions	48 438	-	48 438
Other investments	25 018	3 407 117	3 432 135
Sales and disposals	-12 752	-2 355 550	-2 368 302
Other changes	-39 202	-	-39 202
Translation difference	-3 817	-244 394	-248 211
Closing balance, 31 December 2015	**182 142**	**9 861 888**	**10 044 030**
Opening balance, 1 January 2016	182 142	9 861 888	10 044 030
Other investments	13 932	4 579 979	4 593 911
Sales and disposals	-9 314	-2 316 623	-2 325 936
Other changes	-	14 785	14 785
Translation difference	4 636	351 317	355 953
Closing balance, 31 December 2016	**191 397**	**12 491 346**	**12 682 743**
Depreciation			
Opening balance, 1 January 2015	-102 884	-3 572 702	-3 675 586
Acquired depreciation	-33 732	-	-33 732
Depreciation for the year	-29 251	-2 124 969	-2 154 220
Sales and disposals	12 568	1 715 667	1 728 235
Other changes	38 781	-	38 781
Translation difference	2 183	142 725	144 908
Closing balance, 31 December 2015	**-112 335**	**-3 839 279**	**-3 951 614**
Opening balance, 1 January 2016	-112 335	-3 839 279	-3 951 614
Depreciation for the year	-27 403	-2 467 504	-2 494 907
Sales and disposals	8 133	1 691 457	1 699 589
Other changes	-	-14 785	-14 785
Translation difference	-2 132	-153 102	-155 234
Closing balance, 31 December 2016	**-133 737**	**-4 783 212**	**-4 916 950**
Impairments			
Opening balance, 1 January 2015	-	-56 222	-56 222
Impairments for the year	-	-28 768	-28 768
Reversals of previous impairment	-	27 145	27 145
Translation difference	-	2 225	2 225
Closing balance, 31 December 2015	**-**	**-55 619**	**-55 619**
Opening balance, 1 January 2016	-	-55 619	-55 619
Impairments for the year	-	-33 289	-33 289
Reversals of previous impariment	-	12 503	12 503
Translation difference	-	-2 380	-2 380
Closing balance, 31 December 2016	**-**	**-78 785**	**-78 785**
Carrying amount			
As of 1 January 2015	61 573	5 425 791	5 487 364
As of 31 December 2015	**69 807**	**5 966 990**	**6 036 797**
As of 1 January 2016	69 807	5 966 990	6 036 797
As of 31 December 2016	**57 660**	**7 629 348**	**7 687 008**

Of the total carrying value of leasing objects, SEK 2 991 k (4 907) are repossessed leasing objects, of which SEK 1 669 k (3 868) have been reserved for loan losses. Non-performing loans amount to SEK 305 584 k (62 415), of which SEK 42 426 k (42 051) have been reserved for loan losses. Residual value amounts guaranteed by suppliers totalled SEK 197 113 k (61 981).

Change in impairment for financial leases recognised as operating leases

SEK 000	2016	2015
Opening balance	**55 619**	**56 222**
Impairment of loan losses for the year	33 289	28 768
Reversal of no longer required impairment of loan losses	-509	-11 198
Reversal of previous impairment of loan losses recognised in the annual accounts as established losses	-11 994	-15 948
Translation difference	2 380	-2 225
Closing balance	**78 785**	**55 619**

24 Leasing

Ikano Bank as lessor

The Bank owns assets leased to customers through financial leases, which, in accordance with the rules in RFR 2, are reported as operating leases. These assets are, therefore, reported in the balance sheet as tangible assets. The leased assets consist primarily of office equipment and vehicles. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

SEK 000	2016	2015
Irrevocable lease payments amount to:		
Within 1 year	3 075 794	2 092 904
1-5 years	5 074 502	3 261 299
More than 5 years	127 549	1 047 118
Total	**8 277 845**	**6 401 321**

Ikano Bank as lessee

Operating leases refer to the Bank's normal activities. The term of the contract generally extends over three years. On expiry of the lease term, the Bank will redeem the contract at its guaranteed residual value. Lease payments entered as expenses in 2016 totalled SEK 6 762 k. For contracts that cannot be cancelled, future minimum lease payments are allocated in accordance with the table below.

SEK 000	2016	2015
Irrevocable lease payments amount to:		
Within 1 year	5 550	5 016
1-5 years	4 296	4 717
More than 5 years	-	-
Total	**9 845**	**9 733**

25 Other assets

SEK 000	2016	2015
Positive value of derivative instruments	124 174	344 259
Accounts receivable	415 534	350 265
Tax receivables	233 618	122 448
Account receivable, Group companies	352	3 599
VAT receivable	58 000	-
Other assets	76 619	49 592
Total	**908 297**	**870 163**

26 Prepaid expenses and accrued income

SEK 000	2016	2015
Accrued fees and commissions	159 019	138 767
Accrued interest income	26 039	26 336
Input VAT to receive regarding previous years	-	88 964
Other prepaid expenses and accrued income	100 474	30 669
Total	**285 532**	**284 735**

27 Liabilities to credit institutions

SEK 000	2016	2015
Swedish banks		
- Swedish currency	82 406	553 465
- Foreign currency	1 166 479	2 333 409
Total swedish banks	**1 248 885**	**2 886 875**
Foreign banks		
- Swedish currency	16 284	110 144
- Foreign currency	1 149 546	1 130 631
Total foreign banks	**1 165 830**	**1 240 776**
Total	**2 414 715**	**4 127 651**

28 Deposits from the public

SEK 000	2016	2015
Public		
- Swedish currency	14 257 679	14 513 715
- Foreign currency	9 921 876	5 687 040
Total	**24 179 555**	**20 200 755**
Deposits specified by category of borrower		
Corporate sector	243 280	106 983
Household sector	23 936 275	20 093 772
Total	**24 179 555**	**20 200 755**

29 Change in fair value on hedged amounts in the portfolio hedge

SEK 000	2016	2015
Opening balance	8 630	15 466
Change in value during the year	-8 162	-6 836
Closing balance	**468**	**8 630**

30 Issued securities

SEK 000	2016	2015
Certificates of deposits	2 204 208	1 119 463
Bonds	3 978 617	3 098 475
Total	**6 182 825**	**4 217 938**

31 Other liabilities

SEK 000	2016	2015
Negative value of derivative instruments	71 579	30 398
Accounts payable	249 774	288 170
Preliminary tax, interests	12 253	17 964
Settlement and clearing items	521 086	408 860
Group liabilities	13 573	117 320
Tax liabilities	83 140	31 455
Other liabilities	83 677	87 240
Total	**1 035 082**	**981 407**

32 Accrued expenses and prepaid income

SEK 000	2016	2015
Accrued interest expenses	144 415	232 809
Accrued personnel costs	113 838	127 487
Prepaid lease payments	344 291	271 735
Prepaid income from partners	477 404	495 856
Accrued audit costs	8 375	21 701
Prepaid income related to leasing insurance	24 992	11 410
Other accrued expenses	185 448	150 341
Total	**1 298 763**	**1 311 339**

33 Provisions for pensions

SEK 000	2016	2015
Provision for pensions	32 815	32 317
Total	**32 815**	**32 317**
Change in net debt		
Net debt regarding pension obligations at the beginning of the year	32 317	31 611
+ Personal pension expenses, excluding interest expense, reported in income statement	-	58
+ Interest expenses	1 247	1 183
- Pension payments	-749	-535
= Net debt at year-end	**32 815**	**32 317**
Of which credit insured by FPG/PRI	32 815	32 317
Pension costs		
Personal pension plan		
Cost of earning pensions etc.	-	58
+ Interest expense (calculated discounting effect)	1 247	1 183
= Pension expenses for personal pension plan exluding taxes	**1 247**	**1 241**
Pensions through insurance		
+ Insurance premiums or equivalent	65 273	58 937
= Total pension costs excluding taxes	**66 520**	**60 178**

Next year's expected payment in regard to defined benefit pension plans amounts to SEK 787 k. The entire provision reported in the balance sheet is covered by the Pension Obligations Vesting Act.

34 Subordinated liabilities

					2016		
SEK 000	Currency	Issue date	Nom	Coupon interest	Interest rate	Maturity date	Reported value
Subordinated loan 1	GBP	2015-05-28	7 000	Libor 6 mth +2.8% per year	3.06%	2025-05-28	78 504
Subordinated loan 2	NOK	2015-05-28	35 000	Nibor 6 mth +2.55% per year	3.45%	2025-05-28	36 882
Subordinated loan 3	DKK	2015-05-28	90 000	Cibor 6 mth +2.45% per year	2.45%	2025-05-28	115 998
Subordinated loan 4	EUR	2015-08-01	39 500	Euribor 3 mth +2.5% per year	2.50%	2025-05-28	378 521
Subordinated loan 5	SEK	2015-05-28	200 000	Stibor 6 mth +2.7% per year	2.70%	2025-05-28	200 000
Total							**809 905**
Of which: Group companies							*809 905*

					2015		
SEK 000	Currency	Issue date	Nom	Coupon interest	Interest rate	Maturity date	Reported value
Subordinated loan 1	GBP	2015-05-28	7 000	Libor 12 mth +2.8% per year	3.51%	2025-05-28	86 981
Subordinated loan 2	NOK	2015-05-28	35 000	Nibor 12 mth +2.6% per year	4.07%	2025-05-28	33 336
Subordinated loan 3	DKK	2015-05-28	90 000	Cibor 12 mth +2.5% per year	2.52%	2025-05-28	110 448
Subordinated loan 4	EUR	2015-08-01	39 500	Euribor 12 mth +2.5% per year	2.50%	2025-05-28	361 747
Subordinated loan 5	SEK	2015-05-28	200 000	Stibor 12 mth +2.7% per year	2.70%	2025-05-28	200 000
Total							**792 512**
Of which: Group companies							*792 512*

The subordinated debt is subordinate to the Bank's other liabilities, which implies a right to payment only after the other creditors have received payment.

The year's interest expense on subordinated liabilities amounted to SEK 22 228 k. For other conditions regarding the Bank's subordinated loans, see note 39.

35 Untaxed reserves

SEK 000	2016	2015
Accumulated depreciation in excess of plan		
Opening balance, 1 January	698 157	698 157
Depreciation in excess of plan for the year	-	-
Closing balance, 31 December	**698 157**	**698 157**

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

36 Equity

The number of shares totals 10 004, with a quota value of SEK 7 896. Quota value refers to share capital divided by the number of shares.

Statutory reserve

The statutory reserve consists of restricted equity.

Fund for development costs

Fund for development costs is restricted equity which regards the costs for own development classified as intangible assets.

Fund for fair value

The fund for fair value comprises the fair value reserve, the cash flow hedge reserve and the translation reserve. The fair value reserve includes the accumulated, unrealised net change in the fair value of financial assets available for sale until the asset is removed from the balance sheet. Changes in value due to impairment losses are, however, reported in the income statement. The hedging reserve includes the effective portion of the cumulative net change in fair value of cash flow hedging instrument attributable to hedging transactions that have not yet occurred. The translation reserve comprises translation differences arising when consolidating the Bank's foreign branches.

Profit or loss brought forward

Profit or loss brought forward consists of the previous year's retained earnings after the distribution of dividends for the year. Together with the profit and loss for the year and the fund for fair value, this item comprises the total unrestricted equity, meaning the amount available for distribution to the shareholders.

Changes in equity

For a specification of changes in equity during the period see the Statement of changes in equity.

Proposal appropriation of profits

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

Fund for fair value	123 659 928
Retained earnings	3 919 047 111
Net result for the year	278 847 585
Total	4 321 554 624

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

To be carried forward	4 321 554 624

Change in the Fund for fair value

SEK 000	2016	2015
Fair value reserve		
Opening balance, 1 January	-2 474	4 462
Financial assets available-for sale:		
Unrealised changes in fair value reported in other comprehensive income for the year	35 321	-8 892
Tax, revaluations	-7 770	1 956
Closing balance, 31 December	**25 078**	**-2 474**
Hedging reserve		
Opening balance, 1 January	2 809	-
The year's change in fair value of cash flow hedges	-2 169	3 601
Tax attributable to the year's change in fair value of cash flow hedges	477	-792
Closing balance, 31 December	**1 117**	**2 809**
Translation reserve		
Opening balance, 1 January	-1 060	82 896
Translation differences, branches	98 524	-83 956
Closing balance, 31 December	**97 464**	**-1 060**
Closing balance, Fund for fair value	**123 660**	**-724**

37 Memorandum items

SEK 000	2016	2015
Contingent liabilities		
PRI	656	646
Total	**656**	**646**
Commitments		
Loan commitments, irrevocable	1 957 201	2 200 117
Unused credit limits	37 418 680	38 951 084
Total	**39 375 881**	**41 151 201**
Total commitments and contingent liabilities	**39 376 537**	**41 151 847**

Commitments made up of granted unused credit can be terminated effective immediately to the extent this is permitted under the Consumer Credit Act. The Bank has no pledged commitments.

38 Financial assets and liabilities

The following summarizes information about carrying and fair values per category of financial instruments. Note 2 contains descriptions of how fair value is determined for financial assets and liabilities carried at fair value in the balance sheet.

The following section describes how fair value is determined on such instruments which value has not been measured at fair value in the balance sheet.

Lending

Variable rate lending is measured at the acquisition cost. When the credit spread remains unchanged, the acquisition cost is considered to reflect fair value.

Deposits

Fair value on deposits is calculated on the basis of current market interest rates where the original credit spread has remained constant if there is no clear proof that a change in the Bank's creditworthiness has led to an observable change in the Bank's credit spread. For deposits at variable rates of interest, the reported value is considered to reflect the fair value.

Other interest-bearing financial assets and liabilities

For financial assets and liabilities in the balance sheet with a remaining maturity of less than six months, the reported value is considered to reflect the fair value.

For financial assets and liabilities for which a rate is available from an active market, this rate is used for valuation. In the event that no rate is available, generally accepted valuation models are used instead. Controls of these models are performed on a continuous basis and comprise three steps. The values included in the model are compared with market data from other sources and the valuations are also compared with counterparty valuations. Finally, controls are also performed on the model's ability to generate a correct fair value.

Financial assets and liabilities

2016 SEK m	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available-for-sale	Financial liabilities at fair value through profit or loss	Other financial liabilities	Derivatives used in hedge accounting	Total carrying amount	Fair value
Financial assets								
Cash	-	10	-	-	-	-	10	10
Treasury bills	-	-	1 201	-	-	-	1 201	1 201
Loans to credit institutions	-	1 838	-	-	-	-	1 838	1 838
Loans to the public	-	26 845	-	-	-	-	26 845	26 859
Bonds and other interest-bearing securities	-	-	2 247	-	-	-	2 247	2 247
Shares and participations	-	-	15	-	-	-	15	15
Derivatives	110	-	-	-	-	14	124	124
Accrued income	-	89	-	-	-	-	89	89
Other financial assets	-	551	-	-	-	-	551	551
Total	**110**	**29 332**	**3 464**	**-**	**-**	**14**	**32 920**	**32 934**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	2 415	-	2 415	2 415
Deposit from the public	-	-	-	-	24 180	-	24 180	24 220
Change in fair value on interest-rate hedged items in the portfolio	-	-	-	-	0	-	0	0
Issued securities	-	-	-	-	6 183	-	6 183	6 185
Derivatives	-	-	-	55	-	17	72	72
Other liabilities	-	-	-	-	880	-	880	880
Accrued expenses	-	-	-	-	452	-	452	452
Subordinated liabilities	-	-	-	-	810	-	810	810
Total	**-**	**-**	**-**	**55**	**34 920**	**17**	**34 991**	**35 035**

2015 SEK m	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available-for-sale	Financial liabilities at fair value through profit or loss	Other financial liabilities	Derivatives used in hedge accounting	Total carrying amount	Fair value
Financial assets								
Cash	-	25	-	-	-	-	25	25
Treasury bills	-	-	1 120	-	-	-	1 120	1 120
Loans to credit institutions	-	1 747	-	-	-	-	1 747	1 747
Loans to the public	-	24 105	-	-	-	-	24 105	24 152
Bonds and other interest-bearing securities	-	-	1 685	-	-	-	1 685	1 685
Shares and participations	-	-	4	-	-	-	4	4
Derivatives	275	-	-	-	-	69	344	344
Accrued income	-	120	-	-	-	-	120	120
Other financial assets	-	403	-	-	-	-	403	403
Total	**275**	**26 400**	**2 810**	**-**	**-**	**69**	**29 554**	**29 601**
Financial liabilities								
Liabilities to credit institutions	-	-	-	-	4 128	-	4 128	4 128
Deposits from the public	-	-	-	-	20 201	-	20 201	20 271
Change in fair value on interest-rate hedged items in the portfolio	-	-	-	-	9	-	9	9
Issued securities	-	-	-	-	4 218	-	4 218	4 221
Derivatives	-	-	-	9	-	21	30	30
Other liabilities	-	-	-	-	920	-	920	920
Accrued expenses	-	-	-	-	532	-	532	532
Subordinated liabilities	-	-	-	-	793	-	793	793
Total	**-**	**-**	**-**	**9**	**30 799**	**21**	**30 830**	**30 903**

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

- Level 1: according to prices listed on an active market for the same instrument
- Level 2: based on directly or indirectly observable market data that is not included in level 1
- Level 3: based on input that is not observable in the market

Financial assets and liabilities that are reported at fair value in the balance sheet

2016

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	14 054	-	**14 054**
Currency derivatives	-	110 120	-	**110 120**
Financial assets available-for-sale				
Bonds and other interest-bearing securities	1 647 096	600 282	-	**2 247 378**
Treasury bills	1 201 155	-	-	**1 201 155**
Shares and participations 1)	13 548	1 535	-	**15 083**
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	20 214	-	**20 214**
Currency derivatives	-	51 365	-	**51 365**

2015

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	69 311	-	**69 311**
Currency derivatives	-	274 948	-	**274 948**
Financial assets available-for-sale				
Bonds and other interest-bearing securities	1 373 210	311 969	-	**1 685 179**
Treasury bills	1 120 183	-	-	**1 120 183**
Shares and participations 1)	2 788	1 535	-	**4 323**
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	30 010	-	**30 010**
Currency derivatives	-	388	-	**388**

1) The Bank owns unlisted shares, which are included in Level 2 of the valuation category Financial assets available for sale. As there are difficulties in being able to calculate a fair value reliably, this is reported at the cost of acquisition. The Bank does not intend to sell these shares in any near future.

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.

39 Capital analysis

Below, information is provided regarding own funds and own funds requirements in accordance with among others regulation (EU) No 575/2013 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 risks, CVA risks, operational risks and foreign exchange risks. 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.

To ensure that the own funds of Ikano Bank are sufficient, the internal capital adequacy assessment (ICAAP) is performed. This process is a tool used by the Board of Directors to assess the need for changes in the own funds requirement in the event of changed circumstances. This might involve strategic commercial decisions or events in the market impacting the operations and their development. The Bank performs stress tests and scenario analyses to assess the need for further capital. The risk control function is responsible for monitoring the process of the Bank's capital planning. This is done annually and is integrated with the Bank's budget and strategic planning. The plan is monitored continuously and a comprehensive risk analysis is conducted annually to ensure that risks are properly assessed and reflect the Bank's true risk profile and capital needs. The capital requirements according to the capital adequacy assessment process are reported regularly to the SFSA. The capital requirement of the ICAAP in addition to pillar 1 requirements for 31 December 2016 totalled SEK 1 213 m.

Ikano Bank's risk tolerance is that the total capital ratio should never fall below 15 percent, i.e. 7 percentage points above the statutory capital requirement for Pillar 1 risks. This margin represents a buffer 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 Bank has a guideline that the total capital ratio shall correspond to 17 percent.

As of 31 December 2016, the Bank had own funds of SEK 5.8 bn (5.0) compared with the statutory own funds requirement for Pillar 1-risk of SEK 2.8 bn (2.4). The total capital ratio was 16.6 percent with a Tier 1 capital ratio of 14.3 percent. Consequently, the Bank has a strong capital adequacy that meets both statutory and internal requirements. The Bank's common equity Tier 1 capital amounted to SEK 5.0 bn. 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 2.9 bn remain available as common equity Tier 1 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 869 m and is covered well by the available common equity Tier 1 capital. The institution-specific countercyclical buffer is determined by multiplying the total risk exposure amount with the weighted average of the buffer rates applicable in those countries where the relevant credit exposures of the institution are located. The institution-specific countercyclical buffer for the Bank has been determined at 0.71 percent or SEK 246 m after weighting the applicable geographic requirements, which for the Bank means Sweden and Norway. Ikano Bank's combined buffer requirement is SEK 1 115 m.

Own funds

The Bank's own funds totalled SEK 5.8 bn whereof SEK 5.0 bn is Tier 1 capital and SEK 0.8 bn is Tier 2 capital. Of the Bank's Tier 1 capital, all components have characteristics to be qualified as core Tier 1 capital. The different components of the core Tier 1 capital are share capital, statutory reserves, fund for development expenses, fund for fair value (excluding the cash flow reserve), retained earnings, untaxed reserves (78 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 counted as part of the restricted capital that cannot be distributed to shareholders. The fund for fair value consists of a translation reserve that arises upon consolidation of the Bank's foreign branches and the fair value reserve arising from unrealised fair value adjustments on the Bank's financial assets available for sale. Retained profit and loss consists of the Bank's accumulated earnings and a capital contribution by the shareholders in connection with the acquisition of the UK operation. The Bank's untaxed reserves consist of accelerated depreciation on tangible assets, 78 percent of these are included in Tier 1 capital.

Deductions from the core Tier 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 1 m is not included in the Bank's own funds.

The Bank's deferred tax assets that rely on future profitability are exempted from deductions from the own funds until the 31 December 2017 as they in total do not exceed 10 percent of core Tier 1 items. The Bank's deferred receivables total 2 percent of core Tier 1 capital.

Conditions for instruments in Tier 1 capital

Conditions for share capital and capital contribution (part of retained earnings) included in Tier 1 capital in accordance with article 26.3 of the Capital Requirements Regulation shall be published pursuant to article 3 of the Implementation regulation 1423/2013. Both instruments are governed by Swedish law and are part of the Tier I capital, both in accordance with the transitional provisions and after the transition period. They are acceptable as Tier 1 capital at both the individual and group level. The original issue date of the share capital is 2 November 1994 and is reported at a value of SEK 79 m (nominal value SEK 79 m). The original issue date of the capital contributions is 1 May 2013 and is reported at a value of SEK 242 m (nominal value GBP 24 m) and the 13 December 2016, reported at a value of SEK 500 m (nominal value SEK 500 m). All instruments have no maturity date.

Conditions for Tier 2 capital

Tier 2 capital consists of dated subordinated loans that are subordinate to the Bank's other liabilities, which means that they carry the right for payment only after other creditors have been repaid in the event that the Bank is no longer able to fulfil its commitments.

All subordinated loans are issued by Ikano Capital S.A. The subordinated loans are securities classified as Tier 2 capital in accordance with the Supervisory regulation article 26.3, for all subordinated loans the issue price constitutes 100 percent of the nominal amount and the redemption amount also totals 100 percent. The subordinated loans are measured at the acquisition value in the accounts.

Redemption of subordinated loans requires prior authorisation by the supervisory authority. In the loan terms, there is not a possibility for a step-up or other incentive for redemption. The subordinated loans are non-cumulative, which means that there are restrictions for the investor regarding the possibility to receive accrued interest in the event that the Bank fails to meet its obligations. The subordinated loans are non-convertible, i.e. not possible to convert into shares.

For other conditions that are specific to each subordinated loan and shall be published pursuant to article 3 of the Implementation regulation 1423/2013, see note 34.

Risk exposure amounts and own funds requirements

In calculating the risk exposure amounts for credit risk in accordance with pillar 1, the Bank uses the standardised approach, which includes seventeen exposure classes with defined, weighted risks. The risk exposure amount for credit risk is SEK 27.3 bn, which results in an own funds requirement of SEK 2.2 bn.

The Bank uses Standard and Poor's rating for the calculation of the own funds requirement for Bonds and other interest-bearing securities.

The risk exposure amount for operational risks is calculated in accordance with the basic indicator approach, which means that the risk-exposure amount constitutes 15 percent of the average operating income for the three previous financial years. The Bank's risk exposure amount for operational risk is SEK 4.5 bn, resulting in an own funds requirement of SEK 363 m.

The risk exposure amount for foreign exchange risk covers all items on and off the balance sheet measured at the current market value and converted to Swedish kronor in accordance with the closing rate. Eight percent of the total net position in foreign currency is calculated to constitute capital requirements for the majority of the exposures.

The Bank's risk exposure amount for foreign exchange risk is SEK 2.9 bn, with an own funds requirement of SEK 230 m.

The Bank's risk exposure amount for CVA risk is SEK 4.9 m, giving an own funds requirement of SEK 0.4 m.

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

SEK 000	2016	2015
Tier 1 capital	4 965 344	4 194 564
Tier 2 capital	809 905	792 512
Own funds	**5 775 249**	**4 987 076**
Total risk exposure amount	**34 747 337**	**29 646 534**
Total own funds requirements	**2 779 787**	**2 371 723**
Total Capital ratio	**16.6%**	**16.8%**
Tier 1 Capital ratio	**14.3%**	**14.1%**
Common equity Tier 1 ratio	**14.3%**	**14.1%**
Available common equity Tier 1 Capital	**2 880 505**	**2 415 772**
Available common equity Tier 1 Capital in relation to Total risk exposure amount	**8.3%**	**8.1%**
Capital conservation buffer	868 683	741 163
Counter-cyclical capital buffer	245 989	129 434
Combined buffer requirement	**1 114 673**	**870 597**

Specification of own funds

SEK 000	2016	2015
Own funds		
Tier 1 capital		
Equity reported in the balance sheet	**4 743 972**	**3 840 740**
Share capital	78 994	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	149 768	-
Fund for fair value	123 659	-724
Retained earnings	3 919 048	3 061 569
Net result for the year	278 848	507 246
Untaxed reserves (78% of which)	544 562	544 562
Less:		
Intangible assets	-322 072	-187 930
Cash flow hedge	-1 117	-2 809
Total Tier 1 Capital	**4 965 344**	**4 194 564**
Total Common Equity Tier 1 Capital	**4 965 344**	**4 194 564**
Tier 2 capital		
Subordinated liabilities	809 905	792 512
Total Tier 2 Capital	**809 905**	**792 512**
Total own funds	**5 775 249**	**4 987 076**

Specification of risk exposure amounts and own funds requirements

SEK 000	2016		2015	
Credit risk according to the standardised approach	**Risk exposure amount**	**Own funds requirements**	**Risk exposure amount**	**Own funds requirements**
Exposures to states and central banks	0	0	480	38
Exposures to public sector entities	7	1	9	1
Institutional exposure	440 435	35 235	517 457	41 397
Corporate exposure	1 602 721	128 218	1 142 084	91 367
Retail exposure	23 678 386	1 894 271	20 902 056	1 672 165
Equity exposure	28 405	2 272	17 645	1 412
Past due items	913 707	73 097	524 911	41 993
Covered bond exposure	134 141	10 731	83 165	6 653
Other items	530 872	42 470	580 438	46 435
Total credit risk	**27 328 673**	**2 186 294**	**23 768 245**	**1 901 460**
Operational risk according to the basic indicator approach	**4 537 533**	**363 003**	**4 441 200**	**355 296**
Foreign exchange risk according to the standardised approach	**2 876 276**	**230 102**	**1 437 090**	**114 967**
CVA risk according to the standardised approach	**4 855**	**388**	-	-
Total	**34 747 337**	**2 779 787**	**29 646 534**	**2 371 723**

Leverage ratio

The leverage ratio is a measure that has been developed by regulators as an alternative to risk-based capital. 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. The Basel committee has proposed that a leverage ratio of 3 percent should enter into force as a binding measure from 2018.

The leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. From September 2016 the calculation is based on closing balances for each quarter instead of the average of the last three months.

For the Bank, the leverage ratio per 31 December 2016 is 10.5 percent. The Bank therefore considers itself to have a comfortable level of capital strength.

40 Related parties

The Bank has related-party relationships with companies within the Group. Related parties also refers to the Board and senior executives in Ikano Bank and Ikano Group. Consolidated financial statements are prepared by Ikano S.A., Luxembourg.

Transactions with related parties are priced on commercial, market-based terms. No non-performing loans are attributable to the outstanding receivables with related parties.

Transactions with key personnel in senior positions

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

SEK 000	Year	Income	Expenses	Receivables with related parties, 31 December	Liabilities with related parties, 31 December
Ikano S.A.	2016	**-**	**-33 483**	**1 996**	**16 655**
Ikano S.A.	2015	1 398	-32 442	-	15 455
Other Group companies	2016	**28 574**	**-63 929**	**16 507**	**834 291**
Other Group companies	2015	23 801	-40 997	18 062	909 080

41 Events after the balance sheet date

After the end of the year, no significant events have occurred that have affected the financial reports for 2016.

Signatures

We hereby certify, to the best of our knowledge, that the annual report has been prepared in accordance with acceptable accounting practices. The information presented is consistent with actual conditions in the operations and nothing of significance has been omitted which could affect the image of the Bank created by the annual report.

Mats Håkansson Chairperson	Diederick van Thiel Board member	Lars Thorsén Board member
Olle Claeson Board member	Heather Jackson Board member	Jean Champagne Board member

Stefan Nyrinder
Managing Director

Our auditor's report was submitted on 26 April 2017.

Deloitte AB

Jan Palmqvist
Authorised public accountant

Auditor's report

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

Report on the annual accounts

Opinions

We have audited the annual accounts of Ikano Bank AB (publ) for the year 2016 except for the corporate governance statement on pages 64-69. The annual accounts of the company are included on pages 6-57 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IAS 39 is a complex and significant area with large impact on Ikano Bank AB (publ)'s business and financial reporting. Ikano Bank AB (publ)'s management exercises significant judgment when determining both when and how much to record as loan loss provisions. Example of various assumptions and judgments includes the financial condition of the counterparty, expected future cash flow, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Furthermore, the associated disclosures are complex and dependent on high quality data.

At December 31, 2016, gross loans to the public amounted to SEK 26 845 million, with loan loss provisions of SEK 955 million. Given the significance of loans to the public (representing 65% of total assets) as well as the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, we consider this to be a key audit matter for our audit.

Refer to accounting principles regarding critical judgments and estimates in note 2 in the financial statement and related disclosures of credit risk in note 3.

Our audit procedures included, but were not limited to:

• We assessed key controls over the approval, recording and monitoring of loans and receivables, and evaluating the methodologies, inputs and assumptions used in determining and calculating the loan loss provisions.

• For provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and evaluated management assessment of the recoverable amount. We tested the assumptions underlying the impairment, including forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We examined a selection of loans that had been identified by management as potentially impaired.

• We examined the sufficiency of the underlying models, assumptions and data used to measure loan loss provisions for portfolios of loans with similar credit characteristics. Likewise we have examined the models, assumptions and data used for the collective impairment for incurred but not identified loss events.

• Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

IT-systems that support complete and accurate financial reporting

Ikano Bank AB (publ) is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework.

Many of Ikano Bank AB (publ)'s internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

Ikano Bank AB (publ) categorises their key IT-risk and control domains relating to financial reporting in the following sections:

- Modifications to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for modifications to the IT-environment.

- We assessed management monitoring of modifications in the IT-environment.

- We evaluated segregations of duties.
- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.
- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities.

Other information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-5 and 62-63. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

• Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ikano Bank AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the parent company's, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 64-69 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Stockholm, April 26, 2017
Deloitte AB

Signature on original document

Jan Palmqvist
Authorised public accountant

Board of Directors

Diederick van Thiel
Born 1968. MA in e-commerce and marketing. Board member and member of the IT Committee. Elected in 2014.

Entrepreneur and business angel with in-depth knowledge of e-commerce and mobile solutions. CEO of AdviceGames, founder of Cool eyeOpen and Nauticnet, and also held senior positions within ING Bank and KPN mobile.

Mats Håkansson
Born 1962. MSc in Business and Economics. Chairperson of the board since 2013 and member of the Risk and Capital Committee and the Compliance and Audit Committee. Elected in 2009.

Vice President Ikano S.A. Former CFO Ikano S.A. and Authorised Public Accountant at Arthur Andersen in Sweden. Other assignments: Board assignments in several subsidiaries within the Ikano Group.

Lars Thorsén
Born 1965. Master in International Economics and Finance at Copenhagen Business School. Board member. Elected in 2015. CEO Ikano S.A. since 2015. Previously long career in the purchasing sector with positions as Regional Purchase Manager of IKEA Asia Pacific.

Jean Champagne
Born 1966. Master of Commerce, HR and Management, HEC Business School. Board member and member of the Remuneration Committee. Elected 2015. Head of Group HR for Ikano S.A. since 2015. Long career as an HR Manager in various companies within IKEA Group including positions in 4 countries on 3 continents. Other assignments: Board member of Ikano Pte Ltd.

Heather Jackson
Born 1965. BA Modern History. Board member and chairperson of the IT Committee and the Remuneration Committee. Elected in 2014.

Management consultant specialising in change management. Heather has twenty years' experience within finance and retail from senior positions within HBOS Plc., Capital One, Asda, Boots the Chemist and Accenture. Other assignments: Non-Executive Director of JD Sports and Fashion Plc.

Olle Claeson
Born 1954. MSc in Business and Economics, University of Stockholm. Board member and chairperson of the Risk and Capital Committee and the Compliance and Audit Committee. Elected in 2014.

Strategy and business development consultant with over thirty years' experience within the financial sector. Founder of Omeo Financial Consulting AB. Previously Partner within KPMG and founder of KPMG Financial Sector Consulting in Sweden.

Auditor

Jan Palmqvist
Authorised public accountant, Deloitte AB.
Auditor Ikano Bank AB (publ) since 2013.

Management team

Stefan Nyrinder
Managing Director
Employed since 2008. Previously Country Manager for Ikano Bank in Sweden, responsible for the retail market in Sweden and Finland, Sales and Marketing Director for HAGS and held several senior positions at SEB.

Fredrik Krüeger
HR and Legal Director
Employed since 2009. Former HR Director at Ferring and Framfab, General Legal Counsel and other operational management roles within Skanska/Drott.

Henrik Jensen
CFO
CFO for Ikano Bank since August 2015. Previously Treasurer for Ikano Group Services, and Country Manager for Ikano Bank Russia. Has held several positions in Investment Banking and worked as teacher at Copenhagen Business School.

Charlotte Fredberg Schmidt
Chief Commercial Officer
Employed since 2014. Previously held several senior positions within telecoms, IT and finance at companies including PFA, KMD, Sonofon and Ericsson. Left the position in March 2017.

Mikael Nurmi
CIO
Employed since 2016. Has previously held IT positions with Nokia and Tamro. Most recently from Sanoma Corporation where he held positions as CIO and CTO. Michael was the CIO of the Year 2015 in the Nordic region.

Tom Rattleff
Director of Markets
Employed since 2009. Former Manager of Citibank in Denmark. Sales and Marketing Director at Nordax Finance AB. Held several senior positions within GE Capital.

Jonas Ljungqvist
CRO
Employed since 2013. Previously held senior positions within risk at SEB in Stockholm and Frankfurt.

Michael Koch
Operations Director
Michael is COO since 2016. He previously held the position as Head of Operations at Ikano Bank, and has a background of management positions within operations in companies as Hi3G, Telia and Go exellent.

Corporate governance report

Ikano Bank AB (publ) is a wholly owned subsidiary of Ikano S.A. in Luxembourg. The Bank has its registered office in Älmhult, Sweden. The role of corporate governance in Ikano Bank is to establish good conditions for active and responsible ownership, a clear division of responsibility between the various executive and shareholder functions of the Bank and effective and transparent communication with the Bank's stakeholders.

The report is based on the Swedish Code of Corporate Governance even though Ikano Bank has no obligation to apply the Code as its shares are not admitted to trading on a regulated market. The regulations of the Code mainly target companies with a dispersed ownership. For the Bank, which only has one owner, this means that some rules are not at all relevant and that application would not serve any reasonable purpose.

The expression "applying" the Code means that the Bank actively decides on how it will act in relation to the various rules in the Code. If a company chooses to deviate from the rules of the Code, it should be disclosed according to the principle of "comply or explain." The instances where corporate governance in Ikano Bank deviates from specific rules in the Code for the above reasons are presented in the table below, together with an explanation:

Code rule	Deviation and explanation/comment
Item 1.1 - Publication of information on shareholder right of initiative.	The objective of the rule is to provide various shareholders with the possibility of preparing for the Annual General Meeting well in advance and having a matter included in the convening notice of the Annual General Meeting. In wholly owned companies, there is no reason to apply the rule and information on the shareholder's right of initiative is therefore not published.
Item 1.3 - The company's Nomination Committee shall propose a chairperson for the Annual General Meeting.	Due to the ownership structure, Ikano Bank has no Nomination Committee. The election of the chairperson takes place at the Annual General Meeting according to the provisions of the Swedish Companies Act.
Item 2 - The company shall have a Nomination Committee that represents the company's shareholders.	Due to the ownership structure, Ikano Bank has no Nomination Committee. However, in connection with the election of the proposed Board of Directors for 2016, the shareholder Ikano S.A. presented a written evaluation and reasoned statement for the proposed Board. Consequently, the references to the Nomination Committee in items 1.2, 1.3, 4.6, 8.1 and 10.2 in the Code are not applicable.

Supervision and policy documents

Ikano Bank's corporate governance report is based on the Swedish code, the Bank's Articles of Association and applicable legal requirements, such as the European Parliament's and Council's regulation on supervisory reporting requirements, the Swedish Companies Act, the Annual Accounts Act and the banking and Finance Business Act.

The activities of Swedish banks are regulated by law and banking operations may only be conducted after obtaining a license from the Swedish Financial Supervisory Authority. The rules in the form of laws and ordinances, regulations and general guidelines are highly extensive, but are not described in more detail in this corporate governance report. The Swedish Financial Supervisory Authority exercises extensive supervision over the Bank's operations in Sweden and in the countries in which the Bank conducts business through branches. A branch means that the foreign operations constitute a part of the Swedish legal entity. The Bank's foreign branches are also subject to limited supervision by the financial supervisory authority of the country in question. The supervision means that the Bank provides the Swedish Financial Supervisory Authority with extensive reporting including the Bank's organisation, decision-making structure, internal control, terms for the Bank's customers and information to private customers. The Swedish Financial Supervisory Authority also makes site visits, both in Sweden and at the foreign branches.

Customers' confidence in the Bank's operation is of major importance. Clear internal regulations and sound risk culture are essential elements in the Bank's work with maintaining proper supervision and controls. In addition to the above laws and rules, Ikano Bank has multiple policies that establish the overall limits for the governance of the business and these are annually submitted to the Board for approval. The Bank also has several general guidelines and instructions.

Executive and shareholder functions of the Company

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is the highest decision-making body of Ikano Bank. At the Annual General Meeting, the annual report is adopted and the allocation of profits and discharge from liability for the Board and the Managing Director are approved. In addition, the Bank's shareholder elects Board members, the Chairperson of the Board and auditors and establishes their remuneration.

2016 Annual General Meeting

The Annual General Meeting was held on 27 April 2016. The following resolutions were passed:

- the 2015 Annual Report was adopted;
- no dividend was paid for 2015;
- the members of the Board and the Managing Director were granted discharge from liability for 2015;
- Board fees were approved of SEK 395,000 or GBP 37,500 or EUR 44,500 for each non-executive Board member, depending on the currency in each director's country of residence, and additional compensation for (i) each non-executive Board member being appointed as chairman for the Compliance and Audit Committee the Risk and Capital Committee, the Remuneration Committee and/or the IT Committee amounting to SEK 105,000 or EUR 12,100 or GBP 10,000, depending on the currency in each director's country of residence; (ii) each non-executive Board member being a member of the Compliance & Audit Committee, the Remuneration Committee, the IT Committee and/or the Risk & Capital Committee amounting to SEK 78,750, EUR 8,900, GBP 7,500, depending on the currency in each director's country of residence; and for (iii) additional work non-executive Board members' perform over and above ordinary board work amounting to SEK 18,500, GBP 1,750 or EUR 2,100 per day, depending on the currency in each director's country of residence;
- the following Board members were re-elected for the period until the next Annual General Meeting:
  - Mats Håkansson (Chairperson)
  - Olle Claeson
  - Heather Jackson
  - Diederick van Thiel
- and the following were elected
  - Lars Thorsén
  - Jean Champagne
- Steen Helles resigned as Board member in connection to the Annual General Meeting.

Extraordinary General Meetings in 2016

Besides the Annual General Meeting, no Extraordinary General Meetings were held.

Auditor

The Authorised Public Accountant Jan Palmqvist from Deloitte is the auditor of the Bank. He was elected at the 2013 Annual General Meeting for a period of four years. Jan Palmqvist has been an authorised public accountant since 1992 and the auditor of Ikano Bank since 2013. Jan Palmqvist's other audit assignments include Länsförsäkringar Stockholm, AFA Försäkring, Almi Företagspartner, Stronghold Invest and Ragnsells.

The auditor meets with the entire Board once a year, without the participation of the Managing Director, normally at the Board meeting that addresses the annual accounts. During the year, the auditor participates in every meeting of the Compliance and Audit Committee. The auditor conducts a general review of interim reports.

Board of directors

The Board of Directors responsibility includes the company's organisation and administration in accordance with the Swedish Companies Act and appoints the Managing Director and, where applicable, the members of the Risk and Capital, Compliance and Audit, IT and Remuneration Committees. The Board continuously reviews the work of the Managing Director. The Board also decides on salary and other benefits for the Managing Director, for employees who report directly to the Managing Director and for employees who have the overall responsibility for any of the Company's control functions. The Board's activities and the division of responsibility between the Board and the Managing Director/management are regulated by the Board's formal work plan, which is adopted by the Board every year after the Annual General Meeting. The work plan now applicable was adopted at the Statutory Board Meeting in April 2016. According to the work plan, the Board makes decisions regarding the Company's overall strategies, acquisitions and investments. The rules include terms of reference issued by the Board of Directors to the Managing Director. These policy documents are reviewed and approved annually. The Articles of Association state that the Board is to consist of no less than three and no more than ten members without deputies.

Policy to select and assess Board members and key function holders

Ikano Bank has a policy for selecting and assessing Board members and key function holders. The policy contains criteria and general requirements for the appointment of individual Board members and key function holders, both as overall principles to ensure diversity and competence regarding the composition of the Board as a whole.
The Board must have an appropriate composition. The Board members should have a range of backgrounds, expertise, experience, education, and knowledge so that they can complement each other. The members should together constitute a diverse range of gender, age and geographic origin. The Board must always include a number of members who are not employed in the Bank or the group. A diverse Board counteracts inappropriate herd behaviour and contributes to sound risk management in the Bank.

Individual Board members and the Managing Director are evaluated, before they are appointed, from several different aspects. For example, the Bank investigates whether the members or the Managing Director have been indicted or convicted of a crime, or have incurred any other sanctions for breaching rules (e.g. within the framework of other directorships) or been found guilty of any other inappropriate behaviour. The Board members and the Managing Director's experience, both theoretical education and practical experience, is also to be checked and evaluated before the members or the Managing Director are appointed. Finally, other factors are evaluated such as potential conflicts of interest, the possibility of allocating sufficient time for the assignment, the Board's overall composition, etc. The policy includes a form ("Information to be provided by a potential board member or a key function holder") which must be completed prior to every recruitment.

Board members

In the table below, information is presented on the Board members' respective remuneration and attendance during the year, as well as whether they are dependent or independent in relation to the Bank or its owner Ikano S.A. In 2016, seven ordinary Board meetings were held (including the inaugural). The Board also held six meetings by circulation and four extraordinary board meetings. For a more detailed presentation of the Board members, refer to page 62.

Name	Mats Håkansson	Steen Helles[2]	Lars Thorsén[3]	Olle Claeson	Heather Jackson	Diederick van Thiel	Jean Champagne[3]
Board attendance[1]	17/17	4/17	11/17	17/17	16/17	16/17	9/17
Attendance at Remuneration Committee meetings[1]	-	3/6	-	-	all	-	3/6
Attendance at Compliance and Audit Committee meetings[1]	4/4	-	-	all	-	-	-
Attendance at Risk and Capital Committee meetings[1]	3/3	-	-	all	-	-	-
Attendance at IT Committee meetings[1]	-	2/4	-	-	all	2/4	-
Remuneration	None for Board work	None for Board work	None for Board work	SEK 395 000 + SEK 105 000 + SEK 78 750 + SEK 194 250	GBP 37 500 +GBP 10 000 +GBP 10 000 +SEK 55 000	EUR 44 500 + SEK 55 000	None for Board work
Independent	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ikano S.A.	Not independent in relation to the shareholder Ikano S.A.	Independent	Independent	Independent	Not independent in relation to the shareholder Ikano S.A.

[1]Attendance/Total number of meetings
[2]Resigned as Board member on 27 April 2016
[3]Elected as Board member on 27 April 2016

Chairperson of the Board

The Chairperson of the Board is responsible for and heads the Board's work so that it is effective and in accordance with the Swedish Companies Act, other laws and ordinances, including the Code and the Board's internal steering instruments. The Chairperson monitors operations in dialogue with the Managing Director and is responsible for ensuring that other Board members receive adequate information and decision data and conveys any points of view from the shareholder to the Board.

The Chairperson is responsible for ensuring that the Board continuously updates and deepens its knowledge of the Company and otherwise receives the training required to effectively conduct the Board work. The Chairperson also ensures that the Board's work is evaluated annually.

The Board's work in 2016

In 2016, seven ordinary Board meetings were held (including the inaugural), seven meetings were held by circulation and four extraordinary board meetings were held. The ordinary Board meetings were held in Hyllie, Wiesbaden, Stockholm, Nottingham and via telephone.

Each ordinary Board meeting follows an established agenda with reporting of mainly the following items:

- Operational status and information on particularly important issues and events (MD)
- Financial status, liquidity and capital (CFO)
- Sales report (Director of Markets)
- IT report (CIO)
- Risk Control report (CRO)
- Compliance report (CCO)
- Committees (respective committee chairperson)

Other relevant issues of major importance to the Board's work in 2016 were the overall strategy for the Bank (including brand strategy), the establishment of the common contact centre for the business units in the Nordics, preparation for coming changes in external regulations and changes made within IT.

Board committees

The overall responsibility of the Board of Directorscannot be delegated. However, the Board has decided to establish four committees which, on the basis of the provisions contained in the Board's formal work plan, prepare and evaluate issues within their respective areas for decisions by the Board.

Compliance and Audit committee

This Committee consists of two Board members - Olle Claeson (Chairperson) and Mats Håkansson. Olle Claeson is independent in relation to the Bank and its management.

The Compliance and Audit Committee monitors accounting and financial reporting, as well as the effectiveness of the Bank's internal control, internal audit and risk management system. The Committee also reviews and prepare the Board´s approval of the external audit plan, follows up important reporting and recommendations from the external auditor, and ensures that the auditor is impartial and independent.

The Compliance and Audit Committee also assist in the preparation of proposals on the election of the auditor at the Annual General Meeting. In 2016, the Compliance and Audit Committee held four minuted meetings. The Compliance and Audit Committee has both an advisory as well as a preparatory function regarding any matters being subject to a decision before being handled and decided upon by the Board.

Risk and Capital Committee

This Committee consists of two Board members - Olle Claeson (Chairperson) and Mats Håkansson.

The Committee's task is to support the Board in the risk work, mainly by ensuring that there are procedures to identify and define the risks in the business and that risk taking is measured and controlled. The risks referred to are credit, market, liquidity, interest rate and financing risks as well as operating risks. Fulfilment of the various capital adequacy requirements also belongs to this area of responsibility. In 2016, the Risk and Capital Committee held two ordinary and one extraordinary minuted meetings. The Risk and Capital Committee has both an advisory as well as a preparatory function regarding any matters being subject to a decision before being handled and decided upon by the Board.

IT committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Diederick van Thiel.

The Committee prepares the Bank's IT strategy for approval by the Board and monitors its implementation. Focus is on effective IT security at a reasonable cost and ensuring access to necessary expertise in the IT area. The IT Committee held four meetings during the year.

Remuneration committee

This Committee consists of two Board members - Heather Jackson (Chairperson) and Jean Champagne.

The Remuneration Committee prepares remuneration matters that are to be decided on by the Board and the Annual General Meeting. The Board makes decisions in accordance with the Swedish Financial Supervisory Authority guidelines regarding remuneration of the Managing

Director, other senior executives and employees responsible for control functions. An important requirement in financial companies is that remuneration is structured so that it incentivises and supports effective risk management in the business.

The Remuneration Committee annually makes an independent assessment of the firm's remuneration policy and remuneration structure. The Risk Control function normally participates in this assessment. The Bank also conducts an annual risk analysis of the remuneration models and the policy. In the risk analysis, the Bank identifies employees who can exercise a significant influence over the Bank's risk level (identified personnel). In addition, the Internal Audit function reviews the Bank's remuneration structure for compliance with the remuneration policy. The risk analysis and the results of the review are reported to the Board no later than the Board meeting at which the annual report is approved. The Board is responsible for and ensures that the remuneration policy – which has been issued based on the risk analysis – are adhered to and followed up. In 2016, the Remuneration Committee held six meetings, of which one were held by circulation.

Remuneration

The Bank's remuneration to senior executives is regulated by both the Ikano Group's and the Bank's remuneration policy, which have been formulated based on the Swedish Financial Supervisory Authority's regulations and the principles adopted by the Annual General Meeting.

The main features of the two remuneration policies mentioned above are that employees receive compensation in the form of a fixed salary, pension and certain benefits. The compensation is determined individually and reflects the work's complexity (i.e. the level of difficulty of the duties), local market conditions and the employee's performance.

Variable remuneration can be paid in two forms:

- Commissions for salespeople and account managers; and
- Incentive programmes for employees in the management team and branch managers.

For more information on the terms for remuneration and outcomes to senior executives, refer to Note 12 page 39.

Bank's organisation and management

Organisation

The operating activities are organised into seven geographic business units: Sweden (incl. cross boarder business into *inter alia* Austria) and the six foreign bank branches in Denmark, Norway, Finland, UK, Germany and Poland. The head office with management and central functions are situated in Malmö, Sweden. The central functions comprise finance, business support (including HR, legal and sourcing), commercial, IT, risk control and compliance.

Managing Director

The Managing Director of the bank is responsible for the Bank's day-to-day administration and is to perform this duty in accordance with current legislation and rules, the Articles of Association, the Board's formal work plan, the terms of reference issued by the Board of Directors to the Managing Director and all other guidelines and directives issued by the Board.

Stefan Nyrinder (born 1959) has been the Managing Director since 2012 and has been employed by Ikano Bank since 2008. He was previously the Country Manager of Ikano Bank in Sweden, responsible for the retail market in Sweden and Finland. Before that, he had been the Sales and Marketing Director for HAGS and held several senior positions at SEB.

Management team

The Management team consists of eight people. In addition to the Managing Director, the Management team includes the CFO, the Director of Markets, and the managers for the functions of business support, commercial, operations, IT and risk control. All persons in the management team report to the Managing Director. The head of the risk control function also reports directly to the Board. For the operational management work in the Bank, the Managing Director has chosen to establish a number of committees and bodies.

For a more detailed presentation of the Management team, refer to page 63.

Report on internal control over financial reporting

The Bank's process for ensuring the quality of the financial reporting includes four main activities: Risk assessment, control measures, information and communication, and follow-up.

Risk assessment comprises identification and analysis of material risks that affect internal control over financial reporting.

Internal control structure

It is the Board's task to ensure an appropriate, robust and transparent organisational structure with efficient communication and reporting channels. The Board must also ensure that there is a suitable and effective internal control structure. Besides the independent control functions for internal audit, compliance and risk control, this structure must also include appropriate processes and procedures for internal control of operating activities, especially financial reporting and accounting.

Compliance

Under the management of the Bank's Chief Compliance Officer, Compliance is responsible for ensuring that the regulated activities of the Bank are conducted in accordance with laws, regulations and general guidelines of the Swedish Financial Supervisory Authority, the European Banking Authority and other agencies, internal rules and generally accepted practice. To ensure the Compliance function's independence, it reports directly to the Managing Director and the Board. Reporting to the Board is done at every ordinary Board meeting and to the Managing Director every month.

Compliance regularly checks and assesses if the measures and procedures introduced by the Bank are suitable and effective. In addition, actions taken to resolve potential deficiencies in the Company's regulatory compliance are also evaluated.

Risk control

The Bank's Risk Control function has been established in accordance with the requirements set in the Banking and Finance Business Act, the European Banking Authority's regulations for internal control (GL 44) and the Swedish Financial Supervisory Authority's regulations. To ensure the Risk Control function's independence, it reports directly to the Managing Director and the Board. The CRO reports to the Board at Board meetings and to the Managing Director every month. The Bank also has a Risk and Capital Committee that prepares these matters for the Board.

The Risk Manager's area of responsibility includes identification, measurement and oversight of all risks related to the Bank's business. The Risk Manager is responsible for developing appropriate methods for the analysis and measurement of the risks and for continuously following up and checking that every risk is kept within permitted limits. The Risk Manager also reports to the Risk and Capital Committee. The Risk Control function also ensures that policies, guidelines and instructions are implemented and applied.

The control measures are both of a preventive nature, meaning that they are measures intended to prevent losses or misstatements in the reporting, and of a detective nature. The controls are to also ensure that all misstatements are corrected. The Accounting function, which compiles the reports, works with carefully prepared accounts and standardised working procedures with control functions.

The internal communication to and from the Board takes place by the Board receiving extensive documentation on the Bank's financial position, including reporting on liquidity and capital, prior to every ordinary Board meeting. Information is provided to the management at regular Management team meetings in which the CFO participates. Internal policies, guidelines, instructions and corresponding documents that guide and support the financial operations are published on the Bank's intranet.

Internal control over financial reporting is followed up mainly by asking questions and reviewing the work of the Accounting function. The Board receives regular reports with financial outcomes, including the management's comments on the business. The Company's auditor participates in one Board meeting per year and in all meetings of the Compliance and Audit Committee and provides information on his observations of the Company's internal procedures and control systems. The Board members have the opportunity to ask questions at these meetings. The Board annually decides on significant risk areas and evaluates internal control, in part through the Bank's internal capital adequacy assessment process.

Internal audit

Ikano Bank has a separate Internal Audit function. It works on behalf of the Board and acts independently from the Bank's operations. The work is conducted based on an annual audit plan prepared by the Compliance and Audit Committee and approved by the Board. The results of the internal audit are reported to the Board twice a year and to the Compliance and Audit Committee every quarter.

The Bank's Internal Audit function is established to assist the Board and its Compliance and Audit Committee in the identification and follow-up of various matters concerning the Bank's financial reporting. The tasks of the Compliance and Audit Committee include the follow-up of important observations and recommendations from both Internal Audit and external auditors regarding financial reporting. The Compliance and Audit Committee reports to the Board and recommends suitable measures when Board decisions are required.

In operational terms, the Internal Audit function is run by Ikano S.A. according to an outsourcing agreement. In 2016, PwC assisted Internal Audit in the execution of the internal audit.