

Information on remuneration (financial year 2017)

Policy on remuneration and benefits

The Swedish Financial Supervisory Authority's regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1), came into force on 1 March 2011 (defined as the "Regulation" in this document).

The Board of Directors of Ikano Bank AB (publ) has adopted a policy on remuneration and benefits. The policy is updated and approved by the Board of Directors at least once a year. The policy includes the fundamental principles applied by the bank regarding fixed and variable remuneration. The policy states, among other things, that variable remuneration for identified staff shall never exceed 100 per cent of the employee's fixed annual salary. However, none of the bank's models for variable remuneration has a cap exceeding five months' salary. Within the Board of Directors, there is a remuneration committee consisting of at least two Board members. The committee prepares board decisions regarding remuneration issues and makes an independent assessment of the remuneration system and policy for remuneration and benefits. During 2017, the remuneration committee held five meetings. At least once a year, the bank analyses the risks associated with its remuneration policy and remuneration structure and also details identified staff according to the categories listed in the Regulation. 305 of the Bank's 1025 employees (average number 2017) have been identified as specially regulated personnel for 2017.

Main reasons and parameters for variable remuneration

Ikano Bank AB (publ) has little variable remuneration. It is considered that the criteria existing in order for variable remuneration to be paid, will not contribute to encouraging unsound risk-taking in the operations. The criteria below apply for fixed and variable remuneration, respectively.

Fixed remuneration

The banks fixed remuneration shall reflect relevant professional experience, organizational responsibility (i.e., the degree of difficulty of working tasks) and the local market within and outside the bank. The fixed remuneration is assessed on an annual basis and shall reflect the remuneration levels for employees on the position in question. Paying salaries in line with the market in order to be able to hire and keep competent personnel.

Variable remuneration

The reasons for the bank to have variable remuneration are to stimulate personnel to perform better, to stay within the bank and to develop their respective business areas. Ikano Bank AB (publ) applied (2017) three types of variable remuneration models: 1) Ikano Bank AB (publ) Performance Incentive Plan for the bank's executive management and country managers ("PIP"); 2) Ikano Bank AB (publ) Project Retention Bonus. In addition, during 2017 there were also remaining payments under the former Ikano Bank AB (publ) Short Term Incentive Plan ("STIP") and the Ikano Bank AB (publ) Long Term Incentive Plan ("LTIP") as well as some former local bonus in the UK and sales commissions in Germany. All variable remuneration was disbursed as salary/in cash.

The bank's executive management (except the Chief Risk Officer and the Chief Compliance Officer) and country managers participate in the PIP. The criteria for variable remuneration are linked to the bank and the business area (if relevant) and for the individual. The bank's judgment of result used for calculating variable remuneration, is based on risk adjusted profit measures. When making this judgment, both present and future risks are taken into consideration, as are the actual costs for the capital and cash flow needed by the operations. Any remuneration is paid in four installments during a period of three and a half years from the starting point of earning. Deferred remuneration (at least 60 percent) is paid pro rata once a year starting at least one year after earning.

The bank does not pay any variable remuneration unless it at each time of payment is defensible as seen from the bank's financial situation and motivated by the result of the bank, the business unit in question and the employee. Every payment is prepared by the remuneration committee and decided upon by the Board of

Directors. At full dividend, the incentive program can give the executive management a maximum of five months' salaries each (for each earning year). For country managers, the corresponding bonus cap is three months' salary.

In 2017, the bank also applied a Project Retention Bonus within a major re-organisation which included an impending risk that key employees would leave the bank. The bonus was capped to 20 percent of annual salary and SEK 99.000/year. This bonus model has been closed down as from 2018, since the project/re-organisation has been closed.

Expensed remuneration (kSEK)

Expensed total amounts for remuneration per business area (country)

These total amounts include all remuneration (paid, earned and/or pledged), social security contributions, special tax on pensions or corresponding fees/taxes. They also include collective personnel costs. More information about the total amounts can be found in the bank's annual report for the financial year 2017.

SEK '000	2017
Sweden	381.001
Denmark	76.470
Norway	38.222
Finland	13.019
UK	110.368
Germany	87.525
Poland	17.195
Total	723.800

Fixed and variable remuneration

The amounts below (fixed and variable remuneration) represent total remuneration paid during 2017 in all countries, and do not include social security contributions, special tax on pensions or corresponding fees/taxes. Nor do they include collective personnel costs.

Fixed remuneration is all remuneration, including salaries, pensions and other benefits, that is not variable remuneration. *Variable remuneration* is such remuneration that is covered by the definition of variable remuneration in the Regulation. As far as the bank is concerned, the definition includes the above mentioned bonus schemes.

No adjustment has been made of the variable remuneration that was paid during 2017.

2017	kSEK	Fixed remuneration	Number of people that have received fixed remuneration	Variable remuneration	Number of people that have received variable remuneration
Executive management		20.943	14	3.518	8
Other especially regulated personnel		293.470	381	1.463	15
Other personnel		220.744	965	1.001	3
Total		535.157	1.360	5.981	26

Deferred variable remuneration

With respect to LTIP and STIP, 80 percent of the outcome has been deferred for payment in three parts (pro rata) during a three year period (20-40-20). For the former incentive program that applied to the management group in the UK branch until 2014, 45 percent of the outcome was deferred for payment in three parts (15-15-15).

The amounts below refer to deferred bonus that is accrued (the bank does not have any deferred bonus that is not accrued).

Deferred variable remuneration

SEK 000	2017
Executive management	2.750
Other especially regulated personnel	1.233
Other personnel	0
Total	3.983

Pledged and paid remuneration

The amounts below include fixed and variable remuneration paid in 2017, as well as such remuneration that was earned and/or pledged during 2017.

Pledged and paid remuneration

SEK 000	2017
Executive management	24.460
Other especially regulated personnel	294.933
Other personnel	221.744
Total	541.138

No employee has received 1 million EUR or more (in total) during 2017.

Severance payment

The severance payments below do not include salaries during notice of termination during which the employee has been excused from work duties. Nor does pledged severance payment include extended notice of termination for employees in the executive management (12-24 months). For more information about notice of termination for the executive management, see the bank's annual report for the financial year 2017.

Severance payment

2017	kSEK	Paid	Number of people paid	Pledged	Number of people pledged
Executive management		0	-	-	-
Other especially regulated personnel		1.287	2	483	1
Other personnel		2.826	12	41	1
Total		4.113	14	524	2

16 coworkers have been entitled to severance payments during 2017. The highest individual severance payment disbursed during 2017 amounted to 882 kSEK.

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

Guaranteed variable remuneration

No guaranteed variable remuneration has been disbursed in 2017.