

# Information about remuneration to employees at Ikano Bank in accordance with the Swedish Financial Supervisory Authority's regulations (financial year 2016)

## 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 and was amended in 2014 (FFFS 2014:22). Both regulations are together 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 models for variable remuneration 2016 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 2016, the remuneration committee held six 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. 180 of the Bank's 1137 employees (average number 2016) have been identified as specially regulated personnel for 2016.

## 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 (2016) three types of variable remuneration models: 1) Ikano Group/Ikano Bank AB (publ) Long Term Incentive Plan for the bank's executive management ("LTIP"); 2) Ikano Bank AB (publ) Short Term Incentive Plan for country managers ("STIP"); and 3) commission for sales staff. All variable remuneration was disbursed as salary/in cash.

The bank's executive management (except the CRO) participates in the LTIP. The criteria for variable remuneration are linked to the result for the group, the bank and the business area (if relevant) and for the individual. Ikano S.A.'s (the group parent) and 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 rates during a period of three and a half years from the starting

point of earning. Deferred remuneration (80 percent) is paid pro rata once a year starting one and a half years 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).

The bank's country managers are covered by the STIP, which is based on financial results (business area finance, bank and business unit and individual targets. This model is very similar to the group's bonus scheme and includes the same principles for targets, risk adjustment and deferral. The outcome of this bonus scheme shall however never exceed the equivalence of three months' salary.

In 2016, the bank also applied two commission programs for salesmen, linked to team- and individual sales in Germany and Poland. However, as from 2017, there will be no commission programs left in the bank.

## 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 2016.

SEK '000	2016
Sweden	381 438
Denmark	110 586
Norway	47 164
Finland	9 152
UK	109 448
Germany	90 896
Poland	16 474
<b>Total</b>	<b>765 159</b>

### Fixed and variable remuneration

The amounts below (fixed and variable remuneration) represent total remuneration paid during 2016 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 bonus schemes and incentive programs as well as commission programs for the bank's salesmen.

No adjustment has been made of the variable remuneration that was paid during 2016.

2016	SEK '000	Fixed remuneration	Number of people that have received fixed remuneration	Variable remuneration	Number of people that have received variable remuneration
Executive management		16 472	11	3 458	8
Other especially regulated personnel		150 720	187	1 134	14
Other personnel		407 274	1 205	1 006	64
<b>Total</b>		<b>574 466</b>	<b>1 403</b>	<b>5 598</b>	<b>86</b>

## 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	2016
Executive management	12 351
Other especially regulated personnel	2 238
Other personnel	669
<b>Total</b>	<b>15 258</b>

## Pledged and paid remuneration

The amounts below include fixed and variable remuneration paid in 2016, as well as such remuneration that was earned and/or pledged during 2016.

### Pledged and paid remuneration

SEK 000	2016
Executive management	25 748
Other especially regulated personnel	153 736
Other personnel	408 658
<b>Total</b>	<b>588 143</b>

No employee has received 1 million EUR or more (in total) during 2016.

## 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 2016.

### Severance payment

2016	SEK 000	Paid	Number of people paid	Pledged	Number of people pledged
Executive management		3 815	1	-	-
Other especially regulated personnel		3 595	2	878	1
Other personnel		12 687	58	1 986	4
<b>Total</b>		<b>20 097</b>	<b>61</b>	<b>2 864</b>	<b>5</b>

One new contractual right to severance payments have been approved during 2016. The highest individual severance payment disbursed during 2016 amounted to 3 815 kSEK.

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

## Guaranteed variable remuneration

No guaranteed variable remuneration has been disbursed in 2016.

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