

Interim Report 2019-06

Ikano Bank AB (publ) Interim Report 30 June 2019

Results for the first half-year 2019

(comparative figures in brackets are as of 30 June 2018 unless otherwise stated)

- Business volume amounted to SEK 63,622 m (69,272), adjusted for intermediated mortgage volumes that ceased during 2018 (5,340 mSEK) the business volume decreased marginally
- Lending, including leasing, amounted to SEK 37,369 m (37,621)
- Deposits from the public amounted to SEK 26,253 m (26,311)
- Operating profit before loan losses increased to 431 mSEK (398)
- Net interest income decreased marginally, totalling SEK 971 m (978)
- The common equity Tier 1 capital ratio was 15.3 percent (14.5) and the total capital ratio was 17.6 percent (16.7)
- The liquidity reserve was SEK 2,352 m (2,404) and the total liquidity portfolio amounted to SEK 5,463 m (5,583)

Outlook for the remainder of 2019

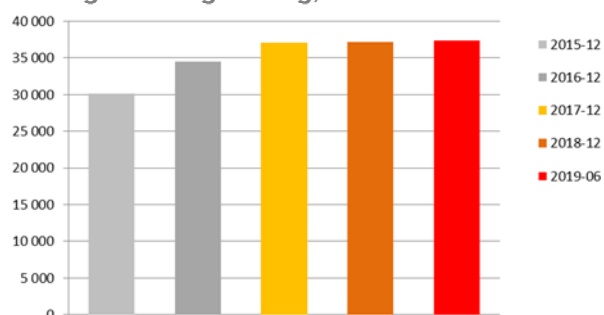
We see positive effects from the improvement work and continue to work together according to plan to streamline and invest in our business. This includes further investments in our offering and especially its digitalisation, as well as regulatory compliance. We are continuing to invest in our IT platform to secure long-term profitable growth and customer benefits. At the same time, management has a strong focus on cost control. The Bank's strategy to act and grow in the UK market as a branch also after Brexit remains.

Key ratios

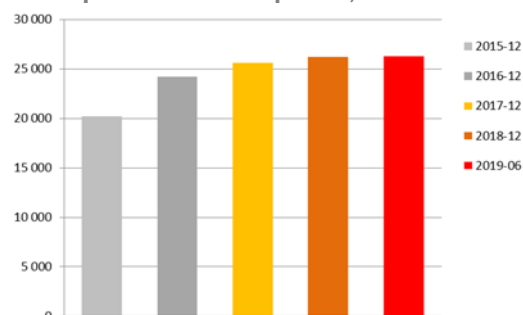
	30 Jun 2019	30 Jun 2018	31 Dec 2018
Total Capital ratio	17.6%	16.7%	17.2%
Common equity Tier 1 Capital ratio	15.3%	14.5%	14.9%
Investment margin	4.3%	4.4%	4.4%
Return on adjusted equity	2.6%	6.5%	4.9%
Leverage ratio	12.2%	11.4%	11.8%
C/I-ratio before loan losses	70.6%	72.0%	71.1%
Loan loss ratio	1.8%	0.9%	1.3%

For definitions of alternative performance measures used to describe the Bank's operations see the Bank's Annual Report for 2018, available on the Bank's website: www.ikanobank.se/om-banken/ekonomisk-information.

Lending including leasing, SEK m



Deposits from the public, SEK m



Ikano Bank's Interim Report is available on the Bank's website: www.ikanobank.se/om-banken/ekonomisk-information.

Statement by the CEO

Work continues as planned

The half-year result is in line with our expectations. The underlying business is stable but our ambition is to improve the key ratios. We have accelerated the improvement work where a number of activities are underway and we are already beginning to see the effects of this proactive work.

Profit before loan losses increased compared to the previous period. The growth in the period came mainly from the Swedish operations where the Corporate segment is growing. Loan losses increased slightly compared to previous period when excluding a portfolio sale which impacted the result in 2018 positively. Also after loan losses the result increases in most markets.

We are firmly rooted in the vision and values characteristic for our company and to deliver on our promise; on fair terms. We are focusing more on the commercial area and improved customer experience and together with our partners we continue to deliver simple and fair solutions for the many people.

Our organisation is now gaining a clearer distribution of responsibilities as well as increased focus on entrepreneurship and decision making. We have an almost completely new management team in place to drive the improvement work in the Bank and look forward to getting a new CFO and a new CRO 1 September. The local and central credit risk organisations have been strengthened during the period.

Investments in the IT platform continue, now with an increased focus on digitalisation and improving the customer experience. We generally see increased execution power throughout the company. We are continuing to streamline our way of working; by automating simple but time-consuming processes we can have more time to help our customers, improve quality and lower costs in our ongoing operations. Investment in Robotic Process Automation (RPA) technology is an example of how we work with this in the Bank. A number of processes are already underway and we continue to improve efficiency in our markets and functions.

During the period we have implemented initiatives to lower our costs and at the same time become a more competitive Bank with an increased focus on business creation activities, and revenues are now growing faster than costs. We have many ongoing activities to further improve growth and profitability. In June, a new invoicing solution was launched in Norway and Finland as part of increasing our growth.

Preparations for Brexit are made in close cooperation with both the British and Swedish authorities. We are committed to the UK market.

Ikano Bank continues to have high customer satisfaction and we are proud to once again be named one of Sweden's top 100 Career Companies in 2019. The fact that we also have a strong confidence in the capital market was evidenced by the three MTN issuances that were oversubscribed in the spring.

We see positive effects from the improvement work and the work continues as planned to further strengthen the Bank's position as the entrepreneur-driven Bank in the spirit of Ingvar Kamrad; a Bank where we with simple and fair solutions create opportunities for a better everyday life for the many people.

Henrik Eklund

About Ikano Bank

Ikano Bank has three business lines: Consumer, Sales Finance and Corporate. The Consumer business line conducts traditional banking operations that focus on private individuals by offering simple and attractive savings and loan services. Sales Finance administers and markets finance solutions for partners, and Corporate offers leasing solutions as well as factoring services to businesses.

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

The Bank's results for the first half-year 2019 compared to the corresponding period of 2018

Operating results before loan losses increased

Operating results for the first half of 2019 decreased by 58.2 percent to SEK 98 m (235), but the result before credit losses increased with 8.2 percent to SEK 431 m (398). During the comparison period, a portfolio sale in Germany resulted in a net income of SEK 128 m. The portfolio sale is also the main reason to the difference in the loan loss levels between the periods. Net interest income decreased with 0.7 percent to SEK 971 m (978) while the net leasing income was up by 9.9 percent to SEK 243 m (222). Net commission income increased by 21.4 percent to SEK 189 m (156). Total income was up 5.4 percent while total costs increased 5.0 percent, with IT costs accounting for the largest increase together with higher depreciation of leasing assets due to growth in the Corporate segment.

Marginally lower net interest income and higher net commission income

Net interest income developed differently in the markets. Overall it decreased marginally by SEK 7 m or 0.7 percent to SEK 971 m (978). In Sweden, UK and Poland, net interest income increased, mainly as a result of better margins. Net commission income increased by 21.4 percent to SEK 189 m (156). This is a result of lower lending related commission costs as well as an increase in commission income from insurance.

Increased net leasing income

Net leasing income increased by 9.9 percent compared to the same period last year and amounted to SEK 243 m (221). Both leasing volumes and margins increased, mainly driven by growth in Sweden.

Increased operating expenses due to volume growth leasing

Operating expenses increased by 5.0 percent to SEK 2,772 m (2,639). The increase is partly due to the volume growth in the Corporate segment, the related higher depreciation of leasing assets and partly due to higher IT costs. The growth rate for costs is down from the previous period.

Higher loan losses

Overall, net loan losses increased by SEK 170 m to SEK 332 m (163). This increase is mainly due to the portfolio sale of non-performing loans which affected loan losses positively by SEK 155 m during the same period 2018. Loan losses measured as a percentage of average total lending increased to 1.8 percent (1.3), also as a result of the portfolio sale during the same period last year. This is marginally higher than the Bank's historic loan loss level.

The Bank's position as of 30 June 2019 compared to 31 December 2018

Stable deposits from the public

Deposits from the public are an important part of the Bank's funding and have shown stable growth for several years. Deposits from the public rose by 0.2 percent to SEK 26.3 bn (26.2). In the Swedish market, deposit volumes and margins are somewhat lower while both volumes and margins grew in the international markets. The average interest rate margin remains unchanged.

Decreased loans to the public and increased leasing

The Bank's loans to the public decreased by 0.9 percent to SEK 27.0 bn (27.3) after provisions for loan losses. The decrease is mainly due to lower utilisation of credit cards. Volumes of private loans increased somewhat.

Leasing assets held on behalf of customers increased by 4.3 percent to SEK 10.3 bn (9.9) as a result of continued strong demand for financing with our partners.

Growth in total business volumes

The total business volume rose by 0.4 percent to SEK 63.6 bn (63.4). Increased leasing volumes, mainly in the Swedish market, are the main contributor to the total increase in business volume.

Good liquidity and strong demand for the Bank's certificates and bonds

The Bank's liquidity portfolio remained largely at the same level on 30 June 2019 as at year-end and amounted to SEK 5.5 bn (5.6), which equals 21 percent of the Bank's total deposits from the public.

The Bank continuously obtains funding in the Swedish capital market and demand for the Bank's short certificate programme continues to be good. In addition to ongoing issuance of commercial papers, three new MTN bonds were issued during the first half of the year with a total nominal amount of SEK 1,300 m. The maturities were between two and four years and the issues were met with strong interest from the market. In addition to the new issues, a repurchase to the nominal amount of SEK 680 m was also made; repurchases are made to proactively manage future debt maturities and to extend the maturity profile.

The own funds amounted to SEK 6.6 bn per 30 June 2019, compared to the capital requirement of SEK 3.0 bn. The total capital ratio amounted to 17.6 percent (17.2) and the Common Equity Tier 1 ratio was 15.3 percent (14.9).

Other information

Ikano Bank AB (publ), corporate identity number 516406-0922, is an incorporated bank with its registered office in Älmhult and its 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. Ikano Group conducts business within banking, real estate, production, insurance and retail. Ikano Bank has operated its business under a banking license since 1995.

Operations

Ikano Bank AB (publ) conducts banking operations regulated by the financial supervisory authorities of Sweden, the UK, Norway, Denmark, Finland, Germany, Austria and Poland. There are three business lines: Corporate, Sales Finance and Consumer. The operations in Denmark, Norway, Finland, the UK, Germany and Poland are operated as branches, while Austria is serviced under cross-border operations.

Board of Directors and management

During the year Olle Claesson has resigned as a member of the Board of Directors. Viveka Strangert and Lars Ljungälv have been appointed to the Bank's Board of Directors. After a period as interim CEO, the Board of Directors has appointed Henrik Eklund as CEO on a permanent basis.

Post balance sheet events

No significant events have occurred after the end of the reporting period that affected the financial statements for the first half-year 2019.

Outlook

We see positive effects from the improvement work and continue to work together according to plan to streamline and invest in our business. This includes further investments in our offering and especially its digitalisation, as well as regulatory compliance. We are continuing to invest in our IT platform to secure long-term profitable growth and customer benefits. At the same time, management has a strong focus on cost control. The Bank's strategy to act and grow in the UK market as a branch also after Brexit remains.

Next reporting date

Ikano Bank reports its results half-yearly. The Year-end Report for 2019 will be available on the Bank's website at the end of February 2020. Ikano Bank publishes information on capital adequacy and liquidity on a quarterly basis on its website.

This Interim Report has not been reviewed by the Bank's auditors.

Income statement

SEK 000	Note	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Interest income	3	1 171 429	1 180 590	2 338 126
Interest expense	3	-200 025	-202 636	-402 997
Net interest income		971 404	977 954	1 935 129
Leasing income	4	1 981 703	1 839 412	3 790 090
Commission income	5	342 528	334 406	689 518
Commission expense	5	-153 686	-178 830	-336 354
Net commission income		188 842	155 576	353 164
Net gains and losses on financial transactions		13 568	10 433	-462
Other operating income	6	46 918	53 879	151 913
Total income		3 202 435	3 037 254	6 229 834
General administrative expenses		-894 282	-856 655	-1 749 367
Depreciation/amortisation and impairments of tangible and intangible assets	4	-1 784 783	-1 663 823	-3 436 676
Other operating expenses		-92 581	-118 801	-209 344
Total expenses before loan losses		-2 771 646	-2 639 279	-5 395 387
Profit before loan losses		430 789	397 975	834 447
Loan losses, net	7	-332 400	-162 553	-475 938
Operating result		98 389	235 422	358 510
Appropriations		-	-	320 000
Tax expense	8	14 402	-113 446	-137 302
Net result for the period		112 791	121 976	541 208

Report on total comprehensive income

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Net profit for the period	112 791	121 976	541 208
Other comprehensive income			
Items that can be reclassified to net profit for the period			
Translation difference for the period, foreign branches	122 957	189 669	86 933
Changes in fair value through other comprehensive income	8 255	-599	-6 630
Fair value changes for cash flow hedges	-9 667	-9 744	5 315
Tax related to changes in translation differences for the year	-39 487	-	-34 716
Tax related to changes in fair value through other comprehensive income	-2 207	132	1 725
Tax related to changes in fair value of cash flow hedges	2 060	2 144	-1 137
Other comprehensive income for the period, net of tax	81 911	181 602	51 490
Total comprehensive income for the period, net of tax	194 702	303 578	592 698

Balance sheet

SEK 000	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
Assets				
Cash		18 771	2 013	35 735
Treasury bills		1 392 905	1 132 105	1 282 293
Loans to credit institutions		1 692 677	2 139 134	2 150 846
Loans to the public	9	27 047 365	27 650 741	27 289 123
Bonds and other interest-bearing securities		2 441 595	2 349 522	2 231 935
Shares and participations		39 775	23 594	29 299
Intangible assets		342 675	403 341	378 747
Tangible assets		10 338 902	9 997 762	9 916 416
- <i>Leasing assets</i>		10 321 672	9 970 022	9 898 120
- <i>Equipment</i>		17 229	27 740	18 296
Other assets		1 094 460	976 540	1 019 595
Deferred tax assets		116 158	129 151	115 452
Prepaid expenses and accrued income		302 426	304 037	281 869
Total assets		44 827 710	45 107 940	44 731 310
Liabilities, provisions and equity				
Liabilities to credit institutions		1 830 499	2 139 247	2 250 366
Deposits from the public	10	26 253 174	26 311 038	26 206 463
Issued securities	11	7 486 696	7 484 189	7 138 497
Other liabilities		829 972	902 115	1 000 226
Accrued expenses and deferred income		1 353 965	1 378 012	1 292 919
Provisions		191 029	179 778	181 123
- <i>Provisions for pensions</i>		35 680	34 388	34 663
- <i>Deferred tax liabilities</i>		100 859	90 554	91 362
- <i>Other provisions</i>		54 490	54 836	55 098
Subordinated liabilities		865 289	860 294	839 330
Total liabilities and provisions		38 810 623	39 254 673	38 908 924
Untaxed reserves		378 157	698 157	378 157
Equity				
Restricted equity		537 517	545 949	548 965
Share capital		78 994	78 994	78 994
Statutory reserve		193 655	193 655	193 655
Fund for development expenses		264 868	273 300	276 316
Non-restricted equity		5 101 414	4 609 161	4 895 264
Fund for fair value		286 016	334 218	204 105
Retained earnings		4 702 607	4 152 967	4 149 951
Net result for the period		112 791	121 976	541 208
Total equity		5 638 931	5 155 110	5 444 229
Total liabilities, provisions and equity		44 827 710	45 107 940	44 731 310

Statement of changes in equity

SEK 000	Restricted equity			Non-restricted equity					Total equity
	Share capital	Statutory reserve	Fund for development expenses	Fund for fair value			Retained earnings or losses	Net result for the period	
				Fair value reserve	Translation reserve	Cash flow hedge reserve			
Opening balance 2018-01-01	78 994	193 655	243 021	26 919	130 774	8 444	4 104 642	283 861	5 070 310
IFRS 9 transition effect	-	-	-	-13 522	-	-	-205 257	-	-218 779
Adjusted opening balance 2018-01-01	78 994	193 655	243 021	13 397	130 774	8 444	3 899 385	283 861	4 851 531
Appropriation of profits	-	-	-	-	-	-	283 861	-283 861	-
Change in fund for development expenses	-	-	33 295	-	-	-	-33 295	-	-
Net result for the year	-	-	-	-	-	-	-	541 208	541 208
Other comprehensive income for the year	-	-	-	-4 905	52 217	4 178	-	-	51 490
Total comprehensive income for the year	-	-	-	-4 905	52 217	4 178	-	541 208	592 698
Shareholders contribution	-	-	-	-	-	-	-	-	-
Closing balance 2018-12-31	78 994	193 655	276 316	8 492	182 991	12 622	4 149 951	541 208	5 444 229
Opening balance 2019-01-01	78 994	193 655	276 316	8 492	182 991	12 622	4 149 951	541 208	5 444 229
Appropriation of profits	-	-	-	-	-	-	541 208	-541 208	-
Change in fund for development expenses	-	-	-11 448	-	-	-	11 448	-	-
Net result for the period	-	-	-	-	-	-	-	112 791	112 791
Other comprehensive income for the period	-	-	-	6 048	83 470	-7 607	-	-	81 911
Total comprehensive income for the period	-	-	-	6 048	83 470	-7 607	-	112 791	194 702
Closing balance 2019-06-30	78 994	193 655	264 868	14 540	266 462	5 014	4 702 607	112 791	5 638 931

Cash flow statement

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Operating activities			
Operating profit	+98 389	+235 422	+358 510
Adjustment for non-cash items	+2 002 210	+1 381 964	+3 404 402
Cash flows from operating activities before changes in working capital	+2 100 599	+1 617 386	+3 762 912
Cash flows from changes in working capital	-2 528 895	-1 528 894	-3 434 521
Cash flows from operating activities	-428 297	+88 492	+328 391
Cash flows from investing activities	-8 813	-46 397	-58 102
Cash flows from financing activities	-112 711	+245 477	+76 870
Cash flow for the period	-549 821	+287 572	+347 159
Cash and cash equivalents at beginning of the year	+2 169 819	+1 808 435	+1 808 435
Exchange rate difference in cash and cash equivalents	+78 592	+32 043	+14 225
Cash and cash equivalents at the end of the period	+1 698 590	+2 128 050	+2 169 819

The cash flow statement has been prepared using the indirect method. Reported cash flow includes only transactions that involve incoming or outgoing payments. Cash and cash equivalents are defined as cash and bank

balances with central banks and lending to credit institutions, of SEK 1,712 m (2,141) less deductions for current liabilities to credit institutions of SEK 12 m (13).

Notes

1 Accounting principles

This Interim Report has been prepared in accordance with IAS 34 and also complies with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reporting for credit institutions and securities companies in accordance with the applicable transitional rules (FFFS 2008:25), as well as the Swedish Financial Reporting Board's recommendation, RFR 2 Accounting for Legal Entities. Accordingly, the Bank applies statutory IFRS.

Per 1 January 2019 IFRS 16 Leasing Standards came into effect, replacing IAS 17 Leasing Standards. IFRS 16 implies changes for the lessee's lease accounting, while the lessor is expected to report consistent with current rules in IAS 17. As Ikano Bank applies the exemption in

RFR 2 for legal entities, IFRS 16 does not affect Ikano Bank's financial reports significantly, since the exemption continues to apply for IFRS 16 in 2019. RFR 2 allows for legal entities to report financial lease agreements as operational leases in the income statement and balance sheet. No other new standards are expected to have any significant impact on the Bank's financial reports 2019 or later in addition to the ones outlined here.

In other respects, the applied accounting policies and assessments in the Interim Report coincide with those applied in the Annual Report for 2018.

This Interim Report is presented in Swedish kronor (SEK), rounded to the nearest thousand (SEK 000) unless otherwise stated.

2 Operating segments

Jan-Jun 2019 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/ Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	392	159	100	14	301	305	35	269	1 575	-403	1 171
Interest expense	-132	-40	-45	-6	-95	-41	-8	-237	-603	403	-200
Total net interest income	260	119	55	8	206	264	27	32	971	-	971
Payment service commissions	5	1	-	0	-	6	-	-	12	-	12
Lending commissions	84	20	29	11	36	10	1	-	190	-	190
Compensation, mediated insurance	67	14	19	2	1	24	1	-	128	-	128
Other commissions	3	2	5	0	1	0	0	0	12	-	12
Commission income	160	36	53	14	38	40	2	0	343	-	343
Commission expenses	-66	-7	-23	-3	-26	-15	-3	-8	-150	-	-150
Commission, net	93	29	30	11	12	25	0	-8	192	-	192
Leasing income	1 003	532	311	136	-	-	-	-	1 982	-	1 982
Depreciation on leasing assets	-887	-467	-265	-120	-	-	-	-	-1 739	-	-1 739
Leasing income, net	116	65	47	16	-	-	-	-	243	-	243
Net interest, fee and leasing income	470	213	132	34	218	289	27	24	1 407	-	1 407
Other income	13	11	4	3	12	0	2	386	431	-371	61
Other direct expenses	-19	-5	-9	-4	-11	-13	-1	0	-62	-	-62
Operating margin before net loan losses and operational expenses	464	218	128	33	219	277	27	410	1 776	-371	1 405
Other expenses	-444	-186	-108	-34	-238	-234	-26	-391	-1 661	372	-1 289
Allocated overhead expenses	-5	-2	-1	0	-4	-5	0	0	-16	-1	-18
Operating result	15	31	18	0	-23	38	2	19	98	-	98
Of which:											
Total internal income	73	21	-	-	-	0	-	633	726	-726	-
Total external income	554	249	204	46	0	0	39	78	1 170	-	1 170
Total internal expenses	-210	-74	-92	-18	0	0	-15	-123	-532	532	-
Tax	-	-7	-	-	0	-10	-1	32	14	-	14
Net result for the period	15	24	18	0	-23	27	1	51	113	-	113

For more information on segment reporting see note 2 Accounting principles in the Annual Report 2018.

Jan-Jun 2018					United	Germany/			Shared	Total before			Total
SEK m	Sweden	Denmark	Norway	Finland	Kingdom	Austria	Poland	functions	eliminations	Eliminations			
Interest income	377	165	111	14	285	316	33	230	1 531	-350	1 182		
Interest expense	-114	-41	-40	-6	-86	-42	-8	-217	-553	350	-204		
Total net interest income	263	124	71	9	199	274	25	13	978	-	978		
Payment service commissions	5	1	-	1	-	6	-	-	13	-	13		
Lending commissions	85	18	30	11	39	9	1	0	194	-	194		
Compensation, mediated insurance	51	15	16	2	0	23	1	-	108	-	108		
Other commissions	12	1	6	0	0	0	0	0	19	-	19		
Commission income	154	35	52	13	39	39	2	0	334	-	334		
Commission expenses	-66	-8	-29	-4	-17	-14	-2	0	-142	-	-142		
Commission, net	87	27	24	9	22	25	0	0	192	-	192		
Leasing income	907	513	301	119	-	-	-	-	1 839	-	1 839		
Depreciation on leasing assets	-813	-449	-255	-102	-	-	-	-	-1 618	-	-1 618		
Leasing income, net	94	64	46	17	-	-	-	-	221	-	221		
Net interest, fee and leasing income	444	214	141	35	221	299	25	13	1 391	-	1 391		
Other income	10	11	3	2	13	-4	3	495	534	-470	64		
Other direct expenses	-24	-6	-7	-3	-12	-42	-1	-5	-100	-	-100		
Operating margin before net loan losses and operational expenses	430	219	137	34	223	253	27	503	1 825	-470	1 355		
Other expenses	-432	-175	-134	-36	-244	-76	-25	-437	-1 559	454	-1 106		
Allocated overhead expenses	-10	-6	-3	-1	-6	-5	0	0	-31	16	-14		
Operating result	-13	39	0	-2	-27	171	2	66	235	-	235		
Of which:													
Total internal income	60	17	-	-	-	-	-	699	775	-775	-		
Total external income	575	258	213	47	0	0	38	21	1 151	-	1 151		
Total internal expenses	-317	-67	-83	-15	0	0	-16	-84	-582	582	-		
Tax	-	-10	-	-	-1	-57	0	-46	-113	-	-113		
Net result for the period	-13	29	0	-2	-28	114	2	20	122	-	122		

Jan-Dec 2018					United	Germany/			Shared	Total before			Total
SEK m	Sweden	Denmark	Norway	Finland	Kingdom	Austria	Poland	functions	eliminations	Eliminations			
Interest income	749	329	215	29	566	627	67	472	3 055	-717	2 338		
Interest expense	-229	-83	-82	-12	-177	-81	-16	-441	-1 120	717	-403		
Total net interest income	520	247	133	17	389	546	52	31	1 935	-	1 935		
Payment service commissions	12	2	-	1	-	13	-	-	27	-	27		
Lending commissions	173	36	61	22	80	20	2	0	394	-	394		
Compensation, mediated insurance	117	27	36	4	-1	49	1	-	233	-	233		
Other commissions	20	2	12	0	0	1	1	0	35	-	35		
Commission income	322	66	109	27	79	82	4	0	690	-	690		
Commission expenses	-136	-17	-60	-9	-37	-33	-5	-1	-298	-	-298		
Commission, net	186	50	48	18	43	49	-1	-1	392	-	392		
Leasing income	1 880	1 043	610	257	-	-	-	-	3 790	-	3 790		
Depreciation on leasing assets	-1 687	-915	-517	-223	-	-	-	-	-3 342	-	-3 342		
Leasing income, net	193	129	93	33	-	-	-	-	448	-	448		
Net interest, fee and leasing income	900	425	274	68	432	595	51	30	2 775	-	2 775		
Other income	77	22	8	4	22	-4	4	874	1 006	-858	149		
Other direct expenses	-39	-10	-13	-6	-26	-50	-2	-5	-150	-	-150		
Operating margin before net loan losses and operational expenses	938	438	269	66	428	541	54	899	3 631	-858	2 774		
Other expenses	-870	-362	-248	-71	-472	-298	-50	-886	-3 256	875	-2 382		
Allocated overhead expenses	-3	-4	-1	1	-4	-6	1	-1	-16	-17	-33		
Operating result	65	72	20	-4	-48	237	5	13	359	-	359		
Of which:													
Total internal income	119	35	-	-	-	0	-	1 327	1 482	-1 482	-		
Total external income	1 236	514	424	93	0	0	76	0	2 343	-	2 343		
Total internal expenses	-602	-142	-168	-29	0	0	-28	-145	-1 114	1 114	-		
Appropriations	-	-	-	-	-	-	-	320	320	-	320		
Tax	-	-11	-7	-	-10	-87	0	-23	-137	-	-137		
Net result for the year	65	61	13	-4	-58	151	5	310	541	-	541		

External income

SEK m	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Corporate	411	376	761
Sales Finance	864	917	1 773
Consumer	495	499	962
Other	48	9	132
Total external income	1 818	1 801	3 628

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

Balance sheet

Balance sheet

30 Jun 2019	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	351	4	0	0	0	4	1	-	360
Deferred tax assets	88	-	-	-	4	25	-	-	116
Other assets	33 117	6 436	3 400	1 131	6 077	7 845	587	-14 243	44 352
Total assets	33 556	6 440	3 401	1 132	6 081	7 874	588	-14 243	44 828
Liabilities and provisions	30 692	5 094	3 054	1 210	6 013	6 294	697	-14 243	38 811
30 Jun 2018									
Fixed assets other than financial instruments	409	13	1	0	2	6	1	-	431
Deferred tax assets	99	-	-	-	8	22	-	-	129
Other assets	32 885	5 657	3 648	1 187	6 077	7 719	657	-13 282	44 548
Total assets	33 394	5 670	3 648	1 187	6 086	7 747	658	-13 282	45 108
Liabilities and provisions	30 574	4 392	3 331	1 261	5 965	6 247	767	-13 282	39 255
31 Dec 2018									
Fixed assets other than financial instruments	385	5	0	0	1	5	1	-	397
Deferred tax assets	88	-	-	-	4	24	-	-	115
Other assets	32 961	5 961	3 294	1 127	5 932	7 890	739	-13 685	44 219
Total assets	33 434	5 967	3 294	1 127	5 937	7 918	740	-13 685	44 731
Liabilities and provisions	30 594	4 695	2 985	1 202	5 849	6 423	845	-13 685	38 909

3 Net interest

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Interest income			
Loans to credit institutions	0	750	-1 642
Loans to the public	1 164 680	1 179 117	2 337 836
Interest bearing securities	6 749	723	1 932
Total	1 171 429	1 180 590	2 338 126
<i>Of which: interest income from financial assets not measured at fair value through profit or loss</i>	<i>1 164 680</i>	<i>1 179 867</i>	<i>2 336 193</i>
<i>interest income from non-performing loans</i>	<i>34 310</i>	<i>40 029</i>	<i>67 515</i>
Interest expense			
Liabilities to credit institutions	-17 412	-20 197	-40 078
Deposits from the public	-102 336	-103 980	-203 773
<i>Of which: deposit guarantee fee</i>	<i>-18 823</i>	<i>-19 448</i>	<i>-34 218</i>
Issued securities	-21 071	-12 902	-27 638
Derivatives	-37 231	-42 627	-85 693
- hedge accounting	-2 636	-4 720	-8 037
- not hedge accounting	-34 595	-37 907	-77 656
Subordinated liabilities	-12 055	-11 550	-23 303
Other interest expenses	-9 919	-11 380	-22 512
<i>Of which: resolution fee</i>	<i>-8 929</i>	<i>-10 600</i>	<i>-18 834</i>
Total	-200 025	-202 636	-402 997
<i>Of which: interest income from financial assets not measured at fair value through profit or loss</i>	<i>-162 793</i>	<i>-160 009</i>	<i>-317 304</i>
Total net interest income	971 404	977 954	1 935 129

4 Leasing income

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Leasing income, gross	1 981 703	1 839 412	3 790 090
Less: Depreciation according to plan	-1 738 562	-1 618 115	-3 341 934
Leasing income, net	243 142	221 297	448 156
Leasing income from financial lease agreements	1 981 703	1 839 412	3 790 090
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 738 562	-1 618 115	-3 341 934
Leasing income, net for financial lease agreements	243 142	221 297	448 156
Interest income	5 501	4 705	9 531
Interest expenses	-65 251	-54 420	-112 991
Leasing, net	183 391	171 582	344 696

5 Net commission

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Commission income			
Payment service commissions	12 484	12 829	26 922
Lending commissions	189 627	194 236	394 184
Other commissions	140 417	127 341	268 412
Total	342 528	334 406	689 518
Commission expenses			
Payment service commissions	-3 755	-1 326	-3 127
Lending commissions	-119 856	-150 300	-280 605
Other commissions	-30 074	-27 204	-52 622
Total	-153 686	-178 830	-336 354
Commission, net	188 842	155 576	353 164

6 Other operating income

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Realised gain arising from the disposal of tangible assets	16 306	12 234	29 262
One-off revenue SBAB	-	-	57 133
Other operating income	30 611	41 645	65 518
Total	46 918	53 879	151 913

7 Loan losses, net

SEK 000	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Stage 1 - Assets without significant increase in credit risk since initial recognition			
Change in provisions of receivables from stage 1	-14 198	6 428	28 020
Net cost for the period for loan losses - stage 1	-14 198	6 428	28 020
Stage 2 - Assets with significant increase in credit risk since initial recognition but not credit-impaired			
Change in provisions of receivables from stage 2	33 957	2 861	16 963
Write-off and removal of receivables from stage 2	-291 422	-92 407	-227 416
Recoveries from previously determined loan losses for stage 2	178 828	27 380	61 502
Net cost for the period for loan losses - stage 2	-78 637	-62 166	-148 952
Stage 3 - Credit-impaired assets			
Change in provisions of receivables from stage 3	-25 999	120 850	182 830
Write-off and removal of receivables from stage 3	-304 537	-469 857	-984 609
Recoveries from previously determined loan losses for stage 3	90 970	242 192	446 773
Net cost for the period for loan losses - stage 3	-239 566	-106 815	-355 006
Net cost for the period for loan losses - Total	-332 400	-162 553	-475 938

8 Tax expense for the period

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Current tax expense	19 645	-52 526	-56 594
Prior year's tax expense	-2 029	-1 525	-4 320
Changes in deferred tax	-3 214	-59 395	-76 388
Total tax expense for the period	14 402	-113 446	-137 302

1) Tax liabilities/claims related to foreign exchange rate effects for branches that initially has been recognised through OCI in the balance sheet, have been recognised in the tax expense for the period due to being offset against current refundable foreign tax expenses or tax losses.

9 Loans to the public

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Outstanding receivables, gross			
- Swedish currency	9 262 841	9 585 270	9 567 734
- Foreign currency	18 681 825	19 053 310	18 581 041
Total	27 944 666	28 638 580	28 148 775
Outstanding receivables per stage, gross			
- stage 1	23 637 531	23 753 798	23 273 351
- stage 2	3 511 393	3 944 743	4 080 083
- stage 3	795 740	940 039	795 342
Total outstanding receivables per stage, gross	27 944 664	28 638 580	28 148 775
<i>Of which: non-performing loans</i>	<i>795 740</i>	<i>940 039</i>	<i>795 342</i>
Provisions			
Provisions for assets in stage 1	-133 324	-135 522	-111 610
Provisions for assets in stage 2	-282 963	-308 534	-286 305
Provisions for assets in stage 3	-481 014	-543 783	-461 737
Total provisions	-897 300	-987 839	-859 652
Carrying amount, net			
- stage 1	23 504 207	23 618 276	23 161 741
- stage 2	3 228 430	3 636 209	3 793 778
- stage 3	314 727	396 256	333 605
Total carrying amount, net	27 047 365	27 650 741	27 289 123

10 Deposits from the public

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Public			
Swedish currency	12 364 291	13 101 139	12 757 321
Foreign currency	13 888 883	13 209 899	13 449 142
Total	26 253 174	26 311 038	26 206 463
Deposits specified by category of borrower			
Corporate sector	1 314 471	1 039 897	1 373 023
Household sector	24 938 702	25 271 141	24 833 440
Total	26 253 174	26 311 038	26 206 463

11 Issued securities

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Certificates of deposits	2 088 688	2 184 981	1 989 784
Bonds	5 398 008	5 299 208	5 148 713
Total	7 486 696	7 484 189	7 138 497

12 Related parties

The Bank has related party relationships with companies within the Ikano Group. Transactions with these companies are stated below. 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 from related parties.

SEK 000	Period	Income	Expenses	Receivables with related parties	Liabilities with related parties
Ikano S.A.	30 Jun 2019	-	-15 089	-	13 837
Ikano S.A.	30 Jun 2018	-	-14 460	15 513	22 405
Ikano S.A.	31 Dec 2018	-	-29 711	-	2 350
Other Group companies	30 Jun 2019	200	-26 632	3 172	874 623
Other Group companies	30 Jun 2018	-	-23 919	7 135	873 827
Other Group companies	31 Dec 2018	268	-50 605	7 240	851 273

13 Memorandum items

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Pledged assets	none	none	none
Contingent liabilities	693	669	693
Loan commitments, irrevocable	2 958 889	2 965 120	1 802 242
Unused credit limits	35 697 908	39 234 098	37 028 758

Unused credit limits means card limits and loan commitments arranged externally. Commitments consisting of granted unused credit can be

terminated effective immediately to the extent this is permitted under the Swedish Consumer Credit Act. The Bank has no pledged assets.

14 Financial assets and liabilities

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

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

Financial assets and liabilities

As described in the section Accounting principles, the transition to IFRS 9 has resulted in a number

of changes in the classification of financial assets and liabilities.

30 Jun 2019

SEK 000

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	58 363	-	58 363
Shares and participations	38 240	1 535	-	39 775
Financial assets at fair value through other comprehensive income				
Bonds and other interest-bearing securities	1 560 646	880 949	-	2 441 595
Treasury bills	1 272 852	120 053	-	1 392 905
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	16 306	-	16 306
Currency derivatives	-	10 811	-	10 811

30 Jun 2018

SEK 000

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	14 702	-	14 702
Shares and participations	22 059	1 535	-	23 594
Financial assets available for sale				
Bonds and other interest-bearing securities	1 388 866	960 656	-	2 349 522
Treasury bills	1 132 105	-	-	1 132 105
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	7 581	-	7 581
Currency derivatives	-	91 734	-	91 734

31 Dec 2018

SEK 000

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	169 161	-	169 161
Shares and participations	27 764	1 535	-	29 299
Financial assets at fair value through other comprehensive income				
Bonds and other interest-bearing securities	1 306 864	925 071	-	2 231 935
Treasury bills	1 282 293	-	-	1 282 293
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	7 715	-	7 715
Currency derivatives	-	-	-	-

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

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

No amounts have been offset in the balance sheet in 2019.

Ikano Bank receives and submits collateral for derivatives in the form of bank deposits in accordance with the standard terms in the ISDA Credit Support Annex.

		Amounts not offset in balance sheet					
30 Jun 2019		Offsetting in the	Net in balance	Netting	Issued/Received		
SEK 000	Gross value	balance sheet	sheet	agreements	collateral	Net value	
Derivatives	58 363	-	58 363	-24 779	-44 897	-	
Total financial assets	58 363	-	58 363	-24 779	-44 897	-	
Derivatives	27 117	-	27 117	-24 779	-2 716	-378	
Total financial liabilities	27 117	-	27 117	-24 779	-2 716	-378	
		Amounts not offset in balance sheet					
30 Jun 2018		Offsetting in the	Net in balance	Netting	Issued/Received		
SEK 000	Gross value	balance sheet	sheet	agreements	collateral	Net value	
Derivatives	14 702	-	14 702	-14 702	-	-	
Total financial assets	14 702	-	14 702	-14 702	-	-	
Derivatives	99 315	-	99 315	-14 702	-92 240	-7 627	
Total financial liabilities	99 315	-	99 315	-14 702	-92 240	-7 627	
		Amounts not offset in balance sheet					
31 Dec 2018		Offsetting in the	Net in balance	Netting	Issued/Received		
SEK 000	Gross value	balance sheet	sheet	agreements	collateral	Net value	
Derivatives	169 161	-	169 161	-7 715	-139 363	22 083	
Total financial assets	169 161	-	169 161	-7 715	-139 363	22 083	
Derivatives	7 715	-	7 715	-7 715	-	-	
Total financial liabilities	7 715	-	7 715	-7 715	-	-	

15 Risks and uncertainty factors

The Bank's earnings are affected by external changes that the company has no control over. The Bank's earnings performance is affected by factors including macroeconomic change such as unemployment, as well as fluctuations in interest and exchange rates. Risk management is an integrated component of the Bank's daily operations. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but it must also manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and CEO are ultimately responsible for risk management at Ikano Bank. Risk management is intended to

ensure that the risks do not exceed the risk mandates set by the Board. The Bank's risks are controlled centrally, but the responsibility for risk management rests primarily with local business units. This means that operating businesses own and manage the risk in daily operations. The central risk control function is responsible for monitoring and evaluating risk management.

Apart from what is stated in this Interim Report, more details are provided in Ikano Bank's Annual Report for 2018 and Ikano Bank's annual "Capital adequacy and risk management" report, available at www.ikanobank.se.

16 Capital management and capital adequacy

The below information is provided regarding own funds and own funds requirements in accordance with among others regulation (EU) No 575/2013 and the Swedish Financial Supervisory Authority's (SFSA) regulations regarding prudential requirements and capital buffers (2014:12).

The capital requirements regulations help to strengthen resilience against financial losses and thereby protect the Bank's customers. The regulations state that the Bank's own funds shall cover the minimum statutory own funds requirements, referred to as Pillar 1 requirements, which for Ikano Bank include the requirements for credit risk, credit valuation adjustment risk (CVA risk), operational risk and foreign exchange risk. In addition, the own funds requirements include further identified risks in the operation in accordance with the Bank's internal capital adequacy assessment process and the requirements stipulated by the Board of Directors, also referred to as Pillar 2 requirements and statutory requirements for capital buffers.

Ikano Bank has quantified tolerance levels for the CET 1 ratio and total capital ratio above regulatory requirements. The margins represent buffers adapted to the Bank's risk profile in order to cover identified risks based on probability and financial impact. To meet the anticipated expansion of loans, maintain strategic freedom of action and also handle external changes, the Board of Directors has also expressed target levels for the Bank's capital ratios as part of the risk appetite framework.

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

The risk control function is responsible for monitoring the process of the Bank's capital adequacy assessment. Capital requirements

resulting from the ICAAP are regularly reported to the SFSA.

As of 30 June 2019, the Bank had own funds of SEK 6.6 bn (6.4) of which SEK 5.8 bn are common equity Tier 1. The statutory own funds requirement for Pillar 1-risk amounted to SEK 3.0 bn (3.0). After a statutory minimum for common equity Tier 1 capital has been allocated to cover 75 percent of the total own funds requirement calculated in accordance with Pillar 1, a further SEK 3.5 bn remain available as common equity Tier 1 capital. The Internal own funds requirement in addition to Pillar 1 requirements totalled SEK 733 m and is covered by available capital. The total capital ratio was 17.6 percent with a Tier 1 capital ratio of 15.3 percent.

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 941 m and is covered 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 countercyclical 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 1.22 percent or SEK 460 m after weighting the applicable geographic requirements, which for the Bank mainly means Sweden, Norway and the UK. Ikano Bank's combined buffer requirement is SEK 1,402 m.

Per 1 January 2018, the new accounting standards IFRS 9 Financial Instruments entered into force. As mentioned in the Annual Report 2017, Ikano Bank has notified the SFSA of its decision to apply the transition rules introduced with article 473a capital requirements regulation (EU) No 575/2013 regarding the one-off effect. For the Bank, this effect was SEK 222 m after tax that will be gradually phased in into the capital adequacy over five years. The table on page 19 provides a comparison of Ikano Bank's own funds as well as capital and leverage ratios with and without the application of transitional arrangements for IFRS 9.

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

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Tier 1 capital	5 773 319	5 506 488	5 555 103
Tier 2 capital	865 289	860 294	839 330
Own funds	6 638 608	6 366 782	6 394 433
Total risk exposure amount	37 649 965	38 088 420	37 282 567
Total own funds requirements	3 011 997	3 047 074	2 982 605
Total capital ratio	17.6%	16.7%	17.2%
Tier 1 capital ratio	15.3%	14.5%	14.9%
Common equity Tier 1 capital ratio	15.3%	14.5%	14.9%
Available common equity Tier 1 capital	3 514 322	3 221 183	3 318 149
Available common equity Tier 1 capital in relation to Total risk exposure amount	9.3%	8.5%	8.9%
Capital conservation buffer	941 249	952 211	932 064
Counter-cyclical capital buffer	460 417	401 248	427 328
Combined buffer requirement	1 401 666	1 353 459	1 359 393

Specification of own funds

SEK 000	30 Jun 2019	30 Jun 2018	31 Dec 2018
Equity reported in the balance sheet	5 638 931	5 155 110	5 444 229
Share capital	78 994	78 994	78 994
Statutory reserve	193 655	193 655	193 655
Fund for development expenses	264 868	273 300	276 316
Fund for fair value	286 016	334 218	204 105
Retained earnings	4 702 607	4 152 967	4 149 951
Net result for the period	112 791	121 976	541 208
Untaxed reserves (78,6% of which) ¹⁾	297 231	544 562	294 962
CET1 capital before regulatory adjustments	5 936 162	5 699 673	5 739 191
CET1 capital: regulatory adjustments			
Intangible assets	-342 675	-403 341	-378 747
Cash flow hedge	-5 014	-844	-12 622
Value adjustments due to the requirements for prudential valuation	-3 943	-	-3 720
Adjustment for IFRS 9 one-off effect according to transitional arrangements	188 790	211 001	211 001
Total common equity Tier 1 capital	5 773 319	5 506 488	5 555 103
Total Tier 1 capital	5 773 319	5 506 488	5 555 103
Tier 2 capital			
Subordinated liabilities	865 289	860 294	839 330
Total Tier 2 capital	865 289	860 294	839 330
Total own funds	6 638 608	6 366 782	6 394 433

1) Calculated according to each year's applicable tax rate.

Specification of risk exposure amount and own funds requirements

SEK 000	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
Credit risk according to the standardised approach						
Regional governments or local authorities	11 530	922	11 221	898	11 304	904
Institutional exposures	457 274	36 582	510 692	40 855	513 564	41 085
Corporate exposures	4 020 684	321 655	4 234 101	338 728	3 872 700	309 816
Retail exposures	23 098 712	1 847 897	23 296 194	1 863 696	22 712 835	1 817 027
Equity exposures	39 775	3 182	23 594	1 888	29 299	2 344
Past due items	1 005 573	80 446	1 274 134	101 931	1 181 492	94 519
Covered bond exposures	109 405	8 752	111 136	8 891	107 746	8 620
Other items	434 366	34 749	514 494	41 160	428 674	34 294
Total credit risk	29 177 318	2 334 185	29 975 566	2 398 046	28 857 614	2 308 609
Operational risk according to the basic indicator approach						
	5 071 525	405 722	5 056 084	404 487	5 056 084	404 487
Foreign exchange risk according to the standardised approach						
	3 382 332	270 587	3 043 256	243 460	3 328 850	266 308
CVA according to the standardised method						
	18 789	1 503	13 514	1 081	40 019	3 202
Total	37 649 965	3 011 997	38 088 420	3 047 074	37 282 567	2 982 605

Leverage ratio

The Leverage ratio is a measure that provides an alternative to the risk-based capital requirement. The purpose is that it should be a clear and simple measure of capital strength. The measurement shows capital as a percentage of asset size, without considering the actual risk level of the assets. To date there is no legal minimum Leverage ratio. A minimum Leverage ratio of 3 per cent is introduced when the revised

Capital Requirements Regulation comes into effect 2021.

The Leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. For the Bank, the leverage ratio by 30 June 2019 is 12.2 percent (11.4) and thus above the future binding measure.

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

SEK m	30 Jun 2019	30 Jun 2018	31 Dec 2018
Available capital			
Common Equity Tier 1 (CET1) capital	5 773	5 506	5 555
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 585	5 295	5 344
Tier 1 capital			
Tier 1 capital	5 773	5 506	5 555
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 585	5 295	5 344
Total capital			
Total capital	6 639	6 367	6 394
Total capital as if IFRS 9 transitional arrangements had not been applied	6 450	6 156	6 183
Risk-weighted assets			
Total risk-weighted assets	37 650	38 088	37 283
Inphasing	104	164	126
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	37 546	37 925	37 157
Capital ratios			
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.3%	14.5%	14.9%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.9%	14.0%	14.4%
Tier 1 (as a percentage of risk exposure amount)	15.3%	14.5%	14.9%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.9%	14.0%	14.4%
Total capital (as a percentage of risk exposure amount)	17.6%	16.7%	17.2%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	17.2%	16.2%	16.6%
Leverage ratio			
Leverage ratio total exposure measure	47 514	48 402	47 259
Leverage ratio	12.2%	11.4%	11.8%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.8%	11.0%	11.4%

17 Liquidity

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

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

The Bank's liquidity reserve and operational portfolio shall always total at least 10 percent of deposits from the public. In addition to the liquidity reserve, the Bank shall maintain an intra-day liquidity of at least 4 percent of deposits from the public. Consequently the liquidity portfolio shall always amount to at least 14 percent of deposits from the public.

The liquidity reserve, together with other operating liquidity, is invested in interest-bearing securities in the markets where the Bank operates. Steering documents define that quality levels of securities included in the Bank's liquidity reserve are in line with the LCR Delegated Act. Intra-day liquidity manages the Bank's daily payment commitments. The liquidity in this portfolio shall be available within one day, and

shall consist of funds in bank accounts, investments available the next banking day (overnight) and committed bank overdraft facilities in the Bank's cash pool.

The liquidity reserve shall constitute a separate reserve of high-quality liquid assets, which are to be quickly convertible in case of market stress situations that affect the Bank's funding options. The liquidity reserve is invested in interest-bearing securities with a high credit rating in the Swedish market. The assets are to be available for realisation and conversion into cash at short notice. Unused bank overdraft facilities are not included in the liquidity portfolio.

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

The Bank's liquidity reserve amounts to SEK 2.4 bn and consists of high quality assets, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 30 June 2019 totalled SEK 5.5 bn excluding overdraft facilities and constitutes 21 percent of deposits from the public. It includes cash and balances with banks, the liquidity reserve and other interest-bearing securities with a value of SEK 1.5 bn. None of the assets are being utilised as collateral and no non-performing loans exist. In addition to the liquidity portfolio, committed credit facilities for a total of SEK 2.7 bn are available.

As of 30 June 2019, the Bank's liquidity coverage ratio (LCR) totalled 166 percent. This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent is applied since 1 January 2018.

Summary of liquidity reserve

SEK m	30 Jun 2019					
	Total	SEK	EUR	DKK	GBP	Other
Securities issued by regional governments and governments	1 277	862	-	39	376	-
Securities issued by financial companies	166	6	160	-	-	-
Covered bonds	1 094	718	306	70	-	-
Liquidity reserve	2 537	1 585	467	109	376	-
Operating liquidity invested in securities	1 305	1 305	-	-	-	-
Cash and balances with central banks and other banks	1 629	418	73	879	106	152
Total liquidity portfolio	5 471	3 309	540	988	483	152
Distribution across currencies (%)		60%	10%	18%	9%	3%
Other liquidity creating measures						
Unused committed credit facilities	2 748	514	1 395	603	236	-

SEK m	30 Jun 2018					
	Total	SEK	EUR	DKK	GBP	Other
Securities issued by regional governments and governments	1 134	914	-	40	181	-
Securities issued by financial companies	158	-	158	-	-	-
Covered bonds	1 111	704	159	70	178	-
Liquidity reserve	2 404	1 618	318	110	359	-
Operating liquidity invested in securities	1 077	1 077	-	-	-	-
Cash and balances with central banks and other banks	2 101	1 394	25	260	126	296
Total liquidity portfolio	5 582	4 089	342	370	484	296
Distribution across currencies (%)		73%	6%	7%	9%	5%
Other liquidity creating measures						
Unused committed credit facilities	3 096	512	1 396	952	236	-

SEK m	31 Dec 2018					
	Total	SEK	EUR	DKK	GBP	Other
Securities issued by regional governments and governments	1 282	968	-	38	277	-
Securities issued by financial companies	154	-	154	-	-	-
Covered bonds	1 072	644	190	68	170	-
Liquidity reserve	2 508	1 612	344	105	447	-
Operating liquidity invested in securities	1 006	1 006	-	-	-	-
Cash and balances with central banks and other banks	2 126	593	245	788	140	359
Total liquidity portfolio	5 640	3 211	589	893	587	359
Distribution across currencies (%)		57%	10%	16%	10%	6%
Other liquidity creating measures						
Unused committed credit facilities	2 822	822	1 168	605	226	-

The Bank's long-term funding plan aims at a well-diversified funding, taking into account the allocation of risks and financing costs.

Deposits from the public are regarded as the main funding source and the Bank aims to maintain a minimum ratio of deposits to total assets of 50 percent. Additional information

about the Bank's capital adequacy and liquidity risk management can be found in the Annual Report for 2018 and the information on capital adequacy and risk management for 2018. The documents are published on the Bank's website www.ikanobank.se.

Malmö, Sweden, 27 August 2019

The Board of Directors and the CEO certify that this Interim Report gives a true and fair view of the Bank's operations, financial position and results of operations, and describes significant risks and uncertainties faced by the Bank.

Mats Håkansson
Chairman

Diederick van Thiel
Board member

Lars Thorsén
Board member

Yohann Adolphe
Board member

Heather Jackson
Board member

Viveka Strangert
Board member

Lars Ljungälv
Board member

Henrik Eklund
CEO