

# Year-end report 2015-12

## Results for the full year 2015

- The outcome for 2015 is impacted by the merger with the German fellow subsidiary bank
- Business volume expanded by 32 percent to SEK 55.1 bn (41.8)
- Lending, including leasing, increased by 37 percent to SEK 30.1 bn (22.0)
- Deposits from the public rose by 34 percent to SEK 20.2 bn (15.1)
- Operating result increased 26 percent to SEK 562 m (447)
- Net interest income is up by 59 percent to SEK 2.0 bn (1.3)
- Return on equity rose marginally to 11.4 percent (11.3)
- Common equity Tier 1 ratio totaled 14.1 percent (15.1) and the total capital ratio was 16.8 percent (17.8)
- The liquidity reserve totaled SEK 3.8 bn and the total liquidity portfolio amounted to SEK 4.5 bn

## Results for the second half year 2015

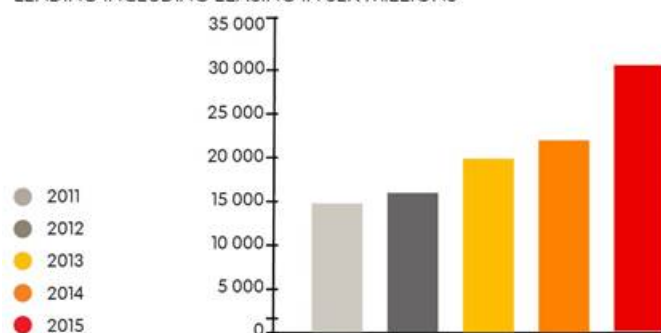
- Operating result increased 60 percent to SEK 323 m (201)
- Net interest income increased by 107 percent to SEK 1.4 bn (0.6)
- Return on equity rose to 13.1 percent (10.1)

Outlook for 2016: Our outlook for 2016 is positive. We anticipate continued gradual growth in the Consumer & Sales Finance business area, and continued positive growth in the Corporate business area. Costs will also be affected by investments in greater competitiveness and customer value in 2016.

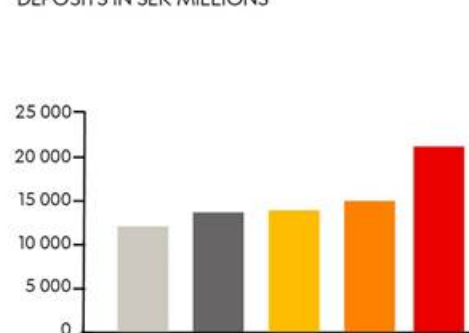
### Key ratios

	Jul-Dec 2015	Jul-Dec 2014	31 Dec 2015	31 Dec 2014
Total Capital ratio	16.8%	17.8%	16.8%	17.8%
Common equity Tier 1 ratio	14.1%	15.1%	14.1%	15.1%
Investment margin	8.6%	5.2%	6.4%	5.1%
Return on adjusted equity	13.1%	10.1%	11.4%	11.3%
Leverage ratio	9.4%	10.4%	9.4%	10.4%
C/I-ratio before loan losses	64.3%	65.6%	65.6%	64.4%
Loan loss ratio	2.2%	1.5%	1.6%	1.5%

LENDING INCLUDING LEASING IN SEK MILLIONS



DEPOSITS IN SEK MILLIONS



## Statement by the Managing Director

2015 was a positive year. Operating profit was in line with our expectations and increased by 26% to SEK 562 m, partly explained by the merger with our German fellow subsidiary. Our overall earnings will be subject to short-term charges for continued investments in greater competitiveness and customer benefit. We saw a sharp increase in our overall business volume, from SEK 42 bn to SEK 55 bn, partly due to the completed merger, and healthy growth on other markets, led by the UK and our Nordic business segment, was another strong contributor. Our 2014 product launches in Norway, Denmark and Finland performed better than expected in the year. The expansion of our offering on the UK market is continuing in 2016 with the addition of personal loans, and we are continuing to expand our offering across all markets.

### Continued expansion

The Bank is continuing its strategy of developing its offering and generating growth by broadening our services offering. The merger with Ikano's banking operations in Germany, Austria and Poland, which was executed in August, opens major and important markets.

### Continued progress in Consumer, Corporate and Sales Finance

In the Consumer segment, we are seeing positive demand for direct loans to consumers on markets where this service is being offered, mainly in Norway. For the third year running the Bank was awarded the top ranking in the card payments category in the Swedish Quality Index Survey (SKI) annual sector review. In Germany, a number of different products attracted attention, and the Bank gained nominations for Best Savings Account and Best Loan Products in the Berlin Bank Awards.

Demand remains strong in the Corporate segment for leasing and factoring business on several markets. In the UK, the Bank's market position advanced in the Sales Finance business area, through measures including new collaborations with a number of small and mid-sized home improvements and building supplies resellers.

### Investments in customer value

Our investments in sharper competitiveness and greater customer value are continuing and paying off, while earnings are still being charged with these investments. In autumn 2015, we took a decision to build a Nordic-wide customer care centre in Malmö, Sweden. We began to implement this decision in the year, and it is scheduled for completion by summer 2016. The aim is to continue to provide customers with good service, while we also build a more effective and flexible organization.

## Ikano Bank in brief

Ikano Bank has three business lines: Consumer, Sales Finance and Corporate. The Consumer business line conducts traditional banking operations that focus on consumers by offering simple and attractive savings and loan services. Sales Finance administers and markets finance and sales support, mainly to retailers. Corporate offers leasing solutions, mainly for office-related products, as well as factoring services to businesses.

Ikano Bank currently has operations in eight countries (Sweden, the UK, Norway, Denmark, Finland, Germany, Poland and Austria). As previously reported, the Dutch operations were closed down in 2015. Fellow subsidiary Ikano Insight Ltd. was acquired on 1 October 2015 and is now a subsidiary of the Bank. Sweden is the largest market and where Ikano Bank also has the broadest-based service offering. Ikano Bank offers a varied selection of services on other geographical markets. Ikano Bank has no physical offices, but delivers its services online.

## The Bank's result for the full year 2015

### Increased operating profit through merger and growth

Operating result for 2015 increased by 26% to SEK 562 (447) m. The merged operations contributed SEK 148 m to profit growth, and healthy volume and profitability trends in the UK operations also made a positive contribution. Operating profit benefitted from the VAT reimbursement relating to previous years. Profit was negatively affected by increased staff costs and external services associated with investments in increased competitiveness and customer value, as well as the slowdown of positive effects from the change in reporting currency since 2014.

### Merger, growth and margins yield improved net interest income

Net interest income increased by 59% to SEK 2.0 (1.3) bn, largely explained by higher returns from merged operations in Germany, Austria and Poland, as well as strong growth by the UK branch. Reduced costs for deposits and borrowing, as well as slightly improved lending margins, also had a positive effect on net interest income. The return on the Bank's liquidity portfolio fell as a result of the lower Swedish market interest rates.

### Marginally lower net leasing and higher commissions

Net leasing decreased by 4% to SEK 303 (316) m. Net leasing fell slightly on the Swedish market as a result of lower volumes, while it is also negatively affected by the positive effect from the change of accounting currency tapering off, which amounts to SEK 6.3 (18.5) m. On other markets, net leasing increased as a result of volume growth.

Net commissions increased marginally to SEK 367 (356) m. The operations in Germany and Poland made a positive contribution to the Bank's net commissions, while lower income from brokered insurance and increased commission costs on other markets had a negative impact.

### Higher costs due to expansion and investments

Operating expenses increased by 20% to SEK 4.0 (3.3) bn. Part of this increase is due to costs in the merged operations, but can also be explained by investments in increased competitiveness and customer value, as well as higher depreciation of leased assets on customers' behalf as a result of volume growth in the Corporate business area.

### Stable credit quality

Net loan losses increased by 34% to SEK 412 (308) m. The nominal increase is mainly due to additional loan losses in the merged operations. Loan losses as a proportion of average total lending increased marginally to 1.6% (1.5).

## The Bank's result for the second half-year 2015

### Improved operating profit

Operating profit increased by 60% to SEK 323 (201) m. The merged operations contributed SEK 148 m, although growth, mainly in the UK, also contributed. Operating profit was positively affected by the anticipated VAT reimbursement related to previous years. Profit was negatively affected by increased staff costs and external services related to investments in increased competitiveness and customer value.

### Stronger net interest income

Net interest income increased by 107% to SEK 1,337 (645) m. The change is due to additional net interest income from the operations in Germany and Poland, but also higher lending volumes mainly in the UK operations. Lower costs for deposits had a positive effect on net interest income. However, low Swedish market interest rates reduced the return on the Bank's liquidity portfolio.

### Lower net leasing and higher net commission income

Net leasing decreased by 6% to SEK 149 (158) m year on year. Net leasing income increased on foreign markets as a result of volume growth due to strong demand for financing from our partners in Corporate, while Swedish net leasing income decreased due to slightly lower volumes. Net leasing income was also negatively affected by slowdown in the positive effect from the change of reporting currency from EUR to SEK in 2014. Net commission income rose by 7% to SEK 197 (183) m. The operations in Germany and Poland made a positive contribution to net commission income, while lower income from brokered insurance and increased commission expenses on other markets contributed negatively.

### Merged operations generated increased operating costs

Operating costs increased by 28% to SEK 2.2 (1.7) bn. The increase is primarily a result of the inclusion of the operations in Germany, Austria and Poland in 2015, although increased depreciation on leased assets due to the volume growth in the Corporate business area also had an impact.

### Credit quality remains positive despite expansion

Net loan losses increased by 78% to SEK 288 (161) m. The increase is due to provisions for loan losses in the merged operations which were not included in the 2014 figures. Loan losses measured as a percentage of average total loans increased in the second half-year to 2.2% (1.5) as a result of increased provisions for loan losses in the German operations in the second half-year.

## The Bank's position as of 31 December 2015

### Increased deposits from the public

Deposits from the public increased by 34% to SEK 20.2 (15.1) bn. The German operations, which were merged in 2015, provided most, SEK 3.8 bn, of the increase of SEK 5.1 bn, although continued high growth of deposits in Denmark also contributed SEK 1.4 bn. Volumes on the Swedish market were stable. The Bank launched deposits on the UK market towards the end of 2015. Deposits are an important part of the Bank's funding, and stable growth over many years indicates client confidence in the Bank's ability to manage their savings.

### Positive growth in lending to the public

The Bank's lending to the public increased by 45% to SEK 24.1 (16.6) bn after provisions for loan losses, with the merged operations providing most of the increase, SEK 6.6 bn. Positive growth in the UK also made a significant contribution to the volume increase. On other geographical markets, volumes fell slightly in Sales Finance, while personal loan volumes increased slightly.

Leased assets held on customers' behalf increased by 10% to SEK 6.0 (5.4) bn as a result of strong demand for financing from our partners on markets in Denmark, Norway and Finland in the Corporate business area. Leasing volumes fell slightly on the Swedish market.

Intermediated mortgage volumes to SBAB increased by 3% to SEK 4.8 (4.7) bn.

### Growth and merger increase overall business volumes

Overall business volumes expanded by SEK 13.3 bn, or 32%, to SEK 55.1 (41.8) bn, of which the merged operations represent SEK 10.4 bn. The remainder of the increase is due to positive growth of the credit operations on the UK market and leasing operations on foreign markets, as well as increased deposit volumes in the Danish branch.

### Good liquidity reserve and high demand for the Bank's bonds

The Bank's liquidity portfolio expanded in 2015, and amounted to SEK 4.6 (3.3) bn at year-end, corresponding to 23% of the Bank's total deposits from the public.

The Bank regularly arranges funding on the Swedish capital markets. Demand for the Bank's short-term certificate programme and for the Bank's Medium Term Note programme was positive. In 2015, the Bank issued a total of three bonds with maturities of 3 to 5 years, with a positive outcome, and the Bank's short-term certificates were traded actively.

At year-end, the Bank's liquidity coverage ratio (LCR) was 160%. The ratio indicates the relationship between the Bank's highly liquid assets and net outflows over a 30-day period under stressed market conditions. A statutory

requirement for the liquidity coverage ratio of 60 percent applies since 1 October 2015, with an increasing phasing to 100 percent on January 1, 2018. For a healthy and stable liquidity management, the Bank has already decided to hold an LCR of over 100 percent.

The Own funds as of 31 December totaled SEK 5.0 bn, compared with the statutory own funds requirement of SEK 2.4 bn. The total capital ratio at the end of the first half-year was 16.8 percent (17.8) and the Tier 1 capital ratio was 14.1 percent (15.1).

## Events after 31 December 2015

After the period, no significant events have occurred that have affected the financial statements for 2015.

## Outlook

Our outlook for 2016 is positive and we anticipate continued development work focusing on customer value and rationalisation. We have a strong financial position, with good liquidity and a favourable market position.

## Annual Report

Ikano Bank's Annual Report will be available on the Bank's website during week 17.

## Next report date

Ikano Bank's results are published semi-annually. The interim report for the first half of 2016 will be available on the Bank's website at the end of August 2016. Ikano Bank publishes information regarding capital coverage and liquidity each quarter on the Bank's website.

## Other information

Ikano Bank AB (publ), corporate registration number 516406-0922, is a banking company with its registered office in Älmhult and its head office in Malmö. Ikano Bank is owned by Ikano S.A. with its registered office in Luxembourg. Originally part of IKEA, Ikano S.A. became a separate Group in 1988, in which Ikano Bank is included in Ikano's business area Finance. In addition to finance, the Ikano Group works with insurance, property and retail sales. Ikano Bank has operated its business under the banking license since 1995.

## Operation

Ikano Bank AB (publ) carries out banking operations that are subject to licensing by the Financial Supervisory Authorities in Sweden, Denmark, Norway, Finland, the UK, Germany, Austria and Poland. The foreign operations are branches of the Swedish operations, with the exception of the Austrian operations, which are conducted as cross-border operations.

## 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.

### **Älmhult, 24 February 2016**

We hereby certify, to the best of our knowledge, that the financial statements have been prepared in accordance with applicable accounting standards. 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 year-end report.

Board of Directors  
Ikano Bank AB (publ)

This report has not been audited.

## Income statement

SEK '000	Note	Jul-Dec 2015	Jul-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Interest income	5	1 568 550	819 980	2 405 079	1 627 942
Interest expense	5	-231 784	-174 842	-394 030	-366 150
<b>Net interest income</b>		<b>1 336 766</b>	<b>645 138</b>	<b>2 011 049</b>	<b>1 261 792</b>
Leasing income	6	1 232 257	1 168 619	2 427 472	2 274 816
Commission income	7	390 714	308 053	692 555	600 078
Commission expense	7	-193 916	-124 674	-325 815	-243 936
<b>Net commission</b>		<b>196 798</b>	<b>183 379</b>	<b>366 740</b>	<b>356 142</b>
Net gains and losses on financial transactions		-11 974	-8 295	-7 791	-7 234
Other operating income		40 428	75 487	158 679	192 347
<b>Total income</b>		<b>2 794 275</b>	<b>2 064 327</b>	<b>4 956 149</b>	<b>4 077 863</b>
General administrative expenses		-910 685	-604 519	-1 574 825	-1 194 145
Depreciation/amortisation and impairment of tangible and intangible assets	6	-1 107 312	-1 027 309	-2 166 987	-1 991 164
Other operating expenses		-165 939	-69 744	-240 467	-137 844
<b>Total expenses before loan losses</b>		<b>-2 183 936</b>	<b>-1 701 572</b>	<b>-3 982 279</b>	<b>-3 323 153</b>
<b>Profit before loan losses</b>		<b>610 340</b>	<b>362 755</b>	<b>973 870</b>	<b>754 710</b>
Loan losses, net	8	-287 525	-161 416	-412 347	-307 691
<b>Operating result</b>		<b>322 815</b>	<b>201 339</b>	<b>561 523</b>	<b>447 019</b>
Appropriations		-	121 747	-	-
Taxes		2 809	-106 975	-54 277	-130 305
<b>Net result for the period</b>		<b>325 624</b>	<b>216 112</b>	<b>507 246</b>	<b>316 715</b>

## Statement of comprehensive income

SEK '000	Jul-Dec 2015	Jul-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Net result for the period</b>	<b>325 624</b>	<b>216 112</b>	<b>507 246</b>	<b>316 715</b>
<b>Other comprehensive income</b>				
<b>Items that can be reclassified to profit for the period</b>				
Translation difference for the period, foreign branches	-77 623	17 015	-83 956	48 975
Changes in fair value on financial assets available-for-sale	-4 900	-168	-8 893	1 374
Cash flow hedges	3 601	-	3 601	-
Tax related to financial assets available-for-sale	1 956	-302	1 956	-302
Tax related to cash flow hedges	-792	-	-792	-
<b>Other comprehensive income for the year, net of tax</b>	<b>-77 758</b>	<b>16 545</b>	<b>-88 084</b>	<b>50 047</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>247 866</b>	<b>232 656</b>	<b>419 162</b>	<b>366 762</b>

# Balance sheet

SEK '000	Note	31 Dec 2015	31 Dec 2014
<b>Assets</b>			
Cash		24 816	19
Treasury bills		1 120 183	952 514
Loans to credit institutions		1 746 993	1 068 239
Loans to the public	9	24 105 331	16 573 488
Bonds and other interest-bearing securities		1 685 179	1 272 433
Shares and participations		4 323	3 585
Shares and participations in group companies		13 322	-
Intangible assets		187 930	44 366
Tangible assets		6 036 797	5 487 364
- <i>Other equipment</i>		69 807	61 573
- <i>Leasing assets</i>		5 966 990	5 425 791
Other assets		870 163	591 597
Deferred tax assets		205 990	65 245
Prepaid expenses and accrued income		284 735	126 692
<b>Total assets</b>		<b>36 285 762</b>	<b>26 185 542</b>
<b>Liabilities, provisions and equity</b>			
Liabilities to credit institutions		4 127 651	2 257 529
Deposits from the public	10	20 200 755	15 047 587
Change in fair value on interest-rate hedged items in the portfolio		8 630	15 466
Issued securities	11	4 217 938	2 984 873
Other liabilities		981 407	751 204
Accrued expenses and deferred income		1 311 339	1 022 195
Provisions		106 633	93 358
- <i>Provisions for pensions</i>		32 317	31 611
- <i>Deferred tax liabilities</i>		74 316	61 747
Subordinated liabilities		792 512	578 566
<b>Total liabilities and provisions</b>		<b>31 746 865</b>	<b>22 750 778</b>
<b>Untaxed reserves</b>		<b>698 157</b>	<b>698 157</b>
<b>Equity</b>			
<b>Restricted equity</b>		<b>272 649</b>	<b>272 633</b>
Share capital		78 994	78 978
Statutory reserve		193 655	193 655
<b>Non-restricted equity</b>		<b>3 568 091</b>	<b>2 463 975</b>
Fund for fair value		-724	87 359
Retained earnings		3 061 569	2 059 901
Net result for the year		507 246	316 715
<b>Total equity</b>		<b>3 840 740</b>	<b>2 736 608</b>
<b>Total liabilities, provisions and equity</b>		<b>36 285 762</b>	<b>26 185 542</b>
<b>Memorandum items</b>			
Pledged assets		none	none
Contingent liabilities		646	632
<b>Commitments</b>		<b>41 151 201</b>	<b>27 022 871</b>
Loan commitments		2 200 117	1 240 973
Unused credit limits		38 951 084	25 781 898



# Statement of changes in equity

SEK 000	Restricted equity		Non-restricted equity					Total equity	
	Share capital	Statutory reserve	Fund for fair value			Cash flow hedge reserve	Retained earnings or losses		Net result for the year
			Fair value reserve	Translation reserve					
<b>Opening balance 2014-01-01</b>	<b>78 978</b>	<b>193 655</b>	<b>3 390</b>	<b>33 921</b>		-	<b>1 869 525</b>	<b>190 376</b>	<b>2 369 845</b>
Appropriation of profits	-	-	-	-		-	190 376	-190 376	-
Net result for the year	-	-	-	-		-	-	316 715	316 715
Other comprehensive income for the year	-	-	1 072	48 975		-	-	-	50 047
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1 072</b>	<b>48 975</b>		<b>-</b>	<b>-</b>	<b>316 715</b>	<b>366 762</b>
<b>Closing balance 2014-12-31</b>	<b>78 978</b>	<b>193 655</b>	<b>4 462</b>	<b>82 896</b>		<b>-</b>	<b>2 059 901</b>	<b>316 715</b>	<b>2 736 607</b>
<b>Opening balance 2015-01-01</b>	<b>78 978</b>	<b>193 655</b>	<b>4 462</b>	<b>82 896</b>		<b>-</b>	<b>2 059 901</b>	<b>316 715</b>	<b>2 736 607</b>
Bonus issue	16	-	-	-		-	-	-	16
Merger difference	-	-	-	-		-	762 953	-	762 954
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
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-6 936</b>	<b>-83 956</b>	<b>2 809</b>	<b>-</b>	<b>-</b>	<b>507 246</b>	<b>419 163</b>
Group contributions paid	-	-	-	-		-	-100 000	-	-100 000
Tax regarding group contributions	-	-	-	-		-	22 000	-	22 000
<b>Closing balance 2015-12-31</b>	<b>78 994</b>	<b>193 655</b>	<b>-2 473</b>	<b>-1 060</b>	<b>2 809</b>	<b>3 061 569</b>	<b>507 246</b>	<b>507 246</b>	<b>3 840 740</b>

## Cash flow statement

SEK '000	2015	2014
<b>Operating activities</b>		
Operating result	<b>+561 523</b>	<b>+447 019</b>
Adjustment for non-cash items	+521 259	+526 387
<b>Cash flows from operating activities before changes in working capital</b>	<b>+1 082 781</b>	<b>+973 406</b>
Cash flow from changes in working capital	-2 355 813	-2 140 765
<b>Cash flows from operating activities</b>	<b>-1 273 032</b>	<b>-1 167 359</b>
<b>Cash flows from investing activities</b>	<b>-192 050</b>	<b>-50 344</b>
<b>Cash flows from financing activities</b>	<b>+1 310 216</b>	<b>+1 453 181</b>
<b>Cash flow for the year</b>	<b>-154 866</b>	<b>+235 478</b>
Cash and cash equivalents at beginning of the year	+1 057 905	+822 427
Cash and cash equivalents from merger	+863 347	-
<b>Cash and cash equivalents at the end of the year</b>	<b>+1 766 386</b>	<b>+1 057 905</b>

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 and bank balances with central banks as well as lending to credit institutions with deductions for current liabilities to credit institutions.

# Notes

## 1 Accounting principles

The year-end report is prepared in accordance with IAS 34 and also complies with the Annual Accounts Act for credit institutions and securities companies (AACS), the Financial Supervisory Authority and general advice on Annual Accounts for Credit Institutions and Securities Companies in accordance with the amending Regulations (FFFS 2008:25), and the Swedish Financial Reporting Board's recommendation RFR

2 Accounting for Legal Entities. On this basis, the bank applies statutory IFRS. The accounting policies applied and assessments coincides with those applied in the annual financial statements for 2014 except for the change described below.

The year-end report is presented in Swedish kronor (SEK), rounded to the nearest thousand (SEK 000s) unless otherwise stated.

## 2 Business acquisition

1 October 2015, all shares in the subsidiary, Ikano Insight Ltd. 2015 were acquired. For 2015 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 AB.

### Ikano Insight Ltd.'s net assets at the acquisition date

SEK 000	2015
Loans to credit institutions	12 143
Intangible assets	1 710
Other assets	9 674
Other liabilities	-6 240
<b>Net identifiable assets and liabilities</b>	<b>17 287</b>
<b>Purchase price, paid in cash</b>	<b>13 322</b>
Net effect on cash and cash equivalents	13 322

### Financial position and results of Ikano Insight Ltd as of December 31, 2015

SEK 000	2015
Net interest income	254
Net commission	-12 567
Other operating income	61 823
<b>Total operating income</b>	<b>49 510</b>
General administrative expenses	-39 689
Other operating expenses	-1 672
Taxes	-1 196
<b>Net result for the year</b>	<b>6 953</b>

SEK 000	2015
<b>Assets</b>	
Loans to credit institutions	14 864
Intangible assets	1 566
Other	16 689
<b>Total assets</b>	<b>33 119</b>
<b>Liabilities and equity</b>	
Other	13 148
Equity	19 971
<b>Total liabilities and equity</b>	<b>33 119</b>

### 3 Merged companies

On August 3, sister company Ikano Bank GmbH (HRB 69 100), with operations in Germany, Austria and Poland merged with Ikano Bank AB (publ). The merger was effected by absorption

and all assets and liabilities were taken over. Below is information about Ikano Bank GmbH's balance sheet and profit at the merger date.

SEK 000	2015-08-03
<b>Balance sheet</b>	
<b>Assets</b>	
Loans to credit institutions	863 347
Loans to the public	6 651 333
Other assets	109 377
<b>Total assets</b>	<b>7 624 057</b>
<b>Liabilities and equity</b>	
Liabilities to credit institutions	1 792 038
Deposits from the public	4 400 020
Other liabilities	367 946
Subordinated liabilities	232 126
Equity	831 927
<b>Total liabilities and equity</b>	<b>7 624 057</b>
<b>Profit and loss information</b>	
Net Sales	430 761
Operating income	76 819

### 4 Operating segments

2015 SEK m	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	807	315	173	24	0	546	704	37	371	2 977	-572	2 405
Interest cost	-278	-67	-60	-4	0	-106	-86	-10	-356	-966	572	-394
<b>Total net interest income</b>	<b>529</b>	<b>248</b>	<b>113</b>	<b>20</b>	<b>0</b>	<b>440</b>	<b>618</b>	<b>27</b>	<b>15</b>	<b>2 011</b>	-	<b>2 011</b>
Commission income	296	71	96	20	0	111	93	5	0	693	-	692
Commission expenses	-111	-11	-52	-4	0	-55	-62	-4	-1	-300	-	-300
<b>Commission, net</b>	<b>185</b>	<b>60</b>	<b>44</b>	<b>16</b>	<b>0</b>	<b>56</b>	<b>31</b>	<b>1</b>	<b>-1</b>	<b>392</b>	-	<b>392</b>
Lease income	1 295	678	443	12	-	-	-	-	-	2 427	-	2 427
Depreciation on leasing assets	-1 157	-586	-372	-9	-	-	-	-	-	-2 124	-	-2 125
<b>Leasing income, net</b>	<b>138</b>	<b>92</b>	<b>70</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303</b>	-	<b>302</b>
<b>Net Interest, fee and leasing Income</b>	<b>852</b>	<b>400</b>	<b>228</b>	<b>39</b>	<b>0</b>	<b>496</b>	<b>650</b>	<b>28</b>	<b>15</b>	<b>2 706</b>	-	<b>2 705</b>
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
<b>Operating margin before net loan losses and operational expenses</b>	<b>813</b>	<b>402</b>	<b>220</b>	<b>36</b>	<b>0</b>	<b>478</b>	<b>632</b>	<b>32</b>	<b>835</b>	<b>3 447</b>	<b>-739</b>	<b>2 707</b>
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
Exchange rate effects	-	-	-	-	-	-	-	-	-	0	-	0
<b>Operating profit</b>	<b>145</b>	<b>130</b>	<b>33</b>	<b>1</b>	<b>-7</b>	<b>106</b>	<b>149</b>	<b>-1</b>	<b>5</b>	<b>561</b>	-	<b>561</b>
Of which:												
<i>Total internal income</i>	171	18	-	-	-	-	31	-	1 092	1 312	-1 312	-
<i>Total external income</i>	1 076	487	346	48	0	667	784	47	99	3 554	-	3 554
<i>Total internal expenses</i>	-412	-3	-114	-15	-1	-182	-132	-19	-433	-1 312	1 312	-
Tax expense	-	-33	-5	-	-	-27	-40	0	51	-54	-	-54
<b>Net profit for the year</b>	<b>145</b>	<b>97</b>	<b>28</b>	<b>1</b>	<b>-7</b>	<b>79</b>	<b>109</b>	<b>-1</b>	<b>56</b>	<b>507</b>	-	<b>507</b>

2014	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Shared functions	Total before eliminations	Eliminations	Total
Interest income	975	292	168	23	4	415	437	2 314	-685	1 629
Interest cost	-451	-62	-65	-3	0	-73	-397	-1 052	365	-686
<b>Total net interest income</b>	<b>525</b>	<b>230</b>	<b>103</b>	<b>19</b>	<b>3</b>	<b>342</b>	<b>40</b>	<b>1 262</b>	<b>-320</b>	<b>942</b>
Comission income	296	77	102	20	0	106	0	600	-	600
Comission expenses	-116	-7	-47	-4	-1	-49	0	-224	-	-224
<b>Comission, net</b>	<b>179</b>	<b>69</b>	<b>55</b>	<b>16</b>	<b>-1</b>	<b>57</b>	<b>0</b>	<b>375</b>	<b>-</b>	<b>375</b>
Lease income	1 251	590	415	0	-	-	-	2 256	320	2 577
Depreciation on leasing assets	-1 104	-506	-348	0	-	-	-	-1 959	-	-1 959
<b>Leasing Income, net</b>	<b>147</b>	<b>84</b>	<b>67</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>298</b>	<b>320</b>	<b>618</b>
<b>Net interest, fee and leasing income</b>	<b>850</b>	<b>383</b>	<b>226</b>	<b>35</b>	<b>2</b>	<b>399</b>	<b>40</b>	<b>1 935</b>	<b>-</b>	<b>1 935</b>
Other income	10	25	7	0	0	7	506	555	-365	190
Other direct expenses	-43	-25	-14	-4	0	-30	0	-117	0	-117
<b>Operating margin before net loan losses and operational expenses</b>	<b>817</b>	<b>383</b>	<b>218</b>	<b>31</b>	<b>2</b>	<b>376</b>	<b>546</b>	<b>2 374</b>	<b>-365</b>	<b>2 009</b>
Other expenses	-367	-192	-133	-18	-19	-234	-589	-1 552	365	-1 186
Allocated overhead expenses	-203	-54	-44	-7	-3	-52	-25	-389	0	-389
Exchange rate effects	-	-	-	-	-	-	13	13	-	13
<b>Operating profit</b>	<b>247</b>	<b>138</b>	<b>41</b>	<b>6</b>	<b>-20</b>	<b>90</b>	<b>-54</b>	<b>447</b>	<b>0</b>	<b>447</b>
Of which:										
Total internal income	275	32	-	-	-	-	728	1 035	-1 035	-
Total external income	1 312	475	345	61	0	529	-	2 722	-	2 722
Total internal expenses	-397	-59	-101	-9	-4	-109	-355	-1 035	1 035	-
Tax expense	-	-35	-7	-	-	-22	-66	-130	-	-130
<b>Net profit for the year</b>	<b>247</b>	<b>102</b>	<b>34</b>	<b>6</b>	<b>-20</b>	<b>68</b>	<b>-121</b>	<b>317</b>	<b>-</b>	<b>317</b>

#### External income

SEK m	2015	2014
Corporate	530	539
Sales Finance	2 096	1 577
Consumer	778	594
Other	150	12
<b>Total external income</b>	<b>3 554</b>	<b>2 722</b>

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

#### Balance Sheet

2015	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Germany	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
<b>Total assets</b>	<b>30 185</b>	<b>4 441</b>	<b>2 458</b>	<b>367</b>	<b>-</b>	<b>6 124</b>	<b>6 462</b>	<b>490</b>	<b>-14 241</b>	<b>36 286</b>
<b>Liabilities and provisions</b>	<b>27 745</b>	<b>3 602</b>	<b>2 159</b>	<b>390</b>	<b>75</b>	<b>5 925</b>	<b>5 502</b>	<b>589</b>	<b>-14 241</b>	<b>31 747</b>

#### 2014

SEK m	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Eliminations	Total
Fixed assets other than financial instruments	25	61	2	0	0	18	-	106
Deferred tax assets	60	0	0	0	0	5	-	65
Other assets	26 672	4 010	2 300	265	21	5 120	-12 374	26 014
<b>Total assets</b>	<b>26 757</b>	<b>4 070</b>	<b>2 302</b>	<b>265</b>	<b>21</b>	<b>5 144</b>	<b>-12 374</b>	<b>26 186</b>
<b>Liabilities and provisions</b>	<b>24 417</b>	<b>3 299</b>	<b>2 002</b>	<b>290</b>	<b>92</b>	<b>5 024</b>	<b>-12 374</b>	<b>22 751</b>

## 5 Net interest income

SEK '000	Jul-Dec 2015	Jul-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Interest income</b>				
Loans to credit institutions	4	931	17	2 657
Loans to the public	1 567 201	809 118	2 399 935	1 600 871
Interest-bearing securities	1 345	9 931	5 127	24 414
<b>Total</b>	<b>1 568 550</b>	<b>819 980</b>	<b>2 405 079</b>	<b>1 627 942</b>
<b>Interest expense</b>				
Liabilities to credit institutions	-27 345	-18 847	-44 769	-36 824
Deposits from the public	-125 171	-110 895	-218 823	-253 927
<i>Of which: deposit assurance fee</i>	-9 232	-6 282	-16 920	-14 317
Issued securities	-14 975	-25 810	-34 242	-50 970
Derivatives	-43 692	-2 292	-62 111	7 684
Subordinated liabilities	-10 819	-10 868	-19 824	-21 927
Other interest expenses	-9 782	-6 130	-14 261	-10 186
<i>of which: stability fee</i>	-3 881	-4 031	-8 137	-7 884
<b>Total</b>	<b>-231 784</b>	<b>-174 842</b>	<b>-394 030</b>	<b>-366 150</b>
<b>Total net interest income</b>	<b>1 336 766</b>	<b>645 138</b>	<b>2 011 049</b>	<b>1 261 792</b>

## 6 Leasing income

SEK '000	Jul-Dec 2015	Jul-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Leasing income, gross	1 232 257	1 168 619	2 427 472	2 274 816
Less: Depreciation according to plan	-1 083 186	-1 010 569	-2 124 969	-1 958 603
<b>Leasing income, net</b>	<b>149 071</b>	<b>158 050</b>	<b>302 503</b>	<b>316 213</b>
Leasing income from financial lease agreements	1 232 257	1 168 619	2 427 472	2 274 816
Depreciation according to plan for assets that are financial lease agreements, but are reported as operating leases	-1 083 186	-1 010 569	-2 124 969	-1 958 603
<b>Leasing income, net for financial lease agreements</b>	<b>149 071</b>	<b>158 050</b>	<b>302 503</b>	<b>316 213</b>
Effect on leasing income, net due to earlier reporting currency EUR	2 257	6 453	6 277	18 545
<b>Leasing, net excl. effect above</b>	<b>146 814</b>	<b>151 597</b>	<b>296 227</b>	<b>297 668</b>

## 7 Commission, net

SEK '000	Jul-Dec 2015	Jul-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Commission income</b>				
Payment service commissions	17 159	6 165	22 660	12 281
Lending commissions	228 547	203 499	424 824	394 512
Other commissions	145 009	98 390	245 071	193 285
<b>Total</b>	<b>390 714</b>	<b>308 054</b>	<b>692 555</b>	<b>600 078</b>
<b>Commission expense</b>				
Payment brokerage commissions	-41 430	-2 857	-43 796	-5 800
Lending commissions	-132 046	-107 390	-249 448	-212 071
Other commissions	-20 440	-14 429	-32 571	-26 065
<b>Total</b>	<b>-193 916</b>	<b>-124 675</b>	<b>-325 815</b>	<b>-243 936</b>
<b>Net commission</b>	<b>196 798</b>	<b>183 378</b>	<b>366 740</b>	<b>356 142</b>

## 8 Loan losses, net

SEK '000	Jul-Dec 2015	Jul-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
<b>Specific provision for individually assessed loans receivable</b>				
Provisions for the period	-5 763	-1 615	-32 615	-35 538
Write-off for the period for determined loan losses	-126 178	-18 795	-144 899	-39 302
Reversal of previous provisions for loan losses reported in the annual accounts as determined loan losses	23 175	220	32 682	17 153
Recoveries from previous periods' established loan losses	26	8 460	7 943	16 319
<b>Net cost for the period for individually assessed loan receivables</b>	<b>-108 740</b>	<b>-11 730</b>	<b>-136 889</b>	<b>-41 368</b>
<b>Specific provision for collectively assessed loans</b>				
Provision/dissolution of reserve for loan losses	-8 112	-50 974	-12 143	-78 347
Write-off for determined loan losses for the period	-231 172	-151 018	-388 063	-292 293
Recoveries from previous periods' established loan losses	60 498	52 306	124 748	104 318
<b>Net cost for the period for collectively assessed loan receivables</b>	<b>-178 785</b>	<b>-149 686</b>	<b>-275 458</b>	<b>-266 323</b>
<b>Net costs for the period for loan losses</b>	<b>-287 525</b>	<b>-161 416</b>	<b>-412 347</b>	<b>-307 691</b>
<b>Loan loss ratio</b>	<b>2.2%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.5%</b>

## 9 Loans to the public

SEK 000	2015	2014
<b>Outstanding receivables, gross</b>		
- Swedish currency	7 904 512	7 983 054
- Foreign currency	17 338 964	9 385 438
<b>Total</b>	<b>25 243 476</b>	<b>17 368 492</b>
<i>Of which: non performing loans</i>	1 686 750	1 089 767
Specific provision for individually assessed receivables	-11 032	-11 888
Specific provision for collective assessed receivables	-1 127 113	-783 116
<b>Carrying amount, net</b>	<b>24 105 331</b>	<b>16 573 488</b>

## 10 Deposits from the public

SEK 000	2015	2014
<b>Public</b>		
- Swedish currency	14 513 715	14 501 037
- Foreign currency	5 687 040	546 550
<b>Total</b>	<b>20 200 755</b>	<b>15 047 587</b>
<b>Deposits specified by category of borrower</b>		
Corporate sector	106 983	259 887
Household sector	20 093 772	14 787 700
<b>Total</b>	<b>20 200 755</b>	<b>15 047 587</b>

## 11 Issued securities

SEK 000	2015	2014
Certificates of deposits	1 119 463	836 160
Bonds	3 098 475	2 148 713
<b>Total</b>	<b>4 217 938</b>	<b>2 984 873</b>

## 12 Related parties

The Bank has related-party relationships with companies within the Group. Transactions with these are shown below. Consolidated financial statements are prepared by Ikano SA, Luxembourg.

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

SEK 000	Year	Income	Expenses	Receivables with related parties, 31 December	Liabilities with related parties, 31 December
Ikano S.A.	2015	1 398	-56 645	-	810 590
Ikano S.A.	2014	3 103	-57 696	320	589 965
Other Group companies	2015	23 801	-16 794	18 062	113 945
Other Group companies	2014	116 475	-22 527	4 054	8 937

## 13 Financial assets and liabilities

The following table provides information about how the fair value of financial instruments that are valued 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 reported at fair value in the balance sheet

2015	Level 1	Level 2	Level 3	Total
<b>SEK 000</b>				
<b>Financial assets at fair value through profit or loss</b>				
Interest rate derivatives	-	69 311	-	69 311
Currency derivatives	-	274 948	-	274 948
<b>Financial assets available-for-sale</b>				
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 <sup>1)</sup>	2 788	1 535	-	4 323
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	30 010	-	30 010
Currency derivatives	-	388	-	388
<b>2014</b>				
<b>SEK 000</b>				
<b>Financial assets at fair value through profit or loss</b>				
Interest rate derivatives	-	70 181	-	70 181
Currency derivatives	-	78 979	-	78 979
<b>Financial assets available-for-sale</b>				
Bonds and other interest-bearing securities	947 565	324 868	-	1 272 433
Treasury bills	952 514	-	-	952 514
Shares and participations <sup>1)</sup>	2 050	1 535	-	3 585
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	8 306	-	8 306
Currency derivatives	-	210 452	-	210 452

The Bank owns shares in Finansiell Id-Teknik Bid AB, which are included in level 2 of the valuation category Financial assets available for sale. The Bank does not intend to sell these shares in any near future.

## 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 2015.

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.

2015 SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Amounts not offset in Balance Sheet		
				Netting agreements	Issued/Received collateral	Net value
Derivatives	344 259	-	344 259	-9 738	-245 012	89 509
<b>Total financial assets</b>	<b>344 259</b>	<b>-</b>	<b>344 259</b>	<b>-9 738</b>	<b>-245 012</b>	<b>89 509</b>

Derivatives	30 398	-	30 398	-9 738	-	20 660
<b>Total financial liabilities</b>	<b>30 398</b>	<b>-</b>	<b>30 398</b>	<b>-9 738</b>	<b>-</b>	<b>20 660</b>

2014 SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Amounts not offset in Balance Sheet		
				Netting agreements	Issued/Received collateral	Net value
Derivatives	149 160	-	149 160	-137 225	-11 600	335
<b>Total financial assets</b>	<b>149 160</b>	<b>-</b>	<b>149 160</b>	<b>-137 225</b>	<b>-11 600</b>	<b>335</b>

Derivatives	218 758	-	218 758	-137 225	-74 000	7 533
<b>Total financial liabilities</b>	<b>218 758</b>	<b>-</b>	<b>218 758</b>	<b>-137 225</b>	<b>-74 000</b>	<b>7 533</b>



## 14 Capital adequacy and liquidity

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 SFS. The capital requirement of the ICAAP in addition to pillar 1 requirements for 31 December 2015 totalled SEK 859 m.

Ikano Bank's risk tolerance is that the total capital ratio should never fall below 14 percent, i.e. 6 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.

In the calculation of own funds requirements for credit risk under Pillar 1, the Bank uses the standardised approach which includes 17 exposure categories with defined risk weights. Own funds requirements for operational risk are calculated using the basic indicator approach which means that the own funds requirement is 15 percent of the

average for the prior three years' operating revenues. Own funds requirements for foreign exchange risk cover all on and off balance sheet items measured at market value and converted to Swedish kronor at the closing rate. Four percent of the total net positions in foreign currency are estimated capital requirement for the majority of the exposures consisting of closely correlated currencies. For other currencies, a capital requirement of eight percent applies.

As of 31 December 2015, the Bank had own funds of SEK 5.0 bn (3.8) compared with the statutory own funds requirement for Pillar 1-risk of SEK 2.4 bn (1.7). The total capital ratio was 16.8 percent with a Tier 1 capital ratio of 14.1 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 4.2 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 2.4 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 741 m and is covered well by the available common equity Tier 1 capital. On 13 September 2015 an additional buffer requirement was introduced, obliging institutes to maintain an institution-specific countercyclical buffer (CCB). The CCB is determined by multiplying the total risk exposure amount with the weighted average of the CCB 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 0.44% or SEK 129 m after weighting the applicable geographic requirements, which for the Bank means Sweden and Norway. Ikano Banks combined buffer requirement is SEK 871 m.

## Compilation of Own funds, Risk exposure amount and Own funds requirements

SEK 000	2015	2014
Tier 1 capital	4 194 564	3 232 341
Tier 2 capital	792 512	578 566
<b>Own funds</b>	<b>4 987 076</b>	<b>3 810 906</b>
<b>Total risk exposure amount</b>	<b>29 646 534</b>	<b>21 401 606</b>
<b>Total own funds requirements</b>	<b>2 371 723</b>	<b>1 712 129</b>
<b>Total Capital ratio</b>	<b>16.8%</b>	<b>17.8%</b>
<b>Tier 1 Capital ratio</b>	<b>14.1%</b>	<b>15.1%</b>
<b>Common equity Tier 1 ratio</b>	<b>14.1%</b>	<b>15.1%</b>
<b>Available common equity Tier 1 Capital</b>	<b>2 415 772</b>	<b>1 948 245</b>
<b>Available common equity Tier 1 Capital in relation to Total risk exposure amount</b>	<b>8.1%</b>	<b>9.1%</b>
Capital conservation buffer	741 163	535 040
Counter-cyclical capital buffer	129 434	-
<b>Combined buffer requirement</b>	<b>870 597</b>	<b>535 040</b>

## Specification of Own funds

SEK 000	2015	2014
<b>Own funds</b>		
<b>Tier 1 capital</b>		
Equity reported in the balance sheet	3 840 740	2 736 607
Share capital	78 994	78 978
Statutory reserve	193 655	193 655
Fund for fair value	-724	87 358
Retained earnings	3 061 569	2 059 901
Net result for the year	507 246	316 715
Untaxed reserves (78% of which)	544 562	544 562
Less:		
Intangible assets and deferred tax assets	-187 930	-44 366
Unrealised changes in fair value recognised in fund for fair value	-	-4 462
Cash flow hedge	-2 809	-
<b>Total Tier 1 Capital</b>	<b>4 194 564</b>	<b>3 232 341</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>4 194 564</b>	<b>3 232 341</b>
<b>Tier 2 capital</b>		
Subordinated liabilities	792 512	578 566
<b>Total Tier 2 Capital</b>	<b>792 512</b>	<b>578 566</b>
<b>Total own funds</b>	<b>4 987 076</b>	<b>3 810 906</b>

## Specification of Risk exposure amount and Own funds requirements

SEK 000	2015		2014	
	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
<b>Credit risk according to the standardised approach</b>				
Exposures to states and central banks	480	38	-	-
Exposures to public sector entities	9	1	-	-
Institutional exposure	517 457	41 397	313 921	25 114
Corporate exposure	1 142 084	91 367	967 878	77 430
Retail exposure	20 902 056	1 672 165	15 019 195	1 201 536
Equity exposure	17 645	1 412	-	-
Past due items	524 911	41 993	453 287	36 263
Covered bond exposure	83 165	6 653	62 563	5 005
Other items	580 438	46 435	362 458	28 997
<b>Total credit risk</b>	<b>23 768 245</b>	<b>1 901 460</b>	<b>17 179 302</b>	<b>1 374 344</b>
<b>Operational risk according to the basic indicator approach</b>	<b>4 441 200</b>	<b>355 296</b>	<b>3 408 379</b>	<b>272 670</b>
<b>Foreign exchange risk according to the standardised approach</b>	<b>1 437 090</b>	<b>114 967</b>	<b>813 925</b>	<b>65 114</b>
<b>Total</b>	<b>29 646 534</b>	<b>2 371 723</b>	<b>21 401 606</b>	<b>1 712 129</b>

## 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 leverage ratio is calculated using the Tier 1 capital as a percentage of total assets, based on average values of the last three months. For the Bank, the leverage ratio per 31 December 2015 is 9.4 percent. The Bank therefore considers itself to have a comfortable level of capital strength.

## 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 composition and size of the Bank's liquidity portfolio and the liquidity reserve is regulated in the Bank's steering documents, which are adopted by the Bank's Board of Directors.

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

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

The liquidity reserve, along with other operating liquidity, is invested in interest-bearing securities in markets in the Nordic region. Steering documents define what quality levels the securities 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 operating liquidity is managed in the operational 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 liquidity coverage requirements.

The SFSA, 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 3.8 bn. These assets are of high quality, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio totaled SEK 4.5 bn (3.3) as of 31 December 2015, 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 0.7bn. None of the assets are being utilised as collateral and no non-performing loans exist. Valuation was carried out at market value.

In addition to the liquidity portfolio, committed credit facilities totaling SEK 1.2 bn (1.8) exist.

At 31 December 2015, the Bank's liquidity coverage ratio (LCR) totaled 160 percent. This measure shows how the Bank's highly liquid assets are related to net outflows over a thirty-day period under strained conditions. A statutory requirement for the liquidity coverage ratio of 60 percent applies since 1 October 2015, with an increasing phasing to 100 percent on January 1, 2018. For a healthy and stable liquidity management, the Bank has already decided to hold a LCR of over 100 percent.

The long-term financing plan aims at a well-diversified funding, taking into account the allocation of risks and financing costs. A measure of long-term stable funding requirement (NSFR) is recommended by Basel III and is expected to be introduced with a minimum requirement in 2018.

Deposits from the public are regarded as the main funding source and the Bank maintains a minimum ratio of deposits to total assets of 50%. Additional information about the Bank's capital adequacy and liquidity risk management can be found in the Annual Report for 2014 and the information on capital adequacy and risk management for 2014. The documents are published on the Bank's website [www.ikanobank.se](http://www.ikanobank.se).

## Compilation of liquidity reserve

SEK '000	2015	2014
Cash and balances with banks and credit institutions	1 691 988	1 068 239
Securities issued by states	1 120 183	952 514
Securities issued by financial companies	-	49 979
Covered bonds	961 606	531 209
<b>Liquidity reserve (according to definition in FFFS 2010:7)</b>	<b>3 773 777</b>	<b>2 601 942</b>
Operational liquidity invested in securities	723 573	691 245
<b>Total liquidity portfolio</b>	<b>4 497 350</b>	<b>3 293 186</b>
<b>Other contingent funding facilities</b>		
Unused committed credit facilities	1 186 517	1 767 124