

Interim Report 2016-06

Ikano Bank AB (publ) Interim Report, 30 June 2016

Results for the first half-year 2016

(comparative figures are as of 30 June 2015 unless otherwise stated. The merger with the fellow subsidiary bank Ikano Bank GmbH was carried out in August 2015 and is therefore not included in the comparative figures for 2015-06-30)

- Business volumes expanded by 36% to SEK 58,848 (43,312) m
- Lending including leasing increased by 41% to SEK 32,164 (22,768) m
- Deposits from the public rose by 38% to SEK 21,854 (15,880) m
- Operating profit increased by 70% to SEK 406 (239) m
- Net profit for the period increased to SEK 291 (182) m
- Net interest income increased by 47% to SEK 993 (674) m
- Return on equity was 13.9% (11.1)
- The common equity Tier 1 capital ratio was 13.5% (14.1) and the total capital ratio was 15.9% (16.6)
- The liquidity reserve was SEK 4,933 (3,188) m and the total liquidity portfolio amounted to SEK 5,677 (4,466) m

Outlook for the remainder of 2016:

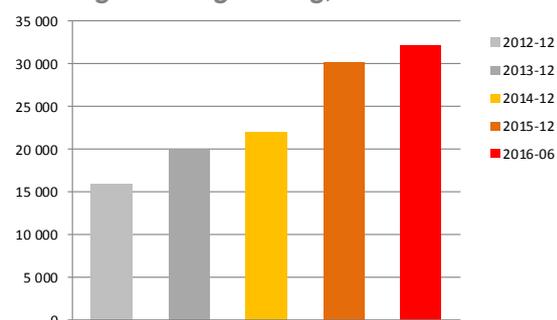
We have a continued positive outlook for 2016 with reservation for the uncertainties about the British economy due to the outcome of the Brexit referendum.

Key ratios

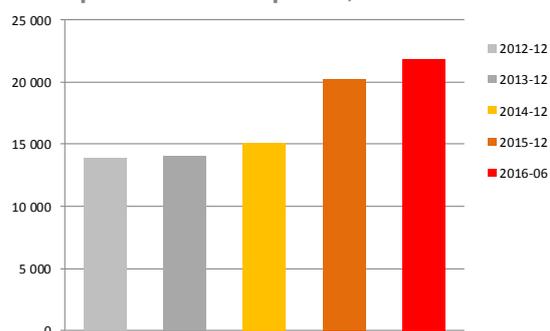
	30 Jun 2016	30 Jun 2015	31 Dec 2015
Total Capital ratio	15.9%	16.6%	16.8%
Common equity Tier 1 Capital ratio	13.5%	14.1%	14.1%
Investment margin	5.2%	5.0%	6.4%
Return on adjusted equity	13.9%	11.1%	11.4%
Leverage ratio	9.5%	10.0%	9.4%
C/I-ratio before loan losses	67.6%	67.5%	65.6%
Loan loss ratio	0.5%	1.1%	1.6%

For definitions of alternative indicators used to describe the bank's activities see the bank's Annual Report for 2015, available on the bank's website www.ikanobank.se/OmlkanoBank_EkonomiskInformation

Lending including leasing, SEK m



Deposits from the public, SEK m



Ikano Bank's Interim Report is available on the company website:
www.ikanobank.se/OmlkanoBank_EkonomiskInformation

This information is mandatory for Ikano Bank AB (publ) to publish according to the Swedish Securities Markets Act. The information was submitted for publication at 1 p.m. on 31 August.

Statement by the Managing Director

The first half of 2016 has been good for Ikano bank and we mainly see growth on our markets. Especially the development in Sweden and the UK has been strong. The product launches we did towards the end of 2015 and beginning of 2016 in the UK are already beginning to yield results and contribute to a positive first half-year.

The UK market is important for Ikano Bank and we are following the developments around Brexit carefully. In the short term we do not expect any changes to the business in the UK and our strategy to grow on the UK market remains firm.

Our joint customer centre for the Nordic market is now open in Hyllie, Malmö. A common customer centre in the Nordic makes us both more efficient and flexible while it helps to support our efforts to grow profitably in the coming years. The customer centre is part of the previously announced improvement and rationalisation efforts to improve competitiveness and customer value. This work will continue during the remainder of 2016 and will impact the bank's result. It is expected to level off towards the end of the year. Our revenues increased by 16 percent compared with the same period last year.

Operating profit for the period increased by 70 percent largely as a result of the merger with the fellow subsidiary bank Ikano Bank GmbH, which was done last year.

We have refinanced in the spring by issuing new bonds to a value of SEK 1.6 billion with interest from the capital market. Our short-term certificate programmes are traded continuously and during the spring we have increased our capital market financing to enable continued growth. Deposits remain our most important source of funding and the launch of savings accounts in the UK is an important step for our growth ambitions.

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, mainly for office-related products, 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 on the other geographical markets. Ikano Bank has no physical offices for customers, but delivers its services online.

The bank's results for the first half-year 2016 compared to the corresponding period of 2015

Stable underlying profitability

Operating profit for the first half of 2016 rose 70 percent to SEK 406 m (239). The increase in operating profit compared with the same period last year is due to the result from the merged operations in Germany and Poland, which are not included in the comparative figures since the merger was completed on 3 August 2015. The result is also positively impacted by the model of standardisation of loan loss provision, which was implemented during the first half of 2016 which, net led to a reversal of loan loss provisions. The result are also 2016 affected negatively by costs related to the investments made to increase operational efficiency.

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

Stronger net interest income from merger

Net interest income rose 47 percent to SEK 993 m (674), due primarily to the contribution from the merged German operation. Other markets net interest income was at similar levels to the same period last year.

Stable net leasing income and marginally lower net commissions

Leasing income remained at the same level as the same period last year and ended at SEK 153 m (153).

Net commission income fell slightly to SEK 164 m (170) mainly due to decreased commission income. The contribution from the merged operations is marginal and the majority of the other markets net commission income fell slightly.

Higher operating expenses

Operating expenses rose by 15 percent to SEK 2,068 m (1,798). The higher costs are due mainly to the costs of the German and Polish operations that are included for this period, but also to increased depreciation on leased assets on behalf of customers, which comes from volume growth in Business line Corporate. The increase in expenses is also due to costs related to the growth and the investments made to increase operational efficiency.

Reduced loan losses

Net loan losses decreased by 71 percent to SEK 36 m (125) despite the contribution of the merged operations. The explanation for this decrease is due to a model standardisation which net led to a reversal of loan loss provisions. From January 1,

2016, the bank has implemented a uniform model for loan loss provisions to cover lending in the Private business line, leading to a one-off effect of SEK 118 m. Loan losses as a percentage of average total loans, decreased to 0.5 percent (1.1).

The bank's position as of 30 June 2016 compared to 31 December 2015

Increased deposits from the public

Deposits from the public rose by 8 percent to SEK 21.9 bn (20.2). This increase in volume is mainly attributable to deposits on the British market that started in late 2015 and by June 30, 2016 was SEK 786 m (10). Deposits on the Danish and German market rose in the first half of 2016. In the Swedish market the deposit volumes are stable. Deposits from the public are an important part of the bank's financing and has shown steady growth for several years.

Increased loans to the public

Loans to the public increased by 6 percent to SEK 25.6 bn (24.1) after provisions for loan losses. Volumes increased in virtually all markets, but the Swedish market contributes to the largest increase.

Lease assets held on behalf of customers rose by 11 percent to SEK 6.6 bn (6.0) due to continued strong demand for financing with our partners in all markets within business line Corporate.

Mediated mortgage volumes for SBAB was unchanged at a volume of SEK 4.8 bn (4.8).

Overall business volumes in stable growth

The total business volume rose by 7 percent to SEK 58.8 bn (55.1). Increase in deposit volumes in the bank's foreign branches account for the major part of the increase and total of 1.8 bnSEK. Higher lending volumes in the Swedish market contributes strongly by 0.9 bnSEK of the total increase.

Strong liquidity and high demand for the bank's bonds

The bank's liquidity portfolio increased during 2016 and amounted to SEK 5.7 bn (4.5) on 30 June 2016, representing 26 percent of the bank's total deposits from the public.

The bank is continuously financed on the Swedish capital market and demand for the bank's short-term certificate program has remained good. In addition to ongoing issues of certificates, the bank issued two MTN bonds during the first half year with maturities of between two and three years which met strong interest from the market.

The own funds at June 30, 2016 to SEK 5.3 bn, compared with the own funds requirement of SEK 2.7 bn. The total capital ratio was 15.9 percent (16.8) and the Tier I capital ratio was 13.5 percent (14.1).

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. became an independent corporate group in 1988, where Ikano Bank is part of Ikano's Finance business area. Apart from finance, the Ikano Group deals with insurance, property and retail sales. 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 conducted as cross-border operations.

Board of Directors

Lars Thorsén, Managing Director of Ikano S.A. and Jean Champagne, Head of HR of Ikano S.A. have during the first six months been elected as members of the bank's board. Steen Helles has stepped down as board member.

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 2016.

Outlook

Overall, the outlook for the second half of 2016 is positive and the growth for the bank as a whole, we expect to remain good with reservation for the uncertainties about the British economy resulting from the Brexit referendum.

Next reporting date

Ikano Bank reports its results half-yearly. The Year-end Report for 2016 will be available on the bank's website at the end of February 2017. 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 2016	Jan-Jun 2015	Jan-Dec 2015
Interest income	4	1 184 572	836 529	2 405 079
Interest expense	4	-191 608	-162 247	-394 030
Net interest income		992 964	674 282	2 011 049
Leasing income	5	1 297 948	1 195 214	2 427 472
Commission income	6	333 030	301 841	692 555
Commission expense	6	-168 676	-131 899	-325 815
Net commission income		164 355	169 942	366 740
Net gains and losses on financial transactions		-3 281	4 183	-7 791
Other operating income		58 230	118 251	158 679
Total income		2 510 215	2 161 872	4 956 149
General administrative expenses		-803 847	-664 140	-1 574 825
Depreciation/amortisation and impairment of tangible and intangible assets	5	-1 165 834	-1 059 674	-2 166 987
Other operating expenses		-98 309	-74 530	-240 467
Total expenses before loan losses		-2 067 989	-1 798 344	-3 982 279
Profit before loan losses		442 226	363 528	973 870
Loan losses, net	7	-36 430	-124 821	-412 347
Operating profit		405 796	238 707	561 523
Tax expense		-114 388	-57 085	-54 277
Net profit for the period		291 408	181 622	507 246

Statement of Comprehensive Income

SEK 000	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Net profit for the period	291 408	181 622	507 246
Other comprehensive income			
Items that can be reclassified to profit or loss			
Translation difference for the period, foreign branches	47 983	-6 332	-83 956
Changes in fair value of available for sale financial assets	27 888	-3 992	-8 893
Tax related to financial assets available-for-sale	-348	-	3 601
Tax attributable to change in fair value of financial assets available for sale	-2 021	-	1 956
Tax related to items which has been or can be reclassified to the result for the year	-	-	-792
Other comprehensive income for the period, net of tax	73 503	-10 324	-88 084
Total comprehensive income for the period, net of tax	364 911	171 298	419 162

Balance Sheet

SEK 000	Note	30 Jun 2016	30 Jun 2015	31 Dec 2015
Assets				
Cash		18 803	1 926	24 816
Treasury bills		1 228 443	1 004 866	1 120 183
Loans to credit institutions		2 386 154	1 573 620	1 746 993
Loans to the public	8	25 569 283	17 131 972	24 105 331
Bonds and other interest bearing securities		2 069 426	1 887 032	1 685 179
Shares and participations		26 834	3 761	17 645
Intangible assets		255 773	59 508	187 930
Tangible assets		6 656 330	5 692 627	6 036 797
- Leasing assets		6 594 658	5 635 557	5 966 990
- Other tangible assets		61 672	57 070	69 807
Other assets		733 036	553 099	870 163
Deferred tax assets		203 377	65 602	205 990
Prepaid expenses and accrued income		361 086	192 902	284 735
Total assets		39 508 545	28 166 916	36 285 762
Liabilities, provisions and equity				
Liabilities to credit institutions		3 464 874	2 354 727	4 127 651
Deposits from the public	9	21 850 555	15 864 177	20 200 755
Change in fair value on interest rate hedged items in the portfolio		3 010	15 700	8 630
Issued securities	10	5 987 958	3 946 470	4 217 938
Other liabilities		1 020 250	508 800	981 407
Accrued expenses and prepaid income		1 368 919	1 198 917	1 311 339
Provisions		110 434	93 590	106 633
- Provisions for pensions		32 585	31 979	32 317
- Deferred tax liabilities		77 849	61 611	74 316
Subordinated liabilities		798 737	578 473	792 512
Total liabilities and provisions		34 604 738	24 560 854	31 746 865
Untaxed reserves		698 157	698 157	698 157
Equity				
Restricted equity		345 622	272 633	272 649
Share capital		78 994	78 978	78 994
Statutory reserve		193 655	193 655	193 655
Fund for development expenses		72 973	-	-
Non-restricted equity		3 860 028	2 635 272	3 568 091
Fund for fair value		72 778	77 034	-724
Retained earnings		3 495 842	2 376 616	3 061 569
Net profit for the period		291 408	181 622	507 246
Total equity		4 205 650	2 907 905	3 840 740
Total liabilities, provisions and equity		39 508 545	28 166 916	36 285 762
Memorandum items				
Pledged assets		none	none	none
Contingent liabilities		646	632	646
Unused credit limits		40 049 467	25 581 754	38 951 084
Loan commitments, irrevocable		2 217 677	1 338 979	2 200 117

Un-utilised credit facilities means charge card limits and loan commitments arranged externally. All charge card limits granted and unused may be cancelled with immediate effect to the extent permitted under the

Swedish Consumer Credit Act. Non-cancellable loan commitments issued are valid for two weeks.

Statement of Changes in Equity

SEK 000	Restricted equity			Non-restricted equity				Net result for the period	Total equity
	Share capital	Statutory reserve	Fund for development expenses	Fund for fair value	Fair value reserve	Translation reserve	Hedging reserve		
Opening balance 2015-01-01	78 978	193 655	-	4 462	82 896	-	2 059 901	316 715	2 736 607
Bonus issue	16	-	-	-	-	-	-	-	16
Merger difference	-	-	-	-	-	-	762 953	-	762 954
Appropriation of profits	-	-	-	-	-	-	316 715	-316 715	-
Net result for the year	-	-	-	-	-	-	-	507 246	507 246
Other comprehensive income for the period	-	-	-	-6 936	-83 956	2 809	-	-	-88 083
Total comprehensive income for the period	-	-	-	-6 936	-83 956	2 809	-	507 246	419 163
Group contributions paid	-	-	-	-	-	-	-100 000	-	-100 000
Tax regarding group contributions	-	-	-	-	-	-	22 000	-	22 000
Closing balance 2015-12-31	78 994	193 655	0	-2 473	-1 060	2 809	3 061 569	507 246	3 840 740
Opening balance 2016-01-01	78 994	193 655	0	-2 473	-1 060	2 809	3 061 569	507 246	3 840 740
Appropriation of profits	-	-	-	-	-	-	507 246	-507 246	-
Change in fund for development expenses	-	-	72 973	-	-	-	-72 973	-	-
Net result for the year	-	-	-	-	-	-	-	291 408	291 408
Other comprehensive income for the period	-	-	-	25 867	47 983	-348	-	-	73 503
Total comprehensive income for the period	-	-	-	25 867	47 983	-348	-	291 408	364 911
Closing balance 2016-06-30	78 994	193 655	72 973	23 394	46 923	2 461	3 495 842	291 408	4 205 650

Cash Flow Statement

SEK 000	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Operating activities			
Operating profit	+405 796	+238 707	+561 523
Adjustment for non-cash items	+29 868	+221 724	+521 257
Cash flows from operating activities before changes in working capital	+435 664	+460 431	+1 082 781
Cash flows from changes in working capital	-857 802	-979 149	-2 355 813
Cash flows from operating activities	-422 138	-518 718	-1 273 032
Cash flows from investing activities	-89 885	-28 520	-192 050
Cash flows from financing activities	+1 025 388	+1 054 663	+1 310 216
Cash flow for the period	+513 364	+507 425	-154 866
Cash and cash equivalents at beginning of the period	+1 766 386	+1 057 905	+1 057 905
Cash and cash equivalents at the end of the period	+2 279 750	+1 565 330	+1 766 386

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 2,405 m less deductions for current liabilities to credit institutions of SEK 125 m.

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.

Annual Accounts Act for Credit Institutions and Securities Companies and the Financial Supervisory Authority's regulations and general guidelines have been updated and a restricted reserve within equity has been created for intangible assets related to expenses for own development.

The new guidelines by ESMA (European Securities and Markets Authority) on alternative indicators apply to financial reports published after 3 July 2016. The guidelines mean that information has been expanded with regard to financial measures that are not defined in legal requirements. Alternative ratios are used by Ikano Bank AB when it is relevant to monitor and describe Ikano Bank AB's financial situation and to provide additional useful information to users of financial statements.

In other respects, the applied accounting policies and estimates in the interim report with those applied in the Annual Report for 2015.

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

2 Operating segments

Jan-Jun 2016 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Elimin-ations	Total
Interest income	371	167	94	12	269	346	21	203	1 483	-298	1 185
Interest cost	-111	-38	-29	-2	-60	-50	-5	-193	-490	298	-192
Total net interest income	260	128	65	10	208	296	16	10	993	-	993
Commission income	148	36	48	10	44	45	2	0	333	-	333
Commission expenses	-61	-5	-24	-3	-21	-31	-2	-1	-147	-	-147
Net commission income	87	30	25	8	23	14	1	-1	186	-	186
Leasing income	674	371	232	22	-	-	-	-	1 298	-	1 298
Depreciation on leasing assets	-607	-323	-197	-18	-	-	-	-	-1 145	-	-1 145
Leasing income, net	67	48	34	4	-	-	-	-	152	-	153
Net interest, fee and leasing income	414	206	124	21	231	310	16	9	1 331	-	1 332
Other income	7	13	5	0	2	1	2	516	547	-	491
Other direct expenses	-23	-11	-7	-2	-12	-22	0	0	-79	-	-79
Operating margin before net loan losses and operational expenses	398	208	122	19	222	289	18	524	1 798	-491	1 308
Loan losses	-36	14	-61	0	-61	105	2	-	-36	-	-36
Other indirect expenses	-307	-127	-95	-18	-151	-146	-19	-475	-1 338	491	-846
Allocated overhead expenses	5	3	3	0	-2	-3	0	-25	-20	-	-20
Operating profit	60	98	-31	1	8	245	1	25	406	-	406
Off which:											
Total internal income	66	12	-	-	4	15	-	692	789	-789	-
Total external income	527	251	182	26	311	377	25	27	1 725	-	1 725
Total internal expenses	-250	-29	-68	-11	-106	-81	-12	-233	-789	789	-
Tax expense	-	-20	-	-	1	-80	-	-15	-114	-	-114
Net profit for the period	60	78	-31	1	9	165	1	10	291	-	291

Jan-Jun 2015							United	Shared	Total before			
SEK m	Sweden	Denmark	Norway	Finland	Netherlands	Kingdom	functions	eliminations	Elimin-ations	Total		
Interest income	417	154	86	11	0	266	176	1 111	-275	837		
Interest cost	-151	-32	-32	-2	0	-50	-171	-437	-22	-460		
Total net interest income	266	122	55	10	0	216	6	674	-297	377		
Commission income	148	40	50	10	0	53	0	302	-	302		
Commission expenses	-57	-6	-29	-2	0	-27	0	-122	-	-122		
Net commission income	91	34	21	9	0	25	0	180	-	180		
Leasing income	645	327	221	3	-	-	-	1 195	297	1 493		
Depreciation on leasing assets	-572	-282	-185	-2	-	-	-	-1 042	-	-1 042		
Leasing income, net	73	44	35	1	-	0	-	153	297	451		
Net interest, fee and leasing income	431	200	111	19	0	241	5	1 008	-	1 008		
Other income	5	13	2	0	0	4	395	419	-297	122		
Other direct expenses	-23	-13	-7	-2	0	-15	0	-60	-	-60		
Operating margin before net loan losses and operational expenses	413	200	106	17	0	230	401	1 367	-297	1 070		
Loan losses	-38	-25	-19	-3	-4	-36	0	-125	-	-125		
Other indirect expenses	-132	-59	-43	-8	-2	-80	-289	-613	297	-317		
Allocated overhead expenses	-148	-41	-35	-6	-1	-69	-90	-390	-	-390		
Operating profit	95	75	8	1	-7	45	21	239	-	239		
Off which:												
<i>Total internal income</i>	<i>95</i>	<i>19</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>549</i>	<i>663</i>	<i>-663</i>	<i>-</i>		
<i>Total external income</i>	<i>644</i>	<i>244</i>	<i>173</i>	<i>23</i>	<i>0</i>	<i>323</i>	<i>104</i>	<i>1 511</i>	<i>-</i>	<i>1 511</i>		
<i>Total internal expenses</i>	<i>-209</i>	<i>-23</i>	<i>-65</i>	<i>-7</i>	<i>-1</i>	<i>-115</i>	<i>-243</i>	<i>-663</i>	<i>663</i>	<i>-</i>		
Appropriations	-	-	-	-	-	-	-	-	-	-		
Tax expense	0	-17	-4	-	-	-6	-31	-57	-	-57		
Net profit for the period	96	57	5	1	-7	40	-10	182	0	182		
Jan-Dec 2015												
SEK m	Sweden	Denmark	Norway	Finland	Netherlands	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Elimin-ations	Total
Interest income	807	315	173	24	0	546	704	37	371	2 977	-572	2 405
Interest cost	-278	-67	-60	-4	0	-106	-86	-10	-356	-966	572	-394
Total net interest income	529	248	113	20	0	440	618	27	15	2 011	-	2 011
Commission income	296	71	95	20	0	111	93	5	0	693	-	692
Commission expenses	-111	-11	-52	-4	0	-55	-62	-4	-1	-300	-	-300
Net commission income	185	60	44	16	0	56	31	1	-1	392	-	392
Leasing income	1 295	678	443	12	-	-	-	-	-	2 427	-	2 427
Depreciation on leasing assets	-1 157	-586	-372	-9	-	-	-	-	-	-2 124	-	-2 125
Leasing income, net	138	92	70	2	-	-	-	-	-	303	-	302
Net interest, fee and leasing income	852	400	228	39	0	496	650	28	15	2 706	-	2 705
Other income	9	27	7	1	0	9	11	5	821	890	-739	151
Other direct expenses	-48	-25	-15	-5	0	-28	-29	-1	0	-149	-	-149
Operating margin before net loan losses and operational expenses	813	402	220	36	0	478	632	32	835	3 447	-739	2 707
Loan losses	-90	-72	-38	-6	-4	-79	-120	-3	-	-412	-	-412
Other indirect expenses	-476	-178	-129	-23	-3	-239	-333	-28	-830	-2 240	540	-1 700
Allocated overhead expenses	-102	-22	-19	-6	0	-53	-29	-3	0	-233	199	-34
Operating profit	145	130	33	1	-7	106	149	-1	5	561	-	561
Off which:												
<i>Total internal income</i>	<i>171</i>	<i>18</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>31</i>	<i>-</i>	<i>1 092</i>	<i>1 312</i>	<i>-1 312</i>	<i>-</i>
<i>Total external income</i>	<i>1 076</i>	<i>487</i>	<i>346</i>	<i>48</i>	<i>0</i>	<i>667</i>	<i>784</i>	<i>47</i>	<i>99</i>	<i>3 554</i>	<i>-</i>	<i>3 554</i>
<i>Total internal expenses</i>	<i>-412</i>	<i>-3</i>	<i>-114</i>	<i>-15</i>	<i>-1</i>	<i>-182</i>	<i>-132</i>	<i>-19</i>	<i>-433</i>	<i>-1 312</i>	<i>1 312</i>	<i>-</i>
Tax expense	-	-33	-5	-	-	-27	-40	-	51	-54	-	-54
Net profit for the period	145	97	28	1	-7	79	109	-1	56	507	-	507

External income

SEK m	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Corporate	282	286	530
Sales Finance	983	834	2 096
Consumer	423	316	778
Other	36	75	150
Total external income	1 725	1 511	3 554

Neither Ikano Bank, nor any individual segment, has any single customer representing 10% of revenues or more.

Balance Sheet
30 Jun 2016

SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
Fixed assets other than financial instruments	254	44	1	0	6	11	1	-	317
Deferred tax assets	199	-	-	-	4	0	-	-	203
Other assets	31 095	4 816	2 965	434	6 137	6 649	493	-13 601	38 988
Total assets	31 548	4 860	2 966	434	6 148	6 660	495	-13 601	39 509
Liabilities and provisions	29 071	3 925	2 684	457	5 963	5 511	594	-13 601	34 605

30 Jun 2015

SEK m	Sweden	Denmark	Norway	Finland	The Netherlands	United Kingdom	Germany	Poland	Eliminations	Total
Fixed assets other than financial instruments	45	54	2	1	0	15	-	-	-	117
Deferred tax assets	60	-	-	-	-	6	-	-	-	66
Other assets	27 583	4 039	2 466	284	5	5 815	-12 205	-	-	27 987
Total assets	27 685	4 093	2 468	285	5	5 836	-12 205	-	-	28 167
Liabilities and provisions	25 241	3 287	2 164	308	80	5 686	-12 205	-	-	24 561

31 Dec 2015

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

3 Information about subsidiary

1 October 2015, all shares in the subsidiary Ikano Insight Ltd were acquired. The bank does not prepare consolidated statements with reference to the Annual Accounts Act §7:3a. Financial

position and result of Ikano Insight Ltd have no material effect on the financial position and ratios for Ikano Bank AB.

Financial position and result of Ikano Insight Ltd

SEK 000	30 Jun 2016	31 Dec 2015
Assets		
Loans to credit institutions	9 898	14 864
Intangible assets	1 181	1 566
Other assets	15 297	16 689
Total assets	26 376	33 119
Liabilities and equity		
Other liabilities	6 431	13 148
Equity	19 945	19 971
Total liabilities and equity	26 376	33 119

SEK 000	Jan-Jun 2016	Jan-Dec 2015
Net interest income	27	254
Net commission	-2 365	-12 567
Other income	29 108	61 823
Total income	26 770	49 511
General administrative expenses	-24 657	-39 689
Other expenses	-672	-1 672
Tax expense	167	-1 196
Net result for the period	1 608	6 953

4 Net interest income

SEK 000	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Interest income			
Loans to credit institutions	0	13	17
Loans to the public	1 182 956	832 734	2 399 935
Interest bearing securities	1 616	3 782	5 127
Total	1 184 572	836 529	2 405 079
<i>Of which: Interest income from financial assets not valued at fair value through profit or loss</i>	<i>1 182 956</i>	<i>832 747</i>	<i>2 399 952</i>
Interest expense			
Liabilities to credit institutions	-23 937	-17 424	-44 769
Deposits from the public	-94 018	-93 652	-218 823
<i>Of which: deposit guarantee fee</i>	<i>-11 325</i>	<i>-7 689</i>	<i>-16 920</i>
Issued securities	-13 791	-19 268	-34 242
Derivatives	-45 858	-18 420	-62 111
- <i>hedge accounting</i>	<i>-440</i>	<i>7 228</i>	<i>9 070</i>
- <i>not hedge accounting</i>	<i>-45 419</i>	<i>-25 648</i>	<i>-71 181</i>
Subordinated liabilities	-10 913	-9 005	-19 824
Other interest expenses	-3 090	-4 479	-14 261
<i>Of which: stability fee</i>	<i>-2 354</i>	<i>-4 256</i>	<i>-8 137</i>
Total	-191 608	-162 247	-394 030
<i>Of which: Interest income from financial assets not valued at fair value through profit or loss</i>	<i>-145 749</i>	<i>-143 828</i>	<i>-331 919</i>
Total net interest income	992 964	674 282	2 011 049

5 Leasing income

SEK 000	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Leasing income, gross	1 297 948	1 195 214	2 427 472
Less: Depreciation according to plan	-1 145 277	-1 041 783	-2 124 969
Leasing income, net	152 671	153 431	302 503
Leasing income from financial lease agreements	1 297 948	1 195 214	2 427 472
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 145 277	-1 041 783	-2 124 969
Leasing income, net for financial lease agreements	152 671	153 431	302 503
Interest income	2 749	4 067	5 833
Interest expenses	-38 347	-40 558	-77 163
Leasing, net	117 074	116 940	231 173

6 Net commission

SEK 000	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Commission income			
Payment service commissions	11 083	5 501	22 660
Lending commissions	204 803	196 277	424 824
Other commissions	117 144	100 063	245 071
Total	333 030	301 841	692 555
Commission expenses			
Payment brokerage commissions	-21 904	-2 366	-43 796
Lending commissions	-130 413	-117 403	-249 448
Other commissions	-16 358	-12 131	-32 571
Total	-168 677	-131 900	-325 815
Net commission income	164 354	169 941	366 740

7 Loan losses, net

SEK 000	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015
Specific provision for individually assessed loan receivables			
Provisions for the period	-12 654	-26 852	-32 615
Write-off for the period for determined loan losses	-196 781	-18 721	-144 899
Reversal of previous provisions for loan losses reported in the periods accounts as determined loan losses	144 719	9 507	32 682
Recoveries from previously determined loan losses	4 573	7 917	7 943
Net cost for the period for individually assessed loan receivables	-60 144	-28 149	-136 889
Specific provision for collectively assessed loan receivables			
Provisions for the period	138 471	-4 031	-12 143
Write-off for the period for determined loan losses	-233 898	-156 893	-388 063
Recoveries from previously determined loan losses	119 140	64 251	124 748
Net cost for the year for collectively assessed loan receivables	23 714	-96 673	-275 458
Net costs for the period for loan losses	-36 430	-124 822	-412 347

8 Loans to the public

SEK 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Outstanding receivables, gross			
- Swedish currency	9 490 161	7 768 876	7 904 512
- Other currencies	17 113 329	10 150 833	17 338 964
Total	26 603 489	17 919 708	25 243 476
<i>Of which: non-performing loans</i>	<i>1 217 867</i>	<i>1 091 849</i>	<i>1 686 750</i>
Specific provision for individually assessed receivables	-26 526	-9 361	-11 032
Specific provision for collective assessed receivables	-1 007 681	-778 376	-1 127 113
Carrying amount, net	25 569 283	17 131 972	24 105 331

9 Deposits from the public

SEK 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Public			
- Swedish currency	19 899 232	14 429 539	14 513 715
- Other currencies	1 954 333	1 450 338	5 687 040
Total	21 853 565	15 879 877	20 200 755
Deposits specified by category of borrower			
Corporate sector	46 954	458 946	106 983
Household sector	21 806 611	15 420 931	20 093 772
Total	21 853 565	15 879 877	20 200 755

10 Issued securities

SEK 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Certificates of deposits	1 678 768	848 390	1 119 463
Bonds	4 309 190	3 098 080	3 098 475
Total	5 987 958	3 946 470	4 217 938

11 Related parties

The bank has related party relationships with companies in the Group. Transactions with them are stated below. The consolidated accounts are prepared by Ikano S.A., Luxembourg.

Transactions with related parties are priced on commercial market terms. No non-performing loans relate to outstanding receivables from related parties.

SEK 000	Period	Income	Expenses	Receivables with related parties	Liabilities with related parties
Ikano S.A.	30 Jun 2016	-	-20 243	13 157	17 443
Ikano S.A.	30 Jun 2015	1 398	-17 420	271	2 904
Ikano S.A.	31 Dec 2015	1 398	-32 442	-	15 455
Other Group companies	30 Jun 2016	12 598	-28 241	14 124	823 619
Other Group companies	30 Jun 2015	65 288	-11 635	21 119	584 966
Other Group companies	31 Dec 2015	23 801	-40 997	18 062	909 080

12 Financial assets and liabilities

The following table states information on the measurement of fair value of financial instruments measured at fair value in the Balance Sheet (excluding items included in hedge accounting). The division of fair value measurement is based on the following three levels:

- Level 1: according to prices listed in 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 on the market

Financial assets and liabilities**30 Jun 2016**

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	193 399	-	193 399
Financial assets available for sale				
Bonds and other interest bearing securities	1 649 348	420 078	-	2 069 426
Treasury bills	1 228 443	-	-	1 228 443
Shares and participations ¹⁾	10 442	1 535	-	11 977
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	6 571	-	6 571
Currency derivatives	-	51 263	-	51 263

30 Jun 2015

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	71 261	-	71 261
Currency derivatives	-	26 443	-	26 443
Financial assets available for sale				
Bonds and other interest bearing securities	1 066 910	820 122	-	1 887 032
Treasury bills	1 004 866	-	-	1 004 866
Shares and participations ¹⁾	2 226	1 535	-	3 761
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	3 399	-	3 399
Currency derivatives	-	43 638	-	43 638

31 Dec 2015

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

- 1) The bank holds shares in an unlisted company, included in Level 2 of the valuation category financial assets available for sale. When there are difficulties in measuring fair value reliably, they are reported at cost. The bank does not intend to sell these shares in the foreseeable future.

Financial instruments offset in the Balance Sheet or subject to netting agreements

Ikano Bank is party to derivative contracts under the International Swaps and Derivatives Association's (ISDA) master netting 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 that the intention to reach a net settlement exists.

In the Balance Sheet, no amounts have been offset in 2016.

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

30 Jun 2016		Offsetting in the	Net in Balance	Netting	Issued/Received	
SEK 000	Gross value	Balance Sheet	Sheet	agreements	collateral	Net value
Derivatives	214 626	-	214 626	-41 490	-78 302	94 834
Total financial assets	214 626	-	214 626	-41 490	-78 302	94 834
Derivatives	78 835	-	78 835	-41 490	7 691	45 035
Total financial liabilities	78 835	-	78 835	-41 490	7 691	45 035
Amounts not offset in Balance Sheet						
30 Jun 2015		Offsetting in the	Net in Balance	Netting	Issued/Received	
SEK 000	Gross value	Balance Sheet	Sheet	agreements	collateral	Net value
Derivatives	97 704	-	97 704	-42 143	-73 000	-17 439
Total financial assets	97 704	-	97 704	-42 143	-73 000	-17 439
Derivatives	47 036	-	47 036	-42 143	-	4 894
Total financial liabilities	47 036	-	47 036	-42 143	-	4 894
Amounts not offset in Balance Sheet						
31 Dec 2015		Offsetting in the	Net in Balance	Netting	Issued/Received	
SEK 000	Gross value	Balance Sheet	Sheet	agreements	collateral	Net value
Derivatives	344 259	-	344 259	-9 738	-245 012	89 509
Total financial assets	344 259	-	344 259	-9 738	-245 012	89 509
Derivatives	30 398	-	30 398	-9 738	-	20 660
Total financial liabilities	30 398	-	30 398	-9 738	-	20 660

13 Risks and uncertainty factors

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, currency risk and interest rate risk. The Board of Directors and Managing Director 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.

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. Apart from what is stated in this Interim Report, there is more detail in Ikano Bank's Annual Report for 2015 and Ikano Bank's annual "Capital adequacy and risk management" report in accordance with Basel 3 regulations, available at www.ikanobank.se.

14 Capital management and capital adequacy

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 adequate, the internal capital adequacy assessment (ICAAP) is performed. This process is a tool used by the Board of Directors to assess the need for changes in the own funds requirement in the event of changed circumstances. This might involve strategic commercial decisions or events in the market impacting the operations and their development. The bank performs stress tests and scenario analyses to assess the need for further capital. The risk control function is responsible for monitoring the process of the bank's capital

planning. This is done annually and is integrated with the bank's budget and strategic planning. The plan is monitored continuously and a comprehensive risk analysis is conducted annually to ensure that risks are properly assessed and reflect the bank's true risk profile and capital needs. The capital requirements according to the capital adequacy assessment process are reported regularly to the SFSA. The capital requirement of the ICAAP in addition to pillar 1 requirements for 30 June 2016 totalled SEK 1 045 m.

Ikano Bank's risk tolerance is that the total capital ratio should never fall below 15 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 and CVA risk under Pillar 1, the bank uses the standardised approach. For credit risk this is based on 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. From 1 January 2016 eight percent of the overall net positions in foreign currency are own funds requirement for all exposures in foreign currencies. Until December 31, 2015 it was four

percent own funds requirements for closely correlated currencies. This explains the large increase from the 31 December 2015.

As of 30 June 2016, the bank had own funds of SEK 5.3 bn compared with the statutory own funds requirement for Pillar 1-risk of SEK 2.7 bn. The total capital ratio was 15.9 percent with a Tier 1 capital ratio of 13.5 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 4.5 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 2.5 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 829 m and is covered well by the available common equity Tier 1 capital. The 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 0.68 percent or SEK 225 m after weighting the applicable geographic requirements, which for the bank means Sweden and Norway. Ikano Bank's combined buffer requirement is SEK 1 055 m.

Summary of own funds and risk exposure amount

SEK 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Tier 1 capital	4 491 978	3 210 868	4 194 564
Tier 2 capital	798 737	578 473	792 512
Own funds	5 290 715	3 789 341	4 987 076
Total risk exposure amount	33 176 830	22 763 646	29 646 534
Total own funds requirements	2 654 146	1 821 092	2 371 723
Total Capital ratio	15.9%	16.6%	16.8%
Tier 1 Capital ratio	13.5%	14.1%	14.1%
Common equity Tier 1 capital ratio	13.5%	14.1%	14.1%
Available common equity Tier 1 capital	2 501 368	1 845 049	2 415 772
Available common equity Tier 1 capital in relation to Total risk exposure amount	7.5%	8.1%	8.1%
Capital conservation buffer	829 421	569 091	741 163
Countercyclical capital buffer	225 327	-	129 434
Combined buffer requirement	1 054 748	569 091	870 597

Specification of Own funds

SEK 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Own funds			
Common equity Tier 1 capital			
Equity reported in the balance sheet	4 205 650	2 726 284	3 840 740
Share capital	78 994	78 978	78 994
Statutory reserve	193 655	193 655	193 655
Fund for development expenses	72 973	-	-
Fund for fair value	72 778	77 035	-724
Retained earnings	3 495 842	2 376 616	3 061 569
Net profit for the period	291 408	-	507 246
Untaxed reserves (78% of which)	544 562	544 562	544 562
Less:			
- Intangible assets	-255 773	-59 508	-187 930
- Unrealised changes in fair value recognised in fund for fair value	-	-470	-
- Cash flow hedge	-2 461	-	-2 809
Total Common Equity Tier 1 capital	4 491 978	3 210 868	4 194 564
Total Tier 1 capital	4 491 978	3 210 868	4 194 564
Tier 2 capital			
Subordinated liabilities	798 737	578 473	792 512
Total Tier 2 capital	798 737	578 473	792 512
Total own funds	5 290 715	3 789 341	4 987 076

Specification of risk exposure amount and own funds requirements

SEK 000	30 Jun 2016		30 Jun 2015		31 Dec 2015	
	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						
Exposures to states and central banks	471	38	-	-	480	38
Exposures to public sector entities	9	1	-	-	9	1
Institutional exposure	688 850	55 108	402 006	32 160	517 457	41 397
Corporate exposure	1 306 052	104 484	1 148 469	91 877	1 142 084	91 367
Retail exposure	22 192 713	1 775 417	15 545 021	1 243 602	20 902 056	1 672 165
Exposures in default	836 724	66 938	457 484	36 599	524 911	41 993
Covered bonds exposure	89 266	7 141	65 417	5 233	83 165	6 653
Equity exposure	26 834	2 147	-	-	17 645	1 412
Other items	618 632	49 491	535 811	42 865	580 438	46 435
Total credit risk	25 759 552	2 060 764	18 154 208	1 452 336	23 768 245	1 901 460
Operational risk according to the basic indicator approach	4 537 533	363 003	3 666 443	293 315	4 441 200	355 296
Foreign exchange risk according to the standardised approach	2 859 410	228 753	943 007	75 441	1 437 090	114 967
Credit valuation adjustment according to the standardised method	20 335	1 627	-	-	-	-
Total	33 176 830	2 654 146	22 763 646	1 821 092	29 646 534	2 371 723

15 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 steering documents established by the bank's Board of Directors. To ensure that the liquidity of Ikano Bank is adequate, the internal liquidity adequacy assessment (ILAAP) is performed. 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 investment portfolio.

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

The liquidity reserve, along with other operating liquidity, is invested in interest-bearing securities in markets in the Nordic region. Steering documents define what quality level the securities that are included in the bank's liquidity

reserve shall have. Intra-day liquidity manages the bank's daily payment commitments. The liquidity in this portfolio is to be available within one day, and is to consist of funds in bank accounts, investments available the next banking day (overnight) and bank overdraft facilities, granted in writing, in the bank's cash pool.

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 investment 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 file for the liquidity coverage requirement.

The Financial Supervisory Authority, in its regulations regarding the handling of liquidity

risks, FFFS 2010:7, has included a definition of liquidity reserve. This definition coincides with the bank's definition, with the exception of cash and deposits with credit institutions, which are not part of the bank's liquidity reserve. According to the Financial Supervisory Authority's definition, the liquidity reserve totals SEK 4.9 bn. These assets are of a high quality, liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio totalled SEK 5.7 bn as of 30 June 2016, which constitutes 26 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 0.7 bn. 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, there are obtained, committed credit facilities for a total of SEK 2.6 bn.

As of 30 June 2016, the bank's liquidity coverage ratio (LCR) totalled 260 percent. This measure shows how the bank's highly liquid assets are related to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 70 percent applies since 1 January 2016, with an increasing phasing to 100 percent on January 1, 2018. For a healthy and stable liquidity management, the bank has already decided to hold an LCR of over 100 percent.

Summary of liquidity reserve

SEK 000	30 Jun 2016	30 Jun 2015	31 Dec 2015
Cash and balances with central banks and other financial institutes	2 379 163	1 573 620	1 691 988
Securities issued by municipalities and other public units	1 228 755	1 005 019	1 120 183
Covered bonds	1 324 920	609 130	961 606
Liquidity reserve (according to definition in FFFS 2010:7)	4 932 836	3 187 769	3 773 777
Operating liquidity invested in securities	744 195	1 277 749	723 573
Total liquidity portfolio	5 677 030	4 465 518	4 497 350
Other liquidity creating measures			
Unused committed credit facilities	2 589 045	1 181 990	1 186 517

The long-term financing 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 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 2015 and the information on capital adequacy and risk management for 2015. The documents are published on the bank's website www.ikanobank.se.

Malmö, Sweden, 25 August 2016

The Board of Directors and the Managing Director 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 that the bank faces.

Mats Håkansson
Chairman

Diederick van Thiel
Board member

Lars Thorsén
Board member

Olle Claeson
Board member

Heather Jackson
Board member

Jean Champagne
Board member

Stefan Nyrinder
Managing Director