

# Interim Report 2018-06

## Ikano Bank AB (publ) Interim Report, 30 June 2018

### Results for the first half-year 2018

(Comparative figures in brackets are as of 30 June 2017 unless otherwise stated)

- Business volumes increased by 5 percent to SEK 69,272 m (65,732)
- Lending including leasing increased by 6 percent to SEK 37,621 m (35,523)
- Deposits from the public rose by 4 percent to SEK 26,311 m (25,285)
- Operating profit decreased by 35 percent to SEK 235 m (361)
- Net profit for the period decreased to SEK 122 m (265)
- Net interest income decreased marginally, totalling SEK 978 m (982)
- Return on equity was 6.5 percent (10.4)
- The common equity Tier 1 capital ratio was 14.5 percent (14.4) and the total capital ratio was 16.7 percent (16.7)
- The liquidity reserve was SEK 2,404 m (2,557) and the total liquidity portfolio amounted to SEK 5,583 m (5,506)

#### Outlook for the remainder of 2018:

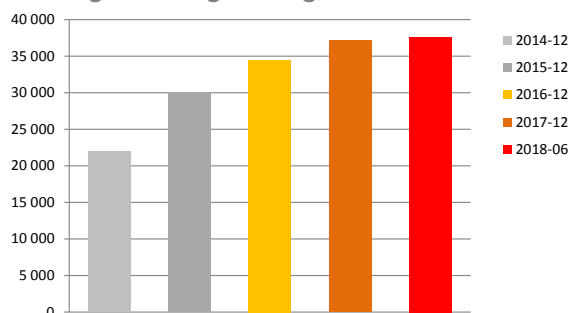
We expect continued growth on our markets and our comprehensive work with outsourcing our IT-services will continue. We have so far seen results in terms of increased stability. We are continuing to invest in our technical platform to secure sustainable and profitable growth and customer benefit. Our strategy to act and grow in the UK market as a branch also after Brexit remains.

#### Key ratios

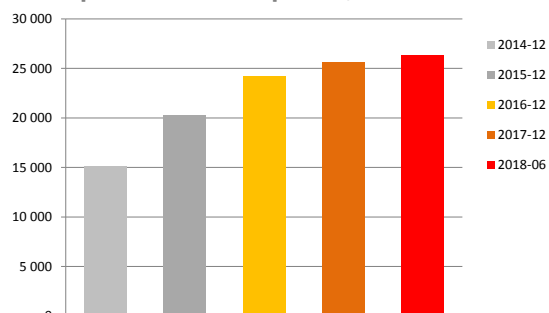
	30 Jun 2018	30 Jun 2017	31 Dec 2017
Total Capital ratio	16.7%	16.7%	16.5%
Common equity Tier 1 Capital ratio	14.5%	14.4%	14.3%
Investment margin	4.4%	4.6%	4.6%
Return on adjusted equity	6.5%	10.4%	6.2%
Leverage ratio	11.4%	10.5%	10.9%
C/I-ratio before loan losses	72.0%	60.9%	66.3%
Loan loss ratio	0.9%	1.4%	1.6%

For definitions of alternative indicators used to describe the Bank's activities see the Bank's Annual Report for 2017, available on the Bank's website: [www.ikanobank.se/om-banken/ekonomisk-information](http://www.ikanobank.se/om-banken/ekonomisk-information)

#### Lending including leasing, SEK m



#### Deposits from the public, SEK m



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

## Statement by the Managing Director

### Building for the future

2018 began with growth in most markets. The work to ensure long-term profitable growth and customer benefit continued, with related costs negatively affecting our result for the period. The result for 2018 was also positively affected by a portfolio sale. We work with improving our cost efficiency and profitability, while at the same time building new ways to strengthen our future competitiveness.

The comprehensive work with outsourcing our IT-services to Capgemini proceeds and has so far resulted in increased stability. But we are also building completely new solutions. The work to create a modern, digital business platform for financial services and new smart solutions that aim at simplifying the lives of our customers continues. As part of this, the work with our first private loan product on the Polish market is progressing. Poland is a large and exciting market with growth potential.

We have worked closely with our customers and partners and delivered financial solutions to the many people. Our relationship with IKEA has strengthened further during the period. We work together in various projects with the new IKEA card with credit in Germany launched in autumn 2017 as one example.

GDPR and PSD2 are two important regulations we have worked with implementing during this period. The enhancement of consumer protection via PSD2 also opens up opportunities for new exciting consumer services in the future. Also the work with transitioning to new accounting rules under IFRS9 has been completed during the period. Another current topic is Brexit. Our growth plans for operations in the UK remain. We are preparing for Brexit and are monitoring developments in close cooperation with both British and Swedish authorities.

Simplifying everyday life for our customers and offering simple and smart solutions on fair terms is continuous work. Therefore, it is particularly gratifying when it is noted in the market. During spring, our offer of savings and loan products in Germany has won several awards and positioned itself among the best financial services and products on the market.

Concluding, I note that we have good customer offerings, business volume has increased and we see potential to grow in all our markets. With that as a base, we build for the future.

Håkan Nyberg

### About Ikano Bank

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

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

## **The Bank's results for the first half-year 2018 compared to the corresponding period of 2017**

### **Lower operating results**

Operating results for the first half of 2018 decreased by 35 percent to SEK 235 m (361). The result was positively affected by SEK 41 m from leasing growth. At the same time, the result was negatively affected by our continued investments in the business platform and increased customer benefit. The result for 2018 was also positively affected by a portfolio sale.

### **Marginally lower interest net income and lower net commission income**

Net interest income developed differently in the markets, but overall it decreased marginally by SEK 4 m or 0.4 percent to SEK 978 m (982). Net commission income decreased by 16 percent to SEK 156 m (185), mainly as a result of increased commission expenses of SEK 27 m on the German market related to the portfolio sale.

### **Increased net leasing income due to growth**

Leasing net income increased by 23 percent compared with the same period last year and amounted to SEK 221 m (180) mainly due to volume growth.

### **Increased operating expenses due to volume growth**

Operating expenses increased by 10 percent to SEK 2,639 m (2,405). The higher costs are mainly due to increased depreciation of leasing assets held on behalf of customers, resulting from volume growth within the Corporate business line.

### **Lower loan losses**

Overall, net loan losses decreased by SEK 85 m to SEK 163 m (248). This decrease compared to the same period in 2017 is mainly due to the portfolio sale of non-performing loans which affected loan losses positively by SEK 155 m. As a result of the implementation of IFRS 9, loan losses increased by SEK 40 m compared with the same period last year. Loan losses measured as a percentage of average total lending fell to 0.9 (1.4) percent, also as a result of the portfolio sale during the same period last year.

## **The Bank's position as of 30 June 2018 compared to 31 December 2017**

### **Increased deposits from the public**

Deposits from the public are an important part of the Bank's funding and have shown stable growth

for several years. Deposits from the public rose by 3 percent to SEK 26.3 bn (25.6). The largest part of this volume increase relates to deposits in the UK market. Deposits in the Danish and German markets also increased during the first half of the year. In the Swedish market, deposit volumes are marginally lower than at year-end.

### **Decreased loans to the public and increased leasing**

The Bank's loans to the public decreased marginally to SEK 27.7 bn (27.8) after provisions for loan losses.

Leasing assets held on behalf of customers increased by 7 percent to SEK 10.0 bn (9.3) as a result of continued strong demand for financing with our partners in all markets within the Corporate business line.

Mediated mortgage lending to SBAB increased by 3 percent to SEK 5.3 bn (5.2). As previously communicated the cooperation between SBAB and Ikano Bank will end during 2018. SBAB has decided to prioritise sales under its own brand. This means that Ikano Bank will not continue to offer mortgages provided by SBAB to our customers after 31 August 2018.

### **Growth in total business volumes**

The total business volume rose by 2 percent to SEK 69.3 bn (67.9). Deposits in the Bank's foreign branches account for the largest volume growth. Increased leasing volumes in all markets also contribute to the total increase in business volume.

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

The Bank's liquidity portfolio remained largely at the same level on 30 June 2018 as at year-end and amounted to SEK 5.6 bn (5.1), which equals 21 percent of the Bank's total deposits from the public.

The Bank continuously obtains funding in the Swedish capital market and demand for the Bank's short certificate programme continues to be good. In addition to ongoing issuance of commercial papers, four new MTN bonds were issued during the first half of the year with a total nominal amount of SEK 1,350 m. The maturities were between two and four years and the issues were met with strong interest from the market. In addition to the new issues, a repurchase to the nominal amount of SEK 100 m was also made.

The own funds amounted to SEK 6.4 bn by 30 June 2018, compared to the capital requirement of SEK 3.0 bn. The total capital ratio amounted to 16.7 percent (16.5) and the Tier 1 ratio was 14.5 percent (14.3).

## Other information

Ikano Bank AB (publ), corporate identity number 516406-0922, is an incorporated bank with its registered office in Älmhult and its head office in Malmö, Sweden. Ikano Bank is owned by Ikano S.A. with its registered office in Luxembourg. Originally part of IKEA, Ikano S.A. (the “Ikano Group”) became a separate group in 1988. Ikano Group conducts business within banking, real estate, production, insurance and retail. Ikano Bank has operated its business under a banking license since 1995.

## Operations

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

## Board of Directors

During the year Jean Champagne, Group Head of HR Ikano S.A., has resigned as a member of the Board of Directors and Yohann Adolphe, CFO for Ikano S.A., has been appointed to the Bank’s Board of Directors.

## 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 2018.

## Outlook

We expect continued growth on our markets and our comprehensive work with outsourcing our IT-services will continue. We have so far seen results in terms of increased stability. We are continuing to invest in our technical platform to secure sustainable and profitable growth and customer benefit. Our strategy to act and grow in the UK market as a branch also after Brexit remains.

## Next reporting date

Ikano Bank reports its results half-yearly. The Year-end Report for 2018 will be available on the Bank’s website at the end of February 2019. 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 2018	Jan-Jun 2017	Jan-Dec 2017
Interest income	4	1 180 590	1 177 536	2 354 945
Interest expense	4	-202 636	-195 801	-394 770
<b>Net interest income</b>		<b>977 954</b>	<b>981 734</b>	<b>1 960 176</b>
Leasing income	5	1 839 412	1 635 376	3 395 930
Commission income	6	334 406	334 760	647 629
Commission expense	6	-178 830	-149 291	-319 298
<b>Net commission income</b>		<b>155 576</b>	<b>185 469</b>	<b>328 331</b>
Net gains and losses on financial transactions		10 433	-10 922	-6 455
Other operating income	7	53 879	221 732	268 200
<b>Total income</b>		<b>3 037 254</b>	<b>3 013 389</b>	<b>5 946 183</b>
General administrative expenses		-856 655	-817 380	-1 670 051
Depreciation/amortisation and impairments of tangible and intangible assets	5	-1 663 823	-1 488 781	-3 085 917
Other operating expenses		-118 801	-98 520	-199 863
<b>Total expenses before loan losses</b>		<b>-2 639 279</b>	<b>-2 404 681</b>	<b>-4 955 831</b>
<b>Profit before loan losses</b>		<b>397 975</b>	<b>608 708</b>	<b>990 352</b>
Loan losses, net	8	-162 553	-247 980	-555 588
<b>Operating result</b>		<b>235 422</b>	<b>360 728</b>	<b>434 764</b>
Tax expense		-113 446	-95 521	-150 903
<b>Net result for the period</b>		<b>121 976</b>	<b>265 206</b>	<b>283 861</b>

## Report on total comprehensive income for the period

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Net profit for the period</b>	<b>121 976</b>	<b>265 206</b>	<b>283 861</b>
<b>Other comprehensive income</b>			
<b>Items that can be reclassified to net profit for the period</b>			
Translation difference for the period, foreign branches	189 669	-9 240	33 309
Changes in financial assets valued at fair value via other comprehensive income	-599		
Changes in fair value on financial assets available for sale		4 773	2 360
Changes in fair value on cash flow hedges	-9 744	21 239	9 394
Tax related to changes in financial assets valued at fair value via other comprehensive income	132		
Tax related to changes in fair value of financial assets available for sale		-1 050	-519
Tax related to changes in fair value of cash flow hedges	2 144	-4 673	-2 067
<b>Other comprehensive income for the period, net of tax</b>	<b>181 602</b>	<b>11 049</b>	<b>42 477</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>303 578</b>	<b>276 255</b>	<b>326 339</b>

# Balance sheet

SEK 000	Note	30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>Assets</b>				
Cash		2 013	5 621	6 603
Treasury bills		1 132 105	1 103 422	1 172 947
Loans to credit institutions		2 139 134	1 767 117	1 813 843
Loans to the public	9	27 650 741	26 949 251	27 798 753
Bonds and other interest-bearing securities		2 349 522	2 657 361	2 103 980
Shares and participations		23 594	16 270	18 885
Shares and participations in group companies		-	13 322	13 322
Intangible assets		403 341	377 707	394 813
Tangible assets		9 997 762	8 620 619	9 318 397
- Leasing assets		9 970 022	8 573 764	9 283 371
- Equipment		27 740	46 855	35 026
Other assets		976 540	1 019 766	875 190
Deferred tax assets		129 151	218 324	252 244
Prepaid expenses and accrued income		304 037	317 169	313 121
<b>Total assets</b>		<b>45 107 940</b>	<b>43 065 948</b>	<b>44 082 098</b>
<b>Liabilities, provisions and equity</b>				
Liabilities to credit institutions		2 139 247	2 279 167	2 503 967
Deposits from the public	10	26 311 038	25 284 986	25 616 729
Change in fair value on interest-rate hedged items in the portfolio		-	12	-
Issued securities	11	7 484 189	6 652 554	6 824 779
Other liabilities		902 115	920 674	1 128 161
Accrued expenses and deferred income		1 378 012	1 231 897	1 250 216
Provisions		179 778	168 674	170 098
- Provisions for pensions		34 388	33 245	33 468
- Deferred tax liabilities		90 554	121 648	122 573
- Provisions for unused credit limits		32 306	-	-
- Other provisions		22 530	13 780	14 058
Subordinated liabilities		860 294	809 602	819 680
<b>Total liabilities and provisions</b>		<b>39 254 673</b>	<b>37 347 566</b>	<b>38 313 631</b>
<b>Untaxed reserves</b>		<b>698 157</b>	<b>698 157</b>	<b>698 157</b>
<b>Equity</b>				
<b>Restricted equity</b>		<b>545 949</b>	<b>484 105</b>	<b>515 670</b>
Share capital		78 994	78 994	78 994
Statutory reserve		193 655	193 655	193 655
Fund for development expenses		273 300	211 456	243 021
<b>Non-restricted equity</b>		<b>4 609 161</b>	<b>4 536 121</b>	<b>4 554 640</b>
Fund for fair value		334 218	134 708	166 137
Retained earnings		4 152 967	4 136 207	4 104 642
Net result for the period		121 976	265 206	283 861
<b>Total equity</b>		<b>5 155 110</b>	<b>5 020 226</b>	<b>5 070 310</b>
<b>Total liabilities, provisions and equity</b>		<b>45 107 940</b>	<b>43 065 948</b>	<b>44 082 098</b>

# Statement of changes in equity

SEK 000	Restricted equity			Non-restricted equity					Total equity
	Share capital	Statutory reserve	Fund for development expenses	Fund for fair value			Retained earnings or losses	Net result for the period	
Fair value reserve				Translation reserve	Cash flow hedge reserve				
<b>Opening balance 2017-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>149 768</b>	<b>25 078</b>	<b>97 465</b>	<b>1 117</b>	<b>3 919 047</b>	<b>278 848</b>	<b>4 743 972</b>
Appropriation of profits	-	-	-	-	-	-	278 848	-278 848	-
Change in fund for development expenses	-	-	93 253	-	-	-	-93 253	-	-
Net result for the year	-	-	-	-	-	-	-	283 861	283 861
Other comprehensive income for the year	-	-	-	1 841	33 309	7 327	-	-	42 477
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 841</b>	<b>33 309</b>	<b>7 327</b>	<b>-</b>	<b>283 861</b>	<b>326 339</b>
Shareholders contribution	-	-	-	-	-	-	-	-	-
<b>Closing balance 2017-12-31</b>	<b>78 994</b>	<b>193 655</b>	<b>243 021</b>	<b>26 919</b>	<b>130 774</b>	<b>8 444</b>	<b>4 104 642</b>	<b>283 861</b>	<b>5 070 310</b>
<b>Opening balance 2018-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>243 021</b>	<b>26 919</b>	<b>130 774</b>	<b>8 444</b>	<b>4 104 642</b>	<b>283 861</b>	<b>5 070 310</b>
IFRS 9 transition effect	-	-	-	-13 522	-	-	-205 257	-	-218 779
<b>Adjusted opening balance 2018-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>243 021</b>	<b>13 397</b>	<b>130 774</b>	<b>8 444</b>	<b>3 899 385</b>	<b>283 861</b>	<b>4 851 531</b>
Appropriation of profits	-	-	-	-	-	-	283 861	-283 861	-
Change in fund for development expenses	-	-	30 279	-	-	-	-30 279	-	-
Net result for the period	-	-	-	-	-	-	-	121 976	121 976
Other comprehensive income for the period	-	-	-	-467	189 670	-7 600	-	-	181 603
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-467</b>	<b>189 670</b>	<b>-7 600</b>	<b>-</b>	<b>121 976</b>	<b>303 579</b>
<b>Closing balance 2018-06-30</b>	<b>78 994</b>	<b>193 655</b>	<b>273 300</b>	<b>12 930</b>	<b>320 444</b>	<b>844</b>	<b>4 152 967</b>	<b>121 976</b>	<b>5 155 110</b>

## Cash flow statement

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Operating activities</b>			
Operating profit	<b>+235 422</b>	<b>+360 728</b>	<b>+434 764</b>
Adjustment for non-cash items	+1 381 964	+1 705 321	+3 743 529
<b>Cash flows from operating activities before changes in working capital</b>	<b>+1 617 386</b>	<b>+2 066 048</b>	<b>+4 178 293</b>
Cash flows from changes in working capital	-1 528 894	-2 364 811	-4 762 502
<b>Cash flows from operating activities</b>	<b>+88 492</b>	<b>-298 763</b>	<b>-584 209</b>
<b>Cash flows from investing activities</b>	<b>-46 397</b>	<b>-78 914</b>	<b>-130 868</b>
<b>Cash flows from financing activities</b>	<b>+245 477</b>	<b>+397 328</b>	<b>+810 236</b>
<b>Cash flow for the period</b>	<b>+287 572</b>	<b>+19 651</b>	<b>+95 159</b>
Cash and cash equivalents at beginning of the year	+1 808 435	+1 707 836	+1 707 836
Exchange rate difference in cash and cash equivalents	+32 043	-676	+5 441
<b>Cash and cash equivalents at the end of the period</b>	<b>+2 128 050</b>	<b>+1 726 811</b>	<b>+1 808 435</b>

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 2,141 m (1,773) less deductions for current liabilities to credit institutions of SEK 13 m (46).



# Notes

## 1 Accounting principles

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

Per 1 January 2018 IFRS 9 Financial Instruments entered into force, replacing IAS 39 Financial Instruments: Accounting and Measurement. For a more detailed description see the Annual Report 2017.

Per 1 January 2018 also IFRS 15 entered into force. For Ikano Bank IFRS 15 comprises mainly payment brokerage commissions, lending commissions and other commissions. Ikano Bank has not identified any transitional effects following the implementation of IFRS 15.

In other respects, the applied accounting policies and assessments in the Interim Report coincide with those applied in the Annual Report for 2017.

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

### Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Accounting and Measurement as of 1 January 2018. The standard was approved by the end of 2016 for application within the EU. IFRS 9 contains no requirement to recalculate comparative figures in the Annual Report.

Changes introduced with IFRS 9 consist mainly of three parts: classification and measurement, impairment and hedge accounting.

#### Classification and measurement

The transition to classification and measurement rules in IFRS 9 has not led to any significant changes in Ikano Bank's financial reports. The classification for existing equity instruments within the scope of IFRS 9 has changed as the Bank has chosen to follow the main rule for equity instruments and valuation will be made at fair value through profit or loss. Previously they were classified as financial assets available for sale measured at fair value with value changes reported in other comprehensive income. As a result of this change, SEK 13.5 m net of tax have been transferred between fund for fair value and retained earnings, as well as a deferred tax item of SEK 3.3 m transferred between other assets and retained earnings. The table below shows the Bank's classification of financial assets and liabilities before and after the implementation of IFRS 9.

Financial assets	Classification 31 Dec 2017 acc. to IAS 39	Classification 1 Jan 2018 acc. to IFRS 9
Cash	Loans and receivables	Amortised cost
Treasury bills	Financial assets available for sale	Fair value through other comprehensive income
Loans to credit institutions	Loans and receivables	Amortised cost
Loans to the public	Loans and receivables	Amortised cost
Bonds and other interest-bearing securities	Financial assets available for sale	Fair value through other comprehensive income
Shares and participations	Financial assets available for sale	Fair value through profit and loss
Other assets - derivatives	Financial assets measured at fair value through profit and loss	Fair value through profit and loss
Other assets - other	Loans and receivables	Amortised cost
Accrued income	Loans and receivables	Amortised cost
<b>Financial liabilities</b>		
Liabilities to credit institutions	Other financial liabilities	Amortised cost
Deposit from the public	Other financial liabilities	Amortised cost
Issued securities	Other financial liabilities	Amortised cost
Other liabilities - derivatives	Financial liabilities measured at fair value through profit and loss	Fair value through profit and loss
Other liabilities - other	Other financial liabilities	Amortised cost
Accrued expenses	Other financial liabilities	Amortised cost

Financial assets measured at amortised cost in the table above are held in a business model aimed at holding financial assets and receiving contractual cash flows where these cash flows consist solely of payments of capital amount and interest on the outstanding principle amount.

Financial assets measured at fair value through other comprehensive income are held in a hold to collect or sell business model with the

purpose to hold financial assets to obtain contractual cash flows as well as to sell these financial assets. Cash flows consist solely of payments of capital amount and interest on the outstanding principle amount.

Derivatives not subject to hedge accounting are mandatorily measured at fair value through profit and loss.

## Impairment

The part of IFRS 9 regarding impairment rules introduces a forward-looking model with expected loan losses from the origination of the asset, as opposed to the IAS 39 model built on incurred loan losses. IFRS 9 is more extensive than IAS 39 for impairment requirements, as all assets valued at amortised cost and fair value through other comprehensive income and irrevocable loan commitments and credit commitments are subject to the assessment of impairment requirements.

In line with previously communicated expectations, the transition to IFRS 9 implies increased provisions for loan losses and a reduction of the Bank's equity. The effect of the introduction of IFRS 9 is an increase in credit loss reserves by SEK 285 m and the net effect after tax of this one-off effect is a decrease of

SEK 222 m in retained earnings. This results in a negative effect of 50 basis points on the Bank's capital adequacy at the time of transition. The EU has decided on the possibility of applying transitional rules for the introduction of IFRS 9. The Bank has notified the SFSA of its decision to apply the one-off transitional rules, which means a gradual phase-in in the capital adequacy over five years.

The table below shows the effects of the reclassifications in connection with the transition to IFRS 9.

## Hedge accounting

Ikano Bank will continue to apply IAS 39 for its portfolio hedges and applies IFRS 9 to other hedging conditions.

## Effects of the transition to IFRS 9 on the statement of financial position

kSEK	31 Dec 2017	One-off effect		1 Jan 2018
	acc. to IAS 39	loan loss provisions acc. to IFRS 9	Tax effect	acc. to IFRS 9
<b>Assets</b>				
Loans to the public	27 798 753	-174 352		<b>27 624 401</b>
Leasing assets	9 283 371	-71 918		<b>9 211 453</b>
Deferred tax	252 244		3 327	<b>255 571</b>
Other assets	875 190	-7 989	62 645	<b>929 846</b>
<b>Liabilities and provisions</b>				
Provisions	170 098	30 492		<b>200 590</b>
<b>Equity</b>				
Equity	5 070 310	-284 751	65 972	<b>4 851 531</b>

## 2 Operating segments

Jan-Jun 2018 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	377	165	111	14	285	316	33	230	1 531	-350	1 181
Interest expense	-114	-41	-40	-6	-86	-42	-8	-217	-553	350	-203
<b>Total net interest income</b>	<b>263</b>	<b>124</b>	<b>71</b>	<b>9</b>	<b>199</b>	<b>274</b>	<b>25</b>	<b>13</b>	<b>978</b>	-	<b>978</b>
Payment service commissions	5	1	-	1	-	6	-	-	13	-	13
Lending commissions	85	18	30	11	39	9	1	0	194	-	194
Compensation, mediated insurance	51	15	16	2	0	23	1	-	108	-	108
Other commissions	12	1	6	0	-	0	0	0	19	-	19
<b>Commission income</b>	<b>154</b>	<b>35</b>	<b>52</b>	<b>13</b>	<b>39</b>	<b>39</b>	<b>2</b>	<b>0</b>	<b>334</b>	-	<b>334</b>
Commission expenses	-66	-8	-29	-4	-17	-14	-2	0	-142	-	-142
<b>Commission, net</b>	<b>87</b>	<b>27</b>	<b>24</b>	<b>9</b>	<b>22</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>192</b>	-	<b>192</b>
Leasing income	907	513	301	119	-	-	-	-	1 839	-	1 839
Depreciation on leasing assets	-813	-449	-255	-102	-	-	-	-	-1 618	-	-1 618
<b>Leasing income, net</b>	<b>94</b>	<b>64</b>	<b>46</b>	<b>17</b>	-	-	-	-	<b>221</b>	-	<b>221</b>
<b>Net interest, fee and leasing income</b>	<b>444</b>	<b>214</b>	<b>141</b>	<b>35</b>	<b>221</b>	<b>299</b>	<b>25</b>	<b>13</b>	<b>1 391</b>	-	<b>1 391</b>
Other income	10	11	3	2	13	-4	3	495	534	-470	64
Other direct expenses	-24	-6	-7	-3	-12	-42	-1	-5	-100	-	-100
<b>Operating margin before net loan losses and operational expenses</b>	<b>430</b>	<b>219</b>	<b>137</b>	<b>34</b>	<b>223</b>	<b>253</b>	<b>27</b>	<b>503</b>	<b>1 825</b>	<b>-470</b>	<b>1 355</b>
Other expenses	-432	-175	-134	-36	-244	-76	-25	-437	-1 559	454	-1 106
Allocated overhead expenses	-10	-6	-3	-1	-6	-5	0	0	-31	16	-14
<b>Operating result</b>	<b>-13</b>	<b>39</b>	<b>0</b>	<b>-2</b>	<b>-27</b>	<b>171</b>	<b>2</b>	<b>66</b>	<b>235</b>	-	<b>235</b>
Of which:											
Total internal income	60	17	-	-	28	16	-	699	819	-819	-
Total external income	575	258	213	47	310	340	38	21	1 801	-	1 801
Total internal expenses	-317	-67	-83	-15	-122	-116	-16	-84	-819	819	-
Tax expense	-	-10	-	-	-1	-57	0	-46	-113	-	-113
<b>Net result for the period</b>	<b>-13</b>	<b>29</b>	<b>0</b>	<b>-2</b>	<b>-28</b>	<b>114</b>	<b>2</b>	<b>20</b>	<b>122</b>	-	<b>122</b>

For more information on segment reporting see note 2 Accounting principles in the Annual Report 2017.

Jan-Jun 2017	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
SEK m											
Interest income	374	161	114	13	269	329	26	215	1 502	-325	1 178
Interest expense	-104	-41	-39	-3	-72	-47	-6	-209	-520	325	-196
<b>Total net interest income</b>	<b>270</b>	<b>120</b>	<b>75</b>	<b>10</b>	<b>197</b>	<b>282</b>	<b>20</b>	<b>7</b>	<b>982</b>	<b>0</b>	<b>982</b>
Payment service commissions	5	1	-	1	-	5	-	-	11	-	11
Lending commissions	85	18	29	10	38	18	1	-	200	-	200
Compensation, mediated insurance	39	15	15	1	0	31	0	-	101	-	101
Other commissions	15	2	6	0	0	0	0	0	23	-	23
<b>Commission income</b>	<b>143</b>	<b>36</b>	<b>50</b>	<b>12</b>	<b>39</b>	<b>54</b>	<b>2</b>	<b>0</b>	<b>335</b>	-	<b>335</b>
Commission expenses	-66	-5	-25	-3	-17	-15	-2	-6	-140	-	-140
<b>Commission, net</b>	<b>77</b>	<b>30</b>	<b>24</b>	<b>9</b>	<b>21</b>	<b>39</b>	<b>0</b>	<b>-6</b>	<b>195</b>	-	<b>195</b>
Leasing income	837	462	281	56	-	-	-	-	1 635	-	1 635
Depreciation on leasing assets	-756	-407	-243	-49	-	-	-	-	-1 455	-	-1 455
<b>Leasing income, net</b>	<b>80</b>	<b>55</b>	<b>37</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180</b>	-	<b>180</b>
<b>Net interest, fee and leasing income</b>	<b>427</b>	<b>206</b>	<b>137</b>	<b>26</b>	<b>218</b>	<b>321</b>	<b>20</b>	<b>1</b>	<b>1 357</b>	-	<b>1 357</b>
Other income	7	195	2	0	13	0	3	536	757	-546	211
Other direct expenses	-24	-7	-7	-3	-10	-13	-1	-1	-66	-	-66
<b>Operating margin before net loan losses and operational expenses</b>	<b>410</b>	<b>394</b>	<b>133</b>	<b>24</b>	<b>221</b>	<b>308</b>	<b>22</b>	<b>536</b>	<b>2 047</b>	<b>-546</b>	<b>1 502</b>
Other expenses	-354	-172	-116	-28	-217	-222	-28	-521	-1 659	539	-1 120
Allocated overhead expenses	-10	-4	-2	0	-5	-6	0	-1	-28	6	-21
<b>Operating result</b>	<b>46</b>	<b>218</b>	<b>14</b>	<b>-5</b>	<b>0</b>	<b>80</b>	<b>-6</b>	<b>14</b>	<b>361</b>	-	<b>361</b>
Of which:											
Total internal income	58	14	-	-	20	17	-	760	870	-870	-
Total external income	546	433	204	32	301	366	31	-9	1 903	-	1 903
Total internal expenses	-271	-42	-79	-15	-122	-107	-18	-217	-870	870	-
Tax expense	1	-47	0	-	1	-27	-	-23	-96	-	-96
<b>Net result for the period</b>	<b>48</b>	<b>170</b>	<b>14</b>	<b>-5</b>	<b>0</b>	<b>53</b>	<b>-6</b>	<b>-8</b>	<b>265</b>	-	<b>265</b>

Jan-Dec 2017	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
SEK m											
Interest income	755	324	226	27	529	659	60	436	3 016	-661	2 355
Interest expense	-221	-83	-76	-7	-146	-93	-13	-416	-1 056	661	-395
<b>Total net interest income</b>	<b>535</b>	<b>241</b>	<b>150</b>	<b>20</b>	<b>383</b>	<b>566</b>	<b>46</b>	<b>20</b>	<b>1 960</b>	-	<b>1 960</b>
Payment service commissions	11	2	-	1	-	12	-	-	25	-	25
Lending commissions	170	36	57	20	77	15	2	-	377	-	377
Compensation, mediated insurance	88	25	32	3	0	54	0	-	203	-	203
Other commissions	25	1	13	0	-	0	1	2	43	-	43
<b>Commission income</b>	<b>294</b>	<b>64</b>	<b>101</b>	<b>24</b>	<b>77</b>	<b>82</b>	<b>3</b>	<b>2</b>	<b>648</b>	-	<b>648</b>
Commission expenses	-148	-12	-55	-7	-47	-29	-4	-2	-303	-	-303
<b>Commission, net</b>	<b>146</b>	<b>53</b>	<b>47</b>	<b>17</b>	<b>30</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>345</b>	-	<b>345</b>
Leasing income	1 735	941	579	140	-	-	-	-	3 396	-	3 396
Depreciation on leasing assets	-1 564	-826	-494	-121	-	-	-	-	-3 005	-	-3 005
<b>Leasing income, net</b>	<b>171</b>	<b>116</b>	<b>84</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>391</b>	-	<b>391</b>
<b>Net interest, fee and leasing income</b>	<b>852</b>	<b>409</b>	<b>281</b>	<b>57</b>	<b>413</b>	<b>619</b>	<b>46</b>	<b>20</b>	<b>2 696</b>	-	<b>2 696</b>
Other income	17	207	6	1	24	6	5	971	1 237	-975	262
Other direct expenses	-46	-13	-13	-5	-21	-25	-2	-2	-126	-	-126
<b>Operating margin before net loan losses and operational expenses</b>	<b>824</b>	<b>604</b>	<b>274</b>	<b>52</b>	<b>416</b>	<b>599</b>	<b>50</b>	<b>989</b>	<b>3 808</b>	<b>-975</b>	<b>2 833</b>
Other expenses	-712	-355	-257	-59	-455	-440	-48	-995	-3 320	963	-2 356
Allocated overhead expenses	-21	-7	-4	-1	-9	-12	-1	1	-54	12	-42
<b>Operating result</b>	<b>91</b>	<b>242</b>	<b>13</b>	<b>-8</b>	<b>-48</b>	<b>148</b>	<b>1</b>	<b>-5</b>	<b>435</b>	-	<b>435</b>
Of which:											
Total internal income	118	31	-	-	44	35	-	1 409	1 637	-1 637	-
Total external income	1 111	681	418	71	586	712	69	13	3 662	-	3 662
Total internal expenses	-562	-91	-154	-30	-253	-218	-31	-299	-1 637	1 637	-
Tax expense	1	-51	0	-	9	-59	-	-51	-151	-	-151
<b>Net result for the year</b>	<b>92</b>	<b>190</b>	<b>13</b>	<b>-8</b>	<b>-39</b>	<b>89</b>	<b>1</b>	<b>-55</b>	<b>284</b>	-	<b>284</b>

## External income

SEK m	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Corporate	376	319	686
Sales Finance	917	1 036	1 938
Consumer	499	548	968
Other	9	-	70
<b>Total external income</b>	<b>1 801</b>	<b>1 903</b>	<b>3 662</b>

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

**Balance sheet**

<b>30 Jun 2018</b>									
SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
Fixed assets other than financial instruments	409	13	1	0	2	6	1	-	431
Deferred tax assets	99	-	-	-	8	22	-	-	129
Other assets	32 885	5 657	3 648	1 187	6 077	7 719	657	-13 282	44 548
<b>Total assets</b>	<b>33 394</b>	<b>5 670</b>	<b>3 648</b>	<b>1 187</b>	<b>6 086</b>	<b>7 747</b>	<b>658</b>	<b>-13 282</b>	<b>45 108</b>
<b>Liabilities and provisions</b>	<b>30 574</b>	<b>4 392</b>	<b>3 331</b>	<b>1 261</b>	<b>5 965</b>	<b>6 247</b>	<b>767</b>	<b>-13 282</b>	<b>39 255</b>

<b>30 Jun 2017</b>									
SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
Fixed assets other than financial instruments	381	30	1	0	4	8	1	-	425
Deferred tax assets	208	-	-	-	4	6	-	-	218
Other assets	31 981	5 269	3 540	673	5 594	7 552	631	-12 817	42 423
<b>Total assets</b>	<b>32 570</b>	<b>5 299</b>	<b>3 541</b>	<b>674</b>	<b>5 602</b>	<b>7 565</b>	<b>632</b>	<b>-12 817</b>	<b>43 066</b>
<b>Liabilities and provisions</b>	<b>29 672</b>	<b>4 120</b>	<b>3 222</b>	<b>715</b>	<b>5 421</b>	<b>6 271</b>	<b>743</b>	<b>-12 817</b>	<b>37 348</b>

<b>31 Dec 2017</b>									
SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
Fixed assets other than financial instruments	400	19	1	0	3	6	1	-	430
Deferred tax assets	220	-	-	-	13	19	-	-	252
Other assets	32 435	5 474	3 480	968	5 971	7 586	831	-13 346	43 400
<b>Total assets</b>	<b>33 055</b>	<b>5 493</b>	<b>3 481</b>	<b>969</b>	<b>5 987</b>	<b>7 611</b>	<b>832</b>	<b>-13 346</b>	<b>44 082</b>
<b>Liabilities and provisions</b>	<b>30 173</b>	<b>4 272</b>	<b>3 166</b>	<b>1 013</b>	<b>5 841</b>	<b>6 255</b>	<b>940</b>	<b>-13 346</b>	<b>38 314</b>

### 3 Information about subsidiary

Per 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. The

financial position and result of Ikano Insight Ltd have no material effect on the financial position and ratios for Ikano Bank AB. The subsidiary was liquidated as of 24 January 2018.

### Financial position and result of Ikano Insight Ltd

SEK 000	Jan-Jun 2018	Jan-Dec 2017
Net interest income	-	-
Net commission	-	-
Other income	-	-
<b>Total income</b>	-	-
General administrative expenses	-	-
Other expenses	-	-
Tax expense	-	-
<b>Net result for the period</b>	-	-

SEK 000	30 Jun 2018	31 Dec 2017
<b>Assets</b>		
Other assets	-	14 597
<b>Total assets</b>	-	<b>14 597</b>
<b>Liabilities and equity</b>		
Other liabilities	-	-
Equity	-	14 597
<b>Total liabilities and equity</b>	-	<b>14 597</b>

## 4 Net interest

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Interest income</b>			
Loans to credit institutions	750	1 232	1 558
Loans to the public	1 179 117	1 175 291	2 351 624
Interest bearing securities	723	1 012	1 763
<b>Total</b>	<b>1 180 590</b>	<b>1 177 536</b>	<b>2 354 945</b>
<i>Of which: interest income from financial assets not measured at fair value through profit or loss</i>	<i>1 179 867</i>	<i>1 176 524</i>	<i>2 353 182</i>
<i>Interest income from non-performing loans</i>	<i>40 029</i>	<i>33 440</i>	<i>82 569</i>
<b>Interest expense</b>			
Liabilities to credit institutions	-20 197	-21 428	-41 044
Deposits from the public	-103 980	-96 275	-202 479
<i>Of which: deposit guarantee fee</i>	<i>-19 448</i>	<i>-12 556</i>	<i>-33 877</i>
Issued securities	-12 902	-11 778	-24 814
Derivatives	-42 627	-46 632	-87 517
- <i>hedge accounting</i>	-4 720	-6 491	-12 243
- <i>not hedge accounting</i>	-37 907	-40 141	-75 274
Subordinated liabilities	-11 550	-10 768	-21 726
Other interest expenses	-11 380	-8 920	-17 189
<i>Of which: resolution fee</i>	<i>-10 600</i>	<i>-7 151</i>	<i>-14 302</i>
<b>Total</b>	<b>-202 636</b>	<b>-195 801</b>	<b>-394 770</b>
<i>Of which: interest income from financial assets not measured at fair value through profit or loss</i>	<i>-160 009</i>	<i>-149 169</i>	<i>-307 253</i>
<b>Total net interest income</b>	<b>977 954</b>	<b>981 734</b>	<b>1 960 176</b>

## 5 Leasing income

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Leasing income, gross	1 839 412	1 635 376	3 395 930
Less: Depreciation according to plan	-1 618 115	-1 455 022	-3 004 753
<b>Leasing income, net</b>	<b>221 297</b>	<b>180 354</b>	<b>391 177</b>
Leasing income from financial lease agreements	1 839 412	1 635 376	3 395 930
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 618 115	-1 455 022	-3 004 753
<b>Leasing income, net for financial lease agreements</b>	<b>221 297</b>	<b>180 354</b>	<b>391 177</b>
Interest income	4 705	3 646	7 723
Interest expenses	-54 420	-46 269	-96 273
<b>Leasing, net</b>	<b>171 582</b>	<b>137 731</b>	<b>302 626</b>

## 6 Net commission

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Commission income</b>			
Payment service commissions	12 829	11 008	25 484
Lending commissions	194 236	199 973	376 996
Other commissions	127 341	123 779	245 149
<b>Total</b>	<b>334 406</b>	<b>334 760</b>	<b>647 629</b>
<b>Commission expenses</b>			
Payment service commissions	-1 326	-2 222	-3 728
Lending commissions	-150 300	-125 256	-265 455
Other commissions	-27 204	-21 813	-50 115
<b>Total</b>	<b>-178 830</b>	<b>-149 291</b>	<b>-319 298</b>
<b>Commission, net</b>	<b>155 576</b>	<b>185 469</b>	<b>328 331</b>

## 7 Other operating income

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Realised gain arising from the disposal of tangible assets	12 234	8 279	21 005
One-off revenue from loan portfolio sale	-	180 864	180 864
Other operating income	41 645	32 589	66 331
<b>Total</b>	<b>53 879</b>	<b>221 732</b>	<b>268 200</b>

## 8 Loan losses, net

SEK 000	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Stage 1 - Assets without significant increase in credit risk since initial recognition</b>			
Change in provisions of receivables from stage 1	6 428		
Write-off and removal of receivables from stage 1	-		
Recoveries from previously determined loan losses for stage 1	-		
<b>Net cost for the period for loan losses - stage 1</b>	<b>6 428</b>		
<b>Stage 2 - Assets with significant increase in credit risk since initial recognition but not credit-impaired</b>			
Change in provisions of receivables from stage 2	2 861		
Write-off and removal of receivables from stage 2	-92 407		
Recoveries from previously determined loan losses for stage 2	27 380		
<b>Net cost for the period for loan losses - stage 2</b>	<b>-62 166</b>		
<b>Stage 3 - Credit-impaired assets</b>			
Change in provisions of receivables from stage 3	120 850		
Write-off and removal of receivables from stage 3	-469 857		
Recoveries from previously determined loan losses for stage 3	242 192		
<b>Net cost for the period for loan losses - stage 3</b>	<b>-106 815</b>		
<b>Net cost for the period for loan losses - Total</b>	<b>-162 553</b>		
SEK 000		Jan-Jun 2017	Jan-Dec 2017
<b>Specific provisions for individually assessed loan receivables</b>			
Provisions for the period		-36 223	-57 003
Write-off for the period for determined loan losses		-85 668	-207 509
Reversal of previous provisions for loan losses		22 083	47 566
Recoveries from previously determined loan losses		8 035	15 496
<b>Net cost for the period for individually assessed loan receivables</b>		<b>-91 773</b>	<b>-201 450</b>
<b>Specific provisions for collectively assessed loan receivables</b>			
Provisions for the period		-28 788	51 331
Write-off for the period for determined loan losses		-168 493	-607 453
Recoveries from previously determined loan losses		41 073	201 984
<b>Net cost for the period for collectively assessed loan receivables</b>		<b>-156 207</b>	<b>-354 139</b>
<b>Net costs for the period for loan losses</b>		<b>-247 980</b>	<b>-555 588</b>

## 9 Loans to the public

SEK 000	30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>Outstanding receivables, gross</b>			
- Swedish currency	9 585 270	9 459 678	9 846 847
- Foreign currency	19 053 310	18 258 837	18 854 370
<b>Total</b>	<b>28 638 580</b>	<b>27 718 514</b>	<b>28 701 216</b>
<b>Outstanding receivables per stage, gross</b>			
- stage 1	23 753 798		
- stage 2	3 944 743		
- stage 3	940 039		
<b>Total outstanding receivables per stage, gross</b>	<b>28 638 580</b>		
<i>Of which: non-performing loans</i>	<i>940 039</i>	<i>763 829</i>	<i>957 961</i>
<b>Provisions</b>			
Specific provision for individually assessed receivables		-25 733	-26 276
Specific provision for collectively assessed receivables		-743 531	-876 187
Provisions for assets in stage 1	-135 522		
Provisions for assets in stage 2	-308 534		
Provisions for assets in stage 3	-543 783		
<b>Total provisions</b>	<b>-987 839</b>	<b>-769 264</b>	<b>-902 463</b>
<b>Carrying amount, net</b>			
- stage 1	23 618 276		
- stage 2	3 636 209		
- stage 3	396 256		
<b>Total carrying amount, net</b>	<b>27 650 741</b>	<b>26 949 251</b>	<b>27 798 753</b>

## 10 Deposits from the public

SEK 000	30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>Public</b>			
- Swedish currency	13 101 139	13 783 961	13 456 014
- Foreign currency	13 209 899	11 501 037	12 160 715
<b>Total</b>	<b>26 311 038</b>	<b>25 284 998</b>	<b>25 616 729</b>
<b>Deposits specified by category of borrower</b>			
Corporate sector	1 039 897	639 973	927 174
Household sector	25 271 141	24 645 025	24 689 555
<b>Total</b>	<b>26 311 038</b>	<b>25 284 998</b>	<b>25 616 729</b>

## 11 Issued securities

SEK 000	30 Jun 2018	30 Jun 2017	31 Dec 2017
Certificates of deposits	2 184 981	2 104 282	2 104 556
Bonds	5 299 208	4 548 272	4 720 223
<b>Total</b>	<b>7 484 189</b>	<b>6 652 554</b>	<b>6 824 779</b>

## 12 Related parties

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

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

SEK 000	Period	Income	Expenses	Receivables with related parties	Liabilities with related parties
Ikano S.A.	<b>30 Jun 2018</b>	-	-14 460	15 513	22 405
Ikano S.A.	<b>30 Jun 2017</b>	-	-30 205	1 210	19 574
Ikano S.A.	<b>31 Dec 2017</b>	-	-34 685	955	78 031
Other Group companies	<b>30 Jun 2018</b>	-	-23 919	7 135	873 827
Other Group companies	<b>30 Jun 2017</b>	8 714	-22 259	13 800	833 014
Other Group companies	<b>31 Dec 2017</b>	9 293	-45 700	19 144	839 424

## 13 Memorandum items

kSEK	30 Jun 2018	30 Jun 2017	31 Dec 2017
Pledged assets	none	none	none
Contingent liabilities	669	656	669
Loan commitments, irrevocable	2 965 120	2 550 171	2 262 408
Unused credit limits	39 234 098	37 385 537	38 046 534

Unused credit limits means card limits and loan commitments arranged externally. Commitments consisting of granted unused credit can be terminated effective immediately to the extent

this is permitted under the Swedish Consumer Credit Act. The Bank has no pledged commitments.

## 14 Financial assets and liabilities

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

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



**Financial assets and liabilities**

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

of changes in the classification of financial assets and liabilities.

**30 Jun 2018**

SEK 000

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

**30 Jun 2017**

SEK 000

	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	89 529	-	89 529
<b>Financial assets available for sale</b>				
Bonds and other interest-bearing securities	2 022 077	635 284	-	2 657 361
Treasury bills	1 103 422	-	-	1 103 422
Shares and participations <sup>1)</sup>	14 735	1 535	-	16 270
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	1 868	-	1 868
Currency derivatives	-	1 737	-	1 737

**31 Dec 2017**

SEK 000

	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Interest rate derivatives	-	1 642	-	1 642
Currency derivatives	-	62 194	-	62 194
<b>Financial assets available for sale</b>				
Bonds and other interest-bearing securities	1 393 768	710 212	-	2 103 980
Treasury bills	1 172 947	-	-	1 172 947
Shares and participations <sup>1)</sup>	17 350	1 535	-	18 885
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	6 334	-	6 334
Currency derivatives	-	48 433	-	48 433

- 1) The Bank owns unlisted shares, which until 31 December 2017 were included in Level 2 of the valuation category financial assets available for sale. As there are difficulties in being able to calculate a fair value reliably, this is reported at the cost of acquisition adjusted for potential provisions as an approximation of fair value. The Bank does not intend to sell these shares in the near future.

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

Ikano Bank is party to derivative contracts under the International Swaps and Derivatives Association's (ISDA) master agreement, which means that when a counterparty cannot fulfil its obligations, the agreement is cancelled and all outstanding dealings between the parties are settled with a net amount. ISDA agreements do not meet the criteria for offsetting in the balance sheet since offsetting is only permitted due to a

party's inability to settle, and also where the intention to reach a net settlement exists.

No amounts have been offset in the balance sheet in 2018.

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

		Amounts not offset in balance sheet					
<b>30 Jun 2018</b>		Offsetting in the	Net in balance	Netting	Issued/Received		
<b>SEK 000</b>	Gross value	balance sheet	sheet	agreements	collateral	Net value	
Derivatives	14 702	-	14 702	-14 702	-	-	
<b>Total financial assets</b>	<b>14 702</b>	-	<b>14 702</b>	<b>-14 702</b>	-	-	
Derivatives	99 315	-	99 315	-14 702	-92 240	-7 627	
<b>Total financial liabilities</b>	<b>99 315</b>	-	<b>99 315</b>	<b>-14 702</b>	<b>-92 240</b>	<b>-7 627</b>	
		Amounts not offset in balance sheet					
<b>30 Jun 2017</b>		Offsetting in the	Net in balance	Netting	Issued/Received		
<b>SEK 000</b>	Gross value	balance sheet	sheet	agreements	collateral	Net value	
Derivatives	92 909	-	92 909	-5 103	-80 517	7 289	
<b>Total financial assets</b>	<b>92 909</b>	-	<b>92 909</b>	<b>-5 103</b>	<b>-80 517</b>	<b>7 289</b>	
Derivatives	13 656	-	13 656	-5 103	-	8 552	
<b>Total financial liabilities</b>	<b>13 656</b>	-	<b>13 656</b>	<b>-5 103</b>	-	<b>8 552</b>	
		Amounts not offset in balance sheet					
<b>31 Dec 2017</b>		Offsetting in the	Net in balance	Netting	Issued/Received		
<b>SEK 000</b>	Gross value	balance sheet	sheet	agreements	collateral	Net value	
Derivatives	63 835	-	63 835	-49 192	-9 846	4 798	
<b>Total financial assets</b>	<b>63 835</b>	-	<b>63 835</b>	<b>-49 192</b>	<b>-9 846</b>	<b>4 798</b>	
Derivatives	54 767	-	54 767	-49 192	-6 840	-1 265	
<b>Total financial liabilities</b>	<b>54 767</b>	-	<b>54 767</b>	<b>-49 192</b>	<b>-6 840</b>	<b>-1 265</b>	

## 15 Risks and uncertainty factors

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

Apart from what is stated in this Interim Report, there is more detail in Ikano Bank's Annual Report for 2017 and Ikano Bank's annual "Capital adequacy and risk management" report in accordance with Basel 3 regulations, available at [www.ikanobank.se](http://www.ikanobank.se).

## 16 Capital management and capital adequacy

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

The capital requirements regulations help to strengthen resilience against financial losses and thereby protect the Bank's customers. The regulations state that the Bank's own funds shall cover the minimum statutory own funds requirements, referred to as Pillar 1 requirements, which for Ikano Bank include the requirements for credit 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 Ikano Bank's capital situation is satisfactory to cover the risks that the Bank is or may be exposed to, an internal capital adequacy assessment (ICAAP) is conducted at least annually. The ICAAP is the Board's tool for assessing the need for changes in the own funds requirement in the event of changed circumstances. Strategic decisions or external events that affect the business and its development are taken into account and stress tests and scenario analyses are carried out to assess potential additional own funds requirements. The risk control function is responsible for monitoring the process of the Bank's capital adequacy assessment. This is done as an integrated part of the budget and strategy processes. The ICAAP outcome is reported to the SFSA. The own funds requirement of the ICAAP in addition to Pillar 1 requirements for 30 June 2018 totalled SEK 966 m.

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

As of 30 June 2018, the Bank had own funds of SEK 6.4 bn (6.0) compared with the statutory own funds requirement for Pillar 1-risk of SEK 3.0 bn (2.9). The total capital ratio was 16.7 percent with a Tier 1 capital ratio of 14.5 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 5.5 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 3.2 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 952 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 1.1 percent or SEK 401 m after weighting the applicable geographic requirements, which for the Bank mainly means Sweden, Norway and the UK. Ikano Bank's combined buffer requirement is SEK 1,353 m.

Per 1 January 2018, the new accounting standards IFRS 9 Financial Instruments entered into force. As mentioned in the Annual Report 2017, Ikano Bank has notified the SFSA of its decision to apply the transition rules introduced with article 473a capital requirements regulation (EU) No 575/2013 regarding the one-off effect. For the Bank, this effect was SEK 222 m after tax that will be gradually phased in into the capital adequacy over five years. The table on page 20 includes a comparison of Ikano Bank's own funds as well as capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 as introduced by the EBA guidelines 2018/01.

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

SEK 000	30 Jun 2018	30 Jun 2017	31 Dec 2017
Tier 1 capital	5 506 488	5 169 398	5 211 615
Tier 2 capital	860 294	809 602	819 680
<b>Own funds</b>	<b>6 366 782</b>	<b>5 979 000</b>	<b>6 031 295</b>
<b>Total risk exposure amount</b>	<b>38 088 420</b>	<b>35 827 990</b>	<b>36 515 692</b>
<b>Total own funds requirements</b>	<b>3 047 074</b>	<b>2 866 239</b>	<b>2 921 255</b>
<b>Total capital ratio</b>	<b>16.7%</b>	<b>16.7%</b>	<b>16.5%</b>
<b>Tier 1 capital ratio</b>	<b>14.5%</b>	<b>14.4%</b>	<b>14.3%</b>
<b>Common equity Tier 1 capital ratio</b>	<b>14.5%</b>	<b>14.4%</b>	<b>14.3%</b>
<b>Available common equity Tier 1 capital</b>	<b>3 221 183</b>	<b>3 019 718</b>	<b>3 020 673</b>
<b>Available common equity Tier 1 capital in relation to Total risk exposure amount</b>	<b>8.5%</b>	<b>8.4%</b>	<b>8.3%</b>
Capital conservation buffer	952 211	895 700	912 892
Counter-cyclical capital buffer	401 248	351 656	367 680
<b>Combined buffer requirement</b>	<b>1 353 459</b>	<b>1 247 356</b>	<b>1 280 572</b>

**Specification of own funds**

SEK 000	30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>Own funds</b>			
<b>Tier 1 capital</b>			
<b>Equity reported in the balance sheet</b>	<b>5 155 110</b>	<b>5 020 226</b>	<b>5 070 310</b>
Share capital	78 994	78 994	78 994
Statutory reserve	193 655	193 655	193 655
Fund for development expenses	273 300	211 456	243 021
Fund for fair value	334 218	134 708	166 137
Retained earnings	4 152 967	4 136 207	4 104 642
Net result for the period	121 976	265 206	283 861
Adjustment for IFRS 9 one-off effect according to transitional arrangements	211 001		
Untaxed reserves (78% of which)	544 562	544 562	544 562
Less:			
- Intangible assets	-403 341	-377 707	-394 813
- Cash flow hedge	-844	-17 683	-8 444
<b>Total Tier 1 capital</b>	<b>5 506 488</b>	<b>5 169 398</b>	<b>5 211 615</b>
<b>Total common equity Tier 1 capital</b>	<b>5 506 488</b>	<b>5 169 398</b>	<b>5 211 615</b>
<b>Tier 2 capital</b>			
Subordinated liabilities	860 294	809 602	819 680
<b>Total Tier 2 capital</b>	<b>860 294</b>	<b>809 602</b>	<b>819 680</b>
<b>Total own funds</b>	<b>6 366 782</b>	<b>5 979 000</b>	<b>6 031 295</b>

## Specification of risk exposure amount and own funds requirements

SEK 000	30 Jun 2018		30 Jun 2017		31 Dec 2017	
	Risk exposure amount	Own funds requirements	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	-	-	55	4	32 571	2 606
Regional governments or local authorities	11 221	898	-	-	10 632	851
Exposures to public sector entities	-	-	4	0	26	2
Institutional exposure	510 692	40 855	408 028	32 642	416 933	33 355
Corporate exposure	4 234 101	338 728	1 982 937	158 635	1 833 137	146 651
Retail exposure	23 296 194	1 863 696	24 023 664	1 921 893	24 884 944	1 990 796
Equity exposure	23 594	1 888	29 592	2 367	32 207	2 577
Past due items	1 274 134	101 931	871 962	69 757	773 689	61 895
Covered bond exposure	111 136	8 891	130 769	10 462	113 016	9 041
Other items	514 494	41 160	615 767	49 261	620 242	49 617
<b>Total credit risk</b>	<b>29 975 566</b>	<b>2 398 046</b>	<b>28 062 779</b>	<b>2 245 022</b>	<b>28 717 397</b>	<b>2 297 391</b>
<b>Operational risk according to the basic indicator approach</b>	<b>5 056 084</b>	<b>404 487</b>	<b>4 840 640</b>	<b>387 251</b>	<b>4 840 640</b>	<b>387 251</b>
<b>Foreign exchange risk according to the standardised approach</b>	<b>3 043 256</b>	<b>243 460</b>	<b>2 915 552</b>	<b>233 244</b>	<b>2 949 096</b>	<b>235 928</b>
<b>CVA according to the standardised method</b>	<b>13 514</b>	<b>1 081</b>	<b>9 020</b>	<b>722</b>	<b>8 559</b>	<b>685</b>
<b>Total</b>	<b>38 088 420</b>	<b>3 047 074</b>	<b>35 827 990</b>	<b>2 866 239</b>	<b>36 515 692</b>	<b>2 921 255</b>

## Leverage ratio

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

percent to be introduced in connection with the proposed revised Capital Requirements Regulation.

The Leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. For the Bank, the leverage ratio by 30 June 2018 is 11.4 percent (10.5) and thus well above the proposed binding measure.

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

SEK m	30 Jun 2018	31 Mar 2018
<b>Available capital</b>		
Common Equity Tier 1 (CET1) capital	5 506	5 329
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 295	5 118
Tier 1 capital	5 506	5 329
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 295	5 118
Total capital	6 367	6 178
Total capital as if IFRS 9 transitional arrangements had not been applied	6 156	5 967
<b>Risk-weighted assets</b>		
Total risk-weighted assets	38 088	37 365
Inphasing	164	254
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	37 925	37 112
<b>Capital ratios</b>		
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.5%	14.3%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.0%	13.8%
Tier 1 (as a percentage of risk exposure amount)	14.5%	14.3%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.0%	13.8%
Total capital (as a percentage of risk exposure amount)	16.7%	16.5%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	16.2%	16.1%
<b>Leverage ratio</b>		
Leverage ratio total exposure measure	48 402	49 006
Leverage ratio	11.4%	10.9%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	11.0%	10.5%

## 17 Liquidity

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

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

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

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

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

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

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

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

The liquidity portfolio as of 30 June 2018 totalled SEK 5.6 bn excluding overdraft facilities and constitutes 21 percent of deposits from the public. It includes cash and balances with banks, the liquidity reserve and other interest-bearing securities with a value of SEK 1.1 bn. None of the assets are being utilised as collateral and no non-performing loans exist. In addition to the liquidity portfolio, committed credit facilities for a total of SEK 3.1 bn are available.

As of 30 June 2018, the Bank's liquidity coverage ratio (LCR) totalled 220 percent. This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent is applied since 1 January 2018.

### Summary of liquidity reserve

SEK 000	30 Jun 2018	30 Jun 2017	31 Dec 2017
Securities issued by regional governments and governments	1 134 499	1 103 775	1 172 947
Securities issued by financial companies	158 458	145 807	148 967
Covered bonds	1 111 364	1 307 690	1 123 514
<b>Liquidity reserve</b>	<b>2 404 321</b>	<b>2 557 272</b>	<b>2 445 428</b>
Operating liquidity invested in securities	1 077 307	1 203 511	831 499
Cash and balances with central banks and other banks	2 101 176	1 745 648	1 780 779
<b>Total liquidity portfolio</b>	<b>5 582 804</b>	<b>5 506 431</b>	<b>5 057 706</b>
<b>Other liquidity creating measures</b>			
Unused committed credit facilities	3 096 140	3 403 031	2 954 402

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

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

about the Bank's capital adequacy and liquidity risk management can be found in the Annual Report for 2017 and the information on capital adequacy and risk management for 2017. The documents are published on the Bank's website [www.ikanobank.se](http://www.ikanobank.se).

## Malmö, Sweden, 29 August 2018

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 faced by the Bank.

Mats Håkansson  
Chairman

Diederick van Thiel  
Board member

Lars Thorsén  
Board member

Olle Claeson  
Board member

Heather Jackson  
Board member

Yohann Adolphe  
Board member

Håkan Nyberg  
Managing Director