

Interim Report 2017-06

Ikano Bank AB (publ) Interim Report, 30 June 2017

Results for the first half-year 2017

(comparative figures are as of 30 June 2016 unless otherwise stated)

- Business volumes expanded by 12 percent to SEK 65,732 m (58,848)
- Lending including leasing increased by 10 percent to SEK 35,523 m (32,164)
- Deposits from the public rose by 16 percent to SEK 25,285 m (21,854)
- Operating profit decreased by 11 percent to SEK 361 m (406)
- Net profit for the period decreased to SEK 265 m (291)
- Net interest income decreased by 1 percent to SEK 982 m (993)
- Return on equity was 10.4 percent (13.9)
- The common equity Tier 1 capital ratio was 14.4 percent (13.5) and the total capital ratio was 16.7 percent (15.9)
- The liquidity reserve was SEK 4,303 m (4,933) and the total liquidity portfolio amounted to SEK 5,506 m (5,677)

Outlook for the remainder of 2017:

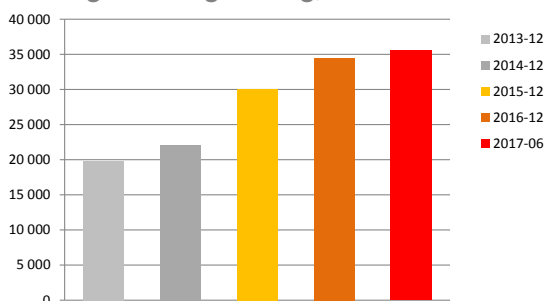
Overall, the outlook for the second half of 2017 is positive and the development for the Bank is expected to continue to be good. It is still too early to draw any conclusions about how Brexit will affect the Bank's operations in UK and the strategy to grow on the UK market is firm. Recruitment of a new Managing Director is on-going and is expected to be completed before the year end.

Key ratios

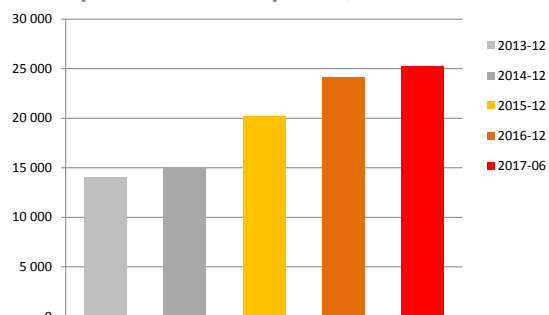
	30 Jun 2017	30 Jun 2016	31 Dec 2016
Total Capital ratio	16.7%	15.9%	16.6%
Common equity Tier 1 Capital ratio	14.4%	13.5%	14.3%
Investment margin	4.6%	5.2%	5.2%
Return on adjusted equity	10.4%	13.9%	7.2%
Leverage ratio	10.5%	9.5%	10.5%
C/I-ratio before loan losses	60.9%	67.6%	74.2%
Loan loss ratio	1.4%	0.2%	0.9%

For definitions of alternative indicators used to describe the Bank's activities see the Bank's Annual Report for 2016, available on the Bank's website www.ikanobank.se/om-banken/ekonomisk-information

Lending including leasing, SEK m



Deposits from the public, SEK m



Ikano Bank's Interim Report is available on the company website:

www.ikanobank.se/om-banken/ekonomisk-information

Statement by the Managing Director

Growth in all markets

During the first half of 2017, Ikano Bank continued to grow in all markets. Business volume increased by 12 percent to SEK 66 billion and lending, including leasing, increased by 10 percent to SEK 36 billion. Demand for the Bank's corporate products remains high and especially the Swedish market has developed well. Private lending has also developed well in the UK, Sweden and Denmark.

Operating results for the period decreased as expected compared to 2016 as a result of the model standardisation for loan loss reserves introduced during the same period last year. This leads to higher loan loss provisions compared to 2016; the underlying credit risk however is in line with previous years.

Our total income increased from SEK 2.5 billion to SEK 3.0 billion of which SEK 176 million is non-recurring income from the sale of a loan portfolio in Denmark. In addition, the leasing business contributed to the largest increase in income. Net interest income developed differently across our markets and total net interest income decreased marginally.

Deposits from the public increased by 16 per cent to SEK 25 billion, with growth in the UK combined with Germany and Denmark. We are delighted with continued appreciation from our customers. In both Germany and the UK we have won several awards for the best loan and savings products.

We closely follow the development of Brexit. In the short term, it is not possible to draw any conclusions about the possible changes this may entail for the UK operations and our strategy to grow on the UK market is firm.

The Bank is continuously financed on the Swedish capital market and demand for the Bank's short certificate program has continued to be good. During the first half of the year four new MTN bonds were issued, which were fully subscribed.

We continue to invest in our business platform to ensure long-term profitable growth and customer benefit. One part of this is our cooperation with IT partner Capgemini, which aims to strengthen the Bank's IT capabilities, improve cost efficiency and support the digital development of our offer.

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 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 2017 compared to the corresponding period of 2016

Stable underlying profitability

Operating results for the first half of 2017 decreased by 11 percent to SEK 361 m (406). The lower operating result compared to the same period last year is partly due to the model standardisation for loan loss reserves implemented in the first half of 2016. This resulted in a reversal of loan loss reserves in 2016, which means that loan losses for the first half of 2017 increased compared with 2016. The result for 2017 is positively affected by a one-off portfolio sale as a result of process harmonisation of the collection which has resulted in a net income of SEK 176 m.

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

Marginally lower interest net income

Net interest income decreased by 1 percent to SEK 982 m (993). Net interest income differed between the different markets, but overall it decreased marginally.

Increased net leasing income and net commissions

Leasing net income increased by 18 percent compared with the same period last year and amounted to SEK 180 m (153) due to volume growth.

Net commission income increased by 13 percent to SEK 185 m (164), mainly as a result of increased commission net on the German market.

Increased operating expenses due to volume growth

Operating expenses increased by 16 percent to SEK 2,405 m (2,068). The higher costs are mainly due to increased depreciation of leasing assets on behalf of customers, resulting from volume growth within the Corporate business line. Other expenses only increased marginally compared with the previous year.

Higher loan losses

Net loan losses increased by SEK 212 m to SEK 248 m (36). This increase from the previous period is due to the model standardisation carried out in 2016, which for the first half of 2016 resulted in a reversal of loan loss reserves of SEK 118 m. The increase in loan losses is also due to underlying growth. Loan losses measured as a percentage of average total lending rose to 1.4 (0.2) percent and are considered stable. The loan loss level as of June 30 2017 is at the same

level as in previous years which have not been affected by the reversal of loan losses due to model standardisation.

The Bank's position as of 30 June 2017 compared to 31 December 2016

Increased deposits from the public

Deposits from the public rose by 5 percent to SEK 25.3 bn (24.2). The largest part of this volume increase relates to deposits in the UK market. Deposits on 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. Deposits from the public form an important part of the Bank's funding and have shown stable growth for several years.

Increased loans to the public

The Bank's loans to the public increased marginally to SEK 26.9 bn (26.8) after provisions for loan losses.

Leasing assets held on behalf of customers increased by 12 percent to SEK 8.6 bn (7.6) 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 2 percent to SEK 4.9 bn (4.8).

Overall business volumes in stable growth

The total business volume rose by 4 percent to SEK 65.7 bn (63.5). Deposits in the Bank's foreign branches account for the largest volume growth. Increased leasing volumes in mainly the Swedish and Danish markets also contribute to the total increase in business volume.

Strong liquidity and high demand for the Bank's bonds

The Bank's liquidity portfolio remained largely at the same level as at 30 June 2017 at year-end and amounted to 5.5 billion (5.3), which equates to 22 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 certificate program has continued to be good. In addition to ongoing certification issues, four new MTN bonds were issued during the first half of the year with a total nominal amount of SEK 1,450 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 (nominal amount of SEK 500 m) was also made for a better maturity spread.

The own funds amounted to SEK 6.0 billion in June 30, 2017, compared to the capital

requirement of SEK 2.9 bn. Total capital ratio amounted to 16.7 percent (16.6) and the Tier 1 ratio was 14.4 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. 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.

Management

The Bank's Managing Director, Stefan Nyrinder, will leave the Bank in 2017, but will continue as Managing Director until his successor has been recruited.

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 2017.

Outlook

Overall, the outlook for the second half of 2017 is positive and the development for the Bank are expected to continue to be good. It is still too early to draw any conclusions about how Brexit will affect the Bank's operations in UK and the strategy to grow on the UK market is firm. Recruitment of a new Managing Director is on-going and is expected to be completed before the year end.

Next reporting date

Ikano Bank reports its results half-yearly. The Year-end Report for 2017 will be available on the Bank's website at the end of February 2018. 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 2017	Jan-Jun 2016	Jan-Dec 2016
Interest income	4	1 177 536	1 184 572	2 421 986
Interest expense	4	-195 801	-191 608	-400 551
Net interest income		981 734	992 964	2 021 435
Leasing income	5	1 635 376	1 297 948	2 780 577
Commission income	6	334 760	333 030	670 831
Commission expense	6	-149 291	-168 676	-314 750
Commission, net	-	185 469	164 354	356 081
Net gains and losses on financial transactions		-10 922	-3 281	9 337
Other operating income	7	221 732	58 231	105 108
Total income		3 013 389	2 510 215	5 272 538
General administrative expenses		-817 380	-803 847	-1 688 508
Depreciation/amortisation and impairments of tangible and intangible assets	5	-1 488 781	-1 165 834	-2 515 049
Other operating expenses		-98 520	-98 308	-345 556
Total expenses before loan losses		-2 404 681	-2 067 989	-4 549 113
Profit before loan losses		608 708	442 226	723 425
Loan losses, net	8	-247 980	-36 430	-278 424
Operating result		360 728	405 796	445 001
Tax expense		-95 521	-114 388	-166 153
Net result for the period		265 206	291 408	278 848

Statement of Comprehensive Income

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Net profit for the period	265 206	291 408	278 848
Other comprehensive income			
Items that can be reclassified to net profit for the period			
Translation difference for the period, foreign branches	-9 240	47 984	98 524
Changes in fair value on financial assets available for sale	4 773	27 888	35 321
Changes in fair value on cash flow hedges	21 239	-446	-2 169
Tax related to changes in fair value of financial assets available for sale	-1 050	-2 021	-7 770
Tax related to changes in fair value of cash flow hedges	-4 673	98	477
Other comprehensive income for the period, net of tax	11 049	73 503	124 383
Total comprehensive income for the period, net of tax	276 255	364 911	403 231

Balance Sheet

SEK 000	Note	30 Jun 2017	30 Jun 2016	31 Dec 2016
Assets				
Cash		5 621	18 803	9 881
Treasury bills		1 103 422	1 228 443	1 201 155
Loans to credit institutions		1 767 117	2 386 154	1 837 545
Loans to the public	9	26 949 251	25 569 283	26 845 453
Bonds and other interest-bearing securities		2 657 361	2 069 426	2 247 378
Shares and participations		16 270	13 512	15 083
Shares and participations in group companies		13 322	13 322	13 322
Intangible assets		377 707	255 773	322 072
Tangible assets		8 620 619	6 656 330	7 687 008
- Leasing assets		8 573 764	6 594 658	7 629 348
- Equipment		46 855	61 672	57 660
Other assets		1 019 766	733 036	908 297
Deferred tax assets		218 324	203 377	162 892
Prepaid expenses and accrued income		317 169	361 086	285 532
Total assets		43 065 948	39 508 545	41 535 619
Liabilities, provisions and equity				
Liabilities to credit institutions		2 279 167	3 464 874	2 414 715
Deposits from the public	10	25 284 986	21 850 555	24 179 555
Change in fair value on interest-rate hedged items in the portfolio		12	3 010	468
Issued securities	11	6 652 554	5 987 958	6 182 825
Other liabilities		920 674	1 020 251	1 035 082
Accrued expenses and deferred income		1 231 897	1 368 919	1 298 763
Provisions		168 674	110 434	172 179
- Provisions for pensions		33 245	32 585	32 815
- Deferred tax liabilities		121 648	77 849	122 798
- Other provisions		13 780	-	16 566
Subordinated liabilities		809 602	798 737	809 905
Total liabilities and provisions		37 347 566	34 604 738	36 093 490
Untaxed reserves		698 157	698 157	698 157
Equity				
Restricted equity		484 105	345 622	422 417
Share capital		78 994	78 994	78 994
Statutory reserve		193 655	193 655	193 655
Fund for development expenses		211 456	72 973	149 768
Non-restricted equity		4 536 121	3 860 028	4 321 555
Fund for fair value		134 708	72 778	123 659
Retained earnings		4 136 207	3 495 842	3 919 048
Net result for the period		265 206	291 408	278 848
Total equity		5 020 226	4 205 650	4 743 972
Total liabilities, provisions and equity		43 065 948	39 508 545	41 535 619

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		Cash flow hedge reserve	Retained earnings or losses	Net result for the period	
Fair value reserve				Translation reserve					
Opening balance 2016-01-01	78 994	193 655	-	-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	-	-	149 768	-	-	-	-149 768	-	-
Net result for the year	-	-	-	-	-	-	-	278 848	278 848
Other comprehensive income for the year	-	-	-	27 551	98 524	-1 692	-	-	124 383
Total comprehensive income for the year	-	-	-	27 551	98 524	-1 692	-	278 848	403 231
Shareholders contribution	-	-	-	-	-	-	500 000	-	500 000
Closing balance 2016-12-31	78 994	193 655	149 768	25 078	97 465	1 117	3 919 047	278 848	4 743 972
Opening balance 2017-01-01	78 994	193 655	149 768	25 078	97 465	1 117	3 919 047	278 848	4 743 972
Appropriation of profits	-	-	-	-	-	-	278 848	-278 848	-
Change in fund for development expenses	-	-	61 688	-	-	-	-61 688	-	-
Net result for the period	-	-	-	-	-	-	-	265 206	265 206
Other comprehensive income for the period	-	-	-	3 723	-9 240	16 567	-	-	11 049
Total comprehensive income for the period	-	-	-	3 723	-9 240	16 567	-	265 206	276 255
Closing balance 2017-06-30	78 994	193 655	211 456	28 801	88 224	17 683	4 136 207	265 206	5 020 226

Cash Flow Statement

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Operating activities			
Operating profit	+360 728	+405 796	+445 001
Adjustment for non-cash items	+1 705 321	+1 721 879	+3 185 299
Cash flows from operating activities before changes in working capital	+2 066 048	+2 127 675	+3 630 300
Cash flows from changes in working capital	-2 364 811	-2 444 574	-4 089 236
Cash flows from operating activities	-298 763	-316 899	-458 936
Cash flows from investing activities	-78 914	-89 885	-170 238
Cash flows from financing activities	+397 328	+931 870	+568 355
Cash flow for the period	+19 651	+525 086	-60 819
Cash and cash equivalents at beginning of the year	+1 707 836	+1 766 386	+1 766 386
Exchange rate difference in cash and cash equivalents	-676	-11 722	+2 269
Cash and cash equivalents at the end of the period	+1 726 811	+2 279 750	+1 707 836

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

balances with central banks and lending to credit institutions, of SEK 1 773 m less deductions for current liabilities to credit institutions of SEK 46 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.

In other respects, the applied accounting policies and estimates in the interim report coincide with those applied in the Annual Report for 2016.

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 January 1, 2018, according to the applicable rules for entry into force. 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 and Ikano Bank does not intend to do so.

IFRS 9 consists of three parts: classification and measurement, impairment and hedge accounting.

Classification and measurement

Ikano Bank's current assessment is that the classification and measurement rules in IFRS 9 are not expected to make any significant changes in Ikano Bank's financial reports.

Impairment

The second part contains new rules for impairment. The changes mainly refer to a transition to a forward-looking model with expected loan losses, as opposed to the current model under IAS 39, which is a model for incurred loan losses. The forward-looking model also includes scenarios of future economic forecasts that are weighted from probability to provide expected loan losses. Furthermore, IFRS 9 is more extensive than IAS 39 for impairment requirements, as all assets valued at accrued acquisition value and fair value through other comprehensive income and irrevocable loan commitments and credit commitments are subject to the assessment of impairment requirements.

During the first half of 2017, the work on the determination of processes, data access and estimation of risk models have continued and in part been completed. For the second half of the year, the models will be executed in parallel with existing IAS39 calculations to ensure a smooth transition. Implementation of continuous validation and reporting processes will continue during the second half of the year. The uncertainty in the Bank's estimate is therefore expected to decrease gradually during the autumn. The Bank's current assessment is that the new impairment rules at the transition are expected to increase provisions for loan losses, reduce equity and negatively affect capital adequacy.

Hedge accounting

Ikano Bank will continue to apply IAS 39 for its portfolio hedges and consider applying IFRS 9 to other hedging conditions. Ikano Bank's assessment is that the new rules on hedge accounting will not have a significant impact on Ikano Bank's financial reports.

2 Operating segments

Jan-Jun 2017 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	374	161	114	13	269	329	26	215	1 502	-325	1 178
Interest expense	-104	-41	-39	-3	-71	-47	-6	-209	-520	325	-196
Total net interest income	270	120	75	10	198	282	20	7	983	-	982
Commission income	143	36	50	12	39	54	2	0	335	-	335
Commission expenses	-66	-5	-25	-3	-23	-15	-2	0	-140	-	-140
Commission, net	77	30	24	9	16	39	0	0	195	-	195
Leasing income	837	462	281	56	-	-	-	-	1 635	-	1 635
Depreciation on leasing assets	-756	-407	-243	-49	-	-	-	-	-1 455	-	-1 455
Leasing income, net	80	55	37	7	-	-	-	-	180	-	180
Net interest, fee and leasing income	427	206	137	26	214	321	20	7	1 358	-	1 357
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
Operating margin before net loan losses and operational expenses	410	394	133	24	217	308	22	541	2 048	-546	1 502
Other expenses	-360	-172	-116	-28	-213	-222	-28	-519	-1 659	539	-1 120
Allocated overhead expenses	-10	-4	-2	0	-5	-6	0	-1	-28	6	-21
Operating result	40	218	14	-5	-1	80	-6	21	361	-	361
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
Net result for the period	41	170	14	-5	0	53	-6	-2	265	-	265

Jan-Jun 2016 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	371	167	94	12	269	346	21	203	1 483	-298	1 185
Interest expense	-111	-38	-29	-2	-61	-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	-	333	-	333
Commission expenses	-61	-5	-24	-3	-21	-31	-2	-1	-147	-	-147
Commission, net	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	-	-	-	-	153	-	153
Net interest, fee and leasing income	414	206	124	21	231	310	16	9	1 332	-	1 332
Other income	7	13	5	0	2	1	2	516	547	-491	55
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	221	289	18	524	1 799	-491	1 308
Other expenses	-343	-113	-156	-18	-211	-41	-17	-475	-1 374	491	-883
Allocated overhead expenses	5	3	3	0	-2	-3	0	-25	-20	-	-20
Operating result	60	98	-31	1	8	245	1	25	406	-	406
Of 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 result for the period	60	78	-31	1	9	165	1	10	291	-	291

Jan-Dec 2016 SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Shared functions	Total before eliminations	Eliminations	Total
Interest income	738	346	206	25	550	703	45	411	3 023	-602	2 421
Interest expense	-213	-79	-64	-5	-131	-102	-11	-397	-1 002	602	-399
Total net interest income	525	266	142	20	418	601	34	14	2 021	-	2 021
Commission income	298	72	100	22	88	87	4	-	671	-	670
Commission expenses	-134	-11	-51	-5	-39	-35	-3	-4	-283	-	-283
Commission, net	163	60	49	16	48	53	1	-4	388	-	388
Leasing income	1 418	801	506	56	-	-	-	-	2 781	-	2 781
Depreciation on leasing assets	-1 290	-699	-431	-47	-	-	-	-	-2 468	-	-2 468
Leasing income, net	128	102	75	9	-	-	-	-	312	-	313
Net interest, fee and leasing income	816	428	267	45	467	654	36	10	2 721	-	2 722
Other income	26	25	9	1	5	2	5	1 063	1 136	-1 021	115
Other direct expenses	-47	-21	-15	-5	-25	-45	-1	-1	-160	-	-160
Operating margin before net loan losses and operational expenses	795	432	261	41	447	612	39	1 072	3 697	-1 021	2 677
Other expenses	-706	-277	-274	-51	-425	-248	-38	-1 189	-3 208	1 014	-2 194
Allocated overhead expenses	-14	-6	-3	-1	-9	-11	-1	-1	-45	7	-37
Operating result	74	149	-16	-11	14	353	1	-118	444	-	445
Of which:											
Total internal income	122	26	-	-	16	33	-	1 428	1 624	-1 624	-
Total external income	1 065	519	390	56	627	760	54	39	3 511	-	3 511
Total internal expenses	-513	-58	-133	-23	-226	-177	-24	-471	-1 624	1 624	-
Tax expense	-	-30	4	-	-5	-126	-	-9	-166	-	-166
Net result for the period	74	119	-12	-11	9	227	1	-128	279	-	279

External income

SEK m	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Corporate	319	282	595
Sales Finance	1 036	984	2 002
Consumer	548	423	825
Other	-	36	89
Total external income	1 903	1 725	3 511

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

Balance Sheet

30 Jun 2017	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
SEK m									
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
Total assets	32 570	5 299	3 541	674	5 602	7 565	632	-12 817	43 066
Liabilities and provisions	29 672	4 120	3 222	715	5 421	6 271	743	-12 817	37 348

30 Jun 2016	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
SEK m									
Fixed assets other than financial instruments	254	44	1	0	6	11	1	-	317
Deferred tax assets	199	-	-	-	4	0	0	-	203
Other assets	31 095	4 816	2 965	434	6 138	6 649	493	-13 601	38 989
Total assets	31 548	4 860	2 966	434	6 148	6 660	494	-13 601	39 509
Liabilities and provisions	29 072	3 925	2 684	457	5 963	5 511	594	-13 601	34 605

31 Dec 2016	Sweden	Denmark	Norway	Finland	United Kingdom	Germany	Poland	Eliminations	Total
SEK m									
Fixed assets other than financial instruments	323	39	1	0	6	9	1	-	380
Deferred tax assets	112	-	-	-	4	6	-	-	122
Other assets	31 432	5 186	3 407	526	6 179	7 378	598	-13 672	41 034
Total assets	31 868	5 225	3 408	526	6 189	7 393	599	-13 672	41 536
Liabilities and provisions	29 032	4 223	3 089	562	6 001	6 160	700	-13 672	36 093

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. At the end of the period, no activities are performed in the subsidiary and liquidation will take place in 2017.

Financial position and result of Ikano Insight Ltd

SEK 000	30 Jun 2017	31 Dec 2016
Assets		
Loans to credit institutions	-	-
Intangible assets	-	-
Other assets	14 498	14 949
Total assets	14 498	14 949
Liabilities and equity		
Other liabilities	-	-
Equity	14 498	14 949
Total liabilities and equity	14 498	14 949

SEK 000	Jan-Jun 2017	Jan-Jun 2016
Net interest income	-	27
Net commission	-	-2 365
Other income	-	29 108
Total income	-	26 769
General administrative expenses	-	-24 657
Other expenses	-	-672
Tax expense	-	167
Net result for the period	-	1 608

4 Net interest

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Interest income			
Loans to credit institutions	1 232	0	0
Loans to the public	1 175 291	1 182 956	2 418 572
Interest bearing securities	1 012	1 616	3 414
Total	1 177 536	1 184 572	2 421 986
<i>Of which: interest income from financial assets</i>			
<i>not measured at fair value through profit or loss</i>	1 176 524	1 182 956	2 418 572
<i>Interest income from non-performing loans</i>	33 440	58 084	114 489
Interest expense			
Liabilities to credit institutions	-21 428	-23 937	-48 010
Deposits from the public	-96 275	-94 018	-193 886
<i>Of which: deposit guarantee fee</i>	-12 556	-11 325	-23 971
Issued securities	-11 778	-13 791	-25 901
Derivatives	-46 632	-45 859	-98 737
- <i>hedge accounting</i>	-6 491	-440	6 042
- <i>not hedge accounting</i>	-40 141	-45 419	-104 779
Subordinated liabilities	-10 768	-10 913	-22 228
Other interest expenses	-8 920	-3 090	-11 789
<i>Of which: stability fee</i>	-7 151	-2 354	-4 709
Total	-195 801	-191 608	-400 551
<i>Of which: interest income from financial assets not measured</i>			
<i>at fair value through profit or loss</i>	-149 169	-145 749	-301 814
Total net interest income	981 734	992 964	2 021 435

5 Leasing income

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Leasing income, gross	1 635 376	1 297 948	2 780 577
Less: Depreciation according to plan	-1 455 022	-1 145 277	-2 467 504
Leasing income, net	180 354	152 671	313 073
Leasing income from financial lease agreements	1 635 376	1 297 948	2 780 577
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 455 022	-1 145 277	-2 467 504
Leasing income, net for financial lease agreements	180 354	152 671	313 073
Interest income	3 646	2 749	6 327
Interest expenses	-46 269	-38 347	-79 920
Leasing, net	137 731	117 073	239 479

6 Net commission

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Commission income			
Payment service commissions	11 008	11 083	23 245
Lending commissions	199 973	204 803	409 033
Other commissions	123 779	117 144	238 552
Total	334 760	333 030	670 831
Commission expenses			
Payment service commissions	-2 222	-21 904	-9 724
Lending commissions	-125 256	-130 413	-260 942
Other commissions	-21 813	-16 359	-44 084
Total	-149 291	-168 676	-314 750
Commission, net	185 469	164 354	356 081

7 Other operating income

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Realised gain arising from the disposal of tangible assets	8 279	7 727	29 806
Intra-Group services	-	3 995	8 148
Dividend on Visa shares	-	26 942	26 942
One-off revenue from loan portfolio sale	180 864	-	-
Other operating income	32 589	19 567	40 212
Total	221 732	58 231	105 108

8 Loan losses, net

SEK 000	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Specific provision for individually assessed loan receivables			
Provisions for the period	-36 223	-12 654	-50 488
Write-off for the period for determined loan losses	-85 668	-196 781	-312 002
Reversal of previous provisions for loan losses	22 083	144 719	176 055
Recoveries from previously determined loan losses	8 035	4 573	9 149
Net cost for the period for individually assessed loan receivables	-91 773	-60 143	-177 286
Specific provision for collectively assessed loan receivables			
Provisions for the period	-28 788	138 471	218 347
Write-off for the period for determined loan losses	-168 493	-233 898	-485 766
Recoveries from previously determined loan losses	41 073	119 140	166 282
Net cost for the period for collectively assessed loan receivables	-156 207	23 713	-101 138
Net costs for the period for loan losses	-247 980	-36 430	-278 424

9 Loans to the public

SEK 000	30 Jun 2017	30 Jun 2016	31 Dec 2016
Outstanding receivables, gross			
- Swedish currency	9 459 678	9 490 161	8 886 408
- Foreign currency	18 258 837	17 113 329	18 913 677
Total	27 718 514	26 603 490	27 800 085
<i>Of which: non-performing loans</i>	763 829	1 217 867	1 204 226
Specific provision for individually assessed receivables	-25 733	-26 526	-28 809
Specific provision for collectively assessed receivables	-743 531	-1 007 681	-925 823
Carrying amount, net	26 949 251	25 569 283	26 845 453

10 Deposits from the public

SEK 000	30 Jun 2017	30 Jun 2016	31 Dec 2016
- Swedish currency	13 783 961	14 401 831	14 257 679
- Foreign currency	11 501 037	7 451 734	9 921 876
Total	25 284 998	21 853 565	24 179 555
Deposits specified by category of borrower			
Corporate sector	639 973	46 954	243 280
Household sector	24 645 025	21 806 611	23 936 275
Total	25 284 998	21 853 565	24 179 555

11 Issued securities

SEK 000	30 Jun 2017	30 Jun 2016	31 Dec 2016
Certificates of deposits	2 104 282	1 678 768	2 204 208
Bonds	4 548 272	4 309 190	3 978 617
Total	6 652 554	5 987 958	6 182 825

12 Related parties

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

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

SEK 000	Period	Income	Expenses	Receivables with related parties	Liabilities with related parties
Ikano S.A.	30 Jun 2017	-	-30 205	1 210	19 574
Ikano S.A.	30 Jun 2016	-	-20 243	13 157	17 443
Ikano S.A.	31 Dec 2016	-	-33 483	1 996	16 655
Other Group companies	30 Jun 2017	8 714	-22 259	13 800	833 014
Other Group companies	30 Jun 2016	12 598	-28 241	14 124	823 619
Other Group companies	31 Dec 2016	28 574	-63 929	16 507	834 291

13 Contingent liabilities and commitments

kSEK	30 Jun 2017	30 Jun 2016	31 Dec 2016
Pledged assets	none	none	none
Contingent liabilities	656	646	656
Loan commitments, irrevocable	2 550 171	2 217 677	1 957 201
Unused credit limits	37 385 537	40 049 467	37 418 680

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

Swedish Consumer Credit Act. Non-cancellable loan commitments issued are valid for 14-30 days. 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 division of fair value measurement is based on the following three levels:

- Level 1: based on 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 2017

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	89 529	-	89 529
Financial assets available for sale				
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 ¹⁾	14 735	1 535	-	16 270
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	1 868	-	1 868
Currency derivatives	-	1 737	-	1 737

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⁾	11 977	1 535	-	13 512
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	6 571	-	6 571
Currency derivatives	-	51 263	-	51 263

31 Dec 2016

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	14 054	-	14 054
Currency derivatives	-	110 120	-	110 120
Financial assets available for sale				
Bonds and other interest-bearing securities	1 647 096	600 282	-	2 247 378
Treasury bills	1 201 155	-	-	1 201 155
Shares and participations ¹⁾	13 548	1 535	-	15 083
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	20 214	-	20 214
Currency derivatives	-	51 365	-	51 365

- 1) The Bank owns unlisted shares, which are 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. The Bank does not intend to sell these shares in the near 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 where the intention to reach a net settlement exists.

In the Balance Sheet, no amounts have been offset in 2017.

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.

Amounts not offset in Balance Sheet

30 Jun 2017	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Netting agreements	Issued/Received collateral	Net value
SEK 000						
Derivatives	92 909	-	92 909	-5 103	-80 517	7 289
Total financial assets	92 909	-	92 909	-5 103	-80 517	7 289
Derivatives	13 656	-	13 656	-5 103	-	8 552
Total financial liabilities	13 656	-	13 656	-5 103	-	8 552

Amounts not offset in Balance Sheet

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

31 Dec 2016		Offsetting in the	Net in Balance	Netting	Issued/Received	
SEK 000	Gross value	Balance Sheet	Sheet	agreements	collateral	Net value
Derivatives	124 174	-	124 174	-58 095	-83 906	-17 826
Total financial assets	124 174	-	124 174	-58 095	-83 906	-17 826

Derivatives	71 579	-	71 579	-58 095	-	13 484
Total financial liabilities	71 579	-	71 579	-58 095	-	13 484

15 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, 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.

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 2016 and Ikano Bank's annual "Capital adequacy and risk management" report in accordance with Basel 3 regulations, available at www.ikanobank.se.

16 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 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 also the Board's tool for assessing the need for changes in the own funds requirement in the event of changed circumstances. The evaluation includes an overall risk analysis to ensure that the risks are properly taken into account and reflect the Bank's true risk profile and own funds requirement. 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. The own funds requirement of the ICAAP in addition to Pillar 1 requirements for 30 June 2017 totalled SEK 964 m.

Ikano Bank's risk tolerance is that the total capital ratio should never fall below 15 percent, i.e. 7 percentage points above the statutory capital requirement for Pillar 1 risks. The risk tolerance level also exceeds the own funds requirement including Pillar 1 buffers, which for Ikano Bank totaled 11.5 percent. 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.

As of 30 June 2017, the Bank had own funds of SEK 6.0 bn compared with the statutory own funds requirement for Pillar 1-risk of SEK 2.9 bn. The total capital ratio was 16.7 percent with a Tier 1 capital ratio of 14.4 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 5.2 bn. After a statutory minimum for common equity Tier 1 capital has been allocated to cover 75 percent of the total own funds requirement calculated in accordance with Pillar 1, a further SEK 3.0 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 896 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 0.98 percent or SEK 352 m after weighting the applicable geographic requirements, which for the Bank means Sweden and Norway. Ikano Bank's combined buffer requirement is SEK 1 248 m.

Summary of own funds and risk exposure amount

SEK 000	30 Jun 2017	30 Jun 2016	31 Dec 2016
Tier 1 capital	5 169 398	4 491 978	4 965 344
Tier 2 capital	809 602	798 737	809 905
Own funds	5 979 000	5 290 715	5 775 249
Total risk exposure amount	35 827 990	33 176 830	34 747 337
Total own funds requirements	2 866 239	2 654 146	2 779 787
Total Capital ratio	16.7%	15.9%	16.6%
Tier 1 Capital ratio	14.4%	13.5%	14.3%
Common equity Tier 1 capital ratio	14.4%	13.5%	14.3%
Available common equity Tier 1 capital	3 019 718	2 501 368	2 880 505
Available common equity Tier 1 capital in relation to Total risk exposure amount	8.4%	7.5%	8.3%
Capital conservation buffer	895 700	829 421	868 683
Counter-cyclical capital buffer	351 656	243 333	245 989
Combined buffer requirement	1 247 356	1 072 754	1 114 673

Specification of own funds

SEK 000	30 Jun 2017	30 Jun 2016	31 Dec 2016
Own funds			
Tier 1 capital			
Equity reported in the balance sheet	5 020 226	4 205 650	4 743 972
Share capital	78 994	78 994	78 994
Statutory reserve	193 655	193 655	193 655
Fund for development expenses	211 456	72 973	149 768
Fund for fair value	134 708	72 778	123 659
Retained earnings	4 136 207	3 495 842	3 919 048
Net result for the period	265 206	291 408	278 848
Untaxed reserves (78% of which)	544 562	544 562	544 562
Less:			
- Intangible assets	-377 707	-255 773	-322 072
- Cash flow hedge	-17 683	-2 461	-1 117
Total Tier 1 capital	5 169 398	4 491 978	4 965 344
Total Common Equity Tier 1 capital	5 169 398	4 491 978	4 965 344
Tier 2 capital			
Subordinated liabilities	809 602	798 737	809 905
Total Tier 2 capital	809 602	798 737	809 905
Total own funds	5 979 000	5 290 715	5 775 249

Specification of risk exposure amount and own funds requirements

SEK 000	30 Jun 2017		30 Jun 2016		31 Dec 2016	
	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	55	4	471	38	0	0
Exposures to public sector entities	4	0	9	1	7	1
Institutional exposure	408 028	32 642	688 850	55 108	440 435	35 235
Corporate exposure	1 982 937	158 635	1 306 052	104 484	1 602 721	128 218
Retail exposure	24 023 664	1 921 893	22 192 713	1 775 417	23 678 386	1 894 271
Equity exposure	29 592	2 367	26 834	2 147	28 405	2 272
Past due items	871 962	69 757	836 724	66 938	913 707	73 097
Covered bonds exposure	130 769	10 462	89 266	7 141	134 141	10 731
Other items	615 767	49 261	618 632	49 491	530 872	42 470
Total credit risk	28 062 779	2 245 022	25 759 552	2 060 764	27 328 673	2 186 294
Operational risk according to the basic indicator approach	4 840 640	387 251	4 537 533	363 003	4 537 533	363 003
Foreign exchange risk according to the standardised approach	2 915 552	233 244	2 859 410	228 753	2 876 276	230 102
CVA according to the standardised method	9 020	722	20 335	1 627	4 855	388
Total	35 827 990	2 866 239	33 176 830	2 654 146	34 747 337	2 779 787

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 composition and size of the Bank's liquidity portfolio and the liquidity reserve are 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 also 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 4.3 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 5.5 bn as of 30 June 2017, which constitutes 22 percent of deposits from the public. It includes the liquidity reserve in accordance with the above and other interest-bearing securities with a value of SEK 1.2 bn. None of the assets are being utilised as collateral and no non-performing loans exist. Measurement was carried out at market value. In

addition to the liquidity portfolio, there are obtained, committed credit facilities for a total of SEK 3.4 bn.

As of 30 June 2017, the Bank's liquidity coverage ratio (LCR) totalled 253 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 80 percent applies 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 2017	30 Jun 2016	31 Dec 2016
Cash and balances with central banks and other financial institutes	1 745 648	2 379 161	1 823 912
Securities issued by municipalities and other public units	1 103 775	1 228 755	1 201 155
Securities issued by financial companies	145 807	-	145 772
Covered bonds	1 307 690	1 324 920	1 335 882
Liquidity reserve (according to definition in FFFS 2010:7)	4 302 920	4 932 836	4 506 721
Operating liquidity invested in securities	1 203 511	744 194	765 724
Total liquidity portfolio	5 506 431	5 677 030	5 272 445
Other liquidity creating measures			
Unused committed credit facilities	3 403 031	2 589 045	3 405 011

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 2016 and the information on capital adequacy and risk management for 2016. The documents are published on the Bank's website www.ikanobank.se.

Malmö, Sweden, 24 August 2017

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