

# Interim Report 2020-06

# Ikano Bank AB (publ) Interim Report 30 June 2020

## Results for the first half-year 2020

(comparative figures in brackets are as of 30 June 2019 unless otherwise stated)

- Business volume amounted to SEK 61,584 m (63,622).
- Lending, including leasing, amounted to SEK 35,534 m (37,369)
- Deposits from the public amounted to SEK 26,050 m (26,253)
- Operating result before loan losses amounted to SEK 387 m (431)
- Net interest income amounted to SEK 936 m (971)
- The common equity Tier 1 capital ratio was 17.1 percent (15.3) and the total capital ratio was 19.6 percent (17.6)
- The liquidity reserve increased to SEK 2,788 m (2,352) and the total liquidity portfolio amounted to SEK 5,617 m (5,463)
- Loan losses amounted to SEK 468 m (332)

### Outlook for the remainder of 2020

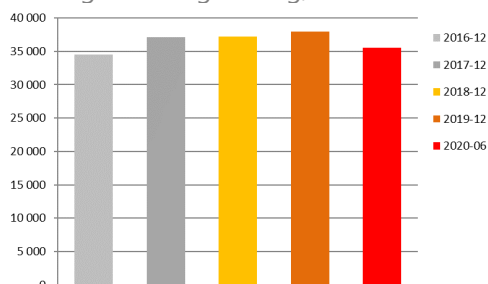
The Covid-19 pandemic has struck the world and naturally also affects our operations. Short term we see a decrease in revenues and increase in provisions for possible future loan losses as a direct consequence of the pandemic. Ikano Bank has a strong financial position with good margins regarding liquidity and capital. Looking forward we also see great effects of the improvement work that is ongoing through our comprehensive transformation journey which has been further accelerated due to Covid-19. With new digital solutions and better customer experience, committed co-workers, an updated strategy, and a customer promise On fair terms we see good business opportunities in the future.

### Key ratios

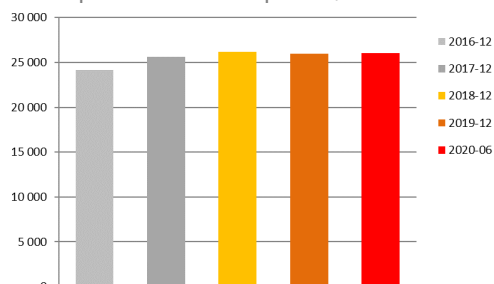
	30 Jun 2020	30 Jun 2019	31 Dec 2019
Total Capital ratio	19.6%	17.6%	17.7%
Common equity Tier 1 Capital ratio	17.1%	15.3%	15.4%
Investment margin	4.3%	4.3%	4.3%
Return on adjusted equity	-2.1%	2.6%	2.5%
Leverage ratio	12.7%	12.2%	12.1%
C/ I-ratio before loan losses	72.1%	70.6%	69.6%
Loan loss ratio	2.5%	1.8%	1.9%

For definitions of alternative performance measures used to describe the Bank's operations see the Bank's Annual Report for 2019, 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 CEO

### Work to transform the Bank continues

The comprehensive transformation of Ikano Bank, started back in January 2019, continues with full strength and has been further accelerated due to Covid-19. The purpose is to radically transform the bank, to better serve our customers and improve cost-income ratio. This is done by further digitalising and streamlining the business, creating better growth opportunities with modern and scalable systems, reducing expenses and increasing the customer satisfaction. Launch of an even more customer-friendly loan platform will take place during winter, after which a gradual roll-out in our markets will take place in the coming years. In parallel local, legacy and costly systems will be shut down.

The Covid-19-pandemic has affected the entire world and naturally our business has also been affected. Our immediate focus has been to assist our customers in the best possible way. At the same time we have had great focus on securing the safety and health of our co-workers. The transition to having a large number of co-workers, also customer facing operations, working from home went smoothly and the daily work proceeds as normal, even though some processes have had to be adapted to the new reality.

### The pandemic impacts the result

Ikano Bank has a strong financial position with good margins regarding liquidity and capital. Looking forward we see great effects of the ongoing cost efficiency and improvement work. During the first half-year 2020 we can see a decrease in sales and an increase in provisions for future possible loan losses as a direct consequence by the ongoing Covid-19 pandemic. The Bank sees a good recovery from the immediate crisis. The combination of extensive investments in our transformation as well as the impact by a global pandemic however impacts the result that already after years of weak profitability is low. Together this with all clarity motivates why the ongoing transformation is so necessary, namely that the profitability for Ikano Bank must be improved to grow our business and serve our customers even better.

### Responsibility towards customers and co-workers

Responsibility for each other is important in all contexts and is especially clear when a global pandemic occurs. For a customer-oriented bank like us this is particularly obvious. We have in all ways taken responsibility in assisting customers, individuals as well as businesses, with for example payment holidays. Further, we have decided to reduce and be more selective in the credit process for significantly affected sectors. Ikano Bank's credit

portfolio as well as liquidity is being monitored on a continuous basis to ensure that we quickly can take action in case of negative changes.

### Accelerate the pace of development

Together we are creating a more digital and entrepreneur driven bank by focusing on several important areas to significantly improve cost-efficiency and customer offerings over the next two years. We invest in real-time and module-based system solutions, which increases flexibility for our customers. In combination with new ways of working, we can increase the pace of development and launch new functionality faster. By using a combination of standard services and in-house developed customer-oriented modules we can focus on what makes our bank unique.

### Increased engagement

According to our surveys, we've been able to maintain our service to our customers and the engagement of our co-workers increases. The engagement among our co-workers is especially gratifying since we, with the pandemic affecting our daily work, also work intensely with a transformation to renew the Bank. We've increased our commercial focus and, together with our largest partner IKEA strengthened the cooperation in many aspects.

With improved customer experience and digital processes, our customer promise 'On fair terms', skilled and engaged co-workers and a clarified business strategy we see good business opportunities for the future. We will once again become the entrepreneur driven bank Ingvar Kamprad once started.

Henrik Eklund

## About Ikano Bank

Ikano Bank offers simple and fair banking and financing solutions for the many people and businesses. Our offer to consumers includes cards, loans and savings accounts.

We deliver sales finance and customer insight services to retail partners, with IKEA as its largest partner, and provide businesses with leasing and factoring solutions.

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 other geographical markets. Ikano Bank delivers its services online and has no physical offices for customers.

## The Bank's results for the first half-year 2020 compared to the corresponding period of 2019

### Operating result decreases

Operating results for the first half of 2020 decreased to SEK -81 m (98). The result before loan losses decreased with 10.1 percent and amounted to SEK 387 m (431). All of the bank's markets have been affected by the Covid-19 pandemic in the form of declining new sales and increased loan losses. A large part of the bank's lending volumes comes from the retail industry and its closure, as an infection-limiting measure, has led to a decrease in new sales. At the same time, the bank has seen an increase in deposit volumes as account deposits is seen as a safer form of savings in uncertain times. The bank's total revenues decreased by 3.4 percent and expenses decreased by 2.3 percent.

### Reduced revenues

In total, revenues decreased by SEK 108 m or 3.4 percent and amounted to SEK 3 094 m (3 202). Net interest income decreased in all of the bank's markets as result of decreased new sales and amounted to SEK 936m (971).

Net commission income decreased with 2.9 percent and amounted to SEK 183 m (189). The decrease is mainly explained by lower new sales.

Net leasing income increased by 0.9 percent compared to the same period last year and amounted to SEK 245 m (243).

### Reduced expenses

Operating expenses decreased by 2.3 percent and amounted to SEK 2 706 m (2772). The decrease is partly due to volume decreases in the Corporate segment, resulting in lower depreciation of leasing assets (- SEK 31 m), and partly due to lower IT costs (- SEK 41 m).

### Net Loan losses

The actual net loan losses are so far at normal levels, and the levels of missed payments show no deviating pattern. Provisions for future expected loan losses increased by SEK 136 m to SEK 468 m (332). Of this change, SEK 107 m is directly related to the Covid-19 pandemic, proportionally distributed between the Corporate and Consumer markets. The increase can partly be explained by macro-economic factors impacting the Bank's loan loss provision models and partly by an increase in stage 2 provisions also caused by the bank's loan loss model.

At the same time, significant moratoria and payment reliefs were granted during the spring. The maturities of these so far show a normal payment pattern and the levels of payments exceeds early expectations.

Early in the pandemic, the Bank decided on a number of restrictions on new lending in order to ensure a long-term sound credit portfolio.

Even before the outbreak of the Covid-19 pandemic, the bank saw slightly increased loan losses, especially in Sweden, Denmark and the UK. Loan losses as a percentage of average total lending per 30 June 2020 increased to 2.5 percent (1.8). This is higher than the Bank's historic loan loss level, however, still lower than during the most recent financial crisis in 2009.

## The Bank's position as of 30 June 2020 compared to 31 December 2019

### Decreasing loans to the public

Loans from the public decreased by 7.7 percent to SEK 25 535 m (27 661) after provisions for loan losses. New lending, driven by the retail industry, decreases. This in turn leads to reduced lending volumes.

Leasing assets held on behalf of customers decreased by 2.6 percent to SEK 9 999 m (10 268) as a result of weaker demand for financing from our partners.

### Stable deposits from the public

Deposits from the public are an important part of the bank's funding and has been stable for many years. Deposits from the public increased with 0.4 percent during the first half of 2020 to SEK 26,050 m (25,958). Volumes in the Swedish market increase while the other markets show a slight decrease. Interest margins are stable.

### Good liquidity and capital position

The Bank's liquidity portfolio remained largely at the same level on 30 June 2020 as at year-end and amounted to SEK 5 618 m (6 038), which equals 21.2 percent of the Bank's total deposits from the public.

The Bank continuously obtains funding in the Swedish capital market. In addition to ongoing issuance of commercial papers, no new MTN bonds were issued as the market was characterized by both volatility and uncertainty as a consequence of the Covid-19 pandemic. This has been made possible by the bank's strong liquidity and maturity profile on outstanding capital market funding.

The own funds amounted to SEK 6 552 m per 30 June 2020, compared to the capital requirement of SEK 2 668 m. The total capital ratio increased to 19.6 percent (17.6) and the Common Equity Tier 1 ratio was 17.1 percent (15.3).

## 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. The Bank provides financing solutions to the consumer and corporate markets through partnerships, finance brokers and direct sales. The operations in Denmark, Norway, Finland, the UK, Germany and Poland are operated as branches, while Austria is serviced under cross-border operations.

## Board of Directors and management

During the first half of 2020 there have been no changes in the Board of Directors.

Anna Wanby took the position of Chief Legal Officer in April 2020 and joined the Bank's management team.

## Outlook

The Covid-19 pandemic has struck the world and naturally also affects Ikano Bank's operations. Short term the Bank sees a decrease in revenues and increase in provisions for possible future loan losses as a direct consequence of the pandemic. Ikano Bank has a strong financial position with good margins regarding liquidity and capital. Looking forward the Bank also sees great effects of the improvement work that is ongoing through the comprehensive transformation journey which has been further accelerated due to Covid-19. With new digital solutions and better customer experience, committed co-workers, an updated strategy, and a customer promise On fair terms we see good business opportunities in the future.

## Next reporting date

Ikano Bank reports its results half-yearly. The Year-end Report for 2020 will be available on the Bank's website at the end of February 2021. 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 2020	Jan-Jun 2019	Jan-Dec 2019
Interest income	3	1 132 380	1 171 429	2 341 779
Interest expense	3	-196 164	-200 025	-397 968
<b>Net interest income</b>		<b>936 217</b>	<b>971 404</b>	<b>1 943 812</b>
Leasing income	4	1 953 161	1 981 703	4 011 000
Commission income	5	311 469	342 528	659 093
Commission expense	5	-128 045	-153 686	-301 860
<b>Net commission income</b>		<b>183 425</b>	<b>188 842</b>	<b>357 233</b>
Net gains and losses on financial transactions		-5 290	13 568	21 196
Other operating income	6	26 816	46 918	118 200
<b>Total income</b>		<b>3 094 328</b>	<b>3 202 435</b>	<b>6 451 441</b>
General administrative expenses		-853 600	-894 282	-1 749 289
Depreciation/ amortisation and impairments of tangible and intangible assets	4	-1 770 694	-1 784 783	-3 623 661
Other operating expenses		-82 640	-92 581	-187 531
<b>Total expenses before loan losses</b>		<b>-2 706 934</b>	<b>-2 771 646</b>	<b>-5 560 481</b>
<b>Profit before loan losses</b>		<b>387 394</b>	<b>430 789</b>	<b>890 960</b>
Loan losses, net	7	-467 919	-332 400	-702 288
<b>Operating result</b>		<b>-80 525</b>	<b>98 389</b>	<b>188 671</b>
Appropriations		-	-	281 200
Tax expense	8	-97 424	14 402	-4 470
<b>Net result for the period</b>		<b>-177 949</b>	<b>112 791</b>	<b>465 401</b>

## Report on total comprehensive income

SEK 000	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Net profit for the period</b>	<b>-177 949</b>	<b>112 791</b>	<b>465 401</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	24 613	106 197	99 451
Change in loss allowance for financial assets valued at fair value via other comprehensive income	1 559	377	647
Changes in fair value through other comprehensive income	352	7 318	-7 861
Fair value changes for cash flow hedges	-2 830	-9 667	2 917
Tax related to changes in translation differences for the year	72 587	-22 726	-61 229
Tax related to changes in fair value of cash flow hedges	606	2 060	1 682
Tax related to changes in financial assets valued at fair value via other comprehensive income	-75	-1 647	-601
<b>Other comprehensive income for the period, net of tax</b>	<b>96 812</b>	<b>81 911</b>	<b>35 006</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-81 138</b>	<b>194 782</b>	<b>500 407</b>

# Balance sheet

SEK 000	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Assets</b>				
Cash		25 062	18 771	33 855
Treasury bills		1 614 951	1 392 905	1 672 613
Loans to credit institutions		2 145 891	1 692 677	1 909 236
Loans to the public	9	25 535 299	27 047 365	27 660 929
Bonds and other interest-bearing securities		1 838 156	2 441 595	2 446 609
Shares and participations		43 732	39 775	43 164
Shares and participations in associated companies		12 446	-	12 446
Intangible assets		380 822	342 675	352 138
Tangible assets		10 010 288	10 338 902	10 282 495
- Leasing assets		9 998 831	10 321 672	10 268 260
- Equipment		11 458	17 229	14 235
Other assets		1 185 841	1 094 460	1 160 042
Deferred tax assets		99 376	116 158	102 455
Prepaid expenses and accrued income		298 005	302 426	279 668
<b>Total assets</b>		<b>43 189 869</b>	<b>44 827 710</b>	<b>45 955 650</b>
<b>Liabilities, provisions and equity</b>				
Liabilities to credit institutions		1 543 027	1 830 499	2 009 831
Deposits from the public	10	26 049 901	26 253 174	25 957 779
Issued securities	11	6 623 980	7 486 696	8 595 049
Other liabilities		765 431	829 972	1 003 407
Accrued expenses and deferred income		1 229 982	1 353 965	1 322 560
Provisions		162 836	191 029	160 244
- Provisions for pensions		36 702	35 680	35 886
- Deferred tax liabilities		95 496	100 859	92 115
- Other provisions		30 638	54 490	32 243
Subordinated liabilities		854 256	865 289	865 187
<b>Total liabilities and provisions</b>		<b>37 229 414</b>	<b>38 810 623</b>	<b>39 914 057</b>
<b>Untaxed reserves</b>		<b>96 957</b>	<b>378 157</b>	<b>96 957</b>
<b>Equity</b>				
<b>Restricted equity</b>		<b>616 060</b>	<b>537 517</b>	<b>566 574</b>
Share capital		78 994	78 994	78 994
Statutory reserve		193 655	193 655	193 655
Fund for development expenses		343 412	264 868	293 925
<b>Non-restricted equity</b>		<b>5 247 438</b>	<b>5 101 414</b>	<b>5 378 062</b>
Fund for fair value		335 923	286 016	239 111
Retained earnings		5 089 465	4 702 607	4 673 550
Net result for the period		-177 949	112 791	465 401
<b>Total equity</b>		<b>5 863 499</b>	<b>5 638 931</b>	<b>5 944 636</b>
<b>Total liabilities, provisions and equity</b>		<b>43 189 869</b>	<b>44 827 710</b>	<b>45 955 650</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 2019-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>276 316</b>	<b>8 492</b>	<b>182 992</b>	<b>12 622</b>	<b>4 149 951</b>	<b>541 208</b>	<b>5 444 229</b>
Appropriation of profits	-	-	-	-	-	-	541 208	-541 208	-
Change in fund for development expenses	-	-	17 610	-	-	-	-17 610	-	-
Net result for the year	-	-	-	-	-	-	-	465 401	465 401
Other comprehensive income for the year	-	-	-	-5 532	38 222	2 316	-	-	35 006
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-5 532</b>	<b>38 222</b>	<b>2 316</b>	<b>-</b>	<b>465 401</b>	<b>500 407</b>
Shareholders contribution	-	-	-	-	-	-	-	-	-
<b>Closing balance 2019-12-31</b>	<b>78 994</b>	<b>193 655</b>	<b>293 925</b>	<b>2 959</b>	<b>221 214</b>	<b>14 938</b>	<b>4 673 550</b>	<b>465 401</b>	<b>5 944 636</b>
<b>Opening balance 2020-01-01</b>	<b>78 994</b>	<b>193 655</b>	<b>293 925</b>	<b>2 959</b>	<b>221 214</b>	<b>14 938</b>	<b>4 673 550</b>	<b>465 401</b>	<b>5 944 636</b>
Appropriation of profits	-	-	-	-	-	-	465 401	-465 401	-
Change in fund for development expenses	-	-	49 486	-	-	-	-49 486	-	-
Net result for the period	-	-	-	-	-	-	-	-177 949	-177 949
Other comprehensive income for the period	-	-	-	1 835	97 200	-2 224	-	-	96 812
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 835</b>	<b>97 200</b>	<b>-2 224</b>	<b>-</b>	<b>-177 949</b>	<b>-81 138</b>
<b>Closing balance 2020-06-30</b>	<b>78 994</b>	<b>193 655</b>	<b>343 412</b>	<b>4 795</b>	<b>318 414</b>	<b>12 714</b>	<b>5 089 465</b>	<b>-177 949</b>	<b>5 863 498</b>

## Cash flow statement

SEK 000	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Operating activities</b>			
Operating profit	<b>-80 525</b>	<b>+98 389</b>	<b>+188 671</b>
Adjustment for non-cash items	+2 589 947	+2 002 210	+4 555 781
<b>Cash flows from operating activities before changes in working capital</b>	<b>+2 509 422</b>	<b>+2 100 599</b>	<b>+4 744 452</b>
Cash flows from changes in working capital	+230 467	-2 528 895	-6 151 422
<b>Cash flows from operating activities</b>	<b>+2 739 890</b>	<b>-428 297</b>	<b>-1 406 970</b>
<b>Cash flows from investing activities</b>	<b>-92 991</b>	<b>-8 813</b>	<b>-83 226</b>
<b>Cash flows from financing activities</b>	<b>-2 382 526</b>	<b>-112 711</b>	<b>+1 162 792</b>
<b>Cash flow for the period</b>	<b>+264 372</b>	<b>-549 821</b>	<b>-327 404</b>
Cash and cash equivalents at beginning of the year	+1 921 393	+2 169 819	+2 169 819
Exchange rate difference in cash and cash equivalents	-22 838	+78 592	+78 978
<b>Cash and cash equivalents at the end of the period</b>	<b>+2 162 927</b>	<b>+1 698 590</b>	<b>+1 921 393</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 2 171 m (1 712) less deductions for current liabilities to credit institutions of SEK 8 m (12).



# Notes

## 1 Accounting principles

This Interim Report has been prepared in accordance with IAS 34 Interim financial reporting with exception according to RFR 2 Accounting for Legal Entities. The Bank 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). Accordingly, the Bank applies statutory IFRS.

Per 1 January 2019 IFRS 16 Leasing Standards came into effect, replacing IAS 17 Leasing Standards. As Ikano Bank applies the exemption in RFR 2 for legal entities, IFRS 16 does not affect Ikano Bank's financial reports significantly. No other new

standards are expected to have any significant impact on own funds requirements, the capital base, large exposures or the Bank's financial reports 2020 or later.

The Covid-19 pandemic has brought additional risks and uncertainty factors as well as adjustments in valuations and judgment areas, see note 15 for more information. In other respects, the applied accounting policies and assessments in the Interim Report coincide with those applied in the Annual Report for 2019.

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

## 2 Operating segments

Jan-Jun 2020	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total
SEK m											
Interest income	409	141	80	14	304	284	31	256	1 517	-385	1 132
Interest expense	-140	-26	-38	-5	-100	-33	-6	-233	-581	385	-196
<b>Total net interest income</b>	<b>268</b>	<b>115</b>	<b>42</b>	<b>8</b>	<b>204</b>	<b>251</b>	<b>25</b>	<b>23</b>	<b>936</b>	-	<b>936</b>
Payment service commissions	3	0	-	0	-	5	-	-	8	-	8
Lending commissions	77	17	22	11	26	8	1	-	162	-	162
Compensation, mediated insurance	76	12	15	1	0	26	2	-	132	-	132
Other commissions	2	1	3	0	1	0	0	0	9	-	9
<b>Commission income</b>	<b>158</b>	<b>31</b>	<b>40</b>	<b>13</b>	<b>27</b>	<b>39</b>	<b>3</b>	-	<b>311</b>	-	<b>311</b>
Commission expenses	-53	-9	-22	-3	-18	-18	-3	-1	-126	-	-126
<b>Commission, net</b>	<b>106</b>	<b>22</b>	<b>18</b>	<b>10</b>	<b>9</b>	<b>21</b>	<b>0</b>	<b>-1</b>	<b>185</b>	-	<b>185</b>
Leasing income	993	539	283	138	-	-	-	-	1 953	-	1 953
Depreciation on leasing assets	-872	-479	-235	-122	-	-	-	-	-1 708	-	-1 708
<b>Leasing income, net</b>	<b>121</b>	<b>61</b>	<b>48</b>	<b>15</b>	-	-	-	-	<b>245</b>	-	<b>245</b>
<b>Net interest, fee and leasing income</b>	<b>495</b>	<b>198</b>	<b>108</b>	<b>33</b>	<b>213</b>	<b>272</b>	<b>25</b>	<b>22</b>	<b>1 367</b>	-	<b>1 367</b>
Other income	7	9	5	2	2	0	1	376	402	-376	26
Other direct expenses	-20	-4	-6	-3	-7	-12	-1	0	-53	-	-53
<b>Operating margin before net loan losses and operational expenses</b>	<b>482</b>	<b>202</b>	<b>107</b>	<b>32</b>	<b>208</b>	<b>260</b>	<b>26</b>	<b>398</b>	<b>1 716</b>	<b>-376</b>	<b>1 340</b>
Other expenses	-520	-181	-99	-50	-264	-233	-31	-410	-1 788	380	-1 409
Allocated overhead expenses	-2	-1	-1	0	-2	-1	0	0	-8	-4	-11
<b>Operating result</b>	<b>-40</b>	<b>20</b>	<b>7</b>	<b>-17</b>	<b>-58</b>	<b>26</b>	<b>-6</b>	<b>-13</b>	<b>-81</b>	-	<b>-81</b>
Of which:											
Total internal income	72	17	-	-	-	0	-	623	712	-712	-
Total external income	563	220	173	44	0	0	35	68	1 103	-	1 103
Total internal expenses	-216	-65	-78	-19	0	0	-16	-151	-546	546	-
Tax	-	0	-4	9	-	0	-6	0	-77	-97	-97
<b>Net result for the period</b>	<b>-40</b>	<b>16</b>	<b>-2</b>	<b>-17</b>	<b>-58</b>	<b>19</b>	<b>-6</b>	<b>-90</b>	<b>-178</b>	-	<b>-178</b>

For more information on segment reporting see note 2 Accounting principles in the Annual Report 2019.

Jan-Jun 2019												
SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total	
Interest income	392	159	100	14	301	305	35	269	1 575	-403	1 171	
Interest expense	-132	-40	-45	-6	-95	-41	-8	-237	-603	403	-200	
<b>Total net interest income</b>	<b>260</b>	<b>119</b>	<b>55</b>	<b>8</b>	<b>206</b>	<b>264</b>	<b>27</b>	<b>32</b>	<b>971</b>	-	<b>971</b>	
Payment service commissions	5	1	-	0	-	6	-	-	12	-	12	
Lending commissions	84	20	29	11	36	10	1	-	190	-	190	
Compensation, mediated insurance	67	14	19	2	1	24	1	-	128	-	128	
Other commissions	3	2	5	0	1	0	0	0	12	-	12	
<b>Commission income</b>	<b>160</b>	<b>36</b>	<b>53</b>	<b>14</b>	<b>38</b>	<b>40</b>	<b>2</b>	<b>0</b>	<b>343</b>	-	<b>343</b>	
Commission expenses	-66	-7	-23	-3	-26	-15	-3	-8	-150	-	-150	
<b>Commission, net</b>	<b>93</b>	<b>29</b>	<b>30</b>	<b>11</b>	<b>12</b>	<b>25</b>	<b>0</b>	<b>-8</b>	<b>192</b>	-	<b>192</b>	
Leasing income	1 003	532	311	136	-	-	-	-	1 982	-	1 982	
Depreciation on leasing assets	-887	-467	-265	-120	-	-	-	-	-1 739	-	-1 739	
<b>Leasing income, net</b>	<b>116</b>	<b>65</b>	<b>47</b>	<b>16</b>	-	-	-	-	<b>243</b>	-	<b>243</b>	
<b>Net interest, fee and leasing income</b>	<b>470</b>	<b>213</b>	<b>132</b>	<b>34</b>	<b>218</b>	<b>289</b>	<b>27</b>	<b>24</b>	<b>1 407</b>	-	<b>1 407</b>	
Other income	13	11	4	3	12	0	2	386	431	-371	61	
Other direct expenses	-19	-5	-9	-4	-11	-13	-1	0	-62	-	-62	
<b>Operating margin before net loan losses and operational expenses</b>	<b>464</b>	<b>218</b>	<b>128</b>	<b>33</b>	<b>219</b>	<b>277</b>	<b>27</b>	<b>410</b>	<b>1 776</b>	<b>-371</b>	<b>1 405</b>	
Other expenses	-444	-186	-108	-34	-238	-234	-26	-391	-1 661	372	-1 289	
Allocated overhead expenses	-5	-2	-1	0	-4	-5	0	0	-16	1	-18	
<b>Operating result</b>	<b>15</b>	<b>31</b>	<b>18</b>	<b>0</b>	<b>-23</b>	<b>38</b>	<b>2</b>	<b>19</b>	<b>98</b>	-	<b>98</b>	
Of which:												
Total internal income	73	21	-	-	-	-	-	633	726	-726	-	
Total external income	554	249	204	46	0	0	39	78	1 170	-	1 170	
Total internal expenses	-210	-74	-92	-18	0	0	-15	-123	-532	532	-	
Tax	-	-7	0	-	0	-10	-1	32	14	-	14	
<b>Net result for the period</b>	<b>15</b>	<b>24</b>	<b>18</b>	<b>0</b>	<b>-23</b>	<b>27</b>	<b>1</b>	<b>51</b>	<b>113</b>	-	<b>113</b>	
Jan-Dec 2019												
SEK m	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Shared functions	Total before eliminations	Eliminations	Total	
Interest income	788	313	191	28	610	604	71	530	3 135	-793	2 342	
Interest expense	-260	-72	-91	-12	-189	-77	-15	-475	-1 191	793	-398	
<b>Total net interest income</b>	<b>528</b>	<b>240</b>	<b>100</b>	<b>16</b>	<b>421</b>	<b>527</b>	<b>55</b>	<b>55</b>	<b>1 944</b>	-	<b>1 944</b>	
Payment service commissions	11	1	-	1	-	13	-	-	26	-	26	
Lending commissions	165	38	55	22	65	19	1	-	365	-	365	
Compensation, mediated insurance	125	25	36	4	1	47	2	-	240	-	240	
Other commissions	8	4	11	-	2	1	1	-	28	-	28	
<b>Commission income</b>	<b>309</b>	<b>68</b>	<b>102</b>	<b>27</b>	<b>69</b>	<b>80</b>	<b>4</b>	<b>0</b>	<b>659</b>	-	<b>659</b>	
Commission expenses	-139	-13	-51	-7	-55	-30	-6	0	-301	-	-301	
<b>Commission, net</b>	<b>170</b>	<b>55</b>	<b>51</b>	<b>20</b>	<b>14</b>	<b>50</b>	<b>-2</b>	<b>0</b>	<b>358</b>	-	<b>358</b>	
Leasing income	2 027	1 072	633	280	-	-	-	-	4 011	-	4 011	
Depreciation on leasing assets	-1 792	-944	-539	-248	-	-	-	-	-3 522	-	-3 522	
<b>Leasing income, net</b>	<b>235</b>	<b>128</b>	<b>94</b>	<b>32</b>	-	-	-	-	<b>489</b>	-	<b>489</b>	
<b>Net interest, fee and leasing income</b>	<b>934</b>	<b>424</b>	<b>245</b>	<b>68</b>	<b>435</b>	<b>577</b>	<b>53</b>	<b>54</b>	<b>2 741</b>	-	<b>2 741</b>	
Other income	31	23	16	4	28	10	3	741	856	-717	139	
Other direct expenses	-38	-9	-17	-7	-18	-24	-2	-1	-112	-	-112	
<b>Operating margin before net loan losses and operational expenses</b>	<b>927</b>	<b>438</b>	<b>247</b>	<b>65</b>	<b>446</b>	<b>564</b>	<b>55</b>	<b>795</b>	<b>3 535</b>	<b>-717</b>	<b>2 818</b>	
Other expenses	-904	-355	-233	-66	-501	-487	-53	-716	-3 315	718	-2 597	
Allocated overhead expenses	-9	-3	-3	0	-7	-9	0	0	-31	-1	-32	
<b>Operating result</b>	<b>13</b>	<b>79</b>	<b>11</b>	<b>-2</b>	<b>-62</b>	<b>68</b>	<b>2</b>	<b>79</b>	<b>189</b>	-	<b>189</b>	
Of which:												
Total internal income	146	40	-	-	63	30	-	1 232	1 510	-1 510	-	
Total external income	1 236	492	403	91	645	664	77	0	3 608	-	3 608	
Total internal expenses	-592	-144	-192	-32	-254	-227	-38	-31	-1 510	1 510	-	
Appropriations	-	-	-	-	-	-	-	281	281	-	281	
Tax	-	-14	-5	-	-4	-27	-1	46	-4	-	-4	
<b>Net result for the year</b>	<b>13</b>	<b>65</b>	<b>6</b>	<b>-2</b>	<b>-66</b>	<b>41</b>	<b>1</b>	<b>406</b>	<b>465</b>	-	<b>465</b>	

## External income

SEK m	2019	2018	2018
Corporate	392	411	823
Sales Finance	803	864	1 711
Consumer	504	495	1 000
Other	12	48	74
<b>Total external income</b>	<b>1 711</b>	<b>1 818</b>	<b>3 608</b>

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

## Balance sheet

30 Jun 2020	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	386	1	0	0	0	4	1	-	392
Deferred tax assets	74	-	-	-	0	25	-	-	99
Other assets	33 222	4 875	2 650	1 083	5 864	6 785	504	-12 285	42 698
<b>Total assets</b>	<b>33 682</b>	<b>4 877</b>	<b>2 650</b>	<b>1 083</b>	<b>5 864</b>	<b>6 814</b>	<b>506</b>	<b>-12 285</b>	<b>43 190</b>
Liabilities and provisions	27 787	4 890	2 356	1 179	5 892	6 796	614	-12 285	37 229

30 Jun 2019	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	351	4	0	0	0	4	1	-	360
Deferred tax assets	88	-	-	-	4	25	-	-	116
Other assets	33 117	6 436	3 400	1 131	6 077	7 845	587	-14 243	44 352
<b>Total assets</b>	<b>33 556</b>	<b>6 440</b>	<b>3 401</b>	<b>1 132</b>	<b>6 081</b>	<b>7 874</b>	<b>588</b>	<b>-14 243</b>	<b>44 828</b>
Liabilities and provisions	30 692	5 094	3 054	1 210	6 013	6 294	697	-14 243	38 811

31 Dec 2019	Sweden	Denmark	Norway	Finland	United Kingdom	Germany/Austria	Poland	Eliminations	Total
Fixed assets other than financial instruments	359	2	0	0	0	4	1	-	366
Deferred tax assets	79	-	-	-	-	24	-	-	102
Other assets	33 931	5 913	3 187	1 132	6 993	8 000	584	-14 252	45 487
<b>Total assets</b>	<b>34 368</b>	<b>5 915</b>	<b>3 188</b>	<b>1 132</b>	<b>6 993</b>	<b>8 028</b>	<b>585</b>	<b>-14 252</b>	<b>45 956</b>
Liabilities and provisions	31 454	4 539	2 861	1 211	6 965	6 444	692	-14 252	39 914

## 3 Net interest

SEK 000	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<b>Interest income</b>			
Loans to credit institutions	0	0	0
Loans to the public	1 123 672	1 164 680	2 328 555
Interest bearing securities	8 708	6 749	13 225
<b>Total</b>	<b>1 132 380</b>	<b>1 171 429</b>	<b>2 341 779</b>
<i>Of which: interest income from financial assets not measured at fair value through profit or loss</i>	<i>1 123 672</i>	<i>1 164 680</i>	<i>2 328 554</i>
<i>interest income from non-performing loans</i>	<i>13 991</i>	<i>34 310</i>	<i>34 310</i>
<b>Interest expense</b>			
Liabilities to credit institutions	-16 506	-17 412	-34 682
Deposits from the public	-102 078	-102 336	-197 102
<i>Of which: deposit guarantee fee</i>	<i>-18 311</i>	<i>-18 823</i>	<i>-34 719</i>
Issued securities	-34 887	-21 071	-47 821
Derivatives	-26 247	-37 231	-76 816
- <i>hedge accounting</i>	-2 717	-2 636	-5 608
- <i>not hedge accounting</i>	-23 530	-34 595	-71 209
Subordinated liabilities	-11 796	-12 055	-24 249
Other interest expenses	-4 649	-9 919	-17 297
<i>Of which: resolution fee</i>	<i>-4 408</i>	<i>-8 929</i>	<i>-14 515</i>
<b>Total</b>	<b>-196 164</b>	<b>-200 025</b>	<b>-397 968</b>
<i>Of which: interest income from financial assets not measured at fair value through profit or loss</i>	<i>-169 916</i>	<i>-162 793</i>	<i>-321 151</i>
<b>Total net interest income</b>	<b>936 217</b>	<b>971 404</b>	<b>1 943 812</b>

## 4 Leasing income

SEK 000	Ja n- Jun 2020	Ja n- Jun 2019	Ja n- Dec 2019
Leasing income, gross	1 953 161	1 981 703	4 011 000
Less: Depreciation according to plan	-1 707 922	-1 738 562	-3 521 925
<b>Leasing income, net</b>	<b>245 238</b>	<b>243 142</b>	<b>489 075</b>
Leasing income from financial lease agreements	1 953 161	1 981 703	4 011 000
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 707 922	-1 738 562	-3 521 925
<b>Leasing income, net for financial lease agreements</b>	<b>245 238</b>	<b>243 142</b>	<b>489 075</b>
Interest income	5 697	5 501	10 135
Interest expenses	-61 003	-65 251	-127 680
<b>Leasing, net</b>	<b>189 932</b>	<b>183 391</b>	<b>371 530</b>

## 5 Net commission

SEK 000	Ja n- Jun 2020	Ja n- Jun 2019	Ja n- Dec 2019
<b>Commission income</b>			
Payment service commissions	8 372	12 484	26 419
Lending commissions	162 325	189 627	365 293
Other commissions	140 772	140 417	267 381
<b>Total</b>	<b>311 469</b>	<b>342 528</b>	<b>659 093</b>
<b>Commission expenses</b>			
Payment service commissions	-6 602	-3 755	-9 586
Lending commissions	-98 614	-119 856	-233 488
Other commissions	-22 829	-30 073	-58 786
<b>Total</b>	<b>-128 045</b>	<b>-153 686</b>	<b>-301 860</b>
<b>Commission, net</b>	<b>183 425</b>	<b>188 842</b>	<b>357 233</b>

## 6 Other operating income

SEK 000	Ja n- Jun 2020	Ja n- Jun 2019	Ja n- Dec 2019
Realised gain arising from the disposal of tangible assets	9 122	16 306	37 544
Other operating income	17 694	30 612	80 657
<b>Total</b>	<b>26 816</b>	<b>46 918</b>	<b>118 200</b>

## 7 Loan losses, net

SEK 000	Ja n- Jun 2020	Ja n- Jun 2019	Ja n- Dec 2019
<b>Stage 1 - Assets without significant increase in credit risk since initial recognition</b>			
Change in provisions of receivables from stage 1	12 437	-14 198	-19 805
Write-off and removal of receivables from stage 1	-	-	-
Recoveries from previously determined loan losses for stage 1	-	-	19
<b>Net cost for the period for loan losses - stage 1</b>	<b>12 437</b>	<b>-14 198</b>	<b>-19 824</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	-130 005	33 957	5 848
Write-off and removal of receivables from stage 2	-200 949	-291 422	-571 430
Recoveries from previously determined loan losses for stage 2	119 474	178 828	348 724
<b>Net cost for the period for loan losses - stage 2</b>	<b>-211 479</b>	<b>-78 637</b>	<b>-216 858</b>
<b>Stage 3 - Credit-impaired assets</b>			
Change in provisions of receivables from stage 3	19 396	-25 999	180 505
Write-off and removal of receivables from stage 3	-425 139	-304 537	-970 008
Recoveries from previously determined loan losses for stage 3	136 866	90 969	323 895
<b>Net cost for the period for loan losses - stage 3</b>	<b>-268 877</b>	<b>-239 567</b>	<b>-465 607</b>
<b>Net cost for the period for loan losses - Total</b>	<b>-467 919</b>	<b>-332 400</b>	<b>-702 289</b>

## 8 Tax expense for the period

Tax expense for the period consists of current taxes, reported in the profit and loss statement, amounting to SEK 86.8 m, change in deferred taxes amounting to SEK 12.2 m and adjustment of taxes for previous periods amounting to SEK -1.6 m. Tax on deductible exchange rate differences regarding assets and liabilities in foreign branches reduces the total tax

with SEK 72.5 m, reported in other comprehensive income. The taxes amounting to SEK 86.8 m on items reported in the profit and loss statement for the period consist of tax on non-deductible exchange rate differences reported in the profit and loss statement and in foreign branches.

## 9 Loans to the public

SEK 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Outstanding receivables, gross</b>			
- Swedish currency	9 225 551	9 262 841	9 147 612
- Foreign currency	17 044 384	18 681 825	19 261 796
<b>Total</b>	<b>26 269 935</b>	<b>27 944 666</b>	<b>28 409 408</b>
<b>Outstanding receivables per stage, gross</b>			
- stage 1	22 848 990	23 637 531	21 366 681
- stage 2	3 092 314	3 511 393	3 860 425
- stage 3	328 631	795 740	3 182 302
<b>Total outstanding receivables per stage, gross</b>	<b>26 269 935</b>	<b>27 944 664</b>	<b>28 409 407</b>
<i>Of which: non-performing loans</i>	<i>328 631</i>	<i>795 740</i>	<i>782 571</i>
<b>Provisions</b>			
Provisions for assets in stage 1	-124 918	-133 324	-140 044
Provisions for assets in stage 2	-369 353	-282 963	-319 113
Provisions for assets in stage 3	-240 365	-481 014	-289 322
<b>Total provisions</b>	<b>-734 636</b>	<b>-897 300</b>	<b>-748 479</b>
<b>Carrying amount, net</b>			
- stage 1	22 724 072	23 504 207	21 226 637
- stage 2	2 722 961	3 228 430	3 541 312
- stage 3	88 266	314 727	2 892 980
<b>Total carrying amount, net</b>	<b>25 535 299</b>	<b>27 047 365</b>	<b>27 660 929</b>

## 10 Deposits from the public

SEK 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Public</b>			
Swedish currency	12 726 034	12 364 291	12 203 869
Foreign currency	13 323 867	13 888 883	13 753 910
<b>Total</b>	<b>26 049 901</b>	<b>26 253 174</b>	<b>25 957 779</b>
<b>Deposits specified by category of borrower</b>			
Corporate sector	1 469 237	1 314 471	1 373 023
Household sector	24 580 663	24 938 702	24 833 440
<b>Total</b>	<b>26 049 901</b>	<b>26 253 174</b>	<b>26 206 463</b>

## 11 Issued securities

SEK 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
Certificates of deposits	1 275 966	2 088 688	2 187 705
Bonds	5 348 014	5 398 007	6 407 344
<b>Total</b>	<b>6 623 980</b>	<b>7 486 696</b>	<b>8 595 049</b>

The Covid-19 pandemic has resulted in reduced new sales for Ikano Bank, which has enabled the Bank to reduce the number of issued securities. For the period March to June 2020 only SEK 100 m has been issued and at the same time issued securities amounting to SEK 1 940 m has expired.

## 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 2020</b>	-	-9 969	9 931	1 500
Ikano S.A.	<b>30 Jun 2019</b>	-	-15 089	-	13 837
Ikano S.A.	<b>31 Dec 2019</b>	-	-26 790	-	1 130
Other Group companies	<b>30 Jun 2020</b>	1 875	-26 348	2 844	859 670
Other Group companies	<b>30 Jun 2019</b>	200	-26 632	3 172	874 623
Other Group companies	<b>31 Dec 2019</b>	254	-53 327	3 137	872 469

## 13 Memorandum items

SEK 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Pledged assets</b>			
PR1	718	693	718
<b>Sum</b>	<b>718</b>	<b>693</b>	<b>718</b>
<b>Contingent liabilities</b>			
Loan commitments, irrevocable	6 583 713	2 958 889	2 671 685
Unused credit limits	25 166 177	35 697 908	32 408 160
<b>Sum</b>	<b>31 749 890</b>	<b>38 656 797</b>	<b>35 079 845</b>

Unused credit limits means card limits and loan commitments arranged externally. Commitments consisting of granted unused credit can be terminated effective immediately to the extent this is permitted under the Swedish Consumer Credit Act. The Bank has no pledged assets.

The bank is subject to claims and in some cases has claims, in a number of civil cases that are

conducted in general court. The assessment is that the litigation will essentially be in the bank's favour. Provisions are made when an outflow of resources is likely. The disputed amounts are not considered to have a material effect on the Bank's position or results.

## 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

**30 Jun 2020**

SEK 000	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Interest rate derivatives	-	2 451	-	2 451
Currency derivatives	-	131 175	-	131 175
Shares and participations <sup>1)</sup>	42 197	1 535	-	43 732
<b>Financial assets at fair value through other comprehensive income</b>				
Bonds and other interest-bearing securities	1 528 451	309 705	-	1 838 156
Treasury bills	1 484 938	130 013	-	1 614 951
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	9 522	-	9 522
Currency derivatives	-	10 749	-	10 749

**30 Jun 2019**

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	-	58 363	-	58 363
Shares and participations <sup>1)</sup>	38 240	1 535	-	39 775
<b>Financial assets available for sale</b>				
Bonds and other interest-bearing securities	1 560 646	880 949	-	2 441 595
Treasury bills	1 272 852	120 053	-	1 392 905
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	16 306	-	16 306
Currency derivatives	-	10 811	-	10 811

**31 Dec 2019**

SEK 000	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Interest rate derivatives	-	6 950	-	6 950
Currency derivatives	-	21 979	-	21 979
Shares and participations <sup>1)</sup>	41 629	1 535	-	43 164
<b>Financial assets at fair value through other comprehensive income</b>				
Bonds and other interest-bearing securities	1 646 637	799 972	-	2 446 609
Treasury bills	1 502 652	169 961	-	1 672 613
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate derivatives	-	10 974	-	10 974
Currency derivatives	-	45 777	-	45 777

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 any 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 2020.

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 2020</b>		Offsetting in the	Net in balance	Netting	Issued/ Received	Net value
<b>SEK 000</b>	Gross value	balance sheet	sheet	agreements	collateral	
Derivatives	133 626	-	133 626	-20 271	-141 803	-28 448
<b>Total financial assets</b>	<b>133 626</b>	-	<b>133 626</b>	<b>-20 271</b>	<b>-141 803</b>	<b>-28 448</b>
Derivatives	20 271	-	20 271	-20 271	-	-
<b>Total financial liabilities</b>	<b>20 271</b>	-	<b>20 271</b>	<b>-20 271</b>	-	-
Amounts not offset in balance sheet						
<b>30 Jun 2019</b>		Offsetting in the	Net in balance	Netting	Issued/ Received	Net value
<b>SEK 000</b>	Gross value	balance sheet	sheet	agreements	collateral	
Derivatives	58 363	-	58 363	-24 779	-44 897	-11 313
<b>Total financial assets</b>	<b>58 363</b>	-	<b>58 363</b>	<b>-24 779</b>	<b>-44 897</b>	<b>-11 313</b>
Derivatives	27 117	-	27 117	-24 779	-2 716	-378
<b>Total financial liabilities</b>	<b>27 117</b>	-	<b>27 117</b>	<b>-24 779</b>	<b>-2 716</b>	<b>-378</b>
Amounts not offset in balance sheet						
<b>31 Dec 2019</b>		Offsetting in the	Net in balance	Netting	Issued/ Received	Net value
<b>SEK 000</b>	Gross value	balance sheet	sheet	agreements	collateral	
Derivatives	28 929	-	28 929	-22 865	-28 173	-22 110
<b>Total financial assets</b>	<b>28 929</b>	-	<b>28 929</b>	<b>-22 865</b>	<b>-28 173</b>	<b>-22 110</b>
Derivatives	56 751	-	56 751	-22 865	-8 766	25 120
<b>Total financial liabilities</b>	<b>56 751</b>	-	<b>56 751</b>	<b>-22 865</b>	<b>-8 766</b>	<b>25 120</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. The Covid-19 pandemic is an unexpected event with unforeseen and unclear long-term consequences. This has caused different risks and has increased the focus on credit risk. The pandemic forced a lock down on most of the Bank's operating markets and a large number of applications for payment holidays from both private and corporate customers.

Risk management is an integrated component of the Bank's daily operations. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but it must also manage liquidity risk, foreign exchange risk and

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

Apart from what is stated in this Interim Report, more details are provided in Ikano Bank's Annual Report for 2019 and Ikano Bank's annual "Capital adequacy and risk management" report, 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 (SFS) 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, which for Ikano Bank include the requirements for credit risk, credit valuation adjustment risk (CVA risk), operational risk and foreign exchange risk. In addition, the own funds requirements include further identified risks in the operation in accordance with the Bank's internal capital adequacy assessment process and the requirements stipulated by the Board of Directors, also referred to as Pillar 2 requirements and statutory requirements for capital buffers.

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

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

The risk control function is responsible for monitoring the process of the Bank's capital adequacy assessment. The capital requirements resulting from the ICAAP are regularly reported to the SFS.

As of 30 June 2020, the Bank had own funds of SEK 6,552 m (6,639) of which SEK 5,698 m are common

equity Tier 1. The statutory own funds requirement for Pillar 1-risk amounted to SEK 2,668 m (3,012). 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 3,697 m remain available as common equity Tier 1 capital. The internal own funds requirement requirements (Pillar 2) totalled SEK 585 m and is covered by available 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 834 m and is covered 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 Bank are located. The institution-specific countercyclical buffer amounts to 0.07 percent (1.22) or SEK 25 m (460) after weighting the applicable geographic requirements, which for the Bank mainly means Norway. As a consequence of the Covid-19 pandemic authorities in all markets where the Bank operates have reduced the counter cyclical buffer requirements during spring 2020. Ikano Bank's combined buffer requirement is SEK 858 m.

The total capital ratio was 19.6 percent (17.6) with a common equity tier 1 capital ratio of 17.1 percent (15.3). The capital ratio is positively affected by an exchange of equity from EUR and DKK to SEK which reduces foreign exchange risk. Also credit risk exposure decreases, partly due to a decreasing loan book and partly due to an increase in provisions.

The new accounting standards IFRS 9 Financial Instruments has been applied since 1 January 2018. Ikano Bank applies the transitional rules introduced with article 473a capital requirements regulation (EU No 575/2013) regarding the Day one effect. The table on page 66 provides a comparison of Ikano Bank's own funds as well as capital and leverage ratios with and without the application of transitional arrangements for IFRS 9. The table is presented in accordance with EBA guidelines 2018/01 for standardised disclosure requirements for transitional arrangements according to IFRS 9.

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

SEK 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
Tier 1 capital	5 697 991	5 773 319	5 838 310
Tier 2 capital	854 256	865 289	865 187
<b>Own funds</b>	<b>6 552 247</b>	<b>6 638 608</b>	<b>6 703 496</b>
<b>Total risk exposure amount</b>	<b>33 344 794</b>	<b>37 649 965</b>	<b>37 949 156</b>
<b>Total own funds requirements</b>	<b>2 667 583</b>	<b>3 011 997</b>	<b>3 035 932</b>
<b>Total capital ratio</b>	<b>19.6%</b>	<b>17.6%</b>	<b>17.7%</b>
<b>Tier 1 capital ratio</b>	<b>17.1%</b>	<b>15.3%</b>	<b>15.4%</b>
<b>Common equity Tier 1 capital ratio</b>	<b>17.1%</b>	<b>15.3%</b>	<b>15.4%</b>
<b>Available common equity Tier 1 capital</b>	<b>3 697 303</b>	<b>3 514 322</b>	<b>3 561 360</b>
<b>Available common equity Tier 1 capital in relation to Total risk exposure amount</b>	<b>11.1%</b>	<b>9.3%</b>	<b>9.4%</b>
Capital conservation buffer	833 620	941 249	948 729
Counter-cyclical capital buffer	24 595	460 417	578 488
<b>Combined buffer requirement</b>	<b>858 215</b>	<b>1 401 666</b>	<b>1 527 217</b>

## Specification of own funds

SEK 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Equity reported in the balance sheet</b>	<b>5 863 499</b>	<b>5 638 931</b>	<b>5 944 635</b>
Share capital	78 994	78 994	78 994
Statutory reserve	193 655	193 655	193 655
Fund for development expenses	343 412	264 868	293 925
Fund for fair value	335 923	286 016	239 111
Retained earnings	5 089 465	4 702 607	4 673 549
Net result for the period	-177 949	112 791	465 401
Untaxed reserves (78,6% of which) <sup>1)</sup>	76 208	297 231	76 208
<b>CET1 capital before regulatory adjustments</b>	<b>5 939 707</b>	<b>5 936 162</b>	<b>6 020 843</b>
<b>CET1 capital: regulatory adjustments</b>			
Intangible assets	-380 822	-342 675	-352 138
Cash flow hedge	-12 714	-5 014	-14 938
Value adjustments due to the requirements for prudential valuation	-3 654	-3 943	-4 250
Adjustment for IFRS 9 one-off effect according to transitional arrangements	155 474	188 790	188 790
<b>Total common equity Tier 1 capital</b>	<b>5 697 991</b>	<b>5 773 319</b>	<b>5 838 310</b>
<b>Total Tier 1 capital</b>	<b>5 697 991</b>	<b>5 773 319</b>	<b>5 838 310</b>
<b>Tier 2 capital</b>			
Subordinated liabilities	854 256	865 289	865 187
<b>Total Tier 2 capital</b>	<b>854 256</b>	<b>865 289</b>	<b>865 187</b>
<b>Total own funds</b>	<b>6 552 247</b>	<b>6 638 608</b>	<b>6 703 496</b>

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

## Specification of risk exposure amount and own funds requirements

SEK 000	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	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>						
Regional governments or local authorities	7 769	622	11 530	922	11 755	940
Institutional exposures	541 067	43 285	457 274	36 582	506 566	40 525
Corporate exposures	3 498 446	279 876	4 020 684	321 655	4 220 076	337 606
Retail exposures	22 052 516	1 764 201	23 098 712	1 847 897	23 453 213	1 876 257
Equity exposures	56 178	4 494	39 775	3 182	55 610	4 449
Past due items	655 592	52 447	1 005 573	80 446	856 320	68 506
Covered bond exposures	100 510	8 041	109 405	8 752	121 310	9 705
Other items	418 125	33 450	434 366	34 749	390 486	31 239
<b>Total credit risk</b>	<b>27 330 202</b>	<b>2 186 416</b>	<b>29 177 318</b>	<b>2 334 186</b>	<b>29 615 335</b>	<b>2 369 227</b>
<b>Operational risk according to the basic indicator approach</b>						
	<b>5 116 603</b>	<b>409 328</b>	<b>5 071 525</b>	<b>405 722</b>	<b>5 071 525</b>	<b>405 722</b>
<b>Foreign exchange risk according to the standardised approach</b>						
	<b>869 974</b>	<b>69 598</b>	<b>3 382 332</b>	<b>270 587</b>	<b>3 248 969</b>	<b>259 917</b>
<b>CVA according to the standardised method</b>						
	<b>28 014</b>	<b>2 241</b>	<b>18 789</b>	<b>1 503</b>	<b>13 328</b>	<b>1 066</b>
<b>Total</b>	<b>33 344 794</b>	<b>2 667 583</b>	<b>37 649 965</b>	<b>3 011 997</b>	<b>37 949 156</b>	<b>3 035 932</b>

## Leverage ratio

The leverage ratio is a measure that provides an alternative to the risk-based capital requirement. The aim is that there should be a clear and simple measure of capital strength. The measurement shows capital as a percentage of asset size, without the actual risk level of the assets being taken into consideration. A legal minimum requirement of 3 percent is implemented when

the revised Capital Requirements Regulation enters into force in 2021.

The leverage ratio is calculated using the Tier 1 capital as a percentage of total assets. For the Bank, the leverage ratio per 30 June 2020 is 12.7 percent (12.2) and thus above the proposed binding measure of 3 percent.

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

SEK m	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Available capital</b>			
Common Equity Tier 1 (CET1) capital	5 698	5 773	5 838
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	5 543	5 585	5 650
Tier 1 capital	5 698	5 773	5 838
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	5 543	5 585	5 650
Total capital	6 552	6 639	6 703
Total capital as if IFRS 9 transitional arrangements had not been applied	6 397	6 450	6 515
<b>Risk-weighted assets</b>			
Total risk-weighted assets	33 345	37 650	37 949
Inphasing	72	104	108
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	33 273	37 546	37 841
<b>Capital ratios</b>			
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.1%	15.3%	15.4%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.9%	14.9%	14.9%
Tier 1 (as a percentage of risk exposure amount)	17.1%	15.3%	15.4%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	14.9%	14.9%	14.9%
Total capital (as a percentage of risk exposure amount)	19.6%	17.6%	17.7%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	17.2%	17.2%	17.2%
<b>Leverage ratio</b>			
Leverage ratio total exposure measure	44 977	47 514	48 122
Leverage ratio	12.7%	12.2%	12.1%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	12.4%	11.8%	11.8%

## 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 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 2,788 m 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 2020 totalled SEK 5,618 m excluding overdraft facilities and constitutes 21.6 percent of deposits from the public. It includes cash and balances with banks (SEK 2,156 m), the liquidity reserve (SEK 2,788 m) and other interest-bearing securities (SEK 674 m). 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 3,119 m are available.

The Covid-19 Pandemic has not had any negative impact on Ikano Bank as the liquidity portfolio has been kept at a stable level.

As of 30 June 2020, the Bank's liquidity coverage ratio (LCR) totalled 283 percent. This measure shows how the Bank's highly liquid assets relate to net outflows over a thirty-day period under strained market conditions. A statutory limit for the liquidity coverage ratio of 100 percent is applied since 1 January 2018.

## Summary of liquidity reserve

SEK m	30 Jun 2020					
	Total	SEK	EUR	DKK	GBP	Other
Securities issued by regional governments and governments	1 619	1 216	-	38	365	-
Securities issued by financial companies	164	6	158	-	-	-
Covered bonds	1 005	637	301	67	-	-
<b>Liquidity reserve</b>	<b>2 788</b>	<b>1 859</b>	<b>459</b>	<b>105</b>	<b>365</b>	-
Operating liquidity invested in securities	674	674	-	-	-	-
Cash and balances with central banks and other banks	2 156	1 511	86	252	208	99
<b>Total liquidity portfolio</b>	<b>5 618</b>	<b>4 045</b>	<b>544</b>	<b>356</b>	<b>574</b>	<b>99</b>
Distribution across currencies (%)		72%	10%	6%	10%	2%
<b>Other liquidity creating measures</b>						
Unused committed credit facilities	3 119	600	1 364	924	231	-

SEK m	30 Jun 2019					
	Total	SEK	EUR	DKK	GBP	Other
Securities issued by regional governments and governments	1 277	862	-	39	376	-
Securities issued by financial companies	166	6	160	-	-	-
Covered bonds	1 094	718	306	70	0	-
<b>Liquidity reserve</b>	<b>2 537</b>	<b>1 585</b>	<b>467</b>	<b>109</b>	<b>376</b>	-
Operating liquidity invested in securities	1 305	1 305	-	-	-	-
Cash and balances with central banks and other banks	1 629	418	73	879	106	152
<b>Total liquidity portfolio</b>	<b>5 471</b>	<b>3 309</b>	<b>540</b>	<b>988</b>	<b>483</b>	<b>152</b>
Distribution across currencies (%)		60%	10%	18%	9%	3%
<b>Other liquidity creating measures</b>						
Unused committed credit facilities	2 748	514	1 395	603	236	-

SEK m	31 Dec 2019					
	Total	SEK	EUR	DKK	GBP	Other
Securities issued by regional governments and governments	1 676	1 246	-	38	392	-
Securities issued by financial companies	164	5	159	-	-	-
Covered bonds	1 213	843	302	68	0	-
<b>Liquidity reserve</b>	<b>3 053</b>	<b>2 095</b>	<b>461</b>	<b>106</b>	<b>392</b>	-
Operating liquidity invested in securities	1 075	1 075	-	-	-	-
Cash and balances with central banks and other banks	1 909	455	163	895	131	265
<b>Total liquidity portfolio</b>	<b>6 038</b>	<b>3 625</b>	<b>624</b>	<b>1 001</b>	<b>523</b>	<b>265</b>
Distribution across currencies (%)		60%	10%	17%	9%	4%
<b>Other liquidity creating measures</b>						
Unused committed credit facilities	2 872	508	1 326	790	248	-

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 2019 and the information on capital adequacy and risk management for 2019. The documents are published on the Bank's website [www.ikanobank.se](http://www.ikanobank.se).

## 18 Events after the balance sheet day

No significant events have occurred after the balance sheet day.

## Älmhult, Sweden, 27 August 2020

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

Mats Håkansson  
Chairman

Diederick van Thiel  
Board member

Lars Thorsén  
Board member

Yohann Adolphe  
Board member

Heather Jackson  
Board member

Viveka Strangert  
Board member

Lars Ljungälv  
Board member

Henrik Eklund  
CEO