

Year-End Report 2019-12

IKANO
BANK

Ikano Bank AB (publ) Year-End Report 2019

Results for the full year 2019

- Lending, including leasing, increased to SEK 37,929 m (37,187)
- Deposits from the public decreased with 1 percent to SEK 25,958 m (26,206)
- Business volume amounted to SEK 63,887 m (63,394)
- Profit before loan losses increased by 7 percent to SEK 891 m (834)
- C/I-ratio improved to 69.6 percent (71.1)
- Operating result decreased to SEK 189 m (359) and was affected by increased loan losses
- The result for 2019 is positively affected by an increased net leasing income, net commission income and net interest income
- Net interest income increased by 0.4 percent to SEK 1,944 m (1,935)
- Net result for the year amounted to SEK 465 m (541) and was affected by dissolution of untaxed reserves
- Return on equity decreased to 2.5 percent compared with 2018 (4.9)
- Common equity Tier 1 ratio totalled 15.4 percent (14.9) and the total capital ratio was 17.7 percent (17.2)
- The liquidity reserve totalled SEK 3,053 m (2,508) and the total liquidity portfolio amounted to SEK 6,038 m (5,640)

Results for the second half year 2019

- Operating result decreased by 27 percent to SEK 90 m (123). This is mainly explained by increased loan losses
- Net interest income increased by 2 percent to SEK 972 m (957)
- Return on equity for the second half of the year amounted to 1.2 percent (3.4)

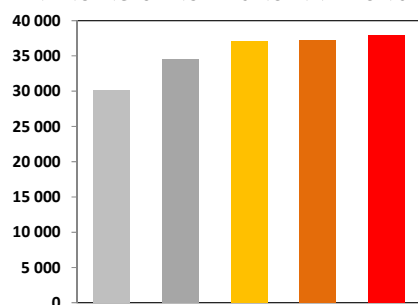
Outlook for 2020: The transformation of the Bank continues with full focus on improving our digital presence, lower our costs and strengthen sales, efficiency and customer offer. We can already see positive effects of the improvement work that are expected to result in improved key ratios over time. The Bank operates in a challenging industry but is financially strong with favourable market position. Ikano Bank expects retained business volumes in 2020.

Key ratios

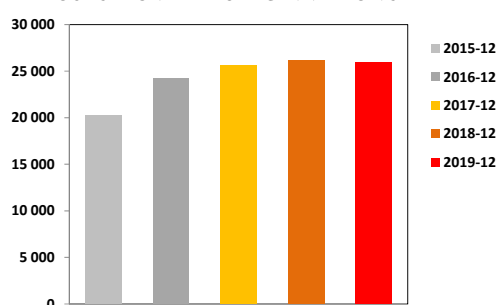
	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total Capital ratio	17.7%	17.2%	17.7%	17.2%
Common equity Tier 1 ratio	15.4%	14.9%	15.4%	14.9%
Investment margin	4.3%	4.3%	4.3%	4.4%
Return on adjusted equity	2.4%	3.4%	2.5%	4.9%
Leverage ratio	12.1%	11.8%	12.1%	11.8%
C/I-ratio before loan losses	68.6%	70.3%	69.6%	71.1%
Loan loss ratio	2.0%	1.7%	1.9%	1.3%

For definitions of alternative performance measures used to describe the Bank's activities see the Bank's Annual Report for 2018, available on the Bank's website www.ikanobank.se/om-banken/ekonomisk-information. Comparative figures in parentheses refer to the same period of the previous year unless otherwise stated.

LENDING INCLUDING LEASING IN MILLION SEK



DEPOSITS FROM THE PUBLIC IN MILLION SEK



CEO Statement

The transformation of the Bank continues

During 2019, we have devoted ourselves to continue the improvement work we started at the beginning of the year; work that permeates the entire bank. Several measures have been taken and I would particularly like to highlight that we have developed and implemented a new strategy for the Bank. The goal is that by focusing on improving in six key focus areas over the next two years we will create an even more digital and entrepreneurial driven bank. A new management team has been formed to manage this work.

2019 was a year with a stable underlying profitability and an unchanged business volume. Although we had good growth in our leasing business I am not satisfied with the total result for the year. The reason is mainly this year's credit losses. Credit risk management is a high priority, and measures taken during the year to among other things strengthen the local and central organisation for credit risk management has started to show result. The transformation of the Bank will increase our profitability by replacing existing and costly systems with more cost efficient solutions that at the same time will make us more relevant on the market and thus increase our sales.

We are already seeing result from our investment in new digital solutions. During the year, we launched, among other things, a digital invoicing solution in Sweden, Norway and Finland and upgraded our payment platform, Ikano Pay, on the German market. Another important investment during the year is in mortgages where we, together with a number of partners, on the Swedish market invested in a fintech company to be able to offer our customers favourable mortgages again.

Sustainability is another prioritised area. It is important to us being a responsible company. For our customers one example is that we launched Ikano Jordnära, a collaboration with SVEA Solar and IKEA, where we offer favourable financing of solar cell panels sold via ikea.se. The coming year we will put even more focus in this area to get a more clear strategy in place.

We have continued to make our way of working more effective. In 2019, we have taken major steps in introducing automation to the bank. This has resulted in better customer experiences and many saved working hours. Efforts to streamline and automate processes will accelerate in 2020.

Preparations for dealing with Brexit continued throughout the year and our strategy for the UK market remains unchanged.

A continued high demand for our MTN program shows that the capital market's confidence in the bank is good. We are also very proud of the high appreciation we received from our customers through awards such as the Fairness Award in Germany and a top place and

the highest result so far in this year's SKI survey in Sweden.

After my first year as CEO, my view is that Ikano Bank is a fantastic company. We never compromise on our values: common sense and simplicity, working together and daring to be different. We have a unique vision and value foundation where we use our customer promise, on fair terms, to always put the customer in focus.

It is with great confidence I look forward to 2020, when the transformation will continue. We have a dynamic improvement work going on well founded in our vision and values and where we together now have created the right conditions to offer tomorrow's digital products.

Henrik Eklund

Ikano Bank in brief

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 result for the full year 2019

Revenues grows faster than expenses

Profit before loan losses increased by 7 percent to SEK 891 m (834). The result for 2019 was positively affected by increased net leasing incomes and net commission incomes but negatively affected by increased loan losses and the operating result for the year amounted to SEK 189 m (359).

During 2019 revenues grew faster than expenses, 3.6 percent compared to 3.1 percent, leading to an improved C/I-ratio of 69.6 percent (71.1).

The result for comparative figures contains a lump-sum income of SEK 57 m related to the ceased cooperation with SBAB as well as a net income of SEK 128 m from portfolio sale of non-performing loans in Germany.

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

Slightly higher net interest income

Net interest income increased by 0.4 percent to SEK 1,944 m (1,935). Increased loan volumes as well as improved margins drive the increase. Sweden and the UK mainly contribute positively whereas Norway and Germany contributing negatively to the development.

Higher net leasing income and net commission income

Net leasing income increased by 9 percent to SEK 489 m (448). Increase in net leasing income driven by development in Sweden, mainly due to improved margins but also due to volume growth.

Net commission income increased by 1 percent to SEK 357 m (353). The increase is mainly explained by reduced handling costs relating to non-performing exposures.

Higher operating expenses due to growth

Operating expenses rose by 3 percent to SEK 5,560 m (5,395). This increase is mainly attributable to increased depreciation on leased assets on behalf of customers, due to the volume growth in the Corporate business line. Staff expenses increase slightly, while other expenses decrease.

Increased loan losses

Loan losses measured as a percentage of average total lending increased to 1.9 percent (1.3). Net loan losses increased to SEK 702 m (476). The increase partly explained by the credit losses for the comparison period positively being affected (SEK 155 m) and partly by adjustments in the reserving models during 2019, which had a negative impact of SEK 35 m. The bank has also had major credit losses for two corporate customers, totalling SEK 44 m. The loan loss level adjusted for these extraordinary events amounts to 1.7 percent (1.3).

The Bank's result for the second half-year 2019

Lower operating result for the second half year

Operating result decreased by 27 percent to SEK 90 m (123). Mainly the result is impacted by increased credit losses that in turn affects the result negatively. The result before credit losses increased with 5 percent. Revenues increased with 2 percent and expenses increased with 1 percent. Both net interest income and net leasing income increased whereas net commission income decreased.

Higher net interest income

Net interest income increased by 2 percent to SEK 972 m (957). The higher interest income in the second half of the year follows the same trend as for the full year.

Higher net leasing income and lower net commission income

Net leasing income rose by 7 percent to SEK 243 m (227) compared with the corresponding period in 2018. Net leasing income increased mainly increased in Sweden as a result of good demand for financing from our partners in the Corporate business line.

Net commission income decreased by 15 percent to SEK 168 m (198). This can be explained by reduced loan commission income and lower income from mediated insurances.

Higher costs, a consequence of growth

Operating expenses rose by 1 percent to SEK 2.8 bn (2.8). The increase is primarily a result of increased depreciations of leasing assets, due to volume growth in the Corporate business line.

Increased loan losses

Loan losses increased by 18 percent to SEK 370 m (313). Loan losses, measured as a percentage of average total lending, was 2.0 percent (1.7) during the second half of the year.

The Bank's position as of 31 December 2019

Decreased deposits from the public

Deposits from the public decreased by 1 percent to SEK 26.0 bn (26.2) Deposits increased in the UK and in Germany, while volumes on the Swedish and Danish markets fell slightly during the year.

Deposits are an important part of the Bank's funding. At year-end, deposits from the public corresponded to 57 percent of the Bank's total funding.

Varying growth in lending to the public

The Bank's loans to the public increased by 1 percent to SEK 27.7 bn (27.3) after provisions for loan losses. Growth varies between the Banks' markets, where loans to the public in the UK and Germany increased during the year while the other markets decreased slightly.

Leased assets held on customers' behalf increased by 4 percent to SEK 10.3 bn (9.9) mainly driven by growth on the Swedish market but also in Norway and Finland.

Increase in overall business volumes

Overall business volumes increased by SEK 0.5 bn, corresponding to 1 percent, to SEK 63.9 bn (63.4). Lending volumes increased while deposit volumes decreased.

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

The Bank's liquidity portfolio totalled SEK 6.0 bn as of 31 December 2019 (5.6), which corresponds to 23 percent of the Bank's total deposits from the public.

The Bank regularly obtains funding from the capital markets. The Bank's volume of issued securities rose by SEK 1.5 bn to SEK 8.6 bn (7.1). Demand for the Bank's short-term commercial paper (CP) programme as well as for the Bank's bond programme (Medium Term Note programme) has been good. In 2019, seven bonds with maturities between 2 and 4 years and a total nominal amount of SEK 3.150 m have been issued with good results.

At year-end, the Bank's liquidity coverage ratio (LCR) totalled 276 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.

The NSFR is a measure of the banks structural liquidity, defined as the ratio between available stable funding and required stable funding. The EU has issued

a minimum requirement of 100 percent to come into effect in June 2021. Net Stable Funding Ratio (NSFR) for Ikano Bank was 105 percent at year-end 2019.

The own funds as of 31 December 2019 totalled SEK 6.7 bn, compared with the statutory

own funds requirement of SEK 3.0 bn. The total capital ratio at the end of year was 17.7 percent (17.2) and the common equity tier 1 capital ratio was 15.4 percent (14.9).

Other information

Ikano Bank AB (publ), corporate identity number 516406-0922, is a limited liability company licensed to conduct banking business, 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 group in 1988. Apart from finance, the Ikano Group deals with insurance, production, real estate and retail sales. Ikano Bank has operated its business under a Banking license since 1995.

Operations

Ikano Bank AB (publ) conducts banking operations in Sweden, the UK, Norway, Denmark, Finland, Germany, Austria and Poland under the supervision of the Swedish Financial Supervisory Authority. 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.

During the year Ikano Bank has made a strategic investment in a fintech company together with a number of partners in the Swedish market. The purpose of investing in this new mortgage company is once again to be able to provide competitive mortgage loans to customers in Sweden.

As of 23 January 2018, the subsidiary Ikano Insight Ltd, was terminated through liquidation. In 2018 and 2017, no activities were carried out in the subsidiary.

Management and Board

On 7 January 2019 the bank announced that Henrik Eklund was appointed interim CEO for Ikano Bank. In June 2019 Henrik Eklund was appointed CEO on a permanent basis.

Since 1 September the Bank has a new CFO, Pontus Sardal, and a new Chief Risk Officer, Petter Brandt.

During the year Olle Claesson has resigned as a member of the Board of Directors and Viveka Strangert and Lars Ljungölv have been appointed to the Bank's Board of Directors.

Events after 31 December 2019

After the year-end, no significant events have occurred that have affected the financial statements for 2019.

Outlook

The transformation of the Bank continues with full focus on improving our digital presence, lower our costs and strengthen sales, efficiency and customer offer. We can already see positive

effects of the improvement work that are expected to result in improved key ratios over time. The Bank operates in a challenging industry but is financially strong with favourable market position. Ikano Bank expects retained business volumes in 2020.

Annual Report

Ikano Bank's Annual Report will be available on the Bank's website during week 14.

Next reporting date

Ikano Bank reports its results half-yearly. The interim report for the first half of 2020 will be available on the Bank's website at the end of August 2020. Ikano Bank publishes Periodic information on capital adequacy and liquidity on a quarterly basis on its website.

Risks and uncertainty factors

The Bank's earnings are affected by external changes that the company has no control over. The Bank's earnings performance is affected by factors including macroeconomic change such as unemployment, as well as fluctuations in interest and exchange rates.

Risk management is an integrated component of the Bank's daily operations. In its business operations, the Bank is exposed to several risks such as credit risk, operational risk and business risk, but it must also manage liquidity risk, foreign exchange risk and interest rate risk. The Board of Directors and CEO are ultimately responsible for risk management at Ikano Bank. Risk management is intended to ensure that the risks do not exceed the risk tolerances set by the Board.

The Bank's risks are monitored 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 Year-End Report, there is more detail in Ikano Bank's latest Annual Report and Ikano Bank's report Periodic information on capital adequacy and liquidity, available at the Bank's webpage www.ikanobank.se/om-banken/ekonomisk-information.

Älmhult, 26 February 2020

We hereby certify that the Year-end report have been prepared in accordance with applicable accounting standards and that the report gives a fair view of the company's operations, financial position and performance.

Board of Directors
Ikano Bank AB (publ)

Please note that this unofficial version of the Year-End report translated into English has not been subject to review by the company's auditors. However, the official Year-End report in Swedish has been subject to review by the company's auditors.

Income statement

SEK 000	Note	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest income	3	1 170 350	1 157 536	2 341 779	2 338 126
Interest expense	3	-197 942	-200 361	-397 967	-402 997
Net interest income		972 408	957 175	1 943 812	1 935 129
Leasing income	4	2 029 297	1 950 678	4 011 000	3 790 090
Commission income	5	316 565	355 112	659 093	689 518
Commission expense	5	-148 174	-157 524	-301 860	-336 354
Net commission income		168 391	197 588	357 233	353 164
Net gains and losses on financial transactions		7 628	-10 895	21 196	-462
Other operating income	6	71 282	98 034	118 200	151 913
Total income		3 249 006	3 192 580	6 451 441	6 229 834
General administrative expenses		-855 007	-892 712	-1 749 289	-1 749 367
Depreciation/amortisation and impairment of tangible and intangible assets		-1 838 878	-1 772 854	-3 623 661	-3 436 676
Other operating expenses		-94 950	-90 542	-187 531	-209 344
Total expenses before loan losses		-2 788 835	-2 756 108	-5 560 481	-5 395 387
Profit before loan losses		460 171	436 472	890 960	834 447
Loan losses, net	7	-369 889	-313 386	-702 289	-475 937
Operating result		90 282	123 088	188 671	358 510
Appropriations		281 200	320 000	281 200	320 000
Tax expense		-18 872	-23 856	-4 470	-137 302
Net result for the period		352 610	419 232	465 401	541 208

Statement of total comprehensive income

SEK 000	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net result for the period	352 610	419 232	465 401	541 208
Other comprehensive income				
Items that can be reclassified to net profit or loss for the period				
Translation difference for the period, foreign branches	-6 744	-102 736	99 452	86 933
Change in financial assets valued at fair value via other comprehensive income	-15 852	-6 031	-7 861	-6 630
Change in loss allowance for financial assets valued at fair value via other comprehensive income	943	-	647	-
Changes in fair value on cash flow hedges	12 596	15 059	2 917	5 315
Tax related to changes in translation differences for the year	-38 503	-34 716	-61 229	-34 716
Tax related to changes in financial assets valued at fair value via other comprehensive income	3 329	1 593	1 681	1 725
Tax related to changes in fair value of cash flow hedges	-2 672	-3 281	-601	-1 137
Other comprehensive income for the period, net of tax	-46 904	-130 112	35 006	51 490
Total comprehensive income for the period, net of tax	305 707	289 120	500 407	592 698

Balance sheet

SEK 000	Note	2019	2018
Assets			
Cash		33 855	35 735
Treasury bills		1 672 613	1 282 293
Loans to credit institutions		1 909 236	2 150 846
Loans to the public	8	27 660 929	27 289 123
Bonds and other interest-bearing securities		2 446 609	2 231 935
Shares and participations		43 164	29 299
Shares and participations in associates companies		12 446	-
Intangible assets		352 138	378 747
Tangible assets		10 282 495	9 916 416
- Leasing assets		10 268 260	9 898 120
- Equipment		14 235	18 296
Other assets		1 160 042	1 019 595
Deferred tax assets		102 455	115 452
Prepaid expenses and accrued income		279 668	281 869
Total assets		45 955 650	44 731 310
Liabilities, provisions and equity			
Liabilities to credit institutions		2 009 831	2 250 366
Deposits from the public	9	25 957 779	26 206 463
Issued securities	10	8 595 049	7 138 497
Other liabilities		1 003 407	1 000 226
Accrued expenses and deferred income		1 322 560	1 292 919
Provisions		160 244	181 123
- Provisions for pensions		35 886	34 663
- Deferred tax liabilities		92 115	91 362
- Other provisions		32 243	55 098
Subordinated liabilities		865 187	839 330
Total liabilities and provisions		39 914 057	38 908 924
Untaxed reserves		96 957	378 157
Equity			
Restricted equity		566 574	548 965
Share capital		78 994	78 994
Statutory reserve		193 655	193 655
Fund for development expenses		293 925	276 316
Non-restricted equity		5 378 063	4 895 264
Fund for fair value		239 111	204 105
Retained earnings		4 673 550	4 149 951
Net result for the year		465 402	541 208
Total equity		5 944 637	5 444 229
Total liabilities, provisions and equity		45 955 651	44 731 310

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 year	
				Fair value reserve	Translation reserve	Cash flow hedge reserve			
Opening balance 2018-01-01	78 994	193 655	243 021	26 919	130 774	8 444	4 104 642	283 861	5 070 310
Transitional effect IFRS 9	-	-	-	-13 522	-	-	-205 257	-	-218 779
Adjusted equity 2018-01-01	78 994	193 655	243 021	13 397	130 774	8 444	3 899 385	283 861	4 851 531
Appropriation of profits	-	-	-	-	-	-	283 861	-283 861	-
Change in fund for development expenses	-	-	33 295	-	-	-	-33 295	-	-
Net result for the year	-	-	-	-	-	-	-	541 208	541 208
Other comprehensive income for the year	-	-	-	-4 905	52 217	4 178	-	-	51 490
Total comprehensive income for the year	-	-	-	-4 905	52 217	4 178	-	541 208	592 698
Closing balance 2018-12-31	78 994	193 655	276 316	8 492	182 991	12 622	4 149 952	541 208	5 444 229
Opening balance 2019-01-01	78 994	193 655	276 316	8 492	182 991	12 622	4 149 952	541 208	5 444 229
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	-	-	-	-5 533	38 223	2 316	-	-	35 006
Total comprehensive income for the year	-	-	-	-5 533	38 223	2 316	-	465 401	500 407
Closing balance 2019-12-31	78 994	193 655	293 925	2 959	221 214	14 938	4 673 550	465 401	5 944 636

Cash flow statement

SEK 000	2 019	2 018
Operating activities		
Operating result	188 671	358 510
Adjustment for non-cash items	4 555 782	3 404 402
Cash flows from operating activities before changes in working capital	4 744 452	3 762 912
Cash flows from changes in working capital	-6 151 422	-3 434 521
Cash flows from operating activities	-1 406 970	328 391
Cash flows from investing activities	-83 226	-58 102
Cash flows from financing activities	1 162 792	76 870
Cash flow for the year	-327 404	347 159
Cash and cash equivalents at beginning of the year	2 169 818	1 808 435
Exchange rate difference in cash and cash equivalents	78 978	14 225
Cash and cash equivalents at the end of the year	1 921 393	2 169 819

The cash flow statement has been prepared using the indirect method. The reported cash flow includes only transactions that involve incoming or outgoing payments. Liquid assets are defined as Cash as well as Loans to credit institutions,

SEK 1,943 m, with deductions for current liabilities to credit institutions SEK 22 m. The corresponding amounts for the previous year were SEK 2,187 m and SEK 17 m.

Notes

1 Accounting principles

The year-end report is prepared in accordance 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.

Unless otherwise stated, the accounting principles have been applied consistently to all periods presented in the financial statements.

Per 1 January 2019 IFRS 16 Leases entered into force, replacing IAS 17 Leases. IFRS 16 has not impacted the financial statements to any

significant extent as Ikano Bank currently applies the exemption rules for legal entities according to RFR 2.

The bank has in advance chosen to apply the changes in IFRS 9 in connection with the future change of interbank offered rates in the Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7. This change will not have any impact on the financial statements.

Alternative performance measures are used by Ikano Bank when it is relevant to monitor and describe Ikano Bank's financial situation and to provide additional useful information to users of financial statements. For a definition of all measures please see the Annual Report 2018.

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

2 Operating segments

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
Total net interest income	528	240	100	16	421	527	55	55	1 944	-	1 944
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	0	2	1	1	0	28	-	28
Commission income	309	68	102	27	69	80	4	0	659	-	659
Commission expense	-139	-13	-51	-7	-55	-30	-6	0	-301	-	-301
Commission, net	170	55	51	20	14	50	-2	0	358	-	358
Lease income	2 027	1 072	633	280	-	-	-	-	4 011	-	4 011
Depreciation on leasing assets	-1 792	-944	-539	-248	-	-	-	-	-3 522	-	-3 522
Leasing income, net	235	128	94	32	-	-	-	-	489	-	489
Net interest, fee and leasing income	934	424	245	68	435	577	53	54	2 791	-	2 791
Other income	31	23	16	4	28	10	3	741	856	-717	139
Other direct expenses	-38	-9	-14	-7	-18	-24	-2	-1	-112	-	-112
Operating margin before net loan losses and operational expenses	927	438	247	65	446	564	55	795	3 535	-717	2 818
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
Operating result	13	79	11	-2	-62	68	2	79	189	-	189
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	-	3 608	-	3 608
Total internal expenses	-592	-144	-192	-32	-254	-227	-38	-31	-1 510	1 510	-
Appropriations	-	-	-	-	-	-	-	281	281	-	281
Tax expense	-	-14	-5	-	-4	-27	-1	46	-4	-	-4
Net result for the year	13	65	6	-2	-66	41	1	406	465	-	465

2018						United	Germany/		Shared	Total before		Total
SEK m	Sweden	Denmark	Norway	Finland		Kingdom	Austria	Poland	functions	eliminations	Eliminations	
Interest income	749	329	215	29		566	627	67	472	3 055	-717	2 338
Interest expense	-229	-83	-82	-12		-178	-81	-16	-441	-1 120	717	-403
Total net interest income	520	247	133	17		389	546	52	31	1 935	-	1 935
Payment service commissions	12	2	1	1		-	13	-	-	27	-	27
Lending commissions	173	36	62	22		80	20	2	0	394	-	394
Compensation, mediated insurance	117	27	37	4		1	49	1	-	233	-	233
Other commissions	20	2	13	0		0	1	1	0	35	-	35
Commission income	322	66	110	27		79	82	4	0	690	-	690
Commission expense	-139	-17	-63	-9		-39	-63	-5	-1	-336	-	-336
Commission, net	183	50	46	18		40	19	-1	1	353	-	353
Lease income	1 880	1 043	610	257		-	-	-	-	3 790	-	3 790
Depreciation on leasing assets	-1 686	-915	-517	-223		-	-	-	-	-3 342	-	-3 342
Leasing Income, net	193	129	93	33		-	-	-	-	448	-	448
Net Interest, fee and leasing income	896	425	271	68		429	565	51	30	2 736	-	2 736
Other income	77	22	8	4		22	-4	4	874	1 006	-858	149
Other direct expenses	-35	-10	-10	-6		-25	-21	-2	-5	-114	-	-114
Operating margin before net loan losses and operational expenses	938	438	269	66		426	541	54	899	3 629	-858	2 771
Other expenses	-870	-362	-248	-71		-472	-298	-50	-886	-3 256	875	-2 382
Allocated overhead expenses	-3	-4	-1	1		-4	-6	1	-1	-16	-17	-33
Operating result	65	72	20	-4		-48	237	5	13	358	-	359
Of which:												
Total internal income	119	35	-	-		60	33	-	1 327	1 574	-1 574	-
Total external income	1 236	514	424	93		607	677	76	-	3 628	-	3 628
Total internal expenses	-602	-142	-168	-29		-245	-215	-28	-145	-1 574	1 574	-
Tax expense	-	-11	-7	-		-10	-87	0	-22	-137	-	-137
Net result for the year	65	61	13	-4		-58	151	5	310	541	-	541

External income

SEK m	2019	2018
Corporate	823	761
Sales Finance	1 713	1 773
Consumer	1 000	962
Other	74	131
Total external income	3 608	3 628

Neither Ikano Bank, nor any individual business line has any single customer representing 10 percent of revenues or more.

Balance sheet

2019						United	Germany/				Total
SEK m	Sweden	Denmark	Norway	Finland		Kingdom	Austria	Poland	Eliminations		
Fixed assets other than financial instruments	359	2	0	0		0	4	1	-	-	366
Deferred tax assets	78	-	-	-		-	24	-	-	-	102
Other assets	33 931	5 913	3 187	1 132		6 993	8 000	584	-14 252	-	45 487
Total assets	34 367	5 915	3 187	1 132		6 993	8 028	585	-14 252	-	45 956
Liabilities and provisions	31 454	4 539	2 861	1 211		6 965	6 444	692	-14 252	-	39 914

2018						United	Germany/				Total
SEK m	Sweden	Denmark	Norway	Finland		Kingdom	Austria	Poland	Eliminations		
Fixed assets other than financial instruments	385	5	0	0		1	5	1	-	-	397
Deferred tax assets	92	-	-	-		0	24	-	-	-	115
Other assets	32 957	5 961	3 294	1 127		5 936	7 890	739	-13 685	-	44 219
Total assets	33 434	5 967	3 294	1 127		5 937	7 918	740	-13 685	-	44 731
Liabilities and provisions	30 594	4 695	2 985	1 202		5 849	6 423	845	-13 685	-	38 909

3 Net interest income

SEK '000	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Interest income				
Loans to credit institutions	-	-	-	-
Loans to the public	1 163 873	1 156 326	2 328 554	2 336 193
Interest-bearing securities	6 477	1 210	13 225	1 932
Total	1 170 350	1 157 536	2 341 779	2 338 126
<i>Of which: Interest income from financial assets not valued at fair value through profit or loss</i>	<i>1 163 873</i>	<i>1 156 326</i>	<i>2 328 554</i>	<i>2 336 193</i>
Interest expense				
Liabilities to credit institutions	-17 270	-19 881	-34 682	-40 078
Deposits from the public	-94 766	-99 793	-197 102	-203 773
<i>Of which: deposit guarantee fee</i>	<i>-15 897</i>	<i>-14 769</i>	<i>-34 719</i>	<i>-34 218</i>
Issued securities	-26 750	-14 735	-47 821	-27 638
Derivatives	-39 585	-43 066	-76 816	-85 693
- Hedge accounting	-2 972	-3 317	-5 608	-8 037
- Not hedge accounting	-36 613	-39 749	-71 209	-77 656
Subordinated liabilities	-12 194	-11 754	-24 249	-23 303
Other interest expenses	-7 378	-11 132	-17 297	-22 512
<i>Of which: Resolution/Stability fee</i>	<i>-5 586</i>	<i>-8 234</i>	<i>-14 515</i>	<i>-18 834</i>
Total	-197 942	-200 361	-397 967	-402 997
<i>Of which: Interest expense from financial assets not valued at fair value through profit or loss</i>	<i>-158 358</i>	<i>-157 295</i>	<i>-321 151</i>	<i>-317 304</i>
Total net interest income	972 408	957 175	1 943 812	1 935 129

4 Leasing income

SEK '000	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Leasing income, gross	2 029 297	1 950 678	4 011 000	3 790 090
Less: Depreciation according to plan	-1 783 364	-1 723 818	-3 521 925	-3 341 934
Leasing income, net	245 933	226 860	489 075	448 156
Leasing income from financial lease agreements	2 029 297	1 950 678	4 011 000	3 790 090
Depreciation according to plan for assets that are financial lease agreements, but are recognised as operating leases	-1 783 364	-1 723 818	-3 521 925	-3 341 934
Leasing income, net for financial lease agreements	245 933	226 860	489 075	448 156
Interest income	4 634	4 825	10 135	9 531
Interest expenses	-50 811	-58 571	-127 680	-112 991
Leasing, net	199 756	173 114	371 530	344 696

5 Net commission

SEK '000	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Commission income				
Payment service commissions	13 934	14 093	26 419	26 922
Lending commissions	175 666	199 948	365 293	394 184
Other commissions	126 965	141 071	267 381	268 412
Total	316 565	355 112	659 093	689 518
Commission expense				
Payment brokerage commissions	-5 831	-1 801	-9 586	-3 127
Lending commissions	-113 632	-130 305	-233 488	-280 605
Other commissions	-28 711	-25 418	-58 786	-52 622
Total	-148 174	-157 524	-301 860	-336 354
Net commission income	168 391	197 588	357 233	353 164

6 Other operating income

SEK '000	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Realised gain arising from the disposal of tangible assets	21 237	17 025	37 544	29 262
One-off revenue from SBAB	-	57 133	-	57 133
Other operating income	50 043	23 875	80 656	65 518
Total	71 282	98 034	118 200	151 913

7 Loan losses, net

The table below shows net loan losses including credit impairment provisions for credit commitments and undrawn limits.

Credit impairment provisions recognised at fair value via other comprehensive income amount to SEK 1.9 m and have been recognised in equity against the item fair value reserve. The credit impairment ratio according to IFRS 9 was 1.9 percent for 2019 (1.3).

During 2019 changes to the IFRS 9 model has been implemented and impacted the result with SEK 35 m. The main part of this relates to increased Stage 2 provisions. Further two business deals was written off during the year and impacted the result with SEK 44 m, mainly related to Stage 3.

SEK 000	Jul-Dec 2019	Jul-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Stage 1 - Assets without significant increase in credit risk				
Change in provisions of receivables from stage 1	-5 608	21 592	-19 805	28 020
Write-off and removal of receivables from stage 1	-	-	-	-
Recoveries from previously determined loan losses for stage 1	-19	-	-19	-
Net cost for the period for loan losses - stage 1	-5 627	21 592	-19 824	28 020
Stage 2 - Assets with significant increase in credit risk				
Change in provisions of receivables from stage 2	-28 109	14 102	5 848	16 963
Write-off and removal of receivables from stage 2	-280 008	-135 009	-571 430	-227 416
Recoveries from previously determined loan losses for stage 2	169 896	34 122	348 724	61 502
Net cost for the period for loan losses - stage 2	-138 221	-86 785	-216 858	-148 951
Stage 3 - Credit-impaired assets				
Change in provisions of receivables from stage 3	206 504	61 980	180 505	182 830
Write-off and removal of receivables from stage 3	-665 470	-514 752	-970 007	-984 609
Recoveries from previously determined loan losses for stage 3	232 925	204 581	323 895	446 773
Net cost for the period for loan losses - stage 3	-226 041	-248 191	-465 607	-355 006
Net cost for the period for loan losses - Total	-369 889	-313 384	-702 289	-475 937

Credit risk exposure gross and net, per risk classification for financial assets, and commitments and undrawn limits

2019

SEK 000

	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost according to IFRS 9				
Loans to credit institutions				
AAA	3 040	-	-	3 040
AA	836 958	-	-	836 958
A	1 019 162	-	-	1 019 162
BBB	50 048	-	-	50 048
NR	27	-	-	27
Credit impairment provisions	-	-	-	-
Total carrying amount	1 909 236	-	-	1 909 236
Loans to the public				
Low	20 899 926	466 755	-	21 366 681
Medium	2 880 959	979 467	-	3 860 425
High	851 485	1 922 878	407 939	3 182 302
Credit impairment provisions	-140 044	-319 113	-289 322	-748 479
Total carrying amount	24 492 326	3 049 987	118 617	27 660 929
Financial assets measured at fair value according to IFRS 9				
Treasury bills				
AAA	481 264	-	-	481 264
AA+	565 818	-	-	565 818
AA	489 790	-	-	489 790
AA-	135 741	-	-	135 741
Credit impairment provisions	-292	-	-	-292
Total carrying amount	1 672 321	-	-	1 672 321
Bonds and other interest-bearing securities				
AAA	1 372 348	-	-	1 372 348
A+	20 086	-	-	20 086
A	49 994	-	-	49 994
A-	819 031	-	-	819 031
BBB+	185 150	-	-	185 150
Credit impairment provisions	-1 564	-	-	-1 564
Total carrying amount	2 445 045	-	-	2 445 045
Total gross carrying amount for financial assets measured at amortised cost or fair value through other comprehensive income	30 660 509	3 369 099	407 939	34 437 548
Total credit impairment provisions	-141 900	-319 113	-289 322	-750 335
Total carrying amount	30 518 609	3 049 987	118 617	33 687 212
Leasing objects including trade receivables leasing				
Low	6 512 702	974 846	-	7 487 548
Medium	847 525	1 268 854	-	2 116 379
High	127 006	863 973	337 207	1 328 186
Credit impairment provisions	-11 070	-47 251	-148 205	-206 526
Total carrying amount	7 476 163	3 060 422	189 001	10 725 586
Commitments and undrawn limits				
Low	30 822 629	260 269	-	31 082 898
Medium	3 720 911	304 472	-	4 025 384
High	100 399	355 689	-	456 088
Credit impairment provisions	-13 017	-12 850	-	-25 867
Total commitments and undrawn limits	34 630 922	907 580	-	35 538 502

8 Loans to the public

SEK 000

	2019	2018
Outstanding receivables, gross		
- Swedish currency	9 147 612	9 567 734
- Foreign currency	19 261 796	18 581 042
Total	28 409 408	28 148 775
<i>Of which: Non-performing loans</i>	<i>407 946</i>	<i>795 351</i>
Specific provision for individually assessed receivables	-748 479	-859 652
Carrying amount, net	27 660 929	27 289 123

9 Deposits from the public

SEK 000	2019	2018
Public		
- Swedish currency	12 203 869	12 757 321
- Foreign currency	13 753 910	13 449 142
Total	25 957 779	26 206 463
Deposits specified by category of borrower		
Corporate sector	1 459 887	1 373 023
Household sector	24 497 892	24 833 440
Total	25 957 779	26 206 463

10 Issued securities

SEK 000	2019	2018
Certificates of deposits	2 187 705	1 989 784
Bonds	6 407 344	5 148 713
Total	8 595 049	7 138 497

11 Related-party transactions

The Bank has related party relationships with companies within the Group. 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 with related parties.

SEK 000	Year	Income	Expenses	Receivables with related parties, 31 December	Liabilities with related parties, 31 December
Ikano S.A.	2019	-	-26 790	-	1 130
Ikano S.A.	2018	-	-29 711	0	2 350
Other Group companies	2019	254	-53 327	3 137	872 469
Other Group companies	2018	268	-50 605	7 240	851 273

12 Pledged assets, contingent liabilities and commitments

SEK 000	2019	2018
Contingent liabilities		
PRI	718	693
Total	718	693
Commitments		
Loan commitments, irrevocable	2 671 685	1 802 242
Unused credit limits	32 408 160	37 028 758
Total	35 079 845	38 831 000

Commitments made up of granted unused credit can be terminated effective immediately to the extent this is permitted under the Consumer

Credit Act. The Bank has no pledged commitments.

13 Financial assets and liabilities

The following tables provide information on the measurement of fair value of financial instruments that are measured at fair value in the balance sheet (excluding the 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

2019

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	6 950	-	6 950
Currency derivatives	-	21 979	-	21 979
Shares and participations ¹⁾	41 629	1 535	-	43 164
Financial assets at fair value through other comprehensive income				
Bonds and other interest-bearing securities	1 646 637	799 973	-	2 446 609
Treasury bills	1 502 652	169 961	-	1 672 613
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	10 974	-	10 974
Currency derivatives	-	45 777	-	45 777

2018

SEK 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate derivatives	-	-	-	-
Currency derivatives	-	169 161	-	169 161
Shares and participations ¹⁾	27 764	1 535	-	29 299
Financial assets available-for-sale				
Bonds and other interest-bearing securities	1 306 864	925 070	-	2 231 935
Treasury bills	1 282 293	-	-	1 282 293
Financial liabilities at fair value through profit or loss				
Interest rate derivatives	-	7 715	-	7 715
Currency derivatives	-	-	-	-

- 1) The Bank owns unlisted shares, which are included in Level 2 of the valuation category Financial assets at fair value through profit or loss. 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 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 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. In the balance sheet, no amounts have been offset in 2019. For derivatives Ikano Bank receives and submits collateral in the form of bank deposits in accordance with the standard terms in the ISDA Credit Support Annex.

2019 SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Amounts not offset in Balance sheet		
				Netting agreements	Issued/Received collateral	Net value
Derivatives	28 929	-	28 929	-22 865	-28 173	-22 110
Total financial assets	28 929	-	28 929	-22 865	-28 173	-22 110

Derivatives	56 751	-	56 751	-22 865	-8 766	25 120
Total financial liabilities	56 751	-	56 751	-22 865	-8 766	25 120

2018 SEK 000	Gross value	Offsetting in the Balance Sheet	Net in Balance Sheet	Amounts not offset in Balance sheet		
				Netting agreements	Issued/Received collateral	Net value
Derivatives	169 161	-	169 161	-7 715	-139 363	22 083
Total financial assets	169 161	-	169 161	-7 715	-139 363	22 083

Derivatives	7 715	-	7 715	-7 715	-	-
Total financial liabilities	7 715	-	7 715	-7 715	-	-

14 Capital management and liquidity

The below information is provided regarding own funds and own funds requirements in accordance with among others regulation (EU No 575/2013) and SFSA regulations regarding prudential requirements and capital buffers (2014:12). Ikano Bank applies the IFRS 9 phase-in rules in accordance with article 473a in capital requirements regulation (EU No 575/2013) regarding the Day 1 effect. In the annual report and in the report Periodic information of capital adequacy and liquidity the impact of this phase-in effect are presented. These reports are available at the Bank's webpage www.ikanobank.se/om-banken/ekonomisk-information.

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 SFSA.

As of 31 December 2019, the Bank had own funds of SEK 6.7 bn (6.4) of which SEK 5.8 bn are common equity Tier 1. The statutory own funds requirement for Pillar 1-risk amounted to SEK 3.0 bn (3.0). After a statutory minimum for common equity Tier 1 capital, a further SEK 3.5 bn remain available as common equity Tier 1 capital. The internal own funds requirement in addition to Pillar 1 requirements totalled SEK 840 m and is well 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 949 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 1.52 percent or SEK 578 m after weighting the applicable geographic requirements, which for the Bank mainly means Sweden, Denmark, Norway and the UK. Ikano Bank's combined buffer requirement is SEK 1,527 m.

The total capital ratio was 17.7 percent with a Tier 1 capital ratio of 15.4 percent.

Summary of own funds and risk exposure amount

SEK 000	2019	2018
Tier 1 capital	5 838 310	5 555 103
Tier 2 capital	865 187	839 330
Own funds	6 703 496	6 394 433
Total risk exposure amount	37 949 156	37 282 567
Total own funds requirements	3 035 932	2 982 605
Total Capital ratio	17.7%	17.2%
Tier 1 Capital ratio	15.4%	14.9%
Common equity Tier 1 ratio	15.4%	14.9%
Available common equity Tier 1 Capital	3 561 360	3 318 149
Available common equity Tier 1 Capital in relation to Total risk exposure amount	9.4%	8.9%
Capital conservation buffer	948 729	932 064
Counter-cyclical capital buffer	578 488	427 328
Combined buffer requirement	1 527 217	1 359 393

Specification of own funds

SEK 000	31 Dec 2019	31 Dec 2018
Equity reported in the balance sheet	5 944 636	5 444 229
Share capital	78 994	78 994
Statutory reserve	193 655	193 655
Fund for development expenses	293 925	276 316
Fund for fair value	239 111	204 105
Retained earnings	4 673 550	4 149 951
Net result for the period	465 401	541 208
Untaxed reserves (78.6% of which)	76 208	294 962
CET1 capital before regulatory adjustments	6 020 844	5 739 191
CET1 capital: regulatory adjustments		
Intangible assets	-352 138	-378 747
Cash flow hedge	-14 938	-12 622
Value adjustments due to the requirements for prudential valuation	-4 250	-3 720
Adjustment for IFRS 9 Day 1 effect according to transitional arrangements	188 790	211 001
Total Common Equity Tier 1 Capital	5 838 310	5 555 103
Total Tier 1 Capital	5 838 310	5 555 103
Tier 2 capital		
Subordinated liabilities	865 187	839 330
Total Tier 2 Capital	865 187	839 330
Total own funds	6 703 496	6 394 433

Specification of risk exposure amount and own funds requirements

SEK 000	2019		2018	
	Risk exposure amount	Own funds requirements	Risk exposure amount	Own funds requirements
Credit risk according to the standardised approach				
Exposures to regional governments or local authorities	11 755	940	11 304	904
Institutional exposure	506 566	40 525	513 564	41 085
Corporate exposure	4 220 076	337 606	3 872 700	309 816
Retail exposure	23 453 213	1 876 257	22 712 835	1 817 027
Equity exposure	55 610	4 449	29 299	2 344
Past due items	856 320	68 506	1 181 492	94 519
Covered bond exposure	121 310	9 705	107 746	8 620
Other items	390 486	31 239	428 674	34 294
Total credit risk	29 615 335	2 369 227	28 857 614	2 308 609
Operational risk according to the basic indicator approach	5 071 525	405 722	5 056 084	404 487
Foreign exchange risk according to the standardised approach	3 248 969	259 917	3 328 850	266 308
CVA risk according to the standardised approach	13 328	1 066	40 019	3 202
Total	37 949 156	3 035 932	37 282 567	2 982 605

Leverage

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 31 December 2019 is 12.1 percent (11.8) and thus above the proposed binding measure of 3 percent.

Liquidity

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

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

The Bank's liquidity reserve and operational portfolio shall always total at least 10 percent of

ratio

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. Investments in this portfolio are to have a minimum rating of AA- according to Standard and Poor's (or equivalent according to Moody's). 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 (or equivalent according to Moody's).

The Bank's liquidity reserve amounts to SEK 3.1bn and consists of high quality assets,

liquid in private markets and eligible as collateral with the Swedish Central Bank.

The liquidity portfolio as of 31 December 2019 totalled SEK 6.0 bn excluding overdraft facilities and constitutes 23 percent of deposits from the public. It includes cash and balances with banks (1.9 bn), the liquidity reserve (SEK 3.1 bn) and other interest-bearing securities (SEK 1.1 bn). None of the assets are being utilised as collateral and no non-performing loans exist. Assets are being valued at fair value. In addition to the liquidity portfolio, committed credit facilities for a total of SEK 2.9 bn are available.

As of 31 December 2019, the Bank's liquidity coverage ratio (LCR) totalled 276 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.

The NSFR is a measure of the banks structural liquidity, defined as the ratio between available stable funding and required stable funding. The EU has issued a minimum requirement of 100 percent to come into effect in June 2021. Net Stable Funding Ratio (NSFR) for Ikano Bank was 105 percent at year-end 2019.

Additional information about the Bank's capital adequacy and liquidity risk management can be found in the latest Annual Report and report Periodic information of capital adequacy and liquidity. These reports are available at the Bank's webpage www.ikanobank.se/om-banken/ekonomisk-information.

Summary of liquidity reserve

31 Dec 2019

SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 676	1 246	-	38	392	-
Securities issued by financial corporations	164	5	159	-	-	-
Covered bonds	1 213	843	302	68	-	-
Liquidity reserve	3 053	2 095	461	106	392	-
Other operating liquidity invested in securities	1 075	1 075	-	-	-	-
Cash and balances in central banks and other banks	1 909	455	163	895	131	265
Total liquidity portfolio	6 038	3 625	624	1 001	523	265
Distribution per currency (%)	100%	60%	10%	17%	9%	4%
Other liquidity-creating measures						
Granted unused credit facilities	2 872	508	1 326	790	248	-

31 Dec 2018

SEK m	Total	SEK	EUR	DKK	GBP	Other
Securities issued by public entities	1 282	968	-	38	277	-
Securities issued by financial corporations	154	-	154	-	-	-
Covered bonds	1 072	644	190	68	170	-
Liquidity reserve	2 508	1 612	344	105	447	-
Other operating liquidity invested in securities	1 006	1 006	-	-	-	-
Cash and balances in central banks and other banks	2 126	593	245	788	140	359
Total liquidity portfolio	5 640	3 211	589	893	587	359
Distribution per currency (%)	100%	57%	10%	16%	10%	6%
Other liquidity-creating measures						
Granted unused credit facilities	2 822	822	1 168	605	226	-