

Annual report

2009

Ikano Bank SE
Reg no 517100 – 0051

IKANO
BANK

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All amounts in this annual report are stated in thousand euro (kEUR) unless otherwise stated. Amounts in brackets refer to the previous year.

A word from the CEO

Despite the fact that the year was characterised by financial crisis and credit losses, at Ikano Bank we have had a good 2009 with growth of just over 23% in our volume of business. Given the circumstances, our results are favourable. I consider that everyone working at Ikano Bank should be extremely satisfied with our results and I am proud of the contribution that everyone has made. We have shown that our bank operates in a secure, profitable manner for both private individuals and companies.

We identified the trend leading towards credit losses at an early stage and were able to counteract it early by overhauling our working procedures and implementing the necessary changes rapidly. We have worked to improve our procedures on various levels and active measures have been adopted throughout the organisation, from supervising the process of granting loans to helping customers who need to draw up plans for repayments at a rate they are able to manage.

We have attracted a high level of deposits in 2009 – +41% – which shows that customers have great confidence in us. The satisfactory progress in our certificate programme shows that the capital market also has a great deal of confidence in Ikano Bank. These two sources of finance are important and contribute to our well-diversified borrowing structure.

During the year we have worked to give shape to the “new” Nordic bank, Ikano Bank SE. Swedish business activities (Ikanobanken AB and Finans AB Barck) merged in 2008 and Danish, Norwegian and Finnish business activities were merged in Ikano Bank SE in 2009. The fact that Ikano Bank SE is now a Nordic bank is an important positive event in our history. We now have a full banking licence for Denmark, Norway and Finland, where previously we were only a finance market company. This opens up new opportunities for our Nordic partners but also affects our product range throughout the Nordic region. The new bank also provides us with more opportunities for developing joint working methods with units which provide advantages of scale and synergies and efficiency gains as a desirable consequence of this.

Within the Consumer and Corporate market sectors, we are developing sales support and finance solutions to be offered by our partners to their customers. We experienced satisfactory growth in our leasing products during the year since we were able to offer companies finance at a time when most other banks were tightening up on credit. We also offer a range of products in deposits and lending directly to final customers. One new product for 2010 that I wish to draw your

attention to is Factoring for our corporate customers to help them free up liquidity and avoid administration.

We have recently produced a strategy package within the bank for the three product areas of Consumer, Sales Finance and Corporate which supports our vision and business concept – to provide unconventional financial services that provide our customers with opportunities to grow. Our key concepts of “working together”, “common sense and simplicity” and “dare to be different” are important cornerstones in our efforts to be a reliable supplier of financial solutions that distinguishes itself from others in the sector through new ways of thinking and a feel for business.

Though 2009 will go down in history as the year when the focus in all areas of business was on minimising credit losses, in 2010 we will be beginning to focus on growth: growth at our existing customers and partners, but also by attracting new customers to our concept of sales finance and leasing and deposits and lending to private customers.

Our growth in 2009 shows that Ikano Bank is a strong brand and our strong financial position means that we look to the future with confidence.

Bo Liljegren
CEO

Administration Report

The Board of Directors and Managing Director of Ikano Bank SE, organisation registration number 517100-0051, hereby present the annual accounts for the period from 1 January to 31 December 2009.

Ownership and operational structure

IKANO Banken AB (publ) was converted to a euro-company with the name of Ikano Bank SE on 2 January 2009. The bank was allocated a new organisation registration number in this conversion, but is the same juridical person as previously. During the conversion to a euro-company, the bank changed its accounting currency from SEK to EUR.

Ikano Bank SE, hereinafter referred to as Ikano Bank, began operating in 1995. The bank's head office is in Älmhult and it is owned by Ikano S.A., with head office in Luxemburg, which is a subsidiary of Ikano Holding S.A.

Ikano Bank is included in the Ikano group's Business Area Finance (BAF), which carries on banking and finance company activities in eight European countries.

Branches and mergers

On 2 January 2009, the two fellow subsidiaries, Ikano Finans AS in Denmark and Ikano Finans ASA in Norway, merged with Ikano Bank SE. The merged companies' results are included in full in both the results for the year and the key indicators for 2009.

A branch has also been started up in Finland as per 1 October. The Finnish branch has not carried out any activities in 2009, but has acquired loanbooks from its Finnish fellow subsidiary, Ikano Rahoitus Oy, at 31 December.

The comparison year is left as pro forma for merged activities as far as the balance sheet and income statement are concerned.

Ikano Bank SE already has a branch in the UK for issuing Visa cards. The results for these activities amounted to 0 (0) mEUR.

Business activities

Ikano Bank carries out business activities in Sweden, Denmark, Norway and Finland. Sweden is divided into two business activities, B2B (Business to Business) in Stockholm and B2C (Business to Consumer) in Älmhult. There are three product areas within these activities: Corporate, Sales Finance and Consumer. Activities are monitored on the basis of the geographical markets, see note 5 "Business segments" for more details.

Corporate

The Corporate product area mainly consists of leasing activities where financial services such as rental and leasing are offered to companies and organisations. Activities are mainly

directed towards financing office-related products. Cooperation with established suppliers has largely progressed as expected over the year and cooperation has begun with a number of new suppliers. Sales have progressed in a satisfactory manner over the year and have exceeded the budget. The results have been adversely affected by a number of bankruptcies among partners and an increase in credit losses.

Factoring business in the Swedish market was started up in August.

Sales Finance

The Sales Finance product area consists of card activities.

Card activities include administration and marketing of services for financing and sales support mainly to retail trade. The business concept aims to ensure that partners achieve higher sales, greater customer loyalty, better liquidity, simpler administration and lower risk through cooperation with Ikano Bank. This is achieved through services such as sales support, consumer finance, Visa-linked cards, loyalty cards, bonus management and information services for sales support.

The largest partner has historically been IKEA, where the bank originated. IKEA is still the bank's largest and most important partner but has been supplemented by several new partners in recent years.

Consumer

The Consumer product area consists of traditional banking activities and is aimed at private individuals with simple, beneficial services for savings and loans. The services offered consist primarily of interest savings and unsecured loans and mortgage loans. The customers carry out part of the work themselves on the Internet or by telephone, which enables matters to be dealt with efficiently. This places us in a position to be able to offer competitive products.

Lending is offered in the form of a range of unsecured loan products, mortgage loans and Visa-linked credit cards. Mortgage loans are offered in cooperation with *Sveriges Bostadsfinansieringsaktiebolag* (SBAB), which means that the loan is arranged with and provided by SBAB under the distinctive product name of Ikano Bolån.

We have continued to focus on deposits during the year and have been extremely successful. Deposits increased by 252 mEUR in 2009.

Total assets and business volumes

The bank's total assets increased over the year by 582 mEUR to 1,548 mEUR. At the end of the accounting period, total assets for subsidiaries in Denmark, Norway and Finland amounted to 428 mEUR. The bank's equity has increased by 56 mEUR and amounts to 145 mEUR (89 mEUR).

Business volumes, i.e. customer-related lending, deposits, leasing and mediated mortgage loan volumes, increased overall during the year by 876 mEUR and amount to 2,758 mEUR.

Loans to the public increased by 319 mEUR to 1,016 mEUR, whereas volumes of mediated mortgage loans increased by 137 mEUR to 553 mEUR. Deposits from the public increased by 252 mEUR to 867 mEUR.

The bank's progress over a five-year period is shown on page 7.

Capital adequacy

The bank's capital adequacy continues to be satisfactory. The capital adequacy quotient amounted to 1.53 (1.58) at the start of the year.

Result

The operating profit amounted to 18 mEUR, compared to 23 mEUR for the previous year. 4 mEUR of the operating profit relates to new activities in Denmark and Norway. The lower operating profit is primarily due to higher credit losses compared to the previous year, see the section entitled "Other risks and uncertainty factors" for more details.

Net interest income rose by 31 mEUR to 75 mEUR over the year.

Net commission income rose overall by 16 mEUR to 31 mEUR as a consequence of greater business volumes and the new subsidiaries in Denmark and Norway. Despite the cost of implementing the merger, the C/I figure, thanks to cost efficiencies, fell by 0.5 percentage points to 57.8%.

The cost of credit losses for the year amounted to 39 mEUR (10 mEUR). The credit loss level amounted to 3.1% (1.4%) of lending to the public.

Staff

Motivated staff are a prerequisite for progress and success at the company. For that reason, all managers undergo Ikano's leadership training to ensure that they understand and implement the company's values. Staff surveys, along with annual performance management interviews, are also important management tools to allow us to constantly identify areas of improvement and potential for development in terms of individual staff members and the company's activities as a whole.

The number of staff, calculated in terms of full years' manpower, was 411 (253) over the year, divided between 237 women and 174 men. Due to the merger of the Danish and Norwegian business activities, the number of staff rose by 130 full years' manpower, divided between 70 women and 60 men. The company actively endeavours to increase diversity in the various workplaces through such means as membership in MINE (*Etnisk Mångfald i Näringslivet* – [Ethnic Diversity in Trade and Industry]). The company aims to increase participation in decision-making and create new forums to allow staff to put forward their views through a newly-formed Work Council. The Work Council is made up of elected representatives for each country, along with the CEO and the Head of HR.

Information on principles and processes relating to remuneration and benefits to key persons in senior management posts is provided in note 12.

Financial risks

The bank's main financial risks consist of credit risk, operational risk and business risk. The board of directors has established policies stating that the bank should have a low willingness to take risks. The aim of the risk level applied is to optimise the relationship between risk and returns for the shareholders.

Credit risk is defined as the risk that an individual counterparty may be unable to fulfil its obligations. For credit risks, the aim of risk management is to optimise the results of lending activities in terms of profitability.

Operational risks have been defined as the risk of administrative errors and errors in procedures and systems. The bank's aim is to minimise operational risks so that the bank's customers and other interested parties perceive the bank to be highly secure and accessible.

Business risk is defined as the risk that the bank's earnings may be reduced and may be insufficient to cover the costs of its business activities. Credit losses and operational risks are not included in any calculation of business risks. Business risks include reputational risks, which are risks of financial losses caused by a negative reappraisal of the bank's brand by customers, partners or lenders.

Risk management objectives and policies are described in more detail in note 3.

Other risks and uncertainty factors

Factors associated with the surrounding environment such as the global financial crisis and climate of uncertainty have had an effect on Ikano Bank SE. Credit losses have increased considerably, though they have stabilised in the second half of the year. The bank's focus on simple savings products and unsecured loan

products involving limited loan amounts for private individuals, combined with the fact that the bank has a strong owner, has served to mitigate the effect of concerns in the international credit market on the bank.

At the end of 2008, borrowing on the credit markets was more expensive and more difficult, though the bank was able to avoid borrowing on these markets through financing from its owner. Those loans have now been paid and the credit market facilities are working once again.

The fact that Ikano Bank has an extremely good reputation and enjoys a high level of trust was demonstrated during the financial crisis by a steady inflow of new deposit customers and continued demand for bank certificates issued by Ikano Bank.

Fair value reserve	2,232,227 EUR
Profit brought forward	86,856,339 EUR
Profit for the year	24,176,474 EUR
Total	113,265,040 EUR

The Board of Directors proposes that the disposable profit be allocated as follows:

Carried forward to new accounts	113,265,040 EUR
Allocated to fair value reserve	2,232,227 EUR

Other important events

A reorganisation of Swedish business activities is to be carried out at the beginning of 2010. This will mainly involve moving the staff functions from the Älmhult office to the Lund office. In connection with this reorganisation, 25 people have been given notice of redundancy.

Prospects for 2010

The business climate is expected to slowly improve in 2010 and consumption is expected to rise somewhat. Concern and uncertainty on the financial markets is expected to recede. As far as Ikano Bank is concerned, this will place us in a strong position in the new year.

Proposal for the allocation of profits

The Board of Directors proposes that the profit of 24,176,474 EUR for the year be transferred to the profit brought forward which thereafter, along with the fair value reserve, amounts to 113,265,040 EUR. The allocation of profits proposed by the Board of Directors is shown as follows:

5 year summary

mEUR	2009 ^{1) 3)}	2008 ^{1) 5)}	2007 ^{1) 5)}	2006 ^{2) 5)}	2005 ⁵⁾
INCOME STATEMENT					
Interest income	102	75	61	50	45
Leasing income	129	71	0	0	1
Interest expenses	-27	-31	-17	-10	-7
Commissions, net	31	15	10	7	5
Net profit/loss from financial transactions	-1	0	0	0	0
Other income	7	7	0	0	0
Total income	241	137	54	47	43
General administration expenses	-67	-39	-26	-22	-20
Depreciation and impairment of intangible and tangible assets	-108	-60	-1	-0	-0
Other expenses	-9	-6	-6	-5	-4
Loan losses	-39	-10	-7	-5	-5
Total expenses	-223	-115	-40	-32	-29
Operating profit/loss	18	23	14	15	14
Appropriations	14	-3	0	0	23
Tax on the profit/loss for the year	-8	-6	-4	-4	-11
Profit for the year	24	14	10	11	27

mEUR	2009 ^{1) 4)}	2008 ^{1) 5)}	2007 ^{1) 5)}	2006 ^{2) 5)}	2005 ⁵⁾
BALANCE SHEET					
Loans to credit institutions	52	70	63	49	57
Loans to the public	1 016	697	576	470	435
Interest-bearing securities	117	20	20	85	50
Tangible assets	325	152	0	0	0
Other	38	27	16	18	13
Total assets	1 548	966	675	622	555
Liabilities to credit institutions	178	84	1	1	1
Deposits and borrowing from the public	868	616	536	495	433
Other	349	161	65	26	25
Provisions	7	2	2	2	1
Total liabilities	1 403	863	604	524	460
Untaxed reserves	-	14	0	0	0
Equity	145	89	71	98	95
Total liabilities and equity	1 548	966	675	622	555

¹⁾ In accordance with legally restricted IFRS

²⁾ In accordance with legally restricted IFRS, with an exception for IAS 39 and IFRS 7

³⁾ DKK and NOK were converted to EUR at the average exchange rate for the year (DKK: 7.4461; NOK: 8.7058)

⁴⁾ DKK and NOK were converted to EUR at the closing day rate for the year (DKK: 7.4410; NOK: 8.2883)

⁵⁾ 2005-2008 was converted from SEK to EUR at the 2008 closing day rate (SEK: 10.9924)

5 year summary

mEUR	2009 ^{1) 3)}	2008 ^{1) 4)}	2007 ^{1) 4)}	2006 ^{2) 4)}	2005 ⁴⁾
Volumes					
Business volume ⁵⁾	2 758	1 882	1 606	1 457	1 306
Change during the year	46,6%	17,2%	10,2%	11,5%	15,7%
Loans to the public	1 016	697	576	470	435
Change during the year	45,8%	21,0%	22,6%	8,2%	5,6%
Deposits and borrowings from the public	867	616	537	495	433
Change during the year	40,9%	14,7%	8,5%	14,4%	11,1%
Equity					
Capital adequacy quotient	1,53	1,58	1,47	-	-
Capital adequacy ratio ⁶⁾	-	-	-	11,7%	18,6%
<i>Capital base as a % of risk risk-weighted</i>					
Primary capital relation ⁶⁾	1,20	1,48	1,47	-	-
<i>Primary capital as a % of risk risk-weighted investments</i>					
Equity ratio ⁷⁾	9,4%	10,3%	10,5%	15,7%	17,1%
<i>Equity and 73.7% of untaxed reserves as a % of closing balance sheet total</i>					
Profit/loss					
Operating profit/loss	18	23	14	15	14
Investment margin	5,2%	5,4%	6,8%	6,8%	7,2%
<i>Net interest income as a % of average balance sheet total</i>					
Return on total capital	1,3%	2,8%	2,2%	2,5%	2,7%
<i>Operating profit/loss as a % of average balance sheet total</i>					
Return on equity ⁷⁾	10,5%	20,7%	12,4%	11,0%	11,5%
<i>Operating profit after 26.3% tax as a % of average equity</i>					
C/I figures before loan losses	57,8%	58,3%	59,6%	57,4%	55,7%
<i>Operating expenses in relation to operating income with leasing activities made subject to net accounting within operating income</i>					
Credit quality					
Reserve for doubtful debts	66,4%	66,8% ⁸⁾	53,0%	61,8%	72,8%
<i>Total reserve for probable loan losses as a % of doubtful debts, gross</i>					
Number of doubtful debts	3,7%	2,3% ⁸⁾	1,1%	0,8%	0,5%
<i>Doubtful debts, net lending as a % of total lending to the public, credit institutions (excluding banks) and leasing debts</i>					
Loan loss level	3,1%	1,4%	1,4%	1,1%	1,1%
<i>Loan losses as a % of average balance for lending to the public, credit institutions (excluding banks) and leasing debts</i>					
Other information					
Average number of employees (full-time manpower)	411	253	180	171	159

¹⁾ In accordance with legally restricted IFRS

²⁾ In accordance with legally restricted IFRS, with an exception for IAS 39 and IFRS 7

³⁾ DKK and NOK were converted to EUR at the average exchange rate for the year and the closing day rate

⁴⁾ 2005-2008 was converted from SEK to EUR at the 2008 closing day rate (10.9924)

⁵⁾ Business volume means customer-related lending, deposits, leasing and mediated mortgage loan volumes

⁶⁾ Calculated according to the proposed dividend for each year

⁷⁾ Calculated according to the tax rate applying in each year

⁸⁾ Adjusted according to a new definition of verified credit losses that began to apply in 2009

Income statement

kEUR	Note	2009	2008	Pro forma ¹⁾
				2008
Operating income				
Interest income	6	101 689	75 175	126 425
Leasing income	7	129 322	71 111	127 811
Interest expenses	6	-26 874	-31 197	-53 667
Commission income	8	41 131	24 197	42 456
Commission expenses	8	-10 182	-9 057	-14 723
Net profit/loss from financial transactions	9	-788	-184	-209
Other operating income	10	6 881	7 422	8 192
Total operating income		241 179	137 467	236 284
Operating expenses				
General administration expenses	12	-67 492	-39 171	-64 961
Depreciation and impairment of intangible and tangible assets	21,22	-107 901	-59 811	-105 602
Other operating expenses	13	-8 587	-5 812	-9 206
Total costs before loan losses		-183 980	-104 794	-179 769
Profit/loss before loan losses		57 199	32 673	56 515
Loan losses, net	14	-39 128	-9 811	-25 535
Operating profit/loss		18 071	22 862	30 980
Appropriations	15	14 389	-2 814	-3 194
Tax for the year	16	-8 284	-5 657	-7 816
Profit for the year		24 176	14 391	19 970

¹⁾ Pro forma has not been reviewed by the bank's auditors

Balance sheet

kEUR	Note	2009	2008	Pro forma ¹⁾
				2008
Assets				
Cash		2	1	1
Loans to credit institutions	17	51 882	70 122	74 478
Loans to the public	18	1 016 423	697 280	945 287
Bonds and other interest bearing securities	19	116 623	20 385	20 385
Shares and participation	20	150	140	140
Intangible assets	21	6 282	2 604	2 988
Tangible assets	22	324 721	152 284	264 001
of which, leasing objects		320 751	151 993	260 376
of which, inventory		3 970	291	3 625
Current tax assets		1 579	1 371	1 162
Other assets	24	25 855	18 806	24 159
Prepaid expenses and accrued income	25	4 482	2 910	3 159
Total assets		1 547 999	965 903	1 335 760
Liabilities and equity				
Liabilities to credit institutions	26	178 183	83 891	315 843
Deposits and borrowings from the public	27	867 443	615 800	615 800
Change in fair value on interest-rate hedged items in the portfolio hedge	28	1 008	1 080	1 080
Issued securities	29	175 212	24 453	24 453
Other liabilities	30	102 402	100 479	180 999
Accrued expenses and deferred income	31	33 281	28 612	34 046
Provisions				
provisions for pensions	32	2 405	2 154	2 154
deferred tax liability	16	4 805	-	2 451
Subordinated liabilities	33	38 151	6 368	22 056
Total liabilities		1 402 890	862 837	1 198 882
Untaxed reserves	34	-	14 389	14 389
Equity	35			
Share capital		9 225	9 223	9 223
Statutory reserve		22 619	22 619	22 619
Fair value reserve		2 232	15	-2 359
Profit brought forward		86 857	42 430	73 036
Profit for the year		24 176	14 391	19 970
Total equity		145 109	88 677	122 489
Total liabilities and equity		1 547 999	965 903	1 335 760
Memorandum items				
Pledged assets	36	none	none	none
Contingent liabilities		266	288	288
Commitments				
Unused part of credit granted and loan commitment		2 355 809	1 661 567	2 190 563

¹⁾ Pro forma has not been reviewed by the bank's auditors

Report on changes in equity

kEUR

	Restricted equity		Non-restricted equity			Total
	Share capital	Statutory reserve	Fair value reserve	Profit brought forward	Profit/loss for the year	
Opening balance 2008-01-01	9 223	22 619	-151	28 587	10 461	70 740
Dispositions of profit	-	-	-	10 461	-10 461	-
Merger difference	-	-	-	10 222	-	10 222
Change in value on financial assets available for sale	-	-	219	-	-	219
Translation difference, subsidiaries	-	-	8	-	-	8
Tax referring to items recognised directly in equity	-	-	-61	-	-	-61
Profit/loss for the year	-	-	-	-	14 391	14 391
Total changes before transactions with owners	-	-	165	20 684	3 929	24 779
Dividends	-	-	-	-4 549	-	-4 549
Group contribution made	-	-	-	-3 184	-	-3 184
Tax on group contribution	-	-	-	892	-	892
Total transactions with owners	-	-	-	-6 841	-	-6 841
Closing balance 2008-12-31	9 223	22 619	15	42 430	14 391	88 677
Opening balance 2009-01-01	9 223	22 619	15	42 430	14 391	88 677
Dispositions of profit	-	-	-	14 391	-14 391	-
Merger difference	-	-	-	31 419	-	31 419
Change in value on financial assets available for sale	-	-	-4	-	-	-4
Translation difference, subsidiaries	-	-	2 221	-	-	2 221
Tax referring to items recognised directly in equity	-	-	1	-	-	1
Profit/loss for the year	-	-	-	-	24 176	24 176
Total changes before transactions with owners	-	-	2 218	45 810	9 785	57 813
Issued shares	2	-	-	-	-	2
Group contribution made	-	-	-	-1 876	-	-1 876
Tax on group contribution	-	-	-	493	-	493
Total transactions with owners	2	-	-	-1 383	-	-1 381
Closing balance 2009-12-31	9 225	22 619	2 232	86 857	24 176	145 109

Cash Flow Analysis

kEUR	2009	2008
Operating activities		
Operating profit/loss	+18 071	+22 862
Adjustments for items not included in the cash-flow		
Loan losses	+32 972	+2 005
Other adjustments	+785	+289
Paid tax	-8 491	-2 994
Cash flow from current activities before changes in working capital	+43 337	+22 161
Cash-flow from changes in working capital		
Change in lending to the public	-110 322	-119 780
Change in securities	-96 238	-693
Change in leasing assets	-66 953	-8 610
Change in other assets	-3 271	+3 396
Change in deposits and borrowing from the public	+251 571	+80 640
Change in other liabilities	+24 394	-7 503
Cash flow from current activities	+42 518	-30 388
Investments		
Investments		
Capitalized development fees	-1 129	-458
Acquisition of other intangible assets	-2 930	-
Acquisition of business equipment	-1 734	-75
Sales of business equipment	-	+19
Cash-flow from investments	-5 793	-514
Finance activities		
Issued securities	+150 759	-5 359
New issues of shares	+2	-
Borrowing from credit institutions	-137 360	-3 133
Borrowing from group companies	-67 290	+65 847
Dividends paid out	-	-4 549
Group contribution paid	-1 876	-4 776
Cash-flow from finance activities	-55 765	+48 030
Cash-flow for the year	-19 040	+17 127
Liquid assets at the start of the year	+69 522	+49 643
Liquid assets assumed in connection with merger	+542	+2 752
Exchange rate difference in liquid assets	+2	+0
Liquid assets at the end of the year	+51 026	+69 522

The cash flow analysis is drawn up using the indirect method. The reported cash flow includes only transactions involving amounts received or paid. Liquid funds are defined as short-term “Lending to credit institutions” amounting to 52 mEUR, with a deduction for short-term “Liabilities to credit institutions” of 1 mEUR. The corresponding amounts for the previous year were 70 mEUR and 1 mEUR.

Notes

1 General information

These annual accounts are issued at 31 December 2009 and relate to Ikano Bank SE, which is a euro-company with its head office in Älmhult. The company's address is Ikeagatan 6, 343 81 Älmhult. The annual accounts were approved for issue by the Board of Directors on 23 March 2010. The income statement and balance sheet were adopted at an Annual Shareholders' Meeting on 23 March 2010.

The company is owned by Ikano S.A. which is in turn owned by Ikano Holding S.A.

(organisation registration no: B87.842). The parent company's address is: P.O. Box 229, L-2012 Luxembourg.

Ikano Holding S.A. draws up consolidated accounts for the group in which the company is included as a subsidiary. The company has a licence from the Swedish Financial Supervisory Authority to carry on finance activities in accordance with the Swedish Banking and Finance Business Act.

2 Accounting principles

These annual accounts have been drawn up in accordance with the *Lag om årsredovisning i kreditinstitut och värdepappersbolag* (ÅRK1) [Annual Reports of Credit Institutions and Securities Companies Act], Swedish Financial Supervisory Authority regulations and general guidelines on Annual Reports of Credit Institutions and Securities Companies (FFFS 2008:25) and Swedish Financial Reporting Board recommendation RFR 2.2: Accounts of juridical persons. The bank thereby applies what is referred to as "legally restricted IFRS". This means standards adopted subject to the restrictions deriving from RFR 2.2 and FFFS 2008:25. Thus, all IFRS and statements approved by the EU, as far as possible within the framework of the Swedish Annual Accounts Act and taking into consideration the connection between reporting and taxation, have been applied. The accounting principles set out below have been applied consistently to all periods presented in the financial reports, unless otherwise stated.

Bases for valuation when preparing the company's financial reports

Assets and liabilities are recognized at their historical acquisition value. Financial assets and liabilities are valued at their accrued acquisition value, except for certain financial assets and liabilities which are valued at fair value or when hedge accounting is applied. Financial assets and liabilities valued at fair value consist of:

- Derivative instruments
- Financial instruments classified as financial assets recognized at fair value in the income statement
- Financial instruments classified as financial liabilities recognized at fair value in the income statement
- Financial assets available for sale

Merger of subsidiaries

On 2 January 2009, the two fellow subsidiaries, IKANO Finans AS in Denmark and IKANO Finans ASA in Norway, merged through absorption at the consolidated value.

Functional currency and reporting currency in Swedish business activities

Since its conversion to a euro-company, the bank's reporting currency is the euro. The reporting currency for the bank's Swedish activities is the euro since legislation does not allow the bank to use SEK as a functional currency for its Swedish activities. Transactions and assets and liabilities in these activities are recognized as though the euro were the functional currency (also see the section below on transactions in foreign currency).

The input balance sheet for the Swedish activities at 1 January 2009 has been translated to the reporting currency (euro) from SEK at the closing day rate at 31 December 2008. The comparison year has also been translated to euro at this exchange rate. All amounts are stated in thousand euro (kEUR), unless otherwise stated.

Foreign subsidiaries

The bank has four different foreign activities carried on in the form of subsidiary companies. The functional currencies in these foreign units are DKK, NOK, GBP and EUR. Income statements and balance sheets at the foreign subsidiaries are translated from the functional currency of the foreign activities (the subsidiaries) to the euro – the bank's reporting currency. Assets and liabilities are valued at the exchange rate in force at the balance sheet date.

Income and expenses are converted at the average exchange rate for the period. Any conversion differences arising are recognized in equity.

Pro forma accounts

The two fellow subsidiaries, IKANO Finans AS, Denmark, and IKANO Finans ASA, Norway, merged on 2 January 2009. A subsidiary in Finland was started up on 1 October 2009. At 31 December 2009, the subsidiary in Finland acquired loanbooks from its fellow Finnish subsidiary, IKANO Rahoitus OY.

Pro forma income statements and balance sheets have been drawn up to illustrate how Ikano Bank SE's accounts would have appeared if these activities had also been included in 2008. Since no results for the Finnish activities are included in the outcomes for 2009, comparison information is provided only in relation to acquired volumes. Pro forma information has been converted to euro at the average exchange rate for 2008 for the income statement and at the closing day rate for the balance sheet. Pro forma accounts have not been reviewed by the bank's auditors.

Transactions in foreign currency

Transactions in foreign currency in the foreign activities are converted to each functional currency at the exchange rate in force at the date of the transaction. Monetary assets and liabilities in foreign currency in the foreign activities are converted to each functional currency at the exchange rate in force at the balance sheet date. Exchange rate differences arising during the conversions are recognized in the income statement. Non-monetary assets and liabilities in the foreign activities which are recognized at their acquisition value are converted at the exchange rate in force at the time of the transaction.

Transactions and assets and liabilities in currencies other than euro are converted to euro (the reporting currency) in the Swedish activities and not to SEK, the actual functional currency, according to the same principles as for the foreign activities.

Assessments and estimates in the financial reports

To draw up the financial reports in accordance with legally restricted IFRS requires that the management carry out assessments and estimates and make assumptions that affect accounting standards and the amounts recognized for assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the circumstances in question.

Assessments by the company management and important sources of uncertainty in estimates when applying legally restricted IFRS which have a considerable effect on the financial reports are described in more detail in note 41.

Changes in accounting principles

A description is given below of the changes in accounting principles applied by the company from and including 1 January 2009. Other changes of IFRS applied from and including 2009 have had no material effect on the bank's accounts.

Information on financial instruments

Changes in IFRS 7 Financial instruments, applicable from 1 January 2009, affect the bank's financial reporting from and including the 2009 annual report. Financial instruments valued at fair value are divided into three levels depending on the quality of the input data in the valuation. The bank has chosen to apply the exception not to report the fair value on the basis of levels for the comparison year. See note 38 for more details.

Reporting segments

Segments are recognized from and including 2009 in accordance with IFRS 8 Business segments. See below in the section entitled "Segment reporting" and note 5 for more details.

New IFRS and interpretations which have not yet begun to apply

A number of new standards and changes to standards and interpretations enter into force from and including the 2010 financial year and have not been applied when drawing up these financial reports.

Changes in RFR2 apply from and including 2010 and mean that the report structure in accordance with IAS 1 will apply. This means that only owner transactions are recognized directly in equity. Other transactions which were previously recognized directly in equity will instead be recognized in other comprehensive income.

IFRS 9 Financial Instruments is considered to replace IAS 39 Financial instruments: Reporting and valuation only from and including 2013. The EU has not yet approved the standard. The IASB has published the first of at least three sections which together make up IFRS 9. The first section deals with classification and valuation of financial assets. No assessment has yet been carried out as to the possible effect of the standard on the financial reports or whether the new standard will apply before 2013.

Other IFRS standards and interpretations are not considered to have any material effect on the bank's financial reports for 2010 or later years.

Business acquisitions

Business acquisitions relating to asset acquisition are recognized according to the acquisition method. That method means that the acquisition is regarded as a transaction whereby the bank directly acquires the other company's net assets and recognizes the acquired assets as assumed liabilities and contingent liabilities. The acquisition value is established by means of an acquisition analysis in connection with the acquisition. The analysis establishes the acquisition value for the business and the fair value at the acquisition date of the acquired identifiable assets and assumed liabilities and contingent liabilities. The acquisition value for the business consists of the sum of the fair value at the acquisition date of paid assets and liabilities arising or assumed and transaction costs related directly to the acquisition. See note 4 for more details.

Segment reporting

Ikano Bank carries on business activities on the basis of five business segments which coincide with the geographical distribution by countries, with the exception of Sweden, which is divided into two business segments, Business to Consumer (B2C) and Business to Business (B2B). The head of each business segment reports to the CEO. Each segment carries on independent financial reporting, which is monitored each month in terms of the income generated by their business activities and the costs they incur and report on a monthly basis to the bank's management and board of directors.

The business activities in Denmark, Norway and Sweden Stockholm offer financing solutions to corporate customers through rental and leasing agreements mainly via cooperation with partners. Business activities in Älmhult offer loans and savings products to private customers. Norway, Denmark, Finland and Älmhult also offer sales support financing to retail trade in the form of card credit to consumers. No transactions affecting the results occurred in Finland in 2009 since the assets were acquired at 31 December 2009.

The business segments are monitored on the basis of pre-tax results. Income and expenses are attributed directly to the business segment to which the item relates or are allocated in a reliable manner. Assets and liabilities are attributed directly to the respective business segment. Central expenses which cannot be allocated in a reliable manner are reported under Head Office. Such expenses consist

primarily of IT development expenses. Internal bank transactions consist primarily of deposit and lending between the central treasury function and the segment, purchased IT services and other administrative services. Deposits and lending are priced on the basis of actual current costs for the entire business activity. IT services and other administrative services are priced on the basis of actual cost. Services for other companies in the Ikano S.A. group are carried out at the head office and payment is received on the basis of actual current costs.

Internal monitoring is based on the group's report structure and on the group's accounting principles. Material differences exist in the treatment of untaxed reserves and exchange insurance.

Ikano Bank or its business segments themselves have no customers that account for 10% or more of income.

Income

Income reporting takes place when the income can be calculated in a reliable manner and it is likely that the financial advantages associated with the transaction will accrue to the company.

Interest income and interest expenses

Interest income on debts and interest expenses on liabilities are calculated and recognized according to the effective interest rate method. The effective interest rate is the interest rate that makes the present value of all estimated future payments received and made during the anticipated fixed interest rate period equal to the carrying amount of the debt or liability.

Interest income and interest expenses include, as appropriate, amounts of fees received distributed over time which are taken into account in the effective interest rate, transaction costs and other differences between the original value of the debt or liability and the amount settled on maturity. Interest expenses include amounts of direct transaction costs distributed over time.

Income from commissions and fees

Income from commissions and fees is recognized when the income can be calculated in a reliable manner, it is likely that the financial advantages associated with the transaction will accrue to the company and the fees arising and the fees remaining can be calculated in a reliable manner.

Income is recognized according to the successive income recognition method, which means that the income recognized is based on the degree of completion of the task or service at the balance sheet date.

The bank's commissions on lending largely consist of administrative fees, for example notice fees.

Commission expenses

Costs of services received are recognized as commission expenses if they are not to be regarded as interest. Transaction costs taken into account when calculating the effective interest rate are not recognized here.

Net result of financial transactions

The item Net result of financial transactions contains the realized and unrealized changes in value arising due to financial transactions. Net result of financial transactions consist of:

- realization result from financial assets available for sale
- as appropriate, impairment of financial assets available for sale
- realized and unrealized changes in value of derivative instruments which are financial hedging instruments but where hedge accounting is not applied
- unrealized value changes in fair value on derivatives where hedge accounting at fair value is applied
- unrealized changes in fair value of a hedged item in relation to a hedged risk in hedging of fair value
- exchange rate fluctuations

Classification of leasing contracts and reporting of income from leasing

Leasing contracts are classified as operational or financial on the basis of an assessment of the financial contents of the contract conditions. If the financial contents of the contract state that the contract involves financing a purchase or an asset, the contract is classified as financial. If the financial contents of the contract are on an equal footing with a rental contract, the leasing contract is classified as operational. The principal factor when assessing the financial contents of the contract is an assessment of whether all risks and remuneration associated with the material asset are essentially transferred from the lessor to the lessee. All leasing contracts at the bank have been classified as financial.

Financial leasing contracts are recognized in the income statement and balance sheet as though they were operational leasing contracts. Gross leasing income, i.e. before depreciation according to plan, is recognized in the item of leasing income. Depreciation according to plan is distributed over time and recognized according to the annuity method during the term of the leasing contract (see also depreciation principles).

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement, except when an underlying transaction is recognized directly in equity.

Current tax is tax to be paid or received in relation to the current year, applying the tax rates established at the balance sheet date.

Deferred tax is calculated on the basis of temporary differences between recognized values and taxable values of assets and liabilities. Deferred tax is valued on the basis of how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated applying the tax rates and tax rules decided on or established in practice at the balance sheet date.

Financial instruments

Financial instruments recognized in the balance sheet include, on the assets side, loans and accounts receivable, accrued income, interest-bearing securities, shares and participations and derivatives. Liabilities and equity include accounts payable - trade, issued securities, loan liabilities and derivatives.

Recognition and removal from the balance sheet

A financial asset or a financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms for the instrument.

A financial asset is removed from the balance sheet when the contractual rights to the asset are realized, extinguished or the company loses control over them. A financial liability is removed from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished.

A financial asset and a financial liability are offset and recognized in a net amount in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability.

Acquisitions and disposals of financial assets are recognized on the business date, which is the date when the company undertakes to acquire or dispose of the asset. Loan commitments are not recognized in the balance sheet. Loan receivables are recognized in the balance sheet when the amount of the loan is paid to the borrower.

Classification and valuation

Financial instruments are initially recognized at the cost corresponding to the fair value of the instrument plus transaction costs except for derivatives and instruments belonging to the

category of financial assets recognized at fair value in the income statement, which are recognized at fair value excluding transaction costs. A financial instrument is classified when initially recognized partly on the basis of the purpose for which the instrument was acquired, but also on the basis of the options contained in IAS 39.

Financial assets recognized at fair value in the income statement

This category includes interest and currency swaps and is not used in hedge accounting. Financial instruments in this category are recognized continuously at fair value with changes in value recognized in the income statement.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets with fixed payments or with payments that can be determined and are not listed in an active market. In the balance sheet, these are represented by the balance sheet items Loans to credit institutions, Loans to the public and Accrued income and Other assets. These assets are valued at the accrued acquisition cost. The accrued acquisition cost is based on the effective interest rate that was estimated at the date of acquisition. Accounts receivable and loan receivables are recognized at the amount expected to be received, i.e. after reduction for doubtful receivables.

Financial assets available for sale

The category of financial assets available for sale includes interest-bearing securities and shares and participations. Assets in this category are recognized continuously at fair value with changes in value recognized in equity. Changes in value due to impairments or exchange differences on monetary items (interest-bearing securities) are recognized in the income statement. In the case of disposal of assets, the accumulated profit or loss, which was previously recognized in equity, is recognized in the income statement.

Financial liabilities recognized at fair value in the income statement

This category includes interest and currency swaps and share options that are not used in hedge accounting.

Other financial liabilities

Deposits and other financial liabilities are included in this category. Liabilities are valued at their accrued acquisition cost.

Credit commitment and unused credits

Credit commitment means a unilateral pledge to grant a loan on pre-established conditions where the borrower can choose whether he or she wishes to take out the loan.

Unused credits refers to credits granted internally and externally. All credits granted and unused may be cancelled with immediate effect. Credit commitment and unused credits are not recognized in the balance sheet. Loan receivables are recognized in the balance sheet when the amount of the loan is paid to the borrower.

Derivatives

Derivatives are initially and continuously recognized at fair value in the balance sheet. Changes in value are recognized in the balance sheet. All derivatives have been acquired to hedge the risks of the bank's interest and exchange rate exposure.

Hedge accounting

The bank applies hedge accounting in accordance with IAS 39 where the effect on the results would be excessively misleading if hedge accounting were not applied. Hedging at fair value is applied to the bank's hedging relations. Changes in the fair value of hedging instruments and hedged items in relation to the hedged risk are recognized in the income statement item "Net profit/loss from financial transactions".

Hedging instruments consist of interest swaps when hedging interest risks, and monetary liabilities when hedging exchange rate risks in unrecognized binding commitments (operational leasing contracts). The items which are hedged where hedge accounting is applied consist of fixed-rate deposits (portfolio hedging) and unrecognized binding commitments (operational leasing contracts). The hedged risk consists of the risk of a change in fair value due to changes in the swap interest rate and the risk of a change in fair value due to changes in the exchange rate between the operational leasing contracts (in SEK) and euro.

When hedging fixed-rate deposits, the derivative is recognized at fair value in the balance sheet. The hedged risk is recognized at fair value in relation to the hedged risk. A change in fair value of the derivative is recognized in the income statement in the same way as the change in fair value of the hedged item under the item "Net results of financial transactions".

The portfolio method applied for hedge accounting of fixed-rate borrowing means that the borrowing is distributed in different time

bands on the basis of anticipated maturity times. A suitable amount for hedging in each time band is designated on the basis of the bank's risk management strategy. An efficiency test is carried out each month on the hedging relations by comparing the change in fair value of the hedged instrument with the change in fair value of the hedged amount in relation to the hedged risk in each time band. If the efficiency is within the 80-125% range, an adjustment of the value of the hedged amount by the calculated change in fair value is recognized on a separate line in the balance sheet. If the hedging relation is no longer efficient, the relation is discontinued and previously recognized value adjustments are distributed over time periods.

Hedge accounting at fair value is also applied to the exchange risk in unrecognized binding commitments (operational leasing contracts). The hedging instrument consists of monetary liabilities in the same currency as the operational leasing contract (SEK). Through hedge accounting the valuation principles of unrecognized binding commitments are changed so that they are also continuously converted from SEK to euro at the closing day rate. Hedging relations are established at individual level. If the efficiency is within the 80 – 125% range, an adjustment of the value of the hedged item by the calculated change in fair value, but in relation to the hedged item, is recognized on the "other assets" line in the balance sheet. If the hedging relation is not efficient, hedge accounting is not applied for the past period. Value adjustments are removed from the balance sheet as the commitment ceases to be an unrecognized commitment.

Methods for determining fair value

Methods for determining fair value are summarised below.

Financial instruments listed on an active market

For financial assets listed on an active market, fair value is based on the listed purchase price of the asset on the balance sheet date. A financial instrument is regarded as listed on an active market if listed prices are easily available on the stock exchange or at a trader and those prices represent actual, regularly occurring market transactions on market terms. Fair value for financial liabilities is determined on the basis of a listed selling price. Instruments listed on an active market are recognized in the balance sheet item Bonds and other interest-bearing securities. Information on fair value which is recognized in the balance sheet on the basis of prices from an active market (level 1) is given in note 38.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, valuation techniques are used to produce the fair value. The valuation techniques used are based as far as possible on market information.

Fair value for derivative instruments is determined on the basis of established valuation techniques which are based on observable market interest rates.

Fair value of financial instruments which are not derivative instruments is calculated on the basis of the future cash flow and current market interest rates on the balance sheet date. The discount rate used is a market-based interest rate for similar instruments on the balance sheet date. Information on fair value recognized in the balance sheet on the basis of evaluation technique is provided in note 38. The company's valuation of a derivative at fair value is based exclusively on input data which is directly or indirectly observable on the market.

Holdings of unlisted shares are recognized at acquisition cost in cases where a reliable fair value cannot be established. The bank has no intention of selling unlisted shares in the near future. The carrying amount of unlisted shares whose fair value could not be established in a reliable manner amounts to 150 kEUR (140 kEUR). Instruments not listed on an active market are recognized in the balance sheet items Shares and participations, Bonds and other interest-bearing securities, Deposits and lending from the public and Other assets and liabilities (derivatives).

Credit losses and impairment of financial instruments

On each reporting occasion, the bank evaluates whether there is objective evidence that a financial asset or group of assets are in need of impairment. Objective evidence for a need for impairment includes observable information, for example if the debtor is in financial difficulties or overdue or missed payments. Objective evidence can also consist of identified negative changes in payment status for a group of financial assets with a similar risk profile.

Financial assets recognized at accrued acquisition cost

A loan is classified as doubtful if one or more events have occurred which affect the estimated future cash flows from the asset or group of assets. Payments more than 45 – 90 days overdue, depending on the product and market, are generally considered by the bank as objective proof that a loan is doubtful. Other objective proof may consist of information on considerable financial difficulties. The company evaluates whether a need for impairment exists

for doubtful loans and whether a credit loss must be recognized on an individual basis for all loans due and for substantial individual loans.

When no need for impairment could be identified for loans evaluated for a need for impairment on an individual basis, an additional assessment is then carried out along with other loans with similar credit risk properties to investigate whether a need for impairment exists at group level. An assessment to establish group impairment is carried out using statistical models which calculate the likelihood that a debt in the various groups will not be settled in accordance with the original contract.

The recognized value of assets after impairment is calculated as the current value of the future cash flows discounted by the effective interest rate in force when the asset was first recognized. Short-term assets are not discounted. An impairment is charged to the income statement.

Financial assets available for sale

Financial assets available for sale consist mainly of bonds and other interest-bearing securities. These are subject to impairment if objective evidence has been identified, see above.

Reversal of impairments

An impairment is reversed if proof of a need for impairment no longer exists. Reversals of impairments on loans are recognized as a reduction in credit losses and are specified in a note. Impairments of interest-bearing securities are reversed in the income statement if the fair value increases and that increase can objectively be attributed to an event which occurred after the impairment took place.

Write-off of loan receivables

Loan receivables classified as doubtful are written off from the balance sheet when the credit loss is considered to have been verified. A credit loss is considered to have been verified upon bankruptcy or when the debt has been forgiven or sold, according to the new 2009 definition. Loan receivables are no longer recognized in the balance sheet after write-off. Recovery of previously recognized write-offs is recognized as a reduction in credit losses on the "Net credit losses" line of the results

Intangible assets

Intangible assets are recognized at acquisition cost minus accumulated depreciation and impairments. The bank's intangible assets consist of capitalised fees for software and IT systems developed by the bank itself or acquired. An asset is recognized in the balance sheet if it is believed that it will be of future economic value to the bank and the acquisition

cost of the asset can be calculated in a reliable manner. Other fees for development and maintenance or for standard software are recognized as costs on a continuous basis. The recognized acquisition cost is reduced by linear depreciation over the asset's estimated useful life. The useful life is reassessed annually. A depreciation period of four years is applied.

Other intangible assets consist of acquired customer relationships. These are recognized at their assessed fair value at the moment of acquisition of the business in the Finnish subsidiary. The customer relationships have a limited useful life and a depreciation period of three years is applied.

Tangible assets

Tangible fixed assets consist of equipment and leasing objects. Equipment is recognized at its acquisition cost reduced by linear depreciation over the asset's estimated useful life. A depreciation period of 3-5 years is applied.

Any profit or loss arising when an asset is sold or disposed consists of the difference between the selling price and the carrying amount of the asset with a deduction in respect of direct sales costs. Any profit or loss is recognized as other operating income or expenses.

Leasing contracts are recognized according to the rules for operational leasing. Assets, for which leasing contracts have been made, where the bank is the lessor, are recognized as tangible assets. Leasing fees where the bank is the lessee are entered as costs over the term of the contract.

Fixed assets consisting of leasing objects in financial leasing contracts where the company is the lessor are recognized in the income statement and balance sheet as operational leasing contracts and are written off using the annuity method. Office equipment and other equipment are normally financed at 36 months with a residual value of between 0 and 10%. Vehicles are normally financed at 36 months, depending on the type and equipment involved, with a residual value of between 20 and 50%.

Impairment of intangible and tangible assets

The need for impairment of an intangible or tangible asset is assessed when there is any indication that the asset's value may have fallen. The assessment is carried out by calculating the recovery value. The recovery value is the higher of the fair value minus sales costs or the value in use.

In the case of impairment or reversal of impairment of a leased asset, the rules for financial leasing contracts apply.

An impairment is reversed if there is an indication that the need for impairment no

longer exists and there has been a change in the assumptions that formed the basis for calculating the recovery value.

Payments to employees

Payments after employment has ceased

The bank's pension plans for collective agreement occupational pensions consist of defined contribution and defined benefit plans. Pension costs for defined contribution plans are recognized as a cost in the income statement as they are earned. The retirement age for all employees is 65.

UFR 6 is applicable to collective agreement occupational pension plans. Since information to enable reporting in accordance with IAS 19 is lacking, these pension plans are recognized as defined contribution plans.

A provision is made in the bank's own balance sheet for parts of the pension plans. The provisions of the Act on Safeguarding of Pension Obligations and the Swedish Financial Supervisory Authority regulations for estimating the size of commitments apply instead of IAS 19: Employee Benefits. This is a prerequisite for the right to deduct tax.

The bank's obligations to pay pensions in future has been valued in the balance sheet at the current value of future anticipated pension payments. The calculation has been carried out for each employee and is based on assumptions as to, among other things, current salary level and how much of the pension has been earned. The cost of insurance premiums for the year is stated in note 32.

Severance pay

A cost for payments in conjunction with termination of employees is recognized only if the bank is unquestionably obligated to

terminate an employee prior to the scheduled time by a formal, detailed plan.

When payments are made as an offer to encourage voluntary resignations, these are recognized as a cost if it is likely that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Group contribution

Group contributions are recognized in accordance with the statement from the Swedish Financial Reporting Board (UFR 2).

In accordance with that statement, group contributions must be recognized according to their financial content. Since the group contributions made by the bank do not constitute compensation for services carried out, the group contribution is recognized directly against retained earnings after deduction for its current tax effect.

Contingent liabilities

A contingent liability is recognized when there exists a possible obligation arising from past events and whose existence will only be confirmed by one or more uncertain future events or when there exists an obligation that is not recognized as a liability or provision since it is not probable that an outflow of resources will be required.

3 Financial risks

The bank's main risk exposure consists of credit risk, operational risk and business risk. The bank is also exposed to liquidity risk and market risks such as interest rate risk and currency risk. The bank's aim is to limit the effect of these risks on the results. The bank has a low willingness to take risks and all growth in volumes takes place with controlled, conscious risk taking. The aim of the risk level applied is to optimise the relationship between risk and return for the shareholders. This is ensured by such means as a range of financial instruments to reduce financial risks and active management of credit risks and operational risks in the form of continuous monitoring and control.

The Board of Directors and the CEO have ultimate responsibility for risk management at Ikano Bank. The Board of Directors regulates the risks through policies on management and business activities. Policies are constantly updated and are reviewed each year. Management and control policies provide a management structure and authorities within Ikano Bank. The Chief Risk Officer and Head of Compliance both report to the CEO and call regular credit risk and compliance meetings. Local risk managers, operational risk managers and compliance managers are represented in local units. The credit and risk committee approves local guidelines in the area of credit and authorities and authorisation rights for staff in local risk departments. Local units are responsible for the development of loan and card portfolios and carry out annual risk assessments on the various partners and the product mix and supervise and adapt the system for operational controls.

On this basis, control of operational and credit risk management takes place at three different levels. Local units are responsible for risk management at local level and for ensuring that their operational control systems conform to policies and guidelines defined by the central risk department. Risk assessments are carried out and monitored by local risk committees and changes in existing procedures are approved by those bodies. The central credit and risk committee and Compliance committee control local procedures and are responsible for developing those procedures in each area and for ensuring that local units are compatible with local legislation and guidelines and strategies approved by the board of directors.

Credit risk

Credit risk is defined as the risk that an individual counterparty may be unable to fulfill its obligations.

Lending activities consist of three product areas: Leasing, Card loans and Unsecured loans. All of them are designed for quantity management with small individual commitments. Credit checks for the Leasing product area are carried out through the credit information agency's scoring and rating models and ordinary credit information. Credit checks for Card credits and Unsecured loans are carried out through statistical models. The bank mainly uses a scoring model when assessing credit risks. Scoring models and their statistical basis were introduced in the Swedish units in 1986. The Danish subsidiary has used a scoring model strategy since 1991 and the Norwegian subsidiary has used such an approach since it was founded in 1991. The result of the initial application gives a score on a scale which reflects the likelihood of bankruptcy. The measured performance capacity and movements in the loan and card portfolios are regularly monitored. Credit risks in all product areas are monitored using models developed internally on the basis of the Basel II principles for advanced models.

Pd and LGD models were originally used for establishing provisions for doubtful debts only in Swedish subsidiaries but, as part of the merger process at the beginning of 2009, separate models were developed for Norway and Denmark in the B2B and B2C areas.

Besides the product area for lending, Ikano Bank also has a credit risk in the liquidity portfolio which consists of the items Loans to credit institutions and Bonds and other variable-interest securities. Investments consist of overnight investments, mainly in Handelsbanken and simple securities in credit institutions and companies with satisfactory ratings in accordance with the finance policy.

The bank's management of credit risks aims to optimise the management of credit risks on the basis of the credit policy established by the Board of Directors. As far as the liquidity portfolio is concerned, credit risk management aims to ensure that all investments maintain high credit quality.

The bank's gross and net credit risk exposure and concentrations relating to third parties and loan receivables per category of borrower is shown in the table below. Leasing receivables are recognized as tangible fixed assets in the balance sheet.

**Credit risk exposure
kEUR
2009-12-31**

	Total credit risk exposure before impairment	Impairment	Reported value	Value of security	Total credit risk exposure
Loans to the public	1 103 068	-86 645	1 016 423	-353	1 016 070
Loans to credit institutions					
AA	51 648	-	51 648	-	51 648
A	235	-	235	-	235
Leasing debts	339 603	-11 071	328 532	-22 649	305 883
Bonds and other interest bearing securities					
AA	4 880	-	4 880	-	4 880
A	111 743	-	111 743	-	111 743
Derivative					
AA	1 760	-	1 760	-	1 760
A	1 954	-	1 954	-	1 954
Unused credits ¹⁾	2 353 059	-	2 353 059	-	2 353 059
Credit commitment	2 750	-	2 750	-	2 750
Other commitments	266	-	266	-	266
					-
Total credit risk exposure	3 970 966	-97 716	3 873 250	-23 002	3 850 248

**Credit risk exposure
kEUR
2008-12-31**

	Total credit risk exposure before impairment	Impairment	Reported value	Value of security	Total credit risk exposure
Loans to the public	735 599	-38 319	697 280	-	697 280
Loans to credit institutions					
AA	70 122	-	70 122	-	70 122
A	-	-	-	-	-
Leasing debts	152 838	-1 362	151 476	-21 000	130 476
Bonds and other interest bearing securities					
AA	4 544	-	4 544	-	4 544
A	12 658	-	12 658	-	12 658
B	3 183	-	3 183	-	3 183
Derivative					
AA	2 124	-	2 124	-	2 124
A	19	-	19	-	19
Unused credits ¹⁾	1 659 764	-	1 659 764	-	1 659 764
Credit commitment	1 803	-	1 803	-	1 803
Other commitments	288	-	288	-	288
Total credit risk exposure	2 642 942	-39 681	2 603 261	-21 000	2 582 262

¹⁾ All credits granted and unused consist of card credits which may be cancelled with immediate effect.

Age analysis

kEUR	2009	2008
Age analysis of individually impaired loans- and leasing receivables		
Receivables overdue 60 days or less	14 212	-
Receivables overdue > 60 - 90 days	1 179	459
Receivables overdue > 90 - 180 days	9 166	5 853
Receivables overdue > 180 - 360 days	22 646	11 722
Receivables overdue > 360 days	43 409	24 371
Total	90 612	42 405

kEUR	2009	2008
Age analysis of unsettled but not individually impaired receivables		
Receivables overdue 60 days or less	72 514	52 496
Receivables overdue > 60 - 90 days	7 431	1 307
Receivables overdue > 90 - 180 days	1 204	60
Receivables overdue > 180 - 360 days	542	41
Receivables overdue > 360 days	2 065	3
Total	83 756	53 907

Securities in the form of repurchase and securities on debts due amount to 6 mEUR (0 mEUR).

kEUR	2009	2008
Loans to the public and leasing receivables by category of borrower		
Domestic sector	1 092 423	727 622
Corporate sector	309 841	140 135
Municipal authorities and county councils	40 407	20 679
Total	1 442 671	888 436
Total doubtful debts		
Domestic sector	129 684	56 340
Corporate sector	17 468	3 054
Municipal authorities and county councils	13	6
Total	147 165	59 400
Provision of individually assessed loans and receivables		
Domestic sector	-63 324	-29 112
Corporate sector	-9 612	-1 238
Municipal authorities and county councils	-	43
Total	-72 936	-30 307
Provisions for collectively assessed homogenous groups of loans and receivables		
Domestic sector	-23 818	-9 013
Corporate sector	-954	-313
Municipal authorities and county councils	-7	-4
Total	-24 779	-9 330
Loans to the public and leasing receivables, net reported value		
Domestic sector	1 005 280	689 496
Corporate sector	299 275	138 583
Municipal authorities and county councils	40 400	20 675
Total	1 344 955	848 754

Credit quality

kEUR 2009-12-31	Corporate sector	Domestic sector	Total
Credit score 1-3, low risk	267 484	659 637	927 121
Credit score 4-5, medium risk	30 337	277 019	307 356
Credit score 5-10, high risk	41 855	68 623	110 478
Total	339 676	1 005 279	1 344 955

Operational risk

Operational risk is the risk of administrative errors and errors in procedures and systems.

As an Internet bank, Ikano Bank, is highly dependent on IT systems and telephony.

Monitoring of incidents and improvements in accessibility are priority areas. Policies, guidelines and descriptions of procedures are available for the prevention of operational risks and damage limitation. Threats and risks are constantly analysed. In 2009, a system for reporting incidents was implemented in all the bank's business activities. An annual meeting with senior management at the various branches is held to discuss risk matters. At this meeting, the largest risks are evaluated and managed in a plan of action. New products, partners and IT systems undergo a risk assessment which includes operational risks. The central risk organisation coordinates the work on operational risks but the respective managers are responsible for operational risks in business activities.

The aim is to minimise operational risks so that the bank's customers and other interested parties perceive Ikano Bank to be of high security and accessibility.

Business risk

Business risk is defined as the risk that the bank's earnings may be reduced and may be insufficient to cover the costs of its business activities. Credit losses and operational risks are not included in any calculation of business risks. Business risks include reputational risks, which are risks of financial losses caused by a negative reappraisal of the bank's brand by customers, partners or lenders. Respective business area managers are responsible for business risks. Business risk also includes the risk of a shortfall in income as a result of cooperation with partners ceasing. This is managed through close cooperation and regular monitoring of large partners.

Liquidity risk

Liquidity risk is the risk that Ikano Bank may be unable to fulfil payments that have fallen due. A liquidity risk arises when assets and

liabilities, including derivative instruments, have different terms.

The liquidity risk is managed through good liquidity planning coordinated by the bank's finance department. Future needs for liquidity are monitored on a daily basis. Management and monitoring takes place against the bank's liquidity limits set out in the investment policy. The limit for the minimum permitted volume of liquidity available during the same day and the limit for the minimum permitted volume of daily investment is monitoring on a daily basis. These limits regarding minimum permitted volume are defined as amounts and a return to the minimum permitted volume within three days must be considered to be possible in the event of any deviation from these amounts. If this is not considered to be possible, investment in securities must be disposed of or other sources of finance must be used to achieve the minimum permitted volume. Liquidity forecasts, which form part of liquidity management, are drawn up on a continuous basis to manage and control the bank's total liquidity. Surplus liquidity is invested in securities and is normally held to maturity. The bank's borrowing is safeguarded through deposits from the public, loans from the parent company IKANO S.A., borrowing from credit institutions and the bank's own certificate programme. Long-term planning aims at achieving an optimum balance between financing by the owner, borrowing and lending, taking into consideration financing costs and distribution of risk.

The bank's liquidity exposure with regard to remaining terms for assets and liabilities is set out in the tables below. The cash flow analysis also illustrates the bank's liquidity situation.

Maturity terms have been distributed over time on the basis of remaining repayment plans. Borrowing for which the counterparty is able to choose when repayment is to take place has been referred to the Payable on demand group. However, the true outcome of the distribution of maturity periods for borrowing runs over several time intervals.

Liquidity exposure remaining maturity reported values mEUR 2009-12-31	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without term	Total	Of which, anticipated recovery time >12 months
Assets								
Cash	0	-	-	-	-	-	0	-
Loans to credit institutions	52	-	-	-	-	-	52	0
Loans to the public ¹⁾	-	103	48	411	438	16	1 016	747
Leasing assets	4	33	68	219	5	-	329	173
Bonds and other interest bearing securities	-	117	-	-	-	-	117	-
Other asset	-	6	1	8	-	19	34	2
Total assets	56	259	117	638	443	36	1 548	922
Liabilities and equity								
Liabilities to credit institutions	1	175	-	-	-	2	178	18
Deposits and borrowings from the public	868	0	-	-	-	-	868	717
Issued securities	-	135	40	-	-	-	175	-
Derivative	-	1	0	1	-	-	2	0
Other liabilities	-	84	30	4	0	24	142	33
Subordinated liabilities	-	-	-	-	38	-	38	22
Untaxed reserves	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	145	145	-
Total liabilities and equity	869	395	70	5	38	171	1 548	790
Operational leasing contracts	-	-	0	0	-	-	0	-
Total difference	-813	-136	47	633	405	-136	0	

Liquidity exposure remaining maturity reported values mEUR 2008-12-31	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without term	Total	Of which, anticipated recovery time >12 months
Assets								
Cash	0	-	-	-	-	0	0	-
Loans to credit institutions	70	-	-	-	-	-	70	-
Loans to the public ¹⁾	-	23	65	233	170	206	697	575
Leasing assets	-	16	44	92	-	-	152	80
Bonds and other interest bearing securities	-	14	6	-	-	-	20	-
Other asset	-	16	0	1	0	9	27	2
Total assets	70	69	116	326	170	215	966	657
Liabilities and equity								
Liabilities to credit institutions	1	45	20	18	-	-	84	18
Deposits and borrowings from the public	612	-	4	-	-	-	616	549
Issued securities	-	24	-	-	-	-	24	-
Derivative	-	0	0	0	0	-	1	0
Other liabilities	-	61	11	2	-	58	132	2
Subordinated liabilities	-	-	-	6	-	-	6	6
Untaxed reserves	-	-	-	-	-	14	14	-
Equity	-	-	-	-	-	89	89	-
Total liabilities and equity	613	130	35	27	0	161	966	575
Operational leasing contracts	-	-	0	0	-	-	0	-
Total difference	-543	-61	81	299	170	54	0	

¹⁾ The bank reserves the right to cancel a loan for repayment within one year in accordance with the Swedish Banking and Finance Business Act. All credits granted and unused may be cancelled with immediate effect.

Liquidity exposure
Remaining contractual maturities
mEUR 2009-12-31

Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without term	Total
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Liabilities and equity

Liabilities to credit institutions	1	176	-	-	-	2	179
Deposits and borrowings from the public	868	0	-	-	-	-	868
Issued securities	-	135	41	-	-	-	176
Derivative	-	0	0	2	-	-	2
Other liabilities	-	78	30	4	-	43	155
Subordinated liabilities	-	1	1	7	45	-	54
Untaxed reserves	-	-	-	-	-	-	-
Equity	-	-	-	-	-	145	145
Total liabilities and equity	869	390	72	13	45	190	1 579

Liquidity exposure
Remaining contractual maturities
mEUR 2008-12-31

Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without term	Total
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Liabilities and equity

Liabilities to credit institutions	1	45	20	18	-	-	84
Deposits and borrowings from the public	613	-	4	-	-	-	617
Issued securities	-	20	5	-	-	-	25
Derivative	-	0	0	0	0	-	1
Other liabilities	-	33	40	6	-	58	136
Subordinated liabilities	-	-	-	-	6	-	6
Untaxed reserves	-	-	-	-	-	-	-
Equity	-	-	-	-	-	89	89
Total liabilities and equity	614	98	69	24	6	147	958

Market risks

Market risks means the risk that the fair value of a financial instrument may vary due to changes in market prices. Ikano Bank is exposed to market risks in the form of interest rate risk and currency risk. The bank does not trade in securities or other financial instruments either on its own behalf or on behalf of its customers. The bank is therefore subject to no capital requirement under the rules for market risks. Securities are held for the purpose of retaining sufficient liquidity and are held to maturity with few exceptions. Financial instruments are held to minimise positions in business balances arising in lending and borrowing activities to customers.

Ikano Bank previously had a small share price risk relating to options belonging to a capital-protected product – *Börskonto* [stock market account]. This product was discontinued in 2009.

Interest rate risk

Interest rate risk means the risk that the fair value of a financial instrument or future cash flows from it may vary due to changes in market interest rates. If the maturity period and the volume of assets and liabilities is not matched, it will mean an interest rate risk for the bank.

According to the bank's interest rate risk policy, interest rate risks will be minimised so that the interest rate risk can only affect the income statement to an extremely limited extent. According to Swedish Financial Supervisory Authority regulations, the bank's interest rate risks are measured as the change in market value resulting from a rise or fall of two

percentage points in the market interest rate. According to the bank's finance policy, the maximum interest rate risk for the bank may not exceed two per cent of the bank's capital base. The bank limits (hedges) the interest rate risk by entering into interest rate swap agreements whereby the bank receives a fixed interest rate and pays a variable interest rate. The bank applies hedge accounting to these hedges. Hedge accounting of fair value is applied to fixed-rate borrowing with the aid of interest rate swaps. During the period in question, the change in fair value of the hedged item with regard to the hedged risk amounted to 93.6 (-1,692.1) kEUR and on hedging instruments (derivatives) to -5.0 (1,764.9) kEUR. The difference of SEK 88.6 kEUR therefore constitutes the period's reported inefficiency. The inefficiency is mainly due to changes in fair value in the interest rate swaps' variable legs.

The bank also limits the interest rate risk separately for the investments and the borrowing portfolio managed by the finance department. These limits mean an indirect limitation of volume and fixed-interest periods on the bank's interest-bearing investments and total net exposure.

The fixed-interest periods for the bank's assets and liabilities on the balance sheet and non-balance sheet items are shown in the table below. A sensitivity analysis shows that a change of one percentage point in the market rate of interest increases the net interest income for the next 12-month period by 1,731 (1,060) kEUR.

Interest rate risk
mEUR
2009-12-31

	<3 months	3-6 months	6-12 months	1-5 years	>5 years	Without interest	Total	Remaining fixed-interest period on average
Assets								
Cash	0	-	-	-	-	0	0	-
Loans to credit institutions	52	-	-	-	-	-	52	0,2 years
Loans to the public	969	19	12	-	-	16	1 016	0,2 years
Leasing assets	284	2	5	26	3	8	329	0,4 years
Bonds and other interest bearing securities	117	-	-	-	-	-	117	0,2 years
Other assets	1	0	0	2	-	31	34	0 years
Total	1 423	22	17	28	3	55	1 548	
Liabilities and equity								
Liabilities to credit institutions	178	-	-	-	-	-	178	0,2 years
Deposits and borrowings from the public	825	1	2	37	3	0	868	0,3 years
Issued securities	135	24	16	-	-	-	175	0,2 years
Other liabilities	14	29	2	0	-	99	144	0,1 years
Subordinated liabilities	23	15	-	-	-	-	38	0,3 years
Equity	-	-	-	-	-	145	145	0 years
Total	1 175	69	20	37	3	244	1 548	
Positions not included above								
Long position, interest swap	20	3	15	20	-	-	58	1,1 years
Short positioner, interest swap	-41	-	-1	-16	-	-	-58	0,8 years
Difference assets and liabilities including off-balance positions								
	227	-44	11	-5	0	-189	0	

Interest rate risk
mEUR
2008-12-31

	<3 months	3-6 months	6-12 months	1-5 years	>5 years	Without interest	Total	Remaining fixed-interest period on average
Assets								
Cash	0	-	-	-	-	0	0	-
Loans to credit institutions	70	-	-	-	-	-	70	0,3 years
Loans to the public	687	-	-	-	-	10	697	0,2 years
Leasing assets	137	2	3	10	0	-	152	0,4 years
Bonds and other interest bearing securities	14	3	4	-	-	-	21	0,3 years
Other assets	-	0	-	-	-	26	26	0 years
Total	908	5	7	10	0	36	966	
Liabilities and equity								
Liabilities to credit institutions	84	-	-	-	-	-	84	0,2 years
Deposits and borrowings from the public	573	5	4	32	2	-	616	0,3 years
Issued securities	24	-	-	-	-	-	24	0,1 years
Other liabilities	71	-	-	2	-	74	147	0,1 years
Subordinated liabilities	6	-	-	-	-	-	6	0,2 years
Equity	-	-	-	-	-	89	89	0 years
Total	759	5	4	34	2	162	966	
Positions not included above								
Long position, interest swap	7	2	4	26	1	-	41	1,9 years
Short position, interest swap	-39	0	-	-2	-	-	-41	0,2 years
Difference assets and liabilities including off-balance positions								
	117	2	7	0	-1	-126	0	

Derivatives

Derivatives are used to safeguard the bank against interest rate and currency risks and

include interest rate and currency swaps as shown in the table below.

Derivative mEUR 2009-12-31	Up to 1 year	>1 - 5 years	> 5 years	Total	Positive market values	Negative market values
Derivative instruments recognized at fair value in the income statement						
Interest rate swaps not included in hedge accounting	42	-82	-	-40	845	-885
Currency swaps not included in hedge accounting	-894	-	-	-894	287	-1 182
Stock options	-	-	-	-		
Total	-852	-82	-	-934	1 132	-2 067
Derivative instruments for fair value hedging						
Interest related contracts						
Interest rate swaps	848	1 622	-	2 470	2 580	-109
Total	848	1 622	-	2 470	2 580	-109
Total amount	-4	1 540	-	1 536	3 712	-2 176

Derivative mEUR 2008-12-31	Up to 1 year	>1 - 5 years	> 5 years	Total	Positive market values	Negative market values
Derivative instruments recognized at fair value in the income statement						
Interest rate swaps not included in hedge accounting	69	85	-	154	223	-70
Stock options	3	-	-	3	3	-
Total	72	85	-	157	226	-70
Derivative instruments for fair value hedging						
Interest related contracts						
Interest rate swaps	398	1 338	163	1 899	1 917	-18
Total	398	1 338	163	1 899	1 917	-18
Total amount	470	1 423	163	2 056	2 143	-88

Currency risk

Currency risk means the risk that the fair value of a financial instrument or the future cash flows from it may vary due to changes in exchange rates.

The difference between monetary assets and liabilities in SEK gives rise to a currency risk in the accounts as a result of the fact that the euro is used as the accounting currency, see the sections entitled Accounting standards, Functional currency and reporting currency in Swedish business activities for more details. Hedge accounting is applied to give a correct result for this currency effect. Net investment in foreign subsidiaries also gives rise to a currency risk. An analysis of the net exposure is shown in the table below.

A currency risk also arises when borrowing/liquidity in SEK is used to finance activities in EUR, NOK or DKK, whereupon hedging is carried out with currency swaps. A currency risk also arises on a smaller leasing stock in euro which does not have full matching of assets and liabilities. The currency risk on the leasing stock in euro has been hedged with a loan in euro. Other currency risks are so small that hedging has not been considered to be meaningful. Currency risks are reduced by hedging outstanding positions in accordance with the bank's currency policy.

A sensitivity analysis shows that a 10% rise in the exchange rate increases the net exposure by 15 mEUR.

The realized exchange rate profit/loss of 0.7 (0.3) mEUR is included in the Net profit/loss from financial transactions in the bank's income statement.

**Currency exposure
mEUR 2009-12-31**

SEK	EUR	GBP	DKK	NOK	Other currencies	Total
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Assets

Loans to credit institutions	52	0	0	-	0	0	52
Loans to the public	755	13	-	145	103	-	1 016
Leasing receivables	178	1	-	80	69	-	328
Other assets	132	6	0	12	2	-	152
Total assets	1 117	20	0	237	174	0	1 548
Nominal amount currency derivative	-	-	-	-54	-115	-	-169

Liabilities and equity

Liabilities to credit institutions	31	-	-	101	46	-	178
Deposits and borrowings from the public	868	-	-	-	-	-	868
Other assets including equity	231	141	0	99	31	-	502
Total liabilities and equity	1 130	141	0	200	77	-	1 548
Nominal amount currency derivative	-	-15	-	-	-	-	-15

Net exposure

Effect (before tax) by a 10% increase in EUR against foreign currencies	-14	-105	-0	-18	-18	0	-154
	-1	-11	-0	-2	-2	0	-15

**Currency exposure
mEUR 2008-12-31**

SEK	EUR	GBP	DKK	NOK	Other currencies	Total
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Assets

Loans to credit institutions	70	0	0	0	0	0	70
Loans to the public	697	-	-	-	-	-	697
Leasing receivables	150	2	-	-	-	-	152
Other assets	46	-	0	-	-	-	47
Total assets	964	2	0	0	0	0	966

Liabilities and equity

Liabilities to credit institutions	84	-	-	-	-	-	84
Deposits and borrowings from the public	616	-	-	-	-	-	616
Other assets including equity	264	2	0	0	0	-	266
Total liabilities and equity	964	2	0	0	0	-	966

Net exposure

	0	0	-	0	0	-	0
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4 Acquisitions of businesses

On 31 December 2009, the Finnish subsidiary acquired loan receivables from its fellow subsidiary IKANO Rahoitus OY.

The asset acquisition has the following effects on the company's assets and liabilities.

Net assets acquisition date kEUR

	Carrying amount at IKANO Rahoitus OY before the acquisition	Fair value adjustment	Fair value reported in the Finnish subsidiary
Loans to credit institutions	6	-	6
Loans to the public	13 319	-	13 319
Intangible assets	-	2 930	2 930
Other assets	64	-	64
Net identifiable assets and liabilities	13 389	2 930	16 319
Purchase consideration paid			16 319

No liquid funds are included in the acquisition.

5 Business segment

2009-12-31 kEUR

	Ikano Bank Sweden		Ikano Bank Denmark	Ikano Bank Norway	Eliminations	Total
	B2C ¹⁾	B2B ¹⁾				
Income statement						
External interest income	63 480	534	24 271	12 029		100 314
Internal interest income	2 635	0	0	0	-2 635	0
Other operating income	24 524	16 545	14 359	13 695	-75	69 048
Operating income	90 639	17 079	38 630	25 724	-2 710	169 362
Interest expenses	-13 614	-1 368	-5 142	-3 125	2 635	-20 614
Other operating expenses	-26 589	-4 565	-21 597	-12 157	2 475	-62 433
Operating expenses	-40 203	-5 933	-26 739	-15 282	5 110	-83 047
Other expenses	-31 215	-5 983	-9 754	-7 351	-2 400	-56 703
Depreciation	-521	-158	-1 023	-366	0	-2 068
Other expenses	-31 736	-6 141	-10 777	-7 717	-2 400	-58 771
Operating profit/loss	18 700	5 005	1 114	2 725		27 544
Other net financial income	97	123	0	0		220
Operating profit/loss	18 797	5 128	1 114	2 725		27 764
Overhead expenses, Head office						-8 487
Adjustments different accounting policies						-1 206
External operating profit/loss						18 071

External income

	2009
Corporate	29 917
Sales Finance	86 477
Consumer	52 248
Other	720
Total external income	169 362

2009-12-31 kEUR	Ikano Bank Sweden		Ikano Bank Denmark	Ikano Bank Norway	Ikano Bank Finland	Head office	Elimina- tions	Total
	B2C ¹⁾	B2B ¹⁾						
Balance sheet								
Assets	1 307 361	194 400	237 836	173 915	16 319	7 595	-389 427	1 547 999
Liabilities	1 215 765	169 477	217 678	157 455	16 319	15 623	-389 427	1 402 890

¹⁾ B2C (Business to Consumer), B2B (Business to Business)

6 Net interest income

kEUR	2009	2008
Interest income		
Loans to credit institutions	309	1 281
Loans to the public	100 581	72 791
Interest-bearing securities	491	789
Other interest income	308	314
Total	101 689	75 175
Of which:		
Interest income from financial items not recognized at fair value	101 198	74 370
Interest expenses		
Liabilities to credit institutions	-10 739	-4 305
Deposits by the public	-12 720	-24 148
of which: cost of deposit guarantees	-725	-567
Securities issued	-1 221	-2 170
Derivative instruments		
- hedge accounting	934	-321
- not hedge accounting	-413	-75
Subordinated liabilities	-1 260	-141
Other interest expenses	-1 455	-38
Total	-26 874	-31 197
Of which:		
Interest income from financial items not recognized at fair value	-24 603	-23 630
Net interest income	74 815	43 979
Interest rate margin	5,0%	5,0%

7 Leasing income

kEUR	2009	2008
Leasing income, financial and operational leasing contracts	129 322	71 111
Depreciation according to plan	-105 795	-59 196
Net leasing	23 527	11 915
Leasing income from financial leasing contracts	129 322	70 105
Depreciation according to plan for assets that are financial leasing contract but which are recognized as operational leasing contracts	-105 795	-58 373
Net leasing income from financial leasing contracts	23 527	11 732
Interest income	115	271
Interest expenses	-7 248	-5 684
Accumulated net interest income	16 394	6 319

8 Income from commissions

kEUR	2009	2008
Commission income		
Lending commissions	18 492	15 993
Securities commissions	-	160
Other commissions	22 639	8 044
Total	41 131	24 197
Commission expenses		
Payment intermediation commissions	-618	-
Securities commissions	-	-97
Other commissions	-9 564	-8 960
Total	-10 182	-9 057
Net commissions	30 949	15 140

9 Net result of financial transactions

kEUR	2009	2008
Interest-bearing securities	-	73
Exchange rate fluctuations	-533	-282
Other financial instruments	-255	23
Total	-788	-184
Net profit and net loss distributed by valuation category		
Financial assets at fair value in the income statement		
- derivative instrument not included in hedge accounting	-285	213
Currency profit/loss	667	-251
Change in fair value of derivative instruments used as hedging instruments to hedge a fair value	30	-146
Change in fair value of hedging instruments in hedging of operational leasing contracts	3 139	-
Change in fair value of hedged items in hedging of operational leasing contracts	-4 339	-
Total	-788	-184

Net profit and net loss relates to realized and unrealized changes in value.

10 Other income

kEUR	2009	2008
Profit from disposal of investment fund operations	-	682
Internal group consultancy services	2 782	3 135
Other	4 099	3 605
Total	6 881	7 422

11 Geographical distribution of income

kEUR	Sweden		UK		Finland		Denmark		Germany		Norway	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Interest income	65 336	75 175	-	-	-	-	24 271	-	-	-	12 082	-
Leasing income	75 845	70 012	-	-	732	1 099	30 415	-	-	-	22 331	-
Commission income	23 555	21 104	786	2 384	24	30	7 971	680	-	-	8 795	-
Net profit/loss from financial transactions	-788	-190	-	-	-	-	-	6	-	-	-	-
Other operating income	1 244	3 854	1 446	1 094	705	443	1 412	760	787	540	1 286	729
Total operating income	165 192	169 955	2 232	3 478	1 461	1 572	64 069	1 446	787	540	44 494	729

12 General administrative expenses

kEUR	2009	2008
Personnel expenses		
Salaries and remunerations	-21 544	-10 764
Pension expenses	-2 635	-1 646
Social security contributions	-4 453	-3 510
Other personnel expenses	-2 392	-1 215
Total personnel expenses	-31 024	-17 135
Other administrative expenses		
IT	-12 622	-8 398
External services	-7 999	-6 059
Telephone and postage	-4 656	-2 749
Material costs	-4 361	-1 882
Cost for premises	-1 939	-782
Other	-4 891	-2 166
Total other administrative expenses	-36 468	-22 036
Total	-67 492	-39 171
Salaries, other remunerations and social security costs		
Senior management		
Salary and remunerations	-1 371	-807
Variable compensation	-23	-51
Social security costs	-460	-317
Total	-1 854	-1 175
Other employees		
Salary and remunerations	-19 782	-9 302
Variable compensation	-368	-604
Social security costs	-3 993	-3 193
Total	-24 143	-13 099

kEUR	2009	2008
Personnel expenses		
Sweden	-20 465	-17 000
Denmark	-6 804	-51
Norway	-3 699	-
UK	-56	-84
Total	-31 024	-17 135

Of the bank's pension costs, an amount of 250 kEUR (136 kEUR) relates to senior management – 10 (7) persons. The bank has no outstanding pension obligations to senior

management. Senior management means current and former Directors, the CEO and management group reporting directly to the CEO.

Employment conditions of senior management

A fee is paid to Directors in accordance with a resolution adopted by the Annual General Meeting. No specific fee is paid for committee work. No Director's fee is paid to Ikano group employees. The CEO's remuneration has been established by the Chairman of the Board of Directors. Other senior management executives' remuneration has been established by the CEO in consultation with the Chairman of the Board of Directors. The bank's pension commitment is covered by continuous insurance premiums for the CEO. All pension benefits are unimpeachable, i.e. not conditional on future employment. The retirement age for senior management is 65.

The CEO also works in other parts of the Ikano S.A. group and draws remuneration for that work, which is paid from another group company.

Due to the fact that the CEO is not covered by the Swedish Employment Protection Act, an agreement has been made whereby the period for notice of termination is 24 months if the employment is terminated by the company, whereas the period for notice of termination is 12 months if the employment is terminated by the CEO.

The manager of B2C activities has a notice period of 18 months if the agreement is terminated by the company. If the agreement is terminated by the employee, the notice period

is 6 months. The manager of business activities in Denmark has a notice period of 12 months if the agreement is terminated by the company. If the agreement is terminated by the employee, the notice period is 6 months. The employment conditions of other senior management coincide with the service provisions and agreements made between *Handelsarbetsgivarna* [the Swedish Federation of Trade] and Unionen.

The loan terms coincide with those usually applied when granting loans to other employees. The bank has given no security and has entered into no contingent liabilities for the benefit of the senior management recognized in the accounts.

The CEO, Directors or deputy Directors have no loans with the bank.

The bank has adopted a remuneration policy which conforms to FFFS 2009:6 on remuneration policies in credit institutions, securities companies and fund management companies.

Publication of information on remuneration

Information on remuneration to be submitted in accordance with Swedish Financial Supervisory Authority regulations is available on the bank's website, www.ikanobank.se.

Number of employees and absence due to illness

Ordinary working time has been defined as available working time. This does not include overtime or full-time or part-time leave of

absence. The information relates to the full year. A service relates to employees at a subsidiary.

	2009	2008
Distribution of the average number of employees (converted to full-time manpower)		
Women	237	152
Men	174	101
Total	411	253
Number of employees per country		
Sweden	280	251
Denmark	83	1
Norway	47	-
UK	1	1
Total	411	253
Distribution between women and men on the Board of Directors		
Women	-	3
Men	5	4
Total	5	7
Distribution between women and men in the company management		
Women	2	1
Men	8	6
Total	10	7

Total absence due to illness	2,8%	3,2%
of which long-term absence due to illness	21,8%	45,6%
- absence due to illness - men	2,2%	3,1%
- absence due to illness - women	3,2%	3,2%
- employees -29 years of age	3,0%	4,0%
- employees 30-49 years of age	2,4%	2,0%
- employees 50 years of age-	4,2%	6,5%

Payments to auditors

The audit involves assessment of the annual accounts and accounting records and the management by the Board of Directors and CEO, other work incumbent on the company's

auditors and advice or other assistance deriving from observation when such assessment is carried out or performance of such other work. All other matters constitute other assignments.

kEUR	2009	2008
Payments to auditors		
KPMG AB		
- auditing assignments	-235	-176
- other assignments	-88	-121
Total	-323	-297

Remuneration and other benefits to the board of directors and senior management

kEUR	Basic salary and Director's fee	Variable remuneration	Pension cost	Benefits and other payments	Total
Remunerations and other benefits 2009					
Chairman of the board ¹⁾	-	-	-	-	-
Board members ²⁾	-17	-	-	-	-17
Chief executive officer	-202	-	-38	-6	-246
Deputy chief executive ³⁾	-	-	-	-	-
Other senior management (9 pcs)	-1 101	-23	-212	-62	-1 398
Total	-1 320	-23	-250	-68	-1 661
Remunerations and other benefits 2008					
Chairman of the board ¹⁾	-	-	-	-	-
Board members ²⁾	-16	-	-	-	-16
Chief executive officer	-180	-	-35	-7	-222
Deputy chief executive ³⁾	-61	-	-5	0	-66
Other senior management (6 pcs)	-566	-51	-97	-45	-760
Total	-823	-51	-137	-52	-1 064

¹⁾ No Director's fee is paid to Ikano group employees.

²⁾ Employee Directors and employees of the Ikano group receive no special Director's fees. Fees to external Directors in 2009 amounted to 8.5 kEUR each to Leif Mellqvist and Johan Björklund. Fees to external Directors in 2008 amounted to 8.5 kEUR each to Soki Choi and Leif Mellqvist

³⁾ The Vice-CEO left the company in June 2008

13 Other operating expenses

kEUR	2009	2008
Marketing	-6 928	-4 173
Other	-1 659	-1 639
Total	-8 587	-5 812

14 Net credit losses

kEUR	2009	2008 ¹⁾
Specific impairments for loans assessed individually and leasing debts		
Write-off for the period on established loan losses	-12 742	-3 246
Reversal of previous provisions for anticipated loan losses reported in the period's account as established losses	1 231	528
Provision for the period for anticipated loan losses	-6 514	-767
Recoveries from previous period's established loan losses	2 901	137
Net expense for individually assessed receivables	-15 124	-3 348
Collective provisions for loans assessed individually		
Provision for the period for anticipated loan losses	-21 810	-4 384
Collectively measured homogenous groups of loans		
Provision for the period for anticipated loan losses	-2 194	-2 079
The period's net expense for collectively measured homogenous loans	-2 194	-2 079
Loan losses, net	-39 128	-9 811
Loan loss level	3,12%	1,36%

¹⁾ 2008 is adjusted between the rows according to a new definition of verified credit losses

15 Appropriations

kEUR	2009	2008
Reversal of tax allocation reserve	29	73
Change in excess depreciation	14 360	-2 887
Total	14 389	-2 814

16 Taxes

kEUR	2009	2008
Tax expense for the period	-6 140	-5 652
Adjustment of tax assignable to previous years	-7	-4
Current tax expense	-6 147	-5 657
Deferred tax regarding temporary differences	-2 137	-
Deferred tax expense	-2 137	-
Total reported tax expense	-8 284	-5 657

Balancing of effective tax

The tax expense is 18,94% (28,22%) of result before tax. The difference between the banks tax expense and standard tax rate is shown beneath.

Current tax expense	-6 147	-5 657
Tax expense, 26.3% of the pre-tax profit/loss	-8 537	-5 613
Difference	-2 390	43

The difference consists of the following items:

Adjustment of tax assignable to previous years	7	4
Tax-exempt income	-197	-19
Non-deductible expenses	210	27
Difference in tax rate - subsidiaries	3	30
Adjustment in connection with application of residual value write-off	-2 413	-
Total	-2 390	43

Tax items recognized directly in equity

Tax relating to:		
Deferred tax relating to amended accounting principles	-	-
Current tax in group contributions made	493	892
Deferred tax assignable to financial assets available for sale	1	-61
Exchange rate difference	-	-
Total	494	830

Recognized in the balance sheet.

kEUR	Deferred tax liability	
	2009	2008
Reported deferred tax receivable/payable		
Tangible assets	4 805	-
Tax receivable/payable	4 805	-

17 Loans to credit institutions

kEUR	2009	2008
Swedish banks	51 193	69 748
Swedish banks, in foreign currency	486	374
Foreign banks	203	-
Total	51 882	70 122

18 Loans to the public

kEUR	2009	2008 ¹⁾
Outstanding receivables, gross	1 103 068	735 598
Less provision for probable loan losses	-86 645	-38 318
Net book value	1 016 423	697 280
Net book value per category of borrower		
Domestic sector	1 006 071	689 617
Corporate sector	9 825	5 966
Municipal authorities and county councils	527	1 697
Total	1 016 423	697 280
Doubtful debts, loans to the public	130 103	56 588
Individual impairment	-89	-32
Additional impairment as a group for loans assessed individually	-63 491	-29 244
Collective impairment, loans assessed collectively	-23 065	-9 043
Reported value, net	43 458	18 269

kEUR	2009	2008 ¹⁾
Change in impairments		
Doubtful debts assessed individually		
Opening balance	-29 276	-24 900
Merger of accumulated impairments	-10 116	-7
Current year's provision for loan losses	-24 188	-4 376
Reversal of impairments for loan losses no longer required	-	7
Closing balance	-63 580	-29 276
Doubtful debts assessed collectively		
Opening balance	-9 043	-7 071
Merger of accumulated impairments	-11 456	-34
Current year's provision for loan losses	-2 566	-1 940
Reversal of impairments for loan losses no longer required	-	2
Closing balance	-23 065	-9 043

1) 2008 is adjusted between the lines according to a new definition of verified credit losses

19 Bonds and other interest-bearing securities

	Fair value		Book value	
	2009	2008	2009	2008
KEUR				
Swedish housing institutions	29 277	3 663	29 277	3 663
Other swedish issuers				
- other financial companies	43 926	13 540	43 926	13 540
- non-financial companies	43 420	3 182	43 420	3 182
Total	116 623	20 385	116 623	20 385
Of which unlisted securities			116 623	6 837
Book value lower than nominal amount			28	84

20 Shares and participations

KEUR	2009	2008
Shares and participations		
Other unlisted securities		
- Financial ID-Teknik BID AB	150	140
- Other	0	0
Total	150	140

21 Intangible assets

kEUR	2009	2008
Software developed internally		
Acquisition cost at the beginning of the year	3 409	1 528
Merged acquisition cost	201	1 423
Assets developed internally	1 076	458
Disposals during the year	-224	-
Acquisition cost at the end of the year	4 462	3 409
Accumulated depreciations at the beginning of the year	-864	-489
Merged accumulated depreciation	-197	-
- Depreciations on sold software	224	-
- Depreciations for the year	-442	-375
Accumulated depreciations at the end of the year	-1 279	-864
Exchange rate difference	-1	-
Book value software developed internally	3 182	2 545
Acquired software		
Acquisition cost at the beginning of the year	315	315
Merged acquisition cost	1 135	-
- acquisitions during the year	-	-
- disposals during the year	-740	-
Acquisition cost at the end of the year	710	315
Accumulated depreciations at the beginning of the year	-256	-177
Merged accumulated depreciation	-753	-
- Depreciations on sold software	705	-
- Depreciations for the year	-303	-79
Accumulated depreciations at the end of the year	-607	-256
Exchange rate difference	67	-
Book value acquired software	170	59
Other intangible assets		
- acquired customer relationships	2 930	-
Acquisition cost at the end of the year	2 930	-
Depreciations for the year	-	-
Accumulated depreciations at the end of the year	-	-
Book value other intangible assets	2 930	-
Total book value	6 282	2 604

22 Tangible assets

kEUR	2009	2008
Equipment		
Acquisition cost at the beginning of the year	765	144
Merged acquisition cost	6 285	615
Acquisitions during the year	1 720	75
Disposals during the year	-370	-69
Acquisition cost at the end of the year	8 400	765
Accumulated depreciations at the beginning of the year	-474	-127
Merged accumulated depreciation	-2 950	-343
Depreciations on sold equipment	314	49
Depreciations for the year	-1 346	-53
Accumulated depreciations at the end of the year	-4 456	-474
Currency difference	26	-
Value in accordance with the assets side of the balance sheet	3 970	291
Leasing objects		
Acquisition cost at the beginning of the year	256 341	29
Merged acquisition cost	171 346	248 762
Acquisitions during the year	209 861	28 287
Disposals during the year	-134 892	-20 737
Acquisition cost at the end of the year	502 656	256 341
Accumulated depreciations according to plan at the beginning of the year	-103 279	0
Merged accumulated depreciation	-61 522	-104 550
Depreciations on sold equipment	88 099	16 203
Depreciations for the year	-106 705	-14 932
Accumulated depreciations at the end of the year	-183 407	-103 279
Accumulated impairments at the beginning of the year	-1 069	-
Merged accumulated impairments	-1 440	-858
Impairments for the year	-3 942	-211
Accumulated impairments at the end of the year	-6 451	-1 069
Currency difference	7 953	-
Value in accordance with the assets side of the balance sheet	320 751	151 993
Total	324 721	152 284

Of the leasing objects, 243 kEUR (169) relates to recovered leasing objects, of which 136 kEUR (70) has been allocated to a reserve. Problem credits amount to 16,259 kEUR (2,382), of which 10,394 kEUR (1,069) has been allocated to a reserve. The guaranteed final residual value of suppliers amounts to 6,722 kEUR (3,249).

kEUR	2009	2008
Doubtful debts assessed individually		
Opening balance	-781	-
Merger of accumulated impairments	-2 066	-676
Current year's impairment for loan losses	-6 921	-105
Reversal of previous impairments for loan losses that are reported as verified losses in the accounts for the year	1 231	-
Currency difference	-142	-
Closing balance	-8 679	-781
Doubtful debts assessed collectively		
Opening balance	-288	-
Merger of accumulated impairments	-1 041	-182
Current year's impairment for loan losses	-316	-106
Currency difference	-70	-
Closing balance	-1 715	-288

23 Leasing

Ikano Bank SE as lessor

The bank owns assets which are leased out to customers through financial leasing contracts. However, all contracts are dealt with in the accounts as though they were operational contracts. The assets are therefore recognized

in the balance sheet as tangible assets. The leasing objects consist primarily of office equipment.

For contracts that cannot be cancelled, future minimum leasing fees are distributed as follows:

kEUR	2009	2008
Future non-cancellable leasing payments are as follows:		
Within one year	132 877	69 011
In over one year but within five years	215 563	92 753
Over five years	3 561	1 027
Total	352 001	162 791

Ikano Bank SE as lessee

Operational leasing contracts relate to the bank's normal activities. The term of the contract generally extends over three years. On expiry of the leasing term, the bank will redeem the contract at the guaranteed residual value.

Future minimum leasing fees for operational leasing contracts that cannot be cancelled amount to and are distributed as follows:

kEUR	2009	2008
Non-cancellable remaining leasing payments at the balance sheet date amount to:		
Within one year	514	111
In over one year but within five years	563	124
Over five years	-	-
Total	1 077	235

24 Other assets

kEUR	2009	2008
Positive value of derivative instruments	3 713	2 143
Accounts receivable	16 999	14 858
Accounts receivable, group companies	353	1 022
Other assets	4 790	783
Total	25 855	18 806

25 Prepaid expenses and accrued income

kEUR	2009	2008
Accrued interest income	904	951
Other prepaid expenses and accrued income	3 578	1 959
Total	4 482	2 910

26 Liabilities to credit institutions

kEUR	2009	2008
Swedish banks	104 094	54 325
Foreign banks	74 089	-
Banking subsidiaries of banks abroad	-	29 566
Total	178 183	83 891

27 Deposits and borrowing from the public

kEUR	2009	2008
The public		
Swedish currency	867 443	615 800
Total	867 443	615 800
Deposits by customer category		
Domestic sector	846 673	601 923
Corporate sector	20 770	13 877
Total	867 443	615 800

28 Change in fair value on interest-rate hedged amounts in the portfolio hedge

kEUR	2009	2008
Input value	1 080	-667
Changes in value during the period	-72	1 747
Output value	1 008	1 080

29 Issued securities

kEUR	2009	2008
Bank certificates	175 212	24 453
Total	175 212	24 453

30 Other liabilities

kEUR	2009	2008
Negative value of derivative instruments	2 176	90
Accounts payable	17 200	11 700
Withheld preliminary tax for interest, customers	2 759	5 319
Liability to group company	65 774	77 508
Other	14 493	5 862
Total	102 402	100 479

31 Accrued expenses and prepaid income

kEUR	2009	2008
Accrued interest expenses	4 955	4 868
Accrued staff costs	3 903	2 269
Prepaid leasing payments	18 784	15 930
Other accrued expenses	5 639	5 545
Total	33 281	28 612

32 Provisions

kEUR	2009	2008
Provision for pensions	2 405	2 154
Total	2 405	2 154
Of which: credit insured via FPG/PRI	2 405	2 154
Capital value of pensions obligation		
Capital value of pension obligations relating to the company's own pensions at the beginning of the year	2 154	1 911
Cost excluding interest expense charged to the profit/loss	15	127
Interest expense	90	116
Payment of pension	-12	0
Exchange rate difference	158	-
Pension obligation at the end of the year	2 405	2 154
Pension cost recognized in the income		
Cost excluding interest expenses	15	127
Interest expenses	90	116
Pension cost - defined benefit plans	105	243
Premiums paid for defined contribution pension plans	2 197	1 179
Tax on earnings on pension funds	13	12
Special income tax on pension costs	404	322
Cost of credit insurance	6	6
Total pension costs for the year	2 725	1 762

Discount interest rate at 31 December amounts to 3.84%. Next year's anticipated payment in respect of defined-benefit pension plans amounts to 15 kEUR.

33 Subordinated liabilities

	Currency	Nominal value	Interest rate	Due day	Reported value	
kEUR					2009	2008
Subordinated loans	SEK	70 000	2,21%	2017-03-27	6 833	6 368
	NOK	35 000	3,28%	2017-03-27	4 223	-
	DKK	90 000	6,46%	2017-03-27	12 095	-
	EUR	15 000	4,52%	2019-12-17	15 000	-
Total subordinated liabilities					38 151	6 368

The corporate loans are subordinate to the company's other liabilities, which means that they entail a right to payment only after the other creditors have received payment.

34 Untaxed reserves

kEUR	2009	2008
Accumulated excess depreciation	-	14 389
Total	-	14 389

35 Equity

The number of shares amounts to 10,002, with a quota value of EUR 992. Quota value means share capital divided by the number of shares. Two shares were issued in connection with the merger of fellow subsidiaries at 2 January.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve

The aim of the statutory reserve has been to save part of the net profits which do not go to cover a loss brought forward.

Fair value reserve

The fair value reserve includes the accumulated net change in fair value of financial assets available for sale until the asset is removed from the balance sheet. This reserve also includes translation differences when consolidating the bank's foreign subsidiaries.

Profit or loss brought forward

Profit or loss brought forward consists of the previous year's unrestricted equity after any dividend has been paid out. Along with the profit and loss for the year and the fair value reserve, it makes up the total unrestricted equity, i.e. the amount available for distribution to the shareholders.

kEUR	2009	2008
Fair value reserve		
Input fair value reserve	7	-151
Financial assets available for sale:		
Revaluations recognized directly in equity	2	68
Recognized in the income statement on disposal	-7	151
Tax revaluations	1	-61
Output fair value reserve	3	7
Revaluation reserve		
Input revaluation reserve	8	0
Translation differences for the year, subsidiaries	2 221	8
Output translation reserve	2 229	8

For other changes in equity, see "Report of changes in equity".

36 Memorandum items

kEUR	2009	2008
Contingent liabilities		
Guarantees	218	245
PRI	48	43
Other	-	-
Total	266	288
Commitments, nominal amount		
Unused part of credits granted	2 353 059	1 659 764
Loan commitment	2 750	1 803
Total	2 355 809	1 661 567

37 Merged companies

On the second of January, the two fellow subsidiaries, IKANO Finans AS in Denmark and IKANO Finans ASA in Norway, merged with Ikano Bank SE. The entire profit/loss for 2009

was earned after the merger. Assets and liabilities at the merger date are shown in the table below.

Balance sheet kEUR

Assets

Loans to credit institutions	
Loans to the public	
Leasing assets	
Other assets	
Total	
Whence internal receivables Ikano Bank SE	

Liabilities

Deposits and borrowing from the public	
Other liabilities	
Subordinated liabilities	
Equity	
Total	
Whence internal payables Ikano Bank SE	

Number of employees, men	
Number of employees, women	
Total number of employees	

IKANO Finance AS Denmark	IKANO Finance ASA Norway
cvr. nr. 83 19 62 11	961 682 169 MVA

	544	1 101
	154 335	80 696
	62 940	45 083
	6 118	3 149
Total	223 937	130 029
	82	-
	152 780	79 172
	39 754	34 996
	12 092	3 596
	19 311	12 265
Total	223 937	130 029
	110	98
	44	16
	41	32
Total number of employees	85	48

38 Financial assets and liabilities

Information on reported and fair values per category of financial instrument are summarised below. Note 2 Accounting Standards contains descriptions of how the fair value is established for financial assets and liabilities which are recognized at fair value in the balance sheet. For short-term debts and liabilities and borrowing and lending at variable rates of interest, the carrying amount is considered to reflect the fair value.

The following section describes how the fair value was established for instruments which were not recognized at fair value in the balance sheet.

Lending

For lending at variable rates of interest, the carrying amount is considered to reflect the fair value.

Deposits and borrowing

Fair value on deposits and borrowing is calculated on the basis of current market interest rates where the original credit spread of the borrowing has remained constant if there is no clear proof that a change in the company's creditworthiness has led to an observable change in the company's credit spread. For deposits and borrowing at variable rates of interest, the carrying amount is considered to reflect the fair value.

Other interest-bearing financial assets and liabilities

For financial assets and liabilities in the balance sheet with a remaining lifespan of less than six months, the carrying amount is considered to reflect the fair value.

Financial assets and liabilities mEUR 2009-12-31

	Financial assets recognized at fair value in the income statement	Derivatives used in hedge accounting	Loan receivables and accounts receivable	Financial assets available for sale	Financial liabilities recognized at fair value in the income statement	Other financial liabilities	Total reported value	Fair value
Assets								
Loans to credit institutions	-	-	52	-	-	-	52	52
Loans to the public	-	-	1 016	-	-	-	1 016	1 016
Bonds and other interest-bearing securities	-	-	-	117	-	-	117	117
Shares and participations	-	-	-	0	-	-	0	0
Derivatives	1	3	-	-	-	-	4	4
Accrued income	-	-	4	-	-	-	4	4
Other financial assets	-	-	24	-	-	-	24	19
Total	1	3	1 096	117	-	-	1 217	1 212
Liabilities and provisions								
Liabilities to credit institutions	-	-	20	-	-	158	178	178
Deposits and borrowing from the public	-	-	-	-	45	823	868	868
Issued securities	-	-	-	-	-	175	175	175
Derivatives	-	0	-	-	2	-	2	2
Other liabilities	-	-	0	-	-	109	109	106
Accrued expenses	-	-	-	-	-	33	33	33
Subordinated liabilities	-	-	-	-	-	38	38	38
Total	-	0	20	-	47	1 336	1 403	1 401

**Financial assets and liabilities
mEUR 2008-12-31**

	Financial assets recognized at fair value in the income statement	Derivatives used in hedge accounting	Loan receivables and accounts receivable	Financial assets available for sale	Financial liabilities recognized at fair value in the income statement	Other financial liabilities	Total reported value	Fair value
Assets								
Loans to credit institutions	-	-	70	-	-	-	70	70
Loans to the public	-	-	697	-	-	-	697	697
Bonds and other interest-bearing securities	-	-	-	20	-	-	20	20
Shares and participations	-	-	-	0	-	-	0	0
Derivatives	0	2	-	-	-	-	2	2
Accrued income	-	-	3	-	-	-	3	3
Other financial assets	-	-	19	-	-	-	19	19
Total	0	2	789	20	-	-	811	811
Liabilities and provisions								
Liabilities to credit institutions	-	-	-	-	-	84	84	84
Deposits and borrowing from the public	-	-	-	-	50	566	616	616
Issued securities	-	-	-	-	-	24	24	24
Derivatives	-	-	-	-	0	-	0	0
Other liabilities	-	-	-	-	-	108	108	108
Accrued expenses	-	-	-	-	-	29	29	29
Total	-	-	-	-	50	811	861	861

The following table contains information on how the fair value is determined for the financial instruments recognized at fair value in the balance sheet (excluding the items included in hedge accounting). Fair value is determined on the basis of the following three levels:

2009-12-31 kEUR**Financial assets**

Financial instrument
Interest rate swaps
Currency swaps

Level 1	Level 2	Level 3	Total
-	845	-	845
-	287	-	287

Financial assets available for sale
Bonds and other interest bearing securities

-	116 623	-	116 623
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Financial liabilities

Financial instrument
Interest rate swaps
Currency swaps

-	885	-	885
-	1 182	-	1 182

39 Capital cover

For the establishment of the statutory capital requirements in accordance with the Capital Adequacy and Large Exposures Act (2006:1371) and the Swedish Financial Supervisory Authority regulations and general guidelines (FFFS 2007:1) on capital adequacy and large exposures.

The rules help to strengthen resistance to financial losses and thereby protect the bank's customers. The rules mean that the bank's capital base must cover the prescribed minimum capital requirement by a margin, which for Ikano Bank includes the capital requirement for credit risks, operational risks

- Level 1: according to prices listed on an active market for the same instrument
- Level 2: on the basis of direct or indirect observable market data not included in level 1
- Level 3: on the basis of input data which is not observable on the market

and currency risks. The capital requirement also includes further identified risks in the business activities in accordance with the bank's capital evaluation policy.

Ikano Bank's aim is to ensure that the capital adequacy quota always exceeds 1.50, i.e. 50 percentage points higher than the statutory capital requirement. This buffer constitutes an additional margin adapted to the bank's risk profile, identified risks on the basis of probability and economic effects, stress tests, anticipated lending expansion, strategic freedom of action and changes in the surrounding environment.

Supervision of the bank's capital planning forms an integral part of the work on the bank's annual business plan. The plan is monitored continuously throughout the year. An overall risk analysis is carried out each year. The bank has a capital base of 177 mEUR, compared to the capital requirement of 116 mEUR, which means a margin of 53 percentage points. The bank therefore has a very good capital adequacy which fulfills both statutory and internal requirements.

Information is given below on the disclosures required on the capital base and capital requirements in accordance with

chapter 3, paragraphs 1-2 and chapter 4 Of the Swedish Financial Supervisory Authority regulations and general guidelines on publishing information on capital adequacy and risk management FFFS 2007:5. Statutory capital requirements in accordance with pillar 1 of the new capital adequacy rules are summarised in the table below. For other statutory information requirements, reference is made to the bank's website under the heading Financial Information.

kEUR	2009	2008
Capital base		
Primary capital	138 824	96 499
Supplementary capital	38 151	6 368
Net capital base	176 975	102 868
Capital requirement credit risk according to the standardised approach	85 977	53 092
Capital requirement operational risk according to the base indicator approach	23 561	11 916
Capital requirement currency risk	6 107	-
Total capital requirement	115 645	65 008
Capital adequacy quotient	1,53	1,58
Primary capital		
Equity recognized in the balance sheet.	145 109	99 103
Tax allocation reserve (73.7% thereof)	-	-
Less:		
Intangible assets	-6 282	-2 604
Non-realised value changes Fair value reserve	-4	-
Total primary capital	138 824	96 499
Supplementary capital		
Non-realised value changes Fair value reserve	-	-
Subordinated liabilities	38 151	6 368
Total supplementary capital	38 151	6 368
Total capital base	176 975	102 868
Capital requirement		
Credit risks according to the standardised approach		
Exposures against institutions	2 104	1 456
Corporate exposures	8 815	1 612
Domestic exposures	69 295	48 728
Unsettled items	3 482	972
Exposures in the form of ensured bonds	-	-
Other items	2 281	324
Total capital requirement for credit risks	85 977	53 092
Operational risks		
Base indicator approach	23 561	11 916
Total capital requirement for operational risks	23 561	11 916
Currency risk		
Currency risk	6 107	-
Total capital requirement for currency risks	6 107	-
Total minimum capital requirement	115 645	65 008

40 Affiliates

The bank has affiliate relationships with companies in the group. Transactions with these companies are set out below. Group accounts are drawn up by Ikano Holding S.A., Luxemburg.

Transactions with affiliates are priced on market conditions.

Summary over transactions with affiliated 2009-12-31 kEUR

Parent company Ikano S.A.
Other group company
Total

Income affiliated	Expenses affiliated	Claims affiliates at 31 December	Liabilities to affiliates at 31 December
18	3 630	10	86 056
5 664	1 367	794	18 476
5 682	4 997	804	104 532

Summary over transactions with affiliated 2008-12-31 kEUR

Parent company Ikano S.A.
Other group company
Total

Income affiliated	Expenses affiliated	Claims affiliates at 31 December	Liabilities to affiliates at 31 December
-	1 592	-	84 817
7 434	4 381	1 226	57
7 434	5 973	1 226	84 874

Transactions with key persons in senior management positions

Loans and other payments, pensions and loans to key persons in senior management positions, see note 12.

41 Important assessments and estimates

The company management has discussed the development, choice and disclosures relating to the bank's main accounting principles and estimates and their application.

Important assessments when applying the company's accounting principles

Hedge accounting

In order for a financial instrument to qualify as a hedging relation it is crucial that the bank expects hedging to be highly efficient across the hedging instrument's term. For quantitative information see note 3.

Important sources of uncertainty in estimates

Impairments for credit losses

Group loss reserves are applied for credit losses in portfolios of debts with similar financial properties where the objective indications are

that a risk of a loss in the portfolio exists. When assessing the need for group credit loss reserves, factors such as credit quality, customer behaviour, size of portfolio, concentrations, historical experience and other financial factors are taken into consideration. For quantitative information see note 3.

Individual loss reserves are based on estimates of the current value of the anticipated cash flows. When estimating these cash flows, an assessment is carried out of the customer's financial situation and the value of any security.

Models and assessments applied in impairment for credit losses are regularly checked by the bank's department of independent risk control.

Älmhult, 23 March 2010

We hereby give an assurance that, as far as we are aware, this annual report has been drawn up in accordance with generally accepted accounting principles. The information provided coincides with the actual situation in the bank's business activities and nothing of any significance has been omitted that could affect the view of the company provided by the annual report.

Birger Lund
Chairman

Bo Liljegren
CEO

Johan Björklund
Director

Mats Håkansson
Director

Leif Mellqvist
Director

Our auditor's report was submitted on 23 March 2010.

KPMG AB

Lars Marcusson
Authorised Public Accountant

Auditor's report

To the Annual General meeting of IkanO Bank SE, organisation registration number 517100-0051

We have audited the annual accounts and accounting records and the administration of the board of directors and the CEO IkanO Bank SE for 2009. The board of directors and the CEO are responsible for the accounting documents and administration and for ensuring compliance with the Annual Accounts Act for Credit Institutes and Securities Companies when preparing the annual accounts. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally-accepted accounting standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining evidence supporting the amounts and other disclosures in the accounting documents. An audit also includes assessing the accounting principles used and their application by the board of directors and the CEO and significant estimates made by the board of directors and the CEO when preparing the annual accounts, as well as evaluating the overall presentation of information in the annual accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the CEO. We also examined whether any board member or the CEO has, in any other way, acted in contravention of the Banking and Finance Business Act, the Annual Accounts Act for

Credit Institutes and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutes and Securities Companies and, thereby, give a true and fair view of the company's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The administration report is consistent with the other parts of the annual accounts.

We recommend to the General Shareholders' Meeting that the income statement and the balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Älmhult, 23 March 2010

KPMG AB

Lars Marcusson
Authorised Public Accountant