

Annual report

2010

2010

Ikano Bank SE

Registration 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

Ikano Bank has made very good progress in terms of both growth and profitability during the 2010 financial year. While a number of operators have decided to withdraw from our market segment as a consequence of the financial crisis, we have strengthened our position and have had a busy year involving a number of acquisitions.

A look back over the year

It is fair to say that the challenge posed by the financial crisis has to some extent been useful for us. It has forced us to become more efficient and to be better at what we do. We have kept to our strategy of developing the segments we have chosen as our core area. The fact that we operate on a relatively small scale has made us very flexible while our financial strength has enabled us to, among other things, make a number of acquisitions.

The merger of our Nordic units with Ikano Bank SE, which was completed in 2010, has exceeded expectations and is making a significant contribution to our good progress. We are utilising economies of scale and taking advantage of experience from the various markets in a very positive manner. The merger has involved a number of changes and challenges which have enabled us, through effective cooperation and common sense, to become a Nordic bank.

Our results

The operating profit for the year amounts to 56 mEUR, which is an improvement of 38 mEUR compared to 2009. In operational terms, the improvement is mainly a result of 29% higher customer volumes than in 2009 and significantly lower expenses in respect of loan losses. A number of factors in our external environment have also had a positive effect on results. In particular the strong development of the Swedish krona against the euro during the year, has contributed with approximately 11 mEUR.

The lower loan losses are the result of successful work of internal improvement measures in combination with a greater ability to repay among our customers in general. This has meant that the need for impairment has diminished and also that the ability to convert older consumer credit portfolios to a reasonable yield has returned. Finance expenses fell as a consequence of a more efficient capital market during the year.

Deposits from the public form an important part of the bank's finance and are a prerequisite for our continued growth. Deposits have increased considerably over the year, partly because of the fact that the customers in Sweden are more willing to save after the financial crisis, but also thanks to the considerable confidence the general public has shown in us. Deposits grew by 21% over the year and we now manage over SEK 10 billion in savings. The comparable Swedish savings market increased overall by approximately 9% in 2010.

We have seen good progress in the Factoring business – a service that helps our corporate customers to release liquidity and reduce their administration - with a large increase in the number of customers over the year. Our other business areas have also experienced a good growth. Leasing operations in Sweden, Denmark and Norway grew by 14%, while the Sales Finance and Consumer areas grew by 17%, excluding currency effects.

Acquisitions

One factor contributing to our growth over the past year was the opportunity to acquire consumer credit and card portfolios. We were able to take that opportunity at the same rate as our competitors were withdrawing from the market. Our economic strength enabled us to act quickly and the volumes we acquired represent approximately 15% of the volume growth in lending over the past year. The acquisition has matched our expectations and in operational terms the transfer of customers to our system has been very smooth without disruptions for the customers.

A look forward

In 2010 we acted quickly and wisely. We have successfully fended off the turbulence in the financial world and we are in a strong financial position to continue developing within our core areas.

I wish to give a big thank you to all our competent staff for their tremendous commitment in 2010!

Bo Liljegen
Managing Director

Administration report

The Board of Directors and the 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 2010.

Ownership and operational structure

Ikano Bank SE is a European company with its registered office in Älmhult and its head office in Lund. The bank began operating in 1995 and is a member of the Ikano S.A. group's Finance area. The business area carries on banking and finance company operations in nine countries in Europe. Ikano Bank SE is owned by Ikano S.A., which has its headquarters in Luxemburg.

Business activities

Ikano Bank carries out banking business subject to a permit from *Finansinspektionen* [the Swedish Financial Supervisory Authority] in Sweden, Denmark, Norway and Finland. There are three business areas within these operations: Corporate, Sales Finance and Consumer. Sweden is divided into two business activities, Business to Business (B2B) in Stockholm and Business to Consumer (B2C) in Älmhult. Operations in Denmark, Norway and Finland are carried on as branches of the Swedish operation. The bank also has a branch in the UK for issuing Visa cards. The results for these activities amounted to 0 (0) mEUR. The bank's operations are monitored on the basis of geographical markets, see note 4 Business segment for more details.

Corporate

Financial services such as leasing and rental and factoring services for companies and organisations are offered within the Corporate business area. The business area is represented in Sweden, Denmark and Norway.

Sales Finance

Services for financing and sales support mainly to retail trade are managed and marketed within the Sales Finance business area. The services help our partners to achieve higher sales, greater customer loyalty, better liquidity, simpler administration and lower risk. The business area is represented in all our geographical areas and the services offered consist of consumer finance for sales support, credit cards with Visa and MasterCard, benefit cards, bonus management and information services for sales support.

The largest partner is IKEA, where the bank originated in the 1970's. Several partners have been added during the year. These consist of both domestic partners in each country and Nordic partners covering several of the geographical markets.

Consumer

The Consumer business area consists of traditional banking activities and is aimed at private individuals with simple, beneficial services for savings and loans. The services offered include unsecured loans, mortgage loans and interest-bearing savings accounts. 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 credit cards with and without a link to Visa. Mortgage loans are offered in cooperation with Sveriges Bostadsfinansieringsaktiebolag (SBAB), which means that loans are arranged with and provided by SBAB under the distinctive product name of "Ikano Bolån" [Ikano Mortgage Loan]. The products provided are unsecured loans and Visa cards in Sweden, Denmark and Norway, whereas deposits and mortgage loan products are only offered on the Swedish market.

Acquisitions

The acquisition of four consumer credit and card portfolios took place in 2010. The portfolios were offered on the market as a consequence of the financial crisis and consist of products and services that are well suited to the Ikano Bank product strategy. The customers have been integrated into the bank's system without any complications, with limited increases of resources for customer support and credit risk and without any need for new system development.

Within Sales Finance, cooperation agreements were signed with Shell Norway and Shell Sweden and Shell's outstanding credit portfolios were acquired from Citibank in both countries. An agreement to provide loan finance was concluded with the ILVA furniture chain in Denmark and an outstanding credit portfolio was acquired from GE Money Bank. Within the Consumer business area, Citibank's consumer credit portfolio in Denmark was also acquired.

These acquisitions have contributed to the bank's growth and places Ikano Bank in a stronger position within consumer finance in the Nordic region.

Total assets and business volumes

The bank's total assets increased over the year by 425 mEUR to 1,973 mEUR. At the end of the

accounting period, total assets for branches in Denmark, Norway and Finland amounted to 634 mEUR. The bank's equity has increased by 13 mEUR and amounts to 158 mEUR (145 mEUR).

Business volumes, consisting of lending to the public, deposits from the public, leasing assets and mediated mortgage loan volumes, increased overall during the year by 810 mEUR and amounted to 3,568 mEUR (2,758) at the end of the year.

Of the growth in volume over the year, 729 mEUR can be attributed to acquisitions and organic growth and 81 mEUR to exchange rate effects.

Lending to the general public increased by 316 mEUR to 1,332 mEUR, whereas volumes of mediated mortgage loans increased by 125 mEUR to 678 mEUR. Deposits from the public increased by 321 mEUR to 1,189 mEUR.

Ikano Bank has had good access to finance during the year and continued satisfactory inflows to savings accounts have made the bank less dependent on other sources of borrowing. The bank's certificate programme has met with a satisfactory response on the capital market. The bank's progress over a five-year period is shown on page 7.

Results

The operating profit amounted to 56 mEUR compared to 18 mEUR for the previous year. The higher operating profit is primarily due to increased revenues from higher managed business volumes and lower loan losses compared to the previous year. The capital market has stabilised over the year and borrowing costs fell compared to 2009, though they remain at a higher level than before the onset of the financial crisis in 2008. The strengthening of SEK against the euro has led to a positive effect on the results of 11 mEUR.

Net interest income rose by 15 mEUR to 89 mEUR over the year. The interest rate margin fell compared to 2009 due to the fact that deposits from the public accounted for a higher proportion of total finance. This high financing cost has to some extent being compensated for by an increase in interest revenues as a consequence of larger lending volumes during the year along with lower borrowing costs from banks and the capital markets compared to 2009.

Net leasing amounted to 32 mEUR, an increase of 8 mEUR during the year, which is explained by the growth in volume in this product area

Net commissions are unchanged at 31 mEUR (31). Additional administrative charges rose by 7 mEUR to 75 mEUR. Most of the increase is explained by planned initial additional expenses for managing portfolios of customers acquired.

The cost of loan losses for the year amounted to 18 mEUR (39 mEUR). Transfer of non-performing building credits to mortgage institutions takes place as a continuous part of our operations and this strategy increases the quality and reduces the risk in our balance sheet. The financial crisis made this more difficult in 2008 and 2009 and for that reason one or two larger portfolios were disposed of in 2010, which reduced loan losses by 10 mEUR. The general recovery on several of our geographical markets means that our customers' ability to pay is being favourably affected and we are seeing an improvement in that respect. Our work within the bank to reduce loan losses has also had the desired effect. The level of loan losses amounted to 1.2% (3.1%).

Employees

As part of the bank's efforts to attract, retain and develop staff, a number of different actions to increase skills have been carried out over the year. A new process for recruitment and introduction of new employees has been implemented in all of the bank's operations. Efforts have also been made in the area of development of leadership through a development programme involving 10 managers (Management Development Program). In addition, all newly appointed managers have undergone the Ikano Bank Culture and Leadership Program, which was held on three different occasions in 2010.

The bank's staff survey, VOICE, along with annual performance management reviews, are also important management tools to allow us to constantly identify areas for improvement and potential for development both for individual staff members and for the bank's operations as a whole.

The number of employees, calculated in terms of annual FTEs, amounted to 421 (411). The number of employees has risen by 9 full-time employees as a consequence of the acquisition of the Finnish business.

Continued efforts have been made during the year in the areas of diversity and female leadership. A mentorship programme for ten women with leadership potential was begun at the end of the year and the bank's commitment to MINE (*Etnisk Mångfald i Näringslivet* [ethnic diversity in trade and industry]) has continued.

Three meetings of the Work Council, which is the bank's forum for participation in decision-making, have been held during the year. 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 for key persons in senior management posts is provided in note 12 Administration costs.

Risks and risk management

Risk management is a well integrated part of day-to-day work within the bank. The bank's main risks consist of credit risk, operational risk and business risk. The bank also manages liquidity risk and market risks such as interest-rate risk and exchange risk. The Board of Directors has established policies stating that the bank must have a low willingness to take risks. Risk management aims to ensure that the risks do not exceed the risk tolerance established by the Board of Directors.

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.

The bank defines operational risk as the risk of direct or indirect losses caused by deficient or incorrect internal processes, procedures and systems, administrative errors or external events and factors. Management of operational risks forms a natural part of the bank's overall risk management. The bank's aim is to guarantee efficient processes, high levels of security and accessibility for the bank's customers and other interested parties and communication of inherent risk to the Ikano Bank management.

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 operations. Loan losses and operational risks are not included in the calculation of business risks. Business risks include reputation risks, which are risks of financial losses caused by a negative reappraisal of the bank's brand by customers, partners or lenders.

The legislation on the European company requires the bank to have the euro as its accounting currency, despite the fact that only a small part of the bank's operations generate income and expenses in euro. It also requires the bank's registered share capital to be expressed in euro. This means that most of the bank's operations – the activities where the underlying transactions take place in SEK – have an accounting exposure to euro. The Swedish krona has risen considerably against the euro during the year, which has brought about an effect on the results which is not explained by the underlying operations or the cash flow deriving from them. According to statutory accounting rules, depreciation on non-monetary assets must take place at the original acquisition value. The bank's leasing assets fall into this category. The effect of this accounting principle on the results in relation to depreciation, write-downs and objects subject to premature settlement in the leasing activities is calculated at +11 mEUR for 2010. The bank's accounting exposure to euro is reduced by the application of hedge accounting.

The bank's risk management objectives and policies are described in more detail in note 3 Risks and risk management.

New external regulations have been introduced during the year and more are expected in 2011. The bank has strengthened its organisation in order to monitor and implement these rules as they enter into force.

Capital adequacy

The bank's capital adequacy continues to be satisfactory and its capital adequacy quota was 1.68 (1.53) at the beginning of the year. For more information on the calculation of capital adequacy, see note 38 Capital management and capital adequacy.

Events after the balance sheet date

No significant events affecting the financial statements occurred after the end of the period.

Prospects for 2011

The bank's focus on simple savings and loan products with limited loan amounts for private individuals and cooperation with selected partners in corporate operations has carried us through the financial crisis with satisfactory results and good indicators concerning returns and capital.

The recovery from the financial crisis is expected to be even more marked in 2011 and we believe that there will be greater demand for new loans, albeit not at the same level as prior to the crisis. The improved financial climate will also serve to increase competition.

Higher market interest rates will have an effect on both deposits and lending. Deposits from the general public form an important part of the bank's finance and we will ensure that we retain the confidence of our customers when it comes to managing their savings.

Organic growth and acquisitions during the year have placed the bank in a stronger position in consumer finance in the Nordic region. We wish to keep to our strategy in our core areas of Corporate, Sales Finance and Consumer and be an attractive option for our partners and customers.

Proposal for the allocation of profits

The following amounts are at the disposal of the Annual Shareholders' Meeting:

Fair value reserve	3,258,690 EUR
Profit brought forward	107,276,855 EUR
Profit/loss for the year	15,187,203 EUR
Total	125,722,748 EUR

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

Carried forward to new accounts	125,722,748 EUR
Allocated to a fair value reserve	3,258,690 EUR

5 year summary

mEUR	2010	2009	2008	2007	2006 ¹⁾
INCOME STATEMENT					
Interest, net	89	75	44	44	40
Leasing income	157	129	71	-	-
Commission, net	31	31	15	10	7
Net gains and losses on financial items	-2	-1	-	-	-
Other operating income	13	7	7	-	-
Total operating income	288	241	137	54	47
General administrative expenses	-75	-67	-39	-26	-22
Depreciation/amortization of tangible and intangible assets	-129	-108	-60	-1	-0
Other operating expenses	-10	-8	-6	-6	-5
Loan losses	-18	-39	-10	-7	-5
Total operating expenses	-232	-223	-115	-40	-32
Operating profit	56	18	23	14	15
Appropriations	-34	14	-3	-	-
Tax expense	-7	-8	-6	-4	-4
Profit for the year	15	24	14	10	11
STATEMENT OF FINANCIAL POSITION					
Loans to credit institutions	70	52	70	63	49
Loans to the public	1 332	1 016	697	576	470
Bonds and other interest bearing securities	150	117	20	20	85
Tangible assets	371	325	152	-	-
Other	49	38	27	16	18
Total assets	1 973	1 548	966	675	622
Liabilities to credit institutions	193	178	84	1	1
Deposits and borrowings from the public	1 189	868	616	536	495
Other	329	311	161	65	26
Provisions	8	7	2	2	2
Subordinated liabilities	62	38	-	-	-
Total liabilities and provisions	1 781	1 403	863	604	524
Untaxed reserves	34	-	14	-	-
Equity	158	145	89	71	98
Total liabilities, provisions and equity	1 973	1 548	966	675	622

1) In accordance with legally-restricted IFRS, with an exception for IAS 39 and IFRS 7.

In 2010, DKK and NOK were converted to EUR at an average exchange rate for DKK of 7.4478 and for NOK of 8.003 and a closing day rate for DKK of 7.4521 and for NOK of 7,7978. In 2009, DKK and NOK were converted to EUR at an average exchange rate of for DKK of 7.4461 and for NOK of 8.7058 and a closing day rate for DKK of 7.4410 and for NOK of 8.2883. 2006-2008 was converted from SEK to EUR at the 2008 closing day rate of 10.9924.

5 year summary

mEUR	2010	2009	2008	2007	2006 ¹⁾
Volumes					
Business volume	3 568	2 758	1 882	1 606	1 457
<i>Customer related loans and deposits, leasing and mediated mortgage loans</i>					
<i>Change during the year, %</i>	29,4	46,6	17,2	10,2	11,5
Loans to the public	1 332	1 016	697	576	470
<i>Change during the year, %</i>	31,1	45,8	21,0	22,6	8,2
Deposits and borrowings from the public	1 189	868	616	536	495
<i>Change during the year, %</i>	37,0	40,9	14,7	8,5	14,4
Capital					
Equity ratio	9,3	9,4	10,3	10,5	15,7
<i>Equity + 73,7 % of untaxed reserves in relation to total assets</i>					
Capital quotient	1,68	1,53	1,58	1,47	-
<i>Capital base in relation to capital requirement</i>					
Capital adequacy ratio	-	-	-	-	11,7
<i>Capital base in relation to risk weighed assets</i>					
Tier 1 capital quotient	1,23	1,20	1,48	1,47	-
<i>Tier 1 capital in relation to capital requirement</i>					
Resultat					
Investment margin	5,1	5,2	5,4	6,8	6,8
<i>Net interest income in relation to average total asset</i>					
Return on capital employed ²⁾	25,1	10,5	20,7	12,4	11,0
<i>Operating profit after 26.3% tax in relation to average equity</i>					
C/I-figures before loan losses	54,5%	57,8%	58,3%	59,6%	57,4%
<i>Operating expenses in relations to operating income with leasing income net reported within operating income</i>					
Credit quality					
Provision ratio for doubtful debts	53,4%	66,4%	66,8%	53,0%	61,8%
<i>Total provision for probable loan losses in relation to doubtful debt, gross</i>					
Proportion doubtful debts	3,1%	3,7%	2,3%	1,1%	0,8%
<i>Doubtful debt, net in relation to total loans to the public and leasing receivables</i>					
Loan loss level	1,2%	3,1%	1,4%	1,4%	1,1%
<i>Loan loss in relation to average loans to the public and leasing receivables</i>					
Other information					
Average employees	421	411	253	180	171

1) In accordance with legally-restricted IFRS, with an exception for IAS 39 and IFRS 7.

2) Calculated according to the tax rate applying in each year.

In 2009 and 2010, DKK and NOK were converted to EUR at each year's average exchange rate and the closing day rate. 2006-2008 was converted from SEK to EUR at the 2008 closing day rate of 10.9924.

Income statement

kEUR	Note	2010	2009
Interest income	5	115 756	101 689
Leasing income	6	157 043	129 322
Interest expense	5	-26 427	-26 874
Dividends received	7	58	-
Commission income	8	46 655	41 131
Commission expense	8	-15 778	-10 182
Net gains and losses on financial transactions	9	-2 354	-788
Other operating income	10	12 981	6 881
Total income		287 934	241 179
General administrative expenses	12	-74 948	-67 492
Depreciation/amortisation and impairments of tangible and intangible assets	21, 22	-128 866	-107 901
Other operating expenses	13	-10 170	-8 587
Total expenses before loan losses		-213 984	-183 980
Profit before loan losses		73 950	57 199
Loan losses, net	14	-18 017	-39 128
Operating profit		55 933	18 071
Appropriations	15	-34 225	14 389
Tax expense	16	-6 521	-8 284
Net profit for the year		15 187	24 176

Statement of comprehensive income

kEUR	2010	2009
Profit for the year	15 187	24 176
Other comprehensive income		
Translation difference, foreign branches	1 051	2 221
Changes in value on financial assets available for sale	-32	-4
Tax expense not related to profit	-1 744	-
Income tax relating to components of other comprehensive income	8	1
Other comprehensive income for the year, net of tax	-717	2 218
Total comprehensive income for the year, net of tax	14 470	26 394

Statement of financial position

KEUR	Note	2010	2009
Assets			
Cash and balances with central banks		3	2
Loans to credit institutions	17	70 065	51 882
Loans to the public	18	1 332 388	1 016 423
Bonds and other interest bearing securities	19	150 057	116 623
Shares and participating interests	20	170	150
Intangible fixed assets	21	9 983	6 282
Tangible fixed assets	22	371 336	324 721
- <i>Equipment</i>		2 977	3 970
- <i>Leasing assets</i>		368 359	320 751
Current tax assets		-	1 579
Other assets	24	25 601	25 855
Deferred tax assets	16	4 302	-
Prepaid expenses and accrued income	25	8 757	4 482
Total assets		1 972 663	1 547 999
Liabilities, provisions and equity			
Liabilities to credit institutions	26	192 945	178 183
Deposits and borrowings from the public	27	1 189 104	867 443
Change in fair value on interest-rate hedged items in the portfolio hedge	28	322	1 008
Issued securities	29	203 306	175 212
Other liabilities	30	83 501	102 402
Accrued expenses and prepaid income	31	42 422	33 281
Provisions		7 769	7 210
- <i>Provisions for pensions</i>	32	2 884	2 405
- <i>Deferred tax liabilities</i>	16	4 885	4 805
Subordinated liabilities	33	61 502	38 151
Total liabilities and provisions		1 780 871	1 402 890
Untaxed reserves	34	34 225	-
Equity	35		
Share capital		9 225	9 225
Statutory reserve		22 619	22 619
Fair value reserve		3 259	2 232
Retained earnings		107 277	86 857
Profit for the year		15 187	24 176
Total equity		157 567	145 109
Total liabilities, provisions and equity		1 972 663	1 547 999
Memorandum items			
Pledged assets	36	none	none
Contingent liabilities		102	266
Commitments		2 880 334	2 355 809

Statement of changes in equity

kEUR	Restricted equity			Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Profit for the year	
Opening balance 2009-01-01	9 223	22 619	15	42 430	14 391	88 677
Appropriation of profit	-	-	-	14 391	-14 391	-
Profit for the year	-	-	-	-	24 176	24 176
Other comprehensive income	-	-	2 218	-	-	2 218
Total comprehensive income for the year	-	-	2 218	-	24 176	26 394
Merger difference	-	-	-	31 419	-	31 419
Group contribution	-	-	-	-1 876	-	-1 876
Tax on group contribution	-	-	-	493	-	493
New share issue	2	-	-	-	-	2
Closing balance 2009-12-31	9 225	22 619	2 232	86 857	24 176	145 109
Opening balance 2010-01-01	9 225	22 619	2 232	86 857	24 176	145 109
Appropriation of profit	-	-	-	24 176	-24 176	-
Profit for the year	-	-	-	-	15 187	15 187
Other comprehensive income	-	-	1 027	-1 744	-	-717
Total comprehensive income for the year	-	-	1 027	-1 744	15 187	14 470
Group contribution	-	-	-	-2 730	-	-2 730
Tax on group contribution	-	-	-	718	-	718
Closing balance 2010-12-31	9 225	22 619	3 259	107 277	15 187	157 567

Statement of cash flow

KEUR	2010	2009
Operating activities		
Operating profit	+55 933	+18 071
<i>Interest paid</i>	-27 191	-28 684
<i>Interest received</i>	+115 436	+101 927
Depreciations/impairments	+3 608	+2 106
Loan losses	+22 630	+32 972
Other adjustments	-605	-1 321
Taxes paid	-4 276	-8 491
Cash flow from operating activities before changes in working capital	+77 290	+43 337
Changes in working capital		
Changes in loans to the public	-336 203	-110 322
Changes in securities	-33 434	-96 238
Changes in deposits and borrowings from the public	320 975	251 571
Changes in leasing assets	-50 000	-66 953
Changes in other assets	-8 105	-3 271
Changes in other liabilities	+5 143	+24 394
Cash flow from operating activities	-24 334	42 518
Investing activities		
Capitalized development fees	-2 523	-1 129
Acquisition of other intangible assets	-3 376	-2 930
Acquisition of equipment	-417	-1 734
Cash flow from investing activities	-6 316	-5 793
Financing activities		
Issuance of interest-bearing securities	+28 094	+150 759
Borrowings from credit institutions	+8 715	-137 360
Borrowings from group companies	+8 151	-67 290
Group contribution paid	-2 013	-1 876
New share issue	-	+2
Cash flow from financing activities	+42 947	-55 765
Cash flow for the year	+12 297	-19 040
Cash and cash equivalents at beginning of year	+51 026	+69 522
Cash and cash equivalents assumed in connection with merger	-	542
Exchange rate differences on cash and cash equivalents	-159	2
Cash and cash equivalents at end of year	+63 164	+51 026

The statement of cash flow 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 "Loans to credit institutions" amounting to 70 mEUR, with a deduction for short-term "Liabilities to credit institutions" of 7 mEUR. The corresponding amounts for the previous year were 52 mEUR and 1 mEUR.

Notes

1 General information

These annual accounts are issued at 31 December 2010 and relate to Ikano Bank SE, which is a European company with its registered office in Älmhult. The head office is located in Lund at Scheelevägen 15, 223 70 Lund. The annual accounts were approved for issue by the Board of Directors on 22 March 2011. The income statement and balance sheet were adopted at an Annual Shareholders' Meeting on 22 March 2011.

The owner of the bank is Ikano S.A. (organisation registration no. B87.842). The parent company's address is: 1, rue Nicolas Welter L-2740 Luxembourg.

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

The bank's operations are affected by the Regulation on the Statute for a European company, SE Regulation (2157/2001/EC) which contains references to the Swedish Companies Act. As far as Sweden is concerned, the Swedish Parliament has also passed an Act on the European company (2004:575) and an associated ordinance (2004:703) which will supplement the SE Regulation. One effect of the European company legislation is that Ikano Bank SE must have the euro as its accounting currency, despite the fact that only a very small part of the bank's operations generate income and expenses in euro, and the bank's registered share capital must also be expressed in euro.

All amounts are reported in the financial reports in thousand euro (kEUR) unless otherwise stated.

2 Accounting principles

These annual accounts have been drawn up in accordance with the *Lag om årsredovisning i kreditinstitut och värdepappersbolag* (ÅRKL) [Swedish 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: Accounts of juridical persons. The bank thereby applies legally-restricted IFRS. This refers to standards adopted subject to the restrictions deriving from RFR 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 accounts are also affected by legislation on the European company. The accounting principles set out below have been applied consistently to all periods presented in the financial reports, unless otherwise stated.

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

Accounting currency in Swedish operations

In accordance with the European company Act, Ikano Bank SE has the euro as its accounting currency despite that its operations generating income and expenses in SEK. The day-to-day transactions in SEK are converted to euro at the exchange rate in force on the transaction date. Monetary assets and liabilities are converted from SEK to euro at the exchange rate in force on the balance sheet date. Intangible and tangible assets and depreciation of those assets is converted at the exchange rate applying at the moment when each asset was acquired. Exchange rate differences arising during the conversions are recognised in the income statement.

Bases for valuation when preparing the bank's financial reports

Assets and liabilities are recognised at their historical acquisition value. Financial assets and liabilities are valued at their amortised cost, except for certain financial assets and liabilities which are valued at fair value. Financial assets and liabilities valued at fair value consist of:

- derivative instruments

Foreign branches

The bank has four different foreign operations carried on in the form of branches. The functional currencies in these foreign units are DKK, NOK, GBP and EUR. Income statements and balance sheets at the foreign branches are converted from the functional currency of the

foreign operations (the branches) 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 recognised in other comprehensive income.

Transactions in foreign currency

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

Transactions and assets and liabilities in currencies other than euro are converted to euro (the accounting currency) in the Swedish operations' activities and not to SEK according to the same principles as for the foreign activities.

Assessments and estimates in the financial statements

To draw up the financial statements 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 recognised 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 bank 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 40 Important assessments and estimates.

Changes in accounting principles

A description is given below of the changes in accounting principles applied by the bank from and including 1 January 2010. Other changes of IFRS applied from and including 2010 have had no material effect on the bank's accounts.

Other comprehensive income

RFR 2 Accounting for legal persons states that revised IAS 1 Presentation of financial statements, should also be applied with regard to legal persons, with certain exceptions. One effect of this, compared with earlier reporting, is that a statement of comprehensive income is

added after the income statement. Another effect is that the report on changes in equity has been changed in such a way that income and expenses that were previously reported directly in equity are now reported in other comprehensive income in the statement of comprehensive income.

Changes in equity

The IASB annual improvement project ('annual improvements process') which was published in May 2010, altered the requirements in IAS 1 Presentation of financial statements with regard to the structure of the report on changes in equity. The bank has chosen to apply these changes early from and including the annual accounts for 2010. The changes mean that, in the report on changes in equity, the balancing of the changes over the year in each component of equity, such as the reserves for accumulated other comprehensive income, do not need to specify each item in other comprehensive income. As permitted in accordance with this change, the bank has chosen to provide information containing a detailed balancing of the reserves and other components of equity in a note instead of in the report on changes in equity. In accordance with the formulations in the amended IAS 1, in the report on changes in equity the comprehensive income for the year has been divided up with separate specifications for the results for the year and the other comprehensive income for the year. This presentation is applied for the current year and the comparison year.

New IFRS and interpretations which have not yet begun to apply

A number of new or amended IFRS enter into force only during the next financial year and had not been prematurely applied when these financial statements were prepared, with the exception of the change in IAS 1, whose application is described in more detail above in the section entitled Changes in accounting principles. There are no plans for the early application of other new features or changes that will be applicable from and including the 2011 financial year onwards.

IFRS 9 Financial Instruments is considered to replace IAS 39 Financial instruments: Accounting and valuation no later than from and including 2013. The IASB has published the first of at least three sections which will together make up IFRS 9. The first section deals with classification and valuation of financial assets. The categories of financial assets contained in IAS 39 are replaced by two categories in which assets will be valued at their fair value or at their amortised cost. Other financial assets are recognised at fair value and the possibility of applying a 'fair value option' as in IAS 39 is

retained. Changes in fair value will be reported in the results, with the exception of value changes in equity instruments which are not held for trading and for which the choice is initially made to report changes in value in other comprehensive income. Changes in value of derivatives in hedge accounting are not affected by this section of IFRS 9 but will be reported in accordance with IAS 39 until further notice. IASB has also decided to change the method for reporting changes in fair value due to changes in own creditworthiness in cases in which a fair value option is applied on own liabilities. The part of the change in fair value of financial liabilities valued at fair value with a fair value option which is due to a change in own credit risk should be reported in other comprehensive income. The remaining part of the change in fair value is reported in the results. Reclassification under the results via other comprehensive income is not possible. 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 2011 or later years.

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 and reported on a monthly basis to the bank's management and Board of Directors

The operations in Denmark, Norway and Stockholm, Sweden, offer financing solutions to corporate customers through rental and leasing agreements mainly via cooperation with partners. Operations in Älmhult, Sweden, offer loans and savings products to private customers. Loan products to private individuals are also offered in the Danish operations. Norway, Denmark, Finland and Älmhult also offer sales support financing to retail trade in the form of card credit to consumers.

The business segments are monitored on the basis of operational results. Income and expenses are attributed directly to the business segment to which the item relates or are allocated in a reliable manner. Central expenses which have not been allocated are reported under Joint Functions. Such expenses consist primarily of IT development and compliance. Eliminations relate primarily to deposits and lending between the central finance department

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's Finance business area are carried out at the head office and payment is received on the basis of actual current costs. Internal monitoring is based on the Ikano S.A. group's report structure and on the Ikano S.A. group's accounting principles. The main difference is the reporting of leasing agreements where the Ikano S.A. group reports the agreements as financial leasing agreements whereas Ikano Bank reports the agreements as operational leasing agreements.

Neither Ikano Bank nor its business segments themselves have 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 bank.

Interest income and interest expense

Interest income on debts and interest expenses on liabilities are calculated and recognised 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 recognised when it is likely that the financial advantages associated with the transaction will accrue to the bank and the fees arising and the fees remaining can be calculated in a reliable manner.

Commission expense

Costs of services received are recognised 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 recognised here.

Net gains and losses on financial transactions

The item Net profit/loss from financial transactions contains the realised and unrealised changes in value arising from the following:

- realisation results from financial assets available for sale
- as appropriate, impairment of financial assets categorised as available for sale
- realised and unrealised changes in value of derivative instruments which are financial hedging instruments but where hedge accounting is not applied
- unrealised value changes in fair value on derivatives where hedge accounting at fair value is applied
- unrealised 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 agreement is an assessment of whether all risks and financial advantages 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 contracts.

Financial leasing contracts are recognised in the income statement and balance sheet as though they were operational leasing contracts, as permitted by RFR 2. Gross leasing income, i.e. before depreciation according to plan, is recognised in the item of leasing income. Depreciation according to plan is distributed over time and recognised 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 recognised in the income statement, except when an underlying transaction is recognised directly against other comprehensive income or 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 recognised

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 realised or settled. Deferred tax is calculated at the rate expected to be applied when the asset is revised.

Financial instruments

Financial instruments recognised in the balance sheet include, on the assets side, loans and accounts receivables, accrued income, interest-bearing securities, shares and participations and derivatives. Liabilities and equity include accounts payable, debts, securities issued and derivatives.

Recognition and derecognition from the balance sheet

A financial asset or a financial liability is recognised 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 realised or extinguished or when the bank 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 recognised as 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 realise the asset and settle the liability.

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

Classification and valuation

Financial instruments are initially recognised 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 recognised at fair value in the income statement, which are recognised at fair value excluding transaction costs. A financial instrument is classified when initially recognised 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 recognised at fair value through profit or loss

This category includes interest and currency swaps to which hedge accounting is not applied. Financial instruments in this category are recognised continuously at fair value with changes in value recognised through profit and loss.

Loans and receivables

Loans and receivables 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 items "Loans to credit institutions", "Loans to the public", "Accrued income" and "Other assets". These assets are valued at amortised cost. The amortised cost is based on the effective interest rate that was estimated at the date of acquisition. Accounts receivable and loan receivables are recognised at the amount expected to be received, i.e. after a reduction for provisions for doubtful debt.

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 recognised continuously at fair value with changes in value recognised in other comprehensive income. Changes in value due to impairments or exchange differences on monetary items (interest-bearing securities) are recognised in the income statement. In the case of sales of assets, the accumulated profit or loss which was previously reported in other comprehensive income is reported in the income statement.

Financial liabilities recognised at fair value through profit and loss

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

Other financial liabilities

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

Loan commitments and unused credits

Loan commitments 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 credit limits refers to credits granted externally. All credit card limits granted and unused may be cancelled with immediate effect.

Irrevocable loan commitments issued have a validity period of two weeks. The bank also has a revocable loan commitment. Loan commitments and unused credits are not recognised in the balance sheet. Loan receivables are recognised in the balance sheet when the amount is paid to the borrower.

Derivatives

Derivatives are initially and continuously recognised at fair value in the balance sheet. Changes in value are recognised in profit and loss. 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 hedge relationships. Changes in the fair value of hedging instruments and hedged items in relation to the hedged risk are recognised 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 unrecognised binding commitments (agreements reported as operational leasing contracts). The items which are hedged where hedge accounting is applied consist of fixed-rate deposits (portfolio hedging) and unrecognised binding commitments (agreements reported as 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 agreements reported as operational leasing agreements (which are in SEK) and euro.

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

The portfolio method applied to hedge accounting of fixed-rate borrowing means that the borrowing is distributed in different time periods on the basis of anticipated maturity times. A suitable amount for hedging in each time period is designated on the basis of the bank's risk management strategy. An efficiency test is carried out each month on the hedge relationships 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 period. 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 recognised on a separate line in the balance sheet. If the hedge relationship is no longer efficient, the relation is discontinued and previously recognised value adjustments are distributed over time periods.

Hedge accounting at fair value is also applied to the exchange risk in unrecognised leasing commitments (agreements reported as operational leasing contracts). The hedging instrument consists of monetary liabilities in the same currency in which the agreements reported as operational leasing agreements are made (SEK). Through hedge accounting, the valuation principles of unrecognised binding commitments are changed so that they are also continuously converted from SEK to euro at the closing day rate. Hedge relationships are established at an individual level. If the efficiency is within the 80-125% range, an adjustment of the value of the hedged item is recognised on the Other assets line of the balance sheet. If the hedge relationship 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 unrecognised 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 recognised in the balance sheet item Bonds and other interest-bearing securities. Information on fair value which is recognised in the balance sheet on the basis of prices from an active market (level 1) is given in note 37 Financial assets and liabilities.

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 calculated with the aid 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 which is recognised in the balance sheet on the basis of a valuation technique is provided in note 37 Financial assets and liabilities. The bank's valuation of a derivative at fair value is based exclusively on input data which is directly or indirectly observable on the market.

In cases where the fair value of unlisted shares cannot be reliably established, the acquisition value, adjusted for any write-downs, is used as an approximation of fair value. Instruments not listed on an active market are recognised in the balance sheet items "Shares and participating interest", "Bonds and other interest-bearing securities", "Deposits and borrowings" from the public" and "Other assets and liabilities".

Loan 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 indicating a need for impairment includes observable information, for example whether the debtor is in financial difficulties or has 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 recognised at amortised 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 of considerable financial difficulties. The bank evaluates whether a need for impairment exists for doubtful loans and whether a loan loss must be recognised on an individual basis for each loan due and for substantial individual loans.

When no need for impairment could be identified for loans evaluated to verify 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 impair-

ment exists at portfolio level. An assessment to establish group impairment is carried out using statistical models which calculate the likelihood that a debt in the various portfolio will not be settled in accordance with the original contract.

The recognised 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 recognised. 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 recognised as a reduction in loan 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 loan loss is considered to have been verified. A loan loss is considered to have been verified upon bankruptcy or when the debt has been forgiven or sold. After write-off, the loan receivables are no longer recognised in the balance sheet. Recovery of previously recognised write-offs is recognised as a reduction in loan losses on the "Loan losses, net" line of the results.

Intangible assets

Intangible assets are recognised 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 recognised 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 recognised as costs on a continuous basis. The recognised 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.

The bank also has intangible assets which consist of acquired customer relationships. These are recognised at their assessed fair value

at the moment of acquisition. The customer relationships have a limited useful life and a depreciation period of three years is applied. The value is reassessed when there is an indication of a reduction in value.

Tangible assets

Tangible fixed assets consist of equipment and leasing objects. Equipment is recognised 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 of 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 recognised as other operating income or expenses.

Leasing contracts are recognised according to the rules for operational leasing. Assets for which leasing contracts have been made where the bank is the lessor are recognised 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 bank is the lessor are recognised in the income statement and balance sheet as operational leasing contracts and are written off using the annuity method. Office equipment and other equipment is normally financed at 36 months with a residual value of between 0 and 10%.

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 recognised as a cost in the income statement as they

are earned. The retirement age for all employees is 65.

Information required for defined-benefit plans contained in collective agreements in accordance with IAS 19 is not obtainable and the bank therefore applies the exception contemplated in UFR 6, which means that information is instead provided as though such plans were defined-contribution plans.

A provision exists in the bank's own balance sheet for parts of the pension plans. The provisions of the Swedish Act on Safeguarding of Pension Obligations and the Swedish Financial Supervisory Authority regulations for estimating the size of commitments apply. 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 Provisions.

Severance pay

A cost for payments in conjunction with termination of employees is recognised only if the bank is unquestionably obligated to terminate an employee prior to the scheduled time in a formal, detailed plan.

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

Variable remuneration

Ikano Bank pays comparatively little variable remuneration and the amounts concerned are low. It is considered that this, along with the criteria existing in order for variable remuneration to be paid, will not contribute to encouraging unsound risk-taking in operations. Variable remuneration that is not due for payment in full within twelve months is discounted. Information on remuneration to be submitted in accordance with Swedish Financial Supervisory Authority regulations is provided on the bank's website: www.ikanobank.se.

Group contribution

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

In accordance with that statement, group contributions must be recognised 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 recognised directly against retained earnings after deduction for its current tax effect.

Contingent liabilities

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

3 Risks and risk management

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 exchange risk.

The bank has a low willingness to take risks and all growth in volumes takes place with controlled, conscious risk-taking. Risk management aims to ensure that the risks do not exceed the risk tolerance established by the Board of Directors. This is ensured by such means as active management of credit risks and operational risks and of continuous monitoring and control and different financial instruments to reduce interest-rate and currency risks.

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 relating to such matters as the management structure and authorisations. The policies are updated on a

continuous basis with at least one review per year.

The control organisation is based on the "three lines of defence" method and the Swedish Financial Advisory Authority general guidelines on management and control of financial companies.

Line 1 is responsible for risk management at local level and must ensure that these operational control systems conform to external and internal regulations. Risk assessments are carried out and monitored by local risk committees and changes in existing procedures are approved by those bodies. Line 1 is responsible for continuous reconciliation and reporting to the Country Manager and line 2.

Line 2 supervises and controls the local units and central departments by continuous balancing and reporting to the CEO and Board of Directors. Line 3 consists of the internal audit unit which works independently on the orders of the Board of Directors.

Operational risk

Ikano Bank defines operational risk as the risk of direct or indirect losses caused by deficient or incorrect internal processes, procedures and systems, administrative errors or external events and factors.

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

Monitoring of incidents and improvements in accessibility are priority areas. The bank has an incident reporting system and threats and risks are continually analysed. The central risk organisation coordinates the work on operational risks but the respective managers are responsible for operational risks in operations. Annual risk reviews are carried out with the management of the various operations at which the largest risks are evaluated and managed in a plan of action. Policies, guidelines and descriptions of procedures are available for the prevention of operational risks and damage limitation. New products, partners and IT systems undergo a risk assessment which includes operational risks.

Management of operational risks forms a natural part of the bank's overall risk management with the aim of guaranteeing efficient processes, high levels of security and accessibility for the bank's customers and other interested parties and communication of inherent risk to the Ikano Bank management.

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 operations. Loan losses and operational risks are not included in any calculation of business risks. Business risks include reputation 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 because cooperation with partners ceases. This is managed through close cooperation and regular monitoring of large partners.

Credit risk

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

Lending activities consist of three product areas: Leasing, Card Credits 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 agencies' rating models and ordinary credit information. Credit checks for Card credits and Unsecured loans are carried out through statistical models.

The bank mainly uses scoring models when assessing credit risks. Scoring models and their statistical basis were introduced in the Swedish units in 1986. The Danish branch has used a scoring model strategy since 1991 and the Norwegian branch 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 assessment is supplemented with information from information companies before the credit is finally approved. The performance capacity and movements in the loan and card portfolios are regularly monitored.

The bank's models for assessing the likelihood that customers will default (probability of default, "PD-models") are based on the Basel II principles for advanced models. PD-models were originally used for establishing provisions for doubtful debts only in Swedish branch but 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 interest bearing 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. With regard to the liquidity portfolio, credit risk management aims to ensure that all investments maintain high credit quality.

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

Credit risk exposure, gross and net

2010 KEUR	Total credit risk exposure (before impairment)	Impairment	Carrying amount	Value of securities regarding items in the balance sheet	Total credit risk exposure after value of securities
Loans to the public	1 387 718	55 330	1 332 388	372	1 332 016
Loans to credit institution	70 065	-	70 065	-	70 065
- AA	54 769	-	54 769	-	54 769
- A	15 296	-	15 296	-	15 296
Leasing receivables	385 503	8 598	376 905	25 542	351 363
Total	1 843 286	63 928	1 779 358	25 914	1 753 444
Bonds and other interest bearing securities					
- AA	53 120	-	53 120	-	53 120
- A	96 937	-	96 937	-	96 937
Total	150 057	-	150 057	-	150 057
Derivatives					
- AA	4 761	-	4 761	-	4 761
- A	1 410	-	1 410	-	1 410
Total	6 171	-	6 171	-	6 171
Commitments					
Credit commitments	18 499	-	18 499	-	18 499
Unused credits ¹⁾	2 861 835	-	2 861 835	-	2 861 835
Other commitments	102	-	102	-	102
Total	2 880 436	-	2 880 436	-	2 880 436
Total credit risk exposure	4 879 950	63 928	4 816 022	25 914	4 790 108

2009 KEUR	Total credit risk exposure (before impairment)	Impairment	Carrying amount	Value of securities regarding items in the balance sheet	Total credit risk exposure after value of securities
Loans to the public	1 103 068	86 645	1 016 423	353	1 016 070
Loans to credit institution	51 882	-	51 882	-	51 882
- AA	51 647	-	51 647	-	51 647
- A	235	-	235	-	235
Leasing receivables	339 603	11 071	328 532	22 649	305 883
Total	1 494 553	97 716	1 396 837	23 002	1 373 835
Bonds and other interest bearing					
- AA	4 880	-	4 880	-	4 880
- A	111 743	-	111 743	-	111 743
Total	116 623	-	116 623	-	116 623
Derivatives					
- AA	1 760	-	1 760	-	1 760
- A	1 954	-	1 954	-	1 954
Total	3 714	-	3 714	-	3 714
Commitments					
Credit commitments	2 750	-	2 750	-	2 750
Unused credits ¹⁾	2 353 059	-	2 353 059	-	2 353 059
Other commitments	266	-	266	-	266
Total	2 356 075	-	2 356 075	-	2 356 075
Total credit risk exposure	3 970 966	97 716	3 873 250	23 002	3 850 248

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

Age analysis of doubtful debts

kEUR	2010	2009
Receivables overdue up to 60 days	7 508	14 212
Receivables overdue > 60 - 90 days	9 001	1 179
Receivables overdue > 90 - 180 days	22 525	9 166
Receivables overdue > 180 - 360 days	15 463	22 646
Receivables overdue > 360 days	26 352	43 409
Receivables defined as doubtful according to the PD-model	38 834	56 553
Total	119 683	147 165

Age analysis, unregulated but unimpaired loan receivables

kEUR	2010	2009
Receivables overdue up to 60 days	156 708	72 514
Receivables overdue > 60 - 90 days	5 321	7 431
Receivables overdue > 90 - 180 days	333	1 204
Receivables overdue > 180 - 360 days	-	542
Receivables overdue > 360 days	-	2 065
Total	162 362	83 756

Securities in the form of repurchase and securities on debts due amount to 8 mEUR (6 mEUR).

Loan receivables according to category of borrower

kEUR	2010	2009
Loan receivables, gross		
- public sector	42 522	40 407
- corporate sector	367 465	309 841
- domestic sector	1 363 235	1 092 423
Total	1 773 222	1 442 671
Doubtful debts	119 683	147 165
- public sector	131	13
- corporate sector	17 946	17 468
- domestic sector	101 606	129 684
Less:		
Specific provisions for individually assessed significant loans and receivables	4 971	7 999
- corporate sector	4 962	7 933
- domestic sector	9	66
Collective provision for individually assessed significant loans and receivables	3 845	3 119
- public sector	257	7
- corporate sector	3 549	2 342
- domestic sector	39	770
Provision for collectively assessed homogenous groups of loans and receivables	55 111	86 598
- corporate sector	157	291
- domestic sector	54 954	86 307
Loan receivables, net reported value		
- public sector	42 265	40 400
- corporate sector	358 797	299 275
- domestic sector	1 308 233	1 005 280
Total	1 709 295	1 344 955

Credit quality, loan receivables

KEUR	2010	2009
Corporate sector	334 606	339 676
Credit score 1-3, low to medium risk	245 170	267 484
Credit score 4-5, higher risk	89 436	72 192
Domestic sector	1 195 405	1 005 279
Credit score 1-3, low to medium risk	1 167 353	659 637
Credit score 4-5, higher risk	28 052	345 642
Total	1 530 011	1 344 955

In 2010 credit scores are given for receivables that are neither due nor doubtful. In 2009, credit scores were given on total lending to the public.

Liquidity risk

Liquidity risk is the risk that Ikano Bank may be unable to fulfil its payments when they fall due without a considerable increase in the cost of payment funds.

Liquidity risks arise when assets and liabilities, including derivative instruments, have different maturity.

The liquidity risk is managed through limits, measurement and effective liquidity planning coordinated by the bank's finance department. The bank carries out regular stress tests of liquidity in order to increase its preparedness and ensure that the bank can cope with situations where sources of finance that are normally available cease to function. A contingency plan exists for serious liquidity situations. Liquidity forecasts, which form an important part of liquidity management, are drawn up on a continuous basis to manage and control the bank's total liquidity. Future needs for liquidity are monitored on a daily basis. Management and monitoring takes place against the bank's liquidity limits as set out in the Finance 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 monitored 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 possible, investments in securities must be disposed of or other sources of finance must be used to reach the minimum permitted volume.

The bank's liquidity portfolio consists of intra-day liquidity and a liquidity reserve. The liquidity reserve is available to the finance department and consists of assets that can quickly be converted to cash.

Surplus liquidity is invested in day loans and securities that are normally held to maturity. The liquidity is invested in Swedish securities of very high credit quality.

The bank's borrowing is safeguarded through deposits from the public, loans from the parent company Ikano S.A., borrowings from credit institutions and the bank's own certificate programme. Long-term planning aims to achieve an optimum balance between financing by the owner and borrowings 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 following tables. The cash flow statement 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 as "Payable on demand". However, the true outcome of the distribution of maturity periods for borrowings runs over several time intervals.

Liquidity risk exposure, reported cash flow – remaining term and expected time of recovery

2010 mEUR	Payable on demand	< 3 months	3 months - 1 year	1 year - 5 years	> 5 year	No maturity	Total	Of which expected recovery time > 12 months
Assets								
Cash and balances with central banks	-	-	-	-	-	-	0	-
Loans to credit institutions	70	-	-	-	-	-	70	-
Loans to the public	-	179	72	251	434	396	1 332	669
Leasing receivables	4	44	97	229	3	-	377	-
Bonds and other interest bearing securities	-	150	-	-	-	-	150	-
Derivatives	-	4	0	2	-	-	6	2
Other assets	4	11	1	2	-	20	38	-
Total assets	78	388	170	484	437	416	1 973	671
Liabilities								
Liabilities to credit institutions	7	186	-	-	-	-	193	-
Deposits and borrowings from the public	1 189	-	-	-	-	-	1 189	1 009
Derivatives	-	2	0	0	-	-	2	0
Issued securities	-	159	44	-	-	-	203	-
Other liabilities	-	58	2	-	-	21	81	-
Accrued expenses and prepaid income	-	32	1	-	-	10	43	-
Provisions	-	-	-	-	-	8	8	-
Subordinated liabilities	-	-	-	-	62	-	62	62
Equity and untaxed reserves	-	-	-	-	-	192	192	-
Total liabilities and equity	1 196	437	47	0	62	231	1 973	1 071
Oredovisade lånelöften	12	-	-	-	-	-	12	-
Operationella leasingavtal	-	0	0	0	-	-	0	-
Difference	-1 130	-49	123	484	376	185	-12	

2009 mEUR	Payable on demand	< 3 months	3 months - 1 year	1 year - 5 years	> 5 year	No maturity	Total	Of which expected recovery time > 12 months
Assets								
Cash and balances with central banks	0	-	-	-	-	-	0	-
Loans to credit institutions	52	-	-	-	-	-	52	-
Loans to the public	-	103	48	411	438	16	1 016	747
Leasing receivables	4	33	68	219	5	-	329	173
Bonds and other interest bearing securities	-	117	-	-	-	-	117	-
Other assets	-	6	1	8	-	19	34	2
Total assets	56	259	117	638	443	35	1 548	922
Liabilities								
Liabilities to credit institutions	1	175	-	-	-	2	178	18
Deposits and borrowings from the public	868	-	-	-	-	-	868	717
Derivatives	-	1	0	1	-	-	2	-
Issued securities	-	135	40	-	-	-	175	-
Other liabilities	-	84	30	4	-	24	142	33
Subordinated liabilities	-	-	-	-	38	-	38	22
Equity and untaxed reserves	-	-	1	-	-	145	145	-
Total liabilities and equity	869	395	70	5	38	171	1 548	790
Credit commitments	3	-	-	-	-	-	3	-
Operating lease	-	-	0	0	-	-	0	-
Difference	-816	-136	47	633	405	-136	-3	

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 risk exposure, nominal cash flow

2010 mEUR	Payable on demand	< 3 months	3 months - 1 year	1 year - 5 years	> 5 year	No maturity	Total
Liabilities and equity							
Liabilities to credit institutions	7	187	-	-	-	-	194
Deposits and borrowings from the public	1 189	-	-	-	-	-	1 189
Derivatives	-	0	1	1	-	-	2
Issued securities	-	160	44	-	-	-	204
Other liabilities	-	79	3	-	-	74	156
Subordinated liabilities	-	-	2	12	78	-	92
Equity and untaxed reserves	-	-	-	-	-	192	192
Total liabilities and equity	1 196	426	50	13	78	266	2 029

2009 mEUR	Payable on demand	< 3 months	3 months - 1 year	1 year - 5 years	> 5 year	No maturity	Total
Liabilities and equity							
Liabilities to credit institutions	1	176	-	-	-	2	179
Deposits and borrowings from the public	868	0	-	-	-	-	868
Derivatives	-	0	0	2	-	-	2
Issued securities	-	135	41	-	-	-	176
Other liabilities	-	78	30	4	-	43	155
Subordinated liabilities	-	1	1	7	45	-	54
Equity and untaxed reserves	-	-	-	-	-	145	145
Total liabilities and equity	869	390	72	13	45	190	1 579

Market risks

Ikano Bank is exposed to market risk in the form of interest-rate risk and currency risk. Market risk means the risk that the fair value of a financial instrument may vary due to changes in market prices. 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 risk. Securities are held for the purpose of retaining sufficient liquidity and are held to maturity with few exceptions. Financial instruments are held to minimise risk from lending and borrowings activities to customers.

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 risk must be minimised so that the interest-rate risk can only affect the income statement to a very limited extent. In accordance with Swedish Financial Supervisory Authority regulations, the bank's interest-rate risks are measured as the change in market values which results 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 year 2010, the change in fair value of the hedged item with regard to the hedged risk amounted to -681.6 (93.6) kEUR and to 757.7 (-5.0) kEUR on hedging instruments (derivatives). The difference of 76.1 kEUR constitutes the period's reported inefficiency, which is mainly due to changes in fair value in the interest-rate swaps' variable position.

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/reduces the net interest income for the next 12-month period by 1,528 (1,731) kEUR.

Interest-rate exposure – fixed interest periods for assets and liabilities

2010 mEUR	< 3 months	3 months - 6 months	> 6 months - 1 year	> 1 year - 5 years	> 5 year	without interest	Total	Remaining average fixed interest term
Assets								
Loans to credit institutions	70	-	-	-	-	-	70	0,2 år
Loans to the public	1 289	23	14	-	-	6	1 332	0,2 år
Leasing receivables	320	4	7	35	2	9	377	0,4 år
Bonds and other interest bearing securities	150	-	-	-	-	-	150	0,2 år
Other assets	3	0	0	2	-	38	44	0,1 år
Total assets	1 832	27	21	37	2	54	1 973	
Liabilities								
Liabilities to credit institutions	193	-	-	-	-	-	193	0,2 år
Deposit and borrowings from the public	1 155	1	8	25	-	0	1 189	0,2 år
Issued securities	159	33	11	-	-	-	203	0,2 år
Other liabilities	40	30	1	1	-	62	134	0,2 år
Subordinated liabilities	-	62	-	-	-	-	62	0,4 år
Equity and untaxed reserves	-	-	-	-	-	192	192	0 år
Total liabilities and equity	1 547	126	20	26	-	254	1 973	
Difference assets and liabilities	285	-99	1	11	2	-200	0	
Interest derivative, fixed interest received ¹⁾	12	2	5	30	-	-	49	1,7 år
Interest derivative, fixed interest paid ¹⁾	42	-	-	7	-	-	49	0,5 år
Cumulative exposure	255	158	164	198	200	0	0	

2009 mEUR	< 3 months	3 months - 6 months	> 6 months - 1 year	> 1 year - 5 years	> 5 year	without interest	Total	Remaining average fixed interest term
Assets								
Loans to credit institutions	52	-	-	-	-	-	52	0,2 år
Loans to the public	969	19	12	-	-	16	1 016	0,2 år
Leasing receivables	284	2	5	26	3	8	328	0,4 år
Bonds and other interest bearing securities	117	-	-	-	-	-	117	0,2 år
Other assets	1	0	0	2	-	31	34	0 år
Total assets	1 423	22	17	28	3	55	1 548	
Liabilities								
Liabilities to credit institutions	178	-	-	-	-	-	178	0,2 år
Deposits and borrowings from the public	825	1	2	37	3	0	868	0,3 år
Issued securities	135	24	16	-	-	-	175	0,2 år
Other liabilities	14	29	2	0	-	99	144	0,1 år
Subordinated liabilities	23	15	-	-	-	-	38	0,3 år
Equity	-	-	-	-	-	145	145	0 år
Total liabilities and equity	1 175	69	20	37	3	244	1 548	
Difference assets and liabilities	248	-47	-3	-9	0	-189	0	
Interest derivative, fixed interest received ¹⁾	20	3	15	20	-	-	58	1,1 år
Interest derivative, fixed interest paid ¹⁾	41	-	1	16	-	-	58	0,8 år
Cumulative exposure	227	-44	11	-5	0	-189	0	

1) Nominal value

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.

2010 mEUR	> 1 year	> 1 year - 5 years	>5 years	Total	Positive market value	Negative market value
<i>Derivative valued at fair value through profit and loss</i>						
Interest related contracts						
Swaps	294	159	-396	57	269	-212
Currency related contracts						
Swaps	1 893	-	-	1 893	4 011	-2 118
Total				1 950		
<i>Derivatives for fair value hedging</i>						
Interest related contracts						
Swaps	419	1 384	-	1 803	1 887	-84
Total				1 803		
Total sum	2 606	1 543	-396	3 753	6 167	-2 414

2009 mEUR	> 1 year	> 1 year - 5 years	>5 years	Total	Positive market value	Negative market value
<i>Derivative valued at fair value through profit and loss</i>						
Interest related contracts						
Swaps	42	-82	-	-40	845	-885
Currency related contracts						
Swaps	-894	-	-	-894	287	-1 182
Total				-934		
<i>Derivatives for fair value hedging</i>						
Interest related contracts						
Swaps	848	1 622	-	2 470	2 580	-109
Total				2 470		
Total sum	-4	1 540	-	1 536	3 712	-2 176

Currency risk

Currency risk is 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 due to the euro being used as the accounting currency, see the sections entitled Accounting standards and Accounting currency in Swedish operations for more details. Hedge accounting is applied to give a more correct result for this currency effect. Net investment in foreign branches 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 30 mEUR.

The realised exchange rate profit/loss of -1.8 (0.7) mEUR is included in the Net profit/loss from financial transactions in the bank's income statement.

Assets and liabilities distributed by significant currencies

2010						
mEUR	SEK	EUR	GBP	DKK	NOK	Total
Assets						
Loans to credit institutions	59	2	-	3	6	70
Loans to the public	893	17	-	277	145	1 332
Leasing receivables	8	195	-	95	79	377
Other assets	175	11	0	4	3	194
Total assets	1 135	225	0	379	234	1 973
Nominal amount currency derivative	-	7	-	-158	-148	-299
Liabilities and equity						
Liabilities to credit institutions	13	-	-	133	47	193
Deposits and borrowings from the public	1 189	-	-	-	-	1 189
Other liabilities and equity	320	143	0	88	39	590
Total liabilities and equity	1 522	143	0	221	86	1 973
Nominal amount currency derivative	-	-	-	-	-	-
Effect (before tax) of an 10 % increase in exchange rate in EUR against foreign currency	39	-9	0	0	0	30
2009						
mEUR	SEK	EUR	GBP	DKK	NOK	Total
Assets						
Loans to credit institutions	52	0	0	-	0	52
Loans to the public	755	13	-	145	103	1 016
Leasing receivables	7	172	-	80	69	328
Other assets	132	6	0	12	2	152
Total assets	946	191	0	237	174	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 liabilities and 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
Effect (before tax) of an 10 % increase in exchange rate in EUR against foreign currency	18,4	-6,5	0,0	1,7	1,8	15,4

4 Business segment

2010							
KEUR	Älmhult B2C	Stockholm B2B	Denmark	Norway	Finland	Elimina- tions	Total
Interest income	85 520	476	25 292	16 300	1 430	-13 262	115 756
Leasing income	1 905	10 659	6 985	6 415	-	-	25 964
Other operating income	26 755	5 709	8 294	11 154	1 203	-2 114	51 001
Operating income	114 180	16 844	40 571	33 869	2 633	-15 376	192 721
Interest expense	-25 355	-2 981	-6 344	-6 109	-362	14 913	-26 238
Other operating expenses	-23 511	-2 776	-3 254	-11 637	-1 506	463	-42 221
Operating expenses	-48 866	-5 757	-9 598	-17 746	-1 868	15 376	-68 459
Expenditures	-32 833	-8 330	-12 683	-12 441	-1 621	-	-67 908
Depreciation/amortisation	-302	-227	-1 472	-361	-5	-	-2 367
Total expenditures	-33 135	-8 557	-14 155	-12 802	-1 626	-	-70 275
Operating result	32 179	2 530	16 818	3 321	-861	-	53 987
Common functions							-6 361
Exchange rate effect							11 275
Other							-2 968
Reported operating result							55 933

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2009	Älmhult	Stockholm			Elimina-	
kEUR	B2C	B2B	Denmark	Norway	tions	Total
Interest income	66 115	534	24 271	12 029	-2 635	100 314
Internal interest income	2 635	-	-	-	-2 635	-
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 expense	-13 614	-1 368	-5 142	-3 125	2 635	-20 614
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
Expenditures	-31 215	-5 983	-9 754	-7 351	-2 400	-56 703
Depreciation/amortisation	-521	-158	-1 023	-366	-	-2 068
Total expenditures	-31 736	-6 141	-10 777	-7 717	-2 400	-58 771
Operating result	18 700	5 005	1 114	2 725	-	27 544
Common functions						-8 487
Other						-986
Reported operating result						18 071

External income

kEUR	2010	2009
Corporate	32 947	29 917
Sales Finance	101 701	86 477
Consumer	57 150	52 248
Other	923	720
Total	192 721	169 362

Statement of financial position

2010	B2C	B2B	Denmark	Norway	Finland	Elimina-	
kEUR						tions	Total
Assets	1 840 389	254 134	379 637	233 898	20 655	-756 050	1 972 663
Liabilities	1 746 446	241 537	346 699	213 965	22 499	-756 050	1 815 096
2009						Elimina-	
kEUR	B2C	B2B	Denmark	Norway	Finland	tions	Total
Assets	1 314 956	194 400	237 836	173 915	16 319	-389 427	1 547 999
Liabilities	1 231 389	169 477	217 678	157 455	16 319	-389 427	1 402 890

5 Net interest income

kEUR	2010	2009
Interest income		
Loans to credit institutions	636	309
Loans to the public	113 946	100 581
Interest bearing securities	568	491
Other	606	308
Total	115 756	101 689
<i>Of which: interest income from financial assets not valued at fair value through profit and loss</i>	115 188	101 198
Interest expense		
Liabilities to credit institutions	-3 928	-10 739
Deposits and borrowings from the public	-16 570	-12 720
<i>of which: deposit assurance fee</i>	-1 083	-725
Issued securities	-2 442	-1 221
Derivatives	-890	521
- <i>hedge accounting</i>	695	934
- <i>not hedge accounting</i>	-1 585	-413
Subordinated liabilities	-2 189	-1 260
Other interest expenses	-408	-1 455
<i>of which: stability fee</i>	-302	-254
Total	-26 427	-26 874
<i>Of which: interest expense from financial liabilities not valued at fair value through profit and loss</i>	-25 259	-24 603
Net interest income	89 329	74 815
Interest margin	4,9%	5,0%
<i>Total interest income in relation to average balance, less total interest expenses in relation to average balance excluding equity and 73,7% of untaxed reserves</i>		
Placement margin	5,1%	5,2%

6 Leasing income

kEUR	2010	2009
Leasing income, gross	157 043	129 322
Less: Depreciation according to plan	-125 258	-105 795
Leasing income, net	31 785	23 527
Leasing income from financial leasing contracts	157 043	129 322
Depreciation according to plan for assets that are financial leasing agreements but are accounted for as operational	-125 258	-105 795
Leasing income, net for financial agreements	31 785	23 527
Interest income	459	115
Interest expenses	-5 498	-7 248
Leasing, net	26 746	16 394

7 Dividends received

kEUR	2010	2009
Unlisted shares	58	-
Total	58	-

8 Net commissions

KEUR	2010	2009
Commission income		
Lending commissions	26 680	18 492
Other commissions	19 975	22 639
Total	46 655	41 131
Commission expenses		
Payment intermediation commission	-3 234	-618
Other commission	-12 544	-9 564
Total	-15 778	-10 182
Commissions, net	30 877	30 949

9 Net gains and losses on financial transactions

KEUR	2010	2009
Other financial instruments	3 232	-255
Exchange rate differences	-5 586	-533
Total	-2 354	-788

Net gain/loss divided per valuation category	2010	2009
Financial asset in fair value through profit and loss	4 021	-285
Change in fair value for derivatives that are hedging instrument in fair value hedging	-789	30
Change in fair value for hedging instrument in hedging for operational leasing contracts	5 480	3 139
Change in fair value for hedged item in hedging for operational leasing contracts	-7 960	-4 339
Exchange rate differences	-3 106	667
Total	-2 354	-788
Net gain or loss on financial assets available for sale accounted for in total comprehensive result	-32	-4

Net profit and net loss relates to realised and unrealised changes in value.

10 Other operating income

KEUR	2010	2009
Capital gain from disposal of tangible assets	3 771	-
Group consultancy services	3 154	2 782
Other operating income	6 056	4 099
Total	12 981	6 881

11 Geographical distribution of income

KEUR	Sweden		Finland		Denmark		Norway		Other	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Interest income	72 691	65 336	1 430	-	25 292	24 271	16 342	12 082	-	-
Leasing income	88 441	75 845	635	732	36 647	30 415	31 320	22 331	-	-
Dividends received	58	-	-	-	-	-	-	-	-	-
Commission income	28 415	23 555	1 211	24	7 760	7 971	9 269	8 795	-	786
Net gains and losses on financial items	-2 348	-788	-6	-	-	-	-	-	-	-
Other operating income	-481	1 244	554	705	5 944	1 412	3 975	1 286	2 990	2 233
Total	186 776	165 192	3 824	1 461	75 643	64 069	60 906	44 494	2 990	3 019

12 General administrative expenses

kEUR	2010	2009
Personnel costs		
- salaries and other remunerations	-24 790	-21 544
- social securities	-5 079	-4 453
- pension costs	-3 885	-2 635
- other personnel costs	-2 239	-2 392
Total personnel costs	-35 993	-31 024
Other administrative expenses		
- postage and telecommunication	-4 554	-4 656
- IT costs	-11 928	-12 622
- consultancy services	-12 299	-7 676
- audit	-345	-323
- rent and other costs for premises	-2 120	-1 939
- office supplies	-4 271	-4 361
- other	-3 438	-4 891
Total other administrative expenses	-38 955	-36 468
Total general administrative expenses	-74 948	-67 492

The increase in costs for consultancy services for the year relates to outsourcing of management in connection with acquisitions.

Salaries, other remunerations and social security expenses

kEUR	2010		2009	
	Senior management	Other employees	Ledande befattningshavare	Other employees
Salaries	-1 655	-22 984	-1 371	-19 782
Variable compensation	-18	-133	-23	-368
Social securities	-526	-4 553	-460	-3 993
Total	-2 198	-27 671	-1 854	-24 143

Personnel costs per country

kEUR	2010	2009
Sweden	-23 556	-20 465
Denmark	-7 288	-6 804
Norway	-4 482	-3 699
Finland	-667	-
England	-	-56
Total	-35 993	-31 024

Of the bank's pension costs, an amount of 329 kEUR (250 kEUR) relates to senior management: 10 (10) persons. The bank has no outstanding pension obligations to senior execu-

tives. Senior executives means current and former Directors, the CEO and the management team 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 S.A. 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 receives remuneration for that work, which is paid by another group company.

Given 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 bank, 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 employee, the notice period is 6

months. The manager of operations in Denmark has a notice period of 12 months. If the agreement is terminated by the employee, the notice period is 6 months. A mutual notice period of 6 months applies in the case of the manager of operations in Finland. 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.

Neither the CEO nor Directors have any 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 provided on the bank's website: www.ikanobank.se.

Salaries and remuneration of the Board of Directors and senior management

2010	Salaries/board fees	Variable compensation	Other benefits	Pension costs	Total
Chairman of the board ¹⁾	-	-	-	-	-
Leif Mellqvist	-11	-	-	-	-11
Ingrid Persson	-11	-	-	-	-11
Klas Danielsson	-11	-	-	-	-11
Cecilia Daun Wennborg	-11	-	-	-	-11
Managing director	-243	-6	-8	-41	-298
Other senior management (9 pcs)	-1 412	-12	-84	-288	-1 796
Total	-1 699	-18	-92	-329	-2 138

2009	Salaries/board fees	Variable compensation	Other benefits	Pension costs	Total
Chairman of the board ¹⁾	-	-	-	-	-
Leif Mellqvist	-9	-	-	-	-9
Johan Björklund	-9	-	-	-	-9
Managing director	-202	-	-6	-38	-246
Other senior management (9 pcs)	-1 100	-23	-62	-212	-1 397
Total	-1 320	-23	-68	-250	-1 661

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

Distribution by gender in board and management	2010	2009
The board		
Women	2	-
Men	5	5
Management team including managing director		
Women	3	2
Men	7	8

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.

Average employees (full time employees)	2010	2009
Women	222	237
Men	199	174
Total	421	411

Employees per country	2010	2009
Sweden	273	280
Denmark	86	83
Norway	53	47
Finland	9	0
England	-	1
Total	421	411

Sick leave	2010	2009
Total sick leave in relation to total work hours	2,60	2,80
Long time sick leave	29,30	2,80
<i>Cohensive sick leave for more than 60 days in relation to total sick leave</i>		
Sick leave men/women		
Men	2,02	2,20
Women	3,04	3,20
Sick leave divided by age		
29 years or less	3,03	3,00
30-49 years	2,41	2,40
50 years or more	3,15	4,20

Remuneration to auditors

Auditing work means assessment of the annual accounts and accounting records and the management by the Board of Directors and the managing directors, other work incumbent on the bank's auditors and advice or other assis-

tance deriving from observation when such assessment is carried out or performance of other work.

kEUR	2010	2009
KPMG AB		
Statutory audit	-249	-235
Other auditing assignments	-3	-
Tax consultancy	-	-
Other services	-5	-88
Total	-257	-323

13 Other operating expenses

kEUR	2010	2009
Marketing expenses	-9 497	-6 928
Other operating expenses	-673	-1 659
Total	-10 170	-8 587

14 Loan losses, net

kEUR	2010	2009 ¹⁾
Specific provision for individually assessed loans and receivables		
Write down for established loan losses	-6 197	-3 575
Reversal of previous provisions for anticipated loan losses reported in the period's account as established loan losses	2 821	1 231
Provisions for the period for anticipated loan losses	-1 887	-6 470
Recovered provisions no longer necessary for anticipated loan losses	2 257	0
Total specific provision for individually assessed loans and receivables	-2 790	-8 646
Collective provision for individually assessed loans and receivables		
Allocations/Withdrawals from collective provisions	-669	-1 132
Total collective provision for individually assessed loans and receivables	-669	-1 132
Loan losses for individually assessed loan and receivables	-3 459	-9 778
Collectively assessed homogenous groups of loans with limited value and similar credit risk		
Write down for established loan losses	-56 051	-5 022
Recoveries from previous periods' established loan losses	4 396	2 733
Allocations/Withdrawals from loan loss reserve	37 097	-27 061
Loan losses for collectively assessed homogenous groups of loans and receivables	-14 558	-29 350
Loan losses, net	-18 017	-39 128

The write-off of verified loan losses and provision/dissolution of reserves for loan losses within homogenous groups of loan receivables for the year has been affected by sales of debts for collection during the year.

1) In order to increase the comparability, the presentation for 2009 has been adjusted according to a new grouping.

15 Appropriations

kEUR	2010	2009
Reversal of tax allocation reserve	-	29
Change in excess depreciation	-34 225	14 360
Total	-34 225	14 389

16 Taxes

Reported in the income statement

kEUR	2010	2009
Tax expense		
Current tax	-10 645	-6 140
Tax related to previous years	-91	-7
Current tax	-10 737	-6 147
Deferred tax	4 216	-2 137
Total tax expense in profit and loss	-6 521	-8 284

Balancing of effective tax

kEUR	2010		2009	
Tax expense for the year	49,5%	-10 737	18,9%	-6 147
Tax according to actual tax rate	26,3%	-5 709	26,3%	-8 537
Difference	23,2%	5 028	-7,4%	-2 390
The difference consists of the following items:				
Non-deductible expenses	-0,5%	105	-0,6%	210
Tax-exempt income	0,1%	-16	0,6%	-197
Tax previous years	-0,4%	91	0,0%	7
Adjustment in connection with application of residual value write-off	-5,9%	1 277	7,4%	-2 413
Tax expense not related to profit	-8,0%	1 744	0,0%	-
Deviating tax rates in other countries	-7,9%	1 713	0,0%	3
Other	-0,5%	114	0,0%	-
Total	23,2%	5 028	-7,4%	-2 390
Current tax	49,5%	-10 737	18,9%	-6 147

Tax relating to other comprehensive income

kEUR	2010			2009		
	Före skatt	Skatt	Efter skatt	Före skatt	Skatt	Efter skatt
Financial assets available for sale	-32	8	-24	-4	1	-3
Tax expense not related to profit	-	-1 744	-	-	-	-
Other comprehensive result	-32	-1 736	-24	-4	1	-3

Tax items that were recognised directly in equity

kEUR	2010			2009		
	Före skatt	Skatt	Efter skatt	Före skatt	Skatt	Efter skatt
Group contributions	-2 730	718	-2 012	-1 876	493	-1 383
Total	-2 730	718	-2 012	-1 876	493	-1 383

Recognised in the balance sheet

kEUR	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
Tangible assets	2 558	-	4 885	4 805
Deviating tax rates in other countries	1 744	-	-	-
Tax assets/liabilities	4 302	-	4 885	4 805

17 Loans to credit institutions

KEUR	2010	2009
Swedish banks		
- swedish currency	58 792	51 193
- foreign currency	11 273	486
Foreign banks	-	203
Total	70 065	51 882

18 Loans to the public

KEUR	2010	2009
Loan receivables, gross		
- swedish currency	912 681	811 210
- foreign currency	475 037	291 858
Total	1 387 718	1 103 068
<i>Of which: doubtful debts</i>	<i>101 854</i>	<i>100 941</i>
Specific provision	-107	-11
Collective provision for individually assessed loans and receivables	-112	-36
Collective provision for homogenous groups of loans and receivables	-55 111	-86 598
Total	1 332 388	1 016 423

Provision for loan losses

KEUR	Individually assessed doubtful debts	Gruppvís värderade osäkra lånefordringar	Summa
Opening balance 1 January 2010	47	86 598	86 645
Acquired opening balance	-	623	623
Provision for loan losses	172	-32 110	-31 938
Closing balance 31 December 2010	219	55 111	55 330

In order to increase the comparability, the presentation for 2009 has been adjusted according to a new grouping. For a definition of doubtful debts, see the section entitled "Financial assets recognised at the accrued historical value" in note 2 Accounting principles.

19 Bonds and other interest-bearing securities

KEUR	2010		2009	
	Fair value	Booked value	Fair value	Booked value
Issued by swedish municipality				
- swedish municipality	1 438	1 438	-	-
Issued of other swedish borrowers				
- mortgage institutions	43 161	43 161	29 277	29 277
- non financial entities	66 691	66 691	43 420	43 420
- financial entities	38 767	38 767	43 926	43 926
Total bonds and other interest bearing securities	150 057	150 057	116 623	116 623
<i>of which: inlisted securities</i>		<i>150 057</i>		<i>116 623</i>
Negativ skillnad till följd av att bokförda värden understiger nominella värden		291		28

20 Shares and participating interests

KEUR	2010	2009
Shares, unlisted	170	150
Total shares and participating interest	170	150

21 Intangible assets

kEUR	Internally developed intangible assets	Acquired intangible assets		Total
	Other intangible assets	Trade- and customer related assets	Other intangible assets	
Cost of acquisition				
Opening balance 1 January 2009	3 409	-	315	3 724
Merged cost of acquisition	201	-	1 135	1 336
Acquisition	-	2 930	-	2 930
Internal developed assets	1 076	-	-	1 076
Sales and disposals	-224	-	-741	-965
Closing balance 31 December 2009	4 462	2 930	709	8 101
Opening balance 1 January 2010	4 462	2 930	709	8 101
Acquisition	-	3 358	18	3 376
Internal developed assets	2 521	-	-	2 521
Avyttringar och utrangeringar	-12	-	-349	-361
Sales and disposals	35	-	198	233
Closing balance 31 December 2010	7 006	6 288	576	13 870
Amortization				
Opening balance 1 January 2009	-864	-	-256	-1 120
Merged accumulated amortization	-197	-	-753	-950
Sales and disposals	224	-	705	929
The year's amortization	-442	-	-303	-745
Exchange rate differences	-1	-	68	67
Closing balance 31 December 2010	-1 280	-	-539	-1 819
Opening balance 1 January 2010	-1 280	-	-539	-1 819
Sales and disposals	12	-	349	361
The year's amortization	-507	-1 560	-140	-2 207
Exchange rate differences	-34	-	-188	-222
Closing balance 31 December 2010	-1 809	-1 560	-518	-3 887
Carrying amount				
1 January 2009	2 545	-	59	2 604
31 December 2009	3 182	2 930	170	6 282
1 January 2009	3 182	2 930	170	6 282
31 December 2009	5 197	4 728	58	9 983

22 Tangible assets

kEUR	Equipment	Leasing assets	Total
Cost of acquisition			
Opening balance 1 January 2009	765	256 341	257 106
Merged cost of acquisition	6 285	171 346	177 631
Acquisition	1 720	209 861	211 581
Sales and disposals	-370	-134 892	-135 262
Closing balance 31 December 2009	8 400	502 656	511 056
Opening balance 1 January 2010	8 400	502 656	511 056
Acquisition	500	220 300	220 800
Sales and disposals	-597	-148 355	-148 952
Exchange rate differences	-	7 719	7 719
Closing balance 31 December 2010	8 303	582 320	590 623
Depreciation			
Opening balance 1 January 2009	-474	-103 278	-103 752
Merged accumulated depreciation	-2 950	-61 522	-64 472
The year's depreciation	-1 346	-106 705	-108 051
Sales and disposals	314	88 099	88 413
Exchange rate differences	26	7 952	7 978
Closing balance 31 December 2009	-4 430	-175 454	-179 884
Opening balance 1 January 2010	-4 430	-175 454	-179 884
The year's depreciation	-1 408	-117 963	-119 371
Sales and disposals	511	96 220	96 731
Exchange rate differences	1	-12 292	-12 291
Closing balance 31 December 2010	-5 326	-209 489	-214 815
Write-downs			
Opening balance 1 January 2009	-	-1 069	-1 069
Merged accumulated write-downs	-	-1 440	-1 440
The year's write-downs	-	-3 942	-3 942
Closing balance 31 December 2009	-	-6 451	-6 451
Opening balance 1 January 2010	-	-6 451	-6 451
Reversed write-downs	-	1 118	1 118
Exchange rate differences	-	861	861
Closing balance 31 December 2010	-	-4 472	-4 472
Carrying amount			
1 January 2009	291	151 994	152 285
31 December 2009	3 970	320 751	324 721
1 January 2010	3 970	320 751	324 721
31 December 2010	2 977	368 359	371 336

Of the total reported value of leasing objects, 198 kEUR (243) relates to recovered leasing objects, of which 75 kEUR (136) has been allocated to a reserve. Problem credits amount to 17,230 kEUR (16,259), of which 8,002 kEUR (10,394) has been allocated to a reserve. The residual value guaranteed by the supplier amounts to 3,761 kEUR (6,722).

Change of write-down for financial leasing agreements reported as operational leasing agreements

kEUR	2010	2009
Opening balance 1 January	10 394	1 069
Merged accumulated write-downs	-	3 107
The year's write-down for loan losses	2 553	7 237
Reversal of no longer necessary provision for loan losses	-2 257	-
Reversal of previous provisions for anticipated loan losses reported in the period's account as established loan losses	-2 821	-1 231
Exchange rate difference	133	212
Closing balance 31 December	8 002	10 394

23 Leasing

Ikano Bank SE as lessor

The bank owns assets which are leased out to customers through financial leasing agreements which, in accordance with the rules on legally restricted IFRS, are recognised as operational leasing agreements. The assets are therefore recognised 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	2010	2009
Non-cancellable agreements is allocated as follows:		
< 1 year	155 361	132 877
1 - 5 years	252 570	215 563
> 5 years	3 178	3 561
Total	411 109	352 001

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.

Leasing fees entered as expenses in 2010 amount to 544 kEUR. Future minimum leasing fees for operational leasing contracts that cannot be cancelled amount to and are distributed as follows:

kEUR	2010	2009
Non-cancellable agreements is allocated as follows:		
< 1 year	636	514
1 - 5 years	920	563
> 5 years	-	-
Total	1 556	1 077

24 Other assets

kEUR	2010	2009
Positive value of derivative instrument	6 170	3 713
Accounts receivables	9 640	16 999
Accounts receivables to group	660	353
Other assets	9 131	4 790
Total	25 601	25 855

25 Prepaid expenses and accrued income

kEUR	2010	2009
Accrued interest income	1 224	904
Other prepaid expenses and accrued income	7 533	3 578
Total	8 757	4 482

26 Liabilities to credit institutions

kEUR	2010	2009
Swedish banks	133 323	104 094
Foreign banks	59 622	74 089
Total	192 945	178 183

27 Deposits and borrowings from the public

kEUR	2010	2009
Public		
Deposits from Swedish public	1 189 104	867 443
Total	1 189 104	867 443
Deposits divided by category of borrower		
Corporate sector	26 767	20 770
Domestic sector	1 162 337	846 673
Total	1 189 104	867 443

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

kEUR	2010	2009
Opening balance	1 008	1 080
Change in fair value for the period	-686	-72
Closing balance	322	1 008

29 Issued securities

kEUR	2010	2009
Certificate of deposit	203 306	175 212
Total	203 306	175 212

30 Other liabilities

kEUR	2010	2009
Negative value of derivative instrument	2 416	2 176
Account payables	22 178	17 200
Preliminary tax, interests	3 753	2 759
Group liabilities	34 918	65 774
Tax liability	1 784	-
Other	18 452	14 493
Total	83 501	102 402

31 Accrued expenses and prepaid income

kEUR	2010	2009
Accrued interest expenses	5 023	4 955
Accrued personnel expenses	5 208	3 903
Prepaid leasing rents	20 658	18 784
Accrued expenses regarding leasing insurance	3 008	-
Other accrued expenses	8 525	5 639
Total	42 422	33 281

32 Provisions

kEUR	2010	2009
Provisions for pensions	2 884	2 405
Total	2 884	2 405

Capital value of pension obligation

Capital value of pension obligation in the beginning of the year	2 405	2 154
+ pension cost, excluding interest expense, reported in income statement		
+Interest expense	138	90
- Pension payments	-17	-12
+Exchange rate difference	328	158
= Provision for pensions	2 884	2 405
Of which credit insured via FPG/PRI	2 884	2 405

Pension cost reported in income statement

Current service cost	30	15
+ Interest expense	138	90
= Pension cost defined benefit pension plans	168	105
Pensions through premiums		
+ Premiums paid	3 242	2 203
= Total pension cost excluding taxes	3 410	2 308

Next year's anticipated payment in respect of defined-benefit pension plans amounts to 17 kEUR.

33 Subordinated liabilities

kEUR	Currency	Nom	Interest	Due date	Booked value	
					2010	2009
Subordinated loan 1	SEK	70 000	2,45%	2017-03-27	7 761	6 833
Subordinated loan 2	NOK	35 000	3,49%	2017-03-27	4 488	4 223
Subordinated loan 3	DKK	90 000	5,57%	2017-03-27	12 077	12 095
Subordinated loan 4	EUR	15 000	4,80%	2019-12-17	15 000	15 000
Subordinated loan 5	SEK	150 000	4,30%	2020-06-23	16 632	-
Subordinated loan 6	SEK	50 000	4,30%	2020-08-25	5 544	-
Total					61 502	38 151
<i>of which: Group company</i>					<i>61 502</i>	<i>38 151</i>

Corporate loans are subordinate to the bank's other liabilities, which means that they entail a right to payment only after the other creditors have received payment. Two new corporate loans were arranged in 2010 to strengthen the capital base in connection with acquisitions. The interest expenses for the year for subordinated liabilities amount to 2,189 kEUR.

34 Untaxed reserves

kEUR	2010	2009
Accumulated accelerated depreciation	34 225	-
Total untaxed reserves	34 225	-

35 Equity

The number of shares amounts to 10,002, with a quota value of EUR 922. Quota value means share capital divided by the number of shares.

Restricted reserves

Restricted reserves are not available for distribution.

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 in-

cludes translation differences when consolidating the bank's foreign branches.

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.

Changes in equity

For a specification of changes in equity during the period, see the report on changes in equity.

kEUR	2010	2009
Fair value reserve		
Opening balance fair value reserves	3	7
Financial assets available for sale		
Change in fair value reported in other comprehensive result	-32	2
Recognised in income statement on disposal	-	-7
Tax revaluations	8	1
Closing balance fair value reserve	-20	3
Translation difference		
Opening balance	2 229	8
Translation difference, branches	1 051	2 221
Closing balance translation difference	3 279	2 229
Closing balance fair value reserve	3 259	2 232

36 Memorandum items

kEUR	2010	2009
Contingent liabilities		
Guarantees	44	218
PRI	58	48
Total	102	266
Commitments		
Loan commitments, irrevocable	11 649	2 750
Loan commitments, revocable	6 850	0
Unused credit limits	2 861 835	2 353 059
Total	2 880 334	2 355 809

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

37 Financial assets and liabilities

Information on reported and fair values per category of financial instrument are summarised below. Note 2 Accounting Principles contains descriptions of how the fair value is established for financial assets and liabilities which are recognised at fair value in the balance sheet. For short-term liabilities, deposits 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 recognised 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 borrowings

Fair value on deposits and borrowings is calculated on the basis of current market interest rates where the original credit spread of the borrowings 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 borrowings 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 maturity of less than six months, the carrying amount is considered to reflect the fair value.

2010 mEUR	Financial assets recognised at fair value in the income statement	Loans and receivables	Financial assets available for sale	Financial liabilities recognised at fair value in the income statement	Other liabilities	Derivatives used in hedge accounting	Total reported value	Fair value
	Cash	-	0	-	-	-	-	0
Loans to credit institutions	-	70	-	-	-	-	70	70
Loans to the public	-	1 332	-	-	-	-	1 332	1 325
Bond and other interest bearing securities	-	-	150	-	-	-	150	150
Shares and participating interest	-	-	0	-	-	-	0	0
Derivatives	4	-	-	-	-	2	6	6
Accrued income	-	9	-	-	-	-	9	9
Other financial assets	-	22	-	-	-	-	22	22
Total	4	1 433	150	-	-	2	1 589	1 582
Liabilities to credit institutions	-	-	-	-	193	-	193	193
Deposits and borrowings from the public	-	-	-	40	1 149	-	1 189	1 189
Issued securities	-	-	-	-	203	-	203	203
Derivatives	-	-	-	0	-	2	2	2
Other liabilities	-	-	-	-	174	-	174	174
Accrued expenses	-	-	-	-	33	-	33	33
Subordinated liabilities	-	-	-	-	63	-	63	62
Total	-	-	-	40	1 815	2	1 857	1 856

2009 mEUR	Financial assets recognised at fair value in the income statement	Loans and receivables	Financial assets available for sale	Financial liabilities recognised at fair value in the income statement	Other liabilities	Derivatives used in hedge accounting	Total reported value	Fair value
	Cash	-	0	-	-	-	-	0
Loans to credit institutions	-	52	-	-	-	-	52	52
Loans to the public	-	1 016	-	-	-	-	1 016	1 016
Bond and other interest bearing securities	-	-	117	-	-	-	117	117
Shares and participating interest	-	-	0	-	-	-	0	0
Derivatives	1	-	-	-	-	3	4	4
Accrued income	-	4	-	-	-	-	4	4
Other financial assets	-	24	-	-	-	-	24	19
Total	1	1 097	117	-	-	3	1 217	1 212
Liabilities to credit institutions	-	-	-	-	178	-	178	178
Deposits and borrowings from the public	-	-	-	45	823	-	868	868
Issued securities	-	-	-	-	175	-	175	175
Derivatives	-	-	-	2	-	0	2	2
Other liabilities	-	-	-	-	109	-	109	106
Accrued expenses	-	-	-	-	33	-	33	33
Subordinated liabilities	-	-	-	-	38	-	38	38
Total	-	0	-	47	1 357	0	1 403	1 401

Financial reports

The following table contains information on how the fair value is determined for the financial instruments recognised 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:

- 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

2010

mEUR

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments				
Interest swaps	-	268	-	268
Currency swaps	-	4 012	-	4 012
Financial assets available-for-sale				
Bonds and other interest bearing securities	-	150 057	-	150 057
Financial liabilities				
Financial instruments				
Interest swaps	-	212	-	212
Currency swaps	-	2 118	-	2 118

2009

mEUR

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments				
Interest swaps	-	845	-	845
Currency swaps	-	287	-	287
Financial assets available-for-sale				
Bonds and other interest bearing securities	-	116 623	-	116 623
Financial liabilities				
Financial instruments				
Interest swaps	-	885	-	885
Currency swaps	-	1 182	-	1 182

38 Capital management and capital adequacy

For the establishment of the statutory capital requirements, the Swedish 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 apply.

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 and currency risks. The capital requirement also includes further identified risks in the operations in accordance with the bank's capital evaluation and the requirements imposed on operations by the Board of Directors.

The bank has a process for internal capital assessment (IKU – Intern kapitalutvärdering [Internal Capital Assessment]) in order to assess whether the internal capital is sufficient to form a basis for current and future operations. This process is a tool that ensures that the bank clearly and accurately identifies, assesses and manages all the risks it is exposed to and carries out an assessment of the internal need for capital in relation to them. This includes the requirement that the bank should have suitable management and control functions and risk-management systems. Supervision of the bank's capital planning forms an integral part of the work carried out on the bank's annual business plan. The plan is monitored continuously during the year and an overall risk analysis is carried out annually to ensure that the risks are correctly considered and reflect the bank's true risk profile and need for capital. The implementation and results of the capital assessment

process are reported annually to the Swedish Financial Supervisory Authority.

The bank has a capital base of 230 mEUR, compared to the capital requirement of 137 mEUR, which means a margin of 68 percentage points. The bank therefore has very good capital adequacy which fulfils both statutory and internal requirements.

When estimating the capital requirement in accordance with Financial Supervisory Authority regulations, the bank uses the standardised approach for credit risks and the base indicator approach for operational risks. 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 which is in line with 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. The bank has no exposures to report in accordance with the Swedish Large Exposures Act.

Information is provided below on the information required concerning the capital base and the capital requirement 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 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.

Capital base and capital requirement

kEUR	2010	2009
Tier 1 capital	168 506	138 824
Tier 2 capital	61 502	38 151
Capital base	230 008	176 975
Capital requirements for credit risk according to the standardised approach	109 918	85 977
Capital requirements for operational risks according to the base indicator approach	19 580	23 561
Capital requirements for currency risk	7 035	6 107
Total capital requirements	136 533	115 645
Capital quotient	1,68	1,53

Financial reports

KEUR	2010	2009
Capital base		
Tier 1 capital		
Equity in statement of financial position	157 586	145 110
Untaxed reserves (73.7%)	25 224	-
Less: - Intangible assets and deferred tax assets	-14 285	-6 282
- Unrealised changes in fair value reserve	-19	-4
Total tier 1 capital	168 506	138 824
Tier 2 capital		
Subordinated liabilities	61 502	38 151
Total tier 2 capital	61 502	38 151
Capital base	230 008	176 975
Capital requirement		
Credit risk according to the standardised approach		
Institutional exposures	2 598	2 104
Corporate exposures	10 391	8 815
Domestic exposures	89 178	69 295
Unsettled items	3 744	3 482
Other items	4 007	2 281
Total capital requirements for credit risk	109 918	85 977
Operational risk		
Base indicator approach	19 580	23 561
Total capital requirements for operational risk	19 580	23 561
Currency risk		
Currency risk	7 035	6 107
Total capital requirements for currency risk	7 035	6 107
Total minimum capital requirement	136 533	115 645

39 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 S.A., Luxembourg.

Transactions with affiliates are priced on market conditions.

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 General administration costs.

KEUR	Year	Income	Expenses	Receivables 31 December	Liabilities 31 December
Ikano S.A.	2010	7	-3 111	7	94 173
Ikano S.A.	2009	18	-3 630	10	86 056
Other group company	2010	6 541	-617	1 375	3 290
Other group company	2009	5 664	-1 367	794	18 476

40 Important assessments and estimates

The bank 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 bank's accounting principles

Hedge accounting

In order for a financial instrument to qualify as a hedge relationship it is crucial that the bank expects hedging to be highly efficient across the term of the hedging instrument. For quantitative information see note 3 Risks and risk management

Important sources of uncertainty in estimates

Impairments for loan losses

Group loss reserves are applied to loan losses in portfolios of debts with similar financial proper-

ties where the objective indications are that a risk of a loss in the portfolio exists. When assessing the need for group loan 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 Risks and risk management

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 loan losses are regularly checked by the bank's department of independent risk control.

Älmhult, 22 March 2011

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 operations and nothing of any significance has been omitted that could affect the view of the bank provided by the annual report.

Birger Lund
Chair

Bo Liljegren
CEO
and Board member

Ingrid Persson
Board member

Cecilia Daun Wennborg
Board member

Leif Mellqvist
Board member

Klas Danielsson
Board member

Mats Håkansson
Board member

Our auditor's report was submitted on 22 March 2011.

KPMG AB

Anders Bäckström
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, the accounting records and the administration of the board of directors and the managing director of IKANO Bank SE for the year 2010. These accounts and the administration of the company and the application of the Swedish Annual Accounts Act for Credit Institutes and Securities Companies when preparing the annual accounts are the responsibility of the board of directors and the managing director. 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 auditing 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, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director 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 managing director. We also examined whether any board member or the managing director has, in any

other way, acted in contravention of the Swedish Banking and Finance Business Act, the Swedish 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 Swedish Annual Accounts Act for Credit Institutes and Securities Companies and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the board of directors and the managing director be discharged from liability for the financial year.

Lund, 22 March 2011

KPMG AB

Anders Bäckström
Authorised Public Accountant