

Interim report

January - June 2011

Ikano Bank SE

Registration no 517100 – 0051

IKANO
BANK

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All amounts in this interim report are given in thousand EUR (kEUR) unless stated otherwise.
The amounts within parentheses represent the corresponding period of the preceding year.

About Ikano Bank SE

Ikano Bank SE is a European company with its registered office in Älmhult and head office in Lund. The bank started operations in 1995 and is part of the Ikano group's Finance business area. This business area carries out banking and finance company operations in nine countries in Europe. Ikano Bank SE is owned by Ikano S.A., which has its registered office in Luxembourg.

Operations

Ikano Bank SE carries out banking operations in Sweden, Denmark, Norway and Finland. These operations are subject to a licence from *Finansinspektionen* [Swedish Financial Supervisory Authority]. The operations in Denmark, Norway and Finland are carried out as branches of the Swedish operations. The bank has a branch in the United Kingdom for issuing Visa cards. The result of these operations amounted to EUR 0 million (0) in the period.

The operations consist of three product areas: Corporate, Sales Finance and Consumer. The Corporate product area offers financial services such as leasing and hire of primarily office-related products and factoring services to companies and organisations. Sales Finance administers and markets services for financing and sales support, primarily to the retail sector. The Consumer product area consists of traditional banking operations and offers private individuals simple, favourable services for saving and borrowing.

The bank's profit

The operating profit for the first half of 2011 was EUR 29.5 million (28.5).

Net interest income was EUR 51.6 million (40.9), an increase on the corresponding period of the preceding year that is explained by the increased customer volumes the bank is administering, primarily as a consequence of the acquisition of credit portfolios in Norway, Denmark and Sweden during the second half of 2010. Income from leasing operations increased by EUR 11.1 million to EUR 86.7 million. This is the consequence of good volume growth on all our markets. Net commission increased by EUR 4.1 million to EUR 21.7 million. The increase is due to higher commission income in lending operations as a consequence of the high customer and volume growth during the latter part of 2010.

Operating expenses amounted to EUR 123.8 million, an increase of EUR 19.4 million on the corresponding period of 2010. This is

explained partly by increased costs for the depreciation of leasing assets on behalf of customers and partly by increased marketing and system development investments.

Net loan losses amounted to EUR 13.9 million (6.1). In June 2010, portfolios of non-performing credits were disposed of in Denmark and Sweden. This had a positive effect on loan losses. Customers' solvency has clearly improved on virtually all markets since the crisis year of 2009, which means that loan losses are considered to be at a satisfactory level. The loan loss ratio for the period was 1.7% (0.9).

The bank's position

Since year-end, deposits from the public have increased by EUR 94.5 million and amounted to EUR 1,284 million at the end of the period. The bank has had a continuous increase in deposit volumes since 2009, with an increase of 30% in the past 12 months. This demonstrates continued high confidence from customers in having Ikano administer their savings.

Loans to the public amounted to EUR 1,289 million after provisions for loan losses. This is a reduction of EUR 44 million since year-end. The reduction is due to a high repayment rate in the Danish consumer credit portfolio acquired from Citibank in 2010. The growth in other consumer volumes is still being affected by the reduced will to consume since the financial crisis. Leasing assets held on behalf of customers have increased by EUR 14.3 million since the year-end and amount to EUR 382.6 million. This is the result of high demand for financing at our partners on all our geographical markets.

Mediated mortgage loans by SBAB amounted to EUR 634.1 million, a reduction of EUR 43.9 million since the year-end as a consequence of reduced demand, which has been affected by adjustment of the home loan ceiling and the increased general interest rate situation. At the end of the period, the total volume of business was EUR 3,601 million, an increase of 1.9% since the year-end.

At the end of the first half of the year, the capital base was EUR 230 million. The statutory capital adequacy requirement amounted to EUR 142 million. The capital ratio was thus 1.61 (1.62 as at 31/12/2010).

Forecast

Ikano Bank is financially strong with good key ratios in terms of profit, liquidity and capital. Organic growth and the acquisitions during

2010 have given the bank a strong position in consumer financing in the Nordic region. In the turbulence currently prevailing on the financial market, Ikano Bank expects continued restraint in household consumption. This will affect the demand from the retail sector for sales financing. In the Consumer product area, we predict retained volumes. The good growth

in deposits is expected to continue, helped in part by the turbulence on the stock markets, which further boosts the bank's liquid position. In the Corporate product area, we predict continued good growth. The bank's positive growth is expected to continue during the second half of 2011.

Income statement

kEUR	Note	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Interest income	1	72 643	51 707	115 756
Leasing income		86 687	75 584	157 043
Interest expense	1	-21 052	-10 778	-26 427
Dividends received		-	58	58
Commission income		28 626	23 091	46 655
Commission expense		-6 960	-5 574	-15 778
Net gains and losses on financial transactions		-2 607	-873	-2 354
Other operating income		9 956	5 861	12 981
Total income		167 293	139 076	287 934
General administrative expenses		-46 313	-36 765	-74 948
Depreciation/amortisation and impairments of tangible and intangible assets		-70 598	-62 246	-128 866
Other operating expenses		-6 938	-5 482	-10 170
Total expenses before loan losses		-123 849	-104 493	-213 984
Profit before loan losses		43 444	34 583	73 950
Loan losses, net	2	-13 924	-6 097	-18 017
Operating profit		29 520	28 486	55 933
Appropriations		-	-	-34 225
Tax expense		-8 232	-7 879	-6 521
Net profit for the period		21 288	20 607	15 187

Statement of comprehensive income

kEUR	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Profit for the period	21 288	20 607	15 187
Other comprehensive income			
Translation difference, foreign branches	39	677	1 051
Changes in value on financial assets available for sale	-10	-31	-32
Tax expense not related to profit	-	-	-1 744
Income tax relating to components of other comprehensive income	-	-	8
Other comprehensive income for the period, net of tax	29	646	-717
Total comprehensive income for the period, net of tax	21 317	21 253	14 470

Balance sheet

kEUR	Note	30 Jun 2011	30 Jun 2010	31 Dec 2010
Assets				
Cash and balances with central banks		2	1	3
Loans to credit institutions		73 049	85 449	70 065
Loans to the public	3	1 288 713	1 101 180	1 332 388
Bonds and other interest bearing securities		180 892	89 145	150 057
Shares and participating interests		168	161	170
Intangible fixed assets		10 059	9 169	9 983
Tangible fixed assets	4	386 190	348 715	371 336
Other assets		36 628	34 986	25 601
Deferred tax assets		4 241	-	4 302
Prepaid expenses and accrued income		13 648	4 164	8 757
Total assets		1 993 590	1 672 970	1 972 663
Liabilities, provisions and equity				
Liabilities to credit institutions		148 434	169 623	192 945
Deposits and borrowings from the public	5	1 283 517	986 798	1 189 104
Change in fair value on interest-rate hedged items in the portfolio hedge		679	919	322
Issued securities	6	167 051	161 729	203 306
Other liabilities		47 771	82 237	83 501
Accrued expenses and prepaid income		63 973	42 629	42 422
Provisions		7 978	8 117	7 769
- Provisions for pensions		3 084	2 686	2 884
- Deferred tax liabilities		4 894	5 431	4 885
Subordinated liabilities		61 078	54 556	61 502
Total liabilities and provisions		1 780 481	1 506 608	1 780 871
Untaxed reserves		34 225	-	34 225
Equity				
Share capital		9 225	9 225	9 225
Statutory reserve		22 619	22 619	22 619
Fair value reserve		3 288	2 878	3 259
Retained earnings		122 464	111 033	107 277
Profit for the period		21 288	20 607	15 187
Total equity		178 884	166 362	157 567
Total liabilities, provisions and equity		1 993 590	1 672 970	1 972 663
Memorandum items				
Pledged assets		none	none	none
Contingent liabilities		57	137	102
Loan promises		20 161	17 997	18 499
Granted unused credits		2 935 802	2 513 736	2 861 835

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 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
Opening balance 2011-01-01	9 225	22 619	3 259	107 277	15 187	157 567
Appropriation of profit	-	-	-	15 187	-15 187	-
Profit for the period	-	-	-	-	21 288	21 288
Other comprehensive income	-	-	29	-	-	29
Total comprehensive income for the period	-	-	29	-	21 288	21 317
Closing balance 2011-06-30	9 225	22 619	3 288	122 464	21 288	178 884

Cash flow statement

kEUR	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Operating activities			
Operating profit	+29 520	+28 486	+55 933
<i>Interest paid</i>	-7 569	-12 588	-27 191
<i>Interest received</i>	+72 520	+51 945	+115 436
Depreciations	+2 041	+1 398	+3 608
Loan losses	+14 715	+9 637	+22 630
Other adjustments	+10 485	+5 982	-605
Taxes paid	-2 191	-2 355	-4 276
Cash flow from operating activities before changes in working capital	+54 570	+43 148	+77 290
Changes in working capital			
Changes in loans to the public	28 960	-94 394	-336 203
Changes in securities	-30 835	27 478	-33 434
Changes in deposits and borrowings from the public	94 770	119 266	320 975
Changes in leasing assets	-14 291	-24 569	-50 000
Changes in other assets	-16 122	-8 828	-8 105
Changes in other liabilities	+2 957	-2 867	+5 143
Cash flow from operating activities	+120 009	+59 234	-24 334
Investing activities			
Capitalised development fees	-1 360	-3 562	-2 523
Acquisition of other intangible assets	-	-	-3 376
Acquisition of equipment	-1 320	-146	-417
Cash flow from investing activities	-2 680	-3 708	-6 316
Financing activities			
Issuance of interest-bearing securities	-36 255	-13 483	+28 094
Borrowings from credit institutions	-39 131	-9 109	+8 715
Borrowings from group companies	-31 166	+2 191	+8 151
Group contribution paid	-2 730	-2 013	-2 013
Cash flow from financing activities	-109 282	-22 414	+42 947
Cash flow for the period	+8 047	+33 112	+12 297
Cash and cash equivalents at beginning of year	+63 164	+51 026	+51 026
Exchange rate differences on cash and cash equivalents	317	-93	-159
Cash and cash equivalents at end of period	+71 528	+84 045	+63 164

The cash flow statement has been prepared using the indirect method. The cash flow reported only includes transactions that involve inward or outward payments. Liquid funds are defined as short-term 'Loans to credit institutions' less short-term 'Liabilities to credit institutions'.

Notes

1 Net interest income

kEUR	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Interest income			
Loans to credit institutions	274	157	636
Loans to the public	70 628	51 262	113 946
Interest bearing securities	1 741	159	568
Other	0	129	606
Total	72 643	51 707	115 756
Interest expense			
Liabilities to credit institutions	-2 248	-2 141	-3 928
Deposits and borrowings from the public	-15 845	-6 278	-16 570
<i>of which: deposit assurance fee</i>	<i>-745</i>	<i>-525</i>	<i>-1 083</i>
Issued securities	-2 121	-1 061	-2 442
Derivatives	1 001	-422	-890
- <i>hedge accounting</i>	<i>1 780</i>	<i>424</i>	<i>695</i>
- <i>not hedge accounting</i>	<i>-779</i>	<i>-846</i>	<i>-1 585</i>
Subordinated liabilities	-1 569	-866	-2 189
Other interest expenses	-270	-10	-408
Total	-21 052	-10 778	-26 427
Net interest income	51 591	40 929	89 329

2 Loan losses, net

kEUR	Jan-Jun 2011	Jan-Jun 2010	Jan-Dec 2010
Specific provision for individually assessed loans and receivables			
Write down for established loan losses	-1 678	-1 418	-6 197
Reversal of previous provisions reported in the periods account as established loan losses	1 631	1 266	2 821
Provisions for the period for anticipated loan losses	-924	-1 037	-1 887
Recoveries from previous periods' established loan losses	66	24	216
Recovered provisions no longer necessary for anticipated loan losses	40	88	2 257
Total specific provision for individually assessed loans and receivables	-865	-1 077	-2 790
Collective provision for individually assessed loans and receivables			
Allocations/Withdrawals from collective provisions	-395	-387	-669
Total collective provision for individually assessed loans and receivables	-395	-387	-669
Loan losses for individually assessed loan and receivables	-1 260	-1 464	-3 459
Collectively assessed homogenous groups of loans with limited value and similar credit risk			
Write down for established loan losses	-4 264	-52 782	-56 051
Recoveries from previous periods' established loan losses	1 314	3 516	4 396
Allocations/Withdrawals from loan loss reserve	-9 714	44 633	37 097
Loan losses for collectively assessed homogenous groups of loans and receivables	-12 664	-4 633	-14 558
Loan losses, net	-13 924	-6 097	-18 017

3 Loans to the public

kEUR	30 Jun 2011	30 Jun 2010	31 Dec 2010
Loan receivables, gross			
- swedish currency	893 586	812 373	912 681
- foreign currency	460 125	336 279	475 037
Total	1 353 711	1 148 652	1 387 718
<i>Of which: doubtful debts</i>	<i>105 171</i>	<i>61 781</i>	<i>101 854</i>
Specific provision	-102	-64	-107
Collective provision for individually assessed loans and receivables	-184	-8	-112
Collective provision for homogenous groups of loans and receivables	-64 712	-47 400	-55 111
Total	1 288 713	1 101 180	1 332 388

4 Tangible assets

kEUR	30 Jun 2011	30 Jun 2010	31 Dec 2010
Equipment	3 540	3 394	2 977
Leasing assets	382 650	345 321	368 359
Closing balance	386 190	348 715	371 336

5 Deposits and borrowings from the public

kEUR	30 Jun 2011	30 Jun 2010	31 Dec 2010
Public			
- swedish currency	1 283 517	986 798	1 189 104
Total	1 283 517	986 798	1 189 104
Deposits divided by category of borrower			
Corporate sector	25 640	22 983	26 767
Domestic sector	1 257 877	963 815	1 162 337
Total	1 283 517	986 798	1 189 104

6 Issued securities

kEUR	30 Jun 2011	30 Jun 2010	31 Dec 2010
Certificate of deposit	150 688	161 729	203 306
Bonds	16 363	-	-
Total	167 051	161 729	203 306

Other information

Accounting and valuation policies

The same accounting policies and valuation bases have been applied in the interim report

Capital adequacy

The Swedish Act (2006:1371) on capital adequacy and large exposures and the Swedish Financial Supervisory Authority's regulations and general advice (FFFS 2007:1) on capital adequacy and large exposures apply to the determination of statutory capital adequacy requirements.

The rules contribute to boost resistance to financial losses and thus protecting the bank's customers. The rules mean that the bank's capital base and margin must meet the prescribed minimum capital adequacy requirements. For Ikano Bank, these include capital adequacy requirements for credit risks, operating risks and currency risks. The capital adequacy requirement also covers other identified risks in operations in accordance with the bank's capital evaluation and the requirements that the Board of Directors makes for operations.

When calculating the capital adequacy requirement in accordance with the Swedish Financial Supervisory Authority's regulations, the bank uses the standardised method for

as for the annual accounts for 2010.

credit risk and the basic method for operating risks. Ikano Bank's target is for the capital ratio always to be over 1.50, i.e. 50 percentage points higher than the statutory capital adequacy requirement. This buffer represents an additional margin adapted to the bank's risk profile, identified risks on the basis of probability and financial impact, stress tests, expected expansion in lending, strategic freedom of action and changes in the wider environment.

A review of the bank's capital planning is an integrated part of the work on the bank's annual business plan. The plan is followed up continuously during the year. A comprehensive risk analysis is carried out every year.

The bank has a capital base of EUR 230 million compared with a capital adequacy requirement of EUR 142 million, which means a margin of 61 percentage points. The bank therefore has a very good capital adequacy which meets both statutory and internal requirements. The bank has no exposures to report under the Swedish Act on large exposures.

Summary of capital base and capital adequacy requirement

KEUR	30 Jun 2011	30 Jun 2010	31 Dec 2010
Tier 1 capital	168 535	136 587	168 506
Tier 2 capital	61 078	54 556	61 502
Capital base	229 613	191 143	230 008
Capital requirements for credit risk according to the standardised method	112 595	93 359	109 918
Capital requirements for operational risks according to the base indicator approach	22 355	19 580	19 580
Capital requirements for currency risk	7 270	5 283	7 035
Total capital requirements	142 219	118 222	136 533
Capital quotient	1,61	1,62	1,68

Liquidity

The Swedish Financial Supervisory Authority's regulations on the management of liquidity risks, FFFS 2010:7, contains requirements for and a definition of liquidity reserve. The composition and size of the bank's total liquidity reserve are regulated in the finance policy, which is adopted by the bank's Board of Directors. The bank's total liquidity reserve must always be at least 7.5% of household deposits. All securities in the reserve are issued in SEK and are of high quality. The assets are liquid on private markets or chargeable in the Riksbank (Swedish Central Bank). None of the assets are

utilised as a security. Valuation is at market value.

The long-term financial planning aims to achieve well diversified financing, taking into account diversification of risk and financing costs. The bank's long-term objective is for the ratio between deposits and total assets to be 70%. Further information about the bank's capital adequacy and management of liquidity risk is available in the 2010 Annual Report and in the information on risk cover and capital adequacy for 2010. These documents are published on the bank's website at www.ikanobank.se.

Summary of liquidity reserve

KEUR	30 Jun 2011
Cash and balances with central banks and other banks	73 051
Securities issued by public units	8 736
Securities issued by non financial companies	18 178
Securities issued by financial companies	21 933
Liquidity reserve (according to definition in FFFS 2010:7)	121 898
Securities (not included in reserve stated above)	132 045
Total liquidity reserve (according to Ikano Bank's definition)	253 943
Other liquidity creating measures	
Unused credit limits	190 411

Key ratio Liquidity

	30 Jun 2011
Ratio Deposits/Total assets	64%
Ratio Total liquidity reserve/Deposits	20%

Key ratio

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Business volume, mEUR	3 601	3 074	3 568
Capital quotient	1,61	1,62	1,68
Return on equity, %	25,9%	27,0%	25,1%
C/I ratio before loan losses, %	56,0%	55,8%	54,5%
<i>leasing income net reported within operating income</i>			
Loan loss level, %	1,7%	0,9%	1,2%
<i>Loan loss in relation to average loans to the public and leasing receivables</i>			
Average employees (full-time employees)	432	426	421

This interim report has not been examined by the bank's auditors.

Älmhult, 25 August 2011

We hereby give an assurance that, as far as we are aware, this interim 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 interim report.

Birger Lund
Chair

Bo Liljegen
Managing director
And Board member

Ingrid Persson
Board member

Cecilia Daun Wennborg
Board member

Mats Håkansson
Board member

Klas Danielsson
Board member