

Interim report

January - June 2010

Ikano Bank SE

Registration no 517100 – 0051

IKANO
BANK

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About Ikano Bank SE

Ikano Bank SE with registered office in Älmhult, began operating in 1995 and is a part of Ikano group's Business Area Finance (BAF). Business Area Finance runs banking and finance company activities in nine European countries. Ikano Bank SE is owned by Ikano S.A. with head office in Luxemburg.

Business activities

The business activities in Ikano Bank SE consists of banking activities, administration and marketing of sales supporting financial services to retailers, and offering financial services like leasing and factoring to companies and organisations.

The bank's result

Operating income for the first half of the year 2010 amounted to mEUR 28.5 which is an improvement of mEUR 21.2 compared to the same period 2009 (7.4). The improvement in earnings is primarily due to a reduction in loan losses but also to an increase in net interest earnings due to increased volumes.

Interest earnings amounted to mEUR 40.9. Increased volumes and lower financing costs contribute to the positive development. Revenues from our leasing activities increased by mEUR 13.0 to mEUR 75.6 (62.6) due to good volume growth in Sweden during the latter part of 2009 and continued good growth during 2010 in Norway and Denmark. Net commissions increased by mEUR 3.7 to mEUR 17.5 (13.8). The increase is due to increased commission earnings in lending activities.

Operating costs amounted to mEUR 104.5 (87.7), an increase of mEUR 16.8 which can primarily be explained by depreciations on leasing assets which are made on the cost of acquisition and that these leasing assets were mainly purchased during 2008 and 2009 when the Euro was at historically high levels.

Loan losses, net, fell by mEUR 15.2 to mEUR 6.1 (21.3). Non-performing credits were sold during the period and contributed to the reduction in loan losses. The general recovery on most of our markets has caused an improvement in our customers' ability to pay which impacts positively, and the work that has been done at the bank during 2009 in order to mitigate loan losses has had the desired effect. The loan loss level was 0.9% (4.1) as of 30 June 2010.

The bank's position

Deposits from the public have increased since the beginning of the year by mEUR 119.4 or 13.8% and amounted to mEUR 986.8 as of 30 June 2010. Several new savings products have been launched during the period and customers have shown continued confidence in Ikano Bank to manage their savings.

Loans to the public have increased during the period by mEUR 84.8 or 8.3%. The loan portfolio thereby amounted to mEUR 1,101.2 after provisions for loan losses. Leasing assets reported as tangible assets and which are kept on behalf of customers have increased by mEUR 24.6 since the beginning of the year and amount to mEUR 345.3 as of 30 June 2010.

Mediated mortgage loans volumes to SBAB increased by 87.4 mEUR or 15.8 % to 640.8 mEUR. The total business volume (managed by the bank and mediated volumes) amounted to 3 074 mEUR at the end of the period, an increase of 316 mEUR or 11.5 %.

In the product area Sales Finance, Ikano Bank SE concluded a cooperation agreement during the period with Shell Norway and at the same time acquired Shell's outstanding credit portfolio from Citibank in Norway. A similar agreement with Shell Sweden was concluded and the acquisition of the outstanding credit portfolio will take place during the autumn 2010. Agreements and acquisitions of credit portfolios have also been made with ILVA and GE Money Bank in Denmark; they were carried out during June. In the product area Consumer, an agreement on the acquisition of Citibank's consumer credit portfolio in Denmark was concluded. The acquisition is expected to be executed during September 2010 after approval from the Swedish Financial Supervisory Authority.

The capital base at the end of the half year period amounted to mEUR 191.1. The statutory capital requirements amounted to mEUR 118.2. The capital adequacy quotient amounted to 1.62.

Forecast

The number of acquisitions during 2010 reflects the turbulence in the financial world that arose in the wake of the financial crisis; this has led to operators deciding to withdraw from the market. Thanks to Ikano Bank SE's strong financial position, we have been able to carry out these acquisitions. The acquisitions contribute to our growth and provide Ikano Bank with a stronger position in consumer financing in the Nordic region. The positive earnings trend that has taken place during the first half of the year is expected to continue during the second half.

Income statement

kEUR	Note	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Operating income				
Interest income	1	51 707	52 141	101 689
Leasing income		75 584	62 634	129 322
Interest expenses	1	-10 778	-15 805	-26 874
Dividend received		58	-	-
Commission income		23 091	19 577	41 131
Commission expenses		-5 574	-5 798	-10 182
Net result of financial transactions		-873	-269	-788
Other operating income		5 861	3 890	6 881
Total operating income		139 076	116 370	241 179
Operating expenses				
General administrative expenses		-36 765	-31 418	-67 492
Depreciation and impairment of intangible and tangible assets		-62 246	-51 728	-107 901
Other operating expenses		-5 482	-4 516	-8 587
Total operating expenses		-104 493	-87 662	-183 980
Profit before loan losses		34 583	28 708	57 199
Loan losses, net	2	-6 097	-21 313	-39 128
Operating profit		28 486	7 395	18 071
Appropriations		-	-	14 389
Profit before taxes		28 486	7 395	32 460
Tax for the period		-7 879	-1 958	-8 284
Profit for the period		20 607	5 437	24 176

Statement of comprehensive income

kEUR	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Profit for the period	20 607	5 437	24 176
Incomes and expenses for the period recognised directly in equity			
Translation difference, branches	677	962	2 221
Changes in value on financial assets available for sale	-31	7	-4
Tax referring to items recognised directly in equity	-	-	1
Total other comprehensive income for the period	646	969	2 218
Total comprehensive income for the period	21 253	6 406	26 394

Statement of financial position

KEUR	Note	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Assets				
Cash		1	-	2
Loans to credit institutions		85 449	71 948	51 882
Loans to the public	3	1 101 180	953 707	1 016 423
Bonds and other interest bearing securities		89 145	56 174	116 623
Shares and participating interest		161	140	150
Intangible assets		9 169	2 962	6 282
Tangible assets	4	348 715	294 712	324 721
Current tax assets		-	1 266	1 579
Other assets		34 986	24 598	25 855
Prepaid expenses and accrued income		4 164	3 618	4 482
Total assets		1 672 970	1 409 125	1 547 999
Liabilities and equity				
Liabilities				
Liabilities to credit institutions		169 623	307 461	178 183
Deposits and borrowings from the public		986 798	735 985	867 443
Change in fair value on interest-rate hedged items in the portfolio hedge		919	1 060	1 008
Issued securities		161 729	87 516	175 212
Current tax liabilities		3 944	-	-
Other liabilities		78 293	72 511	102 402
Accrued expenses and deferred income		42 629	36 255	33 281
Provisions				
Provisions for pensions		2 686	2 234	2 405
Deferred tax liabilities		5 431	-	4 805
Subordinated liabilities		54 556	22 403	38 151
Total liabilities		1 506 608	1 265 425	1 402 890
Untaxed reserves		-	16 781	-
Equity				
Share capital		9 225	9 225	9 225
Statutory reserve		22 619	22 619	22 619
Fair value reserve		2 878	984	2 232
Profit brought forward		111 033	88 654	86 857
Profit for the year		20 607	5 437	24 176
Total equity		166 362	126 919	145 109
Total liabilities and equity		1 672 970	1 409 125	1 547 999

Report on changes in equity

kEUR

	Restricted equity		Non-restricted equity			Total
	Share capital	Statutory reserve	Fair value reserve	Profit brought forward	Profit/loss for the year	
Opening balance 2009-01-01	9 223	22 619	15	42 430	14 391	88 677
Disposition of profit	-	-	-	14 391	-14 391	-
Merger difference	-	-	-	31 419	-	31 419
Change in value on financial assets available for sale	-	-	-4	-	-	-4
Translation difference, branches	-	-	2 221	-	-	2 221
Tax referring to items recognised directly in equity	-	-	1	-	-	1
Profit/loss for the year	-	-	-	-	24 176	24 176
Total changes before transactions with owners	-	-	2 218	45 810	9 785	57 813
Issued shares	2	-	-	-	-	2
Group contribution made	-	-	-	-1 876	-	-1 876
Tax on group contribution	-	-	-	493	-	493
Total transactions with owners	2	-	-	-1 383	-	-1 381
Closing balance 2009-12-31	9 225	22 619	2 232	86 857	24 176	145 109
Opening balance 2010-01-01	9 225	22 619	2 232	86 857	24 176	145 109
Disposition of profit	-	-	-	24 176	-24 176	-
Change in value on financial assets available for sale	-	-	-31	-	-	-31
Translation difference, branches	-	-	677	-	-	677
Profit/loss for the period	-	-	-	-	20 607	20 607
Total changes in equity	-	-	646	24 176	-3 569	21 253
Closing balance 2010-06-30	9 225	22 619	2 878	111 033	20 607	166 362

Cash flow statement

kEUR	Jan-Jun 2010	Jan-Dec 2009	Jan-Jun 2009
Operating activities			
Operating profit/loss	+28 486	+18 071	+7 395
Adjustments for items not included in the cash-flow			
Loan losses	-39 333	+32 972	+18 811
Other adjustments	+7 380	+785	+5 231
Income tax paid	-2 355	-8 491	-6 299
Cash flow from operating activities before working capital changes	-5 822	+43 337	+25 138
Cash flow from working capital changes			
Change in loans to the public	-44 968	-110 322	-40 060
Change in securities	+27 478	-96 238	-35 789
Change in leasing assets	-25 025	-66 953	-30 743
Change in other assets	-8 828	-3 271	-2 902
Change in deposits and borrowing from the public	+119 266	+251 571	+120 165
Change in other liabilities	-2 867	+24 394	+3 270
Cash flow from operating activities	+59 234	+42 518	+39 079
Investing activities			
Capitalized development fees	-3 562	-1 129	-371
Acquisition of other intangible assets	-	-2 930	-
Acquisition of business equipment	-146	-1 734	-183
Cash flow from investing activities	-3 708	-5 793	-554
Financing activities			
Issued securities	-13 483	+150 759	+63 063
New share issue	-	+2	-
Borrowings from credit institutions	-9 109	-137 360	-7 807
Borrowings from group companies	+2 191	-67 290	-89 842
Group contributions paid	-2 106	-1 876	-3 184
Cash flow from financing activities	-22 507	-55 765	-37 770
Cash flow for the period	+33 019	-19 040	+755
Cash and cash equivalents at the beginning of the year	+51 026	+69 522	+69 522
Cash and cash equivalents assumed in connection with merger	-	+542	+542
Exchange rate difference in cash and cash equivalents	-	+2	0
Cash and cash equivalents at the end	+84 045	+51 026	+70 819

The cash flow statement is drawn up using the indirect method. The reported cash flow includes only transactions involving amounts received or paid. Cash and cash equivalents are defined as short-term "Loans to credit institutions" with a deduction for short-term "Liabilities to credit institutions".

Notes

1 Net interest income

kEUR	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Interest income			
Loans to credit institutions	157	196	309
Loans to the public	51 262	51 582	100 581
Interest-bearing securities	159	218	491
Other interest income	129	145	308
Total interest income	51 707	52 141	101 689
Interest expenses			
Liabilities to credit institutions	-2 141	-6 439	-10 739
Deposits from the public	-6 278	-7 761	-12 720
Issued securities	-1 061	-327	-1 221
Derivative instruments			
- hedge accounting	424	347	934
- non hedge accounting	-846	-17	-413
Subordinated liabilities	-866	-679	-1 260
Other interest expenses	-10	-929	-1 455
Total interest expenses	-10 778	-15 805	-26 874
Net interest income	40 929	36 336	74 815

2 Net loan losses

kEUR	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Specific provisions for loans and leasing receivables assessed individually			
Write-off for the period on established loan losses	-5 714	-3 944	-12 742
Reversal of previous provisions for anticipated loan losses reported in the period's account as established loan losses	1 266	428	1 231
Provision for the period for anticipated loan losses	-583	-2 339	-6 514
Recoveries on previous period's established loan losses	1 094	1 442	2 901
Recoveries for no longer required impairment for loan losses	89	-	-
Net expense for individually assessed loans and receivables	-3 848	-4 413	-15 124
Collective provisions for loans assessed individually			
Provision for the period for anticipated loan losses	-6 007	-16 175	-21 810
Collective provisions for loans assessed homogeneously			
Provision for the period for anticipated loan losses	3 758	-725	-2 194
Net expense for homogeneously assessed loans	3 758	-725	-2 194
Net loan losses	-6 097	-21 313	-39 128

3 Loans to the public

kEUR	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Outstanding receivables, gross	1 148 652	1 028 029	1 103 068
Less provision for probable loan losses	-47 472	-74 322	-86 645
Net book value	1 101 180	953 707	1 016 423
Doubtful debts, loans to the public	61 781	113 819	130 103
Provision for probable loan losses	-47 472	-74 322	-86 645
Reported value, net	14 309	39 497	43 458

4 Tangible assets

kEUR	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Equipment	3 394	3 525	3 970
Leasing objects	345 321	291 187	320 751
Total	348 715	294 712	324 721

Other information

Accounting policies and valuation principles

The same accounting policies and valuation principles that were applied in the Annual report 2009 has been applied in this Interim report.

Capital Adequacy

Information regarding capital adequacy for Ikano Bank refers to such information which shall be submitted in accordance with the Swedish Financial Supervisory Authority's

directives and general guidelines on the disclosure of capital adequacy and risk management (FFFS 2007:5).

According to the directives the bank's capital base must cover the prescribed minimum capital requirement, which for Ikano Bank includes capital requirements for credit risks, operational risks and currency risks. The internal capital requirement also includes further identified risks in the business activities in accordance with the bank's capital evaluation policy.

Capital Adequacy

kEUR	30 Jun 2010	30 Jun 2009	31 Dec 2009
Capital base			
Primary capital	136 587	130 847	138 824
Supplementary capital	54 556	22 403	38 151
Net capital base	191 143	153 250	176 975
Capital requirement credit risk according to the standardised approach	93 359	78 814	85 977
Capital requirement operational risk according to the base indicator approach	19 580	21 483	23 561
Capital requirement currency risk	5 283	6 556	6 107
Total capital requirement	118 222	106 853	115 645
Capital adequacy quotient	1,62	1,43	1,53
Total minimum capital requirement	118 222	106 853	115 645

Key ratios

	30 Jun 2010	30 Jun 2009	31 Dec 2009
Business volume, mEUR	3 074	2 442	2 758
Capital adequacy quotient	1,62	1,43	1,53
Return on equity, %	27,0%	9,9%	10,5%
C/I ratio before loan losses, %	55,8%	56,0%	57,8%
Loan loss level, %	0,9%	4,1%	3,1%
Average number of employees (full-time manpower)	426	401	411

Business volume

kEUR	30 Jun 2010	30 Jun 2009	31 Dec 2009
Sweden			
Deposits and borrowings from the public	986 798	737 044	867 443
Loans to the public	801 078	715 182	755 414
Leasing	179 188	164 750	171 899
Mediated mortgage loans	640 793	460 433	553 411
Norway			
Loans to the public	140 574	90 177	102 601
Leasing	76 590	56 516	69 013
Denmark			
Loans to the public	144 538	148 348	145 090
Leasing	89 543	69 922	79 840
Finland			
Loans to the public	14 990	-	13 319
Total business volume	3 074 092	2 442 372	2 758 029

Loan losses

kEUR	30 Jun 2010	30 Jun 2009	31 Dec 2009
Loan losses per geographical segment			
Sweden	2 113	9 532	17 474
Norway	2 213	2 629	5 282
Denmark	1 442	9 152	16 372
Finland	329	-	-
Total loan losses	6 097	21 313	39 128
Loan loss level per geographical segment			
Sweden	0,4%	2,2%	2,0%
Norway	2,3%	3,9%	3,5%
Denmark	1,3%	8,4%	7,4%
Finland	4,6%	-	-
Total loan loss level Ikano Bank SE	0,9%	4,1%	3,1%

Employees

	30 Jun 2010	30 Jun 2009	31 Dec 2009
Sweden	283	263	281
Norway	52	53	47
Denmark	85	85	83
Finland	6	-	-
Total	426	401	411

Älmhult 24 August 2010

Bo Liljegren
CEO

The interim report has not been reviewed by the bank's auditors