

# Interim Report January–March 2021





# INTERIM REPORT

January - March 2021

Entercard Group AB

556673-0585

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# INTERIM REPORT FOR ENTERCARD GROUP AB

The Chief Executive Officer for Entercard Group AB hereby submits the Interim report for January 1 - March 31, 2021.

## SUMMARY

### Scope, type of Operation and ownership

Entercard Group AB operates in the Scandinavian market, with the issuance of credit cards and consumer loans as a primary business focus. The company was founded in 2005 by Barclays Bank, the largest credit institution providing credit cards financing in Europe, and Swedbank, a leading banking group in the Nordics and Baltics. The business focus of Entercard is to issue credit cards and consumer loans under its own brand, re:member, in all three Scandinavian countries, as well as issuing credit cards and loans under different partners' brands and through their own distribution channels. Entercard Group AB is owned by Swedbank AB, 60% and Barclays Principal Investments Limited, 40% through a joint venture. Entercard Group AB operates two branches in Norway and Denmark, respectively.

### Significant events during the period

No new significant events occurred during the first quarter of 2021. Covid-19 continues to linger from 2020. Vaccination rates in Scandinavia are progressing but not as rapidly as originally anticipated. Additionally, infection rates have not declined materially as expected. Consequently, the use and the expansion of credits by our customers remain restrained. Management will continue monitoring the environment to stay alert and responsive to developments.

The adverse view to the secondary loan market has softened a bit. As a result, a portion of the previous Macro Stress provision overlay was released in Q1 which amounted to 44,2m SEK.

### Year to date earnings, profitability and position

Operating income as per March 31, 2021, amounted to 848,3 m SEK (838,1m SEK). Total loans to the public without considering provisions of anticipated loan losses as per March 31, 2021, increased to 33 723,7m SEK (33 218,3m SEK).

Non performing loans, after loan loss provision, as per March 31 amounted to a book value of 1 605,5m SEK which constitutes 5,2 percent of the total credit portfolio.

Operating profit before tax amounted to 277,9m SEK (9,6m SEK).

### Investments

No investments in tangible assets during the period and intangible assets with 3,2m SEK. Entercard continuously assesses whether there are indications of diminished value for assets. The evaluation has shown that there is no need for impairment.

### Significant risks and factors of uncertainty

Entercard is a consumer financing company delivering products and services that meet the customer needs and expectations. Entercard's operations encounters to a number of risks. As a result, considerations need to be made in relation to these risks. The interest rate environment presents material of risk and uncertainty. As the Scandinavian central banks seek to assist their respective economies, the regional inter-bank offer rates remain low with no indication of near-term increase. The sharp increase in the Funds Transfer Premium (FTP), due to the Covid uncertainties, has started to reduce as anticipated.

Entercard continues to monitor the regulatory environment to assess the likely impacts to the company. Like all other banks and credit institutions, Entercard is benefiting from the relaxed regulatory measures issued forth by the European Banking Authority (EBA). The significant reduction of the Counter-Cyclical Buffer in the Scandinavian countries has provided ample security that capital regulatory targets are secure as the Covid 19 event progresses through its cycle. Though Entercard has utilized the relaxation measures permitted for Covid initiated debt restructuring/forbearance and payment holidays to encourage companies to assist customers in navigating this difficult period, it has not had been significantly deployed. This relaxation is reflected in the application of the accounting rules under IFRS 9 allowing for a more measured consideration of changes in perceived risk. Entercard remains very active to follow and incorporate regulatory guidance from European and local regulators.

### Liquidity and funding

Entercard's liquidity need is satisfied through credits and loans provided by the owners. Entercard's cash balance as per March 31 amounted to 4 688,2m SEK, cash balance in the beginning of the year was 4 570,2m SEK.

The liquidity reserve amounted to 2 733,0m SEK (2 414,9m SEK). Entercard Group AB's Liquidity Coverage Ratio (LCR) was 323% (363%). According to Entercard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), Entercard's NSFR was 116% (146%).

As per March 31 2021, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 106 days for Sweden, 121 days for Norway and 123 days for Denmark, to be compared with the risk appetite, decided by the Board, of 60 days.

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More detailed information on the liquidity reserve and liquidity management is provided in the yearly Risk and capital adequacy report.

#### Capital adequacy

Total capital ratio for Entercard as per March 31, 2021 was 18,6%. The total adjusted Tier 1 Capital base amounted to 5 701,4m SEK and the total risk exposure amount for credit risk was 25 005,2m

SEK. Entercard applies the standardized approach to calculate the capital requirement for credit risk.

#### Audit review

This report has not been reviewed by Entercard's auditors. Although, the company's result per March 31, 2021 have been subject for a general review.

## Income statement

TSEK	Note	2021	2020	2020
		Jan-March	Full Year	Jan-March
Interest income		816 547	3 384 533	831 843
Interest expenses		-47 084	-261 135	-86 103
Net interest income		769 463	3 123 397	745 740
Commission income		174 522	770 567	215 664
Commission expenses		-102 632	-455 231	-125 429
Net commissions		71 890	315 335	90 235
Net gain/loss transactions from financial instruments	2	1 331	-9 830	-3 889
Other income		5 640	23 383	5 968
<b>TOTAL OPERATING INCOME</b>		<b>848 324</b>	<b>3 452 286</b>	<b>838 053</b>
Staff costs		-127 759	-539 955	-138 951
Other general administrative expenses		-182 113	-785 411	-195 693
Total general administrative expenses		-309 872	-1 325 366	-334 644
Depreciation/amortization and impairment of tangible and intangible assets		-7 753	-37 940	-10 141
Other costs				-3 816
<b>TOTAL OPERATING EXPENSES</b>		<b>-317 626</b>	<b>-1 363 305</b>	<b>-348 601</b>
Profit before loan losses		530 698	2 088 980	489 452
Loan losses, net	3	-252 788	-1 398 800	-479 875
<b>OPERATING PROFIT</b>		<b>277 910</b>	<b>690 180</b>	<b>9 577</b>
Tax expense		-62 686	-157 676	-2 739
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>215 224</b>	<b>532 504</b>	<b>6 838</b>

Reclassification of revenue and expenses connected to value-added services (VAS): The group's revenues and expenses for value-added services were previously presented as commission income and other general administrative expenses, respectively. However, management considers it to be more relevant if all revenues and expenses connected to VAS are presented in one line item in the income statement. Prior year comparatives for the period ended 31 March 2020 have been restated by reclassifying 10 641t SEK for Q1 2020 from commission income to other general administrative expenses.

Statement of comprehensive income

	2021	2020	2020
TSEK	Jan-March	Full Year	Jan-March
Profit for the year recognized within the income statement	215 224	532 505	6 838
Components which will not be reclassified to the income statement			
Revaluation of defined-benefit pensions	-	6 707	-
Tax	-	-1 382	-
Total	-	5 325	-
Components which have or will be reclassified to the income statement			
Unrealised changes in fair value	2	-3 881	-13 164
Exchange rate differences	131 427	-214 488	-120 682
Tax	-	45 395	-
Total	127 546	-164 368	-133 846
Total profit	342 770	373 462	-127 008

## Balance Sheet

### Assets

TSEK	Note	2021 31 March	2020 31 Dec	2020 31 March
<b>Assets</b>				
Deposits	4	4 688 225	4 570 206	3 500 972
Loans to the public	4	30 995 806	31 178 979	31 140 634
Bonds and other interest-bearing securities	5,6	2 733 015	1 878 204	2 414 854
Intangible assets		38 209	41 296	65 997
Tangible assets		4 343	4 864	6 982
Deferred tax assets		15 563	15 563	11 408
Other assets		228 082	198 020	276 394
Prepaid expenses and accrued income		85 391	74 507	82 116
<b>TOTAL ASSETS</b>		<b>38 788 634</b>	<b>37 961 639</b>	<b>37 499 357</b>

### Liabilities and Equity

#### Liabilities

Amounts owed to credit institutions		31 469 894	30 940 736	30 945 394
Other liabilities		1 129 764	142 827	154 963
Accrued expenses and prepaid income		231 930	253 430	311 071
Pension provisions		32 112	41 579	36 541
Provisions		27 728	28 632	30 651
<b>TOTAL LIABILITIES</b>		<b>32 891 428</b>	<b>31 407 204</b>	<b>31 478 620</b>

#### Equity

Share capital		5 000	5 000	5 000
Fund for development expenditures		41 296	41 296	121 759
Reserves		-261 515	-389 060	-358 538
Retained earnings		6 112 425	6 897 199	6 252 516
<b>TOTAL EQUITY</b>		<b>5 897 206</b>	<b>6 554 435</b>	<b>6 020 737</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>38 788 634</b>	<b>37 961 639</b>	<b>37 499 357</b>



## Statement of changes in Equity

TSEK	Restricted equity		Non-restricted equity			Total Equity
	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	
Opening balance January 1, 2020	5 000	121 759	-211 745	-12 948	6 245 678	6 147 744
Profit/loss for the period			-120 682	-13 164	6 838	-127 008
<i>of which recognized in income statement</i>					6 838	6 838
<i>of which recognized in other comprehensive income</i>			-120 682	-13 164	-	-133 846
Closing balance March 31, 2020	5 000	121 759	-332 427	-26 112	6 252 516	6 020 737

TSEK	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	Total Equity
Opening balance January 1, 2020	5 000	121 759	-211 745	-12 948	6 245 678	6 147 744
Translation differences		-	-		11 539	11 539
Adjustment previous years					21 691	21 691
Transfer to/from restricted equity		-80 463			80 463	-
Profit/loss for the year			-168 588	4 220	537 830	373 462
<i>of which recognized in income statement</i>					532 504	532 504
<i>of which recognized in other comprehensive income</i>			-214 488	4 725	6 707	-203 056
<i>of which tax recognized in other comprehensive income</i>			45 900	-505	-1 382	44 013
Closing balance December 31, 2020	5 000	41 296	-380 333	-8 728	6 897 201	6 554 435

TSEK	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	Total Equity
Opening balance January 1, 2021	5 000	41 296	-380 333	-8 728	6 897 201	6 554 435
Dividends					-1 000 000	-1 000 000
Profit/loss for the period			131 427	-3 881	215 224	342 770
<i>of which recognized in income statement</i>			-	-	215 224	215 224
<i>of which recognized in other comprehensive income</i>			131 427	-3 881	-	127 546
Closing balance March 31, 2021	5 000	41 296	-248 906	-12 609	6 112 425	5 897 205

\*Currency translation reserve from revaluation of the branches

\*\*Fair value changes of the bond portfolio

## Statement of Cash Flow

TSEK	2021	2020	2020
	Jan-March	Full Year	Jan-March
<b>Operating activities</b>			
Operating profit/loss	277 910	690 180	9 577
Adjustments for non-cash items	120 215	647 177	202 678
Taxes paid	-129 244	-163 080	-35 096
Cash flow from operating activities before working capital changes	268 881	1 174 278	177 159
<b>Cash flow from changes in working capital</b>			
Increase/decrease in loans to the public	579 325	-833 841	-99 401
Increase/decrease of bonds and other interest-bearing securities	-803 292	742 622	200 186
Increase/decrease in other assets	40 919	244 222	161 441
Increase/decrease in other liabilities	-42 648	-135 870	-121 516
Cash flow from operating activities	-225 696	17 133	140 710
<b>Investing activities</b>			
Purchase of intangible assets	-3 181	-4 997	-4 435
Purchase of tangible assets	-	-140	-140
Cash flow from investing activities	-3 181	-5 137	-4 575
<b>Financing activities</b>			
Increase/decrease of deposits and borrowing	4 363	-37 191	-264 974
Cash flow from financing activities	4 363	-37 191	-264 974
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	4 570 205	3 501 872	3 501 872
CASH FLOW FOR THE PERIOD	44 367	1 149 082	48 320
Exchange rate differences on cash and cash equivalents	73 653	-80 749	-49 220
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4 688 225	4 570 205	3 500 972

# Notes

The interim report for Entercard Group AB (org nr 556673-0585) refers to the period January 1 - March 31, 2021. The company is based in Stockholm, Sweden.

## Note 1 Accounting principles

This interim report has been prepared in accordance with the regulations of the law (1995:1559) on the Annual Accounts Act for Credit Institutions and Securities Companies, Chapter 9, and the rules and regulations issued by the Financial Supervisory Authorities (Finansinspektionen) FFFS 2008:25 Chapter 8 and the Council for Financial Reporting Board's recommendation RFR 2, accounting for legal entities.

Statements are presented in Swedish krona and all values are rounded to thousand kronor (tSEK) unless otherwise noted.

The accounting principles applied in the interim report are consistent with the accounting policies applied in the preparation of the annual report for 2020.

### New standards, interpretations and amendments adopted by the Group

The accounting principles applied in the interim report are consistent with the accounting policies applied in the preparation of the annual report for 2020, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2021.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020 the International Accounting Standards Board (IASB) published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary relief to address the accounting issues, which arise upon the replacement of an InterBank Offered Rate (IBOR) with an alternative nearly risk-free interest rate (RFR). Publication of IBOR reform Phase 2 concludes the IASB's work to respond to the effects of IBOR reform on financial reporting. The effective date of the IBOR reform Phase 2 amendments is for annual periods beginning on or after 1 January 2021, with early application permitted.

For the purposes of these financial statements, Entercard has adopted the IBOR reform Phase 2 amendments in its interim financial statements for the period ended 31 March 2021, and has provided the required disclosures in Note 9 to the financial statements.

## Note 2 Net financial income

Total net result for financial assets measured at fair value through Other comprehensive income

	2021	2020	2020
	Jan-March	Full Year	Jan-March
<b>Realised gains/losses recognized in profit and loss</b>			
Reclassification through Other comprehensive income to this periods profit for realised gains/losses	-	9 450	-
Realised gain/loss bonds and other interest-bearing securities	-	-19 166	-2 311
Exchange rate profit / loss	1 331	-114	-1 578
<b>Total realised gain/loss in profit or loss</b>	<b>1 331</b>	<b>-9 830</b>	<b>-3 889</b>
<b>Unrealised gains/losses recognized in Other comprehensive income</b>			
Reclassification through Other comprehensive income to this periods profit for realised gains/losses	-	-9 450	-
Unrealised changes in value bonds and other interest-bearing securities	-3 881	4 725	-13 164
<b>Total unrealised gain/loss in Other comprehensive income</b>	<b>-3 881</b>	<b>-4 725</b>	<b>-13 164</b>
<b>Total</b>	<b>-2 550</b>	<b>-14 555</b>	<b>-17 053</b>

## Note 3 Loan losses, net

	2021	2020	2020
	Jan-March	Full Year	Jan-March
<b>Loans at amortized cost</b>			
Change in provisions - stage 1	29 593	-265 171	-215 253
Change in provisions - stage 2	-13 317	8 739	31 220
Change in provisions - stage 3	-157 357	-391 348	-41 378
<b>Total</b>	<b>-141 080</b>	<b>-647 780</b>	<b>-225 411</b>
The periods write-off for established loan losses	-114 401	-769 620	-297 715
Recoveries from previously established loan losses	1 105	14 248	40 427
<b>Total</b>	<b>-113 296</b>	<b>-755 372</b>	<b>-257 289</b>
<b>Loan losses net, loans at amortized cost</b>	<b>-254 376</b>	<b>-1 403 151</b>	<b>-482 699</b>
<b>Loan losses credits granted but not utilized</b>			
Change in provisions - stage 1	1 596	3 946	2 857
Change in provisions - stage 2	-8	405	-32
<b>Loan losses net, loan commitments</b>	<b>1 588</b>	<b>4 351</b>	<b>2 825</b>
<b>Total loan losses</b>	<b>-252 788</b>	<b>-1 398 800</b>	<b>-479 875</b>

## Note 4 Change in provisions for loans

### Change in book value (gross) and provisions March 31, 2021.

Book value, gross	Performing loans		Non-performing loans	
	Stage 1	Stage 2	Stage 3	Total
Opening balance January 1, 2021	28 355 679	2 533 874	2 810 081	33 699 634
Closing balance March 31, 2021	27 904 108	2 622 466	3 197 146	33 723 720
Provisions for loans to the public and loans to credit institutions				
Opening balance January 1, 2021	-651 214	-481 200	-1 388 240	-2 520 655
New and derecognised financial assets, net	-22 544	18 566	129 918	125 940
Changes in credit risk	5 380	-4 704	-43 441	-42 765
Transfer between stages during the period				
from stage 1 to stage 2	50 795	-217 728	-	-166 933
from stage 1 to stage 3	7 691	-	-67 249	-59 559
from stage 2 to stage 1	-20 025	59 290	-	39 266
from stage 2 to stage 3	-	126 610	-231 623	-105 012
from stage 3 to stage 1	-168	-	1 783	1 615
from stage 3 to stage 2	-	-4 791	9 023	4 232
Other	-2 177	-	-1 866	-4 043
Closing balance March 31, 2021	-632 261	-503 956	-1 591 696	-2 727 914
Book value, net				
Opening balance January 1, 2021	27 704 465	2 052 674	1 421 840	31 178 979
Closing balance March 31, 2021	27 271 847	2 118 510	1 605 450	30 995 806

### Change in book value (gross) and provisions March 31, 2020.

Book value, gross	Performing loans		Non-performing loans	
	Stage 1	Stage 2	Stage 3	Total
Opening balance January 1, 2020	28 711 600	2 908 225	2 345 283	33 965 108
Closing balance March 31, 2020	28 365 159	2 562 062	2 291 098	33 218 319
Provisions for loans to the public and loans to credit institutions				
Opening balance January 1, 2020	-412 464	-511 350	-1 043 719	-1 967 533
New and derecognised financial assets, net	-45 039	113 282	112 196	180 439
Changes in credit risk	-141 808	-2 923	57 157	-87 574
Transfer between stages during the period				
from stage 1 to stage 2	34 157	-203 375	-	-169 218
from stage 1 to stage 3	4 844	-	-58 229	-53 385
from stage 2 to stage 1	-29 523	73 907	-	44 384
from stage 2 to stage 3	-	73 458	-114 533	-41 075
from stage 3 to stage 1	-472	-	5 901	5 429
from stage 3 to stage 2	-	-4 550	10 478	5 928
Other	-25 924	-	30 844	4 920
Closing balance March 31, 2020	-616 229	-461 551	-999 905	-2 077 685
Book value, net				
Opening balance January 1, 2020	28 299 136	2 396 875	1 301 564	31 997 575
Closing balance March 31, 2020	27 748 930	2 100 511	1 291 192	31 140 634

### Change in book value (gross) March 31, 2021.

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Opening balance January 1, 2021	28 355 679	2 533 874	2 810 081	33 699 634
New and derecognised financial assets, net	541 760	-79 657	-184 901	277 202
Changes in credit risk	-265 009	-26 535	41 652	-249 891
Transfer between stages during the period				
from stage 1 to stage 2	-982 963	1 004 229	-	21 266
from stage 1 to stage 3	-140 763	-	141 997	1 235
from stage 2 to stage 1	433 139	-461 191	-	-28 051
from stage 2 to stage 3	-	-440 247	452 241	11 994
from stage 3 to stage 1	2 371	-	-2 656	-285
from stage 3 to stage 2	-	20 985	-21 892	-907
Other	-40 107	71 009	-39 377	-8 476
Book value				
Closing balance March 31, 2021	27 904 108	2 622 466	3 197 146	33 723 720

### Change in book value (gross) March 31, 2020.

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Opening balance January 1, 2020	28 711 600	2 908 224	2 345 284	33 965 108
New and derecognised financial assets, net	1 821 533	-470 133	-267 650	1 083 750
Changes in credit risk	-1 322 971	-96 420	-163 492	-1 582 883
Transfer between stages during the period				
from stage 1 to stage 2	-1 118 937	1 094 563	-	-24 374
from stage 1 to stage 3	-169 371	-	164 586	-4 785
from stage 2 to stage 1	448 889	-518 990	-	-70 101
from stage 2 to stage 3	-	-163 284	157 819	-5 465
from stage 3 to stage 1	9 845	-	-10 367	-522
from stage 3 to stage 2	-	17 954	-18 987	-1 033
Other	-15 429	-209 852	83 905	-141 376
Book value				
Closing balance March 31, 2020	28 365 159	2 562 062	2 291 098	33 218 319

### Book value granted, not paid, credit facilities and granted, not utilized, credits

	2021 31 March	2020 31 Dec	2020 31 March
Credit facilities, granted but not paid	105 841	75 135	424 368
Credits granted but not utilized	43 057 894	42 284 523	41 926 797
Provisions for off-balance commitments			
Stage 1	24 254	25 240	26 765
Stage 2	3 474	3 393	3 886
Total	27 728	28 632	30 651

Allocation of loans between stages and provisions (IFRS 9)

	2021 31 March	2020 31 Dec	2020 31 March
<b>Deposits</b>			
<b>Stage 1</b>			
Book value, gross	4 688 225	4 570 206	3 500 972
Provisions	-	-	-
<b>Total book value</b>	<b>4 688 225</b>	<b>4 570 206</b>	<b>3 500 972</b>
<b>Loans to the public, private customers</b>			
<b>Stage 1</b>			
Book value, gross	27 647 489	28 058 604	28 083 387
Provisions	-631 948	-650 954	-615 761
Book value	27 015 541	27 407 650	27 467 627
<b>Stage 2</b>			
Book value, gross	2 622 466	2 533 874	2 562 062
Provisions	-503 956	-481 200	-461 551
Book value	2 118 510	2 052 674	2 100 511
<b>Stage 3</b>			
Book value, gross	3 188 349	2 801 974	2 282 306
Provisions	-1 586 769	-1 383 569	-995 023
Book value	1 601 581	1 418 405	1 287 283
<b>Total book value</b>	<b>30 735 631</b>	<b>30 878 728</b>	<b>30 855 420</b>
<b>Loans to the public, corporate customers</b>			
<b>Stage 1</b>			
Book value, gross	256 619	297 075	281 771
Provisions	-313	-260	-468
Book value	256 306	296 815	281 303
<b>Stage 3</b>			
Book value, gross	8 796	8 107	8 793
Provisions	-4 927	-4 671	-4 882
Book value	3 869	3 436	3 911
<b>Total book value</b>	<b>260 175</b>	<b>300 251</b>	<b>285 214</b>
<b>Total</b>	<b>35 684 031</b>	<b>35 749 185</b>	<b>34 641 606</b>
Book value gross, stage 1	27 904 108	28 355 679	28 365 158
Book value gross, stage 2	2 622 466	2 533 874	2 562 062
Book value gross, stage 3	3 197 146	2 810 081	2 291 098
<b>Total book value gross</b>	<b>33 723 720</b>	<b>33 699 634</b>	<b>33 218 318</b>
Provisions stage 1	-632 261	-651 214	-616 229
Provisions stage 2	-503 956	-481 200	-461 551
Provisions stage 3	-1 591 696	-1 388 240	-999 905
<b>Total provisions</b>	<b>-2 727 914</b>	<b>-2 520 655</b>	<b>-2 077 685</b>
<b>Total book value</b>	<b>30 995 806</b>	<b>31 178 979</b>	<b>31 140 633</b>
Share of loans in stage 3, gross, %	9,48%	8,34%	6,90%
Share of loans in stage 3, net, %	5,17%	4,55%	4,14%
Provision ratio of loans stage 1	2,27%	2,30%	2,17%
Provision ratio of loans stage 2	19,22%	18,99%	18,01%
Provision ratio of loans stage 3	49,78%	49,40%	43,64%
<b>Total provision ratio of loans</b>	<b>8,09%</b>	<b>7,48%</b>	<b>6,25%</b>

## Note 5 Bonds and other interest-bearing securities

Financial assets measured at fair value through Other comprehensive income.

	2021	2020	2020
Issuers	31 March	31 Dec	31 March
Municipalities	1 192 826	893 182	1 252 558
Swedish mortgage institutions	207 280	207 654	-
Foreign credit institutions	190 886	76 490	77 371
Foreign mortgage institutions	866 183	436 927	820 675
Other foreign issuers	275 840	263 951	264 249
<b>Total</b>	<b>2 733 015</b>	<b>1 878 204</b>	<b>2 414 854</b>

Fair value is the same as book value. All bonds and interest-bearing securities are within the Fair value 1 hierarchy.

	2021	2020	2020
Remaining maturity	31 March	31 Dec	31 March
Maximum 1 year	105 467	104 536	65 554
Longer than 1 year but maximum 5 years	2 627 547	1 773 668	2 349 300
<b>Total</b>	<b>2 733 015</b>	<b>1 878 204</b>	<b>2 414 854</b>

	2021	2020	2020
Total holdings of financial assets, broken down by issuer	31 March	31 Dec	31 March
Issued by public entities	1 468 666	1 157 133	1 516 807
Issued by other borrowers	1 264 349	721 071	898 047
<b>Total</b>	<b>2 733 015</b>	<b>1 878 204</b>	<b>2 414 854</b>
Average remaining maturity, years	2,64	2,71	2,92
Average remaining fixed interest term, years	0,38	0,46	0,54
<i>of which listed securities, TSEK</i>	<i>2 733 015</i>	<i>1 878 204</i>	<i>2 414 854</i>
<i>of which unlisted securities, TSEK</i>	<i>-</i>	<i>-</i>	<i>-</i>



## Note 6 Liquidity reserve and liquidity risk

	2021	Distribution by currency			2020	Distribution by currency		
	31 mars	SEK	NOK	DKK	31 mars	SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	275 840	-	170 373	105 467	264 249	-	-	264 249
Securities issued or guaranteed by municipalities or non-governmental public entities	1 192 826	1 059 599	133 227	-	1 252 558	1 060 787	191 771	-
Covered bonds issued by others	1 073 463	207 280	866 183	-	820 675	-	820 675	-
Securities issued or guaranteed by multilateral development banks	190 886	-	190 886	-	77 371	-	77 371	-
<b>Total</b>	<b>2 733 015</b>	<b>1 266 879</b>	<b>1 360 669</b>	<b>105 467</b>	<b>2 414 854</b>	<b>1 060 787</b>	<b>1 089 817</b>	<b>264 249</b>
<i>Distribution by currency, %</i>		<i>46,4%</i>	<i>49,8%</i>	<i>3,9%</i>		<i>43,9%</i>	<i>45,1%</i>	<i>10,9%</i>

In accordance with the Swedish Financial Supervisory Authority (SFSA) (Sw. Finansinspektionen) FFFS 2010:7 on liquidity risks.

## Note 7 Capital adequacy

Calculation of capital requirements is conducted in accordance with Regulation (EU) 2020/873 of the European Parliament and of the Council on 24 June 2020 amending Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (prudential regulation) and (EU) 2019/876 as regards certain adjustments in response to the Covid-19 pandemic act (2014: 966) on capital buffers, and the Swedish Financial Supervisory Authority (SFSA) (Sw. Finansinspektionen) FFFS 2014: 12 on regulatory requirements and capital buffers. The outcome refers to the calculation in accordance with the statutory minimum capital requirement, called Pillar I, as well as capital in accordance to the combined buffer requirement.

Entercard applies the standardized approach to calculate the capital requirement for credit risk. Credit risk is calculated on all asset and off-balance sheet items unless deducted from own funds. Capital requirements for operational risk is calculated using the standardized approach, which means that the activities are divided into business areas which have been assigned different beta factors. Capital requirement is calculated as a three-year average for the last three year's financial operating revenue in each business multiplied by the corresponding beta factor. Entercard also calculates a capital requirement for currency risk.

The combined buffer requirement is a requirement to hold a capital conservation buffer of 2,5 percent of the risk-weighted exposure amount. The buffer requirement also includes a countercyclical buffer, which currently amounts to 0,2 percent of the risk-weighted exposure amount.

Entercard does not have any exposures within Trading.

Entercard Group AB is a Swedish credit market company with license to conduct financing business in the Scandinavian market. The operations in Norway and Denmark is conducted through the branches "Entercard Norway, branch of Entercard Group AB" and "Entercard Denmark, branch of Entercard Group AB". Information in this note is submitted in accordance with prudential regulation, Commission Implementing Regulation (EU) no 1423/2013 on implementing technical standards with regard to the disclosure requirements of capital for institutions under prudential regulation, the SFSA's regulations and general guidelines (FFFS 2008: 25) on Annual Reports in credit institutions and investment firms, and the SFSA's guidelines on regulatory requirements and capital buffers.

Entercard Group AB is included through the proportional consolidation method in Swedbank consolidated situation.

## Capital Adequacy

	2021	2020
	31 March	31 Dec
<b>Common Equity Tier 1 Capital: Instruments and reserves</b>		
Capital instrument and associated share premium	5 000	5 000
Reserves	6 061 858	6 529 354
Accumulated other comprehensive income	-384 875	-512 423
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	75 391	-467 496
<b>Common Equity Tier 1 Capital before adjustments</b>	<b>5 757 374</b>	<b>5 554 435</b>
Value adjustments due to the requirements for prudent valuation	-2 183	-1 268
Intangible assets	-38 209	-41 296
Deferred tax assets that rely on future profitability and arise from temporary differences	-15 563	-15 563
Negative values associated to expected losses		
Losses current year		
<b>Total adjustments of Common Equity Tier 1 Capital</b>	<b>-55 954</b>	<b>-58 126</b>
<b>Common Equity Tier 1 Capital</b>	<b>5 701 420</b>	<b>5 496 309</b>
Additional Tier 1 Capital: instruments	-	-
<b>Tier 1 Capital</b>	<b>5 701 420</b>	<b>5 496 309</b>

	2021	2020
	31 March	31 Dec
<b>Tier 2 Capital: Instruments and provisions</b>		
Capital instrument and associated share premium	-	-
Credit value adjustments	-	-
<b>Tier 2 Capital before adjustments</b>	<b>-</b>	<b>-</b>
<b>Total adjustments of Common Equity Tier 2 Capital</b>	<b>-</b>	<b>-</b>
<b>Tier 2 Capital</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>5 701 420</b>	<b>5 496 309</b>
<b>Total risk weighted exposure amount</b>	<b>30 594 549</b>	<b>30 222 740</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>18,6%</b>	<b>18,2%</b>
<b>Tier 1 capital ratio</b>	<b>18,6%</b>	<b>18,2%</b>
<b>Total capital ratio</b>	<b>18,6%</b>	<b>18,2%</b>

	2021	2020
	31 March	31 Dec
<b>Requirements buffers, %</b>		
<b>Total Tier 1 capital requirement including buffer requirement</b>	<b>7,2</b>	<b>7,2</b>
<i>whereof minimum CET1 requirement</i>	4,5	4,5
<i>whereof capital conservation buffer requirement</i>	2,5	2,5
<i>whereof countercyclical capital buffer requirement</i>	0,2	0,2
<b>Common Equity Tier 1 capital available to be used as buffer</b>	<b>11,4</b>	<b>11,0</b>
<b>Leverage ratio</b>	<b>13,2%</b>	<b>13,1%</b>

Risk exposure amount and own funds requirement for credit risk

Exposure classes	2021		2020	
	31 March		31 Dec	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	937 654	75 012	914 051	73 124
Covered bonds	107 346	8 588	64 458	5 157
Retail exposures	22 033 923	1 762 714	22 285 364	1 782 829
Regional governments or local authorities exposures	1 037	83	1 438	115
Corporate exposures	1 939	155	2 345	188
Exposures in default	1 605 450	128 436	1 427 787	114 223
Other exposures	317 816	25 425	276 378	22 110
<b>Total</b>	<b>25 005 165</b>	<b>2 000 413</b>	<b>24 971 821</b>	<b>1 997 746</b>
			2021	2020
			31 March	31 Dec
Total capital requirement for credit risk according to the standardized approach			2 000 413	1 997 746
			2021	2020
			31 March	31 Dec
<b>Capital requirement for operational risk</b>				
Risk exposure amount			5 278 836	5 068 212
Capital requirement according to the standardized approach			422 307	405 457
<b>Total capital requirement for operational risk</b>			<b>422 307</b>	<b>405 457</b>
			2021	2020
			31 March	31 Dec
<b>Capital requirement for market risk (foreign exchange risk)</b>				
Risk exposure amount			310 548	182 707
Capital requirement			24 844	14 617
<b>Total capital requirement for market risk</b>			<b>24 844</b>	<b>14 617</b>
Capital requirements for settlement risk			-	-
Capital requirements for credit value adjustment (CVA) risk			-	-
<b>Total capital requirements</b>			<b>2 447 564</b>	<b>2 417 819</b>

## Internal capital requirement

	2021		2020	
	31 March	% av REA*	31 Dec	% av REA*
<b>Capital requirement according to Pillar 1</b>				
Credit risk	2 000 413	6,5	1 997 746	6,6
Market risk	24 844	0,1	14 617	-
Operational risk	422 307	1,4	405 457	1,3
Settlement risk	-	-	-	-
Credit value adjustment (CVA) risk	-	-	-	-
<b>Total capital requirement according to Pillar 1</b>	<b>2 447 564</b>	<b>8,0</b>	<b>2 417 819</b>	<b>8,0</b>
<b>Capital requirement according to Pillar 2</b>				
Other capital requirement	322 562	1,1	268 300	0,9
<b>Total capital requirement according to Pillar 2</b>	<b>322 562</b>	<b>1,1</b>	<b>268 300</b>	<b>0,9</b>
<b>Combined buffer requirement</b>				
Countercyclical buffer	73 164	0,2	71 152	0,2
Capital conservation buffer	764 864	2,5	755 569	2,5
<b>Total combined buffer requirement</b>	<b>838 028</b>	<b>2,7</b>	<b>826 720</b>	<b>2,7</b>
<b>Management buffer</b>				
Additional management buffer	305 945	1,0	302 227	1,0
<b>Total management buffer</b>	<b>305 945</b>	<b>1,0</b>	<b>302 227</b>	<b>1,0</b>
<b>Internal capital requirement</b>				
<b>Total capital requirement</b>	<b>3 914 099</b>	<b>12,8</b>	<b>3 815 067</b>	<b>12,6</b>
<b>Capital base</b>				
<b>Total capital base</b>	<b>5 701 420</b>	<b>18,6</b>	<b>5 496 309</b>	<b>18,2</b>

\*Risk exposure amount

## Note 8 Related parties

Swedbank AB (publ) and Barclays Principal Investments Limited have control through a joint venture. Swedbank AB (publ) is the ultimate parent in its group, while Barclays Principal Investments Limited is a wholly-owned subsidiary of the ultimate parent, Barclays PLC. Transactions with related parties consists of deposits and funding received from parents including related interest income and expenses, commission income and costs related to salary and IT-systems.

	Swedbank Group			Barclays Group		
	2021 31 March	2020 31 Dec	2020 31 March	2021 31 March	2020 31 Dec	2020 31 March
<b>Balance sheet</b>						
<b>Assets</b>						
Deposits	4 688 225	4 570 206	3 500 972	-	-	-
Other assets	796	997	774	-	-	-
<b>Total</b>	<b>4 689 021</b>	<b>4 571 202</b>	<b>3 501 746</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Amounts owed to credit institutions	15 734 947	15 470 368	15 472 697	15 734 947	15 470 368	15 472 697
Other liabilities	510 956	11 527	5 876	509 699	9 699	13 007
<b>Total</b>	<b>16 245 903</b>	<b>15 481 895</b>	<b>15 478 573</b>	<b>16 244 646</b>	<b>15 480 067</b>	<b>15 485 704</b>
<b>Income statement</b>						
Interest income	-1 006	-326	1 301	-	-	-
Interest expenses	-21 091	-121 097	-40 360	-21 092	-121 013	-40 274
Commission income	22 684	92 490	20 505	-	-	-
Commission expenses	-1 233	-4 810	-1 234	-	-	-
Other expenses	-2 246	-7 975	-1 541	-	-	-
<b>Total</b>	<b>-2 892</b>	<b>-41 718</b>	<b>-21 330</b>	<b>-21 092</b>	<b>-121 013</b>	<b>-40 274</b>

## Note 9 Risks and risk control

Following the decision by global regulators to phase out Interbank Offered Rates (IBORs) and replace them with alternative reference rates, the Group has performed an assessment on the nature and extent of risks to which it is exposed due to financial instruments that are subject to the interest rate benchmark reform.

IBOR reform exposes the Group to various risks which are managed and monitored closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and Risk-free Reference Rates (RFRs) are illiquid and unobservable
- Financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available

As of 31 March 2021, Entercard's exposure to IBORs is limited to the Nordic IBORs, i.e. STIBOR, NIBOR and CIBOR, which all are or have been reformed, rather than replaced, by the various administrative bodies. In addition, RFRs are or have been implemented as fallback solutions in case a Nordic IBOR ceases to exist.

Following the conclusion of its impact assessment of the IBOR reform, the Group has put in place detailed plans, processes and procedures to ensure a successful completion of transition activities for the remainder of 2021. As the Nordic IBORs are expected to continue to exist for the foreseeable future, financial instruments which reference those rates will not need to be transitioned to RFRs, unless the market situation changes. Entercard is in the process of updating its existing contracts for appropriate fallback language and will continue to monitor the situation to determine whether a material change in situation has occurred that would require more extensive quantitative disclosures.

Stockholm May 31, 2021



Freddy Syversen

Chief Executive Officer