

Interim Report

January–March 2022





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January - March 2022

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, 2022.

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 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. The company is owned by Swedbank AB, 60% and Barclays Principal Investments Limited, 40% through a joint venture. Entercard is headquartered in Sweden and operates two branches in Norway and Denmark, respectively.

Significant Events during the Period

Though it is difficult to say that the Covid pandemic is completely over, the removal of Covid restrictions in Scandinavia and throughout the Western hemisphere has inspired more confidence in society for higher economic activity and greater mobility. This has translated into more active take up and utilization of Entercard products and services. There has been a marked increase in purchases on credit cards, with International travel showing the most significant change. It is not apparent at this time whether the 'deleveraging' trend observed during 2021 will continue into 2022. Entercard will continue to monitor customer engagement with its products and the broader trends with unsecured lending in Scandinavia.

Entercard is monitoring macro-events to assess whether there are possible impacts to the business. The war in Ukraine has personally touched several residents within Scandinavia. It is not clear whether the general overhang of uncertainty around the duration and extent of the conflict will dampen economic activity within this region. Entercard will continue to follow the development of the circumstances.

Year to Date Earnings, Profitability and Position

Operating income as per March 31, 2022, amounted to 807,2m SEK (848,3m SEK). Total loans to the public without considering provisions of anticipated loan losses as per March 31, 2022, was 34 019,5 SEK (33 723,7m SEK).

Non performing loans, after loan loss provision, as per March 31 amounted to a book value of 1 656,2m SEK which constitutes 5,3 percent of the total credit portfolio.

Operating profit before tax amounted to 246,1m SEK (277,9m SEK).

Investments

No investments in tangible assets during the period and intangible assets with 0,1m 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

Lastly, inflation has continued to increase. The current rate of price increase has not been seen for a generation, leading to concerns of a recession or stagflation. There may be some short-term benefit of higher purchase volume from higher prices for credit card issuers but a long-term period of price increase will motivate higher interest rates and potentially dampen economic output. The U.S. Federal Reserve has increased its long-term interest rate. This has influenced the forward curve for the Interbank offer rates in Scandinavia to increase the slope of previously communicated interest rate increases. In the near-term, these rate increases will adversely affect funding costs and thus margins for credit providers. A prolonged and more intense period of inflation could lead to further funding increases that potentially could be passed-on to consumers, exacerbating their challenge from inflation.

The environment ahead presents a new complexion of volatility that Entercard management will follow to best adapt and meet customers borrowing needs.

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 3 793,5m SEK (4 688,2m SEK).

The liquidity reserve amounted to 2 899,1m SEK (2 733,0m SEK). Entercard Group AB's Liquidity Coverage Ratio (LCR) was 417% (323%). According to Entercard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), Entercard's NSFR was 131% (116%).

As per March 31, 2022, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 113 days for Sweden, 131 days for Norway and 183 days for Denmark, to be compared with the risk appetite, decided by the Board, of 60 days.

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, 2022, was 16,8%. The total adjusted Tier 1 Capital base amounted to 4 510,0m SEK and the total risk exposure amount for credit risk was 24 730,6m 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, 2022, have been subject for a general review.

Income Statement

TSEK	Note	2022	2021	2021
		Jan-March	Full Year	Jan-March
Interest income		760 250	3 189 771	816 547
Interest expenses		-55 631	-219 681	-47 084
Net interest income		704 619	2 970 090	769 463
Commission income		192 355	750 803	174 522
Commission expenses		-100 224	-425 209	-102 632
Net commissions		92 131	325 594	71 890
Net gain/loss transactions from financial instruments	2	-634	-6 755	1 331
Other income		11 086	77 461	5 640
TOTAL OPERATING INCOME		807 203	3 366 390	848 324
Staff costs		-145 162	-544 539	-127 759
Other general administrative expenses		-198 504	-763 414	-182 113
Total general administrative expenses		-343 666	-1 307 953	-309 872
Depreciation/amortization and impairment of tangible and intangible assets		-2 969	-23 849	-7 753
TOTAL OPERATING EXPENSES		-346 635	-1 331 802	-317 626
Profit before loan losses		460 568	2 034 588	530 698
Loan losses, net	3	-214 505	-1 002 271	-252 788
OPERATING PROFIT		246 063	1 032 317	277 910
Tax expense		-54 642	-186 568	-62 686
PROFIT/LOSS FOR THE YEAR		191 421	845 749	215 224

Statement of Comprehensive Income

	2022	2021	2021
TSEK	Jan-March	Full Year	Jan-March
Profit for the year recognized within the income statement	191 421	845 749	215 224
Components which will not be reclassified to the income statement			
Revaluation of defined-benefit pensions	-	13 430	-
Tax	-	-2 767	-
Total	-	10 663	-
Components which have or will be reclassified to the income statement			
Unrealised changes in fair value	2	-9 315	-3 881
Exchange rate differences	49 692	126 494	131 427
Tax	-	-26 777	-
Total	40 377	113 804	127 546
Total profit	231 798	970 216	342 770

Balance Sheet

Assets

		2022	2021	2021
TSEK	Note	31 March	31 Dec	31 March
Assets				
Deposits	4	3 793 556	4 446 056	4 688 225
Loans to the public	4	30 954 810	30 474 272	30 995 806
Bonds and other interest-bearing securities	5,6	2 899 114	2 875 442	2 733 015
Intangible assets		19 096	21 197	38 209
Tangible assets		2 018	2 491	4 343
Deferred tax assets		13 548	13 548	15 563
Other assets		215 933	342 189	228 082
Prepaid expenses and accrued income		86 915	72 302	85 391
TOTAL ASSETS		37 984 989	38 247 497	38 788 634

Liabilities and Equity

Liabilities

Amounts owed to credit institutions		30 754 493	31 203 598	31 469 894
Other liabilities		124 402	190 337	1 129 764
Accrued expenses and prepaid income		299 937	269 492	231 930
Pension provisions		18 640	27 953	32 112
Provisions		31 067	31 465	27 728
TOTAL LIABILITIES		31 228 540	31 722 846	32 891 428

Equity

Share capital		5 000	5 000	5 000
Fund for development expenditures		21 197	21 197	41 296
Reserves		-234 880	-275 257	-261 515
Retained earnings		6 965 131	6 773 711	6 112 425
TOTAL EQUITY		6 756 449	6 524 651	5 897 206
TOTAL LIABILITIES AND EQUITY		37 984 989	38 247 497	38 788 634

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, 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

TSEK						
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
Transfer to/from restricted equity		-20 099			20 099	-
Profit/loss for the year			103 348	10 456	856 412	970 216
<i>of which recognized in income statement</i>					845 749	845 749
<i>of which recognized in other comprehensive income</i>			126 494	14 087	13 430	154 011
<i>of which tax recognized in other comprehensive income</i>			-23 146	-3 631	-2 767	-29 544
Closing balance December 31, 2021	5 000	21 197	-276 985	1 728	6 773 711	6 524 651

TSEK						
Opening balance January 1, 2022	5 000	21 197	-276 985	1 728	6 773 711	6 524 651
Profit/loss for the period			49 692	-9 315	191 421	231 798
<i>of which recognized in income statement</i>			-		191 421	191 421
<i>of which recognized in other comprehensive income</i>			49 692	-9 315	-	40 377
Closing balance March 31, 2022	5 000	21 197	-227 293	-7 587	6 965 131	6 756 449

*Currency translation reserve from revaluation of the branches

**Fair value changes of the bond portfolio

Statement of Cash Flow

	2022	2021	2021
TSEK	Jan-March	Full Year	Jan-March
Operating activities			
Operating profit/loss	246 063	1 032 317	277 910
Adjustments for non-cash items	78 107	416 809	120 215
Taxes paid	-30 131	-289 748	-129 244
Cash flow from operating activities before working capital changes	294 039	1 159 378	268 881
Cash flow from changes in working capital			
Increase/decrease in loans to the public	-282 467	901 956	579 325
Increase/decrease of bonds and other interest-bearing securities	7 133	-16 783	-803 292
Increase/decrease in other assets	96 902	-947 049	40 919
Increase/decrease in other liabilities	-68 714	4 680	-42 648
Cash flow from operating activities	-247 145	-57 196	-225 696
Investing activities			
Purchase of intangible assets	-	-428	-3 181
Purchase of tangible assets	-146	-91	-
Cash flow from investing activities	-146	-519	-3 181
Financing activities			
Dividends	-	-1 000 000	-
Increase/decrease of deposits and borrowing	-728 683	-300 376	4 363
Cash flow from financing activities	-728 683	-1 300 376	4 363
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	4 446 056	4 570 206	4 570 205
CASH FLOW FOR THE PERIOD	-681 935	-198 712	44 367
Exchange rate differences on cash and cash equivalents	29 436	74 562	73 653
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3 793 556	4 446 056	4 688 225

Notes

The interim report for Entercard Group AB (org nr 556673-0585) refers to the period January 1 - March 31, 2022. 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 2021.

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 2021, except for the adoption of new standards, interpretations and amendments effective as of 1 January 2022.

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

Note 2 Net Financial Income

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

	2022	2021	2021
	Jan-March	Full Year	Jan-March
Realised gains/losses recognized in profit and loss			
Reclassification through Other comprehensive income to this periods profit for realised gains/losses	-	11 980	-
Realised gain/loss bonds and other interest-bearing securities	-	-18 849	-
Exchange rate profit / loss	-634	114	1 331
Total realised gain/loss in profit or loss	-634	-6 755	1 331
Unrealised gains/losses recognized in Other comprehensive income			
Reclassification through Other comprehensive income to this periods profit for realised gains/losses	-	-11 980	-
Unrealised changes in value bonds and other interest-bearing securities	-9 315	14 087	-3 881
Total unrealised gain/loss in Other comprehensive income	-9 315	2 107	-3 881
Total	-9 949	-4 648	-2 550

Note 3 Loan Losses, Net

	2022	2021	2021
	Jan-March	Full Year	Jan-March
Loans at amortized cost			
Change in provisions - stage 1	-11 169	171 398	29 593
Change in provisions - stage 2	-5 046	74 886	-13 317
Change in provisions - stage 3	-40 307	-618 940	-157 357
Total	-56 522	-372 657	-141 080
The periods write-off for established loan losses	-226 422	-634 532	-114 401
Recoveries from previously established loan losses	67 693	7 065	1 105
Total	-158 729	-627 468	-113 296
Loan losses net, loans at amortized cost	-215 251	-1 000 124	-254 376
Loan losses credits granted but not utilized			
Change in provisions - stage 1	1 440	1 895	1 596
Change in provisions - stage 2	-694	-4 041	-8
Loan losses net, loan commitments	746	-2 146	1 588
Total loan losses	-214 505	-1 002 271	-252 788

Note 4 Change in Provisions for Loans

Change in book value (gross) and provisions March 31, 2022.

	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Book value, gross				
Opening balance January 1, 2022	27 368 889	2 432 613	3 643 769	33 445 271
Closing balance March 31, 2022	27 715 351	2 511 814	3 792 350	34 019 515
Provisions for loans to the public and loans to credit institutions				
Opening balance January 1, 2022	-489 487	-415 083	-2 066 430	-2 971 000
New and derecognised financial assets, net	-33 999	10 312	177 800	154 112
Changes in credit risk	-3 949	2 388	-19 902	-21 464
Transfer between stages during the period				
from stage 1 to stage 2	36 891	-163 827	-	-126 936
from stage 1 to stage 3	5 022	-	-55 840	-50 818
from stage 2 to stage 1	-14 855	51 267	-	36 412
from stage 2 to stage 3	-	95 388	-181 939	-86 550
from stage 3 to stage 1	-119	-	3 263	3 144
from stage 3 to stage 2	-	-4 343	9 478	5 135
Other	-4 176	-	-2 565	-6 741
Closing balance March 31, 2022	-504 672	-423 898	-2 136 135	-3 064 705
Book value, net				
Opening balance January 1, 2022	26 879 402	2 017 531	1 577 339	30 474 272
Closing balance March 31, 2022	27 210 679	2 087 916	1 656 215	30 954 810

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

	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Book value, gross				
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) March 31, 2022.

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Opening balance January 1, 2022	27 368 889	2 432 613	3 643 769	33 445 271
New and derecognised financial assets, net	846 954	-55 640	-284 815	506 499
Changes in credit risk	-553 070	-35 956	-6 249	-595 275
Transfer between stages during the period				
from stage 1 to stage 2	-922 783	933 942	-	11 159
from stage 1 to stage 3	-109 460	-	110 194	733
from stage 2 to stage 1	404 517	-434 055	-	-29 537
from stage 2 to stage 3	-	-349 326	356 633	7 307
from stage 3 to stage 1	5 973	-	-6 174	-201
from stage 3 to stage 2	-	20 236	-21 044	-808
Other	674 331	-	37	674 367
Book value				
Closing balance March 31, 2022	27 715 351	2 511 814	3 792 350	34 019 515

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

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

	2022 31 March	2021 31 Dec	2021 31 March
Credit facilities, granted but not paid	80 863	104 109	105 841
Credits granted but not utilized	44 082 765	42 953 656	43 057 894
Provisions for off-balance commitments			
Stage 1	22 754	23 936	24 254
Stage 2	8 313	7 528	3 474
Total	31 067	31 465	27 728

Allocation of loans between stages and provisions (IFRS 9)

	2022 31 March	2021 31 Dec	2021 31 March
Deposits			
Stage 1			
Book value, gross	3 793 556	4 446 056	4 688 225
Total book value	3 793 556	4 446 056	4 688 225
Loans to the public, private customers			
Stage 1			
Book value, gross	27 349 751	26 973 345	27 647 489
Provisions	-503 778	-485 448	-631 948
Book value	26 845 973	26 487 897	27 015 541
Stage 2			
Book value, gross	2 511 814	2 432 613	2 622 466
Provisions	-423 898	-415 083	-503 956
Book value	2 087 916	2 017 531	2 118 510
Stage 3			
Book value, gross	3 785 310	3 636 955	3 188 349
Provisions	-2 132 384	-2 062 891	-1 586 769
Book value	1 652 926	1 574 064	1 601 581
Total book value	30 586 815	30 079 492	30 735 631
Loans to the public, corporate customers			
Stage 1			
Book value, gross	365 600	395 544	256 619
Provisions	-894	-4 039	-313
Book value	364 706	391 505	256 306
Stage 3			
Book value, gross	7 040	6 814	8 796
Provisions	-3 751	-3 539	-4 927
Book value	3 289	3 275	3 869
Total book value	367 995	394 780	260 175
Total	34 748 366	34 920 328	35 684 031
Book value gross, stage 1	27 715 351	27 368 889	27 904 108
Book value gross, stage 2	2 511 814	2 432 613	2 622 466
Book value gross, stage 3	3 792 350	3 643 769	3 197 146
Total book value gross	34 019 515	33 445 271	33 723 720
Provisions stage 1	-504 672	-489 487	-632 261
Provisions stage 2	-423 898	-415 083	-503 956
Provisions stage 3	-2 136 135	-2 066 430	-1 591 696
Total provisions	-3 064 705	-2 971 000	-2 727 914
Total book value	30 954 810	30 474 272	30 995 806
Share of loans in stage 3, gross, %	11,15%	10,89%	9,48%
Share of loans in stage 3, net, %	5,35%	5,17%	5,17%
Provision ratio of loans stage 1	1,82%	1,79%	2,27%
Provision ratio of loans stage 2	16,88%	17,06%	19,22%
Provision ratio of loans stage 3	56,33%	56,71%	49,78%
Total provision ratio of loans	9,01%	8,88%	8,09%

Note 5 Bonds and Other Interest-bearing Securities

Financial assets measured at fair value through Other comprehensive income.

	2022	2021	2021
Issuers	31 March	31 Dec	31 March
Municipalities	1 923 253	1 915 820	1 192 826
Swedish mortgage institutions	325 987	206 500	207 280
Foreign credit institutions	112 813	109 070	190 886
Foreign mortgage institutions	405 613	513 689	866 183
Other foreign issuers	131 447	130 364	275 840
Total	2 899 114	2 875 442	2 733 015

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

	2022	2021	2021
Remaining maturity	31 March	31 Dec	31 March
Maximum 1 year	131 447	130 364	105 467
Longer than 1 year but maximum 5 years	2 453 640	2 013 982	2 627 547
Longer than 5 years	314 026	731 096	-
Total	2 899 114	2 875 442	2 733 015

	2022	2021	2021
Total holdings of financial assets, broken down by issuer	31 March	31 Dec	31 March
Issued by public entities	2 054 701	2 046 184	1 468 666
Issued by other borrowers	844 413	829 258	1 264 349
Total	2 899 114	2 875 442	2 733 015
Average remaining maturity, years	2,86	3,09	2,64
Average remaining fixed interest term, years	0,38	0,46	0,38
of which listed securities, TSEK	2 899 114	2 875 442	2 733 015
of which unlisted securities, TSEK	-	-	-

Note 6 Liquidity Reserve and Liquidity Risk

	2022	Distribution by currency			2021	Distribution by currency		
	31 March	SEK	NOK	DKK	31 March	SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	131 447	-	-	131 447	275 840	-	170 373	105 467
Securities issued or guaranteed by municipalities or non-governmental public entities	1 923 253	1 413 685	509 568	-	1 192 826	1 059 599	133 227	-
Covered bonds issued by others	731 600	325 987	405 613	-	1 073 463	207 280	866 183	-
Securities issued or guaranteed by multilateral development banks	112 813	-	112 813	-	190 886	-	190 886	-
Total	2 899 114	1 739 673	1 027 994	131 447	2 733 015	1 266 879	1 360 669	105 467
<i>Distribution by currency, %</i>		<i>60,0%</i>	<i>35,5%</i>	<i>4,5%</i>		<i>46,4%</i>	<i>49,8%</i>	<i>3,9%</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. Outcome refers to the calculation in accordance with the statutory minimum capital requirement, called Pillar I, as well as capital under the combined buffer requirement.

Entercard applies the standardized approach to calculate the capital requirement for credit risk. Credit risk is calculated on all on- and off-balance sheet items unless deducted from own funds. Entercard also calculates a capital requirement for currency risk. During 2021, Entercard was granted a permanent approval to exempt certain structural currency positions from the calculation of the capital requirement, namely such positions that has been taken deliberately in order to hedge the capital ratio against adverse changes in the currency rates. Before, Entercard had a temporary approval until December 31st 2021.

Entercard uses the alternative standardized approach for calculating the capital requirements for operational risk. The approval for calculating the own funds requirement for operational risk using the alternative standardized approach was granted by the SFSA in December of 2021.

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. Supervisory authorities in Sweden, Norway and Denmark have communicated that they will increase the countercyclical buffer rate to 1%, 2% and 2%, respectively in 2022.

Entercard does not have a trading book.

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

	2022	2021
	31 March	31 Dec
Common Equity Tier 1 Capital: Instruments and reserves		
Capital instrument and associated share premium	5 000	5 000
Reserves	6 907 607	6 061 858
Accumulated other comprehensive income	-347 579	-387 956
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	-2 015 978	-954 251
Common Equity Tier 1 Capital before adjustments	4 549 050	4 724 651
Value adjustments due to the requirements for prudent valuation	-6 429	-3 022
Intangible assets	-19 096	-21 197
Deferred tax assets that rely on future profitability and arise from temporary differences	-13 548	-13 548
Negative values associated to expected losses		
Losses current year		
Total adjustments of Common Equity Tier 1 Capital	-39 073	-37 767
Common Equity Tier 1 Capital	4 509 978	4 686 884
Additional Tier 1 Capital: instruments	-	-
Tier 1 Capital	4 509 978	4 686 884
Tier 2 Capital: Instruments and provisions		
Capital instrument and associated share premium	-	-
Credit value adjustments	-	-
Tier 2 Capital before adjustments	-	-
Total adjustments of Common Equity Tier 2 Capital	-	-
Tier 2 Capital	-	-
Total Capital	4 509 978	4 686 884
Total risk weighted exposure amount	26 875 195	26 703 616
Common Equity Tier 1 capital ratio	16,8%	17,6%
Tier 1 capital ratio	16,8%	17,6%
Total capital ratio	16,8%	17,6%
Requirements buffers, %		
Total Tier 1 capital requirement including buffer requirement	7,2	7,2
whereof minimum CET1 requirement	4,5	4,5
whereof capital conservation buffer requirement	2,5	2,5
whereof countercyclical capital buffer requirement	0,2	0,2
Common Equity Tier 1 capital available to be used as buffer	9,6	10,4
Leverage ratio	10,7%	11,0%

Risk exposure amount and own funds requirement for credit risk

Exposure classes	2022		2021	
	31 March		31 Dec	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	758 833	60 707	889 271	71 142
Covered bonds	73 160	5 853	72 019	5 762
Retail exposures	21 933 343	1 754 667	21 631 795	1 730 544
Regional governments or local authorities exposures	1 519	122	1 913	153
Corporate exposures	2 689	215	2 756	220
Exposures in default	1 656 215	132 497	1 577 339	126 187
Other exposures	304 865	24 389	416 982	33 359
Total	24 730 625	1 978 450	24 592 075	1 967 366
			2022	2021
			31 March	31 Dec
Total capital requirement for credit risk according to the standardized approach			1 978 450	1 967 366
			2022	2021
			31 March	31 Dec
Capital requirement for operational risk				
Risk exposure amount			1 900 484	1 882 696
Capital requirement according to the alternative standardized approach			152 039	150 616
Total capital requirement for operational risk			152 039	150 616
			2022	2021
			31 March	31 Dec
Capital requirement for market risk (foreign exchange risk)				
Risk exposure amount			244 086	228 845
Capital requirement			19 527	18 308
Total capital requirement for market risk			19 527	18 308
Capital requirements for settlement risk			-	-
Capital requirements for credit value adjustment (CVA) risk			-	-
Total capital requirements			2 150 016	2 136 289

Internal capital requirement

	2022		2021	
	31 March		31 Dec	
Capital requirement according to Pillar 1		% av REA*		% av REA*
Credit risk	1 978 450	7,4	1 967 366	7,4
Market risk	19 527	0,1	18 308	0,1
Operational risk	152 039	0,6	150 616	0,6
Settlement risk	-	-	-	-
Credit value adjustment (CVA) risk	-	-	-	-
Total capital requirement according to Pillar 1	2 150 016	8,0	2 136 289	8,0
Capital requirement according to Pillar 2				
Other capital requirement	329 366	1,2	433 096	1,6
Total capital requirement according to Pillar 2	329 366	1,2	433 096	1,6
Combined buffer requirement				
Countercyclical buffer	51 854	0,2	52 857	0,2
Capital conservation buffer	671 880	2,5	667 590	2,5
Total combined buffer requirement	723 733	2,7	720 448	2,7
Management buffer				
Additional management buffer	268 752	1,0	267 036	1,0
Total management buffer	268 752	1,0	267 036	1,0
Internal capital requirement				
Total capital requirement	3 471 867	12,9	3 556 869	13,3
Capital base				
Total capital base	4 509 978	16,8	4 686 884	17,6

*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		
	2022	2021	2021	2022	2021	2021
Balance Sheet	31 March	31 Dec	31 March	31 March	31 Dec	31 March
Assets						
Deposits	3 793 556	4 446 056	4 688 225	-	-	-
Other assets	1 023	1 294	796	-	-	-
Total	3 794 579	4 447 350	4 689 021	-	-	-
Liabilities						
Amounts owed to credit institutions	15 377 247	15 601 799	15 734 947	15 377 247	15 601 799	15 734 947
Other liabilities	9 946	17 740	510 956	13 007	13 007	509 699
Total	15 387 193	15 619 539	16 245 903	15 390 254	15 614 806	16 244 646
Income Statement						
Interest income	-886	-4 425	-1 006	-	-	-
Interest expenses	-22 238	-85 749	-21 091	-22 234	-85 756	-21 092
Commission income	23 326	93 490	22 684	-	-	-
Commission expenses	-845	-4 461	-1 233	-	-	-
Other expenses	-2 716	-9 369	-2 246	-	-	-
Total	-3 359	-10 514	-2 892	-22 234	-85 756	-21 092

Note 9 Risks and risk Control

Following the decision by global regulators to phase out 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 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 2022, 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. 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 27, 2022

Jan Haglund
Chief Executive Officer