

Interim Report

January–June 2022



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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 - June 30, 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

The transition to a Post-pandemic environment has continued, translating into more active take up and utilization of Entercard products and services. There has been a continued increase in purchases on credit cards, with International travel showing the most significant change. 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 continued, and it is not clear whether the uncertainty around the duration and extent of the conflict will dampen economic activity within this region. It is however evident that the war has resulted in exacerbating the inflationary pressure, which was increasing even before the conflict in the context of the pandemic. Entercard will continue to follow the development of the circumstances.

Quarterly result

Operating income for the second quarter amounted to 790,7m SEK (compared to 830,3m SEK the same period previous year). The quarter's operating profit amounted to 165,4m SEK (350,0m SEK).

Year to Date Earnings, Profitability and Position

Operating income amounted to 1 597,9m SEK (1 678,6m SEK). Total loans to the public without considering provisions of anticipated loan losses as per June 30, 2022, was 34 834,2 SEK (33 562,2m SEK).

Non performing loans, after loan loss provision, as per June 30 amounted to a book value of 1 621,4m SEK which constitutes 5,1 percent of the total credit portfolio.

Operating profit (pre tax) amounted to 411,5m SEK (628,0m SEK).

Investments

Investments in tangible assets during the period increased by 0,4m SEK and intangible assets increased with 1,6m SEK. Entercard continuously assesses whether there are indications of

diminished value for assets. The evaluation during the period shows that there is no need for impairment.

Significant Risks and Factors of Uncertainty

Inflation has continued to increase, with current rate of price increases 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 Central banks in Scandinavia have increased policy rates multiple times in the quarter, and the market expects further increases to be announced later in the year. This has influenced forward curves for the Inter-bank offer rates in Scandinavia, which will adversely affect funding costs and thus margins for credit providers.

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 June 30 amounted to 3 205,7m SEK (4 173,1m SEK).

The liquidity reserve amounted to 2 639,9m SEK (2 685,5m SEK). Entercard Group AB's Liquidity Coverage Ratio (LCR) was 368% (325%). According to Entercard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), Entercard's NSFR was 139% (120%).

As per June 30, 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, 154 days for Norway and 151 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 (Pillar 3).

Capital Adequacy

Total capital ratio for Entercard as per June 30, 2022, was 17,7%. The total adjusted Tier 1 Capital base amounted to 4 821,0m SEK and the total risk exposure amount for credit risk was 25 266,6m 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 June 30, 2022, have been subject for a general review.

Quarterly Performance

	2022	2021
TSEK	Q2	Q2
Interest income	758 075	810 817
Interest expenses	-71 932	-49 514
Net interest income	686 143	761 303
Commission income	208 568	181 244
Commission expenses	-108 925	-110 161
Net commissions	99 642	71 083
Net gain/loss transactions from financial instruments	-3 861	-11 787
Other income	8 744	9 712
TOTAL OPERATING INCOME	790 667	830 312
Staff costs	-125 247	-130 108
Other general administrative expenses	-221 170	-191 568
Total general administrative expenses	-346 417	-321 676
Depreciation/amortization and impairment of tangible and intangible assets	-2 893	-7 197
TOTAL OPERATING EXPENSES	-349 310	-328 873
Profit before loan losses	441 357	501 439
Loan losses, net	-275 969	-151 343
OPERATING PROFIT	165 388	350 096
Tax expense	-35 591	-78 519
PROFIT/LOSS FOR THE YEAR	129 797	271 577

Statement of comprehensive income

	2022	2021
TSEK	Q2	Q2
Profit for the year recognized within the income statement	129 797	271 577
Components which will not be reclassified to the income statement		
Revaluation of defined-benefit pensions	-	-
Tax	-	-
Total	-	-
Components which have or will be reclassified to the income statement		
Unrealised changes in fair value	-16 340	4 867
Exchange rate differences	-20 079	-62 574
Tax	-	-
Total	-36 419	-57 707
Total profit	93 378	213 870

Income Statement

		2022	2021	2021
TSEK	Note	Jan-June	Full Year	Jan-June
Interest income		1 518 325	3 189 771	1 627 364
Interest expenses		-127 563	-219 681	-96 598
Net interest income		1 390 762	2 970 090	1 530 766
Commission income		400 923	750 803	355 766
Commission expenses		-209 149	-425 209	-212 793
Net commissions		191 773	325 594	142 973
Net gain/loss transactions from financial instruments	2	-4 495	-6 755	-10 456
Other income		19 830	77 461	15 352
TOTAL OPERATING INCOME		1 597 870	3 366 390	1 678 635
Staff costs		-270 409	-544 539	-257 867
Other general administrative expenses		-419 674	-763 414	-373 681
Total general administrative expenses		-690 083	-1 307 953	-631 548
Depreciation/amortization and impairment of tangible and intangible assets		-5 862	-23 849	-14 950
TOTAL OPERATING EXPENSES		-695 945	-1 331 802	-646 498
Profit before loan losses		901 925	2 034 588	1 032 137
Loan losses, net	3	-490 474	-1 002 271	-404 131
OPERATING PROFIT		411 451	1 032 317	628 006
Tax expense		-90 233	-186 568	-141 205
PROFIT/LOSS FOR THE YEAR		321 218	845 749	486 801

Statement of Comprehensive Income

		2022	2021	2021
TSEK		Jan-June	Full Year	Jan-June
Profit for the year recognized within the income statement		321 218	845 749	486 801
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	-25 655	14 087	986
Exchange rate differences		29 613	126 494	68 853
Tax		-	-26 777	-
Total		3 958	113 804	69 839
Total profit		325 176	970 216	556 641

Balance Sheet

Assets

		2022	2021	2021
TSEK	Note	30 June	31 Dec	30 June
Assets				
Deposits	4	3 205 660	4 446 056	4 173 138
Loans to the public	4	31 753 685	30 474 272	30 840 904
Bonds and other interest-bearing securities	5,6	2 639 866	2 875 442	2 685 516
Intangible assets		16 690	21 197	28 270
Tangible assets		1 651	2 491	3 647
Deferred tax assets		13 548	13 548	15 563
Other assets		319 133	342 189	235 764
Prepaid expenses and accrued income		93 842	72 302	100 550
TOTAL ASSETS		38 044 074	38 247 497	38 083 352

Liabilities and Equity

Liabilities

Amounts owed to credit institutions		32 554 486	31 203 598	31 591 041
Other liabilities		141 361	190 337	89 486
Accrued expenses and prepaid income		243 194	269 492	228 299
Pension provisions		22 565	27 953	35 766
Provisions		32 640	31 465	27 683
TOTAL LIABILITIES		32 994 247	31 722 846	31 972 275

Equity

Share capital		5 000	5 000	5 000
Fund for development expenditures		21 197	21 197	41 296
Reserves		-271 299	-275 257	-319 222
Retained earnings		5 294 929	6 773 711	6 384 002
TOTAL EQUITY		5 049 828	6 524 651	6 111 077
TOTAL LIABILITIES AND EQUITY		38 044 074	38 247 497	38 083 352

Statement of Changes in Equity

	Restricted equity		Non-restricted equity			
	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	Total Equity
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
Profit/loss for the period			68 853	986	486 801	556 641
<i>of which recognized in income statement</i>					486 801	486 801
<i>of which recognized in other comprehensive income</i>			68 853	986	-	69 839
Closing balance June 30, 2021	5 000	41 296	-311 480	-7 742	6 384 002	6 111 076

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
Dividends					-1 800 000	-1 800 000
Profit/loss for the period			29 613	-25 655	321 218	325 176
<i>of which recognized in income statement</i>			-	-	321 218	321 218
<i>of which recognized in other comprehensive income</i>			29 613	-25 655	-	3 958
Closing balance June 30, 2022	5 000	21 197	-247 372	-23 927	5 294 929	5 049 828

*Currency translation reserve from revaluation of the branches

**Fair value changes of the bond portfolio

Statement of Cash Flow

	2022	2021	2021
TSEK	Jan-June	Full Year	Jan-June
Operating activities			
Operating profit/loss	411 451	1 032 317	628 006
Adjustments for non-cash items	63 606	416 809	128 714
Taxes paid	-99 529	-289 748	-230 825
Cash flow from operating activities before working capital changes	375 528	1 159 378	525 894
Cash flow from changes in working capital			
Increase/decrease in loans to the public	-1 209 564	901 956	468 814
Increase/decrease of bonds and other interest-bearing securities	225 403	-16 783	-779 669
Increase/decrease in other assets	20 195	-947 049	34 911
Increase/decrease in other liabilities	-62 377	4 680	-49 383
Cash flow from changes in working capital	-1 026 343	-57 196	-325 326
Investing activities			
Purchase of intangible assets	-1 648	-428	-90
Purchase of tangible assets	-359	-91	-
Cash flow from investing activities	-2 007	-519	-90
Financing activities			
Dividends	-1 800 000	-1 000 000	-1 000 000
Increase/decrease of deposits and borrowing	1 171 717	-300 376	361 848
Cash flow from financing activities	-628 283	-1 300 376	-638 152
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	4 446 056	4 570 206	4 570 205
CASH FLOW FOR THE PERIOD	-1 281 105	-198 712	-437 674
Exchange rate differences on cash and cash equivalents	40 710	74 562	40 607
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3 205 660	4 446 056	4 173 138

Notes

The interim report for Entercard Group AB (org nr 556673-0585) refers to the period January 1 - June 30, 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-June	Full Year	Jan-June
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	-3 632	-18 849	-11 312
Exchange rate profit / loss	-863	114	856
Total realised gain/loss in profit or loss	-4 495	-6 755	-10 456
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	-25 655	14 087	986
Total unrealised gain/loss in Other comprehensive income	-25 655	2 107	986
Total	-30 150	-4 648	-9 470

Note 3 Loan Losses, Net

	2022	2021	2021
	Jan-June	Full Year	Jan-June
Loans at amortized cost			
Change in provisions - stage 1	-23 856	171 398	92 671
Change in provisions - stage 2	9 142	74 886	43 666
Change in provisions - stage 3	-72 199	-618 940	-295 989
Total	-86 913	-372 657	-159 652
The periods write-off for established loan losses	-476 875	-634 532	-249 209
Recoveries from previously established loan losses	74 154	7 065	3 396
Total	-402 721	-627 468	-245 813
Loan losses net, loans at amortized cost	-489 634	-1 000 124	-405 465
Loan losses credits granted but not utilized			
Change in provisions - stage 1	-338	1 895	1 241
Change in provisions - stage 2	-502	-4 041	93
Loan losses net, loan commitments	-840	-2 146	1 334
Total loan losses	-490 474	-1 002 271	-404 131

Note 4 Change in Provisions for Loans

Change in book value (gross) and provisions June 30, 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 June 30, 2022	28 618 377	2 439 430	3 776 384	34 834 191
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	-60 881	17 113	336 356	292 589
Changes in credit risk	3 514	15 225	6 007	24 746
Transfer between stages during the period				
from stage 1 to stage 2	45 595	-197 420	-	-151 825
from stage 1 to stage 3	14 038	-	-170 460	-156 422
from stage 2 to stage 1	-17 046	70 435	-	53 390
from stage 2 to stage 3	-	114 032	-228 480	-114 449
from stage 3 to stage 1	-87	-	2 993	2 905
from stage 3 to stage 2	-	-3 697	8 250	4 552
Other	-12 880	-8 939	-43 174	-64 993
Closing balance June 30, 2022	-517 235	-408 333	-2 154 938	-3 080 506
Book value, net				
Opening balance January 1, 2022	26 879 402	2 017 531	1 577 339	30 474 272
Closing balance June 30, 2022	28 101 142	2 031 097	1 621 446	31 753 685

Change in book value (gross) and provisions June 30, 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 June 30, 2021	27 801 038	2 407 117	3 354 295	33 562 450
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	-38 474	28 775	182 917	173 218
Changes in credit risk	35 876	15 303	-18 381	32 798
Transfer between stages during the period				
from stage 1 to stage 2	58 670	-232 085	-	-173 415
from stage 1 to stage 3	22 567	-	-225 387	-202 820
from stage 2 to stage 1	-23 230	84 637	-	61 406
from stage 2 to stage 3	-	145 107	-269 806	-124 699
from stage 3 to stage 1	-68	-	1 338	1 270
from stage 3 to stage 2	-	-3 679	7 308	3 629
Other	31 256	-	-3 536	27 720
Closing balance June 30, 2021	-564 617	-443 142	-1 713 787	-2 721 546
Book value, net				
Opening balance January 1, 2021	27 704 465	2 052 674	1 421 840	31 178 979
Closing balance June 30, 2021	27 236 421	1 963 975	1 640 508	30 840 904

Change in book value (gross) June 30, 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	1 439 467	-110 085	-535 884	793 499
Changes in credit risk	-94 000	-52 676	-74 673	-221 349
Transfer between stages during the period				
from stage 1 to stage 2	-1 176 307	1 176 040	-	-267
from stage 1 to stage 3	-322 611	-	326 183	3 572
from stage 2 to stage 1	529 662	-587 700	-	-58 038
from stage 2 to stage 3	-	-436 489	439 870	3 380
from stage 3 to stage 1	3 892	-	-4 706	-814
from stage 3 to stage 2	-	17 727	-18 200	-473
Other	869 385	-	24	869 409
Book value				
Closing balance June 30, 2022	28 618 377	2 439 430	3 776 384	34 834 191

Change in book value (gross) June 30, 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	991 598	-162 395	-328 882	500 320
Changes in credit risk	-536 738	-56 011	-37 668	-630 417
Transfer between stages during the period				
from stage 1 to stage 2	-1 212 897	1 214 497	-	1 601
from stage 1 to stage 3	-387 312	-	395 013	7 701
from stage 2 to stage 1	587 767	-657 398	-	-69 631
from stage 2 to stage 3	-	-510 668	517 344	6 676
from stage 3 to stage 1	1 840	-	-2 267	-427
from stage 3 to stage 2	-	12 497	-13 369	-872
Other	1 102	32 721	14 043	47 865
Book value				
Closing balance June 30, 2021	27 801 038	2 407 117	3 354 295	33 562 450

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

	2022 30 June	2021 31 Dec	2021 30 June
Credit facilities, granted but not paid	93 418	104 109	113 105
Credits granted but not utilized	43 428 683	42 953 656	42 745 595
Provisions for off-balance commitments			
Stage 1	24 561	23 936	24 342
Stage 2	8 079	7 528	3 341
Total	32 640	31 465	27 683

Allocation of loans between stages and provisions (IFRS 9)

	2022 30 June	2021 31 Dec	2021 30 June
Deposits			
Stage 1			
Book value, gross	3 205 660	4 446 056	4 173 138
Total book value	3 205 660	4 446 056	4 173 138
Loans to the public, private customers			
Stage 1			
Book value, gross	28 079 106	26 973 345	27 488 615
Provisions	-517 426	-485 448	-564 368
Book value	27 561 680	26 487 897	26 924 247
Stage 2			
Book value, gross	2 439 430	2 432 613	2 407 117
Provisions	-408 333	-415 083	-443 142
Book value	2 031 097	2 017 531	1 963 975
Stage 3			
Book value, gross	3 768 348	3 636 955	3 347 783
Provisions	-2 150 859	-2 062 891	-1 710 152
Book value	1 617 489	1 574 064	1 637 631
Total book value	31 210 266	30 079 492	30 525 853
Loans to the public, corporate customers			
Stage 1			
Book value, gross	539 271	395 544	312 423
Provisions	191	-4 039	-249
Book value	539 462	391 505	312 174
Stage 3			
Book value, gross	8 036	6 814	6 512
Provisions	-4 079	-3 539	-3 635
Book value	3 957	3 275	2 877
Total book value	543 419	394 780	315 051
Total	34 959 345	34 920 328	35 014 042
Book value gross, stage 1	28 618 377	27 368 889	27 801 038
Book value gross, stage 2	2 439 430	2 432 613	2 407 117
Book value gross, stage 3	3 776 384	3 643 769	3 354 295
Total book value gross	34 834 191	33 445 271	33 562 450
Provisions stage 1	-517 235	-489 487	-564 617
Provisions stage 2	-408 333	-415 083	-443 142
Provisions stage 3	-2 154 938	-2 066 430	-1 713 787
Total provisions	-3 080 506	-2 971 000	-2 721 546
Total book value	31 753 685	30 474 272	30 840 904
Share of loans in stage 3, gross, %	10,84%	10,89%	9,99%
Share of loans in stage 3, net, %	5,11%	5,17%	5,31%
Provision ratio of loans stage 1	1,81%	1,79%	2,03%
Provision ratio of loans stage 2	16,74%	17,06%	18,41%
Provision ratio of loans stage 3	57,06%	56,71%	51,09%
Total provision ratio of loans	8,84%	8,88%	8,11%

Note 5 Bonds and Other Interest-bearing Securities

Financial assets measured at fair value through Other comprehensive income.

	2022	2021	2021
	30 June	31 Dec	30 June
Issuers			
Municipalities	1 645 345	1 915 820	1 305 984
Swedish mortgage institutions	322 796	206 500	328 303
Foreign credit institutions	327 085	109 070	106 272
Foreign mortgage institutions	208 971	513 689	841 608
Other foreign issuers	135 668	130 364	103 348
Total	2 639 865	2 875 442	2 685 516

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

	2022	2021	2021
	30 June	31 Dec	30 June
Remaining maturity			
Maximum 1 year	135 668	130 364	103 348
Longer than 1 year but maximum 5 years	2 422 520	2 013 982	2 211 278
Longer than 5 years	81 677	731 096	370 889
Total	2 639 865	2 875 442	2 685 516

	2022	2021	2021
	30 June	31 Dec	30 June
Total holdings of financial assets, broken down by issuer			
Issued by public entities	1 781 013	2 046 184	1 409 332
Issued by other borrowers	858 852	829 258	1 276 183
Total	2 639 865	2 875 442	2 685 516
Average remaining maturity, years	2,59	3,09	2,75
Average remaining fixed interest term, years	0,29	0,46	0,29
<i>of which listed securities, TSEK</i>	<i>2 639 865</i>	<i>2 875 442</i>	<i>2 685 516</i>
<i>of which unlisted securities, TSEK</i>	<i>-</i>	<i>-</i>	<i>-</i>

Note 6 Liquidity Reserve and Liquidity Risk

	2022	Distribution by currency			2021	Distribution by currency		
	30 June	SEK	NOK	DKK	30 June	SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	135 668	-	-	135 668	103 348	-	-	103 348
Securities issued or guaranteed by municipalities or non-governmental public entities	1 645 345	1 396 740	248 605	-	1 305 984	935 095	370 889	-
Covered bonds issued by others	531 768	322 796	208 971	-	1 169 912	328 303	841 608	-
Securities issued or guaranteed by multilateral development banks	327 085	-	327 085	-	106 272	-	106 272	-
Total	2 639 866	1 719 536	784 661	135 668	2 685 516	1 263 398	1 318 770	103 348
<i>Distribution by currency, %</i>		<i>65,1%</i>	<i>29,7%</i>	<i>5,1%</i>		<i>47,0%</i>	<i>49,1%</i>	<i>3,8%</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 0,3 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 2%, 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
Common Equity Tier 1 Capital: Instruments and reserves	30 June	31 Dec
Capital instrument and associated share premium	5 000	5 000
Reserves	5 107 607	6 061 858
Accumulated other comprehensive income	-383 997	-387 956
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	128 487	-954 251
Common Equity Tier 1 Capital before adjustments	4 857 097	4 724 651
Value adjustments due to the requirements for prudent valuation	-5 887	-3 022
Intangible assets	-16 690	-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	-36 125	-37 767
Common Equity Tier 1 Capital	4 820 972	4 686 884
Additional Tier 1 Capital: instruments	-	-
Tier 1 Capital	4 820 972	4 686 884

	2022	2021
Tier 2 Capital: Instruments and provisions	30 June	31 Dec
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	4 820 972	4 686 884
Total risk weighted exposure amount	27 241 424	26 703 616
Common Equity Tier 1 capital ratio	17,7%	17,6%
Tier 1 capital ratio	17,7%	17,6%
Total capital ratio	17,7%	17,6%

	2022	2021
Requirements buffers, %	30 June	31 Dec
Total Tier 1 capital requirement including buffer requirement	7,3	7,2
whereof minimum CET1 requirement	4,5	4,5
whereof capital conservation buffer requirement	2,5	2,5
whereof countercyclical capital buffer requirement	0,3	0,2
Common Equity Tier 1 capital available to be used as buffer	10,4	10,4
Leverage ratio	11,4%	11,0%

Risk exposure amount and own funds requirement for credit risk

Exposure classes	2022		2021	
	30 June		31 Dec	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	641 280	51 302	889 271	71 142
Covered bonds	53 177	4 254	72 019	5 762
Retail exposures	22 530 933	1 802 475	21 631 795	1 730 544
Regional governments or local authorities exposures	2 384	191	1 913	153
Corporate exposures	2 709	217	2 756	220
Exposures in default	1 621 445	129 716	1 577 339	126 187
Other exposures	414 626	33 170	416 982	33 359
Total	25 266 555	2 021 324	24 592 075	1 967 366
			2022	2021
			30 June	31 Dec
Total capital requirement for credit risk according to the standardized approach			2 021 324	1 967 366
			2022	2021
			30 June	31 Dec
Capital requirement for operational risk				
Risk exposure amount			1 939 063	1 882 696
Capital requirement according to the alternative standardized approach			155 125	150 616
Total capital requirement for operational risk			155 125	150 616
			2022	2021
			30 June	31 Dec
Capital requirement for market risk (foreign exchange risk)				
Risk exposure amount			35 806	228 845
Capital requirement			2 864	18 308
Total capital requirement for market risk			2 864	18 308
Capital requirements for settlement risk			-	-
Capital requirements for credit value adjustment (CVA) risk			-	-
Total capital requirements			2 179 314	2 136 289
Total risk exposure amount			27 241 424	26 703 616

Internal capital requirement

	2022		2021	
	30 June		31 Dec	
Capital requirement according to Pillar 1		% av REA*		% av REA*
Credit risk	2 021 324	7,4	1 967 366	7,4
Market risk	2 864	-	18 308	0,1
Operational risk	155 125	0,6	150 616	0,6
Settlement risk	-	-	-	-
Credit value adjustment (CVA) risk	-	-	-	-
Total capital requirement according to Pillar 1	2 179 314	8,0	2 136 289	8,0
Capital requirement according to Pillar 2				
Other capital requirement	433 088	1,6	433 096	1,6
Total capital requirement according to Pillar 2	433 088	1,6	433 096	1,6
Combined buffer requirement				
Countercyclical buffer	73 570	0,3	52 857	0,2
Capital conservation buffer	681 036	2,5	667 590	2,5
Total combined buffer requirement	754 606	2,8	720 448	2,7
Management buffer				
Additional management buffer	272 414	1,0	267 036	1,0
Total management buffer	272 414	1,0	267 036	1,0
Internal capital requirement				
Total capital requirement	3 639 422	13,4	3 556 869	13,3
Capital base				
Total capital base	4 820 972	17,7	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	30 June	31 Dec	30 June	30 June	31 Dec	30 June
Assets						
Deposits	3 205 660	4 446 056	4 173 138	-	-	-
Other assets	1 029	1 294	879	-	-	-
Total	3 206 689	4 447 350	4 174 017	-	-	-
Liabilities						
Amounts owed to credit institutions	16 277 243	15 601 799	15 795 521	16 277 243	15 601 799	15 795 521
Other liabilities	14 007	17 740	11 610	-	13 007	13 007
Total	16 291 250	15 619 539	15 807 130	16 277 243	15 614 806	15 808 528
Income Statement						
Interest income	-834	-4 425	-2 144	-	-	-
Interest expenses	-53 200	-85 749	-43 474	-53 303	-85 756	-43 473
Commission income	47 341	93 490	45 759	-	-	-
Commission expenses	-1 575	-4 461	-2 405	-	-	-
Other expenses	-5 052	-9 369	-4 531	-	-	-
Total	-13 320	-10 514	-6 795	-53 303	-85 756	-43 473

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 30 June 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 August 25, 2022

Jan Haglund
Chief Executive Officer