Risk Management and Capital Adequacy Report Pillar 3 - 2015

EnterCard consolidated situation
as at 31 December 2015

CONTENTS

1 INTRODUCTION

The Pillar 3 report 2015 provides information on EnterCard's capital adequacy and risk management.

Information in this report is based on performance as of 31st December 2015. The report is submitted by the EnterCard Group; i.e. EnterCard Sverige AB with corporate identity number 556673-0593, EnterCard Holding AB with corporate identity number 556673-0585 and EnterCard Norge AS with corporate identity number 980 844 854. EnterCard Danmark with identity number DK30072030 is a wholly owned subsidiary of EnterCard Norge AS. EnterCard is seen as consolidated situation in accordance with European Parliament and Council Regulation ("EU") 575/2013 on prudential requirements for credit institutions and investment firms ("CRR") article 18.1, and shall thereby in accordance with applicable rules and regulations annually produce The Pillar 3 report.

The report is based on regulatory disclosure requirements set out in the Capital Requirements Regulation and the SFSA regulation FFFS 2014:12 and 2010:7. The document has not been audited and do not form part of EnterCard's financial statements.

The EnterCard Group (in this report referred to as "EnterCard") consists of EnterCard Sverige AB (EnterCard Sweden), EnterCard Holding AB and EnterCard Norge AS (EnterCard Norway including Danish branch). EnterCard Sweden and EnterCard Norway are both authorised credit institutions in each respective country. EnterCard Norway has also an established branch in Denmark. The EnterCard Group is governed by The Board of Directors of EnterCard Holding AB (in this report referred to as "The Board of Directors").

Information in this report is based on performance as of 31st December 2015.

The pillar 3 report is part of the capital adequacy framework that builds on the three pillars:

- **Pillar 1**
  Pillar 1 provides rules for calculating the minimum capital requirements for credit risk, market risk and operational risks. EnterCard is not exposed to any market risk under Pillar I, as it has no trading book. EnterCard's pillar 1 capital requirement for credit risk and operational risk is calculated using the standardised approach.
- **Pillar 2**
  Pillar 2 requires institutions to prepare and document their own internal capital adequacy assessment process ("ICAAP"). The FSA states that credit institutions shall have in place a sound, effective and complete strategies and processes to assess the amount, types and distribution of internal capital and liquidity that the management of EnterCard considers adequate to cover the nature and level of the risks to which the business of EnterCard is or might be exposed to.
- **Pillar 3**
  Pillar 3 requires institutions to disclose comprehensive information on risk management and associated capital.

1.1 Information about EnterCard

EnterCard Holding AB is the parent company of a credit institution group which operates in the Scandinavian market, with the issuance of credit cards and loans as a primary business focus.

EnterCard 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. EnterCard's focus of business is to distribute and market different types of credit cards under its own brand re:member as well as different partners' brands. Today, EnterCard has over 1.7 million clients and approximately 440 employees in Stockholm, Copenhagen, Oslo, and Trondheim.

Currently, the EnterCard Group cooperates through various card programs with partners such as British Airways, Svenska Golfförbundet and LO in Sweden. In Norway, the partners are Pareto Bank and KLP. Coop and LO are partners in both Norway as well as Denmark. The EnterCard Group also distributes credit cards and business cards for Swedbank and several local savings banks on the Swedish and Norwegian market.

It is important for EnterCard to act as a responsible loan provider by continually secure their customers using their credit cards in a safe and sound way and also ensure that reasonable credit levels are given to each individual customer.

EnterCard Holding AB is owned by Swedbank AB, 60% and Barclays Bank PLC, 40% through a joint venture. EnterCard Norway AS and EnterCard Sweden AB are wholly owned subsidiaries of EnterCard Holding AB.

1.2 Important events during and after the financial year

In 2015, EnterCard continued to deliver strong income and profit before tax despite losing one large partner in 2014. This is mainly due to increased efforts in consumer lending and strong growth in the re:member portfolios. Healthy levels of customer spending delivered income gains which translated to profits with good cost control. The impairment position reflected consistent profile with the previous years.

New product launches and market expansion activities, such as consumer loans, have proven to be good replacements for lost income and profit due to the sale of the SpareBank 1 portfolio. EnterCard continued their way into the loans market in Norway by the launch of the consumer loans product "remember lev" to the public in Norway, and to existing customers in Denmark. In addition Consumer loans were offered to Coop customers in Norway. During the year a new partner agreement was signed in Norway between EnterCard and NBBL ("Norsk Boligbyggelag").

Within the business of Independent Savings Banks in Sweden, EnterCard made an acquisition of a credit card portfolio from Sparbanken Skåne.

The major elements that characterize the year are the material contributions from the Swedbank portfolio, the largest single portfolio.

To position EnterCard for the future, strategic investments build EnterCard capabilities to expand the business, improve efficiency and increase effectiveness will continue. EnterCard develops and deploys new capabilities to enhance the way in which it delivers services to its customers. In 2014, EnterCard launched a new customer segmentation model to identify customers and align products with their needs. Additionally, it linked the customer segmentation model to the existing customer base and developed analytical tools to gain greater insight into customer behaviours and needs. The utilization of this model continued during 2015, and will also be part of how EnterCard works towards customers in the next few years as well.

2 RISK MANAGEMENT AND GOVERNANCE

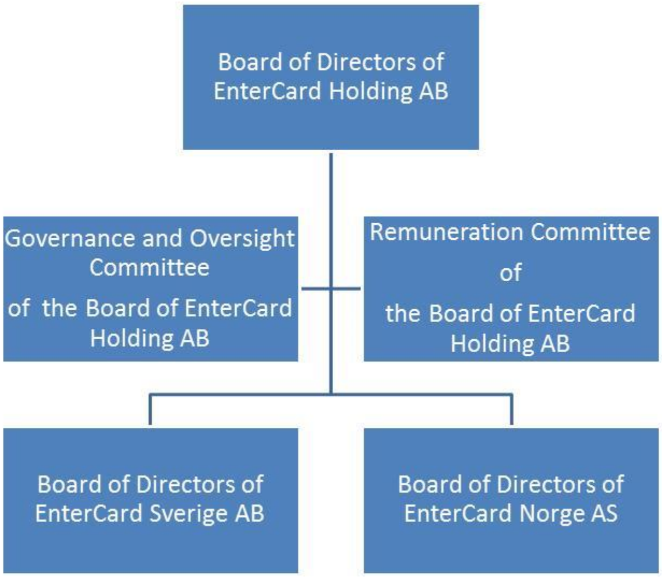
Risk is defined as a potentially negative impact on a company that can arise due to current internal processes or future internal and external events. The concept of risk comprises both the likelihood that an event will occur and the impact it would have on the EnterCard Group. To achieve the EnterCard Group’s business goals regarding growth, profitability and economic stability it is necessary to continuously balance the goals of the EnterCard Group against the business risks. These risks are analysed through the common view the EnterCard Group has on business processes.

In the context of EnterCard´s field of activity, different types of risks arise, such as credit risk, operational risk, market risk and liquidity risk. For EnterCard, credit risk is the dominating risk. EnterCard is striving for a well-balanced credit card portfolio with a diversification of risk and a broad customer base within the EnterCard Group´s field of business, along with a sound control of default development in its portfolios.

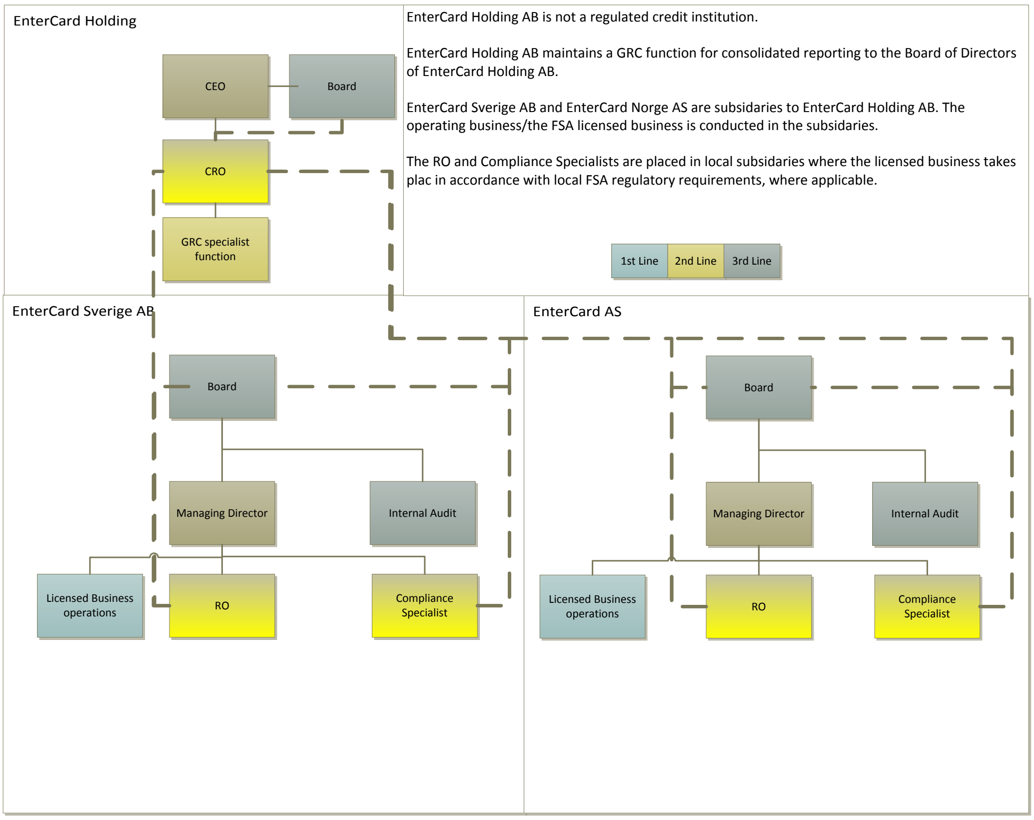
2.1 Risk management processes

The Board of Directors and management are ultimately responsible for risk management. The purpose of risk management is maintaining the total risk level not exceeding the risk appetite level set by the Board of Directors. EnterCard is continuously striving to reduce the operational risks through improvement of processes, availability and assurance. The Board of Directors sets the risk level of the business and the assignment of the responsibilities and authorities regarding the risk management. The assignment sets a structure for decision making in risk areas. The decision makers are the Board of Directors, the CEO and the person who is responsible for each business unit.

EnterCard governance structure



EnterCard risk operating model



The comprehensive set of rules regarding control and internal control is one of the fundamental instruments for the Board of Directors and management for business control and good internal control. The Board of Directors sets the risk level of the business and the assignment of the responsibilities and authorities regarding the risk management. The assignment sets a structure for decision making in risk areas. The decision makers are the Board of Directors, the CEO and the person who is responsible for each business unit. Risk management is executed within each business function under the supervision of and communication with the risk control function. The risk function continuously monitors and reports to the CEO and Board of Directors. The responsibility for monitoring and reporting off regulatory and ethical risks are on the compliance function.

The Risk and Compliance steering documents includes the overall policy for all risks is the Enterprise Risk Management ("ERM") policy. The ERM policy functions as a starting point from which relevant risk policies and instructions are referred to such as the Credit policy, Financial Risk policy, Liquidity Risk policy, Capital policy, Operational Risk policy, Incident Management policy, Business Continuity Management policy, Internal Control policy, Compliance policy and the CEO Instruction for Risk and Control.

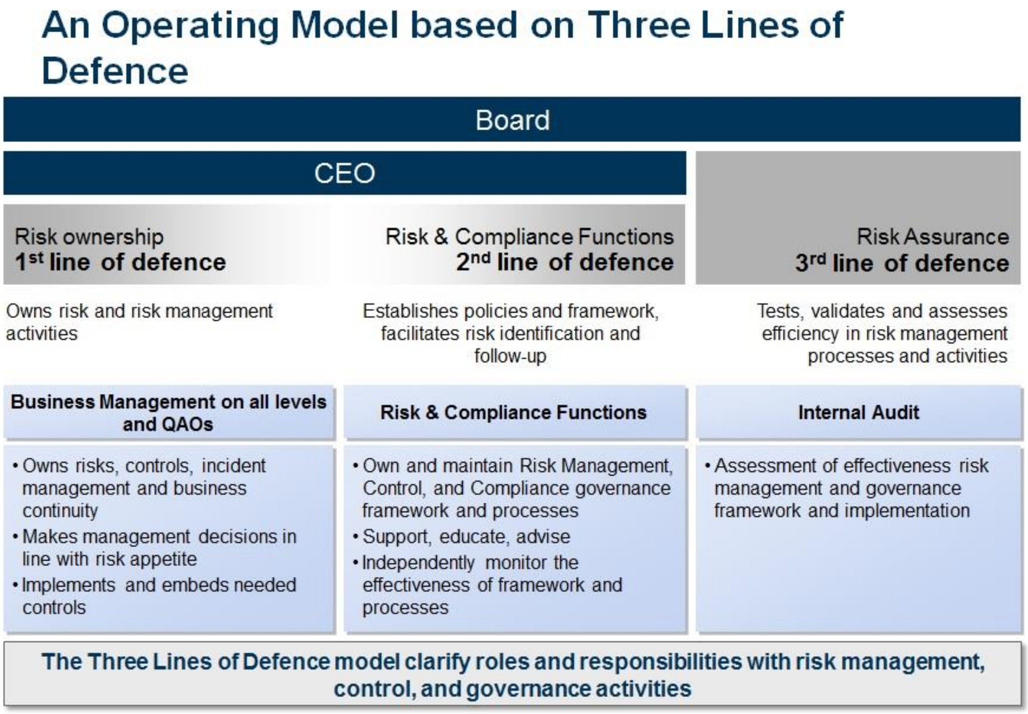
2.2 The Risk and Control Framework

EnterCard Group's risk and control framework is built on the three lines of defences.

The first line of defence refers to all risk management activities carried out by the business operations and its support functions. The risk owners are supported by Quality Assurance Officers (QAO) which are placed in the first line to support the risk profiling process. The QAO's primary task is to support the risk owners with the identification and assessment of the risks as well as management response and mitigating actions. In addition, the QAO supports the risk owners with identification of risks and control self-assessments; linkage between materialised risks (incidents) and risk identification; update of business continuity plans and follow up on eventual audit observations.

The second line of defence refers to the Group Risk and Compliance ("GRC") function, responsible for keeping a competence pool for all risk categories and to aggregate and give an independent and holistic view of the risks faced by the EnterCard Group. The GRC function provides independent reporting on the risk profile to the MDs, the CEO, and to the Board of Directors on the risk profile. The GRC function will review/challenge the risk assessments to ensure that the business operates within the tolerance limits set and escalate whether risk appetite levels are at risk and also challenge the risk owners on the assessment if necessary. The GRC function will also conduct a yearly control assessment of first line's self-assessment of the controls to ensure that controls are operating efficiently. The compliance specialist is responsible for the compliance management within the EnterCard operating entities.

The third line of defence refers to the Internal Audit function which is governed by and reports to the Board of Directors. EnterCard has an internal audit function which on behalf of the Board of Directors evaluates and audits. Additional single audits can be made, when deemed necessary, to ensure that there are adequate controls in place and that the procedures and procedural descriptions are in compliance with EnterCard policy.



2.3 Risk Appetite and Enterprise Risk Management Policy

EnterCard has an enterprise wide process for risk identification, risk assessment, control design and implementation, presented in the figure below "EnterCard risk management cycle".
There is also a control self-assessment routine with detailed remediation initiatives to secure operation within set Risk Appetite.

The Board of Directors establishes the risk strategy and decides on the overall risk appetite. In order to ensure and improve the approach to the risk appetite is regularly evaluated and if necessary revised. The overall risk appetite is clarified through risk appetites for all relevant risks within the risk universe in order to present how EnterCard acts within each risk.

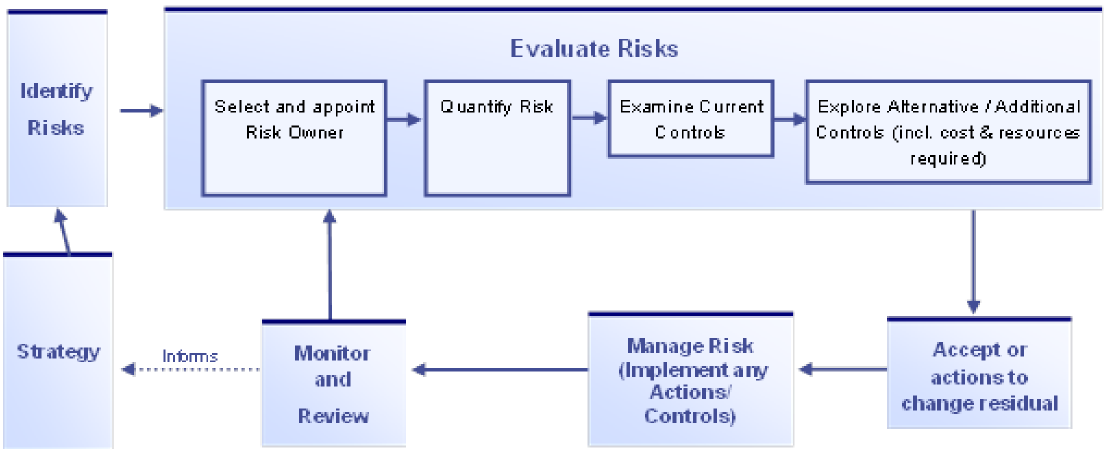
The EnterCard Group's overall risk appetite is defined as follows:
"The exposure to the risks that can be taken by the EnterCard Group should remain within acceptable and controlled levels."

The overall policy for all risks is the Enterprise Risk Management policy, which is the policy for all material risks included in the EnterCard risk universe.

EnterCard reports its risk exposures through the Board of Directors. Limits and targets embedded in the risk appetite may be adjusted in order to establish the risk strategy within the operations of EnterCard. A disciplined approach to dealing with risk is required to ensure that material risks are identified and appropriately managed. A risk universe contains the material risks to which the business may be exposed. All risks identified are assessed and monitored as part of the overall risk management. The risk categories contained in the risk universe shall, when appropriate, be addressed in a separate policy or instruction, which shall contain the key high-level principles for appropriate management of the respective risk. Material risks are aggregated and compared so risk measures are consistent across the EnterCard Group. The risk universe is documented in the ERM policy.

The CEO and the MDs shall ensure that operational limits (tolerance limits) when deemed relevant, are set for the risk categories set out below in order to safeguard that business performance stays within the risk appetite and to avoid unwanted risk concentration of any kind. The CEO and the MDs should also ensure that there are processes for monitoring, reporting and escalation on risk appetite and risk tolerance limits.

EnterCard risk management cycle



3 CAPITAL REQUIREMENTS

The capital adequacy rules are the regulatory requirement for how much capital a credit institute must have in relation to the size of the risks it faces. The rules strengthen the connection between the EnterCard Group's current risk profile and future risk profile. The EnterCard Group assessment of the capital need is assessed through internal risk measurements and stress testing.

3.1 Capital regulation

Calculation of capital requirements is conducted in accordance with EU 575/2013 on prudential requirements for credit institutions and investment firms (prudential regulation) act (2014: 966) on capital buffers, and the Swedish Financial Supervisory Authority (SFSA) 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 is a financial group and all companies are fully consolidated. Information in this report 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 applies the standardised approach to calculate the capital requirement for credit risk. Credit risk is calculated on all asset items and off-balance sheet items unless deducted from own funds. Capital requirements for operational risk are calculated using the standardised approach. Capital requirement is calculated as the three-year average for the last three year's financial operating revenue in each business multiplied by the corresponding beta factor. For Market risk, EnterCard is not required to hold capital under the Pillar 1 framework, as it has no trading book.

The combined buffer requirement is a requirement to hold a capital conservation buffer of 2.5 % of risk-weighted exposure amounts. Upcoming buffer requirement also includes a countercyclical buffer, which currently amounts to 1 % of the risk exposure amount for Sweden and Norway to be increased in 2016 to 1.5%.

3.2 Capital base and adequacy at EnterCard

Besides the above capital adequacy requirement, EnterCard holds additional capital according to the total capital calculated in the Internal Capital Adequacy Assessment Process, called Pillar 2.

EnterCard's internal capital adequacy assessment process (ICAAP) and liquidity adequacy assessment process (ILAAP) aims to ensure that the need of capital and liquidity is evaluated. The evaluation is to secure that EnterCard is adequately capitalised to cover the solvency related risks that EnterCard is or might be exposed to, and to ensure EnterCard has a satisfactory liquidity buffer.
The evaluation of the capital and liquidity need is done regularly based on financial goals, risk profile and business strategy, in addition to stressed scenarios defining the need over a forward looking horizon. The need of capital and liquidity is monitored continuously and is an integrated part of the business development. Besides the continuous monitoring and reporting to meet the minimum legal

requirements regarding capital and liquidity coverage, a detailed review is performed and documented at least annually.

When assessing the capital need, EnterCard takes into consideration its current and future risk profile and internal risk assessment of the capital need. The EnterCard capital assessments were made according to a building block and scenario simulation approach. Pillar 1 is the first step stone including capital requirement for credit, market and operational risk. On top of the Pillar 1 step stone there will be blocks of additional capital requirements for Pillar 2 and capital buffers. The calculation of additional capital for all other risks, such as credit concentration risk, credit counterparty risks, interest rate risk in the banking book and pension risk, is assessed using scenarios and stress testing.

- **Pillar 1:**
  The minimum capital requirement under Pillar 1 is the sum of the minimum requirements for credit and operational risks calculated according to the standardised approaches. Note that EnterCard has no trading book and therefore does not hold capital for market risk under Pillar 1.

- **Pillar 2:**
  In accordance with the different capital assessment frameworks in EnterCard, each risk type is captured in the assessment of capital requirement. Additional capital under Pillar 2 is held for market (interest rate) risk, credit concentration risk, credit counterparty risk and pension risk for EnterCard Norway.

- **Capital buffers:**
  In accordance with regulatory requirements, EnterCard holds capital conservation buffer and countercyclical buffer. On top of EnterCard' regulatory targets an internal buffer is hold as a safety margin to minimise the risk of breaching the regulatory target.

3.3 Result 2015

The outcome of EnterCard's ICAAP shows that EnterCard holds sufficient capital as per 31 December 2015. It also shows that EnterCard will hold sufficient capital in a stressed scenario the next three years and that a specific capital planning buffer is not deemed necessary.

Total capital ratio for the EnterCard group amounted to 22.62 % at year end.

During 2015, EnterCard's interest rate risk has decreased, the credit concentration risk has increased, and credit counterparty risk and pension risk has been implemented. As a consequence, the Pillar 2 buffer will decrease from 1.6% to 1.3% from January 2016.

EnterCard will distribute a dividend for the year ending 31 December 2015. The capital adequacy before dividend shows that EnterCard has a solid capital situation and a low risk profile. Dividend will be proposed in the Financial Statements and Annual Report for the year ending 31 December 2015.

The capital adequacy, after dividend

The EnterCard Group as per 31 December 2015 (kSEK)

Capital Adequacy consolidated situation

Capital adequacy analysis	2015	2014
Common Equity Tier 1 capital ratio	22,4%	20,9%
Tier 1 capital ratio	22,4%	20,9%
Total capital ratio	22,6%	21,2%

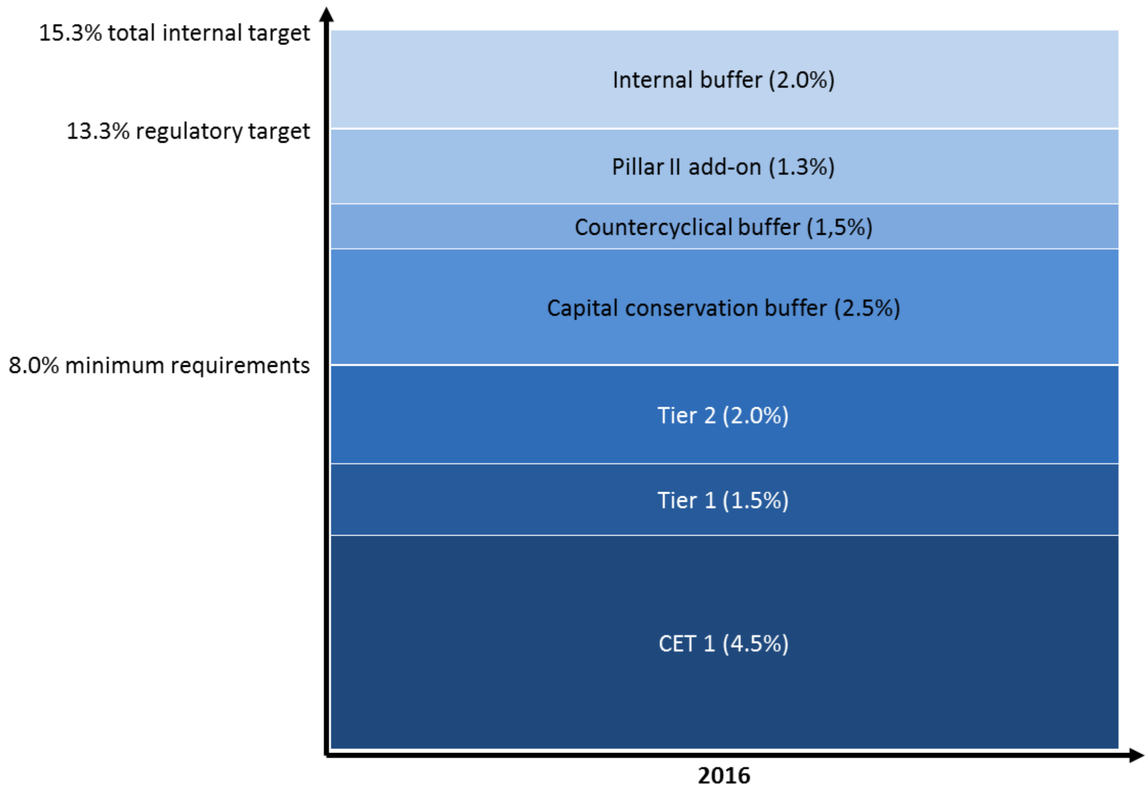
Capital adequacy	2015	2014
Shareholders' equity	4 854 856	4 216 732
Intangible assets	-106 400	-119 668
Deferred taxes	-6 206	-24 224
Dividends and other foreseeable charges	-665 500	-490 940
Common equity Tier 1	**4 076 750**	**3 581 900**
Tier 1 capital	**4 076 750**	**3 581 900**
Tier 2 capital	**45 896**	**50 397**
Tier 2 instruments	45 896	50 397
Total capital base	**4 122 646**	**3 632 297**

Capital buffers

Regulatory requirements buffers as per 31 Dec 2015, %	2015
Total Tier 1 capital requirement including buffer requirement	11,5
whereof capital conservation buffer requirement	*2,5*
whereof countercyclical capital buffer requirement	*1,0*
Common Equity Tier 1 capital available to be used as buffer	14,4

In accordance with regulatory requirements, EnterCard holds a capital conservation buffer corresponding to 2.5% of its total risk exposure amount. EnterCard has proactively, prior to full legal implementation, applied a countercyclical buffer of 1.5%. EnterCard holds an internal buffer of 2.0% on top of its regulatory target as a safety margin to minimise the risk of breaching the regulatory target. All buffers are to be held in Common Equity Tier 1 capital.

The EnterCard Group capital requirement and internal capital targets as per 31 December 2015



3.4 Stress testing

EnterCard has performed credit risk stress testing including impairment, profit and loss and capital plan stress testing. A stress testing of the operational risk has also taken place.

EnterCard has developed three separate complementing processes/analyses for the quantification and calculation of capital needs for operational risk, in line with industry and regulatory practices, and according to the principle of proportionality. The different approaches are applied to estimate EnterCard's capital need for Pillar 2 significantly stresses the operational risk exposure.

The outcome of the macro scenarios test and the correlation models has been stressed against the Profit & Loss and the Key Value Drivers is also stressed. The company-level scenario analysis takes into account the stress testing of charge-off rates and Profit & Loss. The profit after tax, risk exposure amount and operational risk are included in the capital plan per scenario to ensure that EnterCard still has a capital surplus during the stress scenario.

Nevertheless EnterCard has defined the management actions to deal with an adverse stressed situation where the regulatory capital requirements and ratios might be breached. The monitoring and remedial actions for such a situation are elaborated in the Capital Contingency Plan.

In relation to the stressed scenarios (severe and adverse) for the next 3 years, EnterCard is not close to breaching and the result gives still a surplus. Therefore a capital planning buffer is not deemed necessary as EnterCard hold sufficient capital in a stressed situation.

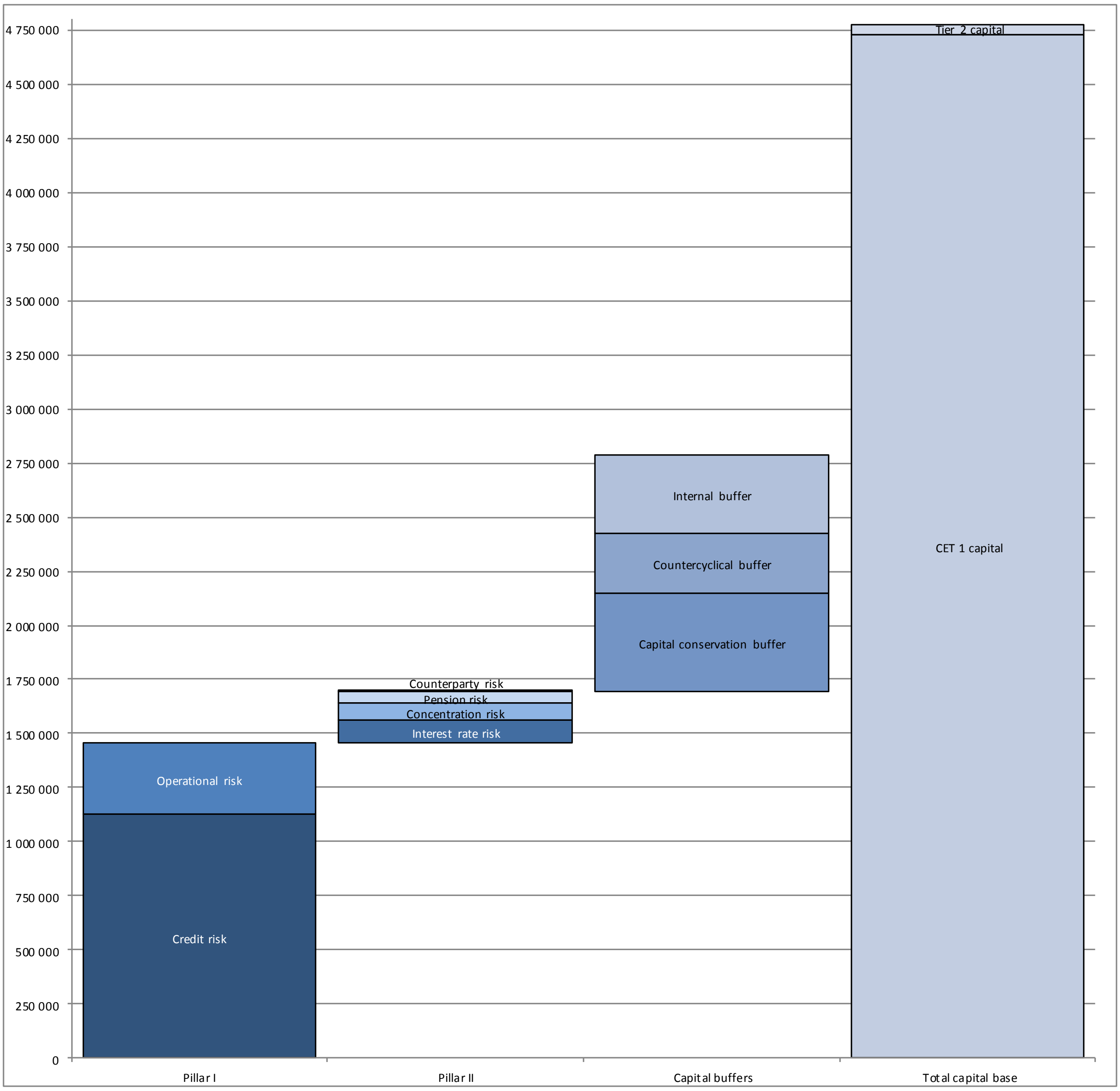
3.5 Capital planning

EnterCard's approach to capital planning and management is conservative and robust and adheres to the risk and capital frameworks of the parent companies. Risk and capital planning follows as an extension of the medium term plan and short term plan processes in EnterCard and is reviewed regularly.

EnterCard complies with the requirements from CRD IV and CRR. As part of a forward looking approach, EnterCard's current total internal capital target considers the countercyclical buffer to be increased in 2016. EnterCard's capital planning for 2017 will include the increase of the countercyclical buffer and implement the buffer as confirmed by the local FSA. EnterCard also monitors the pending implementation of the leverage ratio, with potential minimum regulatory requirement. EnterCard is projected to have a capital base well in excess of the requirement.

Total capital requirement and capital base before dividends

The EnterCard Group as per 31 December 2015, (kSEK)



3.5.1 Capital Contingency Plan

EnterCard has developed a capital contingency plan applicable for both the EnterCard Group and each individual EnterCard entity. The purpose of the contingency plan is to establish which potential measures could be taken in case the capitalisation of EnterCard is deviating from the desired level and which triggers that make it necessary to consider or propose such measures. The main aim of planning for capital contingency is to avoid a capital deficit situation and consequently non-compliance with internal targets and with the minimum capital requirement stipulated by the applicable capital adequacy regulations or imposed by the government or FSA.

In order to adjust the capitalisation, different measures are available including adjusting either the capital base or the risk exposure amount. The capital contingency plan lists the potential actions for both types of activities. Therefore, the contingency plan does not focus on the precise action plan.

4 RISK AREAS

EnterCard has identified the relevant risk areas that are material to EnterCard. In the following chapter, each risk area is defined along with the corresponding risk appetite.

EnterCard's approach to risk appetite aims to limit the risk EnterCard is willing to accept on the course of pursuing its business. The overall capital risk appetite is that EnterCard will maintain sufficient capital adequacy to enable it to pursue its business objectives under normal and stressed conditions.

Risk appetite is also addressed more generally in EnterCard's strategy and risk processes. Financial volatility is reviewed annually as part of the medium-term planning process incorporating key income and cost sensitivity analysis in the plan.

4.1 Credit risk

Credit-/ risk and credit counterparty risk are the risks that EnterCard's counterparties does not fulfill their payment obligations, leading to that EnterCard receives payments too late or not at all. The Board of Directors has the overall responsibility for the EnterCard Group's credit risk exposure. EnterCard lending is striving towards ambitious objectives in terms of ethics, quality and control. Even though credit risk, through lending to the public, is the EnterCard Group's single largest risk exposure, credit losses in relation to outstanding credit volume are relatively small.

Credit risk also includes concentration risk, which comprises, among other things, large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographies. The risk occurs mainly in the form of geographical concentration when EnterCard offers lending to the public in Scandinavia. The loan portfolio is dominated by credits without collateral and is spread out on a large number of lenders within each country.

EnterCard conducts active monitoring and optimising of the portfolios' credit risk. The decision to grant credit requires that there are good grounds to expect that the borrower can fulfil his or her commitment to the EnterCard Group. The assessment is primarily performed through both general credit rules and so called credit scoring.

Credit risks are monitored through different surveillance systems to ensure that counterparties are fulfilling their commitments towards EnterCard. In case of late payment or an assessment that the counterparty is not able to fulfil his or her commitment, the credit card will be blocked. The maximum credit risk corresponds to the financial assets' book value.

Follow-up are also made from a credit portfolio point of view in each country with focus within and between different risk groups. The continuous follow-up is still showing a low risk.

EnterCard has also a limited investment risk through a buffer in liquid assets, held to mitigate EnterCard's liquidity risk. The credit quality of the assets is very high and mainly consists of exposures to municipalities and governments.

EnterCard is not trading with derivatives and is therefore not exposed to counterparty risk to derivatives counterparties.

Total amount of risk exposures by exposure classes

Credit risk and operational risk in according to standardised approach

The EnterCard Group as per 31 December (kSEK)

Risk exposure amount and own funds requirements 2015 (Basel 3)

Capital requirements for credit risk

Exposure classes	**Risk exposure amount**	**Own funds requirement**
Institutional exposures	417 231	33 378
Retail exposures	13 136 310	1 050 905
Regional governments or local authorities exposures	1 151	92
Corporate exposures	9 227	738
Other exposures	541 336	43 307
Total	14 105 255	1 128 420
Total capital requirement for credit risk		**1 128 420**

Capital requirements for operational risk

Risk exposure amount	4 120 081
Capital requirements according to the standardised approach	329 606
Total Capital requirement for operational risk	**329 606**
Total Capital requirements 2015	**1 458 026**

Risk exposure amount and own funds requirements 2014 (Basel 3)

Capital requirements for credit risk

Exposure classes	**Risk exposure amount**	**Own funds requirement**
Institutional exposures	350 498	28 040
Retail exposures	12 431 405	994 512
Regional governments or local authorities exposures	879	70
Corporate exposures	14 286	1 143
Other exposures	520 865	41 669
Total	13 317 933	1 065 435
Total capital requirement for credit risk		**1 065 435**

Capital requirements for operational risk

Risk exposure amount	3 795 422
Capital requirements according to the standardised approach	303 634
Total Capital requirement for operational risk	**303 634**
Total Capital requirements 2014	**1 369 069**

Geographic distribution by exposure classes

The EnterCard Group as per 31 December 2015 (kSEK)

Riskexponeringsbelopp och kapital krav 2015 (Basel 3)	Sweden	Norway	Denmark	Total
Credit risk according to standardised approach		**Risk exposure amount**		
Institutional exposures	237 009	136 619	43 603	417 231
Retail exposures	6 762 209	4 582 363	1 791 738	13 136 310
Regional governments or local authorities exposures	1 151	0	0	1 151
Corporate exposures	9 227	0	0	9 227
Other exposures	346 471	146 177	48 688	541 336
Total	**7 356 067**	**4 865 159**	**1 884 029**	**14 105 255**

Exposure by distribution by exposure classes, including specifying exposure to SME

The EnterCard Group as per 31 December 2015 (kSEK)

Riskexponeringsbelopp och kapital krav 2015 (Basel 3)	Sweden	Norway	Denmark	Total
Credit risk according to standardised approach		**Risk exposure amount**		
Institutional exposures	237 009	136 619	43 603	417 231
Retail exposures	6 548 825	4 582 363	1 791 738	12 922 926
SME	213 384	0	0	213 384
Regional governments or local authorities exposures	1 151	0	0	1 151
Corporate exposures	9 227	0	0	9 227
Other exposures	346 471	146 177	48 688	541 336
Total	**7 356 067**	**4 865 159**	**1 884 029**	**14 105 255**

Impaired exposures by industry type

The EnterCard Group as per 31 December (kSEK)

Loan receivables allocates between following industries and loan types:

EnterCard Group 2015

Industrial sector	Book value before provisions	Specific provisions for individually assessed loans	Provisions for collectively assessed homogenous groups	Book value of loans after provisions	Book value for impaired loans
Retail customers	18 405 175	0	1 031 678	17 373 497	325 840
Corporate customers	389 188	9 549	0	379 639	2 251
Loans	18 794 363	9 549	1 031 678	17 753 136	328 091
Total lending to credit institutions and public	**18 794 363**	**9 549**	**1 031 678**	**17 753 136**	**328 091**

EnterCard Group 2014

Industrial sector	Book value before provisions	Specific provisions for individually assessed loans	Provisions for collectively assessed homogenous groups	Book value of loans after provisions	Book value for impaired loans
Retail customers	17 406 813	0	926 027	16 480 786	340 691
Corporate customers	362 879	10 524	0	352 355	2 604
Loans	17 769 692	10 524	926 027	16 833 141	343 295
Total lending to credit institutions and public	**17 769 692**	**10 524**	**926 027**	**16 833 141**	**343 295**

Provisions and impaired loans

The EnterCard Group as per 31 December 2015 (kSEK)

	EnterCard Group		EnterCard Holding	
Provisions and impaired loans	2015	2014	2015	2014
Provisions				
Opening balance	**936 551**	**892 228**	**0**	**0**
Allocations/withdrawals from individual provision	-975	455	0	0
Allocations/withdrawals from collective provision	141 263	46 931	0	0
Exchange differences	-35 613	-3 063	0	0
Closing balance	**1 041 226**	**936 551**	**0**	**0**
Total provision ratio for impaired loans, % (including collective reserves for individually claims assessed, in relation to book value before provision for individually identified impaired loans)	73,2%	70,6%	0,0%	0,0%
Provision ratio for individually identified impaired loans, %	80,9%	81,2%	0,0%	0,0%
Impaired loans				
Book value of impaired loans	328 091	343 295	0	0
Impaired loans as percentage of total lending	1,8%	2,0%	0,0%	0,0%
Past due loans that are not impaired				
Valuation category, loans and receivables				
Loans past due 5-30 days	694 542	603 252	0	0
Loans past due 31-60 days	190 454	167 703	0	0
Loans past due more than 61 days	103 522	92 202	0	0
Total	**988 518**	**863 157**	**0**	**0**

4.2 Operational risk

Operational risk refers to the risk of losses resulting from inadequate or failed internal processes or procedures, human error, faulty systems or external events. The definition includes legal risk and compliance risk. The IT security is continuously strengthened and the internal audit function examines the governance and internal control in the EnterCard Group, which means audit of efficiency, compliance with instructions and routines.

Operational risks in EnterCard should be limited as far possible, whilst taking a balanced view of what is economically viable to mitigate. Self-evaluation of operative risks is continuously performed for all important processes in EnterCard. The method includes identification of risks and also plans of action to prevent them. Appropriate mitigation techniques should be formulated to limit or reduce the impact of these risks and the effectiveness of the mitigation techniques should be periodically monitored. Operational risks that could damage EnterCard's reputation and brand should be taken into account and be limited.

Reputation risk is a secondary risk and arises from poorly managed incidents or external and internal events that affect EnterCard. For the operational risk scenarios, the financial impact of a reputational risk is considered when applicable, which is also included in the CEO instruction for the quantification for the ICAAP. There is a generic add-on of 10% for applicable scenarios. A reputational risk is also considered for scenarios where EnterCard loses customers which may be a consequence of a reputational impact. For example, one of the scenarios includes downtime in one of EnterCard's systems which result in loss of confidence from customers.

4.3 Market risk

Market risk refers to the risk that the market value of a financial instrument of future cash flows from a financial instrument is affected by the changes in market prices. EnterCard is exposed to market risks in the form of interest rate risk and currency risk. Interest rate risks are structural and arise when there is a mismatch between the interest fixing periods of assets and liabilities. EnterCard minimises the interest rate risk by matching the interest rate structure of the liabilities with the interest rate structure of the assets. Since EnterCard's assets mainly consist of credit card lending with a floating interest rate, EnterCard has chosen to fund a large part of these assets with a floating interest rate. The interest rate risk is deemed low and is continuously monitored by the C&L function and by the Risk Control function.

EnterCard Holding is exposed to currency risk on a consolidated level, as EnterCard Norge AS holds equity in Norwegian krona.

As EnterCard does not have a trading book, no capital for interest rate risk is held under the Pillar 1 framework. EnterCard regularly calculates the effect on the total value of the portfolio of a 200 bp parallel shift, which shall not exceed 20% of the capital base.

Sensitivity analysis interest rate

	Market interest -1 %		Market interest +1 %	
EnterCard Group	**2015**	**2014**	**2015**	**2014**
< 3 months	8 261	11 587	-8 168	-11 459
3-6 months	-3 087	-2 841	3 045	2 803
6-12 months	-15 893	-11 211	15 616	11 017
1-2 years	-25 572	-56 376	24 939	54 991
2-3 years	-20 071	-55 692	19 381	53 788
Total	**-56 362**	**-114 533**	**54 813**	**111 140**

The analysis show the impact on the value of assets and liabilities when market interest rates rise/decrease by one percentage point (+/-1%).

4.4 Strategic and business risk

Business and strategic risk refer to the current and future risk of losses caused by chances in market conditions (changes in volumes, interest margins and other price changes concerning deposit and lending) and inaccurate and misguided business decision. The EnterCard Group regularly evaluate business and strategic risks. During Board meetings these risks are discussed and decisions on potential change of business strategies are approved.

4.5 Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations at maturity without a significant increase in cost for obtaining means of payment due to increased funding costs. EnterCard manage the liquidity risk through funding with longer duration and a considerable buffer of liquid assets. The liquid assets comprise of interest-bearing securities with high credit quality and a very good market liquidity, to secure that they can be sold with short notice to a relatively predictable price, in a situation with lacking the access to funding. As an extra liquidity reserve, EnterCard has a cash surplus in accounts at Swedbank as well as a liquidity facility with Swedbank.

EnterCard has earlier been subject to Swedbank's liquidity buffer, but from 2015 this buffer is held within EnterCard.

Control and supervision of liquidity risk is managed by the Capital and Liquidity and the GRC function, who frequently report to the management and the Board of Directors. EnterCard is continuously evaluating their survival horizon, estimating a considerable decreased access to funding and a severe deterioration of payment inflow from customers, in addition to liquidity coverage ratio ("LCR") in accordance with EU standards and regulations.

The risk appetite is managed by using the Survival Horizon as a metric understand the length of time EnterCard can survive without receiving funding infusions from the parents. EnterCard's survival horizon risk appetite is set to 20 days.

The survival horizon risk appetite is complemented with EnterCard's liquidity risk strategy, based on the regulatory requirements, which states that the exposure to liquidity risk should be low and that EnterCard shall maintain a sufficient stock of high quality liquid assets to meet its short term obligations (next 30 days). A cushion equivalent to 20% of the LCR is added on top of the regulatory LCR regulatory requirement to absorb asset value fluctuations. EnterCard's risk appetite will therefore be 120% when the LCR is fully implemented.

The minimum level of cash (nominal liquidity hurdle) on depository accounts is 100m SEK, 100m NOK and 50m DKK.

Maturity of exposure by exposure classes

as per 31 December 2015 (kSEK)

Remaining maturity EnterCard Group 2015	<3 months	3-12 months	1-5 years	5-10 years	No maturity	Total
Loans to credit institutions	1 996 088	0	0	0	0	1 996 088
Loans to the public	17 594 127	39 954	119 055	0	0	17 753 136
Bonds and other interest-bearing securities	54 442	354 165	752 253	66 194	0	1 227 054
Prepaid expenses and accrued income	104 493	45 424	3 755	0	0	153 672
Other assets	62 966	6 206	54 678	0	111 885	235 735
Total assets	**19 812 116**	**445 749**	**929 741**	**66 194**	**111 885**	**21 365 685**
Amounts owed to credit institutions	1 321 181	4 108 743	10 455 731	0	0	15 885 655
Other liabilities	144 378	139 183	31 850	0	0	315 411
Accrued expenses and prepaid income	87 994	162 085	13 788	0	0	263 867
Subordinated liabilities	0	0	0	0	45 897	45 897
Equity	0	0	0	0	4 854 855	4 854 855
Total liabilities and equity	**1 553 553**	**4 410 010**	**10 501 370**	**0**	**4 900 753**	**21 365 685**

Remaining maturity EnterCard Group 2014	<3 months	3-12 months	1-5 years	5-10 years	No maturity	Total
Loans to credit institutions	1 750 274	0	0	0	0	1 750 274
Loans to the public	16 674 687	50 071	108 382	0	0	16 833 140
Prepaid expenses and accrued income	44 414	54 732	4 078	0	0	103 224
Other assets	68 400	24 224	38 175	0	127 708	258 507
Total assets	**18 537 775**	**129 027**	**150 635**	**0**	**127 708**	**18 945 146**
Amounts owed to credit institutions	1 183 221	3 949 225	8 677 530	0	0	13 809 976
Other liabilities	191 015	270 598	80 373	0	0	541 986
Accrued expenses and prepaid income	153 465	162 936	9 652	0	0	326 054
Subordinated liabilities	0	0	0	0	50 397	50 397
Equity	0	0	0	0	4 216 732	4 216 732
Total liabilities and equity	**1 527 702**	**4 382 759**	**8 756 555**	**0**	**4 267 129**	**18 945 145**

In the summary of maturities the non-discounted cash flow are distributed from remaining time to maturity.

4.5.1 Funding strategy

Funding has exclusively been provided through Swedbank AB and Barclays Bank PLC. The EnterCard Group liquidity is secured through credits and loans provided by the owners.

At EnterCard, this relates primarily to debt-funding of receivables. Funding is secured every quarter. The funding provided is for operational needs for the coming three months. EnterCard forecasts future funding needs as part of its quarter, annual and three year forecasting processes. As per EnterCard's risk appetite, EnterCard shall have sufficient stable funding to limit liquidity risk arising from long-term assets.

4.5.2 Liquidity Contingency Plan

EnterCard has developed a liquidity contingency plan. The purpose is to ensure a return to "business as usual" in the event of major liquidity disruption. The main purpose of liquidity continuity planning is to limit the damage and losses caused by serious events and maintain EnterCard's operation in prioritised functions. The liquidity contingency plan aims to reducing risks, responding effectively and restoring normality. In order to adjust for liquidity shortfall, different measures for handling the consequences of different types of crisis situations are described in the plan. The contingency plan does not focus on the precise action plan but rather sets out the general framework of actions, which should help to promptly focus on improving liquidity in the case the contingency situation becomes a reality.

The liquidity plan process for handling EnterCard's liquidity is divided into two Alert Modes classified by severity of the liquidity disturbance. Each mode will trigger different responsive actions.
For the purposes of liquidity contingency planning, different Alert Modes are defined with increasing severity, escalating from "business as usual" to "non-compliance".

4.5.3 Financial Recovery Plan

EnterCard has developed a Recovery Plan to enable senior management to manage a severe financial crisis which threatens capital or liquidity adequacy, or viability. The objective of the plan is to put in place measures (recovery options) to restore capital, liquidity or profitability so that EnterCard can operate sustainably and viably.

In addition to this, the Recovery Plan puts in place a recovery management framework designed to ensure that a crisis is swiftly identified and adequately managed.

5 ENTERCARD'S COMPENSATION

The EnterCard Group's overall approach to compensation is that that the total compensation must be competitive and conform to market conditions, aligned with the requirements in the collective agreement. It also reflect the fundamental values of the EnterCard Group; passionate, innovative, genuine, and support the company's business strategy, targets, long-term interests and vision. As far as possible, the total compensation should be individually designed based on the employee's role, competence and experience as well as the contribution to the business, both when it comes to the performance and behavior. The compensation process is built up with a healthy balance between fixed and variable pay. The EnterCard Group believes it is important that compensation works as an incentive for value-creation for the benefit of the company, with a balanced approach to risk-taking and long-term customer value and shareholder value.

The variable compensation is linked to individual employee targets and the EnterCard Group's overall performance. Notwithstanding any effectiveness, the Board of Directors has the right to take a discretionary decision on whether a part of the variable compensation that has been promised, shall be held back. Whilst the guiding principle is to reward performance, it is possible that the total variable compensation could be set to zero.

The EnterCard Group diverges on the variable compensation for risk-takers, i.e. staff that is defined as specially regulated staff and staff with professional activities that have a material impact on the business risk profile, and other staff. The compensation program is cash based and the employees do not receive shares in the Group.

Remuneration Committee
The Remuneration Committee is established by the Board of Directors of EnterCard Holding AB and is responsible for preparing, assessing and proposing principles for compensation. The Board of Directors appoints members of Remuneration Committee, two board members amongst whom the chair alternates; and two representatives of the shareholders, one of whom is a representative of Barclays Bank Plc and one of whom is a representative of Swedbank AB. The representatives shall possess proven experience of compensation and risk analysis in order to assess if the compensation scheme is appropriate, and in line with the targets, risk tolerance and long-term sustainability.
The Committee convenes bi-annually or with the frequency decided by the chair.

Decision-making process
The principles of variable compensation are governed in the Remuneration Policy approved by the Board of Directors, which covers all employees of EnterCard Group. The Chief HR Officer is responsible for a recommendation to the Remuneration Committee of any applicable and necessary amendments and additions to the Remuneration Policy, based on a risk-analysis, and on input from the CEO, the Executive Committee, GRC, and Internal Audit. Based on the recommendation of the Remuneration Committee, the Board of Directors will endorse the Remuneration Policy.

Principles of deferred payment
The Board of Directors has decided that risk-takers can receive a maximum of 60% of the variable compensation the year following the year of earning. The remaining 40% will be retained by the EnterCard for at least three years before becoming available for risk-takers. This is with the exception of senior management and identified staff with particularly high amount, which may be 60% deferred for three years. The deferred portion is paid out in cash. For other staff the variable compensation is paid out the year following the year of earning.

Description of compensation outcomes 2015
The table below shows the outcome of the expense total amount of compensation divided into categories of senior executives, risk-takers and other employees.

EnterCard Group has the following categories, which is exercising or could exercise a significant influence on the risk level:

- Employees on the Executive Committee
- Employees in leading strategic positions
- Leaders of control functions
- Employees responsible for granting credit
- Risk-taker, as defined by EU regulation, No 604/2014

Distribution of compensation
The EnterCard Group as per 31 December 2015

Earned in 2015	**Senior management, 11 persons**	**Risk-takers, 40 persons**	**Other staff, 449 persons**
Fixed compensation	16 366	33 185	176 305
Earned in 2015 and deferred	4 055	3 053	0
Earned in 2015 and paid out in March 2016	3 727	3 510	21 890
Total variable compensation earned during 2015	**7 781**	**6 563**	**21 890**
Deferred variable compensation	**Senior management, 11 persons**	**Risk-takers, 40 persons**	**Other staff, 449 persons**
Deferred variable compensation from 2015	4 055	3 053	0
Deferred variable compensation from 2012 – 2014	6 706	7 736	0
Total deferred variable compensation earned this and previous years	**10 760**	**10 790**	**0**

Compensation to the CEO and other Senior Executives 2015	**Fixed income, wages**	**Variable compensation, bonus**	**Other compensations and benefits**	**Pension expenses**
Managing Director, Freddy Syversen	2 827	2 186	835	3 444
Group Management, 2 persons	3 056	926	664	860
Total	**5 883**	**3 112**	**1 499**	**4 304**
Compensation to the CEO and other Senior Executives 2014				
Managing Director, Freddy Syversen	2 803	1 411	414	5 349
Group Management, 2 persons	3 250	1 067	399	483
Total	**6 053**	**2 478**	**813**	**5 832**