# INTERIM REPORT

## January-June 2018

## EnterCard Group AB

## 556673-0585

## Table of Content

# INTERIM REPORT FOR ENTERCARD GROUP AB

*The Chief Executive Officer for EnterCard Group AB hereby submits the Interim report for January 1 - June 30, 2018.*

## SUMMARY

### Scope, type of Operation and ownership

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

EnterCard Group AB is owned by Swedbank AB, 60% and Barclays Bank PLC, 40% through a joint venture. EnterCard Group AB operates two branches in Norway and Denmark, respectively.

### Significant events during the quarter

There has not been any significant events in EnterCard during the quarter.

### Earnings, profitability and position

In order to make a sensible comparison of the amounts in the following summary sections in the administration report, the comparative figures is to the previous year Group amounts, before the merger.

Operating income as per June 30, 2018, amounted to 1,623.8m SEK, to compare with 1,473.4m SEK the same period previous year. Total loans to the public excluding provisions of anticipated loan losses as per June 30, 2018, increased to 28,336.3m SEK compared to 23,811.9m SEK June 30, 2017.

Impaired loans, after loan loss provision, as per June 30 amounted to a book value of 741.6m SEK which constitutes 2,5 percent of the total credit portfolio.

Profit before tax amounted to 560.6m SEK (452.8m SEK).

### Investments

Investments in tangible assets and inventories during the period amounted to 0.1 m SEK and investments in intangible fixed assets amounted to 5.9m SEK. EnterCard continuously assesses whether there are indications of diminished value for assets. The evaluation has shown that there is no need for impairment.

### Significant risks and factors of uncertainty

EnterCard is a consumer financing company navigating a number of risks and considerations to deliver products and services that meets the customer needs and expectations. Interest ratios is a major component to the yearly financial development and is monitored continuously. The trend of decreasing interest rates has subsided in the three Scandinavian countries where EnterCard operates. A successive increase in interest during the second half of 2018 is expected.

The extensive regulatory development within the banking and financing industry will have further impact on EnterCard. The work preparing for implementation of the upcoming regulations, including GDPR and PSD2 has continued during the quarter.

The economic situation remains stable in both Norway and Sweden. There are no visible signs of a deteriorated unemployment ratio.

## Liquidity and funding

Funding has exclusively been provided by Swedbank AB and Barclays Bank PLC. EnterCard's liquidity need is satisfied through credits and loans provided by the owners. EnterCard's cash balance June 30 amounted to 2,523.2m SEK, cash balance in the beginning of the year was 2,650.2m SEK.

The liquidity reserve amounted to 2,327.5m SEK (1,506.7m SEK), more detailed information is provided in note 5 and note 6. EnterCard Group AB's Liquidity Coverage Ratio (LCR) was 437% (294%). According to EnterCard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), EnterCard's NSFR was 144% (162%).

As per June 30, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 104 days for SEK, 91 days for NOK and 273 days for DKK, 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 June 30 was 18,1%. The total capital base amounted to 5,059.2m SEK and the total risk exposure amount for credit risk was 20,959.4m SEK. EnterCard applies the standardized approach to calculate the capital requirement for credit risk.

## Audit review

This report has not been reviewed by EnterCards auditors. Although, the company's result have been subject for a general review by the end of June.

# Income statement

Numbers as per June 30, 2017, refers to EnterCard Group AB (previous parent company EnterCard Holding AB).

| TSEK | Note | 2018-01-01<br>2018-06-30 | 2017-01-01<br>2017-12-31 | 2017-01-01<br>2017-06-30 |
|---|---|---|---|---|
| Interest income | | 1 477 188 | 2 740 666 | 512 |
| Interest expenses | | -72 938 | -149 855 | -342 |
| **Net interest income** | | **1 404 250** | **2 590 811** | **170** |
| Commission income | | 449 234 | 865 495 | - |
| Commission expenses | | -254 474 | -467 956 | -3 |
| **Net commissions** | | **194 760** | **397 538** | **-3** |
| Other income | | 24 772 | 44 548 | 9 285 |
| **TOTAL OPERATING INCOME** | | **1 623 783** | **3 032 898** | **9 452** |
| Staff costs | | -255 523 | -520 062 | -9 262 |
| Other general administrative expenses | | -405 030 | -812 612 | -7 510 |
| **Total general administrative expenses** | | **-660 553** | **-1 332 674** | **-16 773** |
| Depreciation/amortization and impairments of tangible and intangible fixed assets | | -23 596 | -38 551 | - |
| Other costs | | -12 411 | -22 820 | -743 |
| **TOTAL OPERATING EXPENSES** | | **-696 559** | **-1 394 045** | **-17 516** |
| **Profit before loan losses** | | **927 223** | **1 638 853** | **-8 064** |
| Loan losses, net | 2 | -366 594 | -512 850 | - |
| **OPERATING PROFIT** | | **560 630** | **1 126 003** | **-8 064** |
| Tax expense | | -130 277 | -276 536 | 1 774 |
| **PROFIT/LOSS FOR THE YEAR** | | **430 353** | **849 467** | **-6 290** |

## Statement of comprehensive income

| TSEK | 2018-01-01<br>2018-06-30 | 2017-01-01<br>2017-12-31 | 2017-01-01<br>2017-06-30 |
|---|---|---|---|
| **Profit for the year recognized within the income statement** | **430 353** | **849 467** | **-6 290** |
| **Components which will not be reclassified to the income statement** | | | |
| Revaluation of defined-benefit pensions | - | -16 395 | - |
| Tax | - | 4 099 | - |
| **Total** | **-** | **-12 296** | **-** |
| **Components which have or will be reclassified to the income statement** | | | |
| Unrealised changes in fair value | -3 440 | 4 565 | - |
| Exchange rate differences | 268 184 | -71 128 | - |
| Tax | - | 15 648 | - |
| **Total** | **264 745** | **-50 916** | **-** |
| **Total profit** | **695 098** | **786 255** | **-6 290** |

# Balance Sheet

Numbers as per June 30, 2017 refers to EnterCard Group AB (former parent company EnterCard Holding AB).

| TSEK | Note | 2018-06-30 | 2017-12-31 | 2017-06-30 |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans to credit institutions | 3,4 | 2 523 230 | 2 650 169 | 19 731 |
| Loans to the public | 3,4 | 26 636 755 | 24 186 570 | - |
| Bonds and other interest-bearing securities | 5,6 | 2 327 492 | 2 025 314 | - |
| Shares and participating interests | | - | - | 790 885 |
| Intangible fixed assets | | 108 512 | 123 206 | - |
| Tangible assets | | 7 572 | 3 563 | - |
| Deferred tax assets | | 6 216 | 5 664 | 1 774 |
| Other assets | | 245 805 | 159 627 | 216 276 |
| Prepaid expenses and accrued income | | 82 529 | 159 258 | 974 |
| **TOTAL ASSETS** | | **31 938 112** | **29 313 371** | **1 029 640** |
| **Liabilities** | | | | |
| Amounts owed to credit institutions | | 25 975 409 | 22 966 924 | - |
| Other liabilities | | 225 253 | 366 846 | 54 263 |
| Accrued expenses and prepaid income | | 251 371 | 307 263 | 31 168 |
| Pension provisions | | 15 333 | 20 750 | - |
| Provisions | | 42 876 | - | - |
| **TOTAL LIABILITIES** | | **26 510 243** | **23 661 784** | **85 431** |
| **Equity** | | | | |
| Share capital | | 5 000 | 5 000 | 5 000 |
| Fair value reserve | | 6 067 | -2 627 | - |
| Retained earnings | | 4 986 449 | 4 799 748 | 945 499 |
| Profit for the period | | 430 353 | 849 467 | -6 290 |
| **TOTAL EQUITY** | | **5 427 869** | **5 651 587** | **944 209** |
| **TOTAL LIABILITIES AND EQUITY** | | **31 938 112** | **29 313 371** | **1 029 640** |

EnterCard Group AB
556673-0585

# Statement of changes in equity

| | *Restricted equity* | | *Non-restricted equity* | | | |
|---|---|---|---|---|---|---|
| **TSEK** | **Share capital** | **Fund for development expenditures** | **Translation Differences** | **Fair value reserve** | **Profit/loss carried forward** | **Total Equity** |
| **Opening balance January 1, 2017** | **5 000** | **-** | **-** | **-** | **1 211 149** | **1 216 149** |
| Dividends | | | | | -265 650 | -265 650 |
| Profit/loss for the period | | | - | - | -6 290 | -6 290 |
| **Closing balance June 30, 2017** | **5 000** | **-** | **-** | **-** | **939 208** | **944 209** |

| **TSEK** | | | | | | |
|---|---|---|---|---|---|---|
| ***Opening balance January 1, 2017** | **5 000** | **-** | **-** | **-** | **1 211 149** | **1 216 149** |
| Net assets taken over from merger | | 31 697 | -284 694 | -7 192 | 4 175 023 | 3 914 834 |
| Dividends | | | | | -265 650 | -265 650 |
| Transfer to restricted equity | | 12 783 | | | -12 783 | - |
| Profit/loss for the year | | | -55 480 | 4 565 | 837 171 | 786 255 |
| *of which recognized in income statement* | | | | | *849 467* | *849 467* |
| *of which recognized in other comprehensive income* | | | *-71 128* | *4 565* | *-16 395* | *-82 959* |
| *of which tax recognized in other comprehensive income* | | | *15 648* | | *4 099* | *19 747* |
| **Closing balance December 31, 2017** | **5 000** | **44 480** | **-340 174** | **-2 627** | **5 944 909** | **5 651 587** |

| **TSEK** | | | | | | |
|---|---|---|---|---|---|---|
| **Opening balance January 1, 2018** | **5 000** | **44 480** | **-340 174** | **-2 627** | **5 944 909** | **5 651 587** |
| Amendments due to the adoption of IFRS 9 | | | | | -368 815 | -368 815 |
| **Adjusted opening balance January 1, 2018** | | | | | **5 576 094** | **5 282 772** |
| Dividends | | | | | -550 000 | -550 000 |
| Profit/loss for the period | | | 268 184 | -3 440 | 430 353 | 695 098 |
| *of which recognized in income statement* | | | | | *430 353* | *430 353* |
| *of which recognized in other comprehensive income* | | | *268 184* | *-3 440* | *-* | *264 745* |
| **Closing balance June 30, 2018** | **5 000** | **44 480** | **-71 990** | **-6 067** | **5 456 447** | **5 427 869** |

**Opening balance January 1, 2017 refers to former Parent company EnterCard Holding AB.*

# Statement of cash flow

| TSEK | | | |
|---|---|---|---|
| **Operating activities** | **2018-06-30** | **2017-12-31** | **2017-06-30** |
| Operating profit/loss | 560 630 | 1 126 003 | -8 064 |
| Adjustments for non-cash items | -14 891 | 183 199 | -4 531 |
| Taxes paid | -187 175 | -266 789 | - |
| **Cash flow from operating activities before working capital changes** | **358 563** | **1 042 413** | **-12 594** |
| **Cash flow from changes in working capital** | | | |
| Increase/decrease in loans to the public | -1 833 244 | -3 107 979 | - |
| Increase/decrease of bonds and other interest-bearing securities | -242 231 | 222 049 | - |
| Increase/decrease in other assets | -61 076 | -24 950 | 10 062 |
| Increase/decrease in other liabilities | -58 410 | 5 700 | -4 440 |
| **Cash flow from operating activities** | **-2 194 960** | **-2 905 180** | **5 622** |
| **Investing activities** | | | |
| Purchase of intangible assets | -5 912 | -38 001 | - |
| Purchase of tangible assets | -146 | -2 135 | - |
| **Cash flow from investing activities** | **-6 058** | **-40 136** | **-** |
| **Financing activities** | | | |
| Dividends | -550 000 | -265 650 | - |
| Increase/decrease of deposits and borrowing | 2 140 974 | 2 779 365 | - |
| **Cash flow from financing activities** | **1 590 974** | **2 513 715** | **-** |
| **CASH AND CASH EQUIVALENTS TAKEN OVER FROM MERGER** | **-** | **2 051 951** | **-** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR** | **2 650 169** | **26 703** | **26 703** |
| **CASH FLOW FOR THE PERIOD** | **2 398 688** | **2 662 763** | **-6 972** |
| Exchange rate differences on cash and cash equivalents | 124 543 | -39 297 | - |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **2 523 230** | **2 650 169** | **19 731** |

# Comparative numbers before the merger

Comparative numbers for 2017 refers to the former EnterCard Group, with EnterCard Holding AB as Parent company and EnterCard Sverige AB and EnterCard Norge AS subsidiaries. Numbers for 2018 refers to EnterCard Group AB, including the branches EnterCard Norge and EnterCard Danmark.

| TSEK | 2018-06-30 | 2017-06-30 |
|---|---|---|
| **Income statement** | | |
| Net interest income | 1 404 250 | 1 259 702 |
| Net commissions | 194 760 | 189 325 |
| Other income | 24 772 | 24 375 |
| **Total operating income** | **1 623 782** | **1 473 402** |
| Total general administrative expenses | -672 963 | -643 312 |
| Depreciation/amortization and impairments of tangible and intangible fixed assets | -23 596 | -17 874 |
| **Total operating expenses** | **-696 559** | **-661 186** |
| **Profit before loan losses** | **927 223** | **812 216** |
| Loan losses, net | -366 594 | -359 394 |
| **Operating profit** | **560 630** | **452 822** |
| Tax expense | -130 277 | -108 567 |
| **Profit/loss for the period** | **430 353** | **344 255** |
| **Balance Sheet** | | |
| **Assets** | | |
| Loans to credit institution | 2 523 230 | 2 813 532 |
| Loans to the public, net | 26 636 755 | 22 427 415 |
| Bonds and other interest-bearing securities | 2 327 492 | 1 506 752 |
| Intangible fixed assets | 108 512 | 131 821 |
| Tangible assets | 7 572 | 3 205 |
| Deferred tax | 6 216 | 13 894 |
| Other assets | 245 805 | 178 657 |
| Prepaid expenses and accrued income | 82 529 | 174 639 |
| **Total assets** | **31 938 111** | **27 249 915** |
| **Liabilities and equity** | | |
| **Liabilities** | | |
| Amounts owed to credit institutions | 25 975 409 | 21 565 568 |
| Other liabilities | 225 253 | 237 924 |
| Accrued expenses and prepaid income | 251 371 | 247 650 |
| Pension provisions | 15 333 | 45 557 |
| Provisions | 42 876 | - |
| **Total liabilities** | **26 510 242** | **22 096 699** |
| **Equity** | | |
| Share capital (5 000 shares) | 5 000 | 5 000 |
| Fair value reserve | 6 067 | 810 |
| Retained earnings | 4 986 449 | 4 803 152 |
| Profit for the period | 430 353 | 344 255 |
| **Total equity** | **5 427 869** | **5 153 217** |
| **Total liabilities and equity** | **31 938 112** | **27 249 916** |

# Notes

## Note 1 Accounting principles

The interim report for EnterCard Group AB refers to the period January 1 - June 30, 2018. EnterCard is based in Stockholm, Sweden, the corporate identity number is 556673-0585.

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. The same accounting principles as in the most recent annual report has been applied. As a result of the merger in October 2017 between the parent company and its subsidiaries, EnterCard Sverige AB and EnterCard Norge AS, the consolidated financial statement are no longer prepared.

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 2017, with the exception of the following.

### Revenue from Contracts with customers (IFRS 15)

For EnterCard the interchange and commissions will be in scope for IFRS 15. Revenue is recognized at the date when control of the product or service is transferred to the customer. This means that for EnterCard IFRS 15 will not require any change in the recognition of revenue. The adoption will not have any significant impact on EnterCard financial position, performance or cash flow.

### Financial instruments (IFRS 9)

#### Classification and valuation

The company's new principles for classification and valuation of financial assets is based on an assessment of both (i) the company's business model for the management of financial assets, and (ii) characteristics of the contractual cash flows from the financial asset.

The following financial assets are measured at amortized cost as the assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and to the agreed terms of the assets at specified times give rise to cash flows that are only payments of principal and interest on the outstanding principal amount;
-Loans to credit institutions
-Loans to the public

These assets were, also as per the previous principles, measured at amortized cost.

The following financial assets are measured at fair value through other comprehensive income as the financial assets are held within a business model whose objective can be achieved both by collecting the contractual cash flows, and sell the assets, and to the contractual terms of the assets at specified times give rise to cash flows that are only payments of principal and interest on the outstanding principal amount;
-Bonds and other interest-bearing securities

These assets were measured at fair value through other comprehensive income also in the previous accounting principles.

If the company changes the business model, a reclassification will be carried out and reported. However, such changes are expected to occur very rarely. Such changes are determined by the company's executive management team as a result of external or internal changes and must be significant to the company's operations and shown for external parties.

### Impairment

The new standard states that expected credit losses are to be accounted for, instead of previous standard when only occurred credit losses of impaired loans were reported. The new standard states that provisions for expected credit losses are not only recognized for loans to the public, but for all items in the balance sheet measured at amortized cost. In addition, provisions are also recognized on off-balance exposures to the loan commitments given (undrawn committed credit line).

Accounting of expected credit losses — loans to the public

Calculation of expected credit loss provisions is based on data generated in existing internal risk classification models. The assets' contracted cash flows is used when calculating credit loss allowances. The present value of the expected credit loss ("Expected Credit Loss" - ECL) is calculated by summing up the present value of the expected exposure at default ("Exposure at Default-EAD) at each time in the respective cash flow multiplied by the probability of default ("Probability of Default" - PD), and loss given default (the "Loss Given Default" - LGD). Even though the parameters are defined the same as in the application of internal rating models for solvency purposes, the parameters have been determined differently for accounting purposes to reflect the neutral and objective assumptions on cash flows and expected losses. The effective interest rate of the exposure is applied as discount rate. The parameters are forward-looking and based on aggregated various macroeconomic scenarios.

At the time of the initial recognition, the company report the present value of the statistically expected credit losses for the next 12 months (stage 1). If there is a significant increase in credit risk since the initial recognition, the expected credit loss provision for the exposure is calculated and accounted for by the expected time to maturity or for the estimated time horizon to default if the exposure has no definite time to maturity (stage 2). A significant increase in credit risk is considered to have occurred after the initial recognition of the credit when the customer is 30 days late on payments or when the current internal credit rating is significantly worse than the original according to internally agreed criteria. If the internal rating at a later stage has improved enough to allow a significant increase in credit risk no longer exists when compared with ratings in the initial report, the credit will be returned to stage 1.

As before, a loan loss provision is accounted for the remaining life of impaired credit exposures (previously known as impaired loans) when one or more events that have a negative impact on the estimated future cash flows of the financial asset has occurred (stage 3). A loan is considered impaired based on the conditions as per previous principles definition of impaired loans, which is, when it is 90 days late in payments or where there is other evidence in the form of observable data about the following events:

a) Significant financial difficulty of the issuer or borrower.
b) The lender or the borrower has, financial or contractual reasons relating to the borrower's financial difficulty, granting a significant concession to the borrower that the lender would not otherwise consider.
c) It is highly likely that the borrower will go into bankruptcy or other financial reconstruction.

Impairment of bonds and other interest-bearing securities

Securities measured at fair value through other comprehensive income shall account for expected credit loss provision. The securities are measured at fair value in the balance sheet, this imply that a change in fair value due to changes in credit risk is recognized as profit or loss. The company's investment guidelines states that investments in securities is conducted with external investment classifications that meets the requirements for low credit risk portfolio. Based on the investment guidelines, these securities are within stage 1 and probability of default is estimated for the coming 12 Months. The Treasury Department continuously assess the impairment need.

Accounting of expected credit losses – loans to credit institutions

EnterCard’s loans to credit institutions are within the requirements of the accounting principles for expected credit losses. Since all loans to credit institutions are repayable on demand and all lending is to Swedish credit institutions with high rating, the expected credit loss amount is considered insignificant.

Accounting of interest income

Interest income are recognized based on the net value of assets in stage 3 and the gross value (excluding provisions) for the assets in the stages 1-2. This imply a change of the accounting principles, where interest income on impaired loans is recognized in the balance sheet under the line loans to the public.

Recognition in the balance sheet and income statement

Loan loss provisions are accounted in the balance sheet on the below items;

- Assets measured at amortized cost, as impairment of the assets carrying amount
- Loan commitments are recognized under the line provisions in the balance sheet

Changes in loan loss provisions are recognized on the line loan losses net, in the income statement.

**The quantitative impact of the introduction of IFRS 9**

The transition to IFRS 9 accounting principles has been applied in the opening balance for the fiscal year 2018. Comparable numbers has not been restated. As regards to the quantitative impact of the new accounting principles, see the below table.

| Balance sheet | Before IFRS 9 adjustment | IFRS 9 adjustment, impairment effect | After IFRS 9 adjustment |
|---|---|---|---|
| **Assets** | **2018-01-01** | **2018-01-01** | **2018-01-01** |
| Loans to credit institutions | 2 650 169 | - | 2 650 169 |
| Loans to the public | 24 186 570 | -432 898 | 23 753 672 |
| Bonds and other interest-bearing securities | 2 025 314 | - | 2 025 314 |
| Other assets | 451 318 | - | 451 318 |
| **Total assets** | **29 313 371** | **-432 898** | **28 880 473** |
| | | | |
| **Liabilities and provisions** | | | |
| Amounts owed to credit institutions | 22 966 925 | - | 22 966 925 |
| Other liabilities | 694 859 | -104 025 | 590 834 |
| Provisions | - | 39 942 | 39 942 |
| **Total liabilities and provisions** | **23 661 784** | **-64 083** | **23 597 701** |
| | | | |
| **Total equity** | **5 651 587** | **-368 815** | **5 282 772** |
| **Total liabilities, provisions and equity** | **29 313 371** | **-432 898** | **28 880 473** |

## Note 2 Loan losses, net

| Loans at amortized cost | 2018-01-01<br>2018-06-30 | 2018-01-01<br>2018-03-31 |
|---|---|---|
| Change in provisions - stage 1 | 6 800 | 128 235 |
| Change in provisions - stage 2 | -27 156 | -24 339 |
| Change in provisions - stage 3 | 46 706 | 2 420 |
| **Total** | **26 350** | **106 316** |
| The periods write-off for established loan losses | -456 507 | -270 661 |
| Recoveries from previously established loan losses | 65 028 | 9 707 |
| **Total** | **-391 479** | **-260 954** |
| **Loan losses net, loans at amortized cost** | **-365 130** | **-154 638** |
| | | |
| **Provisions for loan commitments, credit limits granted but not utilized** | | |
| Change in provisions - stage 1 | -3 581 | 835 |
| Change in provisions - stage 2 | 2 118 | 154 |
| Change in provisions - stage 3 | - | - |
| **Loan losses net, loan commitments** | **-1 464** | **989** |
| **Total loan losses, net** | **-366 594** | **-153 649** |

### Loan losses net, historical values according to IAS 39

| | 2017-01-01<br>2017-12-31 | 2017-01-01<br>2017-06-30 | 2017-01-01<br>*2017-06-30 |
|---|---|---|---|
| **Loans assessed individually** | | | |
| The period's write-off for established loan losses | -3 686 | - | -1 940 |
| Recoveries from previous year's established loan losses | 375 | - | 190 |
| Provisions for probable loan losses for the period | 126 | - | 999 |
| **The period's net expense for individually assessed loans** | **-3 185** | **-** | **-751** |
| **Collectively measured homogenous groups of loans with limited value and similar credit risk** | | | |
| The period's write-off for established loan losses | -805 943 | - | -213 879 |
| Recoveries from previous year's established loan losses | 445 027 | - | 34 783 |
| Provisions for probable loan losses for the period | -148 749 | - | -179 547 |
| **The period's net expense for collectively measured homogeneous loans** | **-509 665** | **-** | **-358 643** |
| **Loan losses, net** | **-512 850** | **-** | **-359 394** |

**Numbers as per June 30, 2017, refers to EnterCard group before the merger.*

IFRS 9 was implemented January 1, 2018, as the accounting principle imply a forward-looking estimation, numbers for 2017 has not been adjusted and are not comparable.

## Note 3 Loans to credit institutions and loans to the public

| | 2018-06-30 | | | 2017-12-31 | *2017-06-30 |
|---|---|---|---|---|---|
| | **Loans before provisions (IFRS 9)** | **Provisions (IFRS 9)** | **Book value of loans after provisions, (IFRS 9)** | **Book value of loans after provisions, (IAS 39)** | **Book value of loans after provisions, EnterCard group (IAS 39)** |
| **Loans to credit institutions** | **2 523 230** | **-** | **2 523 230** | **2 650 169** | **2 813 532** |
| **Loans to the public** | | | | | |
| Loans to private customers | 27 941 127 | 1 790 365 | 26 150 762 | 23 772 611 | 22 064 439 |
| Loans to corporate customers | 494 225 | 8 232 | 485 993 | 413 959 | 362 976 |
| **Total** | **28 435 353** | **1 798 598** | **26 636 755** | **24 186 570** | **22 427 415** |
| **Loans to the public and loans to credit institutions** | **30 958 583** | **1 798 598** | **29 159 986** | **26 836 739** | **25 240 948** |
| whereof accrued interest | 99 072 | - | - | - | - |

**Numbers as per June 30, 2017 refers to EnterCard group before the merger.*

| | 2018-03-31 | | | 2017-12-31 | *2017-03-31 |
|---|---|---|---|---|---|
| | **Loans before provisions (IFRS 9)** | **Provisions (IFRS 9)** | **Book value of loans after provisions, (IFRS 9)** | **Book value of loans after provisions, (IAS 39)** | **Book value of loans after provisions, EnterCard group (IAS 39)** |
| **Loans to credit institutions** | **2 686 645** | **-** | **2 686 645** | **2 650 169** | **3 052 403** |
| **Loans to the public** | | | | | |
| Loans to private customers | 26 230 265 | 1 724 576 | 24 505 689 | 23 772 611 | 21 407 977 |
| Loans to corporate customers | 476 224 | 8 844 | 467 380 | 413 959 | 356 731 |
| **Total** | **26 706 489** | **1 733 420** | **24 973 069** | **24 186 570** | **21 764 708** |
| **Loans to the public and loans to credit institutions** | **29 393 134** | **1 733 420** | **27 659 714** | **26 836 739** | **24 817 111** |
| whereof accrued interest | 99 436 | - | - | - | - |

**Numbers as per March 31, 2017 refers to EnterCard group before the merger.*

## Note 4 Change in provisions for loans

**Change in book value (gross) and provisions June 30, 2018**

| | Performing loans | | Non-performing loans | |
|---|---|---|---|---|
| **Book value, gross** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Book value, gross, January 1, 2018 | 21 789 676 | 2 023 844 | 1 892 136 | **25 705 656** |
| Book value, gross, June 30, 2018 | 24 410 407 | 2 188 561 | 1 836 385 | **28 435 353** |
| **Provisions for loans to the public and loans to credit institutions** | | | | |
| **Provisions January 1, 2018** | **-328 282** | **-348 415** | **-1 122 245** | **-1 798 942** |
| New and derecognised financial assets, net | 33 687 | -21 859 | -177 302 | **-165 474** |
| Changes in credit risk | -58 473 | 5 201 | 188 093 | **134 821** |
| **Transfer between stages during the period** | | | | |
| from stage 1 to stage 2 | 35 190 | -211 663 | - | **-176 473** |
| from stage 1 to stage 3 | 12 738 | - | -162 205 | **-149 467** |
| from stage 2 to stage 1 | -13 107 | 51 464 | - | **38 357** |
| from stage 2 to stage 3 | - | 140 916 | 175 390 | **316 306** |
| from stage 3 to stage 1 | -214 | - | 2 638 | **2 424** |
| from stage 3 to stage 2 | - | -991 | 2 606 | **1 615** |
| Other | - | -64 | -1 701 | **-1 765** |
| **Provisions June 30, 2018** | **-318 461** | **-385 411** | **-1 094 726** | **-1 798 598** |
| Opening balance January 1, 2018 | 21 461 394 | 1 675 429 | 769 891 | **23 906 714** |
| Closing balance June 30, 2018 | 24 091 946 | 1 803 150 | 741 659 | **26 636 755** |

**Change in book value (gross) and provisions March 31, 2018**

| | Performing loans | | Non-performing loans | |
|---|---|---|---|---|
| **Book value, gross** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Book value, gross, January 1, 2018 | 21 789 676 | 2 023 844 | 1 892 136 | **25 705 656** |
| Book value, gross, March 31, 2018 | 22 544 118 | 2 197 407 | 1 964 964 | **26 706 489** |
| **Provisions for loans to the public and loans to credit institutions** | | | | |
| **Provisions January 1, 2018** | **-328 282** | **-348 415** | **-1 122 245** | **-1 798 942** |
| New and derecognised financial assets, net | -25 106 | -1 420 | 47 522 | **20 996** |
| Changes in credit risk | 3 558 | -14 565 | 75 526 | **64 519** |
| **Transfer between stages during the period** | | | | |
| from stage 1 to stage 2 | 176 406 | -157 254 | - | **19 152** |
| from stage 1 to stage 3 | 859 | - | -20 914 | **-20 055** |
| from stage 2 to stage 1 | -14 518 | 35 562 | - | **21 044** |
| from stage 2 to stage 3 | - | 106 143 | -151 304 | **-45 161** |
| from stage 3 to stage 1 | -584 | - | 3 380 | **2 796** |
| from stage 3 to stage 2 | - | -1 225 | 3 520 | **2 295** |
| Other | - | -59 | -5 | **-64** |
| **Provisions March 31, 2018** | **-187 667** | **-381 233** | **-1 164 520** | **-1 733 420** |
| **Book value** | | | | |
| Opening balance January 1, 2018 | 21 461 394 | 1 675 429 | 769 891 | **23 906 714** |
| Closing balance March 31, 2018 | 22 356 451 | 1 816 174 | 800 444 | **24 973 069** |

## Allocation of loans between stages and provisions (IFRS 9)

| | 2018-06-30 | 2018-03-31 |
|---|---|---|
| **Loans to credit institutions** | | |
| **Stage 1** | | |
| Book value, gross | 2 523 230 | 2 686 645 |
| Provisions | - | - |
| **Book value** | **2 523 230** | **2 686 645** |
| **Stage 2** | | |
| Book value, gross | - | - |
| Provisions | - | - |
| **Book value** | **-** | **-** |
| **Total book value** | **2 523 230** | **2 686 645** |
| **Loans to the public, private customers** | | |
| **Stage 1** | | |
| Book value, gross | 23 916 181 | 22 067 894 |
| Provisions | -310 229 | -178 823 |
| **Book value** | **23 605 953** | **21 889 071** |
| **Stage 2** | | |
| Book value, gross | 2 188 561 | 2 197 407 |
| Provisions | -385 411 | -381 233 |
| **Book value** | **1 803 151** | **1 816 174** |
| **Stage 3** | | |
| Book value, gross | 1 836 385 | 1 964 964 |
| Provisions | -1 094 726 | -1 164 520 |
| **Book value** | **741 659** | **800 444** |
| **Total book value** | **26 150 762** | **24 505 689** |
| **Loans to the public, corporate customers** | | |
| **Stage 1** | | |
| Book value, gross | 494 225 | 476 224 |
| Provisions | -8 232 | -8 844 |
| **Book value** | **485 993** | **467 380** |
| **Total** | **29 159 985** | **27 659 714** |
| Book value gross, stage 1 | 26 933 637 | 25 230 763 |
| Book value gross, stage 2 | 2 188 561 | 2 197 407 |
| Book value gross, stage 3 | 1 836 385 | 1 964 964 |
| **Total book value gross** | **30 958 583** | **29 393 134** |
| Provisions stage 1 | -318 461 | -187 667 |
| Provisions stage 2 | -385 411 | -381 233 |
| Provisions stage 3 | -1 094 726 | -1 164 520 |
| **Total provisions** | **-1 798 598** | **-1 733 420** |
| **Total book value** | **29 159 985** | **27 659 714** |
| Share of loans in stage 3, gross, % | 5,93% | 6,69% |
| Share of loans in stage 3, net, % | 2,54% | 2,89% |
| Provision ratio of loans stage 1 | 1,18% | 0,74% |
| Provision ratio of loans stage 2 | 17,61% | 17,35% |
| Provision ratio of loans stage 3 | 59,61% | 59,26% |
| Total provision ratio of loans | 5,81% | 5,90% |

### Outcome 2017

| | 2017-12-31 | *2017-06-30 |
|---|---|---|
| Loans at amortized cost | 28 193 747 | 26 625 388 |
| Loan loss provisions | -1 357 008 | -1 384 440 |
| **Total loans to credit institutions and loans to the public** | **26 836 739** | **25 240 948** |
| **Loan receivables** | | |
| Loans at amortized cost | 28 193 747 | 26 625 388 |
| *(before loan loss provisions)* | | |
| Loan loss provisions for individually assessed loans | -8 025 | -7 151 |
| Loan loss provisions for homogenous groups of loans | -1 348 983 | -1 377 289 |
| **Total provisions** | **-1 357 008** | **-1 384 440** |
| **Loans at amortized cost** | **26 836 739** | **25 240 948** |
| *(after loan loss provisions)* | | |
| **Impaired loans, after loan loss provisions** | **752 030** | **642 284** |

**Numbers as per June 30, 2017, refers to EnterCard group before the merger.*

## Note 5 Bonds and other interest-bearing securities

**Financial assets measured at fair value through other comprehensive income**

| Issuers | 2018-06-30 | 2017-12-31 | 2017-06-30 |
|---|---|---|---|
| Municipalities | 1 627 184 | 1 523 954 | - |
| Foreign credit institutions | 103 892 | 59 643 | - |
| Foreign mortgage institutions | 388 382 | 245 023 | - |
| Other foreign issuers | 208 034 | 196 693 | - |
| **Total** | **2 327 492** | **2 025 314** | **-** |

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

| Remaining maturity | 2018-06-30 | 2017-12-31 | 2017-06-30 |
|---|---|---|---|
| Maximum 1 year | 223 467 | 239 313 | - |
| Longer than 1 year but maximum 5 years | 1 731 878 | 1 542 741 | - |
| Longer than 5 years | 372 147 | 243 259 | - |
| **Total** | **2 327 492** | **2 025 314** | **-** |

| Total holdings of financial assets, broken down by issuer | 2018-06-30 | 2017-12-31 | 2017-06-30 |
|---|---|---|---|
| Issued by public entities | 1 835 218 | 1 720 647 | - |
| Issued by other borrowers | 492 273 | 304 667 | - |
| **Total** | **2 327 492** | **2 025 314** | **-** |
| Average remaining maturity, years | 2,57 | 2,66 | - |
| Average remaining fixed interest term, years | 0,44 | 0,63 | - |
| *of which listed securities, TSEK* | *2 327 492* | *2 025 314* | - |
| *of which unlisted securities, TSEK* | - | - | - |

## Note 6 Liquidity reserve and liquidity risk

| | | Distribution by currency | | | | Distribution by currency | | |
|---|---|---|---|---|---|---|---|---|
| | **2018-06-30** | **SEK** | **NOK** | **DKK** | **2017-12-31** | **SEK** | **NOK** | **DKK** |
| Securities issued or guaranteed by government or central bank | **208 034** | - | 24 790 | 183 244 | 196 693 | - | 23 017 | 173 675 |
| Securities issued or guaranteed by municipalities or non-governmental public entities | **1 627 184** | 1 111 533 | 515 651 | - | 1 523 954 | 1 413 287 | 110 668 | - |
| Covered bonds issued by others | **388 382** | - | 388 382 | - | 245 023 | - | 245 023 | - |
| Securities issued or guaranteed by multilateral development banks | **103 892** | - | 103 892 | - | 59 643 | - | 59 643 | - |
| **Total** | **2 327 492** | **1 111 533** | **1 032 714** | **183 244** | **2 025 314** | **1 413 287** | **438 352** | **173 675** |
| *Distribution by currency, %* | | *48%* | *44%* | *8%* | | *70%* | *22%* | *9%* |

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 European Parliament and Council Regulation (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) (Sw. Finansinspektionen) FFFS 2014: 12 on regulatory requirements and capital buffers. The outcome refers to the calculation in accordance with the statutory minimum capital requirement, called Pillar I, as well as capital in accordance to the combined buffer requirement.

EnterCard applies the standardized approach to calculate the capital requirement for credit risk. Credit risk is calculated on all asset and off-balance sheet items unless deducted from own funds. Capital requirements for operational risk is calculated using the standardized approach, which means that the activities are divided into business areas which have been assigned different beta factors. Capital requirement is calculated as a three-year average for the last three year's financial operating revenue in each business multiplied by the corresponding beta factor. EnterCard also calculates a capital requirement for currency risk. The combined buffer requirement is a requirement to hold a capital conservation buffer of 2.5 percent of the risk-weighted exposure amount. The buffer requirement also includes a countercyclical buffer, which currently amounts to 1.8 percent of the risk-weighted exposure amount. EnterCard don´t have any exposures within Trading.

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

Besides the above capital adequacy requirement, EnterCard holds additional capital according to the total capital calculated in the Internal Capital Adequacy Assessment Process (ICAAP). As of December 31, 2017, the internal capital requirement amounted to 14.8 percent. Internal Capital Adequacy Assessment is available on EnterCard website http://www.entercard.com.

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

| Capital adequacy analysis | 2018-06-30 | 2017-12-31 |
|---|---|---|
| Common Equity Tier 1 capital ratio | 18,1% | 18,9% |
| Tier 1 capital ratio | 18,1% | 18,9% |
| Total capital ratio | 18,1% | 18,9% |

| Capital adequacy | 2018-06-30 | 2017-12-31 |
|---|---|---|
| Shareholders´equity | 5 427 869 | 5 651 587 |
| Intangible assets | -108 512 | -123 206 |
| Deferred taxes | -6 216 | -5 664 |
| Dividends and other forseeable charges | -253 908 | -550 000 |
| **Common equity Tier 1** | **5 059 233** | **4 972 717** |
| **Tier 1 capital** | **5 059 233** | **4 972 717** |
| **Total capital base** | **5 059 233** | **4 972 717** |

**Risk exposure amount and own funds requirement for credit risk 2018-06-30**

| Exposure classes | Risk exposure amount | Own funds requirement |
|---|---|---|
| Institutional exposures | 504 824 | 40 386 |
| Covered bonds | 38 838 | 3 107 |
| Retail exposures | 19 331 406 | 1 546 513 |
| Regional governments or local authorities | 1 794 | 144 |
| Corporate exposures | 7 346 | 588 |
| Exposures in default | 741 659 | 59 333 |
| Other exposures | 333 500 | 26 680 |
| **Total** | **20 959 368** | **1 676 749** |
| **Total capital requirement for credit risk according to the standardized approach** | | **1 676 749** |

| Capital requirement for operational risk | |
|---|---|
| Risk exposure amount | 4 268 360 |
| Capital requirement according to the standardized approach | 341 469 |
| **Total capital requirement for operational risk** | **341 469** |

| Capital requirement for market risk (foreign exchange risk) | |
|---|---|
| Risk exposure amount | 2 751 865 |
| Capital requirement | 220 149 |
| **Total capital requirement for market risk (foreign exchange risk)** | **220 149** |
| **Capital requirement for settlement risk** | - |
| **Capital requirement for credit value adjustment (CVA) risk** | - |
| **Total capital requirement** | **2 238 367** |

| Requirements buffers, % | 2018-06-30 |
|---|---|
| Total Tier 1 capital requirement including buffer requirement | 8,8 |
| *whereof minimum CET1 requirement* | *4,5* |
| *whereof capital conservation buffer requirement* | *2,5* |
| *whereof countercyclical capital buffer requirement* | *1,8* |
| *whereof system risk buffer requirement* | - |
| Common Equity Tier 1 capital available to be used as buffer | 9,3 |

| | |
|---|---|
| **Leverage ratio, %** | **14,2** |

Tier 1 capital in relation to the total exposure measure. Where the exposure measure includes both on- and off-balance sheet items.

**Risk exposure amount and own funds requirement for credit risk 2017-12-31**

| **Exposure classes** | **Risk exposure amount** | **Own funds requirement** |
|---|---|---|
| Institutional exposures | 530 202 | 42 416 |
| Covered bonds | 24 476 | 1 958 |
| Retail exposures | 17 644 425 | 1 411 554 |
| Regional governments or local authorities exposures | 1 506 | 120 |
| Corporate exposures | 8 017 | 641 |
| Exposures in default | 752 030 | 60 162 |
| Other exposures | 224 993 | 17 999 |
| **Total** | **19 185 647** | **1 534 852** |
| **Total capital requirement for credit risk according to the standardized approach** | | **1 534 852** |

| **Capital requirement for operational risk** | |
|---|---|
| Risk exposure amount | 4 250 245 |
| Capital requirement according to the standardized approach | 340 020 |
| **Total capital requirement for operational risk** | **340 020** |

| **Capital requirement for market risk (foreign exchange risk)** | |
|---|---|
| Risk exposure amount | 2 940 218 |
| Capital requirement | 235 217 |
| **Total capital requirement for market risk risk (foreign exchange risk)** | **235 217** |
| | |
| **Total capital requirements** | **2 110 089** |

## Note 8 Related parties

Swedbank AB (publ) and Barclays Bank Plc has control through a joint venture. The companies are ultimate parent in the respective group.

| | Swedbank Group | | | Barclays Group | | |
|---|---|---|---|---|---|---|
| **Balance sheet** | **2018-06-30** | **2017-12-31** | **2017-06-30** | **2018-06-30** | **2017-12-31** | **2017-06-30** |
| **Assets** | | | | | | |
| Loans to credit institutions | 2 523 230 | 2 650 169 | 2 813 532 | - | - | - |
| Other assets | 1 090 | 1 370 | 1 010 | - | - | - |
| **Total** | **2 524 321** | **2 651 540** | **2 814 542** | **-** | **-** | **-** |
| **Liabilities** | | | | | | |
| Amounts owed to credit institutions | 12 987 704 | 11 483 462 | 10 782 784 | 12 987 704 | 11 483 462 | 10 782 784 |
| Other liabilities | 16 861 | 23 234 | 18 227 | 21 497 | 21 497 | 21 734 |
| **Total** | **13 004 565** | **11 506 696** | **10 801 011** | **13 009 201** | **11 504 959** | **10 804 518** |
| **Income statement** | | | | | | |
| Interest income | -71 | -309 | -174 | - | - | - |
| Interest expenses | -36 293 | -70 088 | -38 022 | -36 178 | -69 854 | -37 903 |
| Commission income | 39 644 | 123 828 | 49 042 | - | - | - |
| Commission expenses | -2 737 | -5 881 | -2 992 | - | - | - |
| Other expenses | -3 808 | -11 927 | -6 116 | - | - | - |
| **Total** | **-3 265** | **35 622** | **1 738** | **-36 178** | **-69 854** | **-37 903** |

Stockholm August 31, 2018

Freddy Syversen
Chief Executive Officer