

Interim Report

January - June 2024

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INTERIM REPORT FOR ENTERCARD GROUP AB

The Chief Executive Officer for Entercard Group AB hereby submits the Interim report for January 1 - June 30, 2024.

SUMMARY

Scope, Type of Operation and Ownership

The business focus of Entercard is to issue credit cards and consumer loans in the Nordic market under its own brand, re:member, as well as issuing credit cards and loans under different partners' brands and through their own distribution channels; including Swedbank, a number of Swedish savings banks, Coop and LO in Sweden, and FH in Denmark.

Entercard uses sound lending practice and acts as a responsible provider of consumer credit. This is done by using established methods and by gathering solid applicant data enabling that reasonable credit levels are given to each individual.

Ownership

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

Significant Events during the Period

The period has largely been characterized by macro-economic uncertainty. Even though monetary policy has helped to reduce inflation noticeably, and the first policy rate cut has occurred in Sweden, interest rates in Scandinavia have continued to be at a historically high level during the period. The environment with lower real wages impacts customers and credit losses, in particular in the Swedish market. Entercard will continue to follow the development of the circumstances, as well as customer behavior.

Quarterly result

Operating income for the second quarter amounted to 727,1m SEK (compared to 745,2m SEK same period previous year). The quarter's operating profit amounted to 14,7m SEK (166,2m SEK).

Year to Date Earnings, Profitability and Position

Operating income as per June 30, 2024, amounted to 1 459,4m SEK (1 494,8m SEK). Total loans to the public without considering provisions of anticipated loan losses as per June 30, 2024, was 35 323,7m SEK (35 002,8m SEK).

Non-performing loans, after loan loss provisions, as per June 30, 2024 amounted to a book value of 1 598,7m SEK (1 637,5m SEK) which constitutes 5,0 (5,1) percent of the total credit portfolio.

The year to date operating profit amounted to -84,2m SEK (225,0m SEK).

Investments

Investments in tangible asset was 2,9m SEK during the period. Intangible assets increased with 7,3m SEK during the period. 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

The market predicts that inflation will come down further, leading to multiple policy rate cuts going forward. Even though the first Swedish policy rate cut was made in May, the process of reducing policy rates has been somewhat slower than expected. Even though positive indications in terms of the Nordic economies have appeared, concerns regarding the risk of an extended recession remain. Especially the Swedish economy has been highlighted by forecasters as having a weak growth outlook given the high sensitivity to interest rate change by households. Entercard management follows the development closely to adapt to the environment.

Liquidity and Funding

Entercard's liquidity need is satisfied through credits and loans provided by the owners. Entercard's cash balance as per June 30, 2024, amounted to 2 779,7m SEK (4 082,4m SEK).

The liquidity reserve amounted to 1 571,9m SEK (2 305,3m SEK). Entercard Group AB's Liquidity Coverage Ratio (LCR) was 340% (321%). According to Entercard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), Entercard's NSFR was 128% (132%).

As per June 30, 2024, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 147 days for Entercard Group, to be compared with the risk appetite, decided by the Board of 60 days.

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

Capital Adequacy

Total capital ratio for Entercard as per June 30, 2024, was 17,4%. The total adjusted Tier 1 Capital base amounted to 4 762,6m SEK and the total risk exposure amount for credit risk was 25 184,2m SEK. Entercard applies the standardized approach to calculate the capital requirement for credit risk.

Audit Review

This report has not been reviewed by Entercard's auditors.

Quarterly Performance

	2024	2023
TSEK	Q2	Q2
Interest income	995 522	960 614
Interest expenses	-403 181	-347 457
Net interest income	592 341	613 158
Commission income	225 177	208 603
Commission expenses	-104 264	-86 145
Net commissions	120 913	122 458
Net gain/loss transactions from financial instruments	-627	-2 356
Other income	14 442	11 914
TOTAL OPERATING INCOME	727 069	745 173
Staff costs	-138 908	-138 160
Other general administrative expenses	-223 575	-217 780
Total general administrative expenses	-362 483	-355 940
Depreciation/amortization and impairment of tangible and intangible assets	-2 678	-2 040
TOTAL OPERATING EXPENSES	-365 161	-357 979
Profit before loan losses	361 908	387 194
Loan losses, net	-344 622	-217 613
Swedish bank tax and resolution fees	-2 547	-3 396
OPERATING PROFIT	14 739	166 185
Tax expense	-4 951	-38 083
PROFIT/LOSS FOR THE YEAR	9 788	128 102

Statement of comprehensive income

	2024	2023
TSEK	Q2	Q2
Profit for the year recognized within the income statement	9 788	128 102
Components which will not be reclassified to the income statement		
Revaluation of defined-benefit pensions	-	-
Tax	-	-
Total	-	-
Components which have or will be reclassified to the income statement		
Unrealised changes in fair value	2 276	2 099
Exchange rate differences	5 401	36 791
Tax	-	-
Total	7 677	38 890
Total profit	17 465	166 992

Income Statement

TSEK	Note	2024	2023	2023
		Jan-June	Full Year	Jan-June
Interest income		2 001 703	3 910 134	1 885 595
Interest expenses		-804 621	-1 448 274	-639 092
Net interest income		1 197 082	2 461 860	1 246 503
Commission income		439 127	843 357	410 775
Commission expenses		-197 760	-374 007	-180 440
Net commissions		241 367	469 350	230 335
Net gain/loss transactions from financial instruments	2	-2 747	-5 256	-4 120
Other income		23 669	43 818	22 113
TOTAL OPERATING INCOME		1 459 371	2 969 772	1 494 831
Staff costs		-290 751	-581 667	-288 992
Other general administrative expenses		-432 650	-848 632	-425 803
Total general administrative expenses		-723 401	-1 430 299	-714 796
Depreciation/amortization and impairment of tangible and intangible assets		-5 617	-9 976	-4 723
TOTAL OPERATING EXPENSES		-729 018	-1 440 275	-719 519
Profit before loan losses		730 353	1 529 497	775 312
Loan losses, net	3	-808 277	-1 476 725	-543 163
Swedish bank tax and resolution fees	9	-6 297	-24 615	-7 146
OPERATING PROFIT		-84 221	28 157	225 004
Tax expense		14 514	-43 846	-50 369
PROFIT/LOSS FOR THE YEAR		-69 707	-15 689	174 635

Statement of Comprehensive Income

TSEK	2024	2023	2023
	Jan-June	Full Year	Jan-June
Profit for the year recognized within the income statement	-69 707	-15 689	174 635
Components which will not be reclassified to the income statement			
Revaluation of defined-benefit pensions	-	15 109	-
Tax	-	-3 112	-
Total	-	11 996	-
Components which have or will be reclassified to the income statement			
Unrealised changes in fair value	2	4 062	2 451
Exchange rate differences	19 657	-72 216	-27 344
Tax	-	13 402	-
Total	23 719	-53 490	-24 893
Other comprehensive income	23 719	-41 493	-24 893
Total profit	-45 988	-57 182	149 742

Balance Sheet

Assets

TSEK	Note	2024	2023	2023
		30 June	31 Dec	30 June
Assets				
Deposits	4	2 779 704	3 234 669	4 082 365
Loans to the public	4	31 953 371	32 170 538	32 058 280
Bonds and other interest-bearing securities	5,6	1 571 931	1 539 893	2 305 315
Intangible assets		23 553	19 422	15 262
Tangible assets		20 162	21 450	5 645
Deferred tax assets		55 890	25 949	11 638
Other assets		152 521	317 251	405 888
Prepaid expenses and accrued income		109 810	90 084	114 098
TOTAL ASSETS		36 666 943	37 419 256	38 998 491

Liabilities and Equity

Liabilities

Amounts owed to credit institutions	31 447 575	32 096 955	33 115 547
Other liabilities	120 068	162 895	486 876
Accrued expenses and prepaid income	164 456	180 568	184 183
Pension provisions	5 698	3 795	16 463
Provisions	15 261	15 172	28 931
TOTAL LIABILITIES	31 753 058	32 459 384	33 831 999

Equity

Share capital	5 000	5 000	5 000
Fund for development expenditures	19 422	19 422	15 099
Reserves	-267 321	-291 040	-262 443
Retained earnings	5 156 784	5 226 491	5 408 836
TOTAL EQUITY	4 913 885	4 959 873	5 166 492
TOTAL LIABILITIES AND EQUITY	36 666 943	37 419 256	38 998 491

Statement of Changes in Equity

TSEK	Restricted equity		Non-restricted equity			
	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	Total Equity
Opening balance January 1, 2023	5 000	15 099	-229 423	-8 127	5 621 056	5 403 605
Dividends					-386 854	-386 854
Profit/loss for the period			-27 344	2 451	174 635	149 742
<i>of which recognized in income statement</i>					174 635	174 635
<i>of which recognized in other comprehensive income</i>			-27 344	2 451	-	-24 893
Closing balance June 30, 2023	5 000	15 099	-256 767	-5 676	5 408 836	5 166 492

TSEK	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	Total Equity
Opening balance January 1, 2023	5 000	15 099	-229 423	-8 127	5 621 056	5 403 605
Dividends					-386 550	-386 550
Transfer to/from restricted equity		4 323			-4 323	-
Profit/loss for the year			-57 500	4 010	-3 693	-57 182
<i>of which recognized in income statement</i>					-15 689	-15 689
<i>of which recognized in other comprehensive income</i>			-72 216	5 324	15 109	-51 783
<i>of which tax recognized in other comprehensive income</i>			14 716	-1 314	-3 112	10 290
Closing balance December 31, 2023	5 000	19 422	-286 924	-4 117	5 226 491	4 959 873

TSEK	Share capital	Fund for development expenditures	*Foreign currency reserve	**Fair value reserve	Retained earnings	Total Equity
Opening balance January 1, 2024	5 000	19 422	-286 924	-4 117	5 226 491	4 959 873
Profit/loss for the period			19 657	4 062	-69 707	-45 988
<i>of which recognized in income statement</i>			-	-	-69 707	-69 707
<i>of which recognized in other comprehensive income</i>			19 657	4 062	-	23 719
Closing balance June 30, 2024	5 000	19 422	-267 267	-55	5 156 784	4 913 885

*Currency translation reserve from revaluation of the branches

**Fair value changes of the bond portfolio

Statement of Cash Flow

TSEK	2024	2023	2023
	Jan-June	Full Year	Jan-June
Operating activities			
Operating profit/loss	-84 221	28 157	225 004
Adjustments for non-cash items	117 111	195 234	-132 830
Taxes paid	38 015	-33 146	-76 868
Cash flow from operating activities before working capital changes	70 905	190 245	15 306
Changes in working capital			
Increase/decrease in loans to the public	155 814	-312 540	354 363
Increase/decrease of bonds and other interest-bearing securities	-22 606	576 623	-170 456
Increase/decrease in other assets	102 027	20 872	-8 926
Increase/decrease in other liabilities	-38 894	-41 042	-110 417
Cash flow from changes in working capital	196 341	243 914	64 564
Investing activities			
Purchase of intangible assets	-7 336	-12 570	-4 605
Purchase of tangible assets	-2 945	-22 277	-4 948
Cash flow from investing activities	-10 281	-34 846	-9 553
Financing activities			
Dividends	-	-386 550	-
Increase/decrease of deposits and borrowing	-726 335	-1 043 819	-287 235
Cash flow from financing activities	-726 335	-1 430 369	-287 235
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	3 234 669	4 329 568	4 329 568
CASH FLOW FOR THE PERIOD	-469 369	-1 031 056	-216 919
Exchange rate differences on cash and cash equivalents	14 404	-63 843	-30 283
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2 779 704	3 234 669	4 082 365

Notes

The interim report for EnterCard Group AB (org nr 556673-0585) refers to the period January 1 - June 30, 2024. The company is based in Stockholm, Sweden.

Note 1 Accounting Principles

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

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

The accounting principles applied in the interim report are consistent with the accounting policies applied in the preparation of the annual report for 2023.

Note 2 Net Financial Income

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

	2024	2023	2023
	Jan-June	Full Year	Jan-June
Realised gains/losses recognized in profit and loss			
Realised gain/loss bonds and other interest-bearing securities	-553	-3 174	-1 679
Exchange rate profit / loss	-2 195	-2 082	-2 441
Total realised gain/loss in profit or loss	-2 747	-5 256	-4 120
Unrealised gains/losses recognized in Other comprehensive income			
Unrealised changes in value bonds and other interest-bearing securities	4 062	5 324	2 451
Total unrealised gain/loss in Other comprehensive income	4 062	5 324	2 451
Total	1 315	68	-1 669

Note 3 Loan Losses, Net

	2024	2023	2023
	Jan-June	Full Year	Jan-June
Loans at amortized cost			
Change in provisions - stage 1	51 748	-48 528	-36 008
Change in provisions - stage 2	11 310	-131 865	-29 804
Change in provisions - stage 3	-188 122	-67 031	107 911
Total	-125 064	-247 424	42 099
The periods write-off for established loan losses	-679 507	-1 368 753	-639 092
Recoveries from previously established loan losses	-3 662	127 755	55 611
Total	-683 169	-1 240 999	-583 481
Loan losses net, loans at amortized cost	-808 233	-1 488 423	-541 382
Loan losses credits granted but not utilized			
Change in provisions - stage 1	-123	9 442	-2 012
Change in provisions - stage 2	79	2 256	231
Loan losses net, loan commitments	-44	11 698	-1 781
Total loan losses	-808 277	-1 476 725	-543 163

Note 4 Change in Provisions for Loans

Change in book value (gross) and provisions June 30, 2024.

	Performing loans		Non-performing loans		Total
	Stage 1	Stage 2	Stage 3		
Book value, gross					
Opening balance January 1, 2024	28 763 834	2 993 694	3 636 409	35 393 937	
Closing balance June 30, 2024	28 157 345	3 252 830	3 913 498	35 323 673	
Provisions for loans to the public and loans to credit institutions					
Opening balance January 1, 2024	-535 572	-580 399	-2 107 428	-3 223 399	
New and derecognised financial assets, net	-9 026	38 809	421 781	451 565	
Changes in credit risk	12 893	29 426	16 211	58 530	
Transfer between stages during the period					
from stage 1 to stage 2	67 331	-306 676	-	-239 344	
from stage 1 to stage 3	20 867	-	-259 364	-238 497	
from stage 2 to stage 1	-17 048	73 129	-	56 081	
from stage 2 to stage 3	-	181 141	-367 203	-186 062	
from stage 3 to stage 1	-36	-	883	847	
from stage 3 to stage 2	-	-5 624	13 248	7 624	
Other	-24 723	-	-32 922	-57 645	
Closing balance June 30, 2024	-485 313	-570 194	-2 314 795	-3 370 301	
Book value, net					
Opening balance January 1, 2024	28 228 262	2 413 295	1 528 981	32 170 538	
Closing balance June 30, 2024	27 672 032	2 682 636	1 598 703	31 953 371	

Change in book value (gross) and provisions June 30, 2023.

	Performing loans		Non-performing loans		Total
	Stage 1	Stage 2	Stage 3		
Book value, gross					
Opening balance January 1, 2023	29 018 299	2 703 931	3 733 075	35 455 305	
Closing balance June 30, 2023	28 522 418	2 909 318	3 571 042	35 002 778	
Provisions for loans to the public and loans to credit institutions					
Opening balance January 1, 2023	-489 259	-451 780	-2 056 801	-2 997 840	
New and derecognised financial assets, net	-28 259	110 018	272 566	354 325	
Changes in credit risk	-6 426	12 383	13 173	19 130	
Transfer between stages during the period					
from stage 1 to stage 2	55 320	-250 385	-	-195 065	
from stage 1 to stage 3	8 261	-	-114 515	-106 254	
from stage 2 to stage 1	-16 922	65 751	-	48 829	
from stage 2 to stage 3	-	34 809	-85 546	-50 737	
from stage 3 to stage 1	-50	-	1 568	1 518	
from stage 3 to stage 2	-	-2 321	5 484	3 162	
Other	-52 143	94	30 481	-21 568	
Closing balance June 30, 2023	-529 477	-481 431	-1 933 591	-2 944 498	
Book value, net					
Opening balance January 1, 2023	28 529 040	2 252 151	1 676 274	32 457 465	
Closing balance June 30, 2023	27 992 941	2 427 887	1 637 451	32 058 280	

Change in book value (gross) June 30, 2024.

	Performing loans		Non-performing loans		Total
	Stage 1	Stage 2	Stage 3		
Book value, gross					
Opening balance January 1, 2024	28 763 834	2 993 694	3 636 409	35 393 937	
New and derecognised financial assets, net	433 180	-203 931	-697 848	-468 599	
Changes in credit risk	15 891	-40 518	-64 728	-89 354	
Transfer between stages during the period					
from stage 1 to stage 2	-1 657 586	1 706 929	-	49 343	
from stage 1 to stage 3	-437 863	-	447 078	9 215	
from stage 2 to stage 1	538 259	-621 927	-	-83 669	
from stage 2 to stage 3	-	-604 733	617 948	13 215	
from stage 3 to stage 1	1 686	-	-1 785	-99	
from stage 3 to stage 2	-	23 316	-23 583	-268	
Other	499 944	-	6	499 950	
Book value					
Closing balance June 30, 2024	28 157 345	3 252 830	3 913 498	35 323 673	

Change in book value (gross) June 30, 2023.

	Performing loans		Non-performing loans		Total
	Stage 1	Stage 2	Stage 3		
Book value, gross					
Opening balance January 1, 2023	29 018 299	2 703 931	3 733 075	35 455 305	
New and derecognised financial assets, net	1 011 286	-410 942	-457 638	142 706	
Changes in credit risk	-268 917	-39 054	-87 343	-395 313	
Transfer between stages during the period					
from stage 1 to stage 2	-1 427 334	1 445 780	-	18 446	
from stage 1 to stage 3	-238 659	-	225 749	-12 911	
from stage 2 to stage 1	518 972	-626 261	-	-107 288	
from stage 2 to stage 3	-	-174 232	170 417	-3 815	
from stage 3 to stage 1	1 178	-	-2 747	-1 569	
from stage 3 to stage 2	-	10 096	-10 654	-558	
Other	-92 407	-	182	-92 226	
Book value					
Closing balance June 30, 2023	28 522 418	2 909 318	3 571 042	35 002 778	

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

	2024		2023	
	30 June	31 Dec	30 June	
Credit facilities, granted but not paid	11 865	16 057	84 365	
Credits granted but not utilized	38 200 347	43 381 566	44 393 152	
Provisions for off-balance commitments				
Stage 1	10 146	9 987	21 645	
Stage 2	5 115	5 185	7 286	
Total	15 261	15 172	28 931	

Allocation of loans between stages and provisions (IFRS 9)

	2024	2023	2023
	30 June	31 Dec	30 June
Deposits			
Stage 1			
Book value, gross	2 779 704	3 234 669	4 082 365
Total book value	2 779 704	3 234 669	4 082 365
Loans to the public, private customers			
Stage 1			
Book value, gross	27 769 653	28 221 133	28 145 048
Provisions	-484 933	-535 030	-529 000
Book value	27 284 720	27 686 103	27 616 048
Stage 2			
Book value, gross	3 252 830	2 993 694	2 909 318
Provisions	-570 194	-580 399	-481 431
Book value	2 682 636	2 413 295	2 427 887
Stage 3			
Book value, gross	3 893 141	3 628 892	3 562 798
Provisions	-2 304 755	-2 102 254	-1 929 503
Book value	1 588 386	1 526 638	1 633 295
Total book value	31 555 742	31 626 036	31 677 230
Loans to the public, corporate customers			
Stage 1			
Book value, gross	387 692	542 701	377 370
Provisions	-380	-542	-477
Book value	387 312	542 159	376 893
Stage 3			
Book value, gross	20 357	7 518	8 244
Provisions	-10 040	-5 174	-4 088
Book value	10 317	2 343	4 156
Total book value	397 629	544 502	381 049
Total	34 733 075	35 405 207	36 140 644
Book value gross, stage 1	28 157 345	28 763 834	28 522 418
Book value gross, stage 2	3 252 830	2 993 694	2 909 318
Book value gross, stage 3	3 913 498	3 636 409	3 571 042
Total book value gross	35 323 673	35 393 937	35 002 778
Provisions stage 1	-485 313	-535 572	-529 477
Provisions stage 2	-570 194	-580 399	-481 430
Provisions stage 3	-2 314 795	-2 107 428	-1 933 591
Total provisions	-3 370 302	-3 223 399	-2 944 498
Total book value	31 953 371	32 170 538	32 058 280
Share of loans in stage 3, gross, %	11,08%	10,27%	10,20%
Share of loans in stage 3, net, %	5,00%	4,75%	5,11%
Provision ratio of loans stage 1	1,72%	1,86%	1,86%
Provision ratio of loans stage 2	17,53%	19,39%	16,55%
Provision ratio of loans stage 3	59,15%	57,95%	54,15%
Total provision ratio of loans	9,54%	9,11%	8,41%

Note 5 Bonds and Other Interest-bearing Securities

Financial assets measured at fair value through Other comprehensive income.

	2024	2023	2023
Issuers	30 June	31 Dec	30 June
Municipalities	807 877	644 957	950 049
Swedish mortgage institutions	402 628	202 006	322 194
Foreign credit institutions	102 461	438 807	885 414
Foreign mortgage institutions	118 989	119 139	-
Other foreign issuers	139 977	134 984	147 658
Total	1 571 931	1 539 893	2 305 315

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

	2024	2023	2023
Remaining maturity	30 June	31 Dec	30 June
Maximum 1 year	341 333	134 984	213 949
Longer than 1 year but maximum 5 years	1 066 493	1 404 909	2 091 366
Longer than 5 years	164 106	-	-
Total	1 571 931	1 539 893	2 305 315

	2024	2023	2023
Total holdings of financial assets, broken down by issuer	30 June	31 Dec	30 June
Issued by public entities	947 854	779 941	1 097 707
Issued by other borrowers	624 078	759 952	1 207 608
Total	1 571 931	1 539 893	2 305 315
Average remaining maturity, years	2,03	2,35	2,17
Average remaining fixed interest term, years	0,29	0,45	0,29
<i>of which listed securities, TSEK</i>	<i>1 571 931</i>	<i>1 539 893</i>	<i>2 305 315</i>
<i>of which unlisted securities, TSEK</i>	<i>-</i>	<i>-</i>	<i>-</i>

Note 6 Liquidity Reserve and Liquidity Risk

	2024	Distribution by currency			2023	Distribution by currency		
		30 June	SEK	NOK		30 June	SEK	NOK
Securities issued or guaranteed by government or central bank	139 976	-	-	139 976	147 658	-	-	147 658
Securities issued or guaranteed by municipalities or non-governmental public entities	807 877	652 005	155 872	-	950 049	789 812	160 238	-
Covered bonds issued by others	521 617	521 617	-	-	322 194	322 194	-	-
Securities issued or guaranteed by multilateral development banks	102 461	-	102 461	-	885 414	-	885 414	-
Total	1 571 931	1 173 622	258 333	139 976	2 305 315	1 112 005	1 045 652	147 658
<i>Distribution by currency, %</i>		74,7%	16,4%	8,9%		48,2%	45,4%	6,4%

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

Note 7 Capital adequacy

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

Entercard applies the standardised approach to calculate the capital requirement for credit risk. Credit risk is calculated on all on- and off-balance sheet items unless deducted from own funds. Entercard also calculates a capital requirement for currency risk. Entercard has permission, granted by Finansinspektionen, to exempt certain structural currency positions from the calculation of the capital requirement, namely such positions that have been taken deliberately in order to hedge the capital ratio against adverse changes in the currency rates.

Entercard uses the alternative standardised approach for calculating the capital requirements for operational risk.

The combined buffer requirement is a requirement to hold a capital conservation buffer of 2.5 percent of the risk exposure amount. The buffer requirement also includes a countercyclical buffer, which currently amounts to 2.1 percent of the risk exposure amount. There are currently no planned changes of the countercyclical buffer in countries where Entercard operates.

As a result of the Supervisory review 2023, Entercard has received a Pillar 2 Guidance of 1 percent of the Risk Exposure Amount, and 1.5 percent of the Total Exposure Amount for Leverage Ratio. The guidance is, together with a capital requirement of 1.9 percent, to be locked until the next review.

Entercard does not have a trading book.

Entercard Group AB is a Swedish credit market company with license to conduct financing business in the Scandinavian market. The operations in Norway and Denmark are conducted through the branches "Entercard Norge, filial av Entercard Group AB" and Entercard Danmark, filial af Entercard Group AB". Entercard's lending in Finland is conducted through cross-border operations. 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 June 30, 2024, the internal capital requirement amounted to 16.5 percent.

Entercard assesses the capital requirement for all solvency-related risks within the framework of Pillar 2. This assessment is to a high degree based on stress tests. The result of internal capital assessment shows that Entercard's capital base is sufficient in relation to the capital requirement for the risks that Entercard is exposed to.

Risk and Capital adequacy report (Pillar 3) 2023 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

	2024	2023
	30 June	31 Dec
Common Equity Tier 1 Capital: Instruments and reserves		
Capital instrument and associated share premium	5 000	5 000
Reserves	5 349 618	5 365 307
Accumulated other comprehensive income	-371 026	-394 746
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	-69 707	-15 689
Common Equity Tier 1 Capital before adjustments	4 913 885	4 959 873
Value adjustments due to the requirements for prudent valuation	-71 855	-1 007
Intangible assets	-23 553	-19 422
Deferred tax assets that rely on future profitability and arise from temporary differences	-55 890	-25 949
Negative values associated to expected losses	-	-26 675
Losses current year	-	-
Total adjustments of Common Equity Tier 1 Capital	-151 297	-73 052
Common Equity Tier 1 Capital	4 762 587	4 886 820
Additional Tier 1 Capital: instruments	-	-
Tier 1 Capital	4 762 587	4 886 820
	2024	2023
Tier 2 Capital: Instruments and provisions	30 June	31 Dec
Capital instrument and associated share premium	-	-
Credit value adjustments	-	-
Tier 2 Capital before adjustments	-	-
Total adjustments of Common Equity Tier 2 Capital	-	-
Tier 2 Capital	-	-
Total Capital	4 762 587	4 886 820
Total risk weighted exposure amount	27 324 838	27 868 407
	2024	2023
Common Equity Tier 1 capital ratio	17,4%	17,5%
Tier 1 capital ratio	17,4%	17,5%
Total capital ratio	17,4%	17,5%
	2024	2023
Requirements buffers, %	30 June	31 Dec
Total Tier 1 capital requirement including buffer requirement	9,1	9,1
whereof minimum CET1 requirement	4,5	4,5
whereof capital conservation buffer requirement	2,5	2,5
whereof countercyclical capital buffer requirement	2,1	2,1
Common Equity Tier 1 capital available to be used as buffer	8,3	8,4
Leverage ratio	11,8%	11,7%

Risk exposure amount and own funds requirement for credit risk

Exposure classes	2024		2023	
	30 June		31 Dec	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	556 026	44 482	647 004	51 760
Covered bonds	52 162	4 173	32 114	2 569
Retail exposures	22 689 006	1 815 120	22 874 188	1 829 935
Regional governments or local authorities exposures	2 588	207	2 979	238
Corporate exposures	3 256	260	3 493	279
Exposures in default	1 598 703	127 896	1 528 981	122 318
Other exposures	282 493	22 599	428 785	34 303
Total	25 184 233	2 014 739	25 517 544	2 041 404
2024				
30 June				
Total capital requirement for credit risk according to the standardized approach		2 014 739		2 041 404
2024				
31 Dec				
Capital requirement for operational risk				
Risk exposure amount		1 974 974		1 951 652
Capital requirement according to the alternative standardized approach		157 998		156 132
Total capital requirement for operational risk		157 998		156 132
2024				
31 Dec				
Capital requirement for market risk (foreign exchange risk)				
Risk exposure amount		165 631		399 211
Capital requirement		13 250		31 937
Total capital requirement for market risk		13 250		31 937
Capital requirements for settlement risk			-	-
Capital requirements for credit value adjustment (CVA) risk			-	-
Total capital requirements		2 185 987		2 229 473

Internal capital requirement

	2024			2023	
	30 June	% av REA*		31 Dec	% av REA*
Capital requirement according to Pillar 1					
Credit risk	2 014 739	7,4		2 041 404	7,3
Market risk	13 250	-		31 937	0,1
Operational risk	157 998	0,6		156 132	0,6
Settlement risk	-	-		-	-
Credit value adjustment (CVA) risk	-	-		-	-
Total capital requirement according to Pillar 1	2 185 987	8,0		2 229 473	8,0
Capital requirement according to Pillar 2					
Other capital requirement	519 172	1,9		535 788	1,9
Total capital requirement according to Pillar 2	519 172	1,9		535 788	1,9
Combined buffer requirement					
Countercyclical buffer	576 039	2,1		587 933	2,1
Capital conservation buffer	683 121	2,5		696 710	2,5
Total combined buffer requirement	1 259 160	4,6		1 284 643	4,6
Pillar 2 guidance and internal buffer					
Additional management buffer	273 248	1,0		-	-
Pillar 2 guidance	273 248	1,0		278 684	1,0
Total Pillar 2 guidance and internal buffer	546 497	2,0		278 684	1,0
Internal capital requirement					
Total capital requirement	4 510 815	16,5		4 328 588	15,5
Capital base					
Total capital base	4 762 587	17,4		4 886 820	17,5

	2024			2023
	TSEK	%	TSEK	%
Leverage ratio requirements*, TSEK/%				
Leverage ratio requirement Pillar 1	1 211 900	3,0	1 251 101	3,0
Leverage ratio Pillar 2 guidance	605 950	1,5	625 551	1,5
Total capital requirement including pillar 2 guidance	1 817 851	4,5	1 876 652	4,5
Tier 1 capital	4 762 587		4 886 820	

*Entercard's calculation based on SFSA's announced leverage ratio requirements, including pillar 2 requirements and Pillar 2 guidance.

Note 8 Related Parties

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

	Swedbank Group			Barclays Group		
	2024	2023	2023	2024	2023	2023
Balance Sheet	30 June	31 Dec	30 June	30 June	31 Dec	30 June
Assets						
Deposits	2 149 812	2 507 877	3 681 762	-	-	-
Other assets	-	-	928	-	-	-
Total	2 149 812	2 507 877	3 682 690	-	-	-
Liabilities						
Amounts owed to credit institutions	15 723 787	16 048 477	16 557 774	15 723 787	16 048 477	16 557 774
Other liabilities	8 705	12 967	198 353	-	-	-
Total	15 732 492	16 061 444	16 756 126	15 723 787	16 048 477	16 557 774
Income Statement						
Interest income	25 608	84 232	37 134	-	-	-
Interest expenses	-402 467	-723 209	-313 749	-402 139	-723 943	-313 705
Commission income	30 521	91 020	48 913	-	-	-
Commission expenses	-45 488	-88 278	-42 432	-	-	-
Other expenses	-4 018	-11 017	-6 674	-	-	-
Total	-395 844	-647 251	-276 808	-402 139	-723 943	-313 705

Note 9 Specification of bank tax and resolution fees

	2024	2023	2023
	30 June	31 Dec	30 June
Bank tax	-	-10 323	-
Resolution fees	-6 297	-14 292	-7 146
Total	-6 297	-24 615	-7 146

Stockholm August 26th, 2024

Jan Haglund
Chief Executive Officer