

Annual Report 2019



ANNUAL REPORT

2019

EnterCard Group AB
556673-0585

CERTIFICATE OF ADOPTION

The undersigned Chief Executive Officer hereby certifies that this copy of the Annual Accounts and audit report corresponds to the original and that the income statement and balance sheet have been adopted at the annual general meeting of the shareholders held 25 March 2020. It was further resolved at the Annual General Meeting to accept the Board's proposal for the appropriation of the current year's earnings.

Stockholm

25 March, 2020

Freddy Syversen

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ANNUAL REPORT FOR ENTERCARD GROUP AB

The board and the Chief Executive Officer for EnterCard Group AB hereby submits the Annual Report for the financial year 2019.

THE BOARD OF DIRECTOR'S REPORT

Scope and type of Operations

EnterCard Group AB operates in the Scandinavian market, with the issuance of credit cards and consumer loans. 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; including Swedbank and LO in Sweden, Coop in Norway and LO in Denmark. Today, EnterCard has over 1.7 million customers and approximately 480 employees in Stockholm, Copenhagen, Oslo, and Trondheim.

It is important for EnterCard to act as a responsible provider of credit by continually securing that customers use their credit facilities, whether credit cards or loans in a safe and sound way and to ensure that reasonable credit levels are given to each individual customer.

Ownership

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.

Sustainability

The work for a sustainable society is an integral element in realizing the company's vision. EnterCard has divided sustainability into these categories, economic, ecological and social sustainability. For the full sustainability report, go to www.entercard.com.

Significant events during the year

EnterCard has in 2019 entered into a card distribution agreement with Coop Sverige AB. Additionally, EnterCard purchased the Coop portfolio from Medmera Bank.

Future developments

The development towards more digital solutions continues as a result both to increased customer needs for convenience, speed and simplicity and advancements in technology. High market activity by different players is evident:

- Investments in fintech is booming in Scandinavia, with many new players aspiring to disrupt the value chain both for payments and lending
- Large international players, both within and outside the payments industry, are indicating an aspiration to take on a larger presence in the Scandinavian market by offering new and enhanced payment solutions

- Traditional banks have increased their activities within the fintech and payments area, both through partnerships, acquisitions, launch of accelerators and own development

As a response to this, EnterCard is continuously active in developing simple and efficient digital customer interfaces, including enhancing all existing customer touch points and upcoming launches within digitalized payment solutions and eWallet. EnterCard is continuously exploring new ways of providing financing and create engagement with the customers throughout the customer lifecycle. Efficiency and control is further improved through consolidation and modernization of EnterCard's IT platforms and automation of back-end processes.

The growth within consumer credit is continuing while at the same time the market is becoming more regulated to the consumers' advantage. EnterCard is exposed to several regulations, including PSD2, GDPR and PCIDSS. During 2019 EnterCard have worked actively to ensure compliance with these regulations as well as realizing business opportunities that especially PSD2 enables, which may have a disruptive effect on the value chain within our industry. PSD2 went into force into September 14th, which EnterCard now complies with.

New regulatory changes were imposed in Norway during 2019 and has already had an impact on the Norwegian market through higher restrictions, which has led to a halt in growth. This is expected to continue for a period going forward.

- New regulations with the purpose of enforcing more restrictions on consumer credit products, inclusive hard rules and stress testing on affordability assessments and tenure of loans to be reduced

EnterCard continues to be adaptive to the changing regulatory landscape. EnterCard has invested sufficiently to incorporate the regulatory requirement.

In the beginning of 2020 the Corona virus spread worldwide and has now been classified as pandemic. In Scandinavia the governments have implemented extensive restrictions to reduce the speed of the spread. EnterCard is closely assessing the restrictions given by the governments and how it affects businesses and people. EnterCard has internally adjusted its way of working in order to keep the operations up and running. EnterCard continuously monitors how this pandemic evolves and will continue to adopt its operations as a result. Going forward EnterCard will have to handle the effects that the pandemic has on peoples private economies and its macro effects, but management believes that EnterCard has the economic strength to navigate through this exceptional event.

Earnings, profitability and position

Operating income amounted to 3,653.0m SEK (3,376.4m SEK) and operating profit amounted to 1,341.2m SEK (1,255.7m SEK). Total loans to the public excluding provisions of anticipated loan losses amounted to 33,965.1m SEK (30,650.4m SEK). Impaired loans amounted to a book value of 1 301,6m SEK (853.5m SEK) which constitutes 4,1 percent of the

total credit portfolio. Total provisions amounts to 1,967.5m SEK (1,748.7m SEK).

Staff

The number of employees at year-end was 477 (481). More information about personnel, salaries and compensation is disclosed in note 8.

Risk management

Within EnterCard's business activities, 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 portfolio with diversification through a broad customer base combined with a sound and comprehensive control of the development of losses in its portfolios.

The Board of Directors and the CEO are ultimately responsible for risk management. The purpose of risk management is to secure that the risks taken in the business do not threaten EnterCard's solvency or liquidity, and are balanced in regards to the possible return. This is ultimately managed through securing that the risk levels do not exceed the risk appetite, set by the Board of Directors.

EnterCard is continuously working with the management of the operational risks through improvement of processes, availability and assurance. For a more detailed description of the risks, please refer to note 2.

Liquidity and funding

Funding has exclusively been provided by Swedbank AB and Barclays Bank PLC. EnterCard's liquidity need is satisfied through loans and credits provided by the owners. EnterCard's cash balance amounted to 3,501.9m SEK at year end (3,701.8m SEK). The liquidity reserve amounted to 2,773.0m SEK (2,501.2m SEK), more detailed information about the liquidity reserve is provided in note 2 and note 16. EnterCard Group Liquidity Coverage Ratio (LCR) was 369 % (383 %). According to EnterCard's view on the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), EnterCard's NSFR was 144 % (142 %).

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 amounted to 19,7 % (16,4 %) at year end. Information of the composition of the capital base and capital requirements are included in the Capital Adequacy Analysis in note 27.

Proposal for the treatment of current year's earnings (SEK)

The following profits are available for appropriation at the annual general meeting

Retained earnings	4 961 680 462
Current year's net profit/loss	1 059 304 823
Total	6 020 985 285

The Board of Directors propose:

dividends	-
to be carried forward	6 020 985 285
Total	6 020 985 285

Restricted equity is not included in total amount that could be distributed as dividend.

Five year summary EnterCard Group AB

Comparative numbers for the years 2015-2016 refers to former Parent Company, EnterCard Holding AB, before the merger. Numbers as per 2017-2019 refers to EnterCard Group AB after the merger.

TSEK	2019	2018	2017	2016	2015
Loans to credit institutions	3 501 872	3 701 886	2 650 169	26 703	18 858
Loans to the public, net	31 997 575	28 901 734	24 186 570	-	-
Bonds and other interest-bearing securities	2 772 996	2 501 252	2 025 314	-	-
Other assets	605 157	506 705	451 318	1 234 950	1 647 839
Total assets	38 877 600	35 611 577	29 313 371	1 261 654	1 666 697
Amounts owed to credit institutions	31 982 199	29 174 827	22 966 924	-	-
Liabilities and provisions	747 656	710 783	694 859	45 505	45 200
Equity	6 147 744	5 725 967	5 651 587	1 216 149	1 621 497
Total liabilities, provisions and equity	38 877 600	35 611 577	29 313 371	1 261 654	1 666 697
Net interest income	3 181 735	2 928 859	2 590 811	12	-4
Net commission income	442 626	411 364	397 538	-5	-10
Dividend from Companies within the Group	-	-	-	264 626	852 969
Net gain/loss from financial instruments	-3 395	-1 921	-7 271		
Other income	31 999	38 145	51 819	43 854	39 060
Total income	3 652 965	3 376 448	3 032 898	308 486	892 015
Total costs	-1 570 958	-1 471 417	-1 394 045	-48 335	-82 996
Profit before loan losses	2 082 007	1 905 031	1 638 853	260 153	809 020
Loan losses, net	-740 770	-649 326	-512 850	-	-
Operating profit/loss	1 341 237	1 255 704	1 126 003	260 153	809 020
Tax expense	-281 932	-307 914	-276 536	-	-167
Profit/loss for the year	1 059 305	947 790	849 467	260 153	808 853

Five year summary Group

Comparative numbers for 2015-2016 refers to the former EnterCard group including subsidiaries before the merger.

TSEK	2019	2018	2017	2016	2015
Loans to credit institutions	3 501 872	3 701 886	2 650 169	2 078 654	1 996 088
Loans to the public, net	31 997 575	28 901 734	24 186 570	21 573 166	17 753 136
Bonds and other interest-bearing securities	2 772 996	2 501 252	2 025 314	2 249 591	1 227 054
Other assets	605 157	506 705	451 318	488 924	389 407
Total assets	38 877 600	35 611 577	29 313 371	26 390 335	21 365 685
Amounts owed to credit institutions	31 982 199	29 174 827	22 966 924	20 387 761	15 885 655
Liabilities and provisions	747 656	710 783	694 859	808 364	625 174
Equity	6 147 744	5 725 967	5 651 587	5 194 209	4 854 855
Total liabilities, provisions and equity	38 877 600	35 611 577	29 313 371	26 390 335	21 365 685
Net interest income	3 181 735	2 928 859	2 590 811	2 290 191	2 064 129
Net commission income	442 626	411 364	397 538	341 192	529 965
Net gain/loss from financial instruments	-3 395	-1 921	-7 271	-3 203	-
Other income	31 999	38 145	51 819	79 177	33 295
Total income	3 652 965	3 376 448	3 032 898	2 707 356	2 627 390
Total costs	-1 570 958	-1 471 417	-1 394 045	-1 335 829	-1 237 410
Profit before loan losses	2 082 007	1 905 031	1 638 853	1 371 527	1 389 979
Loan losses, net	-740 770	-649 326	-512 850	-346 815	-241 072
Operating profit/loss	1 341 237	1 255 704	1 126 003	1 024 712	1 148 907
Tax expense	-281 932	-307 914	-276 536	-243 839	-283 188
Profit/loss for the year	1 059 305	947 790	849 467	780 874	865 719

Key ratios

Comparative numbers for 2015-2016 refers to the former EnterCard group including subsidiaries before the merger, 2017-2019 refers to EnterCard Group AB after the merger.

TSEK	2019	2018	2017	2016	2015
Profit					
Interest margin, %	12,6%	13,0%	13,6%	13,9%	14,3%
*Interest earning income in relation to cost of funding					
C/I ratio before loan losses	0,43	0,44	0,46	0,49	0,47
*Total costs before loan losses in relation to total operating income					
C/I ratio after loan losses	0,63	0,63	0,63	0,62	0,56
*Total costs after loan losses in relation to total operating income					
Return on equity after tax, %	17,8%	16,7%	15,7%	15,5%	19,1%
*Profit for the financial year in relation to the average of shareholder's equity current and previous year. The comparable years have been re-calculated					
Return on total assets	2,7%	2,7%	2,9%	3,0%	4,1%
*Net profit divided by the total balances					
Capital					
Capital base tSEK	6 058 965	4 941 811	4 972 717	4 845 024	4 122 646
Total capital ratio, %	19,7%	16,4%	18,9%	20,1%	22,6%
*Capital base in relation to risk-weighted assets					
Credit quality					
Loan loss ratio, net, %	2,3%	2,2%	2,1%	1,6%	1,4%
*Loan losses in relation to loans to the public					
Share of impaired loans, %	4,1%	3,0%	3,1%	2,1%	1,8%
*Impaired loans, net, in relation to loans to the public					
Other					
Average number of employees	466	397	420	411	436

Income statement

TSEK	Note	2019-01-01	2018-01-01
		2019-12-31	2018-12-31
Interest income	3	3 487 386	3 091 921
Interest expenses	3	-305 651	-163 063
Net interest income	3	3 181 735	2 928 859
Commission income	4	980 917	911 113
Commission expenses	4	-538 291	-499 748
Net commissions	4	442 626	411 364
Net gain/loss transactions from financial instruments	5	-3 395	-1 921
Other income	6	31 999	38 145
Total operating income		3 652 965	3 376 448
Staff costs	8	-604 359	-553 879
Other general administrative expenses	9	-920 307	-871 277
Total general administrative expenses		-1 524 667	-1 425 156
Depreciation/amortization and impairments of tangible and intangible fixed assets	10	-46 291	-46 261
Total operating expenses		-1 570 958	-1 471 417
Profit before loan losses		2 082 007	1 905 031
Loan losses, net	11	-740 770	-649 326
Operating profit		1 341 237	1 255 704
Tax expense	12	-281 932	-307 914
Profit/loss for the year		1 059 305	947 790

Statement of comprehensive income

TSEK		2019-12-31	2018-12-31
Profit for the year recognized within the income statement		1 059 305	947 790
Components which will not be reclassified to the income statement			
Revaluation of defined-benefit pensions		-23 003	-18 002
Tax		4 739	3 961
Total		-18 264	-14 041
Components which have or will be reclassified to the income statement			
Unrealised changes in fair value	5	5 151	-18 097
Exchange rate differences		68 730	92 967
Tax		-15 219	-15 423
Total		58 662	59 447
Other comprehensive income		40 398	45 406
Total profit		1 099 703	993 196

Balance Sheet

Assets

TSEK	Note	2019-12-31	2018-12-31
Assets			
Loans to credit institutions	13	3 501 872	3 701 886
Loans to the public, net	14, 15	31 997 575	28 901 734
Bonds and other interest-bearing securities	16	2 772 996	2 501 252
Intangible assets	17	73 891	94 152
Tangible assets	19	7 868	6 293
Deferred tax assets	12	11 408	34 717
Other assets	20	434 922	230 196
Prepaid expenses and accrued income	21	77 069	141 346
Total assets		38 877 600	35 611 577

Liabilities and equity

Liabilities			
Amounts owed to credit institutions	22	31 982 199	29 174 827
Other liabilities	23	358 853	334 764
Accrued expenses and prepaid income	24	305 133	289 232
Pension provisions	8	49 571	39 649
Other provisions	15	34 099	47 138
Total liabilities		32 729 856	29 885 609
Equity			
Share capital (5 000 shares)		5 000	5 000
Fair value reserve		-12 948	-16 997
Retained earnings		5 096 388	4 790 174
Profit for the year		1 059 305	947 790
Total equity		6 147 744	5 725 967
Total liabilities and equity		38 877 600	35 611 577

Notes not directly relating to income statement, balance sheet, cash flow analysis and changes in equity:

Note 1 - Accounting principles

Note 2 - Risks and risk control

Note 18 - Operational leasing

Note 25 - Assets pledged and contingent liabilities

Note 26 - Assets and liabilities in foreign currency

Note 27 - Capital adequacy analysis

Note 28 - Related parties

Note 29 - Classification and valuation of financial assets and liabilities

Note 30 - Specifications in cash flow

Note 31 - Proposal for the treatment of current year's earnings (SEK)

Note 32 - Significant events after year end

Note 33 - Information regarding the parent company

Statement of changes in equity

TSEK	Restricted equity			Non-restricted equity		
	Share capital	Fund for development expenditures	Translation differences	Fair value reserve	Retained earnings	Total Equity
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
Transfer to restricted equity		64 199			-64 199	-
Profit/loss for the year			73 816	-14 369	933 749	993 196
<i>of which recognized in income statement</i>					947 790	947 790
<i>of which recognized in other comprehensive income</i>			92 967	-18 097	-18 002	56 868
<i>of which tax recognized in other comprehensive income</i>			-19 151	3 728	3 961	-11 462
Closing balance December 31, 2018	5 000	108 679	-266 358	-16 997	5 895 644	5 725 967
Opening balance January 1, 2019	5 000	108 679	-266 358	-16 997	5 895 644	5 725 967
Adjustment previous years				-	-19 298	-19 298
Adjustment previous years					-8 629	-8 629
Dividends					-650 000	-650 000
Transfer to restricted equity		13 080			-13 080	-
Profit/loss for the year			54 613	4 049	1 041 041	1 099 703
<i>of which recognized in the income statement</i>					1 059 305	1 059 305
<i>of which recognized in other comprehensive income</i>			68 730	5 151	-23 003	50 878
<i>of which tax recognized in other comprehensive income</i>			-14 117	-1 102	4 739	-10 480
Closing balance December 31, 2019	5 000	121 759	-211 745	-12 948	6 245 678	6 147 744

Share capital 5 000 shares, quota value 1 000 SEK

Statement of cash flow

TSEK	Note	2019	2018
Operating activities			
Operating profit/loss		1 341 237	1 255 704
Adjustments for non-cash items	30	325 750	-93 958
Taxes paid		-306 613	-360 635
Cash flow from operating activities before working capital changes		1 360 375	801 111
Cash flow from changes in working capital			
Increase/decrease in loans to the public		-2 970 186	-4 624 293
Increase/decrease in other assets		-206 101	-26 889
Increase/decrease of bonds and other interest-bearing securities		-235 270	-451 230
Increase/decrease other liabilities		-416	-5 523
Cash flow from operating activities		-3 411 973	-5 107 936
Investing activities			
Purchase of intangible assets		-21 202	-11 311
Purchase of tangible assets		-4 481	-5 401
Cash flow from investing activities		-25 683	-16 712
Financing activities			
Dividends		-650 000	-550 000
Increase/decrease of borrowing		2 492 439	5 876 229
Cash flow from financing activities		1 842 439	5 326 229
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		3 701 886	2 650 169
CASH FLOW FOR THE YEAR		-234 843	1 002 692
Exchange rate differences on cash and cash equivalents		34 828	49 025
CASH AND CASH EQUIVALENTS AT END OF YEAR		3 501 872	3 701 886

Comments on the cash flow statement

The cash flow statement shows the receipts and disbursements during the year as well as cash and cash equivalents at the beginning and end of the year. The cash flow statement is reported using the indirect method and are divided into receipts and disbursements for operating activities, investing activities and financing activities.

Operating activities

Cash flow from operating activities is based on operating profit for the year. Adjustments are made for items not included in the cash flow from operating activities. Changes in assets and liabilities from operating activities consist of items that are part of normal business activities - such as loans to and borrowings from the public and credit institutions - and that are not attributable to investing and financing activities. Cash flow includes interest received to an amount of 3,487.0m SEK.

Investment activities

Investment activities consists of the purchase and sale of fixed assets.

Financing activities

Net change in borrowing with shorter terms and higher turnover is included in increase/decrease in borrowing from credit institutions. Cash flow includes interest payments of long term lending to the amount of 306.0m SEK.

Reconciliation of liability arising from financing activities. Opening balance 2019, 29,175.0m SEK, cash flow 2,492.0m SEK, exchange rate differences 315.0m SEK, closing balance 31,982.0m SEK.

Cash and cash equivalents

Cash and cash equivalents consists of cash and balances with Swedbank AB.

Notes

The Annual Report is submitted as of December 31, 2019 for EnterCard Group AB, corporate identity number 556673-0585, maintains its registered office in Stockholm. The address to the head office is Klarabergsgatan 60, 111 21 Stockholm.

Note 1 Accounting principles

Basis of the statements of account

The accounting policies applied are consistent with Swedish Law of Annual Accounts in Credit Institutions and Securities Companies (ÅRKL) as well as the rules and regulations issued by the Financial Supervisory Authorities (Finansinspektionen) FFFS 2008:25, including changing regulations, and the Council for Financial Reporting Board's recommendation RFR 2 accounting for legal entities. The company applies thereby with so called limited-by-law IFRS and refers to standards that have been adopted for use with the limitations of the FFFS and RFR 2. This means that all EU-approved IFRS and statements as far as possible within the framework of the annual accounts act and with respect to the relationship between accounting and taxation is applied.

The annual accounts have been approved for issue by the Board on March 25, 2020. The income statement and balance sheet are subject to approval at the Annual General Meeting on March 25, 2020.

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

Correction of previous booking error

In the period 2015-2018, an automated booking routine set up in the Treasury system handling the purchasing and selling of Bonds, where the premium booked on OCI were not reversed at realization.

The accumulated OCI booking related to bonds realized in the period 2015-2018 were mSEK 18, these were in 2019 reclassified from OCI to retained earnings. In 2019 the booking routine was changed to reverse the premium at the OCI account when the bonds is realized.

Changes in Accounting Principles and Disclosures

The 2019 financial reports are adopting the following new accounting pronouncements and changes.

Leases (IFRS 16)

In January 2016, The IASB issued the new standard IFRS 16. IFRS 16 was endorsed by The EU in October 2017 and came into force January 1, 2019 and has replaced IAS 17 Leases. The new standard has large impact on leases with exemption of short term leases and small assets leases.

The standard removes the lessee's requirement to distinct between financial and operational leases and demands that lessees recognize assets and liabilities from most leases on the balance sheet. This means that the leases shall be recognized in the balance sheet as a right-to-use asset with a corresponding liability. For lessors, the requirements are largely unchanged and the requirement for distinction between financial and operational leases is maintained.

EnterCard will not apply IFRS 16 as legal entity according to RFR 2 recommendations.

Other IFRS Amendments

Any other amended IFRS standards or interpretations than the aforementioned have not been applied nor had an impact on the company's financial position, result, cash flow or disclosures.

New Standards and Interpretations

International Accounting Standard Board (IASB) and IFRS Interpretations Committee have issued below standards, amendments to standards and interpretations applicable to 2019 or later. IASB allow premature adoption of these. EnterCard has not adopted below amendments to the 2019 financial report.

Critical Judgements and Estimates

The presentation of financial reports in conformity with IFRS demands that the company makes judgements and estimates that affect recognized amounts for assets and liabilities as of the closing day and for recognized income and expenses during the report period.

The executive management continuously evaluates these judgements and estimates including: assessments of impairment credit losses, deferred taxes and provisions for defined benefit pensions. No significant changes have been made to the critical judgements and estimates compared with December 31, 2019.

Significant Accounting Policies

Presentation of Financial Statements (IAS 1)

Financial statements are a structured presentation of a company's financial position, financial results and cash flows, useful for financial decisions. The financial statements also convey the results of the executive management's administration of the resources entrusted to them. Complete financial statements consist of a balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes. EnterCard presents the statement of comprehensive income in the form of two statements. A separate income statement is presented, containing all revenue and expense items, provided a special IFRS does not require or allow otherwise. Such other revenue and expense items are presented in other comprehensive income. The statement of comprehensive income contains the profit or loss recognized in the income statement as well as components included in other comprehensive income.

Statement of Cash Flows (IAS 7)

The statement of cash flow prescribes an entities change in cash and cash equivalents during a period. EnterCard discloses information about changes in their financing liabilities arising from financing activities, including changes from cash flows and non-cash.

Assets and Liabilities in Foreign Currency (IAS 21)

The financial statement is presented in Swedish kronor (SEK) which is also functional currency and presentation currency. Functional currency refers to the currency primarily used in the primary economic environments in which the company carries out its operations. Transactions in other currencies than

the functional currency, foreign currency, are initially recognized at the exchange rate prevailing at the day of transaction. The financials for each entity in the group are presented according to the currency that is reflective of that local environment. Assets and liabilities in branches with other functional currency than SEK are translated to reporting currency at the rates prevailing on closing day. The income statement is translated at each individual transaction's exchange rate. For practical reasons, an average exchange rate is used for the period. Occurred exchange rate differences are recognized in other comprehensive income.

Financial Instruments, (IFRS 9)

Classification and valuation

The company's 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.

Interest Income

Interest income on loans to credit institutions and the public are recognized as revenue when they are earned, meaning that interest income is accrued to the attributable period according to the efficient interest rate method. Negative interest is reported with reversed sign under line interest income. Interest on balances sent to debt collecting agency are recognised when income are received.

Bonds and other interest-bearing securities

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.

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

Valuation is carried out at fair value with unrealized changes in value reported in Other comprehensive income. Upon disposal, realized change in value is recognized in the income statement on the line Net gain/loss transactions from financial instruments and is thus removed from Other comprehensive income.

Interest rates are reported in the income statement on the line Interest income, calculated according to the effective interest method. Impairment losses and any exchange rate fluctuations are recognized in the income statement on the line Net gain/loss transactions from financial instruments. Fair values are categorized at different levels in the fair value hierarchy based on the type of input used in the valuation technique. Because EnterCard's instruments in this category are valued at fair value on the basis of the prices on an active market for identical instruments, they are included in level 1. EnterCard has no instruments that are categorized in level 2 or level 3.

If the company changes its 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 as a result of external or internal changes and must be significant to the company's business and shown to external parties. Removal of financial assets occurs when the right to receive cash flows from a financial instrument has expired or when the right to receive cash flows has in all material respects been transferred to another party. Financial liabilities are removed from the balance sheet when the debt is extinguished by the agreement being completed, cancelled or terminated.

Impairment is not reported on these instruments as the portfolio has low credit risk and the value is not significant.

Assets and liabilities are reported gross with the exception of when there is a legal right and an intention to settle these net.

For the financial assets or liabilities that do not belong to the category of financial assets or liabilities measured at fair value through the income statement, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability are included.

Loans and Provision for Credit Loss (IFRS 9)

Loans to credit institutions and the public, categorized as loans and receivables, are recognized on the balance sheet on the settlement day. Loans are initially recognized at acquisition cost, which consists of the loan amount paid out less fees received and costs constituting an integral part of the return. The interest rate that produces the loan cost as a result of the calculation of present value of future payments is considered the effective acquisition rate. Recognized interest rate includes interest payments receive and the change in the loan's amortized cost during the period, which produces a consistent return.

Credit impairment provisions are recognized on the following financial instruments: financial assets that are measured at amortized cost and irrevocable loan commitments. Credit impairments provisions are measured according to an expected credit loss model and reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome and considering all reasonable and supportable information available at the reporting date. Such provisions are measured according to whether there has been a significant increase in credit risk since initial recognition. All EnterCard credit exposures are allocated into one of three "stages", according to the IFRS 9 standard:

Stage 1

As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognized and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without adjustment for expected credit losses).

Stage 2

If the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime expected credit losses are recognized. Lifetime expected credit losses are only recognized if the credit risk increases significantly from when the entity originates or purchases the financial instrument. The calculation of interest revenue on financial assets remains the same as for Stage 1.

Stage 3

If the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortized cost (i.e. the gross carrying amount adjusted for the loss allowance). Lifetime expected credit losses are still recognized on these financial assets.

Impairment

The standard states that provisions for expected credit losses are recognized for all items in the balance sheet measured at amortized cost. Expected credit losses for loan commitments given, undrawn committed credit line, are recognized under provisions.

Calculation of expected credit loss provisions is based on data generated in existing internal risk classification models. The assets' contracted cash flows are 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 reports 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 implies 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.

Reporting of expected loan losses – lending to credit institutions

EnterCard's lending to credit institutions is within the scope of accounting of expected credit losses. Since all lending to credit institution is repayable on demand and lending is only made to Swedish credit

institutions with a good rating, the expected loan losses amount to only insignificant amounts.

Reporting in the income statement and balance sheet

The loss reserves are reported as follows in the balance sheet;

-For assets reported at amortized cost; as impairment of the assets reported value

-Loan commitments are reported on the balance sheet, other provisions. Changes in the credit loss provision are recognized in the income statement on the line loan losses net.

Receivables

Receivables are categorized as Loans and Receivables, meaning valuation at amortized acquisition cost. The expected maturity of a receivable is short, why the value is recognized as a nominal value without discounting or deduction for impairment.

Liabilities to Credit Institutions

Liabilities to credit institutions are categorized as Other Financial Liabilities, meaning valuation at amortized acquisition cost. Borrowing is typically carrying a varied interest rate. Given the presented background, all recognized values are deemed to equivalent fair value.

Liabilities to Suppliers

Liabilities to suppliers are categorized as Other Financial Liabilities, meaning valuation at amortized acquisition cost. The expected maturity of liabilities to suppliers is short, why the value is recognized as a nominal value without discounting or deduction for impairment.

Intangible Assets (IAS 38)

Intangible assets consist of development expenses for internally developed and acquired IT-systems and license costs deemed of significant value for the operations the coming years. Other expenses for development and maintenance are expensed when they arise.

The recognized value represent at acquisition cost less accumulated amortization and impairment. A linear depreciation over four years for IT development and three years for licenses exceeding the expected useful life time of the asset is applied. The useful life is reassessed annually.

Tangible Assets (IAS 16)

Tangible Assets, such as inventories for own use, are recognized at acquisition cost less accumulated depreciation and impairment. Depreciation is assumed when the asset is ready to be used and is systematically realized over the useful life.

The expected useful life of inventories is five years and their residual value is zero. IT and office equipment inventory is depreciated over five years and their residual value is zero.

Impairment (IAS 36)

The company periodically assesses whether there are indications of diminished value for assets. If such indications exist, an impairment test is conducted by estimating the recoverable amount of the asset. The recoverable amount is the higher of the asset's net selling price or value in use.

Impairment is recognized on the financial statement if the recoverable amount is less than the book value of the asset. Impairments are only reversed if there were changes in the estimates used when the impairment was recognized. Impairments are recognized separately for tangible and intangible assets in the financial statement.

Leases (IAS 17)

All lease agreements are recognized as operative leases. Leasing fees are accrued and recognized linearly over the running time of the lease.

Revenues (IFRS 15)

Revenues are recognized at fair value of what has been acquired. Revenue is recognized at the time when the control of the product or service is transferred to the customer.

Commission Income

Commission Income, primarily including annual fees and transactional fees are recognized as revenue in direct connection to the time of the transaction.

Pension Obligations (IAS 19)

The company's post-employment benefits, which consists of pension obligations, are classified as either defined contribution plans or defined benefit plans. In defined contribution plans the company pays contributions to a separate legal entity, and the risk of change in value until the funds are paid out rests with the employee. Thus, the company has no further obligations after the fees have been paid. Other pension obligations are classified as defined benefit plans. Premiums for contribution benefit plans are recognized as an expense after an employee has rendered his or her services.

Norwegian defined benefit plans are accounted according to Norwegian GAAP as defined benefit plans. The present value of the pension obligations is calculated and recognized as provisions. The calculation is made according to the so called Projected Unit Credit Method. The method entails that future benefits are attributed to periods of service. The income statement, staff costs, is charged with the net of service costs, interest on obligations and the anticipated return on plan assets. The calculations are based on the company's actuarial assumptions, which are the company's best estimate of future developments. In cases where the actual outcome deviates or assumptions have changed, so-called actuarial gains and losses arise. The net of actuarial gains and losses are recognized as revaluations of defined benefit pension plans in other comprehensive Income. There, the difference between the actual return and estimated interest income on plan assets is recognized as well.

EnterCard recognizes pension costs for the Swedish employees as benefit pension plan. According to the Act of Safeguarding Pension Benefits, which means that they are recognized as defined contribution plans. Premiums paid to defined contribution plans are expensed when an employee has rendered his/her services.

Tax (IAS 12)

The income tax consists of current tax and deferred tax. Deferred tax refers to tax on the difference between carrying amount and tax base, which in the future serves as basis for future tax. On closing day, legally determined tax rates are used for calculations. The company's deferred tax assets and tax liabilities are calculated nominally with each respective country's tax rate for the consequent year. Deferred tax assets are netted against deferred tax liabilities for the branches that have offsetting rights. Income taxes are recognized in the profit and loss statement with the exception of tax attributable to items that are recognized directly as other comprehensive income or equity.

The parliament have lowered the income tax rate for corporates in Sweden from 22% to 21,4% as of January 1,2019. The corporate tax will be reduced gradually from 2019 to 2021 when the corporate tax estimate to be 20,6%. When deferred tax is calculated, EnterCard uses 20.6%.

Note 2 Risks and risk control

General

EnterCard defines risk as a potentially negative impact on EnterCard's value 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 EnterCard. To achieve EnterCard's business goals regarding growth, profitability and economic stability, it is necessary to continuously balance the goals against the risks in the business.

The comprehensive set of rules regarding internal governance and control is one of the fundamental instruments for the Board of Directors and Senior Management. The Board of Directors sets the maximum risk level by setting the risk appetite and by assigning the responsibilities and authorities regarding risk management. The assignment defines the 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 follows the three lines of defence model.

Risk management is executed within each business unit, under the supervision of, and communication with, the Risk Control function and other staff functions.

The Risk Control function continuously monitors and reports to the CEO and Board of Directors on risk topics. EnterCard has an internal audit function, which on behalf of the Board of Directors evaluates EnterCard's internal control framework to ensure that it is effective and efficient.

The Board of Directors is accountable for ensuring that EnterCard's operations are pursued in compliance with regulatory requirements. The CEO is responsible for ensuring that there is a Compliance Function in place to support the business to stay compliant with regulatory requirements applicable to the licenced business.

Credit risk and counterparty credit risk

Credit risk and counterparty credit risk captures the exposure that counterparties cannot fulfil their payment obligations, resulting in that EnterCard receives payment too late or not at all. EnterCard's lending is striving towards ambitious objectives in terms of ethics, responsible lending, credit quality and control. Even though credit risk, through retail lending, is the Group's largest risk exposure, credit losses in relation to the outstanding balances are relatively small.

Credit risk also includes concentration risk, i.e. large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographic areas. EnterCard's concentration risk is primarily in the form of geographic concentration, as EnterCard offers retail lending in Scandinavia. The lending portfolio consists of unsecured lending and is spread out on a large number of borrowers. The continuous follow-up is still showing a relatively low risk.

EnterCard conducts active monitoring and optimisation of the portfolios' credit risk. The risk is managed so that the decision to grant credit is based on good grounds to expect that the borrower can fulfil his or her commitment. The assessment is done through general credit rules as well as credit scoring models to measure each counterparty's ability to fulfil payment obligations.

The credit risk is constantly monitored to ensure that counterparties are fulfilling their commitments towards EnterCard. In case of a late payment or an assessment that the counterparty is not able to fulfil the commitment, the credit card will be blocked. Follow-ups are additionally made from a credit portfolio point of view in each country with focus within and between different risk groups.

EnterCard has also, to a limited extent, an investment risk through a buffer in liquid assets, held to mitigate EnterCard's liquidity risk. The credit quality of these assets is very high and mainly consists of exposures to municipalities and governments. EnterCard is not using derivatives and is therefore not exposed to counterparty credit risk in that area.

Financial assets, book value	2019-12-31	2018-12-31
Loans to credit institutions	3 501 872	3 701 886
Loans to the public, net	31 997 575	28 901 734
Bonds and other interest-bearing securities	2 772 996	2 501 252
Current assets	3 467	26 535
Total	38 275 910	35 131 408

Expected Credit Loss

Impairment levels are assessed based on the Expected Credit Loss (ECL) methodology. The measurement of ECL uses three main components: Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD). ECL is the product of these three components.

At the reporting date provisions are calculated on the following basis and segments: 12 month ECL where there has been no significant increase in risk since initial recognition (Stage 1); lifetime ECL where there has been a significant increase in risk since initial recognition (Stage2); Credit Impaired (Stage 3). For off-balance sheet exposures, EAD is calculated by using a credit conversion factor (CCF) estimating the future utilisation level of unutilised amounts

Definition of Default, Credit Impaired and Write-off

All accounts 90 days past due (DPD), as per IFRS9 requirements, or indicating an unlikeliness to pay are considered defaulted. Credit Impaired is when the account / exposure has defaulted based on the above definition. Defaulted accounts / exposures are written-off after

- completion of EnterCard's recoveries processes, defined as the point when all attempts at recovery have been exhausted and there is no reasonable expectation of further recovery,
- a specific event (deceased, insolvency) or
- following the sale of a defaulted exposure to a third party. Recovery can continue post write-off providing the debt has not been subject to a court decision or is not time barred based on local law. Subsequent recoveries on previously written off exposure are credited to impairment.

Definition of Lifetime

Lifetime is used in the measurement of ECL of Stage 2 accounts. This is restricted to the contractual life (taking into account historic overpayment) for Loans. For Credit Cards, where there is no contractual life, the lifetime is defined as the behavioural life of the asset.

Modelling and Estimation Techniques

Inputs used in the measurement of ECL vary by market and product, and are either a bespoke quantitative model built for the purpose of ECL, a recalibration of an existing quantitative model to the required default and outcome definitions, a quantitative estimate based off observed outcomes or market based benchmarks.

Probability of Default – In all market and product segments characteristics relating to observed customer behaviour (payment rates, outstanding balance, usage) are used as primary inputs into the predictive models used for PD estimates. Exposure at Default – A differentiated approach is adopted by product. 1) Cards - Credit Conversion Factors (CCF) are calculated to estimate the proportion of the current unutilised limit which will be utilised (and therefore the total limit utilised) at the outcome point. 2) Loans – Amortisation schedules, based off contractual monthly payment amount and residual balance (thus taking into account

historic over payments), are calculated at an account level to provide an estimate of the outstanding exposure at every future outcome period. Loss Given Default - Loss Given Default rates are benchmarked to market debt sale prices for each country and product. Forward-flow debt contracts for defaulted debt for FY 2020 are in place in all markets.

Updates were made to models or estimates during 2018 where there had been an observed deviation in the actual default rates to the predicted default rates or where updated market prices were available.

Measuring a Significant Change in Risk

For Credit Cards, at the reporting date a comparison of the latest PD with the origination PD at the point of recognition is made. Thresholds based on the absolute and relative change in this PD determine whether that asset is placed in Stage 2. As a backstop accounts more than 30 DPD are placed in Stage 2.

For Loans, due to relative immaturity of the portfolio, any account with a current or recent missed payment (regardless of whether the missed payment has been collected) is placed in Stage 2. Any account more than 30 DPD will therefore already have satisfied the significant change definition. A non-defaulted account no longer satisfying the significant change in risk criteria (including the backstop) transitions back to Stage 1.

There is no specific low risk exemption used in the significant change in risk definition however the absolute change in PD tolerance separates those customers with a strong capacity to meet their contractual repayments.

Forward looking information

EnterCard utilises a consensus view of the macro outlook, specifically in relation to unemployment rates, in each of its three core markets. EnterCard reviews the macroeconomic environment in each market it operates within each quarter and uses consensus forecasts of relevant economic variables, such as unemployment or GDP, uses these inputs to estimate the proportion of assets in default. Those estimates are compared with the expected loss calculations and if the two diverge outside of pre-defined thresholds, then an overlay to our ECL estimates will be proposed to ensure adequate provision is held. The size of the overlay is based on the judgement of experienced credit managers and endorsed by the Impairment Committee. In general, a worsening of macroeconomic environment will increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated credit impairment provisions. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the upside scenario occurring will have a positive impact. Because LGD are based on debt sale contracts that extend to 2021, a downturn will have no impact on the value of defaulted debt. One macro event that is being assessed is the Covid 19 virus. As its effects progress through Scandinavia, it is possible that there may be adverse impacts on asset values.

The following table presents the credit expected credit loss as at 31 December 2019 that would result from only the downside and only upside scenarios, which are considered reasonable.

Country		Expected credit loss	Optimistic scenario	Pessimistic scenario
Sweden	Credit Card	452 297	451 652	453 239
	Instalment loan	408 839	406 282	412 581
Norway	Credit Card	337 842	337 503	338 338
	Instalment loan	672 992	670 585	676 514
Denmark	Credit Card	177 326	176 902	177 942
	Instalment loan	32 565	32 383	32 830
Total		2 081 861	2 075 307	2 091 444

Loan modifications

A modification of an account due to the financial stress of the account holder is classed as forbearance. In the event of forbearance the asset is not considered to have had a material modification and therefore is not derecognised. Any asset subject to forbearance will be held in Stage 2 (unless the asset is Credit Impaired i.e. Stage 3) for a minimum of 6 months after which it will be assessed against the standard Stage criteria.

Concentration risk

Credit risk also includes concentration risk, i.e. large exposures or concentrations in the credit portfolio to specific counterparties, sectors or geographic areas. EnterCard's concentration risk is primarily in the form of geographic concentration, as EnterCard offers retail lending in Scandinavia. The lending portfolio consists of unsecured lending and is spread out on a large number of borrowers. The continuous follow-up is still showing a relatively low risk.

Investment risk

EnterCard has also, to a limited extent, an investment risk through a buffer in liquid assets, held to mitigate EnterCard's liquidity risk. The credit quality of these assets is very high and mainly consists of exposures to municipalities and governments. EnterCard is not using derivatives and is therefore not exposed to counterparty credit risk in that area.

Market Risk

Market risk refers to the risk that the market value of a financial instrument or future cash flows from a financial instrument is affected by market price changes.

EnterCard is exposed to market risk in the form of interest rate risk and currency risk.

The below sensitivity analysis shows the impact on the value of assets and liabilities when market interest rates increase/decrease by one percentage point. The total shows the effect of a parallel shift of the same size.

TSEK	Market interest rate -1 percentage point		Market interest rate +1 percentage point	
	2019	2018	2019	2018
< 3 Months	-1 615	-1 645	1 597	1 626
3-6 Months	19	47	-19	-47
6-12 Months	372	-	-366	-
1-2 Years	948	3 850	-924	-3 754
2-3 Years	-	3 413	-	-3 296
Total	-276	5 665	288	-5 470

Interest rate risk is the exposure if fixing periods for assets and liabilities differ. EnterCard minimises this risk by matching the interest fixing periods on liabilities to the interest fixing periods on assets.

Since EnterCard's assets mostly consist of lending with short interest rate fixing periods, EnterCard has, to a large extent, chosen to fund its assets with short interest fixing periods. The interest rate risk is deemed low and is continuously monitored by both the Treasury and the Risk Control function. EnterCard does not use derivatives and does not take active positions in the fixed income market.

The table below shows the effect on the net interest income over a 12-month period in the case of an increase/decrease in the interest rate curve by one percentage point. The calculation is based on average earned interest balances and funding balances.

TSEK	Interest rate -1 percentage point	Interest rate +1 percentage point
Interest income	-258 733	258 733
Interest expenses	305 785	-305 785
Net interest income	47 052	-47 052

A corresponding change of the interest curve for bonds and other interest-bearing securities gives an impact in Other comprehensive income as Fair value reserve with +/- 8.2m SEK.

EnterCard is exposed to currency risk as a part of the own funds are held in Norwegian Kroner, and to a limited extent in Danish Kroner. The risk materializes during the translation of the branches' equity to Swedish Kronor.

Basis for the below calculation is equity and result at year end 2019. For the sensitivity analysis of a change in exchange rates of +/- 10 percent, the average exchange rate 2019 has been used.

TSEK	Foreign exchange rate change +/- 10 percent
Equity	229 219
Profit after tax	45 294

The change in value of interest-bearing securities, reported through other comprehensive income amounts to 5.1m SEK.

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. EnterCard manages its liquidity risk partly through having funding with a relatively long duration, and partly by holding a considerable buffer of liquid assets. The liquid assets consist of interest-bearing securities with high credit quality and high market liquidity, in order to make sure that they can be sold to relatively predictable price in a scenario with limited access to funding. In addition, EnterCard has a cash surplus in accounts at Swedbank and a liquidity facility at Swedbank. The Board of Directors decides upon the overall framework for liquidity risk, and reporting to the Board and Senior Management is done continuously from both the Treasury department and the Risk Control function. EnterCard is continuously measuring its survival horizon, i.e. how long

EnterCard would survive in a scenario with very limited access to funding and a severe decrease in payment inflow from customers. In addition, the Liquidity Coverage Ratio in accordance to the EU Commission's delegated act and the Net Stable Funding Ratio is calculated. Per December 31, 2019, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 104 days for SEK, 122 days for NOK and 122 days for DKK, to be compared with the risk appetite, decided by the Board, of 60 days. At the same time, the Liquidity Coverage Ratio was 210 % in SEK, 814 % in NOK and 310 % in DKK, to be compared with the regulatory requirement of 100%. EnterCard's NSFR as per December 31, 2019 was 146 % in SEK, 141 % in NOK and 144 % in DKK.

In the below summary of maturities, the non-discounted contractual cash flows are distributed from remaining time to maturity.

Remaining maturity 2019	<3 Months	3-12 Months	1-5 Years	5-10 Years	10-15 Years	No maturity	Total
Loans to credit institutions	3 501 872						3 501 872
Loans to the public, net	20 121 309	18 871	1 203 999	4 593 617	6 059 779		31 997 575
Bonds and other interest-bearing securities	-	49 301	2 522 267	201 428			2 772 996
Prepaid expenses and accrued income	17 163	59 906	-				77 069
Other assets	360 678	11 408	74 244			81 758	528 088
Total assets	24 001 022	139 485	3 800 510	4 795 045	6 059 779	81 758	38 877 600
Amounts owed to credit institutions	2 426 639	5 720 834	23 834 726				31 982 199
Other liabilities	290 727	102 225	49 571				442 524
Accrued expenses and prepaid income	95 796	193 513	15 824				305 133
Equity						6 147 744	6 147 744
Total liabilities and equity	2 813 162	6 016 572	23 900 121			6 147 744	38 877 600
Remaining maturity 2018							
Loans to credit institutions	3 701 886						3 701 886
Loans to the public, net	18 534 669	15 820	992 031	3 600 319	5 758 895		28 901 734
Bonds and other interest-bearing securities	-	98 751	2 040 791	361 710			2 501 252
Prepaid expenses and accrued income	64 782	76 565	-				141 346
Other assets	167 046	34 717	63 150			100 445	365 358
Total assets	22 468 383	225 853	3 095 972	3 962 028	5 758 895	100 445	35 611 577
Amounts owed to credit institutions	2 649 844	5 760 410	20 764 573				29 174 827
Other liabilities	301 509	80 392	39 649				421 551
Accrued expenses and prepaid income	80 760	192 334	16 138				289 232
Equity						5 725 967	5 725 967
Total liabilities and equity	3 032 113	6 033 136	20 820 360			5 725 967	35 611 577

Liquidity reserve and liquidity risk

2019 All country values presented in SEK	Distribution by currency in SEK			
	Total	SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	112 007 -	-		112 007
Securities issued or guaranteed by municipalities or non-governmental public entities	1 353 850	1 066 805	287 046	
Covered bonds issued by others	1 128 910		1 128 910	
Securities issued or guaranteed by multilateral development banks	178 228 -		178 228	
Total	2 772 996	1 066 805	1 594 184	112 007
Distribution by currency, %		38,5%	57,5%	4,0%

2018	Distribution by currency in SEK			
	Total	SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	388 006	-	22 957	365 049
Securities issued or guaranteed by municipalities or non-governmental public entities	1 576 523	990 325	586 198	-
Covered bonds issued by others	439 892	25 748	414 144	-
Securities issued or guaranteed by multilateral development banks	96 831	-	96 831	-
Total	2 501 252	1 016 073	1 120 130	365 049
Distribution by currency, %		40,6%	44,8%	14,6%

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

Operational risk

Operational risk is defined as the risk of loss resulting from; inadequate or failing internal processes, people, systems, or from external events. The definition includes products and services, IT risks, legal risks, internal and external fraud, damage to physical assets and card scheme, compliance and reputational risks, where all operational risk categories can include the compliance risk aspect.

EnterCard continually performs self-evaluation of operational risk for all important processes. There is a comprehensive framework in place to mitigate operational risk, including incident management and business continuity.

Business risk / Strategic risk

Business and strategic risk refer to the current and future risk of losses caused by changes in market conditions, the strategic roadmap of EnterCard and inaccurate or misguided business decisions. EnterCard regularly evaluates business and strategic risks.

Internal capital and liquidity adequacy assessment and capital management

EnterCard's internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP) aims to ensure that the need of capital and liquidity is assessed. The assessment is to secure that EnterCard is adequately capitalized in relation to the solvency related risks that the company is or might be exposed to, and to ensure the company has a satisfactory liquidity buffer to mitigate a scenario with stressed liquidity.

The assessment 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 assessment is an integrated part of the business development. Besides the continuous monitoring and reporting to meet the regulatory minimum requirements regarding capital adequacy and liquidity coverage, a more detailed assessment is performed and documented at least annually.

Note 3 Net interest income

TSEK	2019	2018
Interest income		
Loans to credit institutions	8 049	2 787
Negative interest on financial assets	-8 539	-8 663
Loans to the public	3 450 952	3 073 226
Interest-bearing securities	36 924	24 571
Total	3 487 386	3 091 921
Interest expenses		
Credit institutions	-287 106	-167 125
Negative interest on financial liabilities	2 737	5 846
Other	-21 281	-1 783
Total	-305 651	-163 063
Total net interest income	3 181 735	2 928 859
<i>Interest margin on loans to the public</i>	<i>12,6%</i>	<i>13,0%</i>

Where of interest income calculated according to the effective interest rate method to a value of 3,487.4m SEK, and interest expenses to a value of 284.4m SEK.

Note 4 Net commission

TSEK	2019	2018
Commission income		
Other commissions	980 917	911 113
Total	980 917	911 113
Commission expenses		
Other commissions	-538 291	-499 748
Total	-538 291	-499 748
Total net commissions	442 626	411 364

Commission income and expenses related to financial assets and liabilities not measured at fair value through profit and loss.

Note 5 Net financial income

Realised gains/losses recognized in profit or loss	2019	2018
Reclassification through Other comprehensive income to this year's profit for realised gains and/or losses	6 972	-
Realised gain/loss bonds and other interest-bearing securities	-8 940	2 055
Exchange rate profit / loss	-1 427	-3 976
Total realised gains/losses in profit or loss	-3 395	-1 921
Unrealised gains/losses recognized in Other comprehensive income		
Reclassification through Other comprehensive income to this year's profit for realised gains and/or losses	-6 972	-
Unrealised changes in value bonds and other interest-bearing securities	5 151	-18 097
Total realised gain/loss in Other comprehensive income	-1 821	-18 097
Total	-5 216	-20 018

According to FI's accounting regulations, exchange rate effects should be reported as net profit from financial transactions and not as other income.

Note 6 Other Income

TSEK	2019	2018
Exchange rate profit / loss	-	-
Other operating income	31 999	38 145
Total	31 999	38 145

Note 7 Geographic distribution of income

Geographic distribution of income 2019	Sweden	Norway	Denmark	Total
Interest income	1 717 468	1 376 132	393 786	3 487 386
Interest expenses	-101 126	-205 019	495	-305 651
Commission income	704 520	233 377	43 020	980 917
Commission expenses	-345 347	-165 207	-27 737	-538 291
Other operating income	14 284	16 208	-1 888	28 604
Total	1 989 798	1 255 490	407 676	3 652 965
Geographic distribution of income 2018	Sweden	Norway	Denmark	Total
Interest income	1 363 587	1 331 305	397 030	3 091 921
Interest expenses	-22 654	-140 543	134	-163 063
Commission income	609 670	253 022	48 420	911 113
Commission expenses	-305 290	-167 640	-26 818	-499 748
Other operating income	8 052	26 319	1 853	36 225
Total	1 653 364	1 302 463	420 619	3 376 448

Note 8 Staff costs

TSEK	2019	2018
Salaries and other remuneration	-279 817	-261 007
Pension costs	-74 279	-64 737
Social insurance charges	-94 298	-91 229
Variable pay	-59 960	-49 260
Education costs	-14 723	-11 523
Other staff costs	-81 284	-76 122
Total	-604 359	-553 879
<i>Of which variable pay</i>	<i>-59 960</i>	<i>-49 260</i>

Salaries, other remunerations and profit-sharing fund	2019	2018
Board of Directors, CEO, other senior management	-32 062	-32 636
Other employees in Sweden	-146 781	-133 397
Other employees in Norway	-137 950	-118 202
Other employees in Denmark	-22 984	-26 032
Total	-339 776	-310 267

No compensation were paid to the Board in 2019.

Remuneration to the Board of Directors, CEO and other Senior Executives 2019	Fixed income, wages	Variable compensation, bonus	Other remunerations and benefits	Pension expenses
CEO, Freddy Syversen	-3 676	-3 254	-453	-3 307
Group Management, 10 persons	-16 991	-7 112	-575	-6 260
Total	-20 667	-10 366	-1 028	-9 567

Remuneration to the Board of Directors, CEO and other Senior Executives 2018	Fixed income, wages	Variable compensation, bonus	Other remunerations and benefits	Pension expenses
CEO, Freddy Syversen	-3 764	-3 163	-429	-3 409
Group Management, 11 persons	-18 370	-6 234	-677	-5 977
Total	-22 134	-9 397	-1 106	-9 386

Information regarding senior executive's

Senior executives are the CEO, as well as members of the Management (Executive Committee). Outstanding loans and credit facilities to senior executives has not been disclosed, since they do not amount to any material amounts.

The company has not pledged any assets or other collateral or committed to contingent liabilities on behalf of any senior executives.

Terms of employment for the Chief Executive Officer

At resignation, the CEO receives salary during a six-month termination notice period. During this notice period, the CEO is entitled to all

benefits and bonus payments. If the CEO employment relationship is terminated by the company, there will be a six-month termination period where salary, benefits and bonus are paid. In addition to this, the CEO will receive a severance salary for a 12 month period, including all benefits mentioned previously. There will be no reduction of severance payments for new income earned from outside of EnterCard Group AB, if the employer terminates the employment relationship.

The CEO is part of the collective defined contribution pension schemes, and has a supplementary defined contribution agreement. The employment contract for the CEO will automatically terminate upon reaching the age of 62 years. There are no restrictions on taking up new employment after retirement.

Average number of employees based on 1920 hours per employee	2019	2018
EnterCard Group AB, Sweden	272	191
EnterCard Norway, branch of EnterCard Group AB	168	180
EnterCard Denmark, branch of EnterCard Group AB	26	26
Total	466	397
Number of hours worked (thousands)	895	763

Employee turnover was 9,5 %

Distribution by gender, percent	2019		2018	
	Female	Male	Female	Male
All employees	57%	43%	59%	41%
Board of Directors	38%	62%	30%	70%

Statement of EnterCard's compensation 2019

The Company's overall approach to compensation is that the total compensation must be competitive and conform to market conditions as well as aligned with the requirements in the collective agreements. It also reflects the fundamental values of the Company: passionate, innovative, genuine, and supports 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, corporate grade, competence and experience as well as the contribution to the business, both when it comes to the performance (the "WHAT") and behavior (the "HOW"). The compensation process secures a healthy balance between fixed and variable pay, with a maximum percentage of 0% to 50% of the base salary, based on respective corporate grades. The Company believes it is important that compensation works as an incentive for value-creation for the benefit of the long-term sustainable growth of the Company, with a balanced approach to risk-taking, employee satisfaction and well-being, and long-term customer and shareholder value.

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

The Company diverges on the variable compensation for Risk Takers, i.e. staff whose professional activities have a material impact on the business' risk profile. The variable compensation program is cash based and the employees do not receive shares in the Company.

Remuneration Committee

The Remuneration Committee is established by the Board of Directors of the Company, and is responsible for preparing, assessing and proposing principles for compensation. The Board of Directors of the Company 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 remuneration and risk analysis in order to assess if the remuneration scheme is appropriate, and in line with targets, risk tolerance and long-term sustainability.

The Committee convenes quarterly, bi-annually, or with the frequency decided by the chair. During 2019 the Remuneration Committee has had 3 meetings.

Decision-making process

The principles of variable compensation are governed in the Remuneration Policy. This policy is approved by the Board of Directors and includes all employees of the Company. The Chief HR & Strategy 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, Group Risk and Control, and Internal Audit. Based on the recommendation of the Remuneration Committee, the Board of Directors will endorse the Remuneration Policy.

Principles of deferred payment

For employees identified as Risk-Takers, 60% of the variable compensation will be deferred over a period of three years. The deferred component is not awarded to the employee, until defined conditions have been satisfied by the Remuneration Committee, and confirmed by the Board. The deferred portion is paid out in cash.

Pension commitment

	2019	2018
Amount reported in balance sheet for defined benefit pension plans	Norway	Norway
Funded pension obligations and payroll tax	233 003	192 427
Fair value of plan assets	-183 432	-152 778
Provisions for pensions	49 571	39 649
Changes in funded defined benefit pension plans, including payroll tax	Norway	Norway
Opening obligations	192 427	160 267
Current service cost and payroll tax	20 311	17 452
Interest expense on pension obligations	5 117	3 793
Pension payments	-4 544	-1 257
Payroll tax payments	-556	-2 194
Remeasurement	14 722	9 642
Exchange rate differences	5 525	4 725
Closing obligations	233 003	192 427
Changes in plan assets	Norway	Norway
Opening fair value	152 778	139 515
Interest income on plan assets	4 238	3 203
Contributions by the employer	36 769	17 758
Pension payments	-4 544	-1 257
Remeasurement	-9 640	-8 360
Exchange rate differences	4 388	4 113
Closing fair value	183 432	152 778
Reconciliation of net amount recognised in Balance Sheet, incl. payroll tax	Norway	Norway
Net (liability) assets recognised in the Balance Sheet at beginning of the year	-40 788	-21 363
Net Periodic Pension Cost	-21 190	-18 042
Employer contributions/refund of Premium fund/transfer to contribution fund	36 769	17 758
Remeasurements (loss)/ gain	-24 362	-18 002
Net (liability) assets recognised in the Balance Sheet at end of the year	-49 571	-39 649
Other Comprehensive Income - OCI during period	Norway	Norway
Remeasurements loss (gain) - change in discount rate	50 192	-15 173
Remeasurements loss (gain) - change in other financial assumptions DBO	-18 688	16 704
Remeasurements loss (gain) - experience DBO	-16 781	8 111
Remeasurements loss (gain) - change in other financial assumptions assets	1 441	-447
Remeasurements loss (gain) - experience Assets	7 178	7 833
Investment management cost	1 022	974
Total	24 364	18 002

When the Company calculates the cost and provision of defined benefit pension plan, future assumptions and the pension plan are considered. If the outcome diverge from the calculation, or if assumptions changes, actuarial gains or losses arise. In Norway employees employed before November 1, 2016 have a defined benefit plan, and all new employees joining after November 1, 2016, are offered a defined contribution plan. Some employees who have joined the Company in Norway earlier than November 1, 2016 have voluntarily moved to the defined contribution plan. In Denmark, all employees have a defined contribution plan. The defined contribution plan means that the employee is entitled to a lifelong pension that corresponds to a certain percent of the annual salary and

mainly consists of retirement pension, early retirement and survivor's pension. The defined contribution plan contains a completion to the age retirement pension that is settled in favor for the fees and not preferential. The Company's defined benefit plans are settled through purchases of occupational pension insurances by the external pension scheme provider, and based on agreed rules. The total cost for paid pension for defined contribution plans in 2019 is TSEK 40 325 (for Norway TSEK 12 045, Denmark TSEK 2 287 and for Sweden TSEK 25 994).

Note 9 Other general administrative expenses

TSEK	2019	2018
IT expenses	-289 709	-287 616
Telecommunication, postage	-5 448	-4 302
Travel, representation	-14 756	-13 560
Advertising, public relations, marketing	-211 979	-230 550
Expenses for premises	-53 567	-46 506
Card expenses	-35 933	-33 208
Other operating expenses	-210 747	-170 945
Other expenses	-98 169	-84 591
Total	-920 307	-871 277

According to agreement EnterCard pays Swedbank AB for IT-services as well as other administrative services to the amount of TSEK 6 719 (7 586).

Remuneration to the auditors	2019	2018
KPMG AB		
- Audit engagement	-3 161	-2 504
- Tax consultancy	-313	-
-Other	-65	-342
Total	-3 538	-2 846

Note 10 Depreciation/amortisation and impairments of tangible and intangible assets

TSEK	2019	2018
Depreciation of tangible fixed assets	-3 055	-2 768
Amortisation of intangible assets	-43 237	-43 494
Impairment intangible assets	-	-
Total	-46 291	-46 261

Tangible assets useful life are 5 years for furnitures and 3 years for IT-related inventories. The useful life of intangible fixed assets are evaluated to 4 years for projects and 3 years for licenses.

Note 11 Loan losses, net

TSEK	2019	2018
Loans at amortized cost		
Change in provisions - stage 1	25 953	-128 819
Change in provisions - stage 2	-103 159	-57 649
Change in provisions - stage 3	-177 167	238 921
Total	-254 373	52 453
The year's write-off for established loan losses	-615 143	-1 859 115
Recoveries from previously established loan losses	114 919	1 164 371
Total	-500 224	-694 744
Loan losses net, loans at amortized cost	-754 597	-642 292
Provisions for commitments, credit limits granted but not utilized		
Change in provisions - stage 1	14 326	-9 167
Change in provisions - stage 2	-498	2 132
Change in provisions - stage 3	-	-
Loan losses net, loan commitments	13 828	-7 035
Total loan losses, net	-740 770	-649 326

Note 12 Tax

Current tax	2019	2018
Tax current year	-284 434	-333 826
Tax adjustment previous years	-	3 632
Deferred tax	2 501	22 280
Total	-281 932	-307 914

Reconciliation of tax	2019		2018	
	TSEK	percent	TSEK	percent
Profit before tax	1 341 237		1 255 704	
Tax expense booked	-281 932	-21,02	-307 914	-24,52
Tax according to current tax-rate, 21,4%	-287 025	21,40	-276 255	22,00
Clarification of difference	5 092	0,38	-31 659	2,52
Non deductible expenses	-1 298	-0,10	-1 139	-0,09
Tax attributable to previous years	-	-	3 632	0,29
Divergent tax rate	2 017	0,15	-34 252	-2,73
Changed tax-rate in Sweden	-	-	100	0,01
Temporary variance from which deferred tax has not been reconciled	4 374	0,33	-	-
Accounted tax	-281 932	-21,02	-307 914	-24,52

Tax recorded in Other comprehensive income	2019	2018
Tax pensions	-4 739	3 961
Unrealised change in fair value	1 061	3 728
Current tax attributable to translation differences from foreign operation	14 158	-19 151
Total	10 481	-11 462

Tax recorded in Own Equity	2019	2018
One time effect, IFRS 9	-	104 025
Total	-	104 025

Foreign tax not deducted from which deferred tax is not reported	2019	2018
Foreign tax not deducted	-24 597	-28 778
Total	-24 597	-28 778

Deferred tax assets	Opening balance	Income statement	Other comprehensive income	Exchange rate differences	Closing balance
Provisions for pensions	9 741	4 374			14 115
Fair value bonds	4 269		1 061		5 330
Tax credit forward	20 707	-	-20 707		-
Adjustment previous year	-		-8 037		-8 037
Total deferred tax assets	34 717	4 374	-27 683	-	11 408

Note 13 Loans to credit institutions

TSEK	2019	2018
Valuation category - loans receivable		
Swedish banks	3 501 872	3 701 886
Foreign banks	-	-
Total	3 501 872	3 701 886

Note 14 Loans to the public, net

TSEK	2019	2018
Valuation category - loans receivable		
Swedish public	20 058 915	16 544 791
Foreign public	11 938 660	12 356 942
Total	31 997 575	28 901 734

Note 15 Loans to the public and credit institution, provisions for expected credit losses

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

TSEK	2019	2018
Credit facilities, granted but not paid	103 031	-
Credits granted but not utilized	42 368 957	39 224 707
Provisions for off-balance commitments		
Stage 1	30 182	43 762
Stage 2	3 918	3 375
Stage 3	-	-
Total	34 099	47 138

Allocation of loans between stages and provisions

	2019	2018
Loans to credit institutions		
Stage 1		
Book value, gross	3 501 872	3 701 886
Book value	3 501 872	3 701 886
Total book value	3 501 872	3 701 886
Loans to the public, private customers		
Stage 1		
Book value, gross	28 285 934	26 129 482
Provisions	-412 049	-447 217
Book value	27 873 885	25 682 265
Stage 2		
Book value, gross	2 908 225	2 209 674
Provisions	-511 350	-402 787
Book value	2 396 875	1 806 887
Stage 3		
Book value, gross	2 337 258	1 742 830
Provisions	-1 039 149	-890 951
Book value	1 298 108	851 879
Total book value	31 568 867	28 341 031
Loans to the public, corporate customers		
Stage 1		
Book value, gross	425 667	559 588
Provisions	-415	-470
Book value	425 251	559 118
Stage 3		
Book value, gross	8 026	8 895
Provisions	-4 570	-7 310
Book value	3 456	1 584
Total book value	428 708	560 702
Total	35 499 447	32 603 620
Book value gross, stage 1	28 711 600	26 689 070
Book value gross, stage 2	2 908 225	2 209 674
Book value gross, stage 3	2 345 283	1 751 725
Total book value gross	33 965 108	30 650 468
Provisions stage 1	-412 464	-447 687
Provisions stage 2	-511 350	-402 787
Provisions stage 3	-1 043 719	-898 261
Total provisions	-1 967 534	-1 748 735
Total book value	31 997 575	28 901 734
Share of loans in stage 3, gross, %	6,90%	5,72%
Share of loans in stage 3, net, %	4,06%	2,95%
Provision ratio of loans stage 1	1,44%	1,68%
Provision ratio of loans stage 2	17,58%	18,23%
Provision ratio of loans stage 3	44,50%	51,28%
Total provision ratio of loans	5,79%	5,71%

Change in book value, gross, and provisions 2019

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Book value, gross, January 1, 2019	26 689 070	2 209 674	1 751 725	30 650 468
Book value, gross, December 31, 2019	28 711 600	2 908 225	2 345 283	33 965 108
Provisions for loans to the public and loans to credit institutions				
Provisions January 1, 2019	-447 687	-402 787	-898 261	-1 748 735
New and derecognised financial assets, net	-84 935	34 228	305 308	254 600
Change in credit risk	39 893	-1 734	111 359	149 518
Transfer between stages during the period				
from stage 1 to stage 2	53 314	-301 916	-	-248 602
from stage 1 to stage 3	28 862	-	-393 481	-364 619
from stage 2 to stage 1	-11 221	63 102	-	51 880
from stage 2 to stage 3	-	98 860	-217 041	-118 181
from stage 3 to stage 1	-142	-	3 850	3 708
from stage 3 to stage 2	-	-1 103	2 773	1 671
Other	9 452	-	41 774	51 226
Provisions December 31, 2019	-412 464	-511 350	-1 043 719	-1 967 534
Book value				
Opening balance January 1, 2019	26 241 383	1 806 887	853 464	28 901 734
Closing balance December 31, 2019	28 299 136	2 396 875	1 301 564	31 997 575

Change in book value, gross, and provisions 2018

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Book value, gross, January 1, 2018	21 789 676	2 023 844	1 892 136	25 705 656
Book value, gross, December 31, 2018	26 689 070	2 209 674	1 751 725	30 650 468
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	-150 661	18 220	540 973	408 532
Change in credit risk	41 379	-999	108 879	149 260
Transfer between stages during the period				
from stage 1 to stage 2	32 320	-195 620	-	-163 300
from stage 1 to stage 3	18 305	-	-306 297	-287 991
from stage 2 to stage 1	-15 324	78 243	-	62 919
from stage 2 to stage 3	-	46 320	-132 360	-86 041
from stage 3 to stage 1	-94	-	2 606	2 511
from stage 3 to stage 2	-	-505	1 859	1 353
Other	-45 330	-32	8 325	-37 037
Provisions December 31, 2018	-447 687	-402 787	-898 261	-1 748 735
Book value				
Opening balance January 1, 2018	21 461 394	1 675 429	769 891	23 906 714
Closing balance December 31, 2018	26 241 383	1 806 887	853 464	28 901 734

Change in book value, gross, 2019

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Book value, gross, January 1, 2019	26 689 070	2 209 674	1 751 725	30 650 468
New and derecognised financial assets, net	3 994 940	-169 737	-638 698	3 186 505
Change in credit risk	174 104	-28 629	-93 347	52 128
Transfer between stages during the period				
from stage 1 to stage 2	-1 504 364	1 615 471	-	111 107
from stage 1 to stage 3	-827 306	-	872 624	45 318
from stage 2 to stage 1	568 700	-650 342	-	-81 641
from stage 2 to stage 3	-	-477 482	469 089	-8 393
from stage 3 to stage 1	6 993	-	-9 472	-2 479
from stage 3 to stage 2	-	5 381	-6 078	-696
Exchange rate differences	-	-	-	-
Other	-390 537	403 887	-561	12 789
Book value				
Closing balance December 31, 2019	28 711 600	2 908 224	2 345 284	33 965 108

Note 16 Bonds and other interest-bearing securities

Financial assets measured at fair value through other comprehensive income

Issuers	2019	2018
Swedish municipalities	1 353 850	1 576 523
Foreign credit institutions	178 228	96 831
Foreign mortgage institutions	1 128 910	439 892
Other foreign issuers	112 007	388 006
Total	2 772 996	2 501 252

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

Remaining maturity	2019	2018
Maximum 1 year	49 301	98 750
Longer than 1 year but maximum 5 years	2 522 267	2 040 791
Longer than 5 years	201 428	361 710
Total	2 772 996	2 501 252
Total holdings of financial assets, broken down by issuer		
Issued by public entities	1 465 857	1 964 529
Issued by other borrowers	1 307 139	536 723
Total	2 772 996	2 501 252
Average remaining maturity, years	3,69	3,29
Average remaining fixed interest term, years	0,30	0,36
<i>of which listed securities</i>	2 772 996	2 501 252
<i>of which unlisted securities</i>	-	-

Note 17 Intangible assets

TSEK	2019	2018
Opening balance	345 078	328 618
Additions through internal development	21 202	11 311
Write downs		
Exchange differences	2 811	5 150
Closing balance	369 090	345 078
Opening balance accumulated amortization	-250 926	-205 412
Adjustment previous years	-	-
Depreciations for the year	-43 236	-43 494
Amortizations for the year		
Exchange differences	-1 037	-2 020
Closing balance	-295 199	-250 926
Carrying amount	73 891	94 152
<i>Where of Capitalised development projects</i>	<i>73 891</i>	<i>94 152</i>

EnterCard Group AB has transferred 13.1m SEK to fund for development expenditures under restricted equity.

Note 18 Operational leasing

Operational leasing contracts allocated on the due dates.

TSEK				2019	2018
	< 1 Year	1-5 Years	> 5 Years	Total	Total
Total combined amount of future minimum lease payments that relate to non-cancellable agreements	46 222	98 866	-	145 088	125 142
Total	46 222	98 866	-	145 088	125 142

Leasing contracts include rent of premises, company cabins, car leasing and IT-equipment.

Operational leasing cost for the financial year allocated on categories

	2019	2018
Premises	39 421	32 658
Company Cabins in Trysil	1 213	629
Car leasing	944	895
IT equipment	2 900	1 913
Total	44 478	36 094

Note 19 Tangible assets

TSEK	2019	2018
Opening balance	38 321	32 766
Additions	4 481	5 401
Exchange differences	81	154
Closing balance	42 883	38 321
Opening balance depreciations	-32 029	-29 203
Depreciations during the year	-3 055	-2 768
Exchange differences	67	-58
Closing balance	-35 017	-32 029
Carrying amount	7 868	6 293

Tangible assets consists of machinery and equipment.

Note 20 Other assets

TSEK	2019	2018
Account receivables*	273 924	107 980
Tax receivables	34 338	24 564
Card network receivable	49 442	29 531
Other receivables	77 218	68 120
Total	434 922	230 196

* Valuation category, loans receivables

Note 21 Prepaid expenses and accrued income

TSEK	2019	2018
Accrued interest income	6 247	3 823
Prepaid expenses (IT, licenses etc.)	59 899	74 562
Other prepaid expenses and accrued income	10 922	62 962
Total	77 069	141 346

Note 22 Amounts owed to credit institutions

TSEK	2019	2018
Swedish banks	15 991 100	14 587 413
Foreign banks	15 991 100	14 587 413
Total	31 982 199	29 174 827

Valuation category, other financial liabilities

Note 23 Other liabilities

TSEK	2019	2018
Accounts payable*	79 672	90 753
Income tax liabilities	120 973	94 031
Other liabilities*	158 208	149 981
Total	358 853	334 764

* Valuation category, other financial liabilities

Note 24 Accrued expenses and prepaid income

TSEK	2019	2018
Accrued interest expenses	1 225	1 176
Accrued staff expenses	116 719	105 150
Other accrued expenses and prepaid income	187 189	182 905
Total	305 133	289 232

Note 25 Assets pledged and contingent liabilities

TSEK	2019	2018
Assets pledged		
Assets pledged	None	None
Contingent liabilities		
Nominal amounts		
Contingent liabilities	None	None
Commitments		
Nominal amounts		
Creditcard limits granted but not utilised	42 368 957	39 224 707

Note 26 Assets and liabilities in foreign currency

2019 All country values presented in SEK				
Assets	SEK	NOK	DKK	Total
Loans to credit institutions	2 577 339	689 916	234 617	3 501 872
Loans to the public, net	20 058 915	9 357 090	2 581 570	31 997 575
Bonds and other interest-bearing securities	1 066 805	1 594 184	112 007	2 772 996
Other assets	348 617	233 936	22 604	605 157
Total assets	24 051 675	11 875 126	2 950 798	38 877 600
Liabilities				
Amounts owed to credit institutions	20 000 000	9 426 408	2 555 791	31 982 199
Other liabilities, including equity/branch capital	4 051 675	2 448 718	395 008	6 895 400
Total liabilities	24 051 675	11 875 126	2 950 798	38 877 600
2018				
Assets	SEK	NOK	DKK	Total
Loans to credit institutions	2 224 614	1 132 067	345 206	3 701 886
Loans to the public, net	16 544 791	9 791 821	2 565 121	28 901 734
Bonds and other interest-bearing securities	1 016 073	1 120 130	365 049	2 501 252
Other assets	329 417	153 277	24 011	506 705
Total assets	20 114 896	12 197 295	3 299 386	35 611 577
Liabilities				
Amounts owed to credit institutions	16 870 000	9 348 650	2 956 177	29 174 827
Other liabilities including equity	3 244 896	2 848 645	343 209	6 436 750
Total liabilities	20 114 896	12 197 295	3 299 386	35 611 577

Note 27 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. Outcome refers to the calculation in accordance with the statutory minimum capital requirement, called Pillar I, as well as capital under the combined buffer requirement.

EnterCard applies the standardized approach to calculate the capital requirement for credit risk. Credit risk is calculated on all on- and off-balance sheet items unless deducted from own funds.

Capital requirements for operational risk is calculated using the standardized approach, which means that the activities are divided into business areas that have been assigned different beta factors. The capital requirement is calculated as the 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 2.4 percent of the risk-weighted exposure amount.

EnterCard does not have a trading book.

EnterCard Group AB is a Swedish credit market company with license to conduct financing business in the Scandinavian market. The operations in Norway and Denmark is conducted through the branches "EnterCard Norge, filial av EnterCard Group AB" and "EnterCard Danmark, filial af 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, 2019, the internal capital requirement amounted to 14.8 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) 2019" 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

Common Equity Tier 1 Capital: Instruments and reserves	2019	2018
Capital instrument and associated share premium	5 000	5 000
Retained earnings	5 448 358	5 138 247
Accumulated other comprehensive income	-364 919	-365 069
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	1 059 305	297 790
Common Equity Tier 1 Capital before adjustments	6 147 744	5 075 968
Value adjustments due to the requirements for prudent valuation	-3 481	-5 287
Intangible assets	-73 891	-94 152
Deferred tax assets that rely on future profitability and arise from temporary differences	-11 408	-34 717
Negative values associated to expected losses	-	-
Losses current year	-	-
Total adjustments of Common Equity Tier 1 Capital	-88 779	-134 157
Common Equity Tier 1 Capital	6 058 965	4 941 811
Additional Tier 1 Capital: instruments	-	-
Tier 1 Capital	6 058 965	4 941 811
Tier 2 Capital: Instruments and provisions	2019	2018
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	6 058 965	4 941 811
Total risk weighted exposure amount	30 744 199	30 083 688
Common Equity Tier 1 capital ratio	19,7%	16,4%
Tier 1 capital ratio	19,7%	16,4%
Total capital ratio	19,7%	16,4%
Requirements buffers, %	2019	2018
Total Tier 1 capital requirement including buffer requirement	9,4	8,8
<i>whereof minimum CET1 requirement</i>	4,5	4,5
<i>whereof capital conservation buffer requirement</i>	2,5	2,5
<i>whereof countercyclical capital buffer requirement</i>	2,4	1,8
<i>whereof system risk buffer requirement</i>	-	-
Common Equity Tier 1 capital available to be used as buffer	10,3	7,8
Leverage ratio	12,7	12,6

Risk exposure amount and own funds requirements

Exposure classes	2019		2018	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	700 581	56 046	740 465	59 237
Covered bonds	112 891	9 031	46 564	3 725
Retail exposures	22 974 243	1 837 939	20 925 781	1 674 062
Regional governments or local authorities exposures	1 727	138	1 876	150
Corporate exposures	4 524	362	6 914	553
Exposures in default	1 309 590	104 767	861 895	68 952
Other exposures	519 859	41 589	377 835	30 227
Total	25 623 415	2 049 873	22 961 330	1 836 906
			2019	2018
Total capital requirement for credit risk according to the standardised approach			2 049 873	1 836 906
			2019	2018
Capital requirements for operational risk				
Risk exposure amount			4 632 277	4 268 360
Capital requirements according to the standardised approach			370 582	341 469
Total Capital requirement for operational risk			370 582	341 469
			2019	2018
Capital requirements for market risk (foreign exchange risk)				
Risk exposure amount foreign currency risk			488 507	2 853 998
Capital requirements according to the standardised approach			39 081	228 320
Total Capital requirement for market risk			39 081	228 320
Capital requirements for settlement risk			-	-
Capital requirements for credit value adjustment (CVA) risk			-	-
Total Capital requirements			2 459 536	2 406 695

Internal capital requirement

	2019		2018	
	TSEK	% of REA*	TSEK	% of REA*
Capital requirement according to Pillar 1				
Credit risk	2 049 873	6,7	1 836 906	6,1
Market risk	39 081	0,1	228 320	0,8
Operational risk	370 582	1,2	341 469	1,1
Settlement risk	-	-	-	-
Credit value adjustment (CVA) risk	-	-	-	-
Total capital requirement according to Pillar 1	2 459 536	8,0	2 406 695	8,0
Capital requirement according to Pillar 2				
Other capital requirement	274 183	0,9	214 868	0,7
Total capital requirement according to Pillar 2	274 183	0,9	214 868	0,7
Combined buffer requirement				
Countercyclical buffer	732 229	2,4	549 087	1,8
Capital conservation buffer	768 605	2,5	752 092	2,5
Total combined buffer requirement	1 500 834	4,9	1 301 179	4,3
Management buffer				
Additional management buffer	306 170	1,0	601 674	2,0
Total management buffer	306 170	1,0	601 674	2,0
Internal capital requirement				
Total capital requirement	4 540 722	14,8	4 309 548	15,1
Capital base				
Total capital base	6 058 965	19,7	4 993 138	16,4

*REA - Risk exposure amount

Note 28 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	
	2019	2018	2019	2018
Assets				
Loans to credit institutions	3 501 872	3 701 886	-	-
Other assets	1 073	1 321	-	-
Total	3 502 945	3 703 208	-	-
Liabilities				
Amounts owed to credit institutions	15 991 100	14 587 413	15 991 100	14 587 413
Other liabilities	14 016	26 913	13 007	21 497
Total	16 005 116	14 614 326	16 004 107	14 608 911
Income and expenses				
Interest income	5 411	802	-	-
Interest expenses	-141 894	-80 390	-141 795	-80 210
Commission income	122 952	115 061	-	-
Commission expenses	-5 254	-5 400	-	-
Other expenses	-6 719	-7 586	-	-
Total	-25 505	22 486	-141 795	-80 210

Note 29 Classification and valuation of financial assets and liabilities

2019						
		Measured at fair value through other comprehen sive income	Other financial liabilities	Non- financial assets and liabilities	Book value	Fair value
Assets	Amortized cost					
Loans to credit institutions	3 501 872				3 501 872	3 501 872
Loans to the public, net	31 997 575				31 997 575	31 997 575
Bonds and other interest-bearing securities		2 772 996			2 772 996	2 772 996
Intangible assets				73 891	73 891	73 891
Tangible assets				7 868	7 868	7 868
Deferred tax				11 408	11 408	11 408
Other assets	360 678			74 244	434 922	434 922
Prepaid expenses and accrued income	77 069			-	77 069	77 069
Total assets	35 937 193	2 772 996	-	167 410	38 877 600	38 877 600
Liabilities						
Amounts owed to credit institutions	31 982 199				31 982 199	31 982 199
Other liabilities			357 782	1 071	358 853	358 853
Accrued expenses and prepaid income			305 133		305 133	305 133
Pension provisions				49 571	49 571	49 571
Other provisions	34 099		-	-	34 099	34 099
Total liabilities	32 016 299	-	662 915	50 642	32 729 856	32 729 856
2018						
		Measured at fair value through other comprehen sive income	Other financial liabilities	Non- financial assets and liabilities	Book value	Fair value
Assets	Amortized cost					
Loans to credit institutions	3 701 886				3 701 886	3 701 886
Loans to the public, net	28 901 734				28 901 734	28 901 734
Bonds and other interest-bearing securities		2 501 252			2 501 252	2 501 252
Intangible assets				94 152	94 152	94 152
Tangible assets				6 293	6 293	6 293
Deferred tax				34 717	34 717	34 717
Other assets	167 046			63 150	230 196	230 196
Prepaid expenses and accrued income	141 346			-	141 346	141 346
Total assets	32 912 012	2 501 252	-	198 312	35 611 577	35 611 577
Liabilities						
Amounts owed to credit institutions	29 174 827				29 174 827	29 174 827
Other liabilities			331 813	2 951	334 764	334 764
Accrued expenses and prepaid income			289 232		289 232	289 232
Pension provisions				39 649	39 649	39 649
Other provisions	47 138		-	-	47 138	47 138
Total liabilities	29 221 964	-	621 045	42 600	29 885 609	29 885 609

Note 30 Specifications of adjustments for non-cash items

TSEK	2019	2018
Depreciation/amortization of tangible and intangible assets	46 291	46 261
Unrealised value change of financial assets	1 431	-4 464
Change of expected credit losses	195 846	-27 388
Change in prepaid expenses and accrued income	66 525	-76 579
Change in accrued expenses and prepaid income	15 657	-31 788
Total	325 750	-93 958

Note 31 Proposal for the treatment of current year's earnings (SEK)

The following profits are available for appropriation at the annual general meeting

SEK	2019	2018
Fair value reserve		
Retained earnings	4 961 680 462	4 664 498 712
Current year's net profit/loss	1 059 304 823	947 789 913
Total	6 020 985 285	5 612 288 625

The Board of Directors propose:

dividends	-	650 000 000
to be carried forward	6 020 985 285	4 962 288 625
Total	6 020 985 285	5 612 288 625

Note 32 Significant events after the year end

In the beginning of 2020 the Corona virus spread worldwide and has now been classified as pandemic. In Scandinavia the governments have implemented extensive restrictions to reduce the speed of the spread. EnterCard is closely assessing the restrictions given by the governments and how it affects businesses and people. EnterCard has internally adjusted its way of working in order to keep the operations up and running. EnterCard continuously monitors how this pandemic evolves and will continue to adopt its operations as a result. Going forward EnterCard will have to handle the effects that the pandemic has on peoples private economies and its macro effects, but management believes that EnterCard has the economic strength to navigate through this exceptional event.

Note 33 Information regarding the parent company

The parent company of the largest Group that EnterCard Group AB is a subsidiary to, and for which consolidated accounts are prepared is Swedbank AB (publ), 502017-7753, Stockholm, Sweden and Barclays Bank Plc, London, Great Britain. The annual accounts of Swedbank AB and Barclays Bank Plc are available on respective company's homepage, www.swedbank.com and www.barclays.co.uk.

Stockholm / 2020

Tobias Griess
Chairman

Olof Erlandsson

Christian Kühn

Lena Smeby Udesen

Nicole Olbe

Jan-Olof Brunila
Vice Chairman

Eva-Li Prades Eriksson
Employee representative

John Einar Kjevik
Employee representative

Freddy Syversen
Chief Executive Officer

Our auditors' report was submitted on

/ 2020

KPMG AB

(signature on original document)

Dan Beitner

Authorized Public Accountant