

Interim Report

January–June 2020



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INTERIM REPORT FOR ENTERCARD GROUP AB

The Chief Executive Officer for EnterCard Group AB hereby submits the Interim report for January 1 - June 30, 2020.

SUMMARY

Scope, type of Operation and ownership

EnterCard Group AB operates in the Scandinavian market, with the issuance of credit cards and consumer loans as a primary business focus. The company was founded in 2005 by Barclays Bank, the largest credit institution providing credit cards financing in Europe, and Swedbank, a leading banking group in the Nordics and Baltics. The business focus of EnterCard is to issue credit cards and consumer loans under its own brand, re:member, in all three Scandinavian countries, as well as issuing credit cards and loans under different partners' brands and through their own distribution channels. EnterCard Group AB is owned by Swedbank AB, 60% and Barclays Bank PLC, 40% through a joint venture. EnterCard Group AB operates two branches in Norway and Denmark, respectively.

Significant events during the period

The Covid-19 pandemic completely characterized the political and social-economic environment during quarter two of 2020. The majority of the significant government response tactics were initiated during quarter one of 2020. The second quarter represented a defining period for determining the efficacy of response initiatives, as well providing suggestive indication for the human and economic toll for the remainder of the year. Progression back towards a form of normalcy has varied across the global community, as seen throughout the multitude of countries in Europe, the Americas and Asia. Even within Scandinavia the impact, response and the pace of recovery towards a form of normalcy has varied.

Norway and Denmark, early on, executed restrictive measures on social mobility, which resulted in abrupt reductions in economic output and corresponding increases in unemployment and the number of employees placed on furlough. Correspondingly, these conditions reduced consumer spending when compared to similar times in the previous year. Travel related spend declined to near zero and during some weeks, there was negative purchasing, due to refunds provided for previously paid for travel. This had an adverse effect on income from customer spending, potential balance growth connected to that spending and new account booking in Norway and Denmark. In contrast, Sweden kept its society open, with few limitations on social mobility. Many believe that the Swedish strategy was to achieve 'herd immunity' with the Covid-19 virus with the ambition of creating long-term health resilience. Because of the global travel ban, like Norway and Denmark, travel-related spending in Sweden evaporated. However, new account

booked in Sweden for loans and cards continued relatively consistent with expectations.

Time will tell as to whether the 'herd immunity' strategy was effective towards the Swedish government's ambition. What is certain is that Norway and Denmark both have markedly lower infection and mortality rates. As a result, during June 2020, both countries have removed most mobility and distancing restrictions. Additionally, the two governments have lifted travel and quarantine bans within the European Economic Area. Sweden, on the other hand, has yet to see a noticeable decline with infections or mortalities. Authorities have instituted moderate distancing guidelines. Its journey towards a form of normalcy will take a bit longer as most European countries are maintaining a ban on travel to Sweden and quarantines for travelers from Sweden. Though the EnterCard customer engagement and business model in Sweden is engaged and viable, respectively, there is a muting of the potential due to the insecurities resulting from Covid-19.

There were no additional provisions booked against asset values specifically related to Macro Stress caused by Covid-19 during Q2. Additionally, there is no change to the additional provision booked during Q1 for Covid-19, 142.0m SEK. The monitoring of Delinquency and default rates will continue to determine whether provisions levels should increase or decline. EnterCard has not taken any governmental subsidies or applied for tax benefits that have been offered in response to the Covid-19 economic stress.

Quarterly Performance

Operating income for the second quarter amounted to 857.4m SEK (compared to 1,006.1m SEK the same period previous year).

The operating profit for the quarter amounted to 253.8m SEK (364.7m SEK).

Year to date earnings, profitability and position

Operating income as per June 30, 2020, amounted to 1,706.1m SEK (1,869.3m SEK). Total loans to the public without considering provisions of anticipated loan losses as per June 30, 2020, increased to 33,551.0m SEK (33,347.8m SEK).

Non performing loans, after loan loss provision, as per June 30 amounted to a book value of 1,328.4m SEK which constitutes 3.9 percent of the total credit portfolio.

Operating profit before tax amounted to 263.4m SEK (535.5m SEK).

Investments

Investments in tangible assets during the period amounted to 0.1m SEK and intangible assets with 4.2m SEK. EnterCard continuously assesses whether there are indications of diminished value for assets. The evaluation has shown that there is no need for impairment.

Significant risks and factors of uncertainty

EnterCard is a consumer financing company delivering products and services that meet the customer needs and expectations. EnterCard's operations encounters to a number of risks. As a result, considerations needs to be made in relation to these risks.

The interest rate environment presents material of risk and uncertainty. As the Scandinavian central banks seek to assist their respective economies, differing decisions were taken during late Q1 2020. There have been no material movements in the interbank offer rate during Q2 that would present an additional risk to the cost of borrowing. Though the Funds Transfer Premium (FTP) spiked during Q1, the expectation is that this will moderate to lower levels as the end of the year approaches. EnterCard continuously monitors and optimizes its borrowing needs to ensure sufficient liquidity for operational and regulatory requirements.

EnterCard continues to monitor the regulatory environment to assess the likely impacts to the company. Like all other banks and credit institutions, EnterCard is benefiting from the relaxed regulatory measures issued forth by the European Banking Authority (EBA). The significant reduction of the Counter-Cyclical Buffer in the Scandinavian countries has provided ample security that capital regulatory targets will not be breached as the Covid-19 event progresses through its cycle. Additionally, EnterCard has begun incorporating relaxation measures permitted for Covid-19 initiated debt restructuring/forbearance and payment holidays to encourage companies to assist customers in navigating this difficult period. This relaxation is also

reflected in accounting rules under IFRS 9 allowing for a more measured consideration of changes in perceived risk. EnterCard remains very active to follow and incorporate regulatory guidance from European and local regulators.

Liquidity and funding

EnterCard's liquidity need is satisfied through credits and loans provided by the owners. EnterCard's cash balance as per June 30 amounted to 3,014.8m SEK, cash balance in the beginning of the year was 3,501.9m SEK.

The liquidity reserve amounted to 2,279.2m SEK (2,375.7m SEK). EnterCard Group AB's Liquidity Coverage Ratio (LCR) was 364% (401%). According to EnterCard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), EnterCard's NSFR was 135% (148%).

As per June 30 2020, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 105 days for Sweden, 132 days for Norway and 154 days for Denmark, to be compared with the risk appetite, decided by the Board, of 60 days.

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

Capital adequacy

Total capital ratio for EnterCard as per June 30, 2020 was 20.1%. The total adjusted Tier 1 Capital base amounted to 6,054.3m SEK and the total risk exposure amount for credit risk was 30,100.3m SEK. EnterCard applies the standardized approach to calculate the capital requirement for credit risk.

Audit review

This report has not been reviewed by EnterCard's auditors. Although, the company's result per June 30, 2020 have been subject for a general review.

Quarterly Performance

	Q2 2020	Q2 2019
TSEK		
Interest income	839 439	953 074
Interest expenses	-72 220	-76 675
Net interest income	767 219	876 399
Commission income	192 629	248 856
Commission expenses	-106 399	-136 588
Net commissions	86 230	112 268
Net gain/loss transactions from financial instruments	750	3 339
Other income	3 204	14 079
TOTAL OPERATING INCOME	857 402	1 006 086
Staff costs	-124 264	-131 468
Other general administrative expenses	-209 092	-221 346
Total general administrative expenses	-333 356	-352 814
Depreciation/amortization and impairments of tangible and intangible assets	-9 812	-11 906
Other costs	-3 482	-5 811
TOTAL OPERATING EXPENSES	-346 650	-370 532
Profit before loan losses	510 752	635 554
Loan losses, net	-256 959	-270 817
OPERATING PROFIT	253 793	364 737
Tax expense	-57 374	-82 502
PROFIT/LOSS FOR THE YEAR	196 419	282 235
Statement of comprehensive income		
TSEK		
Profit for the year recognized within the income statement	196 419	282 235
Components which will not be reclassified to the income statement		
Revaluation of defined-benefit pensions	-	-
Tax	-	-
Total	-	-
Components which have or will be reclassified to the income statement		
Unrealised changes in fair value	9 100	-3 706
Exchange rate differences	-13 915	34 682
Tax	-	-
Total	-4 815	30 976
Total profit	191 605	313 210

Income statement

		2020-01-01	2019-01-01	2019-01-01
TSEK	Note	2020-06-30	2019-12-31	2019-06-30
Interest income		1 672 502	3 487 386	1 776 818
Interest expenses		-159 543	-305 651	-140 920
Net interest income		1 512 959	3 181 735	1 635 898
Commission income		418 934	980 917	476 753
Commission expenses		-231 827	-538 291	-267 126
Net commissions		187 106	442 626	209 627
Net gain/loss transactions from financial instruments	2	-3 140	-3 395	3 375
Other income		9 172	31 999	20 367
TOTAL OPERATING INCOME		1 706 097	3 652 965	1 869 267
Staff costs		-263 215	-604 359	-282 042
Other general administrative expenses		-415 426	-885 854	-421 224
Total general administrative expenses		-678 641	-1 490 213	-703 266
Depreciation/amortization and impairments of tangible and intangible assets		-19 953	-46 291	-23 178
Other costs		-7 298	-34 453	-27 611
TOTAL OPERATING EXPENSES		-705 893	-1 570 958	-754 054
Profit before loan losses		1 000 204	2 082 007	1 115 213
Loan losses, net	3	-736 833	-740 770	-579 698
OPERATING PROFIT		263 371	1 341 237	535 515
Tax expense		-60 113	-281 932	-120 846
PROFIT/LOSS FOR THE YEAR		203 258	1 059 305	414 669

Statement of comprehensive income

		2020-01-01	2019-01-01	2019-01-01
TSEK		2020-06-30	2019-12-31	2019-06-30
Profit for the year recognized within the income statement		203 258	1 059 305	414 669
Components which will not be reclassified to the income statement				
Revaluation of defined-benefit pensions		-	-23 003	-
Tax		-	4 739	-
Total		-	-18 264	-
Components which have or will be reclassified to the income statement				
Unrealised changes in fair value	2	-4 064	5 151	-5 757
Exchange rate differences		-134 597	68 730	144 980
Tax		-	-15 219	-
Total		-138 661	58 662	139 223
Total profit		64 597	1 099 703	553 893

Balance Sheet

Assets

TSEK	Note	2020-06-30	2019-12-31	2019-06-30
Assets				
Deposits	4	3 014 830	3 501 872	3 931 946
Loans to the public	4	31 450 917	31 997 575	31 400 193
Bonds and other interest-bearing securities	5,6	2 279 218	2 772 996	2 375 749
Intangible assets		57 316	73 891	88 933
Tangible assets		6 277	7 868	8 634
Deferred tax assets		11 408	11 408	34 717
Other assets		214 910	434 922	149 914
Prepaid expenses and accrued income		89 440	77 069	92 495
TOTAL ASSETS		37 124 316	38 877 600	38 082 581

Liabilities and Equity

Liabilities

Amounts owed to credit institutions	30 430 178	31 982 199	31 926 617
Other liabilities	171 888	358 853	219 790
Accrued expenses and prepaid income	236 774	305 133	232 926
Pension provisions	41 667	49 571	26 133
Provisions	31 468	34 099	47 256
TOTAL LIABILITIES	30 911 974	32 729 856	32 452 722

Equity

Share capital	5 000	5 000	5 000
Fair value reserve	-17 011	-12 948	-22 753
Retained earnings	6 021 095	5 096 388	5 232 944
Profit for the period	203 258	1 059 305	414 669
TOTAL EQUITY	6 212 342	6 147 744	5 629 860
TOTAL LIABILITIES AND EQUITY	37 124 316	38 877 600	38 082 581

Statement of changes in Equity

TSEK	<u>Restricted equity</u>			<u>Non-restricted equity</u>		
	<i>Share capital</i>	<i>Fund for development expenditures</i>	<i>Translation Differences</i>	<i>Fair value reserve</i>	<i>Retained earnings</i>	<i>Total Equity</i>
Opening balance January 1, 2019	5 000	108 679	-266 358	-16 997	5 895 644	5 725 967
Dividends					-650 000	-650 000
Profit/loss for the period			144 980	-5 757	414 669	553 893
<i>of which recognized in income statement</i>					414 669	414 669
<i>of which recognized in other comprehensive income</i>			144 980	-5 757	-	139 223
Closing balance June 30, 2019	5 000	108 679	-121 378	-22 753	5 660 313	5 629 860
TSEK						
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 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
TSEK						
Opening balance January 1, 2020	5 000	121 759	-211 745	-12 948	6 245 678	6 147 744
Profit/loss for the period			-134 597	-4 064	203 258	64 597
<i>of which recognized in income statement</i>					203 258	203 258
<i>of which recognized in other comprehensive income</i>		-134 597	-4 064	-	-	-138 661
Closing balance June 30, 2020	5 000	121 759	-346 342	-17 011	6 448 935	6 212 342

Statement of Cash Flow

TSEK	2020-06-30	2019-12-31	2019-06-30
Operating activities			
Operating profit/loss	263 371	1 341 237	535 515
Adjustments for non-cash items	146 782	325 750	238 554
Taxes paid	-79 550	-306 613	-201 224
Cash flow from operating activities before working capital changes	330 603	1 360 375	572 845
Cash flow from changes in working capital			
Increase/decrease in loans to the public	-507 209	-2 970 186	-2 057 080
Increase/decrease of bonds and other interest-bearing securities	350 748	-235 270	202 785
Increase/decrease in other assets	167 883	-206 101	103 364
Increase/decrease in other liabilities	-57 776	-416	-140 733
Cash flow from operating activities	-46 354	-3 411 973	-1 891 665
Investing activities			
Purchase of intangible assets	-4 160	-21 202	-13 984
Purchase of tangible assets	-140	-4 481	-3 466
Cash flow from investing activities	-4 300	-25 683	-17 449
Financing activities			
Dividends	-	-650 000	-650 000
Increase/decrease of deposits and borrowing	-710 861	2 492 439	2 139 177
Cash flow from financing activities	-710 861	1 842 439	1 489 177
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	3 501 872	3 701 886	3 701 886
CASH FLOW FOR THE PERIOD	-430 912	-234 843	3 854 795
Exchange rate differences on cash and cash equivalents	-56 129	34 828	77 151
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3 014 830	3 501 872	3 931 946

Notes

The interim report for EnterCard Group AB (org nr 556673-0585) refers to the period January 1 - June 30, 2020. The company is based in Stockholm, Sweden.

Note 1 Accounting principles

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

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

The accounting principles applied in the interim report are consistent with the accounting policies applied in the preparation of the annual report for 2019.

Note 2 Net financial income

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

	2020-01-01	2019-01-01	2019-01-01
	2020-06-30	2019-12-31	2019-06-30
Realised gains/losses recognized in profit and loss			
Reclassification through Other comprehensive income to this periods profit for realised gains/losses	-	6 972	-
Realised gain/loss bonds and other interest-bearing securities	-2 198	-8 940	3 836
Exchange rate profit / loss	-941	-1 427	-462
Total realised gain/loss in profit or loss	-3 140	-3 395	3 375
Unrealised gains/losses recognized in Other comprehensive income			
Reclassification through Other comprehensive income to this periods profit for realised gains/losses	-	-6 972	-
Unrealised changes in value bonds and other interest-bearing securities	-4 064	5 151	-5 757
Total unrealised gain/loss in Other comprehensive income	-4 064	-1 821	-5 757
Total	-7 203	-5 216	-2 382

Note 3 Loan losses, net

	2020-01-01	2019-01-01	2019-01-01
	2020-06-30	2019-12-31	2019-06-30
Loans at amortized cost			
Change in provisions - stage 1	-227 180	25 953	-2 728
Change in provisions - stage 2	51 782	-103 159	-105 357
Change in provisions - stage 3	-51 091	-177 167	-91 383
Total	-226 488	-254 373	-199 468
The periods write-off for established loan losses	-531 091	-615 143	-462 062
Recoveries from previously established loan losses	18 968	114 919	80 713
Total	-512 123	-500 224	-381 349
Loan losses net, loans at amortized cost	-738 611	-754 597	-580 816
Loan losses credits granted but not utilized			
Change in provisions - stage 1	1 948	14 326	2 315
Change in provisions - stage 2	-170	-498	-1 196
Loan losses net, loan commitments	1 778	13 828	1 119
Total loan losses	-736 833	-740 770	-579 698

Note 4 Change in provisions for loans

Change in book value (gross) and provisions June 30, 2020.

Book value, gross	Performing loans			Non-performing loans	Total
	Stage 1	Stage 2	Stage 3		
Opening balance January 1, 2020	28 711 600	2 908 225	2 345 283	33 965 108	
Closing balance June 30, 2020	28 580 687	2 598 079	2 372 258	33 551 024	
Provisions for loans to the public and loans to credit institutions					
Opening balance January 1, 2020	-412 464	-511 350	-1 043 719	-1 967 533	
New and derecognised financial assets, net	-64 757	140 343	134 599	210 186	
Changes in credit risk	-4 662	15 925	59 249	70 512	
Transfer between stages during the period					
from stage 1 to stage 2	40 635	-231 226	-	-190 591	
from stage 1 to stage 3	5 972	-	-107 486	-101 514	
from stage 2 to stage 1	-24 473	82 494	-	58 021	
from stage 2 to stage 3	-	63 934	-98 149	-34 215	
from stage 3 to stage 1	-220	-	3 749	3 529	
from stage 3 to stage 2	-	-2 614	6 299	3 685	
Other	-156 148	2 333	1 627	-152 188	
Closing balance June 30, 2020	-616 117	-440 160	-1 043 830	-2 100 108	
Book value, net					
Opening balance January 1, 2020	28 299 136	2 396 875	1 301 564	31 997 575	
Closing balance June 30, 2020	27 964 570	2 157 919	1 328 428	31 450 917	

Change in book value (gross) and provisions June 30, 2019.

Book value, gross	Performing loans			Non-performing loans	Total
	Stage 1	Stage 2	Stage 3		
Opening balance January 1, 2019	26 689 070	2 209 674	1 751 725	30 650 468	
Closing balance June 30, 2019	28 395 877	2 865 660	2 086 321	33 347 859	
Opening balance January 1, 2019					
New and derecognised financial assets, net	-71 009	51 903	208 337	189 231	
Changes in credit risk	-356	-10 755	59 487	48 376	
Transfer between stages during the period					
from stage 1 to stage 2	57 694	-302 864	-	-245 170	
from stage 1 to stage 3	14 183	-	-183 545	-169 362	
from stage 2 to stage 1	-14 827	51 043	-	36 216	
from stage 2 to stage 3	-	94 240	-203 695	-109 455	
from stage 3 to stage 1	-169	-	2 220	2 051	
from stage 3 to stage 2	-	-1 770	4 599	2 829	
Other	16 020	1	30 332	46 353	
Closing balance June 30, 2019	-446 151	-520 989	-980 526	-1 947 666	
Book value, net					
Opening balance January 1, 2019	26 241 383	1 806 887	853 464	28 901 734	
Closing balance June 30, 2019	27 949 726	2 344 671	1 105 796	31 400 193	

Change in book value (gross) June 30, 2020.

	Performing loans		Non-performing loans		Total
	Stage 1	Stage 2	Stage 3		
Book value, gross					
Opening balance January 1, 2020	28 711 600	2 908 224	2 345 284	33 965 108	
New and derecognised financial assets, net	2 794 084	-596 107	-300 337	1 897 640	
Changes in credit risk	-1 684 631	-86 610	-186 972	-1 958 213	
Transfer between stages during the period					
from stage 1 to stage 2	-1 467 012	1 443 685	-	-23 327	
from stage 1 to stage 3	-268 746	-	254 413	-14 333	
from stage 2 to stage 1	561 042	-657 937	-	-96 895	
from stage 2 to stage 3	-	-149 283	141 542	-7 741	
from stage 3 to stage 1	5 317	-	-5 803	-486	
from stage 3 to stage 2	-	10 947	-11 795	-848	
Other	-70 967	-274 840	135 926	-209 881	
Book value					
Closing balance June 30, 2020	28 580 687	2 598 079	2 372 258	33 551 024	

Change in book value (gross) June 30, 2019.

	Performing loans		Non-performing loans		Total
	Stage 1	Stage 2	Stage 3		
Book value, gross					
Opening balance January 1, 2019	26 689 070	2 209 674	1 751 725	30 650 469	
New and derecognised financial assets, net	3 084 646	-134 868	-473 528	2 476 250	
Changes in credit risk	185 804	-28 005	-49 907	107 892	
Transfer between stages during the period					
from stage 1 to stage 2	-1 616 096	1 682 450	-	66 354	
from stage 1 to stage 3	-367 296	-	381 434	14 138	
from stage 2 to stage 1	487 763	-529 974	-	-42 210	
from stage 2 to stage 3	-	-406 125	409 406	3 281	
from stage 3 to stage 1	5 011	-	-6 387	-1 375	
from stage 3 to stage 2	-	8 900	-9 496	-596	
Other	-73 024	63 607	83 074	73 657	
Book value					
Closing balance June 30, 2019	28 395 878	2 865 660	2 086 321	33 347 859	

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

	2020-01-01	2019-01-01	2019-01-01
	2020-06-30	2019-12-31	2019-06-30
Credit facilities, granted but not paid	301 123	103 031	-
Credits granted but not utilized	42 272 500	42 368 957	42 643 529
Provisions for off-balance commitments			
Stage 1	27 474	30 182	42 588
Stage 2	3 994	3 918	4 668
Total	31 468	34 099	47 256

Allocation of loans between stages and provisions (IFRS 9)

	2020-06-30	2019-12-31	2019-06-30
Deposits			
Stage 1			
Book value, gross	3 014 830	3 501 872	3 931 946
Book value	3 014 830	3 501 872	3 931 946
Total book value	3 014 830	3 501 872	3 931 946
Loans to the public, private customers			
Stage 1			
Book value, gross	28 315 661	28 285 934	27 875 126
Provisions	-615 819	-412 049	-445 759
Book value	27 699 842	27 873 885	27 429 367
Stage 2			
Book value, gross	2 598 079	2 908 225	2 865 660
Provisions	-440 160	-511 350	-520 989
Book value	2 157 919	2 396 875	2 344 671
Stage 3			
Book value, gross	2 363 841	2 337 258	2 076 871
Provisions	-1 038 913	-1 039 149	-972 640
Book value	1 324 928	1 298 108	1 104 231
Total book value	31 182 689	31 568 867	30 878 269
Loans to the public, corporate customers			
Stage 1			
Book value, gross	265 026	425 667	520 751
Provisions	-298	-415	-393
Book value	264 728	425 251	520 358
Stage 3			
Book value, gross	8 417	8 026	9 450
Provisions	-4 917	-4 570	-7 885
Book value	3 500	3 456	1 565
Total book value	268 228	428 708	521 923
Total	34 465 747	35 499 447	35 332 138
Book value gross, stage 1	31 595 517	28 711 600	32 327 823
Book value gross, stage 2	2 598 079	2 908 225	2 865 660
Book value gross, stage 3	2 372 258	2 345 283	2 086 321
Total book value gross	36 565 854	33 965 108	37 279 804
Provisions stage 1	-616 117	-412 464	-446 152
Provisions stage 2	-440 160	-511 350	-520 989
Provisions stage 3	-1 043 830	-1 043 719	-980 525
Total provisions	-2 100 108	-1 967 534	-1 947 666
Total book value	34 465 747	31 997 575	35 332 138
Share of loans in stage 3, gross, %	6,49%	6,90%	5,60%
Share of loans in stage 3, net, %	3,85%	4,06%	3,13%
Provision ratio of loans stage 1	1,95%	1,44%	1,38%
Provision ratio of loans stage 2	16,94%	17,58%	18,18%
Provision ratio of loans stage 3	44,00%	44,50%	47,00%
Total provision ratio of loans	5,74%	5,79%	5,22%

Note 5 Bonds and other interest-bearing securities

Financial assets measured at fair value through Other comprehensive income.

Issuers	2020-06-30	2019-12-31	2019-06-30
Municipalities	1 051 085	1 353 850	1 567 791
Swedish government	-	-	224 994
Swedish mortgage institutions	206 974	-	-
Foreign credit institutions	77 082	178 228	195 748
Foreign mortgage institutions	832 892	1 128 910	299 401
Other foreign issuers	111 185	112 007	87 814
Total	2 279 218	2 772 996	2 375 749

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

Remaining maturity	2020-06-30	2019-12-31	2019-06-30
Maximum 1 year	49 295	49 301	225 038
Longer than 1 year but maximum 5 years	2 210 592	2 522 267	1 942 672
Longer than 5 years	19 332	201 428	208 039
Total	2 279 218	2 772 996	2 375 749
Total holdings of financial assets, broken down by issuer	2020-06-30	2019-12-31	2019-06-30
Issued by public entities	1 239 352	1 465 857	1 880 600
Issued by other borrowers	1 039 866	1 307 139	495 150
Total	2 279 218	2 772 996	2 375 749
Average remaining maturity, years	3,62	3,69	2,93
Average remaining fixed interest term, years	0,29	0,30	0,61
<i>of which listed securities, TSEK</i>	2 279 218	2 772 996	2 375 749
<i>of which unlisted securities, TSEK</i>	-	-	-

Note 6 Liquidity reserve and liquidity risk

	Distribution by currency			Distribution by currency				
	2020-06-30	SEK	NOK	DKK	2019-12-31	SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	111 185	-	-	-	111 185	112 007	-	-
Securities issued or guaranteed by municipalities or non-governmental public entities	1 051 085	858 273	192 812	-	1 353 850	1 066 805	287 046	-
Covered bonds issued by others	1 039 866	206 974	832 892	-	1 128 910	-	1 128 910	-
Securities issued or guaranteed by multilateral development banks	77 082	-	77 082	-	178 228	-	178 228	-
Total	2 279 218	1 065 247	1 102 786	111 185	2 772 996	1 066 805	1 594 184	112 007
<i>Distribution by currency, %</i>		46,7%	48,4%	4,9%		38,5%	57,5%	4,0%

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

Note 7 Capital adequacy

Calculation of capital requirements is conducted in accordance with European Parliament and Council Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (prudential regulation) act (2014: 966) on capital buffers, and the Swedish Financial Supervisory Authority (SFSA) (Sw. Finansinspektionen) FFFS 2014: 12 on regulatory requirements and capital buffers. The outcome refers to the calculation in accordance with the statutory minimum capital requirement, called Pillar I, as well as capital in accordance to the combined buffer requirement.

EnterCard applies the standardized approach to calculate the capital requirement for credit risk. Credit risk is calculated on all asset and off-balance sheet items unless deducted from own funds. Capital requirements for operational risk is calculated using the standardized approach, which means that the activities are divided into business areas which have been assigned different beta factors. Capital requirement is calculated as a three-year average for the last three year's financial operating revenue in each business multiplied by the corresponding beta factor. EnterCard also calculates a capital requirement for currency risk.

The combined buffer requirement is a requirement to hold a capital conservation buffer of 2.5 percent of the risk-weighted exposure amount. The buffer requirement also includes a countercyclical buffer, which currently amounts to 0.2 percent of the risk-weighted exposure amount.

EnterCard does not have any exposures within Trading.

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

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

Capital Adequacy

Common Equity Tier 1 Capital: Instruments and reserves	2020-06-30	2019-12-31
Capital instrument and associated share premium	5 000	5 000
Reserves	6 507 663	5 448 358
Accumulated other comprehensive income	-503 578	-364 919
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	117 875	1 059 305
Common Equity Tier 1 Capital before adjustments	6 126 959	6 147 744
Value adjustments due to the requirements for prudent valuation	-3 905	-3 481
Intangible assets	-57 316	-73 891
Deferred tax assets that rely on future profitability and arise from temporary differences	-11 408	-11 408
Negative values associated to expected losses	-	-
Losses current year	-	-
Total adjustments of Common Equity Tier 1 Capital	-72 629	-88 779
Common Equity Tier 1 Capital	6 054 330	6 058 965
Additional Tier 1 Capital: instruments	-	-
Tier 1 Capital	6 054 330	6 058 965
Tier 2 Capital: Instruments and provisions	2020-06-30	2019-12-31
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	6 054 330	6 058 965
Total risk weighted exposure amount	30 100 329	30 744 199
Common Equity Tier 1 capital ratio	20,1%	19,7%
Tier 1 capital ratio	20,1%	19,7%
Total capital ratio	20,1%	19,7%
Requirements buffers, %	2020-06-30	2019-12-31
Total Tier 1 capital requirement including buffer requirement	7,2	9,4
whereof <i>minimum CET1 requirement</i>	4,5	4,5
whereof <i>capital conservation buffer requirement</i>	2,5	2,5
whereof <i>countercyclical capital buffer requirement</i>	0,2	2,4
whereof <i>system risk buffer requirement</i>	-	-
Common Equity Tier 1 capital available to be used as buffer	12,9	10,3
Leverage ratio	14,6	12,7

Risk exposure amount and own funds requirement for credit risk

Exposure classes	2020-06-30		2019-12-31	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	602 982	48 239	700 581	56 046
Covered bonds	103 987	8 319	112 891	9 031
Retail exposures	22 731 400	1 818 512	22 974 243	1 837 939
Regional governments or local authorities exposures	1 289	103	1 727	138
Corporate exposures	1 996	160	4 524	362
Exposures in default	1 226 000	98 080	1 309 590	104 767
Other exposures	310 627	24 850	519 859	41 589
Total	24 978 280	1 998 262	25 623 415	2 049 873
2020-06-30 2019-12-31				
Total capital requirement for credit risk according to the standardized approach		1 998 262		2 049 873
Capital requirement for operational risk				
Risk exposure amount			5 068 212	4 632 277
Capital requirement according to the standardized approach			405 457	370 582
Total capital requirement for operational risk			405 457	370 582
Capital requirement for market risk (foreign exchange risk)				
Risk exposure amount			53 837	488 507
Capital requirement			4 307	39 081
Total capital requirement for market risk			4 307	39 081
Capital requirements for settlement risk				
Capital requirements for credit value adjustment (CVA) risk				
Total capital requirements			2 408 026	2 459 536

Internal capital requirement

	2020-06-30	2019-12-31	
Capital requirement according to Pillar 1		% of REA*	% of REA*
Credit risk	1 998 262	6,6	2 049 873
Market risk	4 307	0,1	39 081
Operational risk	405 457	1,3	370 582
Settlement risk	-	-	-
Credit value adjustment (CVA) risk	-	-	-
Total capital requirement according to Pillar 1	2 408 026	8,0	2 459 536
Capital requirement according to Pillar 2			
Other capital requirement	258 913	0,9	274 183
Total capital requirement according to Pillar 2	258 913	0,9	274 183
Combined buffer requirement			
Countercyclical buffer	73 570	0,2	732 229
Capital conservation buffer	752 508	2,5	768 605
Total combined buffer requirement	826 078	2,7	1 500 834
Management buffer			
Additional management buffer	301 003	1,0	306 170
Total management buffer	301 003	1,0	306 170
Internal capital requirement			
Total capital requirement	3 794 021	12,6	4 540 722
Capital base			
Total capital base	6 054 330	20,1	6 058 965
			19,7

*Risk exposure amount

Note 8 Related parties

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

Balance sheet	Swedbank Group			Barclays Group		
	2020-06-30	2019-12-31	2019-06-30	2020-06-30	2019-12-31	2019-06-30
Assets						
Deposits	3 014 830	3 501 872	3 931 946	-	-	-
Other assets	784	1 073	985	-	-	-
Total	3 015 614	3 502 945	3 932 931	-	-	-
Liabilities						
Amounts owed to credit institutions	15 215 089	15 991 100	15 963 309	15 215 089	15 991 100	15 963 309
Other liabilities	7 412	14 016	8 632	13 007	13 007	13 007
Total	15 222 501	16 005 116	15 971 941	15 228 096	16 004 107	15 976 316
Income statement						
Interest income	717	5 411	1 754	-	-	-
Interest expenses	-76 136	-141 894	-65 323	-76 046	-141 795	-65 332
Commission income	41 140	122 952	40 199	-	-	-
Commission expenses	-2 144	-5 254	-2 805	-	-	-
Other expenses	-3 230	-6 719	-3 503	-	-	-
Total	-39 654	-25 505	-29 678	-76 046	-141 795	-65 332

Stockholm August 28, 2020

Freddy Syversen
Chief Executive Officer