

Q3 Interim Report

January–September 2019

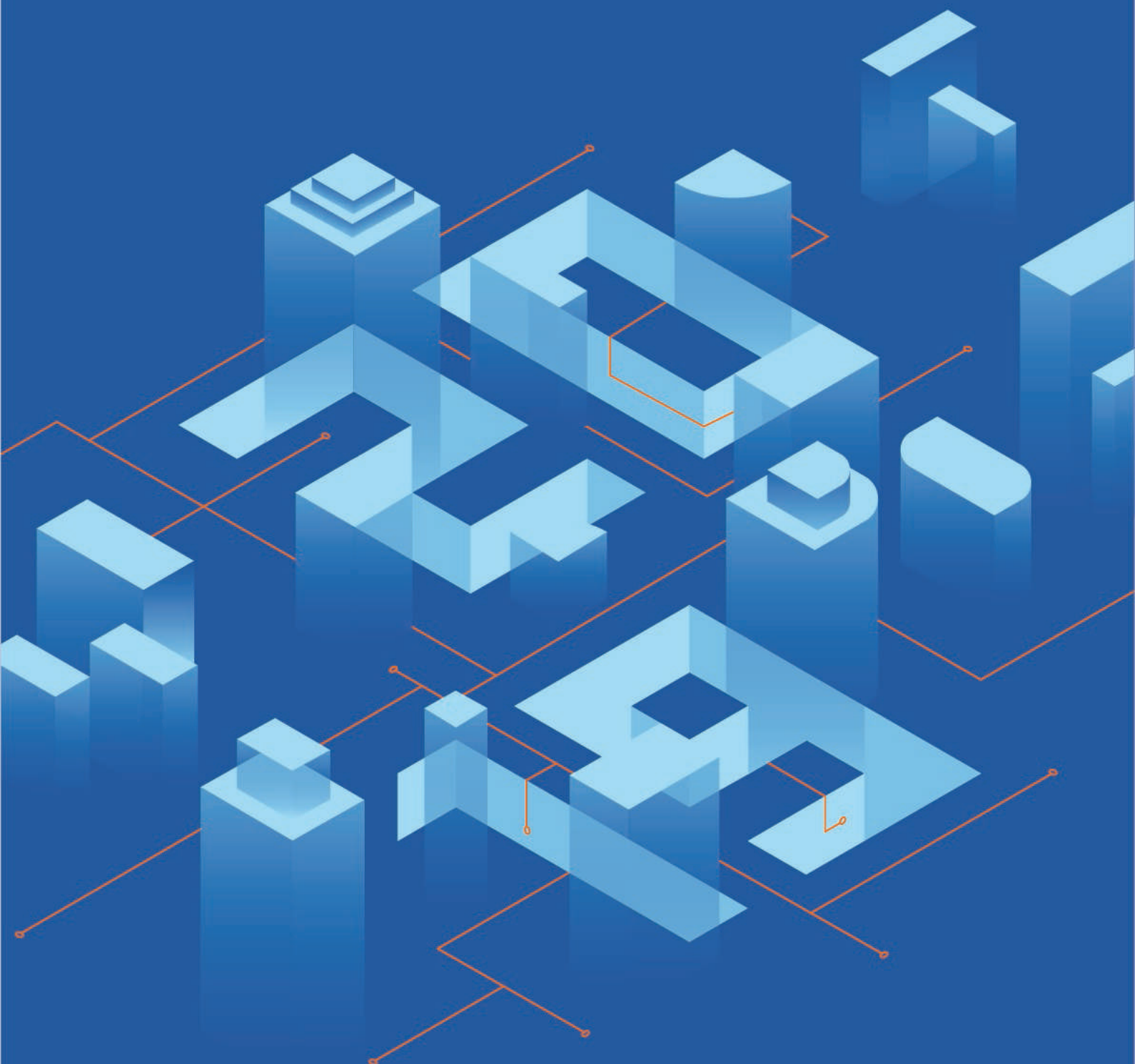


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INTERIM REPORT FOR ENTERCARD GROUP AB

The Chief Executive Officer for EnterCard Group AB hereby submits the Interim report for January 1 - September 30, 2019.

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

No significant events occurred during the third quarter.

Quarterly Performance

Operating income for the third quarter amounted to 889.6m SEK compared with 867.1m SEK September 30, 2018.

The operating profit for the quarter amounted to 299.1m SEK compared with 208.4m SEK September 30, 2018.

Year to date earnings, profitability and position

Operating income as per September 30, 2019, amounted to 2,758.9m SEK, compared with 2,490.9m SEK the same period previous year. Total loans to the public without considering provisions of anticipated loan losses as per September 30, 2019, increased to 33,593.8m SEK compared to 30,039.1m SEK September 30, 2018.

Non performing loans, after loan loss provision, as per September 30 amounted to a book value of 1,180.1m SEK which constitutes 3,7 percent of the total credit portfolio.

Operating profit before tax amounted to 834.6m SEK (769.0m SEK).

Investments

Investments in tangible assets during the period amounted to 3.8m SEK and intangible fixed assets with 19.8m 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 leads to a number of risks, and considerations needs to be made in relation to these risks.

Interest rates are a major component to the yearly financial development and is monitored continuously. The trend of decreasing interest rates has subsided in the three Scandinavian countries where EnterCard operates. It is possible that interest rates will increase throughout the coming years. The timing of these potential increases is not certain. It is also not clear whether all countries will move in unison. EnterCard has a high degree of matching the interest rate duration of assets and liabilities and therefore the interest rate risk is low. EnterCard does not take any active interest rate risk positions in the market.

EnterCard continues to monitor the regulatory environment to assess the likely impacts to the company. The Norwegian legislators have taken a few actions to manage the growth of unsecured borrowing by applying new rules to affordability criteria and loan tenure maximums. There is also the implementation of a loan registry that has made more customer information transparent and influence the way in which consumer financing companies compete in the Norwegian market.

Lastly, new guidelines from the European Banking Authority for the treatment of Non-Performing Loans (NPL) has entered into force. This affects the management and strategies related to NPLs.

Liquidity and funding

Funding has been exclusively provided by Swedbank AB and Barclays Bank PLC. EnterCard's liquidity need is satisfied through credits and loans provided by the owners. EnterCard's cash balance September 30 amounted to 3,926.9m SEK, cash balance in the beginning of the year was 3,701.9m SEK.

The liquidity reserve amounted to 2,959.5m SEK (2,589.4m SEK), more detailed information is provided in note 5 and note 6. EnterCard Group AB's Liquidity Coverage Ratio (LCR) was 529% (486%). According to EnterCard's interpretation of the Basel Committee's most recent proposal on Net Stable Funding Ratio (NSFR), EnterCard's NSFR was 149% (144%).

As per September 30 2019, the survival horizon, in a scenario with a very limited access to funding and significantly decreased inflows from customers, was 106 days for Sweden, 123 days for Norway and 153 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 September 30 , 2019 was 16,5%. The total adjusted Tire 1 Capital base amounted to 5,285.3m SEK and the total risk exposure amount for credit risk was 25,061.3m 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 September 30, 2019 have been subject for a general review.

Quarterly Performance

	2019-07-01	2018-07-01
TSEK	2019-09-30	2018-09-30
Interest income	855 692	797 426
Interest expenses	-80 115	-43 048
Net interest income	775 577	754 378
Commission income	251 857	231 658
Commission expenses	-139 200	-123 429
Net commissions	112 657	108 230
Net gain/loss transactions from financial instruments	423	-
Other income	993	4 475
TOTAL OPERATING INCOME	889 651	867 083
Staff costs	-144 970	-140 761
Other general administrative expenses	-191 424	-196 117
Total general administrative expenses	-336 393	-336 878
Depreciation/amortization and impairments of tangible and intangible fixed assets	-11 673	-11 373
Other costs	-2 777	-21 892
TOTAL OPERATING EXPENSES	-350 844	-370 143
Profit before loan losses	538 807	496 940
Loan losses, net	-239 666	-288 526
OPERATING PROFIT	299 141	208 414
Tax expense	-68 184	-48 111
PROFIT/LOSS FOR THE YEAR	230 957	160 303

Statement of comprehensive income

	2019-07-01	2018-07-01
TSEK	2019-09-30	2018-09-30
Profit for the year recognized within the income statement	230 957	160 303
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	-4 804	-7 091
Exchange rate differences	-4 627	-16 957
Tax	-	-
Total	-9 432	-24 048
Total profit	221 525	136 255

Income statement

TSEK	Note	2019-01-01	2018-01-01	2018-01-01
		2019-09-30	2018-12-31	2018-09-30
Interest income		2 632 510	3 091 921	2 274 614
Interest expenses		-221 035	-163 063	-115 985
Net interest income		2 411 475	2 928 859	2 158 629
Commission income		728 611	911 113	680 892
Commission expenses		-406 326	-499 748	-377 902
Net commissions		322 284	411 364	302 990
Net gain/loss transactions from financial instruments	2	3 798	-1 921	-
Other income		21 361	38 145	29 248
TOTAL OPERATING INCOME		2 758 918	3 376 448	2 490 866
Staff costs		-427 012	-553 879	-396 284
Other general administrative expenses		-612 647	-850 805	-601 147
Total general administrative expenses		-1 039 659	-1 404 683	-997 431
Depreciation/amortization and impairments of tangible and intangible fixed assets		-34 851	-46 261	-34 969
Other costs		-30 388	-20 472	-34 303
TOTAL OPERATING EXPENSES		-1 104 898	-1 471 417	-1 066 703
Profit before loan losses		1 654 020	1 905 031	1 424 163
Loan losses, net	3	-819 364	-649 326	-655 119
OPERATING PROFIT		834 657	1 255 704	769 044
Tax expense		-189 030	-307 914	-178 388
PROFIT/LOSS FOR THE YEAR		645 627	947 790	590 656

Statement of comprehensive income

TSEK		2019-01-01	2018-01-01	2018-01-01
		2019-09-30	2018-12-31	2018-09-30
	Profit for the year recognized within the income statement	645 627	947 790	590 656
	Components which will not be reclassified to the income statement			
	Revaluation of defined-benefit pensions	-	-18 002	-
	Tax	-	3 961	-
	Total	-	-14 041	-
	Components which have or will be reclassified to the income statement			
	Unrealised changes in fair value	2	-10 561	-18 097
	Exchange rate differences		140 353	92 967
	Tax		-	-15 423
	Total	129 791	59 447	240 697
	Total profit	775 418	993 196	831 353

Balance Sheet

Assets

TSEK	Note	2019-09-30	2018-12-31	2018-09-30
Assets				
Loans to credit institutions	4	3 926 874	3 701 886	2 680 011
Loans to the public	4	31 610 187	28 901 734	28 134 520
Bonds and other interest-bearing securities	5,6	2 959 468	2 501 252	2 589 376
Intangible fixed assets		83 928	94 152	101 691
Tangible assets		8 110	6 293	6 830
Deferred tax assets		34 717	34 717	6 181
Other assets		152 126	230 196	234 487
Prepaid expenses and accrued income		109 837	141 346	285 168
TOTAL ASSETS		38 885 248	35 611 577	34 038 264

Liabilities and Equity

Liabilities

Amounts owed to credit institutions		32 449 663	29 174 827	27 876 492
Other liabilities		263 305	334 764	259 874
Accrued expenses and prepaid income		255 223	289 232	270 850
Pension provisions		29 664	39 649	18 869
Provisions		36 007	47 138	48 055
TOTAL LIABILITIES		33 033 863	29 885 609	28 474 140

Equity

Share capital		5 000	5 000	5 000
Fair value reserve		-27 558	-16 997	13 158
Retained earnings		5 228 316	4 790 174	4 955 311
Profit for the period		645 627	947 790	590 656
TOTAL EQUITY		5 851 385	5 725 967	5 564 124
TOTAL LIABILITIES AND EQUITY		38 885 248	35 611 577	34 038 264

Statement of changes in Equity

TSEK	Restricted equity		Non-restricted equity			Total Equity
	Share capital	Fund for development expenditures	Translation Differences	Fair value reserve	Retained earnings	
Opening balance January 1, 2018	5 000	44 480	-340 174	-2 627	5 944 909	5 651 587
Amendments due to the adoption of IFRS 9					-368 815	-368 815
Adjusted opening balance January 1, 2018					5 576 094	5 282 772
Dividends					-550 000	-550 000
Profit/loss for the period			251 227	-10 531	590 656	831 353
<i>of which recognized in income statement</i>					<i>590 656</i>	<i>590 656</i>
<i>of which recognized in other comprehensive income</i>			<i>251 227</i>	<i>-10 531</i>	<i>-</i>	<i>240 697</i>
Closing balance September 30, 2018	5 000	44 480	-88 947	-13 158	5 616 750	5 564 124
TSEK						
Opening balance January 1, 2018	5 000	44 480	-340 174	-2 627	5 944 909	5 651 587
Amendments due to the adoption of IFRS 9		-	-	-	-368 815	-368 815
Adjusted opening balance January 1, 2018					5 576 094	5 282 772
Dividends					-550 000	-550 000
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>					<i>947 790</i>	<i>947 790</i>
<i>of which recognized in other comprehensive income</i>			<i>92 967</i>	<i>-18 097</i>	<i>-18 002</i>	<i>56 868</i>
<i>of which tax recognized in other comprehensive income</i>			<i>-19 151</i>	<i>3 728</i>	<i>3 961</i>	<i>-11 462</i>
Closing balance December 31, 2018	5 000	108 679	-266 358	-16 997	5 895 644	5 725 967
TSEK						
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			140 353	-10 561	645 627	775 418
<i>of which recognized in income statement</i>			<i>-</i>	<i>-</i>	<i>645 627</i>	<i>645 627</i>
<i>of which recognized in other comprehensive income</i>			<i>140 353</i>	<i>-10 561</i>	<i>-</i>	<i>129 791</i>
Closing balance September 30, 2019	5 000	108 679	-126 006	-27 558	5 891 270	5 851 385

Statement of Cash Flow

TSEK	2019-09-30	2018-12-31	2018-09-30
Operating activities			
Operating profit/loss	834 657	1 255 704	769 044
Adjustments for non-cash items	285 427	-93 958	-46 210
Taxes paid	-253 884	-360 635	-263 858
Cash flow from operating activities before working capital changes	866 200	801 111	458 976
Cash flow from changes in working capital			
Increase/decrease in loans to the public	-2 316 583	-4 624 293	-3 502 133
Increase/decrease of bonds and other interest-bearing securities	-382 096	-451 230	-506 582
Increase/decrease in other assets	82 715	-26 889	-46 565
Increase/decrease in other liabilities	-90 371	-5 523	-53 650
Cash flow from operating activities	-2 706 335	-5 107 936	-4 108 930
Investing activities			
Purchase of intangible assets	-19 826	-11 311	-11 121
Purchase of tangible assets	-3 804	-5 401	-146
Cash flow from investing activities	-23 629	-16 712	-11 266
Financing activities			
Dividends	-650 000	-550 000	-550 000
Increase/decrease of deposits and borrowing	2 666 974	5 876 229	4 127 663
Cash flow from financing activities	2 016 974	5 326 229	3 577 663
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	3 701 886	2 650 169	2 650 169
CASH FLOW FOR THE PERIOD	3 855 096	3 652 862	2 566 612
Exchange rate differences on cash and cash equivalents	71 778	49 025	113 400
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3 926 874	3 701 886	2 680 011

Notes

The interim report for EnterCard Group AB (org nr 556673-0585) refers to the period January 1 - September 30, 2019. 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 2018.

Following is the new accounting principles applicable for 2019.

Leasing (IFRS 16)

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases. The new standard significantly changes how lessees should account for leases. The standard removes the lessee's requirement to distinguish between financial and operational leases and demands that lessees recognize assets and liabilities from most leases on the balance sheet. For lessors, the requirements are largely unchanged and the requirement for distinction between financial and operational leases is maintained. IFRS 16 is applicable from January 1, 2019.

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

Note 2 Net financial income

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

	2019-01-01	2018-01-01	2018-01-01
	2019-09-30	2018-12-31	2018-09-30
Realised gains/losses recognized in profit and loss			
Realised gain/loss bonds and other interest-bearing securities	4 989	2 055	1 290
Exchange rate profit / loss	-1 191	-3 976	-3 931
Total realised gain/loss in profit or loss	3 798	-1 921	-2 640
Unrealised gains/losses recognized in Other comprehensive income			
Unrealised changes in value bonds and other interest-bearing securities	-10 561	-18 097	-10 531
Total unrealised gain/loss in Other comprehensive income	-10 561	-18 097	-10 531
Total	-6 763	-20 018	-13 171

Note 3 Loan losses, net

	2019-01-01	2018-01-01	2018-01-01
	2019-09-30	2018-12-31	2018-09-30
Loans at amortized cost			
Change in provisions - stage 1	2 433	-128 819	-91 700
Change in provisions - stage 2	-92 346	-57 649	-25 116
Change in provisions - stage 3	-154 242	238 921	42 101
Total	-244 154	52 453	-74 715
The periods write-off for established loan losses	-689 347	-1 859 115	-639 070
Recoveries from previously established loan losses	101 766	1 164 371	65 457
Total	-587 581	-694 744	-573 612
Loan losses net, loans at amortized cost	-831 735	-642 292	-648 328
Provisions for loan commitments, credit limits granted but not utilized			
Change in provisions - stage 1	13 055	-9 167	-8 425
Change in provisions - stage 2	-684	2 132	1 634
Loan losses net, loan commitments	12 371	-7 035	-6 792
Total loan losses, net	-819 364	-649 326	-655 119

Note 4 Change in provisions for loans

Change in book value (gross) and provisions September 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 September 30, 2019	28 506 549	2 874 888	2 212 399	33 593 836
Provisions for loans to the public and loans to credit institutions				
Opening balance January 1, 2019	-447 687	-402 787	-898 261	-1 748 735
New and derecognised financial assets, net	12 625	106 622	252 080	371 327
Changes in credit risk	5 399	-4 001	73 377	74 775
Transfer between stages during the period				
from stage 1 to stage 2	56 687	-301 348	-	-244 661
from stage 1 to stage 3	20 750	-	-289 764	-269 014
from stage 2 to stage 1	-13 698	63 450	-	49 752
from stage 2 to stage 3	-	95 597	-216 601	-121 004
from stage 3 to stage 1	-90	-	2 215	2 125
from stage 3 to stage 2	-	-1 384	3 367	1 983
Other	-78 195	-63 349	41 348	-100 196
Closing balance September 30, 2019	-444 209	-507 200	-1 032 240	-1 983 649
Book value, Net				
Opening balance January 1, 2019	26 241 383	1 806 887	853 464	28 901 734
Closing balance September 30, 2019	28 062 341	2 367 688	1 180 159	31 610 188

Change in book value (gross) and provisions September 30, 2018.

Book value, gross	Performing loans		Non-performing loans	Total
	Stage 1	Stage 2	Stage 3	
Opening balance January 1, 2018	21 789 676	2 023 844	1 892 136	25 705 656
Closing balance September 30, 2018	25 992 833	2 198 424	1 847 841	30 039 098
Provisions for loans to the public and loans to credit institutions				
Opening provision January 1, 2018	-328 282	-348 415	-1 122 245	-1 798 942
New and derecognised financial assets, net	-107 416	35 835	380 896	309 315
Changes in credit risk	16 998	-3 127	35 416	49 287
Transfer between stages during the period				
from stage 1 to stage 2	34 777	-206 649	-	-171 872
from stage 1 to stage 3	14 012	-	-246 805	-232 793
from stage 2 to stage 1	-17 907	75 359	-	57 452
from stage 2 to stage 3	-	66 247	-182 287	-116 040
from stage 3 to stage 1	-158	-	2 593	2 435
from stage 3 to stage 2	-	-865	2 585	1 721
Other	-31 672	-43	26 576	-5 139
Closing balance September 30, 2018	-419 648	-381 658	-1 103 271	-1 904 578
Book value, Net				
Opening balance January 1, 2018	21 461 394	1 675 429	769 891	23 906 714
Closing balance September 30, 2018	25 573 185	1 816 765	744 569	28 134 520

Allocation of loans between stages and provisions (IFRS 9)

	2019-09-30	2018-12-31	2018-09-30
Loans to credit institutions			
Stage 1			
Book value, gross	3 926 874	3 701 886	2 680 011
Book value	3 926 874	3 701 886	2 680 011
Total book value	3 926 874	3 701 886	2 680 011
Loans to the public, private customers			
Stage 1			
Book value, gross	28 106 675	26 129 482	25 992 834
Provisions	-443 807	-447 217	-412 192
Book value	27 662 868	25 682 265	25 580 642
Stage 2			
Book value, gross	2 874 888	2 209 674	2 198 424
Provisions	-507 200	-402 787	-381 659
Book value	2 367 688	1 806 887	1 816 765
Stage 3			
Book value, gross	2 202 676	1 742 830	1 847 841
Provisions	-1 024 124	-890 951	-1 103 271
Book value	1 178 552	851 879	744 569
Total book value	31 209 108	28 341 031	28 141 976
Loans to the public, corporate customers			
Stage 1			
Book value, gross	399 875	559 588	536 286
Provisions	-402	-470	-7 456
Book value	399 473	559 118	528 830
Stage 3			
Book value, gross	9 722	8 895	-
Provisions	-8 115	-7 310	-
Book value	1 607	1 584	-
Total book value	401 080	560 702	528 830
Total	35 537 061	32 603 620	31 350 818
Book value gross, stage 1	28 506 549	26 689 070	28 672 846
Book value gross, stage 2	2 874 888	2 209 674	2 198 424
Book value gross, stage 3	2 212 399	1 751 725	1 847 841
Total book value gross	33 593 836	30 650 468	32 719 110
Provisions stage 1	-444 209	-447 687	-419 648
Provisions stage 2	-507 200	-402 787	-381 659
Provisions stage 3	-1 032 240	-898 261	-1 103 271
Total provisions	-1 983 649	-1 748 735	-1 904 578
Total book value	31 610 187	28 901 734	30 814 532
Share of loans in stage 3, gross, %	6,59%	5,72%	5,65%
Share of loans in stage 3, net, %	3,73%	2,95%	2,37%
Provision ratio of loans stage 1	1,56%	1,68%	1,46%
Provision ratio of loans stage 2	17,64%	18,23%	17,36%
Provision ratio of loans stage 3	46,66%	51,28%	59,71%
Total provision ratio of loans	5,90%	5,71%	5,82%

Note 5 Bonds and other interest-bearing securities

Financial assets measured at fair value through Other comprehensive income.

Issuers	2019-09-30	2018-12-31	2018-09-30
Municipalities	1 967 595	1 576 523	1 803 683
Foreign credit institutions	182 916	96 831	103 007
Foreign mortgage institutions	720 391	439 892	465 567
Other foreign issuers	88 566	388 006	217 120
Total	2 959 468	2 501 252	2 589 376

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

Remaining maturity	2019-09-30	2018-12-31	2018-09-30
Maximum 1 year	-	98 750	80 117
Longer than 1 year but maximum 5 years	2 752 704	2 040 791	2 156 779
Longer than 5 years	206 764	361 710	352 480
Total	2 959 468	2 501 252	2 589 376

Total holdings of financial assets, broken down by issuer	2019-09-30	2018-12-31	2018-09-30
Issued by public entities	2 056 162	1 964 529	2 020 802
Issued by other borrowers	903 307	536 723	568 574
Total	2 959 468	2 501 252	2 589 376
Average remaining maturity, years	3,06	3,29	3,14
Average remaining fixed interest term, years	0,54	0,36	0,68
<i>of which listed securities, TSEK</i>	<i>2 959 468</i>	<i>2 501 252</i>	<i>2 589 376</i>
<i>of which unlisted securities, TSEK</i>	<i>-</i>	<i>-</i>	<i>-</i>

Note 6 Liquidity reserve and liquidity risk

	2019-09-30	Distribution by currency			2018-12-31	Distribution by currency		
		SEK	NOK	DKK		SEK	NOK	DKK
Securities issued or guaranteed by government or central bank	88 566	-	-	88 566	388 006	-	22 957	365 049
Securities issued or guaranteed by municipalities or non-governmental public entities	1 967 595	1 673 211	294 384	-	1 576 523	990 325	586 198	-
Covered bonds issued by others	720 391	-	720 391	-	439 892	25 748	414 144	-
Securities issued or guaranteed by multilateral development banks	182 916	-	182 916	-	96 831	-	96 831	-
Total	2 959 468	1 673 211	1 197 691	88 566	2 501 252	1 016 073	1 120 130	365 049
<i>Distribution by currency, %</i>		<i>57%</i>	<i>40%</i>	<i>3%</i>		<i>41%</i>	<i>45%</i>	<i>15%</i>

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 2.2 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	2019-09-30	2018-12-31
Capital instrument and associated share premium	5 000	5 000
Reserves	5 448 358	5 138 247
Accumulated other comprehensive income	-247 599	-365 069
Profit net, after deduction of foreseeable cost's and dividend's, verified by auditors	202 852	297 790
Common Equity Tier 1 Capital before adjustments	5 408 611	5 075 968
Value adjustments due to the requirements for prudent valuation	-4 617	-5 287
Intangible assets	-83 928	-94 152
Deferred tax assets that rely on future profitability and arise from temporary differences	-34 717	-34 717
Negative values associated to expected losses	-	-
Losses current year	-	-
Total adjustments of Common Equity Tier 1 Capital	-123 262	-134 157
Common Equity Tier 1 Capital	5 285 349	4 941 811
Additional Tier 1 Capital: instruments	-	-
Tier 1 Capital	5 285 349	4 941 811
Tier 2 Capital: Instruments and provisions	2019-09-30	2018-12-31
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	5 285 349	4 941 811
Total risk weighted exposure amount	32 115 426	30 083 688
Common Equity Tier 1 capital ratio	16,5%	16,4%
Tier 1 capital ratio	16,5%	16,4%
Total capital ratio	16,5%	16,4%
Requirements buffers, %	2019-09-30	2018-12-31
Total Tier 1 capital requirement including buffer requirement	9,2	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>	2,2	1,8
<i>whereof system risk buffer requirement</i>	-	-
Common Equity Tier 1 capital available to be used as buffer	7,3	7,8
Leverage ratio	12,3	12,6

Risk exposure amount and own funds requirement for credit risk

Exposure classes	2019-09-30		2018-12-31	
	Risk exposure amount	Own funds requirement	Risk exposure amount	Own funds requirement
Institutional exposures	785 466	62 837	740 465	59 237
Covered bonds	72 039	5 763	46 564	3 725
Retail exposures	22 748 043	1 819 843	20 925 781	1 674 062
Regional governments or local authorities exposures	1 561	125	1 876	150
Corporate exposures	4 086	327	6 914	553
Exposures in default	1 180 005	94 400	861 895	68 952
Other exposures	270 073	21 606	377 835	30 227
Total	25 061 273	2 004 902	22 961 330	1 836 906
			2019-09-30	2018-12-31
Total capital requirement for credit risk according to the standardized approach			2 004 902	1 836 906
Capital requirement for operational risk			2019-09-30	2018-12-31
Risk exposure amount			4 632 277	4 268 360
Capital requirement according to the standardized approach			370 582	341 469
Total capital requirement for operational risk			370 582	341 469
Capital requirement for market risk (foreign exchange risk)			2019-09-30	2018-12-31
Risk exposure amount			2 421 875	2 853 998
Capital requirement			193 750	228 320
Total capital requirement for market risk			193 750	228 320
Capital requirements for settlement risk			-	-
Capital requirements for credit value adjustment (CVA) risk			-	-
Total capital requirements			2 569 234	2 406 695

Internal capital requirement

	2019-09-30		2018-12-31	
		% of REA*		% of REA*
Capital requirement according to Pillar 1				
Credit risk	2 004 902	6,2	1 836 906	6,1
Market risk	193 750	0,6	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	2 569 234	8,0	2 406 695	8,0
Capital requirement according to Pillar 2				
Other capital requirement	237 394	0,7	214 868	0,7
Total capital requirement according to Pillar 2	237 394	0,7	214 868	0,7
Combined buffer requirement				
Countercyclical buffer	712 623	2,2	549 087	1,8
Capital conservation buffer	802 886	2,5	752 092	2,5
Total combined buffer requirement	1 515 509	4,7	1 301 179	4,3
Management buffer				
Additional management buffer	642 309	2,0	601 674	2,0
Total management buffer	642 309	2,0	601 674	2,0
Internal capital requirement				
Total capital requirement	4 727 052	15,6	4 309 548	15,1
Capital base				
Total capital base	5 285 349	16,5	4 993 138	16,4

*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		
	2019-09-30	2018-12-31	2018-09-30	2019-09-30	2018-12-31	2018-09-30
Assets						
Loans to credit institutions	3 926 874	3 701 886	2 680 011	-	-	-
Other assets	983	1 321	1 115	-	-	-
Total	3 927 857	3 703 208	2 681 126	-	-	-
Liabilities						
Amounts owed to credit institutions	16 224 832	14 587 413	13 938 246	16 224 832	14 587 413	13 938 246
Other liabilities	10 107	26 913	13 966	13 007	21 497	21 497
Total	16 234 939	14 614 326	13 952 213	16 237 839	14 608 911	13 959 743
Income statement						
Interest income	3 486	802	86	-	-	-
Interest expenses	-102 877	-80 390	-57 710	-102 827	-80 210	-57 603
Commission income	60 548	115 061	59 579	-	-	-
Commission expenses	-4 240	-5 400	-4 048	-	-	-
Other expenses	-5 093	-7 586	-5 138	-	-	-
Total	-48 175	22 486	-7 232	-102 827	-80 210	-57 603

Stockholm November 22, 2019



Freddy Syversen
Chief Executive Officer