



Ekspres Bank A/S

Oldenburg Allé 3

DK- 2630 Taastrup

CVR No. 16 91 79 31

Annual Report

20 21

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Company Information

EKSPRES BANK A/S

Oldenburg Allé 3
DK- 2630 Taastrup
Phone: +45 70 23 58 00
www.expressbank.dk

OWNERSHIP

The company is owned by
BNP Paribas Personal Finance S.A.
Unicity
143 rue Anatole France
92300 Levallois-Perret
France

BNP Paribas Personal Finance S.A. is a 100% subsidiary of the BNP Paribas Group.

BOARD OF DIRECTORS

Jean-Pierre Charles (*Chairman*)
Caroline Soulié
Claudine Françoise Pince Smith
Terence Mc Cormick
Gilles de Wailly
John Poulsen
Magnus Beer
Michael Ravbjerg Lundgaard (*Independent director*)
Marion Lorenzen (*Employee representative*)
Jenny Gaffner (*Employee representative*)
Axel Stefan Lundström (*Employee representative*)
Per Eriksønn Brobakke (*Employee representative*)

EXECUTIVE BOARD

Annika Olsson
CEO

AUDITORS

Deloitte

CEO Comments



Looking back at 2021, I think that we all can agree that it was more than a challenging year.

The global COVID-19 pandemic has had an impact on our business and personal life and there is no doubt that the challenges we faced over the past year and a half have been tremendous, affecting every corner of the world i.e. individuals, companies, workplace for employees, communities and society, at large.

At Ekspres Bank, we had the majority of our employees working from home and they proved to be amazingly resilient by remaining consistent and focused on providing our partners and customers with an excellent service.



2021 was a year where regulatory constraints clearly marked our business and encouraged us to focus on strengthening parts of our organization while business was suffering. The Danish Financial Supervisory Authority carried out more than one inspection of our bank and issued a number of orders, accordingly. Particularly the new and increasingly demanding regulatory requirements on the credit worthiness assessment procedure had a severe and negative impact on the year results, especially on our Danish business. The Bank has chosen to respond to inspections and regulatory changes, by strengthening its foundations and improving digital processes, in order to strengthen its position and support future growth.

One of the levers of our growth ambitions was the rebuild of a new organizational structure and a management more oriented towards the Nordic countries, in order to better capitalize on synergies and data-driven developments with a more agile and dynamic way of working.

In the spring of 2021, we initiated a complete transformation and harmonization of the entire Nordic organization, involving all departments, managers and employees, which resulted in a strengthened and improved governance structure, as well as empowered support functions in Risk, Legal and Compliance departments.

A resource demanding exercise, which needed necessary attention, given the fact that our company had grown rapidly throughout the past few years, both in terms of business and organization. The Bank will benefit from this effort, already in 2022, where we will turn around the dissatisfactory results of 2021 and return our focus on business and growth.

During this transformation, which lasted for the remaining part of the year along with many challenges, I was delighted to witness many colleagues seizing opportunities and taking on new responsibilities. The same gratitude goes to the members of the Nordic Executive Committee, in 2021, where we welcomed four new members, and with whom I have built our business strategy for 2025.

Another of the levers of our growth ambitions is the launch of a new Nordic IT platform in 2022, a platform in which we have invested widely in 2021. This platform will enable us to offer our Nordic retail partners a seamless

Nordic setup and its technology will allow us to extend our product offers to our customers. Internally, we will harvest synergies in systems and processes, and as our business grows and diversifies, it will create new opportunities for our employees. There are multiple gains to achieve, which is why the launch of this huge IT project is a top priority for the Management team and myself, and even more exciting now as the deadline of the launch is fast approaching.

The difficulties overcome in 2021 will give us a solid point of departure for future success, and even allow us to focus on areas beyond our core business. Our world is facing unprecedented challenges such as climate changes, depletion of natural resources and rising inequalities, and we believe that consumption is at the core of these global challenges. Through a more responsible consumption, people have the power to preserve natural resources, reduce their carbon footprint, making a difference on a greater scale. Therefore, we will extend our commitment to promote access to more responsible and sustainable consumption to support our customers and partners.

Our commitment is mobilised around three domains:

1) Exemplarity, 2) Transformation of business and 3) Action in society, and testifies to a long-term transformation of our company, as it is our aim to contribute to the ambition of BNP Paribas being the leader in sustainable finance. Our journey has only just begun, and the positive impact begins with each of us.

As we look ahead, today, we can say that we have encountered difficulties & challenges but we have used them wisely to do the necessary work to secure and strengthen our foundation and be ready to deliver future growth.

With the vision and support of our Board of Directors and our incredible staff, we look forward to getting back to business, delivering and implementing the ambitious strategy plan as well as being the best choice for all our customers and partners.

Annika Olsson
Nordic CEO

Statement by the Management



The Board of Directors and the Executive Board have today reviewed and approved the Annual Report of Ekspres Bank A/S for 2021. The Annual Report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Annual Report gives a true and fair view of the Bank's assets, liabilities and financial position at the 31st December 2021 as well as the result of operations for the period 1st January – 31st December 2021.

Moreover, in our opinion, the management's review gives a true and fair view of the development of the Bank's activities and financial position and describes the most significant risks and uncertainties that may affect the company.

The management will submit the Annual Report to the general meeting for approval.

Copenhagen, the 21st April 2022.

EXECUTIVE BOARD

Annika Olsson
CEO

BOARD OF DIRECTORS

Jean-Pierre Charles
Chairman

Caroline Soulié

Terence Mc Cormick

Claudine Francoise Pince Smith

Gilles de Wailly

John Poulsen

Magnus Beer

Michael Ravbjerg Lundgaard

Axel Stefan Lundström

Marion Lorenzen

Per Eriksønn Brobakke

Jenny Gaffner

Independent Auditor's Report

To the shareholder of Ekspres Bank A/S

OPINION

We have audited the financial statements of Ekspres Bank A/S for the financial year 01.01.2021 to 31.12.2021, which comprise the financial highlights, income statement and comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2021 and of its financial performance for the financial year 01.01.2021 to 31.12.2021 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Ekspres Bank A/S for the first time on 16.03.2016 for the financial year 2016. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of six years up to and including the financial year 2021.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 01.01.2021 to 31.12.2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Ekspres Bank A/S' loans amounted to DKK 13.341 million at 31 December 2021 (31 December 2020: DKK 13.215 million). From 1 January to 31 December 2021, loan impairment charges amounted to DKK 407 million (1 January to 31 December 2020: DKK 395 million).

Determining expected loan impairment is subject to significant uncertainty and to some degree based on management judgement. Due to the significance of such management judgement and the loan volumes of Ekspres Bank A/S, auditing loan impairment charges and provisions for guarantees is a key audit matter.

The principles for determining loan impairment charges are further described in the Summary of significant accounting policies, and Management has described the management of credit risks and the review for impairment in note 15 and 23.

The areas of loans involving the highest level of management judgement, thus requiring greater audit attention, are:

- Segmentation of customers in the defined risk stratas
- Parameters and management judgements in the calculation model used to determine expected losses in the 3 stages.

How the matter was addressed in our audit

Based on our risk assessment, our audit comprised a review of the Bank's relevant procedures, testing of relevant controls and analyses of the credit quality of loans, including the amount of impairment charges.

Our audit procedures included, but were not limited to:

- Challenging the methodologies applied for the areas involving the highest level of management judgement by using our industry knowledge and experience.
- Challenging key assumptions in the calculation model applied with particular focus on objectivity and the data used.
- Challenging management judgments in the calculation model used with special focus on the management consistency and bias, including challenging documentation of adequacy of management judgement.
- Obtaining and substantively testing the accuracy of the impairment model's segmentation in stratas.
- Reviewing, on a portfolio basis, creditimpaired loans, including checking for adequate impairment charges.

Independent Auditor's Report

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

STATEMENT ON MANAGEMENT COMMENTARY

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 21.04.2022

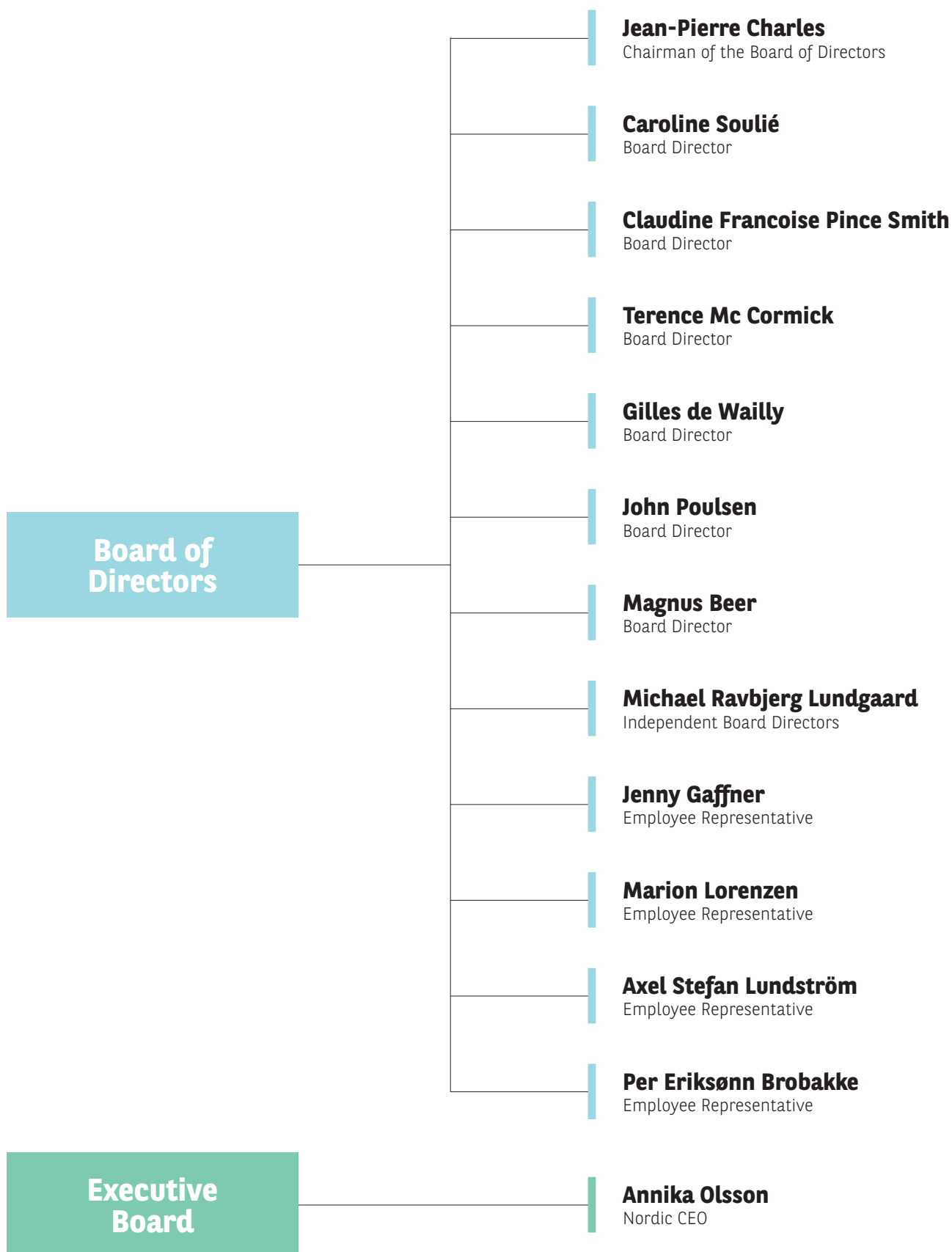
DELOITTE

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Ringbæk
State-Authorised Public Accountant
MNE no 27735

Lars Dalgaard Agersted
State-Authorised Public Accountant
MNE no 46258

Board of Directors



Board of Directors



Jean-Pierre Charles (Chairman of the Board)

Deputy Chief Executive Officer Non-Domestic Markets
and Chief Executive Officer UK, Nordics & Portugal - BNP
Paribas Personal Finance
Chairman of the Board - Ekspres Bank A/S



Caroline Soulié

Head of Customers and Partners experience and BtoC - BNP
Paribas Personal Finance
Board Director - Ekspres Bank A/S



Terence Mc Cormick

Chief Risk Officer - BNP Paribas Personal Finance
Board Director - Ekspres Bank A/S



John Poulsen

Board Director - Ekspres Bank A/S
Member of Risk - and Audit Committee - Ekspres Bank A/S



Claudine Francoise Pince Smith

Country Head - BNP Paribas Norway
Board Director - Ekspres Bank A/S
Board Director - Alfred Berg Kapitalforvaltning AS
Board Director - BNP Paribas Leasing AS
Chairwoman of the French Trade Advisor in Norway
Vice-President of the French-Norwegian Chamber of Commerce



Magnus Beer

Board Director - Ekspres Bank A/S
Chairman of Risk Committee - Ekspres Bank A/S
Board Director - Sigtunaskolan Humanistiska
Läroverket Foundation
Board Director - Beer Wallden Holding AB



Michael Ravbjerg Lundgaard

Independent Board director - Ekspres Bank A/S
Member of the Audit Committee - Ekspres Bank A/S
Chief Audit Executive - DSB



Gilles de Wailly

CIO - BNP Paribas Personal Finance
Board Director - Ekspres Bank A/S
Board Director - Alpha Credit
Chairman of the Board-United Partnership

EMPLOYEE REPRESENTATIVES



Marion Lorenzen

Board Director - Ekspres Bank A/S
Owner and head of Maitreya Invest ApS
Owner and head of - Maitreya Properties Ltd.
Owner and head of - Anytime



Jenny Gaffner

Board Director - Ekspres Bank A/S
Chairman of the Board - Malmö Montessori School



Per Eriksønn Brobakke

Board Director - Ekspres Bank A/S



Axel Lundström

Board Director - Ekspres Bank A/S

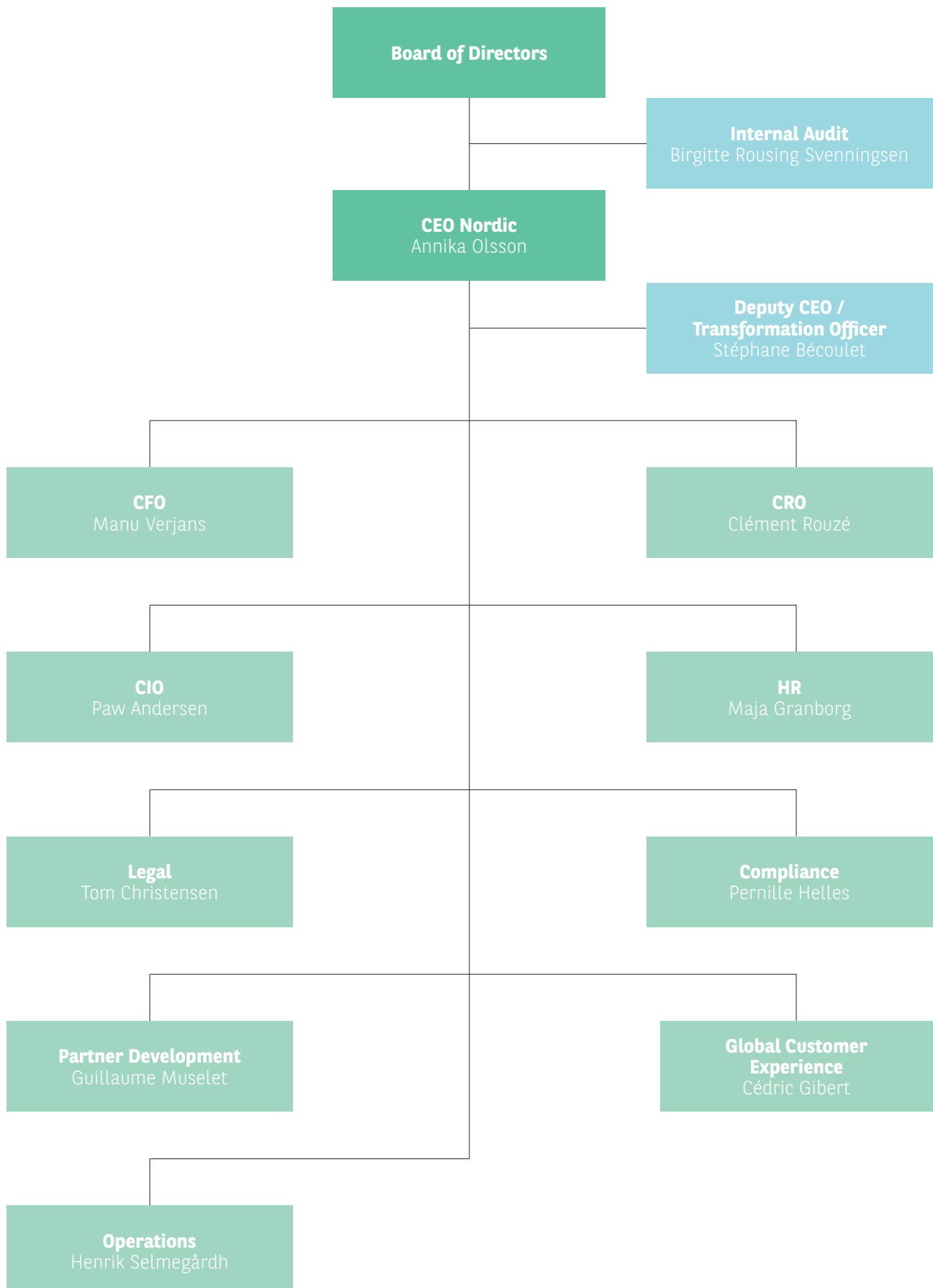
EXECUTIVE BOARD



Annika Olsson

Nordic CEO - Ekspres Bank A/S
Board Director - Finans & Leasing
Board Director - IDEX Biometrics ASA

Nordic organisation



Our business

BUSINESS INTRODUCTION

Ekspres Bank is a Nordic digital consumer bank, which aims to help as many people as possible realizing their projects, being large or small, in a responsible way.

Established in 1987 in Denmark, our company started out as a niche player in the Danish market thanks to a cooperation between Handelsbanken and Dansk Supermarked. In 2008, we obtained a banking license and expanded our operations to Norway, followed up by an acquisition of Seven-Day AB in Sweden in 2017 to strengthen our position in the Nordics. Today we work as integrated Nordic entity while being a fully owned subsidiary by BNP Paribas Personal Finance and part of the BNP Paribas Group, which employs 193.319 people across 68 countries.

Our mission is to help as many people as possible by realizing their projects, whether large or small, in a responsible way.

Our commitment is to promote access to more responsible and sustainable consumption to support our customers and partners.

Our business offering is founded on two pillars: To support household plans and budgets for individuals, and to meet the specific need of our partners:

1. Facilitating personal projects

- Getting projects started with our credit solutions
- Bringing projects to life with our savings solutions
- Safeguarding people, property and money with our insurance policies

2. Offering services to help our partners with their strategic development plans

- Working toward long-term, shared goals by providing support to partners by roll-out of financial Services within retail, e-commerce, banking and insurance
- Working to develop solutions for each business model, branded or white-label development, and leveraging digital innovation to provide simple, user-friendly customer experiences
- Interpreting and anticipating innovations, market trends and consumer habits to better guide our partners and help them develop strategies that put customers first

The close attachment to retail business is a part of our DNA, and we strive to develop digital best-in-class solutions to enhance the customer experience at partners' stores and web shops.

Our distribution channels are divided into three main categories across the countries: Indirectly via our retail- and brokerage partners, and directly through our digital bank solution, which is branded "Express Bank" in Denmark and Norway, and "SevenDay Bank" in Sweden.

Our head office is located in Taastrup. In Norway we are represented through our office in Oslo, and in Sweden the office is located in Kista. In total, we:

- Employ >300 colleagues (equivalent to 292 FTEs)
- Serve >300.000 customers
- Process >1.800.000 applications annually

INTERNATIONAL SUPPORT BASE

Ekspres Bank has an international support base by BNP Paribas Personal Finance. We benefit from the better of two worlds, enjoying the financial support from our parent company, a necessity for running a robust modern bank, while staying agile and adaptive to our costumers' and partners' demands.



Our business

High Customer Satisfaction

Our customer rates our Bank **4.3** out of 5 on Trustpilot*

High Retailer Satisfaction

Our retail partners rate our service **7.76** out of 10**

**Average score in the Banking industry is 3,5
**in our latest retailer satisfaction survey*

THREE CORE VALUES

We manage our company based on three core values: **Exemplarity, Solidarity and Responsibility.**

The three values are illustrated by four behaviours:

- Give meaning to collective goals
- Foster innovation and agility
- Strengthen cross-functionality and cooperation
- Develop trust

A CULTURE OF RESPONSIVENESS

Since September 2019, we have employed an internal interactive programme of responsiveness thanks to the app and desktop solution "MoodStories". Twice a week all colleagues can rate their mood, which is captured in the app and subsequent reporting, enabling all colleagues to monitor the current and historical mood trend of yourself, your team and the total company. On an ongoing basis, the mood status is discussed in the respective teams in the organization. We apply this methodology because:

- We want to make sure, that we have a great place to work and if we struggle, we want to know it, we want to act on it, and we want to get back on track fast
- We want to empower employees, having transparency about ratings, the mood of our teams and our company
- We want to empower managers, getting feedback "here and now", which will enable us to act in a timely manner and pay attention to the most important issues – based on data driven feedback
- We want to encourage close relations between employees and managers and foster transparency, allowing us to talk openly about the factors, which make our company a great place to work, and the factors which can be improved
- We want to act and manage in a digital, agile, dynamic and transparent way

EMPLOYEE PROFILE



Our business

THE KISS APPROACH

KISS stands for "Keep It Simple and Smart". It is an initiative from our parent company and it consists of 17 guidelines, which define "good manners" at work, ways to increase efficiency and exemplify our ambition for work life.

KISS is an integral part of the BNP Paribas Personal Finance culture of tomorrow and Group transformation targets for 2025.

In Ekspres Bank, we rolled out 12 of the guidelines at the end of 2021. The guidelines concern email behavior, work phone professionalism and meeting culture. A 2022 plan is designed to support the implementation and compliance of the internal work guidelines.

CSR ON THE AGENDA


Ekspres Bank follows fundamental rules and principles to pursue the position as a responsible bank e.g.:

- Following a group charter on the protection of customer interest protection, ensuring sufficient and transparent information and guidance to our existing and potential customers
- Collaborating with competitors via the sectoral association, "Finance and Leasing" on the tool "Kredit-Status" to ensure responsible lending
- Practicing a non-biased employment culture in terms of gender, religion, race etc.

Ekspres Bank has practiced responsible lending at all times. However, due to the world's unprecedented challenges: Climate changes, the depletion of natural resources, and rising inequalities, combined with high ambitions in the area of CSR from our parent company, we have committed to a long-term transformation of our company, as we aim to contribute to BNP Paribas' ambition to be the leader in sustainable finance.

Therefore, we commit to make a positive impact in three key domains, defined by our parent company:

T  **be exemplary as a company and employer**

T  **transform our business, operating models and offers**

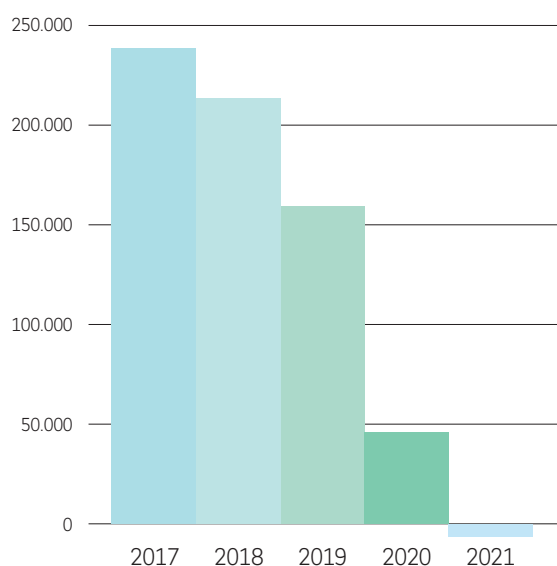
T  **make a positive impact beyond our business in our fields of expertise**

To support this long-term transformation with a strategic milestone at 2025, the Nordic Executive Committee formulated a plan by the end of 2021 with focus areas for 2022 within these three key domains. Examples are:

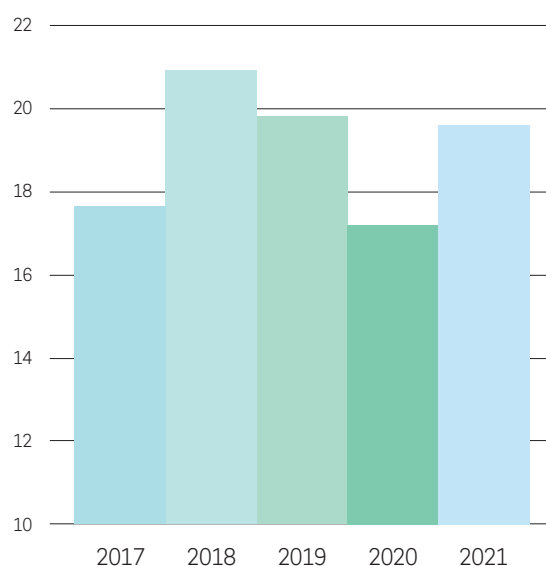
- Ensure that we offer a sustainable and inclusive workplace which is attractive for colleagues at all ages and level of seniorities, with diverse backgrounds culturally, religiously, country of birth etc. and giving special attention to secure a gender balance of at least 60/40 and attract more colleagues below 25 years
- A movement towards a stop of plastic and paper usage at work to the extent possible. We have stopped renewing laptops every three years. Instead, we consider the specific individual needs before replacement, as we strive for them to last as long as possible. In 2022, we will explore the possibilities of donating electrical equipment
- A strive towards a 100% digital document exchange flow with our more than 300.000 customers. When our customers sign a contract we encourage e-signing, and today we have a success rate of 98%
- Avocation for e-billing for our customers in order to reduce paper usage. While we work towards our target of being 100% digital, we acknowledge that penetration rates differ across countries. Our Danish customers are front-runners. 99,36% receive their payment notification digitally. 75% of our Swedish customers choose the same, followed by 35% of our Norwegian customers
- Commitment to support people on financial and digital literacy by empowering people with access to knowledge and digital devices, to foster autonomy and responsibility. Our home banking service is key to accompany our customers remotely and help them achieve selfservice operations at any time and place. On this note, we look forward to launch a new app to our Nordic customers in 2022, which will enable us to enhance our services to our customers remarkably. In addition, we believe to have an obligation to share knowledge about financial fundamentals, and we use every opportunity to do so. On our websites, by emails and social media channels, our customers find advices on not only budgeting, but also numerous examples of guidance related to everyday life, everyday consumption and everyday savings
- We all have a responsibility to treat our environment with respect to create a better planet for all. In 2022, we will extend our attention to garbage - beyond our own premises - as we will join the World Clean Up event in September.

Highlights of 2021

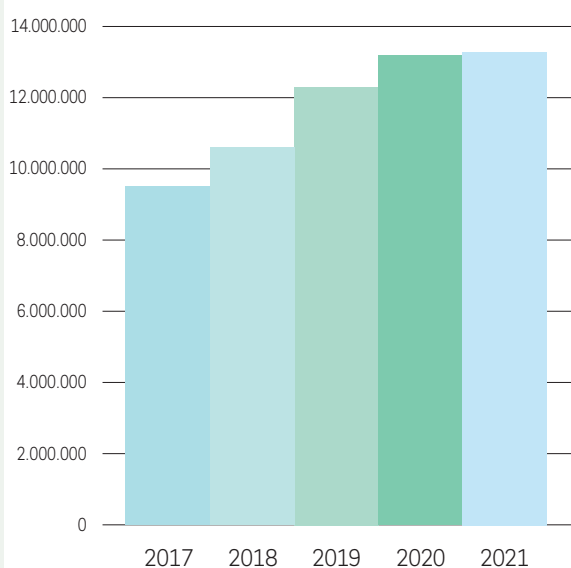
Net profit for the year after tax (DKK '000)



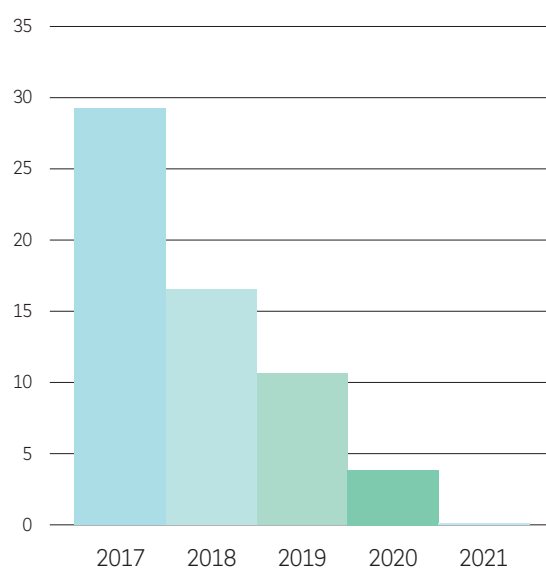
Solvency ratio (%)



Loans (DKK '000)



Return on equity before tax (%)



Nordic overview

Share of total outstanding balance

NORWAY

10.3%

Acquisition channels being via retail partners, brokers and direct business

SWEDEN

52.6%

Acquisition channels being via retail partners, brokers and direct business

DENMARK

37.1%

Acquisition channels being via retail partners, brokers and direct business



Risk factors

The Bank's strategy is to offer a competitive full range of financial products and services, designed to meet the customers' needs, thus improving customer satisfaction and loyalty for a long-term business growth and profitability. The Bank's core business consists of providing unsecured loans and credit facilities to customers. In order to support the business model a number of policies have been defined as part of the risk assessment process; policies considered to be in line with industry standards of the Nordic financial market.

FINANCIAL RISKS AND POLICIES

The Bank's exposure to a wide range of financial risks is managed at different levels in the company. The Bank's financial risks include credit risk, market risk and liquidity risk, respectively:

CREDIT RISK

The Bank's primary risk is the credit area. The maximum loan amount granted to private individuals is 500.000 DKK, 500.000 NOK and 500.000 SEK in Denmark, Norway and Sweden.

The Bank only deals with and provides commitments to clients considered in capacity to repay the contracted debts. Credit decisions to provide commitments to clients are well informed and based on a complete, synthetic, coherent and up-to-date analysis of the client and the transaction. This includes understanding the client needs on all transactions and checking the adequacy of the proposed transactions with the objectives of clients.

In order to mitigate risk resulting from the exposure within the credit area, the Bank executes on a defined strategy of operating geographically and demographically diversified loan portfolio in the Nordic countries and furthermore the average loan size per debtor is limited.

The Bank performs a systematic monitoring of the loan portfolio at all stages. Furthermore, the Bank performs an automated credit scoring of all new loans. The credit scoring is based on historical performance, information received from its customers, information from digital solutions with public authorities and registers with the customer's approval.

The Bank applies an effective internal control system on all delinquent accounts. The Bank continuously adjusts its credit scoring process and approval conditions in order to adapt to the underlying trends of the current economic climate.

The Bank mitigates credit risk through the implementation of collection processes in case of the customer failing to meet its obligations in accordance with agreed terms. These collection processes are performed by the Bank's internal collection department and outsourcing partners.

Impairment are applied systemically in accordance with an IFRS9 based model, where an assessment is made on the customers historically ability to repay, global economic evolution and stress factors.

At any time and in accordance with the existing credit policies, guidelines and procedures, reports on the portfolio segmentation of the Bank are regularly prepared for local committees, with the participation of the Bank's Management. Moreover, monthly reports are prepared for the Corporate Risk department and a separate reporting is performed and presented during scheduled Risk Committee and Board of Directors meetings.

MARKET RISK

The Bank's market risk is related to interest-rate risks and currency risks.

MARKET RISK; INTEREST-RATE RISK

Interest rate risk is the risk of a potential loss following a change in interest rates (increase or decrease). The Bank's interest-rate risk derives from the difference between the interest on the Bank's loans book and the interest on the funding (including the interest-rate risk on deposits).

Most of the Bank's lending and deposits are provided on adjustable rate basis, which means that the market risk is limited. The Bank's policy is to match the interest risk on the funding and loans in order to mitigate the interest risk. The Bank attempts, as far as possible, to hedge the remaining risk with swaps.



Risk factors

MARKET RISK; CURRENCY RISK

Currency risk is the risk of potential loss following unfavourable movements in exchange rates.

With the aim of reducing exchange-rate risk to the lowest possible level, it is the Bank's policy to obtain funding in the same currency as loans. Thus, the Bank is exposed to very limited FX risk.

LIQUIDITY RISK

Liquidity risk is the situation where the Bank is not able to fund the Bank's activities or repay debt including repaying deposits to clients.

The Bank is partly funded by BNP Paribas S.A. who is on the Financial Stability Board's list of Global Systemically Important Banks (G-SIBs). The rating of BNP Paribas is Moodys; AA3 and from standard and Poors: A+. On top of that, a large part of the Bank's balance in Sweden is funded by small deposits, from retail customers, with a maximum placed of up to SEK 1m per client.

That means the Bank has very stable funding sources and easy access to funding, which limits the Bank's liquidity risks.

The Bank's liquidity position is continuously monitored to ensure that the Bank meets its payment obligations at all times.

If liquidity drops below the established limits of the excess liquidity coverage, the necessary actions will be initiated immediately in order to restore the agreed excess liquidity coverage ratio.

Necessary measures are prioritized as follows:

- Increase in current credit lines
- Establishment of more irrevocable money market lines

At least once a year, the Board of Directors reviews the Bank's liquidity policy and performs all necessary adjustments on the recommendation of the Executive Board.

OPERATIONAL RISK

Operational risk is the risk of loss due to inadequate or incomplete internal processes, human errors or actions, system faults and external events, including legal risks. Operational risk and, hence, potential losses can be minimized, but not eliminated, and the Bank's operational risk must be minimized and closely monitored.

Ekspres Bank considers the following elements as operational incidents: Events resulting from the inadequacy or failure of internal procedures/processes or external events, which has, could or could have resulted in a gain or loss of profit.

The Bank's policy regarding operational risks details the risk profile with the aim of mitigating any risks that might affect the business.

Operational incidents and losses are registered and reported monthly based on a materiality concept. The Board of Directors reviews this policy, at least once a year, performing the necessary adjustments on the recommendation of the Executive Board.

IT SECURITY

The Bank has established an IT-Security policy and a business continuity plan is in place with regular testing of fail-over capability to ensure business continuity. The Bank monitors its outsourced activities on an ongoing basis by means of supplier due diligence, security assessment and review of the suppliers ISAE3402 or SOC2 reports. Redundant system architecture with fail-over and remote access capability.

CORPORATE CULTURE

Ekspres Bank has a policy for healthy corporate culture (code of conduct). Ekspres Bank does not accept any way abuse of economic crime, including money laundering, terrorist financing, tax evasion etc. Neither does the Bank accept any kind of market manipulation, bribery or corruption. We operate a bank that acts responsibly, and the Bank will in no case compromise on this principle. Neither customer nor business partner is so good or important that the Bank will compromise on these principles, which are thus at all, times set higher than earnings. At the general meeting, the Chairman describes the implementation and compliance with the policy.

IN GENERAL

Procedures covering all the above risk areas have been specified. Ekspres Bank has estimated that the current number of employees is appropriate, and substantial financial resources are used to ensure that the staff and the Bank's cooperative partners are fully trained and updated, on a continuous basis, in order to comply with applicable legislation and the Bank's policies.

Management commentary

FINANCIAL REVIEW

The unprecedented health crisis continued to have a strong impact on the Bank during the year 2021. Together with the revised guidelines on the credit worthiness of the Bank's customers, implemented in Denmark, it has had a negative impact on the accounts and the Bank's operations with lower loan production. In this context, the Bank recorded a moderate growth in its loan balance compared to end of 2020 (1,0%).

In addition, the Bank has increased its provision to cover for credit losses mainly due a reassessment of the historical recoveries and the expected debt sales prices in the market, leading to an additional impairment recognition of DKK 148m.

In 2021 the FSA performed an ordinary inspection on the Bank, resulting in a list of orders for improvement. The Bank has responded to the orders and is close to the finalization of the implementation of the actions to comply with the orders. The inspection gave rise to a solvency add-on, leading to an increase in the Pillar 2 requirement this year of approximately 1,9%. The increase requirement is covered by a capital increase of DKK 350m end of 2021. The orders are expected to be fully closed during 2022.

The Bank continued in Sweden the One Nordic Platform project, consisting of harmonizing all its IT back-end systems under one common platform across the Nordic countries with an expected finalization in the first half of 2022.

The aim of the project is to better serve the Bank's partners and customers while implementing more efficient and flexible operating processes.

LOANS AND RECEIVABLES

The outstanding loans amount to DKK 13.341m, compared with DKK 13.215m at the end of 2020, which corresponds to an increase of 1,0%. The increase of DKK 126m is mainly driven by organic growth in the Swedish market.

NEW LOANS

Globally the amount of new loans and credit facilities remained in line compared to 2020 (+0,8%). A decrease in the Danish market following the impact of the new credit worthiness guidelines (-18,7% compared to 2020) has been offset by strong growth in the Swedish market (+16,2%) and the Norwegian market (+14,8%).

CREDIT RISK

Impairment losses recognized in 2021 amounted to DKK 407m against DKK 395m in 2020. Accordingly, the impairment loss ratio is 2,8% in 2021 and at the same level as in 2020 (2,8%). This development is mostly driven by LGD parameters update especially on the

Swedish portfolio with an increase of DKK 148m and by a methodological change with implementation of the new definition of default impacting for DKK 72m the level of impairment, partly offset by a management provision booked at end of 2020.

During the second half of the year, the Bank has reviewed its credit worthiness assessment process in Denmark leading to a significantly increased level of manual handling for new loans applications. As a result, production levels have significantly decreased since Q4 2021.

Additionally, the Bank has worked on its NPL reduction strategy and will execute its plan starting 2022.

RESULTS OF OPERATIONS

In 2021, the Bank delivers an overall result at DKK -1m before tax. Compared to last year, this is a decrease of DKK 80m, mainly driven by the evolution of the impairment losses and increased operating expenses and depreciation charges.

Net interest and fees decrease by 1,4% (down DKK 13m). The decrease is influenced by a decrease in sales in the Danish and Norwegian marked and a changed product mix, although partly offset by an increase in sales in Sweden, carrying a lower interest margin.

The Bank's operating expenses and depreciation charges increased by 12,6% and totaled DKK 480m against DKK 426m in 2020. This increase is driven by an increase in staff cost of DKK 14m following additional FTE and temporary staff expenses DKK +6m, increase in other administrative expenses of DKK 26m partly driven by reimplementation of activities partly put on hold during the pandemic, resulting in increased marketing charges DKK +3m, IT charges for DKK +8m, consultancy costs DKK +8m and other administration costs DKK +6m. Also amortizations and depreciations increased by DKK 13m mainly driven by accelerated amortizations on the Swedish IT-infrastructure to be replaced in 2022.



Management commentary

BALANCE SHEET

During 2021, the Bank's balance sheet increased by DKK 515m from DKK 14.840m to DKK 15.355m. The increase is mainly driven by increase receivables from credit institutions.

EQUITY AND SUBORDINATED DEBT

Equity totaled DKK 2.396m against DKK 2.060m at the end of 2020 including T1 loan.

NORDIC ORGANIZATION

In 2021 the Bank continued its transformation toward a full Nordic organization by building the future Nordic setup and investing in the organization and underlying IT-structure.

CAPITAL ADEQUACY RATIO

The Bank's capital base, less deductions, amounts to DKK 2.394m (including Tier1 and Tier2) and the capital adequacy ratio amounts to 19,6% at the end of 2021.

The Bank's solvency need was calculated to be DKK 1.440m, at the end of 2021, corresponding to 11,8% of the risk-weighted exposures. Compared with the actual capital base of DKK 2.394m including T1 capital and the capital adequacy ratio of 19,6%, the excess solvency is DKK 954m (7,8%), which is sufficient to cover the Capital Conservation Buffer, the Countercyclical Buffer and the Company Buffer decided by the Board of Directors. The excess capital adequacy is considered to be sufficient, and will ensure the continuous operations of the business as well as the development of the Bank.

No payment of dividend is planned based on the Annual Report for 2021 except for the interest on the Additional Tier 1 capital of DKK 15,1m.

CHANGES IN ACCOUNTING PRINCIPLES

No changes to accounting principles during 2021.

GENDER UNDER-REPRESENTATION

The Board of Directors elected by the general meeting of the Bank account for two female board members, thus at the level set as the present target and criteria that what decided by the Board in 2021. The Board's target for underrepresented gender is to reach a 60/40 mix by end of 2026.

At high level management there is an under-representation of one gender but there is no under-representation of one gender in the Bank's other managerial positions.

CSR

Please refer to page 14 for a description of our CSR policy.

POST BALANCE SHEET EVENTS

We refer to the outlook for 2022. No other events have occurred after the end of the financial year 2021, which could affect the assessment of the Annual Report.

OUTLOOK FOR 2022

In 2022, the Bank will continue its transformation toward a fully Nordic organization that aspires to serve its Nordic partners and customers even better than today. The focus will be of the implementation of new Nordic IT platform in 2022, a platform in which we have invested widely in 2021. This platform will enable us to offer our Nordic retail partners a seamless Nordic setup, its technology will allow us to extend our product offers to our customers, and we focus on delivering more user-friendly digital tools for our customers.

In 2022 the organization have focus on strengthening the Independent Risk function of the Bank securing the risk and control setup.

The Bank's mission remains unchanged. We continue to focus on serving our clients to make sure that we support customers who want to realize projects, as well as, offer the best possible solutions and conditions for customers, who may eventually suffer from payment difficulties.

In 2021 the Danish Financial Supervisory Authority carried out inspections of our bank and issued a number of orders, accordingly. Particularly the new and increasingly demanding regulatory requirements on the credit worthiness assessment procedure had a severe and negative impact on this year's results, especially on our Danish business. The Bank has chosen to respond to inspections and regulatory changes, by strengthening its foundations and improving digital processes, in order to strengthen its position and support future growth.

For 2022 the Bank expects a significant improvement in the result, where the profit before tax is expected to be in the range of approximately DKK 50-75m. The forecast is subject to uncertainty and macroeconomic development.

Supervisory diamond

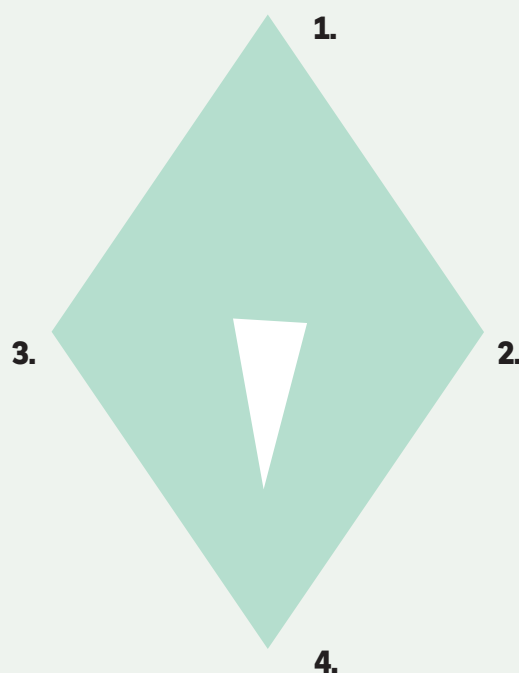
The Danish FSA has created a monitoring tool called the “Supervisory diamond” consisting of four benchmarks on specific risk areas, stating limit values which the Bank should basically observe.

The four benchmarks are as follows:

1. Sum of large exposures
2. Lending growth
3. Concentration of commercial property exposures
4. Excess liquidity coverage

As of 31 December 2021, the Bank was complying with all four benchmarks set up by the Danish FSA.

| SUPERVISORY DIAMOND EKSPRES BANK REQUIRED | | |
|--|-------|--------|
| 1. benchmark -> Sum of large exposures < 175% | 0% | < 175% |
| 2. benchmark -> Lending growth < 20% | 1,0% | < 20% |
| 3. benchmark -> Concentration on commercial property exposures < 25% | 0% | < 25% |
| 4. benchmark -> Liquidity ratio > 100 pct. | 13,76 | > 1,00 |



White lines = Ekspres Bank
Green area = Limit values

Solvency

| (DKK '000) | 2021 | 2020 |
|--|------------------|------------------|
| Equity | 2.210.482 | 1.882.895 |
| Deferred tax assets | -11.654 | 0 |
| Intangible assets | -448.433 | -415.591 |
| IFRS9 phasing | 44.337 | 62.072 |
| Investments, etc. | -9.968 | -10.227 |
| Other deductions | -766 | 0 |
| Total core capital after deductions | 1.783.998 | 1.519.149 |
| Additional T1 loan capital | 185.474 | 177.452 |
| Total T1 capital after deductions | 1.969.472 | 1.696.601 |
| Subordinated loan capital after deductions | 424.045 | 365.000 |
| Total capital base after deductions | 2.393.517 | 2.061.601 |
| Total weighted items | 12.211.880 | 11.776.010 |
| Solvency ratio | 19,6 | 17,5 |

The Bank's capital base, less deductions, amounts to DKK 2.394m, at the end of 2021.
The Bank's capital adequacy ratio amounts to 19,6% end of 2021.

The excess capital adequacy is considered to be sufficient, and will ensure the continuous operations of the business as well as the development of the Bank.

Financial highlights

| Key figures (DKK '000) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| Net interest and fee income | 881.111 | 893.764 | 866.748 | 779.248 | 634.305 |
| Market value adjustments | 2.553 | -1.600 | 6.360 | 1.263 | -3.182 |
| Staff costs and administrative expenses | 444.447 | 403.854 | 380.405 | 351.325 | 310.228 |
| Write-down of loans and receivables, etc. | 406.975 | 394.824 | 279.264 | 158.013 | 15.628 |
| Net profit for the year | -6.295 | 49.794 | 162.665 | 211.310 | 234.386 |
| Loans | 13.341.233 | 13.214.872 | 12.376.605 | 10.654.044 | 9.517.088 |
| Deposits | 6.724.153 | 6.954.566 | 4.881.467 | 4.118.927 | 4.558.803 |
| Equity | 2.395.956 | 2.060.347 | 2.046.322 | 1.897.735 | 1.467.798 |
| Total assets | 15.354.607 | 14.840.180 | 13.736.979 | 12.270.471 | 11.357.809 |

| Ratios (DKK '000)* | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| Capital base | 2.393.517 | 2.061.601 | 2.133.689 | 1.981.062 | 1.480.497 |
| Solvency ratio | 19,6 | 17,5 | 19,8 | 21,2 | 17,9 |
| Core capital ratio | 16,1 | 14,4 | 16,4 | 18,1 | 14,4 |
| Return on equity before tax | 0,0 | 3,9 | 10,4 | 16,2 | 29,1 |
| Return on equity after tax | -0,3 | 2,4 | 8,2 | 12,6 | 22,5 |
| Income/cost ratio | 1,0 | 1,1 | 1,3 | 1,5 | 1,9 |
| Interest-rate risk | 0,4 | 0,6 | -3,1 | -3,6 | -2,5 |
| Currency position | 2,9 | 5,3 | 0,0 | 0,0 | 0,0 |
| Currency risk | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Loans relative to deposits | 0,5 | 0,5 | 0,4 | 0,4 | 0,5 |
| Gearing of loans, end of year | 5,6 | 6,4 | 6,0 | 5,6 | 6,5 |
| Annual growth in loans | 1,0 | 6,8 | 16,2 | 11,9 | 142,5 |
| Excess cover relative to statutory liquidity requirements** | 1.375,8 | 547,8 | 387,0 | 411,3 | 142,4 |
| Total amount of large exposures | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Net impairment ratio | 2,8 | 2,8 | 2,2 | 1,4 | 0,2 |
| Return on assets | 0,0 | 0,3 | 1,2 | 1,7 | 2,1 |

* Calculated in accordance with the Danish FSA's definition of ratios.

** The methodology for measuring the liquidity ratio has been changed from June 2018 according to the new guidance from FSA, from the previous \$152 liquidity ratio to the new benchmark for LCR. The ratio for the previous years is based on the old method. Therefore the ratio from 2018 cannot be compared with the ratios for previous years.

Income statement and comprehensive income

| (DKK '000) | NOTE | 2021 | 2020 |
|--|------|---------------|---------------|
| Interest income | 1 | 907.227 | 930.619 |
| Interest expenses | 2 | 135.363 | 150.350 |
| Net interest income | | 771.864 | 780.269 |
| Fees and commission income | 3 | 132.718 | 138.122 |
| Fees and commission paid | | 23.417 | 24.627 |
| Net interest and fee income | | 881.111 | 893.764 |
| Market value adjustments | 4 | 2.553 | -1.600 |
| Other operating income | 5 | 2.760 | 8.810 |
| Staff costs and administrative expenses | 6 | 444.447 | 403.854 |
| Amortisation, depreciation and impairment of intangible assets and property, plant and equipment | | 35.593 | 22.600 |
| Impairment losses, loans and receivables, etc | 15 | 406.975 | 394.824 |
| Profit before tax | | -591 | 79.696 |
| Tax | 16 | 5.704 | 29.902 |
| Profit for the year | | -6.295 | 49.794 |
| Other comprehensive income after tax | | -886 | -9.384 |
| Total comprehensive income | | -7.181 | 40.410 |

Recommended appropriation of profit

| | | |
|--|------------------|------------------|
| Profit for the year | -6.295 | 49.794 |
| Profit retained from previous years | 1.027.865 | 1.001.831 |
| Exchange-rate adjustment | -886 | -9.384 |
| Total amount to be appropriated | 1.020.714 | 1.042.241 |
| Proposed dividend | 0 | 0 |
| Additional T1 capital interest | 15.088 | 14.346 |
| Transferred to equity | 1.005.626 | 1.027.895 |
| Total amount appropriated | 1.020.714 | 1.042.241 |

Balance sheet

| Assets (DKK '000) | NOTE | 2021 | 2020 |
|--|-------------|-------------------|-------------------|
| Cash in hand and demand deposits with central banks | | 19 | 19 |
| Receivables from credit institutions and central banks | 8 | 1.044.072 | 682.734 |
| Loans and other receivables at amortised cost | 9 | 13.341.233 | 13.214.872 |
| Investment securities | 10 | 8.003 | 7.427 |
| Investments in affiliated undertakings | 11 | 9.968 | 10.227 |
| Goodwill | 12 | 247.567 | 254.006 |
| Other intangible assets | 13 | 200.866 | 161.585 |
| Property, plant and equipment | 14 | 26.340 | 37.259 |
| Current tax assets | | 29.650 | 10.430 |
| Deferred tax assets | 17 | 11.654 | 0 |
| Other assets | 18 | 63.093 | 82.023 |
| Prepayments | | 372.142 | 379.598 |
| Total assets | | 15.354.607 | 14.840.180 |

Balance sheet

| Liabilities (DKK '000) | NOTE | 2021 | 2020 |
|--|-------------|-------------------|-------------------|
| Amounts due | | | |
| Due to credit institutions and central banks | 19 | 5.540.255 | 5.171.460 |
| Deposits from customers | 20 | 6.724.153 | 6.954.566 |
| Other liabilities | 21 | 161.140 | 168.121 |
| Deferred income | | 90.126 | 107.256 |
| Total amounts due | | 12.515.674 | 12.401.403 |
| Provisions for liabilities | | | |
| Provisions for deferred tax | 17 | 18.932 | 13.430 |
| Total provisions for liabilities | | 18.932 | 13.430 |
| Subordinated debt | | | |
| Subordinated loans | 22 | 424.045 | 365.000 |
| Equity | | | |
| Share capital | | 291.500 | 239.500 |
| Share premium | | 913.356 | 615.500 |
| Retained earnings or loss brought forward | | 1.005.626 | 1.027.895 |
| Additional T1 equity | 22 | 185.474 | 177.452 |
| Total equity | | 2.395.956 | 2.060.347 |
| Total liabilities and equity | | 15.354.607 | 14.840.180 |

Other notes

| | | | |
|-----------------------|----|------------------------------------|----|
| Credit risk | 23 | Contingent liabilities | 28 |
| Interest-rate risk | 24 | Related parties | 29 |
| Cash flow risk | 25 | Audit and risk committee | 30 |
| Foreign exchange risk | 26 | Principles for intra-group trading | 31 |
| Securities lending | 27 | Affiliated companies | 32 |

Statement of changes in equity

| 2020 (DKK '000) | Share capital | Share premium | Retained earnings | Proposed dividends | Total | Additional Tier 1 capital | Total |
|---|----------------|----------------|-------------------|--------------------|------------------|---------------------------|------------------|
| Equity, beginning of 2020 | 239.500 | 615.500 | 1.001.831 | 0 | 1.856.831 | 189.491 | 2.046.322 |
| Capital increase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Profit for the year | 0 | 0 | 35.448 | 0 | 35.448 | 14.346 | 49.794 |
| Other comprehensive income | | | | | | | |
| Translation of units outside Denmark | 0 | 0 | -9.384 | 0 | -9.384 | 0 | -9.384 |
| Total other comprehensive income | 0 | 0 | -9.384 | 0 | -9.384 | 0 | -9.384 |
| Total comprehensive income for the year | 0 | 0 | 26.064 | 0 | 26.064 | 14.346 | 40.410 |
| Additional T1 capital | | | | | | | |
| T1 currency revaluation | 0 | 0 | 0 | 0 | 0 | -12.039 | -12.039 |
| T1 capital interest | 0 | 0 | 0 | 0 | 0 | -14.346 | -14.346 |
| Transactions with the owners | | | | | | | |
| Dividends distributed | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proposed dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity, end of 2020 | 239.500 | 615.500 | 1.027.895 | 0 | 1.882.895 | 177.452 | 2.060.347 |
| 2021 (DKK '000) | | | | | | | |
| Equity, beginning of 2021 | 239.500 | 615.500 | 1.027.895 | 0 | 1.882.865 | 177.452 | 2.060.347 |
| Capital increase | 52.000 | 297.856 | 0 | 0 | 349.856 | 0 | 349.856 |
| Profit for the year | 0 | 0 | -21.383 | 0 | -21.383 | 15.088 | -6.295 |
| Other comprehensive income | | | | | | | |
| Translation of units outside Denmark | 0 | 0 | -886 | 0 | -886 | 0 | -886 |
| Total other comprehensive income | 0 | 0 | -886 | 0 | -886 | 0 | -886 |
| Total comprehensive income for the year | 0 | 0 | -22.269 | 0 | -22.269 | 15.088 | -7.181 |
| Additional T1 capital | | | | | | | |
| T1 currency revaluation | 0 | 0 | 0 | 0 | 0 | 8.022 | 8.022 |
| T1 capital interest | 0 | 0 | 0 | 0 | 0 | -15.088 | -15.088 |
| Transactions with the owners | | | | | | | |
| Dividends distributed | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proposed dividends | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity, end of 2021 | 291.500 | 913.356 | 1.005.626 | 0 | 2.210.482 | 185.474 | 2.395.956 |

The share capital amounts to DKK 291.500.000 distributed on shares of DKK 1.000 each or multiples thereof.

Notes to the financial statements

BASIS OF PREPARATION

The Annual Report has been prepared in accordance with the Danish Financial Business Act and the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. ('the Executive Order').

The accounting policies are consistent with those of last year.

RECOGNITION AND MEASUREMENT

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Bank and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Bank and the value of the liability can be measured reliably.

SIGNIFICANT ACCOUNTING ESTIMATES

The measurement of certain assets and liabilities requires the management to estimate the influence of future events on the value of these assets and liabilities.

The accounting estimates are based on assumptions which, according to management, are reasonable, but inherently uncertain. The estimates and assumptions are based on historical experience and a range of other factors considered reasonable given the prevailing circumstances. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made and the future periods affected.

The estimates most critical to the financial reporting are the impairment charges for loans and goodwill measurement and are presented in the following sections.

FOREIGN CURRENCIES

Foreign currency transactions are translated using the exchange rate at the transaction date. Receivables, liabilities and other monetary items are translated using the rate of exchange at the balance sheet date. Exchange rate differences between the transaction date and the settlement date or the balance sheet date, respectively, are recognized in the income statement as value adjustments.

Exchange rate differences arising at the balance sheet date in the foreign branches are taken directly to equity.

INTEREST INCOME AND EXPENSES

Income and expenses are accrued over the lifetime of the transactions and recognized in the income statement at the amounts relevant to the financial reporting period.

FEES

Fees are normally recognized as income when received.

Establishment fees received and commissions paid for loans arranged are amortized over the term of the related loans based on the effective interest method.

Collection fees are taken to the income statement when entered in the customers' accounts, until debt collection procedures are transferred to external debt collection.

STAFF COSTS AND ADMINISTRATIVE EXPENSES

Wages, salaries and other types of remuneration are expensed in the income statement as earned. Compensated absence commitments are expensed as the actual number of holidays are earned and spent.

DERIVATIVES

Derivatives are measured at fair value at the settlement date. Fair value adjustments of unsettled financial instruments are recognized from the trading date to the settlement date. The gross value is stated in "Other assets" and "Other liabilities" considering any netting agreements.

Fair value adjustments of derivatives which do not qualify for being treated as hedging instruments are recognized in the income statement.

Interest in connection with interest-rate swaps is recognized as "Interest income". Calculated fair value adjustments are recognized as value adjustments in the income statement.

LOANS AND ADVANCES

After initial recognition, amounts due to the Bank are measured at amortized cost less impairment losses (see section on financial assets at amortized cost).

INVESTMENT SECURITIES

Investments securities are measured at fair value, with fair value changes recognized in the income statement under "Other operating income".

Notes to the financial statements

MEASUREMENT OF GOODWILL

Goodwill is tested for impairment annually as to whether there is an indications of impairment, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognized, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount. Recoverable amount is based on an estimate of the future cash flows to be generated by the unit, derived from the annual forecasts and discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

INTANGIBLE ASSETS

Licenses and software are recognized in the balance sheet at cost less straight-line amortization. Amortization is based on the estimated useful lives of the assets, however maximum five years.

Expenses for developing systems to achieve new or improved processes are recognized as an asset in the balance sheet, if the process is technically and commercially usable and sufficient resources exist to complete the development and future use of the intangible asset.

IT development costs are recognized in the balance sheet at cost, with the addition of production overheads, less straight-line amortization. Amortization is based on the estimated useful lives of the assets, however maximum eight years. Assets in progress are recognized in the balance sheet at cost.

An impairment test is performed for intangible assets if there is objective evidence of impairment. The impairment test is made for the activity or business area to which the intangible assets relate. Intangible assets are written down to the higher of the value in use and the net selling price for the activity or the business area to which the intangible assets relate, if it is lower than the carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Operating equipment is recognized in the balance sheet at cost less straight-line depreciation. Depreciation is based on the estimated useful lives of the assets, however maximum six years.

LEASING ROU ASSETS

Lease contracts are on one hand the identification of a lease asset and on the other, the control of the Right of Use (ROU) by the Lessor.

Leasing contracts in the form of Right of Use of the

leased asset is booked under tangibles and the leases (and related payments) as a Liability during the entire lease period. The ROU asset is amortized and the leases payments in Liabilities are capitalized during the entire lease period. At this point in time Ekspres Bank only acts as a lessee.

Loans and impairment

CLASSIFICATION AND MEASUREMENT

According to IFRS 9, classification and measurement of financial assets depend on the business model and the contractual characteristics of the instruments. On initial recognition, financial assets is measured at amortized cost, at fair value through shareholders' equity (on a separate line), or at fair value through profit or loss.

• Financial assets at amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met: the business model objective is to hold the financial instrument in order to collect contractual cash flows (collection business model) and the cash flows consist solely of payments relating to principal and interest on the principal. Disposal of portfolios close to the maturity date and for an amount close to the remaining contractual cash flows or due to a credit risk increase of the customer (debt sale of non-performing portfolio) is compatible with a "collection" business model. Sales imposed by regulatory constraints or to manage the concentration of credit risk (without increasing credit risk) are also compatible with this management model as long as they are infrequent or insignificant in value.

Upon initial recognition, these financial assets are recognized at fair value, including transaction costs directly attributable to the transaction and commissions related to the provision of loans. They are subsequently measured at amortized cost, including accrued interest and net of principal repayments and interest payments made during the period. These financial assets are also initially subject to an impairment calculation for expected credit risk losses (see impairment note). Interest is calculated using the effective interest rate method determined at the inception of the contract.

• Financial asset at fair value through shareholders' equity

Financial assets are classified in this category if the business model is achieved by both holding the financial assets in order to collect contractual cash flows and selling the assets and if the cash flows solely consist of payments relating to principal and interest on the principal. Upon disposal, amounts previously recognized in shareholders' equity is transferred to profit or loss.

Notes to the financial statements

- **Financial assets at fair value through profit or loss**

All debt instruments not eligible for classification at amortized cost or at fair value through shareholders' equity is presented at fair value through profit or loss. Investments in equity instruments such as shares is also classified as instruments at fair value through profit or loss.

IMPAIRMENT

Ekspres Bank's credit risk impairment model is based on expected losses. This model applies to loans and debt instruments classified at amortized cost or equity market value, loan commitments and financial guarantee contracts that are not booked at fair value, as well as to trade receivables.

GENERAL IMPAIRMENT MODEL

Ekspres Bank identifies three "stages" each corresponding to a specific situation with respect to the evolution of the credit risk of the counterparty since the initial recognition of the asset.

- Expected credit losses at 12 months ("stage 1"): if, at closing date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is subject to a provision for depreciation for an amount equal to expected credit losses at 12 months (resulting from risks of default in the next 12 months).
- Expected credit losses at maturity for non-impaired assets ("stage 2"): the provision for depreciation is measured for an amount equal to the expected credit losses over the full lifetime (at maturity) if the credit risk of the financial instrument has increased significantly since initial recognition without the financial asset being impaired.
- Expected credit losses at maturity for impaired financial assets ("stage 3"): when an asset is impaired, the provision for depreciation is measured for an amount equal to the expected credit losses at maturity.

This general model is applied to all instruments in the scope of the impairment of IFRS 9, except for impaired assets as soon as they are acquired or issued and instruments for which a simplified model is used (see below).

The expected credit loss approach under IFRS 9 is symmetrical, meaning that if some expected credit losses at maturity have been recognized in a previous closing period, and if there is no longer any indication of significant increase in credit risk for the financial instrument during the current closing period since its initial recognition, then the provision is calculated on the basis of expected credit losses at 12 months after a probation period defined in accordance with IFRS 9 principles.

IMPAIRED FINANCIAL ASSETS

A financial asset is impaired and classified as "stage 3" when one or more events that have a negative impact on the future cash flows of that financial asset have occurred.

At the individual level, an objective indication of impairment includes any observable data relating to the following events:

- The existence of unpaid installment for at least 90 days;
- The knowledge or observation of significant financial difficulties of the customer indicating the existence of a credit risk, even if there is no unpaid installment;
- Concessions granted to the terms and condition of the loans, which would not have been granted in the absence of financial difficulties of the customer

SIMPLIFIED MODEL

The simplified model consists of recognizing a provision for depreciation on the basis of a credit loss expected at maturity from the beginning and reassessed at closing date. Ekspres Bank applies this model to trade receivables with a maturity of less than 12 months.

SIGNIFICANT INCREASE IN CREDIT RISK

Significant increase in the credit risk will be assessed on an individual basis or on a collective basis (by grouping the financial instruments according to common credit risk characteristics) by taking into consideration all reasonable and supportable information and comparing the default risk of the financial instrument at the closing date with the default risk on the date of its initial recognition. Assessment of deterioration will be measured by comparing probability of default/ratings on the date of initial recognition and those existing at the reporting date.

Under the standard, there is also a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

In the specific business of consumer credit, the assessment of deterioration is also based on the existence of a payment incident that has been regularized but occurred during the last 12 months and measures of forbearance granted to a client during the last 36 months.

MEASUREMENT OF EXPECTED CREDIT LOSSES

Expected credit losses are a probability-weighted estimate of credit losses (ie. the present value of cash shortfalls) over the expected lifetime of the financial instrument.

Notes to the financial statements

- In practice, for exposures classified in stage 1 and stage 2, the expected credit losses are calculated as the product of the probability of default ("PD"), the loss given default ("LGD") and the exposure at default ("EAD") discounted at the effective interest rate of the exposure. They result from the risk of default in the next 12 months (stage 1) or the risk of default over the lifetime of the exposure (stage 2). In the specific business of consumer finance and given the characteristics of the portfolios, the method used by Ekspres Bank is based on probabilities of transition into the default stage and on discounted loss rates at default. Calculation of the parameters are made statistically by homogeneous population.
- For exposures classified in stage 3, the expected credit losses are calculated as the discounted value at the effective interest rate of the cash shortfall over the life of the instrument. Cash shortfall is the difference between the cash flows that are due by the customer in accordance with the contract and the cash flow that the Bank is expects to receive.

The resulting impairment losses are recognized in the income statement under "Impairment losses on loans and receivables".

OTHER ASSETS

In addition to the positive market value of derivatives, this item comprises accrued interest income on loans and excess payment made to the Swedish tax authority.

PREPAYMENTS / DEFERRED INCOME

Prepayments recognized under assets comprise accumulated expenses settled and distributed over the expected terms of the loans. This item also includes prepaid expenses.

Deferred income comprises income received in advance; establishment fees and trade commission.

DEBT TO CREDIT INSTITUTIONS, CENTRAL BANKS AND DEPOSITS

Financial liabilities are recognized on inception and measured at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost using the effective interest-rate method. Other payables is subsequently measured at nominal unpaid debt.

OTHER LIABILITIES

Other liabilities include trade payables, other accrued expenses and interest payable.

SUBORDINATED DEBT

Subordinated debt comprises of Tier 2 capital instruments and guarantor capital which, in the case of liquidation or

bankruptcy and pursuant to the loan conditions, cannot be settled until the claims of ordinary creditors have been met.

At initial recognition subordinated debt is measured at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortized cost.

ADDITIONAL TIER 1 CAPITAL

Additional Tier 1 capital comprises of deeply subordinated capital instruments and guarantor capital which, in the case of extreme liquidity stress and loss of capital, will be converted into ordinary capital, and cannot be settled until the claims of ordinary creditors have been met.

At initial recognition subordinated debt is measured at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, additional Tier 1 capital is measured at amortized cost.

As the additional Tier 1 capital qualifies as an equity instrument, the interest paid and accrued on the additional Tier 1 capital is recognized in the financial statement as dividend.

INCOME TAXES

Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

DEFERRED TAX

Provisions for deferred tax are calculated at tax rates that are applicable in the relevant countries at the time the deferred tax is expected to be utilized and of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortizable goodwill.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or as a set-off against deferred tax liabilities.

DIVIDENDS

Proposed dividends are recognized as a liability once approved by the annual general meeting of shareholders (date of declaration). Until the proposal is approved, dividends payable for the year are shown in equity.

Notes to the financial statements

Financial highlights (DKK '000)

2021

2020

Financial highlights are shown on page 15

1 Interest income

| | | |
|-----------------------------|----------------|----------------|
| Loans and other receivables | 906.991 | 930.619 |
| Other interest income | 236 | 0 |
| Total | 907.227 | 930.619 |

Ekspres Bank does not provide segment disclosures, as the Bank exclusively operates in the Nordic within a uniform customer group with a range of different products in the same category.

2 Interest expenses

| | | |
|--|----------------|----------------|
| Credit institutions and central banks | 63.636 | 82.278 |
| Reverse repo transactions with credit institutions and central banks | 864 | 854 |
| Deposits | 60.614 | 56.857 |
| Derivatives, total | 1.002 | 772 |
| Thereof concerning: Interest-rate agreements | 1.002 | 772 |
| Leasing | 340 | 280 |
| Subordinated loans | 8.907 | 8.847 |
| Other interest expenses | 0 | 462 |
| Total | 135.363 | 150.350 |

3 Fees and commission income

| | | |
|----------------------------------|----------------|----------------|
| Payment service fees | 17.053 | 20.854 |
| Other fees and commission income | 115.665 | 117.268 |
| Total | 132.718 | 138.122 |

4 Market value adjustments

| | | |
|-------------------|--------------|---------------|
| Currency exchange | 1.371 | 447 |
| Derivatives | 1.182 | -2.047 |
| Total | 2.553 | -1.600 |

Notes to the financial statements

(DKK '000) 2021 2020

5 Other operating income

| | | |
|-------------------------|--------------|--------------|
| Income from VISA shares | 557 | 1.509 |
| Other income | 2.203 | 7.301 |
| Total | 2.760 | 8.810 |

Other operating income mainly relates to VAT refunds from prior years.

6 Staff costs and administrative expenses

Staff costs and administrative expenses

| | | |
|--|----------------|----------------|
| Wages and salaries | 183.675 | 172.050 |
| Pension | 19.790 | 19.178 |
| Social security costs | 41.470 | 39.598 |
| Total | 244.935 | 230.826 |
| Other administrative expenses | 199.512 | 173.028 |
| Total staff costs and administrative expenses | 444.447 | 403.854 |

Notes to the financial statements

(DKK '000) 2021 2020

6 Staff costs and administrative expenses (continued)

Number of employees

| | | |
|--|-----|-----|
| Average number of full-time employees during the financial year | 292 | 287 |
| Executive Board | 1 | 2 |
| Employees whose activities have a significant impact on the Bank's risk profile | 26 | 25 |
| Board of Directors (including board elected board members, who also part of MRT) | 12 | 12 |

Salary and remuneration paid to Executives Board and Board of Directors etc.

| | | |
|---|---------------|---------------|
| Board of Directors and Executive Board | 3.435 | 3.918 |
| Employees whose activities have a significant impact on the Bank's risk profile | 27.827 | 27.994 |
| Total | 31.262 | 31.913 |

Information on the individual remuneration of the Board of Directors and Executive Board can be found on the Bank's webpage: <https://www.expressbank.dk/om/>

Moreover, Ekspres Bank has no pension liabilities vis-à-vis current or former Board members.

Loans to management

| | | |
|--------------------|------------|------------|
| Board of Directors | 159 | 286 |
| Total | 159 | 286 |

7 Audit fees

| | | |
|---|-------|-------|
| Total fee to the auditors appointed by the general assembly who perform statutory audit | 2.278 | 1.474 |
| Thereof concerning statutory audit | 1.521 | 1.341 |
| Thereof concerning fees for other assurance assistance | 69 | 66 |
| Thereof concerning tax advice | 0 | 0 |
| Thereof concerning other services | 688 | 66 |

Notes to the financial statements

(DKK '000) 2021 2020

8 Receivables from credit institutions and central banks

| | | |
|--------------------------------------|------------------|----------------|
| Receivables from credit institutions | 1.044.072 | 682.734 |
| Total | 1.044.072 | 682.734 |

Distribution of terms by maturity

Receivables from credit institutions and central banks

| | | |
|--------------|------------------|----------------|
| Overnight | 1.044.072 | 682.734 |
| Total | 1.044.072 | 682.734 |

9 Loans and other receivables at amortized cost

| | | |
|-------------------------------|-------------------|-------------------|
| Up to three months | 870.306 | 1.071.066 |
| From three months to one year | 2.149.760 | 2.573.296 |
| From one year to five years | 6.228.451 | 6.314.384 |
| More than five years | 4.092.715 | 3.256.127 |
| Total | 13.341.233 | 13.214.872 |

Loans, other receivables and guarantees broken down by sector (%)

| | | |
|--------------|------------|------------|
| Private | 100 | 100 |
| Total | 100 | 100 |

10 Investment securities

| | | |
|--|--------------|--------------|
| Shares / investment certificates noted on the Nasdaq OMX | 4.408 | 4.107 |
| Unlisted shares | 3.595 | 3.320 |
| Total shares | 8.003 | 7.427 |

Notes to the financial statements

(DKK '000) 2021 2020

11 Investments in affiliated undertakings

| | | |
|--|--------------|---------------|
| Investments in affiliated undertakings, beginning of year | 1.914 | 1.914 |
| Additions in the year | 0 | 0 |
| Investments in affiliated undertakings, end of year | 1.914 | 1.914 |
| Amortization and value adjustments, beginning of year | 8.313 | 7.893 |
| Result of the year | 0 | 0 |
| Foreign exchange adjustment | -259 | 420 |
| Fair value adjustment | 0 | 0 |
| Amortization and value adjustments, end of year | 8.054 | 8.313 |
| Carrying amount, end of year | 9.968 | 10.227 |

12 Goodwill

| | | |
|---|----------------|----------------|
| Goodwill, beginning of year | 254.006 | 243.581 |
| Foreign exchange adjustment | -6.439 | 10.425 |
| Additions in the year | 0 | 0 |
| Cost, end of year | 247.567 | 254.006 |
| Amortization and impairment losses, beginning of year | 0 | 0 |
| Amortization and impairment losses, end of year | 0 | 0 |
| Carrying amount, end of year | 247.567 | 254.006 |

Notes to the financial statements

(DKK '000) 2021 2020

13 Other intangible assets

| | | |
|--|----------------|----------------|
| Cost, beginning of year | 309.425 | 229.868 |
| Foreign exchange adjustment | -5.049 | -5.248 |
| Additions in the year | 69.109 | 84.805 |
| Disposals in the year | 467 | 0 |
| Cost, end of year | 373.018 | 309.425 |
| Amortization and impairment losses, beginning of year | 147.840 | 131.294 |
| Foreign exchange adjustment | -1.076 | 1.540 |
| Amortization for the year | 25.388 | 15.006 |
| Amortization and impairment losses, end of year | 172.152 | 147.840 |
| Carrying amount, end of year | 200.866 | 161.585 |

14 Property, plant and equipment

| | | |
|--|---------------|---------------|
| Cost, beginning of year | 73.255 | 61.369 |
| Foreign exchange adjustment | 59 | -378 |
| Additions in the year | 690 | 21.075 |
| Disposals in the year | 2.901 | 8.811 |
| Cost, end of year | 71.103 | 73.255 |
| Depreciation and impairment losses, beginning of year | 35.997 | 36.548 |
| Foreign exchange adjustment | 69 | 287 |
| Amortisation for the year | 9.528 | 7.972 |
| Reversal of amortisation charges and impairment losses | -831 | -8.811 |
| Depreciation and impairment losses, end of year | 44.763 | 35.997 |
| Carrying amount, end of year | 26.340 | 37.259 |

At the end of year 2021 leasing contracts were mainly related to office premises (carrying amount of DKK 23,3m) and company cars (carrying amount of DKK 0,8m).

Notes to the financial statements

(DKK '000) 2021 2020

15 Write-downs on loans and receivables

| | | |
|---|----------------|----------------|
| Individual impairment losses during the year | 621.833 | 569.703 |
| Reversal of individual impairment losses recognised in previous years | -236.105 | -190.579 |
| Final loss on debt previously written down | 21.902 | 15.800 |
| Amounts received, previously written-off debt | -611 | -1.900 |
| Other movements | -45 | 1.800 |
| Total | 406.975 | 394.824 |

16 Tax

| | | |
|--|--------------|---------------|
| Estimated current tax for the year | -2.202 | 17.606 |
| Deferred tax | 4.937 | -2.102 |
| Adjustment of estimated tax in prior years | 2.969 | 14.398 |
| Total | 5.704 | 29.902 |
| Current tax rate | 22,0% | 22,0% |

Tax for the year comprises

| | | |
|--|--------------|---------------|
| Profit before tax and affiliated undertakings | -591 | 79.696 |
| Statutory income tax rate of 22% | -130 | 17.533 |
| Adjustment of prior years' income tax | 2.969 | 16.373 |
| Adjustment of prior years' deferred tax | 0 | -1.975 |
| Local Norwegian current tax | 100 | 116 |
| Effect of different tax rates in other countries | 857 | -276 |
| Non-taxable income, Fair value and Currency adjustment investments | -152 | -2.074 |
| Non-deductible expenses | 2.060 | 205 |
| Total | 5.704 | 29.902 |
| Effective tax rate | n/a | 37,52% |

Notes to the financial statements

(DKK '000) 2021 2020

17 Deferred tax

Deferred tax assets

| | | |
|--------------------|---------------|----------|
| Loss carry forward | 11.654 | 0 |
| Total | 11.654 | 0 |

Deferred tax liability

| | | |
|----------------------------|---------------|---------------|
| Intangible assets | 3.227 | 5.302 |
| Tangible assets | -166 | -233 |
| Provisions for obligations | 0 | -6.570 |
| Prepaid commissions | 15.043 | 13.972 |
| Other | 828 | 959 |
| Total | 18.932 | 13.430 |

18 Other assets

| | | |
|-------------------------------------|---------------|---------------|
| Interest and commission receivables | 30.015 | 31.605 |
| Receivables from related parties | 6.736 | 8.535 |
| Other receivables | 26.114 | 40.639 |
| Tax account | 228 | 1.244 |
| Total | 63.093 | 82.023 |

19 Due to credit institutions and central banks

| | | |
|-------------------------------|------------------|------------------|
| Up to three months | 797.270 | 737.020 |
| From three months to one year | 1.787.056 | 2.030.060 |
| From one year to five years | 2.910.983 | 2.389.800 |
| More than five years | 44.946 | 14.580 |
| Total | 5.540.255 | 5.171.460 |

Notes to the financial statements

(DKK '000) 2021 2020

20 Deposits from the public

Deposits from the public broken down by maturity

| | | |
|-------------------------------|------------------|------------------|
| Overnight | 5.636.375 | 5.017.640 |
| Up to three months | 567.424 | 1.062.694 |
| From three months to one year | 426.119 | 498.447 |
| From one year to five years | 94.235 | 375.785 |
| Total | 6.724.153 | 6.954.566 |

** All deposits are interest-bearing and from Households*

Deposit from households broken down by interest-rate terms of contract

| | | |
|--|------------------|------------------|
| Deposits with fixed interest terms up to 36 months** | 1.022.752 | 1.454.263 |
| Deposits with transactions/movements in the account | 5.701.401 | 5.500.304 |
| Total | 6.724.153 | 6.954.566 |

***This type is also withdrawable against a fee*

21 Other liabilities

| | | |
|--------------------------------------|----------------|----------------|
| Negative market value of derivatives | 261 | 1.400 |
| Leasing liabilities | 24.251 | 34.305 |
| Accrued interest | 16.397 | 19.155 |
| Payables to related parties | 3.071 | 2.910 |
| Accrued expenses | 93.606 | 82.369 |
| Other payables | 23.554 | 27.982 |
| Total | 161.140 | 168.121 |

Notes to the financial statements

(DKK '000)

2021

2020

22 Subordinated debt

Subordinated debt

| Loan - Nominal | Start date | Maturity date | Interest rate | Currency | | |
|------------------|------------|---------------|-------------------|----------|----------------|----------------|
| Loan 1 - 165.000 | 27-06-2016 | 09-07-2026 | CIBOR 3M +3,25% | DKK | 0 | 165.000 |
| Loan 2 - 125.000 | 29-05-2017 | 09-06-2027 | CIBOR 3M +2,28% | DKK | 125.000 | 125.000 |
| Loan 3 - 75.000 | 19-12-2019 | 18-12-2029 | CIBOR 3M +2,00% | DKK | 75.000 | 75.000 |
| Loan 4 - 310.000 | 28-06-2021 | 28-06-2031 | STIBOR 3M + 2,00% | SEK | 224.045 | 0 |
| Total | | | | | 424.045 | 365.000 |

The subordinated loans are qualified as Tier 2 instruments pursuant CRR regulation. The Bank may early redeem the Subordinated loans after minimum 5 years from the settlement date of the subordinated loan. In year 2021 the interest costs due to subordinated loans were in amount of DKK 8,91m.

Additional Tier 1 loan

| Loan - Nominal | Start date | Maturity date | Interest rate | Currency | | |
|-------------------|------------|---------------|---|----------|---------|---------|
| T1 Loan - 250.000 | 19-12-2018 | perpetual | NIBOR 3M+liquidity cost+subordinated spread | NOK | 185.474 | 177.452 |

The deeply subordinated loans are qualified as Tier 1 instrument and part of equity pursuant CRR regulation. The Bank may early redeem the additional Tier 1 loan after the fifth-year anniversary of the settlement date of the loan. The additional Tier 1 capital will be written down if the common equity Tier 1 (CET 1) ratio falls below 7% for Ekspres Bank. In year 2021 the interest costs due to additional Tier 1 loans were in amount of DKK 15,09m.

Notes to the financial statements

(DKK '000) 2021 2020

23 Credit risk

Loans and other receivables at fair value and amortised cost distributed on sectors

| | | |
|--------------|-------------------|-------------------|
| Private | 14.485.159 | 14.013.104 |
| Total | 14.485.159 | 14.013.104 |

Impairment of objectively impaired loans and receivables, individual

| | | |
|--|---------|---------|
| Accumulated impairment losses, beginning of year | 798.232 | 509.767 |
| Other | 761 | -310 |

Changes in the year

| | | |
|--|------------------|----------------|
| Individual impairment losses in the year | 621.833 | 569.703 |
| Reversal of individual impairment losses recognised in prior years | -236.105 | -190.579 |
| Impairment provisions used and derecognised at disposal | -40.795 | -90.349 |
| Accumulated impairment losses, end of year | 1.143.926 | 798.232 |

Notes to the financial statements

CREDIT RISK

The Bank's primary risk is the credit area. The maximum loan granted to private individuals is 500.000 DKK, 500.000 NOK and 500.000 SEK in Denmark, Norway and Sweden.

The Bank only deals with and provides commitments to clients considered in capacity to repay the contracted debts.

Credit decisions to provide commitments to clients are well informed and based on a complete, synthetic, coherent and up-to-date analysis of the client and the transaction. This includes understanding the client needs on all transactions and checking the adequacy of the proposed transactions with the objectives of clients.

In order to mitigate risk resulting from the exposure within the credit area, the Bank executes on a defined strategy of operating geographically and demographically diversified loan portfolio in the Nordic countries and furthermore the average loan size per debtor is limited.

The Bank performs a systematic monitoring of the loan portfolio at all stages. Furthermore, the Bank performs an automated credit scoring of all newloans. The credit scoring is based on historical performance, information received from its customers, information from digital solutions with public authorities and registers with the customer's approval.

The decision to grant a loan is made on the basis of this credit scoring but also on credit rules, which include the assessment of the customers' ability to repay (affordability calculations) based on accurate information. The decision to grant a loan is in accordance with local regulation.

The Bank applies an effective internal control system on all delinquent accounts. The Bank continuously adjusts its credit scoring process and approval conditions in order to adapt to the underlying trends of the current economic climate.

The Bank mitigates credit risk through the implementation of collection processes in case of the customer failing to meet its obligations in accordance with agreed terms.

These collection processes are performed by the Bank's internal collection department and outsourcing partners.

Impairment losses on loans are recognized at the time of booking, provisioned with an amount equivalent to the expected credit loss in 12 months (stage 1). In case of a significant deterioration of the credit risk, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset (stage 2). In case Objective Indication of Impairment is registered, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset, but based on a higher probability of loss (stage 3).

At any time and in accordance with the existing credit policies, guidelines and procedures, reports on the portfolio segmentation of the Bank are regularly prepared for local committees, with the participation of the Bank's Management. Moreover, monthly reports are prepared for the Corporate Risk department and a separate reporting is performed and presented during scheduled Risk Committee and Board of Directors meetings.

Notes to the financial statements

(DKK '000)

2021

23 Credit risk (continued)

| FSA categ. | IFRS 9 strata | Description categories | Stage 1 | Stage 2 | Stage 3 | Total |
|--------------|---------------|---|-------------------|----------------|----------------|-------------------|
| 2a | | Total | | | | |
| | 1 | Performing Exposures- "Pure" | 11.406.719 | | | |
| | 2 | Never NPE but with Past-due exposures more than 12 months ago | 448.670 | | | |
| | 3 | Past-due exposures in the last 12 months and never NPE | | 370.188 | | |
| | 4 | Past-due exposures more than 12 months ago with Forbearance and never NPE | | 64.371 | | |
| | 5 | Past-due exposures in the last 12 months with Forbearance and never NPE | | 19.168 | | |
| 2b | | Total | 11.855.390 | 453.728 | | 12.309.117 |
| | 6 | Exposures 30 days delinquent never NPE | | 36.677 | | |
| 2c | | Total | | 36.677 | | 36.677 |
| | 7 | Exposures more than 30 days delinquent but never NPE | | 56.904 | | |
| | 8 | Non past-due exposures and previously NPE | | | 394.082 | |
| | 9 | Exposures up to 30 days delinquent and previously NPE | | | 22.182 | |
| | 10 | Exposures more than 30 days delinquent and previously NPE | | | 14.759 | |
| | 11 | Exposures more than 90 days delinquent and previously NPE | | | 99.876 | |
| | 12 | Litigation | | | 407.635 | |
| 1 | | Total | | 56.904 | 938.534 | 995.438 |
| Total | | | 11.855.390 | 547.310 | 938.534 | 13.341.233 |

Notes to the financial statements

(DKK '000)

2020

23 Credit risk (continued)

| FSA categ. | IFRS 9 strata | Description categories | Stage 1 | Stage 2 | Stage 3 | Total |
|--------------|---------------|---|-------------------|----------------|----------------|-------------------|
| | 1 | Performing Exposures- "Pure" | 11.526.172 | | | |
| | 2 | Never NPE but with Past-due exposures more than 12 months ago | 254.077 | | | |
| 2a | Total | | 11.780.249 | | | 11.780.249 |
| | 3 | Past-due exposures in the last 12 months and never Non Performing | | 425.091 | | |
| | 4 | PE with Forbearance | | 128.326 | | |
| | 5 | PE without past-due in the last 12 months and without Forbearance but has been flagged as NPE in the last 12 months | 21.793 | | | |
| | 6 | NPE, not Forbearance but with past-due in the last 12 months | | 13.962 | | |
| | 7 | NPE without arrears | | 182.044 | | |
| | 8 | Exposures 30 days delinquent never NPE | | 49.044 | | |
| | 9 | Exposures 30 days delinquent and previously NPE more than 12 months ago | | 8.774 | | |
| | 10 | Exposures 30 days delinquent and previously NPE in the last 12 months | | 17.684 | | |
| | 19 | Customers with a remark in debt register* | | 75.718 | | |
| 2b | Total | | 21.793 | 900.643 | | 922.436 |
| | 11 | Exposures more than 30 days delinquent but never NPE | | 65.643 | | |
| | 12 | Exposures more 30 days delinquent and previously NPE more than 12 months ago | | 3.665 | | |
| | 13 | Exposures more than 30 days delinquent and previously NPE in the previous 12 months | | 12.788 | | |
| 2c | Total | | | 82.096 | | 82.096 |
| | 14-17 | Litigation | | | 430.091 | |
| 1 | Total | | | | 430.091 | 430.091 |
| Total | | | 11.802.042 | 982.739 | 430.091 | 13.214.872 |

*) This strata will be reclassified to stage 3 from Q1 2021

Notes to the financial statements

23 Credit risk (continued)

The IFRS 9 segmentation of the Bank is a model developed by BNP Paribas Personal Finance for usage by the entities of Personal Finance. It classifies the customers according to a combination of Arrears status, NPE (Non-Performing) indicator, FBE (Forbearance) indicator and Litigation process. This results in a set of different stratifications, which are the basis for provisioning.

The categorization of customers in categories is done to follow the description and intention in appendix 7 to the guidelines for credit institutions as closely as possible.

No new customers are reported in 3/2a as the level of wealth and to some degree the precise debt factors are not ascertained in the same manner as disposable income, all which is needed to identify customers in these classifications. In 2020 customers which had not previously shown any indication of payment difficulties were reported in 2a. Customers previously reported in 2a has although from 2021 been transferred to 2b. The transfer from 2a to 2b is considered as change in accounting estimate and without any reclassification of comparison figures for 2020.

The new customers are instead reported in 2b given the above mentioned uncertainties, but with the fact that all have passed the disposable income requirement for a better categorization. No new customers are reported in 2c as their disposable income level and overall profile does not match the description of this category, which is for customers exhibiting significant signs of weakness.

The new customers will stay in their assigned classification until observed payment history indicates a lower category should be assigned. In case of improved payment history a customer can revert back to a higher categorization, but will never be able to reach a higher category than granted as a new customer.

The payment history is defined using the IFRS9 approach to categorizing and modelling impairment provisioning.

- **Category 1 (Indicators of Impairment):**

This category is linked to customers having 2 months of delinquency, or alternatively in stage 3, and have deteriorating credit quality.

- **Category 2c (High risk):**

This category is linked to customers that are in early delinquency or have shown significant signs of weakness.

- **Category 2b: (Medium risk):**

This category is applied for new customers and customers up to date with their payments and not showing any significant signs of weakness.

- **Category 2a: (Low risk):**

No customer is reported in this category as the Bank does not have updated information about the customer wealth, disposable income and debt factors, needed to identify customers in this classification.

- **Category 3: (No risk):**

No customer is reported in this category as the Bank does not have updated information about the customer wealth, disposable income and debt factors, needed to identify customers in this classification.

This bridging ensures that there is a link between the provisioning applied in the accounting books of Ekspres Bank, and the reporting on the FSA grading.

This categorization is updated monthly for the complete portfolio.

Notes to the financial statements

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2021

23 Credit risk (continued)

Changes in impairment Credit Risk

| Impairment movements per stage | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|------------------|
| Impairment at the beginning of the year | 154.706 | 210.089 | 433.437 | 798.232 |
| Derecognition including disposals | -7.081 | 2.908 | 43.232 | 39.059 |
| Transfer to Stage 1 | 13.506 | -38.744 | -1.629 | -26.867 |
| Transfer to Stage 2 | -13.394 | 201.099 | -29.459 | 158.246 |
| Transfer to Stage 3 | -4.695 | -211.255 | 358.869 | 142.919 |
| Origination | 64.835 | 5.136 | 490 | 70.461 |
| Impairment provisions used | -2.343 | -20.287 | -18.376 | -41.006 |
| Change without transfer | -31.616 | -43.272 | 74.591 | -297 |
| Others | -125 | 1.720 | 1.584 | 3.179 |
| Impairment at the end of the year | 173.793 | 107.394 | 862.739 | 1.143.926 |

Changes in impairment Credit Risk

2020

| Impairment movements per stage | Stage 1 | Stage 2 | Stage 3 | Total |
|--|----------------|----------------|----------------|----------------|
| Impairment at the beginning of the year | 100.459 | 188.570 | 220.738 | 509.767 |
| Derecognition including disposals | -16.915 | -10.654 | -8.043 | -35.612 |
| Transfer to Stage 1 | 2.206 | -14.880 | 0 | -12.674 |
| Transfer to Stage 2 | -13.166 | 256.360 | -11.179 | 232.015 |
| Transfer to Stage 3 | -207 | -162.617 | 243.178 | 80.354 |
| Origination | 55.642 | 5.507 | 81 | 61.230 |
| Impairment provisions used | -1.147 | -53.157 | -36.277 | -90.581 |
| Change without transfer | 28.341 | 3.943 | 27.880 | 60.164 |
| Others | -506 | -2.983 | -2.942 | -6.430 |
| Impairment at the end of the year | 154.706 | 210.089 | 433.437 | 798.232 |

Notes to the financial statements

(DKK '000)

24 Interest-rate risk

Derivative financial instruments

| SWAPS | 2021 | | | | 2020 | |
|-------------------------|---------------|------------------|-----------------------|-----------------------|---------------|------------------|
| | Nominal value | Net market value | Positive market value | Negative market value | Nominal value | Net market value |
| Interest-rate agreement | 59.352 | -261 | 0 | -261 | 138.726 | -1.400 |

According to the definition by the Danish Financial Supervisory Authority (DFSA) the Bank's interest-rate risk amounts to 0,4% (2020: 0,6%) of the core capital less all deductions, cf. overview of financial highlights.

The Bank's interest-rate risk derives from the difference between interest terms and loan terms on the Bank's loan portfolio in relation to funding. The Bank's policy is to match the funding interest and loan interest in order to mitigate the interest-rate risk. Ekspres Bank attempts, as far as possible, to hedge its portfolio by means of derivative financial instruments.

25 Cash flow risk

Since the Bank is only partly funded from the market through deposits and partly by the parent company BNP Paribas with whom Ekspres Bank has sufficient contractually committed credit line agreements - for both the Danish, Swedish and Norwegian market - the liquidity risk is minimized.

The Bank's liquidity position is continuously monitored to ensure that the Bank meets its payment obligations at all times.

If liquidity drops below the established limits of the excess liquidity coverage, the necessary actions must be initiated immediately in order to restore the agreed excess liquidity coverage ratio.

Necessary measures are prioritised as follows:

- Raise additional funding from the group
- Reduce lending
- Increase interest rates on Swedish deposits
- Raise additional short-term funding in the interbank market
- Establish deposits in Denmark and Norway
- Raise additional subordinated Tier 1 loan
- Raise additional subordinated loans outside the BNP Paribas group
- Sale of lending portfolio

The Board of Directors reviews the Bank's liquidity policy and performs all necessary adjustments on the recommendation of the Executive Board.

Notes to the financial statements

(DKK '000)

26 Foreign exchange risk

With the aim of reducing exchange rate risk to the widest possible extent, it is the Bank's policy to obtain funding in the same currency as loans. Also the goodwill related to the activities in Sweden is hedged via funding in SEK. Thus, the Bank has no or a very limited exchange rate risk.

27 Securities lending

| | Currency | Nominal value | Market value |
|--------------------------|----------|---------------|--------------|
| Danish government bonds | DKK '000 | 174.000 | 181.393 |
| Swedish government bonds | SEK '000 | 388.000 | 399.885 |

Securities are borrowed as a security lending transaction with BNP Paribas and a reverse REPO arrangement.

28 Contingent liabilities

| | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| Unused credit and loan commitments | 1.175.158 | 1.060.486 |
| Total | 1.175.158 | 1.060.486 |

Contingent liabilities are related to unused credit and loan commitments to customers who have not yet signed the loan agreement.

On 20 June 2019, Ekspres Bank received Orders from the Danish regulator (DFSA) to adapt its credit worthiness assessment to certain principles provided therein. Although Ekspres Bank has implemented the necessary adjustments to its system and processes, for all its activity channels, it is the DFSA opinion that the implementation should have been implemented immediately upon issuance of the Orders.

On 17 December 2020, the DFSA has therefore referred the case to State Prosecutor for Serious Economic and International Crime (SØIK) which handles all matters related to violations of provisions under the supervision of the Danish FSA.

29 Related parties

Controlling interest

Ultimate parent company

BNP Paribas
16, Boulevard des Italiens
75009 Paris
France

Parent company

BNP Paribas Personal Finance S.A.
Unicity
143 rue Anatole France
92300 Levallois-Perret
France



BNP PARIBAS



**BNP PARIBAS
PERSONAL FINANCE**



The consolidated financial statements are available from BNP Paribas' website: www.bnpparibas.com

Notes to the financial statements

(DKK '000)

30 Audit and Risk committee

Members of the Audit Committee

Michael Ravbjerg Lundgaard

John Poulsen

Members of the Risk Committee

Magnus Beer

John Poulsen

31 Principles for intra-group trading

Intra-group transactions and services are settled on an arm's length basis or on a cost-reimbursement basis.

| Transactions with related parties | 2021 | 2020 |
|-----------------------------------|-----------|-----------|
| Loans from related parties | 6.136.210 | 5.689.780 |
| Receivables from related parties | 285.659 | 43.266 |
| Interest costs | 85.100 | 102.554 |
| Insurance income | 44.632 | 37.575 |
| Reinvoiced costs | 34.136 | 26.240 |

No transactions have been conducted between Ekspres Bank and its ultimate parent, BNP Paribas or other subsidiaries of the BNP Paribas group in 2021, except for loans from (2021: DKK 6.136m, 2020: DKK 5.690m), receivables from (2021: DKK 286m, 2020: DKK 43m), net interest (2021: DKK 85m, 2020: DKK 103m), insurance income (2021: DKK 45m, 2020: DKK 38m), reinvoiced costs (2021: DKK 34m, 2020: DKK 26m) and the security lending mentioned in note 27.

Notes to the financial statements

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2021

32 Associated companies

Name and location

| | | |
|--|-----------------------------|---------|
| Ekspress Bank NUF Oslo, Norway | Ownership in % | 100 |
| | Average number of employees | 10 |
| | Revenue* | 154.209 |
| | Profit before tax | 21.844 |
| | Tax | 6.284 |
| | Government grants received | 0 |

Ekspress Bank NUF is 100% a branch of Ekspres Bank and consolidated within Ekspres Bank.

| | | |
|---|-----------------------------|---------|
| Express Bank Sverige Filial Kista, Sweden | Ownership in % | 100 |
| | Average number of employees | 69 |
| | Revenue * | 447.075 |
| | Profit before tax | -61.194 |
| | Tax | -8.820 |
| | Government grants received | 0 |

Express Bank Sverige Filial is 100% a branch of Ekspres Bank and consolidated within Ekspres Bank.

| | | |
|-------------------------|-----------------------------|-----|
| OVF AB Sweden | Ownership in % | 100 |
| | Average number of employees | 0 |
| | Profit before tax | 0 |
| | Government grants received | 0 |

OVF Finans AB is a 100% subsidiary of Ekspres Bank.

* For companies reporting under the Financial Business Act, revenue is defined as interest, fee and commission and other operating income.