

28 February 2020

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# Year-End Report 2019 Bluestep Bank AB (publ)

Bluestep looks at people's prospects rather than only looking at their history. We are proud to provide more people with the opportunity to own their own home.



**Bluestep.**



# Significant events in 2019

2019 was a successful year, with the highest operating profit ever in Bluestep’s history.

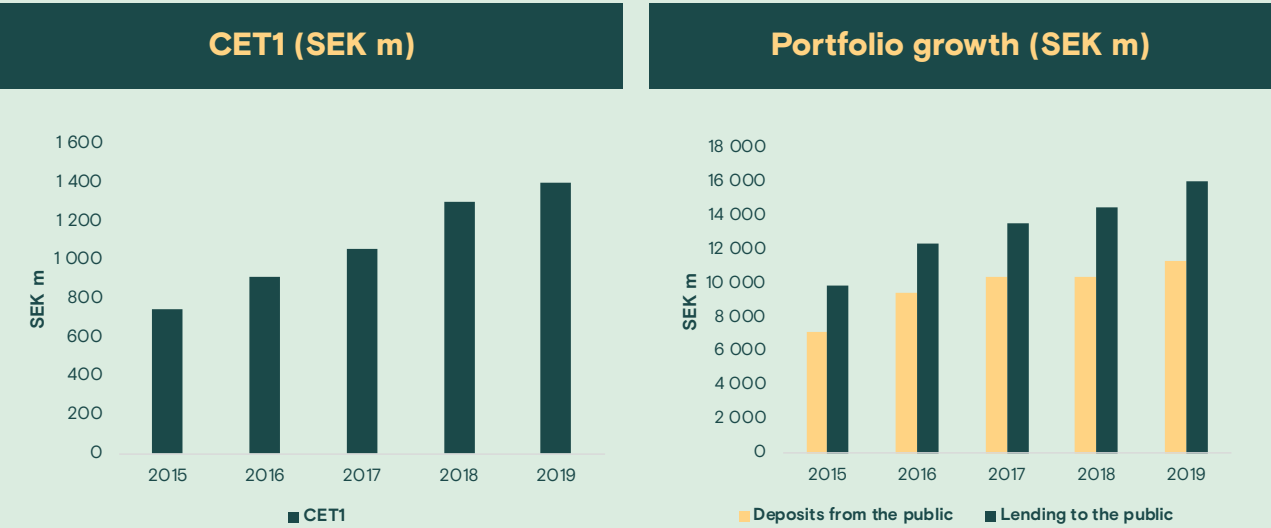
As of 31 December 2019, compared with the same date the previous year, unless otherwise stated.

- Operating profit increased by 29.3% and amounted to SEK 275m (SEK 212m). The profit was driven by a continued strong demand for Bluestep’s mortgage loans and more cost-efficient funding.
- Lending to the public increased by 11.0% to SEK 16,124m (SEK 14,522m).
- Deposits from the public increased by 9.6% to SEK 11,421m (SEK 10,417m).
- Credit losses remained low, owing to a sound and thorough credit risk assessment, and amounted to SEK 60m (SEK 50m). This is equivalent to a credit loss level of 0.37% (0.35%).
- The Common Equity Tier 1 (CET1) ratio was 17.1% (17.5%). Bluestep’s long-term target is a CET1 ratio of at least 16.0%.
- Björn Lander was appointed CEO in October.
- Bluestep’s notification to set up a branch and conduct mortgage lending operations in Finland was acknowledged by the Swedish and Finnish Financial Supervisory Authorities.
- Bluestep was assigned a credit rating of Baa2 with a stable outlook by Moody’s.
- Interest in Bluestep’s bonds was high, which led to lower funding costs.
- Bluestep’s application to issue covered bonds was approved by the Swedish Financial Supervisory Authority (pursuant to the Covered Bonds Issuance Act (SFS 2003:1223)).

## KPI’s

KPI’s	Half-year			Annual		
	Jul-Dec 2019	Jul-Dec 2018	Δ %	2019	2018	Δ %
Lending to the public (SEK m)	16,124	14,522	11%	16,124	14,522	11%
Deposits from the public (SEK m)	11,421	10,417	10%	11,421	10,417	10%
Net interest income (SEK m)	424	370	15%	819	718	14%
Total expenses (SEK m)	267	258	3%	514	484	6%
Operating profit/loss (SEK m)	138	95	45%	275	212	29%
Credit losses (%) <sup>1,2,3</sup>	0.38%	0.32%	0.06	0.37%	0.35%	0.02
Return on Equity (%) <sup>1,2,3</sup>	13.59%	11.90%	1.70	14.09%	13.00%	1.09
CET1 ratio <sup>1,2</sup>	17.06%	17.45%	-0.39	17.06%	17.45%	-0.39
C/I (%) <sup>1,2</sup>	61.34%	68.57%	-7.23	60.61%	64.82%	-4.21

1. Change in percentage  
2. For definitions of alternate KPI’s, see page 43  
3. Key figure related to H2 are recalculated to 12 month period





# This is Bluestep

Bluestep is a complement to the traditional banks in the mortgage market. Since the company was founded in 2005, we have helped thousands of customers in Sweden and Norway to finance their housing in a sustainable way.

Bluestep is a Nordic bank specialized in creating value by offering mortgages. We take the time to understand and consider the customer's entire situation, looking at the customer's prospects rather than only looking at their history. We don't believe that credit history alone reflects a customer's entire situation and ability to pay.

Mortgage loans from Bluestep enable more people to purchase a home. The loans also help customers to consolidate debt in order to reduce their monthly costs. Our commitment enables more people to be included, rather than excluded from economic progress.

Lending operations in Sweden was established 2005 and launched in Norway in 2010. Operations in Finland will commence during 2020. Bluestep has gradually expanded the array of products offered since the start of the business in 2005. Bluestep also offers savings accounts with attractive interest rates.

## How does this work?

The foundation of the business is a sound and thorough credit process which creates added value both for Bluestep as well as for our customers. We are able to offer mortgage loans to customers that many other organisations do not want to spend time and resources on. This makes us a complement to

the traditional banks rather than a competitor.

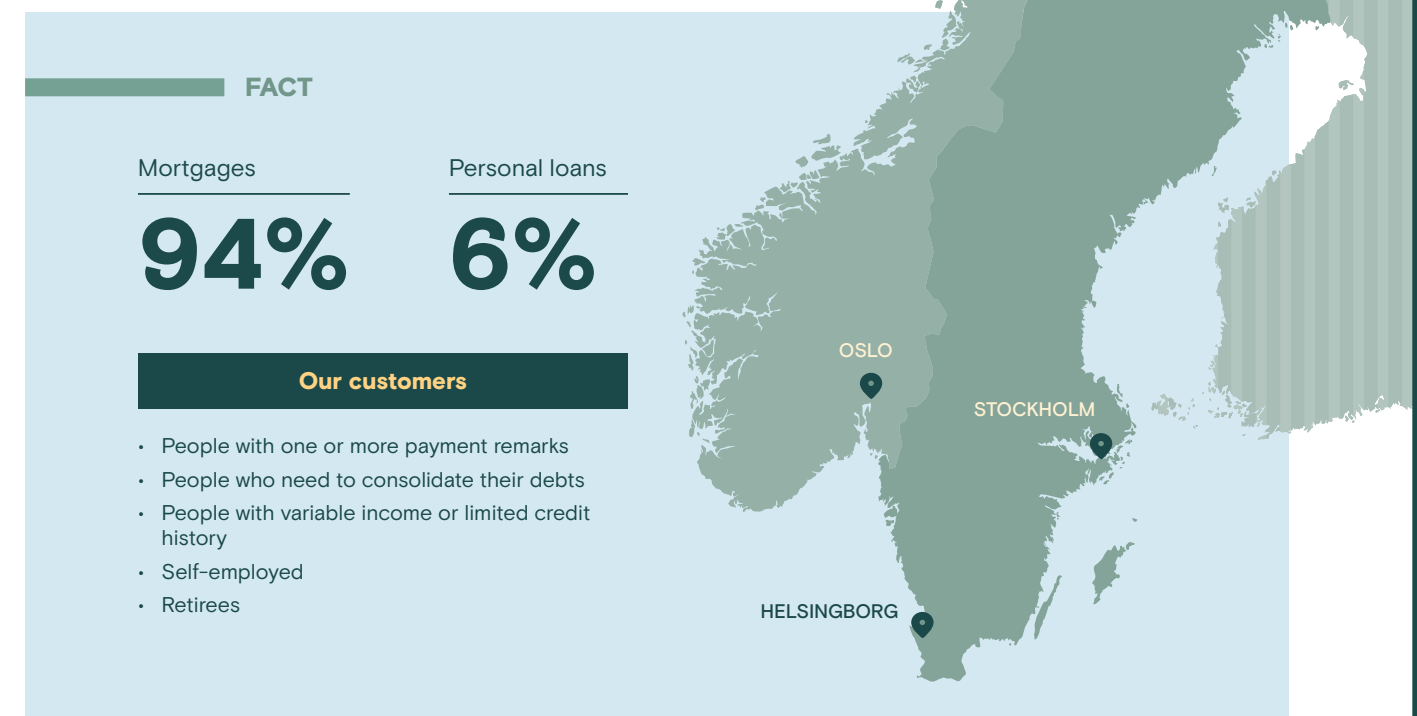
Employees at Bluestep are personally engaged, and every loan applicant is assigned their own contact person. We take great responsibility in understanding the customer's financial situation. We want to be able to fairly assess whether it is possible for Bluestep to approve the loan the customer is applying for. A deeper customer understanding allows Bluestep to ensure each customer's ability to pay both principal and interest when the loan agreement is signed. At the same time, we also make sure that the customer has an ability to continue to service the loan even if interest rates should increase in the future. We take time during the application process to help the customer understand the effects the new loan will have on the household budget.

## The types of loans we offer

Thanks to continuous development of the products we offer, we have been able to successfully reach new customer segments in both Sweden and Norway.

In Norway, Bluestep launched a second charge mortgage product. It enables customers to receive a mortgage loan from Bluestep, while retaining their original mortgage loan with another bank. This allows the customer to increase their mortgage loan rather than taking up a more expensive unsecured consumer loan.

A specialized equity release mortgage product for seniors was launched in Sweden during the year. This loan product is for customers over 60 years old, who own their homes but whose disposable income or pension is insufficient to keep up with interest and principal payments. The loan enables these customers to remain in their homes. Interest and principal payments are not paid monthly; instead, they are added to the loan and not paid until the customer leaves the home. Bluestep guarantees that the loan will never exceed the home's value.





## Comments by Björn Lander, CEO



Bluestep had a successful year in 2019, with the best operating profit in our history. Lending increased, while credit losses remained low. Currently we are in an investment phase, nevertheless the operating profit increased by 29% and return on equity was 14%. The bank has a low risk level. During the year total credit losses amounted 0.37% and only 0.11% for mortgage-related lending. The capital situation is strong, with a Common Equity Tier 1 (CET1) ratio of 17%. Our long-term objective is to have a CET1 ratio of at least 16%. This means that Bluestep is well equipped to face the future, even if general economic conditions were to deteriorate significantly.

Being trusted with leading Bluestep into its' next phase as a pure mortgage bank feels exciting. Bluestep will continue to set ambitious targets to gain market shares in the mortgage industry. Our strong customer relationships help us accomplish this, as we develop the new mortgage products that a broader customer base is asking for.

### Bluestep's brand and geographic expansion

The awareness of Bluestep is high. During the year we continued to clarify what our brand means and increase understanding of what we offer. We are the market leader in Sweden and Norway, and the objective is to increase our market shares going forward. The strategic focus on mortgage loans will be clarified during the coming year, as we recently stopped offering personal loans. There is also high demand for our offering in other countries, giving us the potential to expand geographically. We are opening an office in Helsinki during the first half of 2020 and will begin offering mortgage loans in

Finland.

### Investing in the future

We are in an investment phase, where we are developing and improving our mortgage products. Digitalization of the customer service centre is increasing. Thereby we can focus on finding the best possible solutions for customers while spending less time collecting information manually. These efficiency measures will result in shorter processing times, with a simpler process and an improved experience for customers.

### Financing

Our funding costs has decreased gradually during the year, which benefits our customers. Demand for our savings accounts has been high, and retail deposit volumes have increased. Bluestep was assigned a credit rating of Baa2 with a stable outlook from Moody's before the summer. Recently the rating was upgraded to Baa1 with positive outlook. During the year we issued SEK 1.8bn in bonds. Having multiple sources of financing reduces our risk. At the end of the year we received a license from the Swedish Financial Supervisory Authority to issue covered bonds. Covered bonds will be an important part of our funding from 2020.

### A word of thanks

I want to take the opportunity to thank everyone who is moving our business forward: our customers, investors and above all our committed employees. I truly look forward to continuing to help Bluestep grow while helping our customers.

Sincerely, Björn Lander

## Administration report

Bluestep Bank AB (publ) ("The Company", also known as "The Bank"), org no 556717-5129 with registered office in Stockholm, Sweden, hereby presents the interim accounts and group accounts for the period 2019-07-01–2019-12-31. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB ("BFF1"), org no 556791 6928 with registered office in Stockholm, Sweden, Bluestep Mortgage Securities No 2 Designated Activity Company ("Step2"), org no 522186 with registered office in Dublin, Ireland, Bluestep Mortgage Securities No 3 Designated Activity Company ("Step3"), org no 550839 with registered office in Dublin, Ireland, Bluestep Mortgage Securities No 4 Designated Activity Company ("Step4"), org no 596111 with registered office in Dublin, Ireland, and Bluestep Servicing AB ("BSAB"), org no 556955 3927 with registered office in Stockholm, Sweden. All financial information is provided for the Group unless otherwise stated, while the regulatory information relates to the legal entity Bluestep Bank AB or the Consolidated situation that Bluestep reports to the Swedish Financial Supervisory Authority. The Consolidated situation consists of Bluestep Holding AB ("BHAB"), the Bank, the Branch, BSAB, BFF1, Step 2, Step 3 and Step 4.

### The Group's results

The period refers to 1 July – 31 December 2019 compared to the same period the previous year, unless otherwise stated

The full year refers to January 1 – December 31, 2019 compared to the same period the previous year

### Operating profit

The Group's operating profit for the period increased by 45% to SEK 138m (SEK 95m). For the full year, operating profit increased 29% and amounted to SEK 275m (SEK 212m). The increase was mainly due to increased lending and more cost-effective financing.

### Net interest income

The Group's net interest income for the period increased by 15% to SEK 424m (SEK 370m). For the full year, net interest income increased 14% to SEK 819m (SEK 718m). The increase was driven by volume growth in lending and more cost-effective financing.

### Operating expenses

Operating expenses for the period increased 3% to SEK 267m (SEK 258m). For the full year, expenses increased 6% to SEK 514m (SEK 484m). The increase was driven by increased lending, investments in the brand, product and process development. C/I before credit losses decreased to 60.6% (64.8%) for the full year.

### Staff

The average number of employees in the Group during the year was 274 (243), of which 72 (58) were employed in the branch in Norway. The increase was driven by operational growth, investments in business- and product development and development of the Company's IT platform.

### Credit losses

Net credit losses for the period were SEK 31m (SEK 24m). For the full year, net credit losses were SEK 60m (SEK 50m). The increase was driven by increased provisions for future credit losses as a result of lending growth. The credit loss level during the period was 0.38% (0.32%). For the full year, the total credit loss level was 0.37% (0.35%) and for the mortgage portfolio 0.11% (0.12%).

### Group contribution

The Board of Directors of Bluestep Holding AB (owning 100% of Bluestep Bank AB (publ)) proposes to their Annual General Meeting a dividend of SEK 67.1m. Based on the proposal, Bluestep Bank AB makes a group contribution of SEK 85.3m (before tax) to Bluestep Holding AB. The dividend proposal should be viewed in relation to the capital situation, the macroeconomic outlook and the Group's earnings capacity. The Bank's long-term capital target is a CET1 ratio of at least 16%. Furthermore, group contributions from Bluestep Finans Funding No 1 AB were made to Bluestep Bank AB (publ) in an amount of SEK 115.2m.



Tax

Tax expense amounted to SEK 43.6m (SEK 50.3m) for the full year, which corresponds to an effective tax rate of 23.1% (23.7%).

Financial overview

As of December 31, 2019, compared with the same date the previous year, unless otherwise stated

Lending

The Group’s total loan portfolio increased by 11% and amounted to SEK 16,124m (SEK 14,522m). Capital base and capital adequacy CET1 was SEK 1,408m (SEK 1,303m) for the Consolidated situation. This corresponded to a CET1 capital ratio of 17.1% (17.5%). See definition of Consolidated Situation under “Ownership and Definitions” below.

Return on equity

Return on equity was 14.1% for the full year 2019 (13.0%).

Financing

The Group’s financing sources consisted of equity, deposits from the public in Sweden and Norway, a contracted credit facility, issuance of

RMBS (Residential Mortgage Backed Securities; bonds with underlying Swedish mortgage loans as collateral, through the wholly owned subsidiaries Step 3 and Step 4) and senior unsecured bonds. In November 2019, the Bank received a license from the Financial Supervisory Authority to issue covered bonds pursuant to the Covered Bonds Issuance Act (SFS 2003:1223).

Funding

During the year, a RMBS transaction was repaid (Step 2). In combination with ongoing repayments of outstanding transactions (Step 3 and Step 4), RMBS borrowing decreased to SEK 1,901.1m (SEK 3,233.7m). The outstanding volume of senior unsecured bonds issued under the Bank’s MTN program increased during the year to a total of SEK 2,000m (SEK 200m). The bank’s secured credit facility of SEK 2,000m was fully utilized at year-end, like the previous year.

Deposits

Deposits from the public as of year-end amounted to SEK 11,421m (SEK 10,417m), an increase of 10% of which the balance in Norway amounted to SEK 7,105m (SEK 5,884m), which corresponds to an increase of 21%.

Deposit products offered to the customers in Sweden are covered by the Swedish government

deposit guarantee scheme, which currently amounts to SEK 950,000. The Norwegian Branch is a member of Bankenes Sikringsfond (The Norwegian Banks’ Guarantee Fund) meaning that deposits in Norway are guaranteed up to NOK 2,000,000.

Credit rating

In June 2019, the Bank was assigned a credit rating of Baa2 with stable outlook by Moody’s.

Liquidity

As of year-end, the Group’s liquidity reserve amounted to SEK 2,674m (SEK 2,556m), of which SEK 1,936m (SEK 1,863m) was placed with credit institutions, SEK 532m (SEK 525m) was invested in Swedish and Norwegian covered bonds, SEK 205m (SEK 167m) was invested in bonds issued by the Swedish and Norwegian government and SEK 1m (SEK 1m) was invested in bonds issued by other European governments.

All bond investments were in bonds with credit ratings AAA / Aaa. The Bank’s liquidity reserve amounted to SEK 2,071m (SEK 1,955m).

The liquidity coverage ratio (“LCR”) for all currencies in the Consolidated situation amounted to 361% (324%) at year-end. The Net Stable

Funding Ratio (“NSFR”) was 118% (111%) at year-end.

Organisation and operations

Bluestep Bank AB (publ), is a bank under the supervision of the Swedish Financial Supervisory Authority (the “Swedish FSA”). The company’s principal place of business is located at Sveavägen 163, 104 35 Stockholm, Sweden.

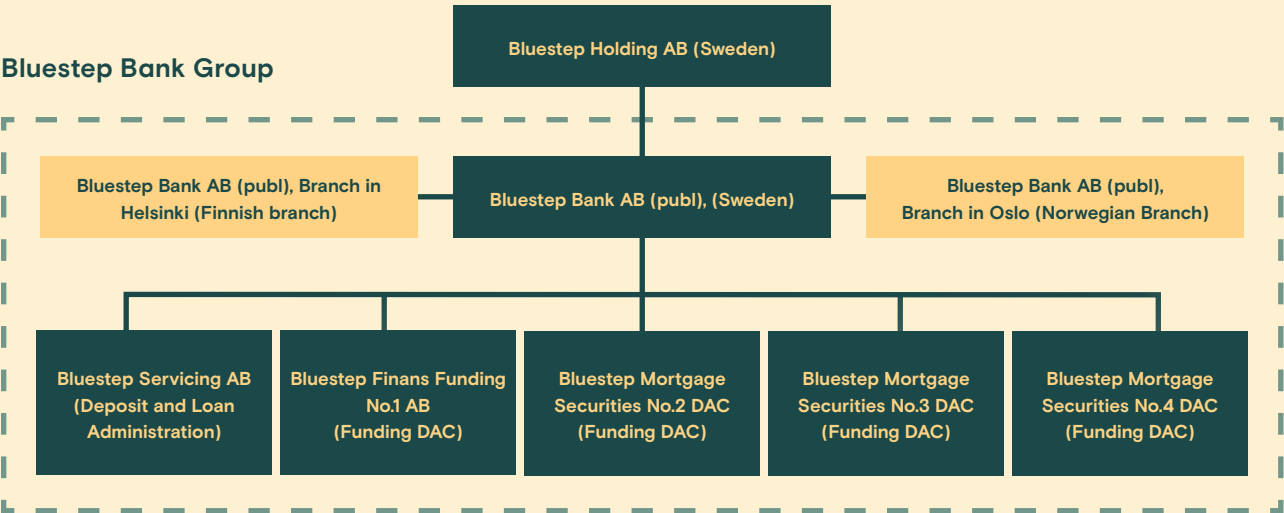
Ownership and definitions

Bluestep Holding AB is owned by EQT VII since November 2017. The ownership structure and its definitions used is detailed below:

- Bluestep Holding AB (“BHAB”) 100% owner of Bluestep Bank AB
- Bluestep Bank AB (publ) (“The Company”, also known as “The Bank”) Parent company of the Bluestep Bank Group (“The Group”)
- Bluestep Bank AB, branch in Oslo (“The Branch”) Norwegian branch for the Norwegian deposit and mortgage operations
- Bluestep Bank AB, branch in Finland (“Finnish Branch”), registered in January 2020 Finnish branch for the Finnish mortgage operations

Key figures   the Group	2019 H2	2018 H2	2019	2018	2017	2016	2015
Operating profit/loss (SEK m)	137.6	94.8	274.5	212.2	250.8	212.2	150.6
Gross Income / Lending to the public <sup>1,2</sup>	7.4%	7.5%	7.5%	7.5%	7.4%	7.4%	7.7%
Operating Income / Lending to the public <sup>2</sup>	5.5%	5.2%	5.5%	5.3%	5.3%	5.4%	5.2%
Credit losses (%) <sup>2</sup>	0.38%	0.32%	0.37%	0.35%	0.25%	0.23%	0.37%
CET1 <sup>2</sup>	1,407.8	1,303.0	1,407.8	1,303.0	1,063.8	914.7	746.3
CET1 ratio <sup>2</sup>	17.06%	17.45%	17.06%	17.45%	15.02%	15.00%	14.60%
Return on Equity <sup>1,2,3</sup>	13.6%	10.4%	14.1%	13.0%	19.4%	19.8%	17.2%
Return on Assets <sup>1,2</sup>	1.4%	1.1%	1.5%	1.2%	1.6%	1.6%	1.4%
Liquidity Reserve (SEK m)	2,674	2,555.9	2,674	2,555.9	3,029.7	2,076.7	1,803.3
Deposits from the public (SEK m)	11,421.4	10,416.6	11,421.4	10,416.6	10,418.6	9,504.4	7,186.8
External Funding (SEK m)	5,901.1	5,432.6	5,901.1	5,432.6	4,831.3	3,404.0	3,675.6
Lending to the public (SEK m)	16,124.4	14,521.7	16,124.4	14,521.7	13,609.7	12,366.0	9,918.0
Leverage Ratio <sup>2</sup>	7.4%	7.5%	7.4%	7.5%	6.4%	6.5%	6.3%
Average number of employees	270	253	274	243	227	187	176

<sup>1</sup> Key figure related to H2 are recalculated to 12 month period  
<sup>2</sup> For definitions of alternate KPI's, see page 43  
<sup>3</sup> During H1 2018, shareholder contributions amounted to SEK 200m which have resulted in a negative effect on Return on Equity





- Bluestep Finans Funding No 1 AB (“BFF1”) Warehouse funding facility company and Funding DAC. Ownership 100%
- Bluestep Mortgage Securities No 2 Designated Activity Company (“Step 2”) Former Funding DAC under liquidation. Ownership 100%
- Bluestep Mortgage Securities No 3 Designated Activity Company (“Step 3”) Funding DAC. Ownership 100%
- Bluestep Mortgage Securities No 4 Designated Activity Company (“Step 4”) Funding DAC. Ownership 100%
- Bluestep Servicing AB (“BSAB”) Deposit and Loan Administration. Ownership 100%

Bluestep operates in Sweden and Norway, where the Norwegian operation is run through the Branch. The Group is Sweden's and Norway's largest specialist residential mortgage lender in its niche and the core business is to engage in lending activities which are mainly funded by equity, deposits from the public, credit facilities, issuance of asset backed securities (through the wholly owned subsidiaries Step 3 and Step 4) and issuance of senior unsecured bonds.

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## Branches in other countries

The Bank operates in Norway through its Norwegian branch. The Bank aims to maintain the position as one of the leading creditors in the specialized mortgage market in Norway and will primarily finance the Norwegian operations through deposits from the public in Norway, issuance of bonds and through own funds (equity). The Branch also has access to internal loans from the Bank.

At the end of August 2019, an application to conduct mortgage operations and establish a branch in Finland was filed. The application was approved both by the Swedish and Finnish

Financial Supervisory Authorities before year end. The Finnish branch was registered in January 2020 and work to commence operations is currently ongoing.

## Significant regulatory changes

The bank applies the new accounting standard IFRS 16 Leases for the financial year 2019. IFRS 16 replaces IAS 17 Leasing agreement and related interpretations. The standard is applied from 1 January 2019 and is adopted by the EU. The standard entails new disclosure requirements for leases, which will be presented in the Annual Report 2019. The transition to IFRS 16 has not had any material impact on the Group's financial reports or capital adequacy. The year-end-report is prepared in accordance with the same accounting principles and calculation methods that were applied in the annual report 2018 and in the half-year report for the first six months of 2019.

## Subsequent events

- In January 2020, the Bank contracted a new credit facility of SEK 2,000m, with final maturity in October 2020. The procurement of the credit facility was primarily due to the Bank's license to issue covered bonds
- In February, BFF1 repaid an existing credit facility of SEK 2,000m. The Bank acquired mortgages from BFF1 totalling SEK 2,316m.
- On the 15th January 2020, Erik Walberg Olstad's role as COO was extended and he was also appointed the legal responsibility for the Norwegian branch as Branch manager. Rolf Stub will continue in his role as Head of Strategy & Business Development.
- The Finnish branch was registered at the Finnish trade register in January 2020.
- In February 2020, the Bank ceased offering unsecured personal loans, strengthening its' strategic direction on residential mortgage loans.
- In mid February 2020, Bluestep's credit rating was upgraded to Baa1 with positive outlook, from Baa2 with stable outlook, by Moody's.

## Financial calendar

The annual report 2019 will be published on the website calendar week 17, 2020.

# Income Statement

		Group				Parent			
SEK m	Note	Jul-Dec 2019	Jul-Dec 2018	Annual 2019	Annual 2018	Jul-Dec 2019	Jul-Dec 2018	Annual 2019	Annual 2018
Operating income									
Interest income calculated using the effective interest method		591.3	546.0	1,153.4	1,064.5	518.5	466.2	1,000.6	937.6
Other interest income		5.7	3.3	9.8	6.5	30.2	36.6	59.8	70.8
Interest expense calculated using the effective interest method		-123.5	-109.7	-249.1	-213.9	-193.3	-223.7	-402.5	-459.0
Other interest expenses		-49.3	-69.4	-95.1	-138.8	-16.8	-16.5	-28.0	-34.5
Net interest income		424.2	370.0	819.0	718.2	338.6	262.7	629.9	514.8
Group contributions		-	-	-	-	115.2	65.4	115.2	85.4
Net result of financial transactions		5.8	0.5	17.9	14.2	-6.7	15.9	-10.7	-4.8
Other operating income		5.5	5.9	11.5	13.6	79.7	5.2	85.0	10.7
Total operating income		435.5	376.5	848.5	746.0	526.8	349.2	819.4	606.1
Operating expense									
General administration expenses		-245.5	-223.2	-476.7	-435.9	-293.2	-167.5	-484.8	-308.4
Depreciation on fixed assets		-21.6	-35.0	-37.6	-47.6	-12.2	-31.8	-21.5	-41.9
Total expenses		-267.1	-258.2	-514.3	-483.6	-305.4	-199.3	-506.3	-350.3
Result pre credit losses									
		168.4	118.3	334.2	262.4	221.4	149.9	313.1	255.8
Credit losses, net	4	-30.8	-23.5	-59.7	-50.2	-29.6	-22.4	-57.4	-47.8
Operating profit/loss									
		137.6	94.8	274.5	212.2	191.8	127.5	255.7	208.0
Group contributions		-85.3	-	-85.3	-	-85.3	-	-85.3	-
Tax		-18.0	-26.1	-43.6	-50.3	-29.0	-26.1	-42.0	-50.3
NET PROFIT/LOSS FOR THE PERIOD		34.2	68.8	145.6	161.9	77.5	101.5	128.4	157.7
Statement of Comprehensive Income									
Net income		34.2	68.8	145.6	161.9	77.5	101.5	128.4	157.7
Items that may be reclassified to the income statement									
Exchange differences, foreign operations		-6.6	-11.0	3.5	-0.3	-6.4	-11.0	3.7	-0.3
Whereof tax effect		1.4	2.4	-0.8	0.1	1.4	2.4	-0.8	0.1
COMPREHENSIVE PROFIT/LOSS									
		29.1	60.2	148.3	161.7	72.4	92.9	131.3	157.4



# Balance Sheet

		Group		Parent	
SEK m	Note	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Assets					
Lending to credit institutions		1,935.6	1,862.8	1,333.4	1,261.9
Lending to the public	5	16,124.4	14,521.7	13,735.2	11,976.9
Derivatives		147.0	213.4	34.4	36.4
Bonds and other interest-bearing securities		738.1	693.1	738.1	693.1
Shares and participations in associated companies		-	-	4.7	4.7
Intangible assets		107.6	58.0	94.2	43.5
Tangible assets		60.8	8.3	7.1	7.3
Other assets		105.4	108.8	780.1	815.4
Prepaid expenses and accrued income		20.9	27.3	20.2	25.5
Income taxes recoverable		13.9	3.0	13.0	-
Total assets		19,253.5	17,496.4	16,760.3	14,864.8
Liabilities					
Liabilities to credit institutions		2,000.0	1,998.9	1,487.8	2,631.8
Issued bonds		3,901.1	3,433.7	2,000.0	200.0
Deposits from the public		11,421.4	10,416.6	11,421.4	10,416.6
Derivatives		17.1	38.1	17.1	25.5
Tax liabilities		-	-	-	0.3
Other liabilities		219.8	72.2	169.3	82.1
Accrued expenses and prepaid income		88.6	79.8	76.5	51.5
Total liabilities		17,648.0	16,039.3	15,172.0	13,407.8
Equity					
Share capital		100.0	100.0	100.0	100.0
Fund for development fees		-	-	10.8	-
Translation difference		7.1	4.4	7.3	4.4
Other contributed capital		563.7	563.7	563.7	563.7
Retained earnings		789.1	627.1	778.1	631.1
Result for this year		145.6	161.9	128.4	157.7
Total equity		1,605.5	1,457.2	1,588.2	1,456.9
Total equity and liabilities		19,253.5	17,496.4	16,760.3	14,864.8

# Changes in Equity

Group SEK m	Shareholders' equity				
	Share capital	Translation difference	Other contributed capital	Retained earnings	Total equity
<b>Opening balance 2018-07-01</b>	<b>100.0</b>	<b>13.0</b>	<b>563.7</b>	<b>720.3</b>	<b>1,397.0</b>
Result for the period reported via income statement				68.8	68.8
Exchange differences, foreign operations		-8.6			-8.6
<b>Ending balance 2018-12-31</b>	<b>100.0</b>	<b>4.4</b>	<b>563.7</b>	<b>789.1</b>	<b>1,457.2</b>
<b>Opening balance 2019-01-01</b>	<b>100.0</b>	<b>4.4</b>	<b>563.7</b>	<b>789.1</b>	<b>1,457.2</b>
Result for the period reported via income statement				145.6	145.6
Exchange differences, foreign operations		2.8		2.8	2.8
<b>Ending balance 2019-12-31</b>	<b>100.0</b>	<b>7.1</b>	<b>563.7</b>	<b>934.6</b>	<b>1,605.5</b>
<b>Opening balance 2019-07-01</b>	<b>100.0</b>	<b>563.7</b>	<b>563.7</b>	<b>900.4</b>	<b>1,576.4</b>
Result for the period reported via income statement				34.2	34.2
Exchange differences, foreign operations		-5.2			-5.2
<b>Ending balance 2019-12-31</b>	<b>100.0</b>	<b>7.1</b>	<b>563.7</b>	<b>934.6</b>	<b>1,605.5</b>



Parent SEK m	Shareholders' equity					
	Restricted		Non restricted			Total equity
	Share capital	Fund for development fees	Translation difference	Other contributed capital	Retained earnings	
<b>Opening balance 2018-07-01</b>	<b>100.0</b>	<b>-</b>	<b>13.0</b>	<b>563.7</b>	<b>687.4</b>	<b>1,364.1</b>
Result for the period reported via income statement					101.5	101.5
Exchange differences, foreign operations			-8.6			-8.6
<b>Ending balance 2018-12-31</b>	<b>100.0</b>	<b>-</b>	<b>4.4</b>	<b>563.7</b>	<b>788.8</b>	<b>1,456.9</b>
<b>Opening balance 2019-01-01</b>	<b>100.0</b>	<b>-</b>	<b>4.4</b>	<b>563.7</b>	<b>788.8</b>	<b>1,456.9</b>
Result for the period reported via income statement					128.4	128.4
The period's internally generated intangible assets		10.8			-10.8	-
Exchange differences, foreign operations			2.9			2.9
<b>Ending balance 2019-12-31</b>	<b>100.0</b>	<b>10.8</b>	<b>7.3</b>	<b>563.7</b>	<b>906.4</b>	<b>1,588.2</b>
<b>Opening balance 2019-07-01</b>	<b>100.0</b>	<b>5.8</b>	<b>12.4</b>	<b>563.7</b>	<b>833.9</b>	<b>1,515.8</b>
Result for the period reported via income statement					77.5	77.5
The period's internally generated intangible assets		4.9			-4.9	-
Exchange differences, foreign operations			-5.0			-5.0
<b>Ending balance 2019-12-31</b>	<b>100.0</b>	<b>10.8</b>	<b>7.3</b>	<b>563.7</b>	<b>906.4</b>	<b>1,588.2</b>

The share capital consists of 2 common stock of the same kind with quotient value of SEK 50m. All shares have equal voting.

# Cash Flow Statement

SEK m	Note	Group		Parent	
		2019	2018	2019	2018
<b>Operating activities</b>					
Pre tax income		274.5	212.2	255.7	208.0
		<b>274.5</b>	<b>212.2</b>	<b>255.7</b>	<b>208.0</b>
<b>Adjustments for items not included in cash flow</b>					
Depreciation		37.6	47.6	21.5	41.9
Unrealised changes in value		-8.4	5.4	19.4	24.4
Credit losses excluding recoveries	4	105.0	95.9	102.3	93.5
<b>Total – Items not included in cash flow</b>		<b>134.3</b>	<b>148.9</b>	<b>143.1</b>	<b>159.8</b>
Taxes paid		-54.5	-76.1	-55.3	-77.0
<b>Cash flow from current operations before changes to operating capital</b>		<b>354.3</b>	<b>285.1</b>	<b>343.5</b>	<b>290.8</b>
<b>Cash flow from changes to operating capital</b>					
Increase (-)/decrease (+) of lending to the public		-1,707.6	-1,025.1	-1,860.6	411.9
Increase (-)/decrease (+) of change in receivables		76.3	-12.4	42.7	-66.2
Increase (+)/decrease (-) of deposits from the public		1,004.8	-1.9	1,004.8	-1.9
Increase (+)/decrease (-) of change in short term liabilities		50.2	-21.7	18.5	-4.9
<b>Cash flow from operating activities</b>		<b>-136.8</b>	<b>-776.1</b>	<b>-365.9</b>	<b>629.7</b>
<b>Investing activities</b>					
Increase (-) in intangible assets		-72.9	-41.0	-69.1	-37.0
Increase (-) of tangible fixed assets		-66.9	-2.3	-2.8	-2.3
Increase (-) of financial assets		-36.6	-54.3	-64.3	-73.3
<b>Cash flow from investing activities</b>		<b>-176.4</b>	<b>-97.6</b>	<b>-136.2</b>	<b>-112.5</b>
<b>Financing activities</b>					
Liabilities to credit institutions		1.1	1,451.1	656.0	-841.4
Increase (+)/decrease (-) of Issued bonds		467.4	-849.7	-	-
Shareholders' contribution		-	200.0	-	200.0
<b>Cash flow from financing activities</b>		<b>383.2</b>	<b>801.3</b>	<b>570.6</b>	<b>-641.4</b>
<b>NET CASH FLOW FOR THIS PERIOD</b>		<b>70.0</b>	<b>-72.3</b>	<b>68.5</b>	<b>-124.2</b>
<b>Liquid funds at beginning of year</b>		<b>1,862.8</b>	<b>1,935.5</b>	<b>1,261.9</b>	<b>1,386.4</b>
<b>Currency difference in liquidity</b>		<b>2.8</b>	<b>-0.2</b>	<b>2.9</b>	<b>-0.2</b>
<b>LIQUID FUNDS END OF PERIOD</b>		<b>1,935.6</b>	<b>1,862.8</b>	<b>1,333.4</b>	<b>1,261.9</b>
<b>Cash flow includes interest receipts of</b>		<b>1,168.6</b>	<b>1,076.0</b>	<b>1,065.9</b>	<b>1,011.7</b>
<b>Cash flow includes interest payments of</b>		<b>-354.6</b>	<b>-372.6</b>	<b>-440.9</b>	<b>-513.5</b>





### Disclosures

All amounts in the notes are in millions of Swedish crowns (SEKm) and represent reported amounts unless indicated otherwise. Figures in brackets refer to the same period the previous year.

## Note 1. Accounting principles

This interim report is prepared according to IAS 34, Interim Financial Reporting. The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and interpretations of them and the regulations and general advice issued by the Swedish FSA, FFFS 2008:25. The consolidated financial statements also apply recommendation RFR 1 Complementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, and the law (1995:1559), Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). The accounting principles for the Parent Company is prepared according to the law (1995:1559), Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and FSA regulations and general advice on the Annual Report of banks and securities companies (FFFS 2008:25) in

accordance with all amended regulations, and the council of Financial Reporting Recommendation RFR 2, Accounting for Legal Entities.

The interim report applies the accounting principles and method of calculation as stated in the annual report of 2018, note 1. Except for IFRS 16, there have been no material changes in accounting principles and methods of calculations since the annual report of 2018 was published.

### IFRS 16 Leases

The Group applies the new accounting standard IFRS 16 leases for the financial year of 2019. IFRS 16 replaces IAS 17 leasing agreements and its previous interpretations. The standard was implemented on January 1, 2019. The standard introduces new disclosure requirements for leasing agreements, which will be presented in the annual report of 2019.

## Note 2. Risk management

### Risk profile and strategy

The primary goals of the Bank's risk management are to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward. The Bank's risk management framework provides the foundation for achieving these goals.

Risk is defined as a potentially negative impact on the Bank's value that could occur due to current internal processes or future internal or external events. The concept of risks includes both the probability that an event will occur and the potential impact it would have on the Bank. To achieve the Bank's business goals for growth, profitability and financial stability, the Bank's targets must be assessed against the risks that might arise in the Bank's operations whilst doing so.

The Bank's main activity is to provide loans to the public in Sweden and Norway and to fund them through a combination of retail deposits,

issued securities (Residential Mortgage Backed Securities, RMBS), contracted credit facilities and senior unsecured bonds. In November 2019, the Bank received a license from the Swedish FSA to issue covered bonds pursuant to the Covered Bonds Issuance Act (SFS 2003:1223).

The Bank is exposed to a number of risks, such as credit risk, liquidity risk, operational risks and other financial risks. The capital adequacy requirement is founded on three pillars: risks and capital needs are assessed in the first two pillars; and disclosure requirements are part of the third pillar:

1. Pillar I, minimum capital requirements: deals with maintenance of regulatory capital calculated for the major components of risk that a bank faces: credit risk, operational risk, CVA risk and market risk. The methodology applicable to calculate the capital requirements is stated in the Regulation (EU) 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR).



2. Pillar II, supervisory review: provides a framework for dealing with the underestimations of those risks assessed under Pillar I and, additionally, interest rate risk of the loan book, systemic risk, pension risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk. The process for the internal capital and liquidity adequacy assessment process ("ICLAAP") is a result of Pillar II of the Basel II accords. The ICLAAP includes stress scenarios which test the Bank's exposure to, and the impact of identified risks.
3. Pillar III, market discipline: aims to complement the minimum capital requirements and supervisory review process by developing a set of disclosure requirements which will allow the market participants to gauge the capital adequacy of an institution.

Based on the Pillar I and II assessment process, the Bank has identified the following primary risk categories. For further information about its measurements, controls and mitigants, see Note 2 "Risk management" in the annual report for 2018.

To manage identified risks, the Bank has created a framework for managing risk and capital through principles, organisational structures, valuation and supervision processes tailored to the activities

of the business. The framework consists of the following:

- (i) the Board of Directors performs the overall supervision of risk and capital management;
- (ii) the Bank operates a three lines of defense management model;
- (iii) risk strategy and risk tolerance are defined based on strategic plans to combine risk, capital and performance targets;
- (iv) all major risks are managed via risk management processes, consisting of credit risk, market risk, operational risk and liquidity risk;
- (v) modelling and valuation approaches for quantifying risk and capital requirements are implemented in all the major risk classes, while other risks such as business risk, strategic risk and reputational risk are assessed and quantified during the ICLAAP; and,
- (vi) effective processes and policies are established to implement the identified risk management processes and constitute a critical component of the Bank's risk management capability.

The Bank's risk management, risk control and compliance process are based on the three lines of defense approach to allocate roles and areas of responsibility. This approach aims at achieving satisfactory risk management with effective risk control and compliance.

The Board of Directors bears the ultimate responsibility for the Bank's risk level and risk management system, and for ensuring that the Bank has adequate controls in place. The Board of Directors provides directives to the CEO by means of policies, with respect to governance, management, control and reporting of risks, as well as issuing policies and instructions. The Board of Directors is thus responsible for the Bank's risk management system and must ensure that the Bank has appropriate internal controls in place. The Board of Directors has established a committee, the Audit, Risk and Compliance Committee ("ARCCO"). The ARCCO is continuously monitoring the quality of the Bank's financial reporting, the quality of its corporate governance, internal control, compliance, risk control and internal audit.

The Board of Directors has resolved to appoint a Chief Risk Officer ("CRO") who is responsible for the identification, assessment, management and reporting of risks within the business that arise in all business lines and all types of risk within the organisation. As part of second line of defense, the CRO reports directly to the CEO and the Board of Directors.

The risk management system is complemented by three CEO committees, the Risk and Compliance Committee ("RiCO"), the New Product Approval Process Committee ("NPAP") and the Asset and Liability Management Committee ("ALCO"). RiCO's objective is to improve and promote a strong risk management culture, and to strengthen the Bank's risk management processes and controls by assisting the business in the management of operational and compliance risks. The NPAP is an established process for approving new or altered products, procedures or systems, where their

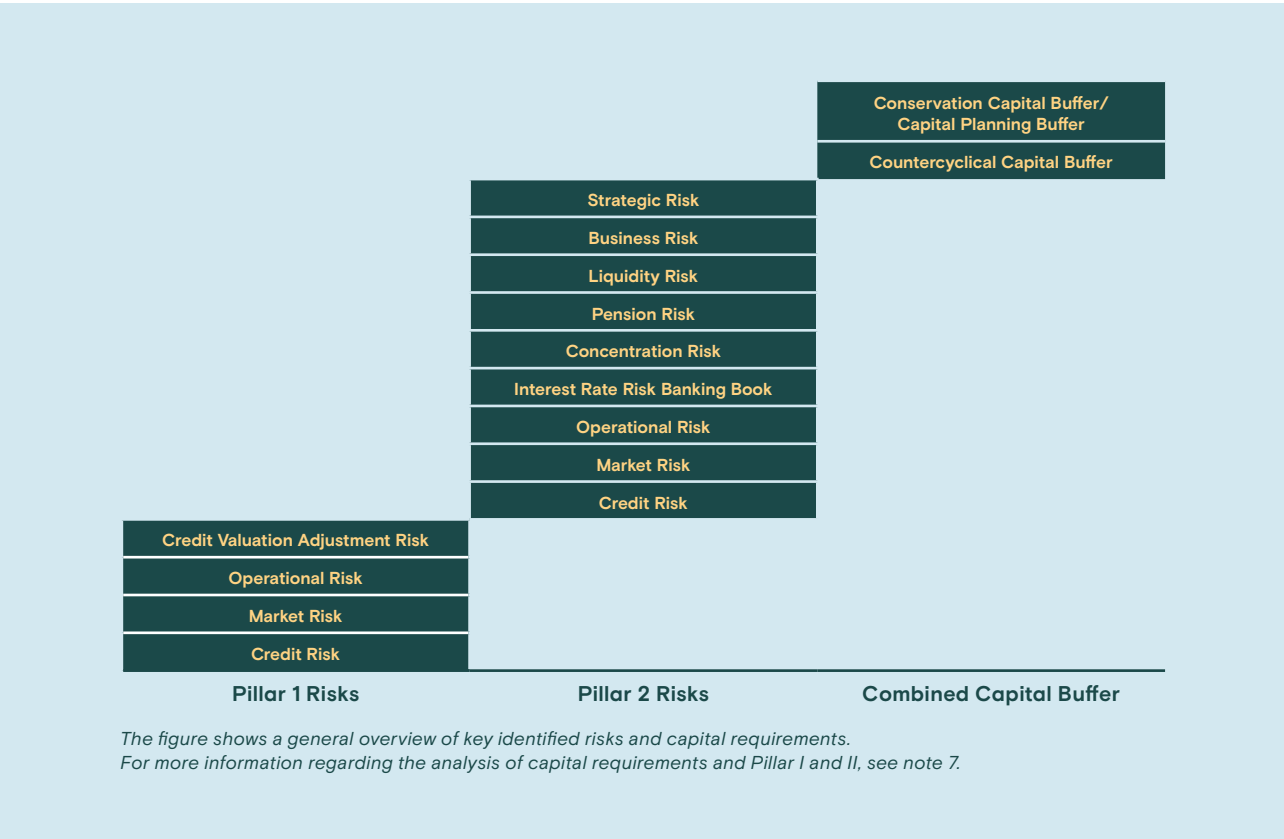
risks are presented, analysed and evaluated. The ALCO assists the business in the management of balance sheetrelated risks. These risks are primarily interest rate risk, liquidity risk, currency risk and credit risk.

For further information about the Company's risk management, see Note 2 "Risk management" in the annual report for 2018.

### Internal capital and liquidity adequacy assessment process

The Bank allocates capital for Pillar I and Pillar II risks. Risks under Pillar II are assessed in the Bank's ICLAAP. The Bank's ICLAAP takes the capital limits and targets set out in the Bank's capital policy into account, allowing the Bank to assess its capital requirement and, if capital is needed for the Bank to meet all requirements and buffers, provides the Bank with alternatives for obtaining capital that properly support all relevant current and future risks in the business for an upcoming period of three years, based on the Bank's strategy and business plans. The capital policy is reviewed at least once per year and revised as needed.

The Bank continually monitors its ICLAAP and updates it at least once per year or more frequently if there are substantial changes in the conditions upon which the assessment of the need for capital or liquidity was based, to ensure that the risks are properly considered and reflect the Bank's actual risk profile and capital requirements. The ICLAAP is prepared by the ARCCO and adopted by the Board of Directors. As part of the Company's ICLAAP the size and composition of the liquidity reserve is regularly analysed and assessed against estimated contingency needs which addresses liquidity shortfalls in emergency situations.



## Note 3. Operating segments

Income statement Jul-Dec 2019	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, other items	Total
Interest income	299.5	270.9	55.6	-29.0	596.9
Interest expense	-94.9	-83.6	-9.1	14.8	-172.8
<b>Net interest income</b>	<b>204.6</b>	<b>187.2</b>	<b>46.5</b>	<b>-14.2</b>	<b>424.2</b>
<b>Total operating income</b>	<b>292.3</b>	<b>188.6</b>	<b>45.8</b>	<b>-91.2</b>	<b>435.5</b>
<b>Total expenses</b>	<b>-221.2</b>	<b>-107.2</b>	<b>-30.5</b>	<b>91.8</b>	<b>-267.1</b>
<b>Result pre credit losses</b>	<b>71.1</b>	<b>81.4</b>	<b>15.3</b>	<b>0.6</b>	<b>168.4</b>
Credit losses, net	-6.4	-2.6	-21.8	-	-30.8
<b>Operating profit/loss</b>	<b>64.8</b>	<b>78.8</b>	<b>-6.6</b>	<b>0.6</b>	<b>137.6</b>
Group contribution	-	-	-	-85.3	-85.3
Allocated tax*	5.6	-22.9	-	1.4	-15.9
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>70.3</b>	<b>55.9</b>	<b>-6.6</b>	<b>-83.3</b>	<b>36.4</b>

Income statement Jul-Dec 2018	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, other items	Total
Interest income	306.5	214.6	55.6	-34.2	542.5
Interest expense	-122.3	-65.5	-7.1	22.4	-172.5
<b>Net interest income</b>	<b>184.2</b>	<b>149.2</b>	<b>48.5</b>	<b>-11.9</b>	<b>370.0</b>
<b>Total operating income</b>	<b>192.9</b>	<b>149.0</b>	<b>48.5</b>	<b>-14.0</b>	<b>376.5</b>
<b>Total expenses</b>	<b>-131.1</b>	<b>-106.6</b>	<b>-34.4</b>	<b>14.0</b>	<b>-258.2</b>
<b>Result pre credit losses</b>	<b>61.8</b>	<b>42.4</b>	<b>14.2</b>	<b>-0.0</b>	<b>118.3</b>
Credit losses, net	-6.3	-2.1	-15.1	-	-23.5
<b>Operating profit/loss</b>	<b>55.5</b>	<b>40.3</b>	<b>-1.0</b>	<b>-0.0</b>	<b>94.8</b>
Allocated tax*	-13.8	-12.0	-0.3	-	-26.1
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>41.7</b>	<b>28.3</b>	<b>-1.2</b>	<b>-0.0</b>	<b>68.8</b>

Income statement Annual 2019	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, other items	Total
Interest income	593.6	519.0	111.6	-60.9	1,163.2
Interest expense	-185.2	-172.0	-17.6	30.6	-344.2
<b>Net interest income</b>	<b>408.3</b>	<b>347.0</b>	<b>94.0</b>	<b>-30.2</b>	<b>819.0</b>
<b>Total operating income</b>	<b>513.4</b>	<b>350.3</b>	<b>92.4</b>	<b>-107.6</b>	<b>848.5</b>
<b>Total expenses</b>	<b>-355.3</b>	<b>-210.0</b>	<b>-58.5</b>	<b>109.6</b>	<b>-514.3</b>
<b>Result pre credit losses</b>	<b>158.1</b>	<b>140.3</b>	<b>33.9</b>	<b>1.9</b>	<b>334.2</b>
Credit losses, net	-9.6	-7.0	-43.1	-	-59.7
<b>Operating profit/loss</b>	<b>148.5</b>	<b>133.3</b>	<b>-9.3</b>	<b>1.9</b>	<b>274.5</b>
Group contribution	-	-	-	-85.3	-85.3
Allocated tax*	-8.9	-36.6	-	1.8	-43.6
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>139.6</b>	<b>96.8</b>	<b>-9.3</b>	<b>-81.5</b>	<b>145.6</b>

\*Allocated tax is used to allocate taxes to the different segments and is not a measure required by IFRS.

Income statement Annual 2018	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, other items	Total
Interest income	608.8	411.5	112.7	-62.0	1,071.0
Interest expense	-242.0	-133.9	-14.2	37.4	-352.7
<b>Net interest income</b>	<b>366.8</b>	<b>277.5</b>	<b>98.5</b>	<b>-24.7</b>	<b>718.2</b>
<b>Total operating income</b>	<b>395.0</b>	<b>279.7</b>	<b>98.5</b>	<b>-27.3</b>	<b>746.0</b>
<b>Total expenses</b>	<b>-258.8</b>	<b>-195.7</b>	<b>-56.3</b>	<b>27.3</b>	<b>-483.6</b>
<b>Result pre credit losses</b>	<b>136.2</b>	<b>84.0</b>	<b>42.2</b>	<b>0.0</b>	<b>262.4</b>
Credit losses, net	-12.3	-3.4	-34.5	-	-50.2
<b>Operating profit/loss</b>	<b>123.9</b>	<b>80.6</b>	<b>7.7</b>	<b>0.0</b>	<b>212.2</b>
Allocated tax*	-27.3	-22.1	-1.0	-	-50.3
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>96.6</b>	<b>58.5</b>	<b>6.7</b>	<b>0.0</b>	<b>161.9</b>

\*Allocated tax is used to allocate taxes to the different segments and is not a measure required by IFRS.

Balance sheet 2019-12-31	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, other items	Total
Lending to credit institutions	1,743.7	191.9	-	-	1,935.6
Lending to the public	8,386.6	6,723.6	1,014.1	-	16,124.4
Deposits from the public	4,316.0	7,105.4	-	-	11,421.4

Balance sheet 2018-12-31	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, other items	Total
Lending to credit institutions	1,366.4	496.4	-	-	1,862.8
Lending to the public	8,238.2	5,289.6	993.9	-	14,521.7
Deposits from the public	4,532.6	5,884.1	-	-	10,416.6

The operating segment report is based on the Group's accounting policies, organisation and management accounting. Income that is not directly attributable to an operating segment is allocated to the segments using metrics deemed by the management to give a fair distribution. Cross border transfer pricing is applied in accordance with OECD transfer pricing guidelines.

The executive decision maker in the organisation is the CEO. COO Sweden, COO Norway and the Head of Personal Loans report to the CEO. The COO Sweden's responsibilities include mortgages in Sweden, which is one operating segment. The COO Norway's responsibilities include mortgages in Norway, which is one operating segment. The Head of Personal Loans' responsibilities include personal loans in Sweden, which is included in Other operations.

Each COO controls their operations from clearly stated objectives regarding their development of new lending, loan portfolio, income and expenses, and their respective KPI's. Furthermore, the operations strive towards improved quality and cost-effectiveness by increasing process efficiency.

The mortgage business is the main operation and is divided into Mortgages Sweden and Mortgages Norway. All companies within the Group managing mortgages in Sweden (the Company, BFF1, Step 3, Step 4) and providing support functions (BSAB) are included in Mortgages Sweden. Mortgages Norway are operated through the Branch. Other operations include personal loans, which are managed within the Bank in Sweden.



## Note 4. Net credit impairments

Provisions in accordance with IFRS 9 are calculated using quantitative models based on inputs and assumptions made by management. The following points can have major impact on the level of provisions:

- determining a significant increase in credit risk
- valuation of both expected credit impairment due to default in the next 12 months and expected credit impairment during the remaining maturity of the asset

	Group				Parent			
	July - Dec 2019	July - Dec 2018	Annual 2019	Annual 2018	July - Dec 2019	July - Dec 2018	Annual 2019	Annual 2018
<b>Credit impairments</b>								
<b>Credit impairment provisions</b>	-5.4	-0.3	-6.7	-5.3	-5.6	0.8	-7.0	-3.1
of which Stage 1	-0.7	-0.1	-1.4	-0.6	0.0	-0.2	-1.7	-1.9
of which Stage 2	-1.9	-1.0	-2.8	-4.3	-3.1	0.5	-3.5	-1.7
of which Stage 3	-2.8	0.8	-2.5	-0.5	-2.5	0.5	-1.7	0.5
<b>Credit impairments for off balance sheet exposures</b>	-	-	-	-	-	-	-	-
<b>Write-offs</b>								
Actual losses during the period	-45.9	-44.7	-98.3	-90.5	-44.3	-44.6	-95.3	-90.4
<b>Total</b>	<b>-45.9</b>	<b>-44.7</b>	<b>-98.3</b>	<b>-90.5</b>	<b>-44.3</b>	<b>-44.6</b>	<b>-95.3</b>	<b>-90.4</b>
<b>Recoveries</b>	<b>20.6</b>	<b>21.5</b>	<b>45.3</b>	<b>45.7</b>	<b>20.4</b>	<b>21.5</b>	<b>44.9</b>	<b>45.7</b>
<b>Credit losses, net</b>	<b>-30.8</b>	<b>-23.5</b>	<b>-59.7</b>	<b>-50.2</b>	<b>-29.5</b>	<b>-22.3</b>	<b>-57.4</b>	<b>-47.8</b>

## Note 5. Lending to the public

Lending to the public	Group		Parent	
	Annual 2019	Annual 2018	Annual 2019	Annual 2018
Amortised cost	16,098.3	14,529.2	13,709.1	11,984.4
Valued at fair value through profit and loss	51.8	-	51.8	-
Adjustment hedge accounting	-25.7	-7.5	-25.7	-7.5
<b>Total lending to the public</b>	<b>16,124.4</b>	<b>14,521.7</b>	<b>13,735.2</b>	<b>11,976.9</b>

The tables below present the breakdown of loans valued at amortized cost and their write-downs with step allocation per asset class. The Bank

has no material purchased or original loan losses (POCI) at the end of the year.

	Group			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2019</b>	<b>13,426.9</b>	<b>915.7</b>	<b>237.4</b>	<b>14,580.0</b>
<b>Reported value gross 31 December 2019</b>	<b>14,504.3</b>	<b>1,339.0</b>	<b>312.8</b>	<b>16,156.1</b>
<b>Provisions 1 January 2019</b>	<b>13.9</b>	<b>25.7</b>	<b>11.4</b>	<b>51.0</b>
New financial assets	5.4	5.4	2.1	12.8
Change in PD/LGD/EAD	1.2	-0.5	-0.1	0.6
Management overlay	-0.2	-1.5	-	-1.7
<b>Transfers between stages</b>	<b>-1.0</b>	<b>10.8</b>	<b>9.0</b>	<b>18.9</b>
-Transfer from stage 1 to 2	-1.2	16.4	-	15.2
-Transfer from stage 1 to 3	-0.2	-	6.4	6.3
-Transfer from stage 2 to 1	0.4	-4.2	-	-3.7
-Transfer from stage 2 to 3	-	-1.7	3.4	1.7
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.3	-0.7	-0.4
Exchange rate change	0.0	0.1	0.1	0.2
Removed financial assets	-4.0	-11.4	-8.6	-24.1
<b>Provisions 31 December 2019</b>	<b>15.3</b>	<b>28.6</b>	<b>14.0</b>	<b>57.8</b>
<b>Opening balance 1 January 2019</b>	<b>13,413.0</b>	<b>889.9</b>	<b>226.0</b>	<b>14,529.2</b>
<b>Closing balance 31 December 2019</b>	<b>14,489.0</b>	<b>1,310.5</b>	<b>298.8</b>	<b>16,098.3</b>

	Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	11,059.9	743.8	225.6	12,029.4
Reported value gross 31 December 2019	12,309.2	1,163.5	288.4	13,761.0
Provisions 1 January 2019	12.6	22.2	10.4	45.2
New financial assets	5.2	5.1	2.0	12.2
Change in PD/LGD/EAD	1.2	-0.4	-0.1	0.7
Management overlay	-0.1	-1.3	-	-1.4
Transfers between stages	-0.9	9.9	7.5	16.5
-Transfer from stage 1 to 2	-1.1	14.8	-	13.7
-Transfer from stage 1 to 3	-0.2	-	5.5	5.4
-Transfer from stage 2 to 1	0.4	-3.8	-	-3.4
-Transfer from stage 2 to 3	-	-1.4	2.7	1.3
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.2	-0.6	-0.4
Exchange rate change	0.0	0.1	0.1	0.2
Removed financial assets	-3.8	-10.2	-7.8	-21.7
Provisions 31 December 2019	14.3	25.4	12.1	51.9
Opening balance 1 January 2019	11,047.3	721.7	215.2	11,984.2
Closing balance 31 December 2019	12,294.8	1,138.1	276.3	13,709.2

	Mortgages Sweden			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	7,610.3	557.9	89.7	8,257.9
Reported value gross 31 December 2019	7,701.8	577.2	85.8	8,364.8
Provisions 1 January 2019	3.2	9.9	6.5	19.6
New financial assets	1.4	1.4	1.2	4.0
Change in PD/LGD/EAD	1.0	-0.3	-0.1	0.6
Management overlay	-0.2	-0.5	-	-0.8
Transfers between stages	-0.3	2.9	4.3	6.9
-Transfer from stage 1 to 2	-0.3	5.2	-	4.9
-Transfer from stage 1 to 3	-0.0	-	2.7	2.7
-Transfer from stage 2 to 1	0.1	-1.6	-	-1.5
-Transfer from stage 2 to 3	-	-0.9	2.2	1.3
-Transfer from stage 3 to 1	0.0	-	-0.0	-0.0
-Transfer from stage 3 to 2	-	0.2	-0.6	-0.4
Exchange rate change	-	-	-	-
Removed financial assets	-0.7	-3.0	-4.6	-8.3
Provisions 31 December 2019	4.4	10.4	7.2	22.0
Opening balance 1 January 2019	7,607.1	547.9	83.3	8,238.3
Closing balance 31 December 2019	7,697.4	566.8	78.6	8,342.8



	Mortgages Norway			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	4,867.1	294.9	139.9	5,301.9
Reported value gross 31 December 2019	5,834.7	695.8	218.3	6,748.8
Provisions 1 January 2019	0.9	2.2	2.0	5.1
New financial assets	0.4	1.1	0.2	1.7
Change in PD/LGD/EAD	-0.1	-0.2	-0.0	-0.2
Management overlay	-	-	-	-
Transfers between stages	-0.2	0.7	2.0	2.5
-Transfer from stage 1 to 2	-0.2	1.5	-	1.4
-Transfer from stage 1 to 3	-0.0	-	1.1	1.1
-Transfer from stage 2 to 1	0.0	-0.3	-	-0.3
-Transfer from stage 2 to 3	-	-0.6	1.0	0.4
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.0	-0.1	-0.1
Exchange rate change	0.0	0.1	0.1	0.2
Removed financial assets	-0.2	-0.5	-1.0	-1.8
Provisions 31 December 2019	0.9	3.4	3.1	7.4
Opening balance 1 January 2019	4,866.2	292.7	138.0	5,296.8
Closing balance 31 December 2019	5,833.9	692.4	215.2	6,741.4

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	949.6	62.9	7.8	1,020.2
Reported value gross 31 December 2019	967.7	66.1	8.7	1,042.5
Provisions 1 January 2019	9.8	13.6	3.0	26.4
New financial assets	3.5	2.8	0.8	7.1
Change in PD/LGD/EAD	0.3	-0.1	-	0.2
Management overlay	0.1	-0.9	-	-0.9
Transfers between stages	-0.5	7.3	2.8	9.5
-Transfer from stage 1 to 2	-0.7	9.6	-	8.9
-Transfer from stage 1 to 3	-0.1	-	2.6	2.5
-Transfer from stage 2 to 1	0.3	-2.3	-	-2.0
-Transfer from stage 2 to 3	-	-0.1	0.2	0.1
-Transfer from stage 3 to 1	-	-	-	-
-Transfer from stage 3 to 2	-	0.0	-0.0	-0.0
Exchange rate change	-	-	-	-
Removed financial assets	-3.1	-7.9	-3.0	-14.0
Provisions 31 December 2019	10.0	14.8	3.6	28.4
Opening balance 1 January 2019	939.8	49.3	4.8	993.9
Closing balance 31 December 2019	957.8	51.3	5.1	1,014.1

	Group			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	12,675.1	774.1	218.4	13,667.6
Reported value gross 31 December 2018	13,426.9	915.7	237.4	14,580.0
Provisions 1 January 2018	13.3	21.4	10.9	45.6
New financial assets	5.3	5.8	1.1	12.1
Change in PD/LGD/EAD	0.3	-0.1	-0.3	-0.2
Management overlay	-0.3	-0.5	-0.3	-1.1
Transfers between stages	-0.6	9.4	7.4	16.2
-Transfer from stage 1 to 2	-1.0	14.1	-	13.2
-Transfer from stage 1 to 3	-0.1	-	5.2	5.1
-Transfer from stage 2 to 1	0.4	-3.7	-	-3.3
-Transfer from stage 2 to 3	-	-1.4	3.6	2.3
-Transfer from stage 3 to 1	0.0	-	-0.4	-0.4
-Transfer from stage 3 to 2	-	0.3	-1.0	-0.7
Exchange rate change	0.0	0.0	0.0	0.1
Removed financial assets	-4.0	-10.2	-7.5	-21.7
Provisions 31 december 2018	13.9	25.7	11.4	51.0
Opening balance 1 January 2018	12,661.8	752.7	207.5	13,622.0
Closing balance 31 december 2018	13,413.0	889.9	226.0	14,529.2

	Parent			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2018</b>	<b>11,614.9</b>	<b>718.9</b>	<b>218.4</b>	<b>12,552.2</b>
Reported value gross 31 December 2018	11,059.9	743.8	225.6	12,029.4
Provisions 1 January 2018	12.7	20.5	10.9	44.1
New financial assets	4.7	4.8	1.0	10.5
<b>Change in PD/LGD/EAD</b>	<b>0.2</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.1</b>
Management overlay	-0.2	-0.3	-0.3	-0.8
Transfers between stages	-0.6	8.0	7.1	14.5
-Transfer from stage 1 to 2	-0.9	12.3	-	11.4
-Transfer from stage 1 to 3	-0.1	-	4.8	4.7
-Transfer from stage 2 to 1	0.4	-3.3	-	-2.9
-Transfer from stage 2 to 3	-	-1.2	3.2	1.9
-Transfer from stage 3 to 1	0.0	-	-0.2	-0.2
-Transfer from stage 3 to 2	-	0.2	-0.7	-0.5
Exchange rate change	0.0	0.0	0.0	0.1
Removed financial assets	-4.3	-10.9	-8.0	-23.2
<b>Provisions 31 december 2018</b>	<b>12.6</b>	<b>22.2</b>	<b>10.4</b>	<b>45.2</b>
<b>Opening balance 1 January 2018</b>	<b>11,602.2</b>	<b>698.4</b>	<b>207.5</b>	<b>12,508.1</b>
<b>Closing balance 31 december 2018</b>	<b>11,047.3</b>	<b>721.7</b>	<b>215.2</b>	<b>11,984.2</b>

	Mortgages Sweden			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2018</b>	<b>7,679.6</b>	<b>446.1</b>	<b>83.4</b>	<b>8,209.0</b>
Reported value gross 31 December 2018	7,610.3	557.9	89.7	8,257.9
Provisions 1 January 2018	3.0	6.8	6.2	16.0
New financial assets	1.2	1.9	0.4	3.4
<b>Change in PD/LGD/EAD</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.2</b>
Management overlay	-0.3	-0.5	-0.3	-1.1
Transfers between stages	-0.2	3.0	4.0	6.8
-Transfer from stage 1 to 2	-0.3	4.8	-	4.5
-Transfer from stage 1 to 3	-0.0	-	2.5	2.5
-Transfer from stage 2 to 1	0.1	-1.3	-	-1.2
-Transfer from stage 2 to 3	-	-0.8	2.6	1.8
-Transfer from stage 3 to 1	0.0	-	-0.2	-0.2
-Transfer from stage 3 to 2	-	0.3	-0.9	-0.6
Exchange rate change	-	-	-	-
Removed financial assets	-0.6	-1.1	-3.6	-5.3
<b>Provisions 31 december 2018</b>	<b>3.2</b>	<b>9.9</b>	<b>6.5</b>	<b>19.6</b>
<b>Opening balance 1 January 2018</b>	<b>7,676.6</b>	<b>439.3</b>	<b>77.1</b>	<b>8,193.0</b>
<b>Closing balance 31 december 2018</b>	<b>7,607.1</b>	<b>547.9</b>	<b>83.3</b>	<b>8,238.3</b>

	Mortgages Norway			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2018</b>	<b>3,995.5</b>	<b>267.1</b>	<b>127.6</b>	<b>4,390.2</b>
Reported value gross 31 December 2018	4,867.1	294.9	139.9	5,301.9
Provisions 1 January 2018	0.8	1.9	1.8	4.5
New financial assets	0.4	0.4	0.1	1.0
<b>Change in PD/LGD/EAD</b>	<b>-0.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.2</b>
Management overlay	-	-	-	-
Transfers between stages	-0.1	0.6	1.1	1.6
-Transfer from stage 1 to 2	-0.1	1.2	-	1.2
-Transfer from stage 1 to 3	-0.0	-	0.8	0.8
-Transfer from stage 2 to 1	0.0	-0.3	-	-0.3
-Transfer from stage 2 to 3	-	-0.3	0.5	0.1
-Transfer from stage 3 to 1	0.0	-	-0.2	-0.2
-Transfer from stage 3 to 2	-	0.0	-0.1	-0.0
Exchange rate change	0.0	0.0	0.0	0.1
Removed financial assets	-0.2	-0.7	-1.1	-2.0
<b>Provisions 31 december 2018</b>	<b>0.9</b>	<b>2.2</b>	<b>2.0</b>	<b>5.1</b>
<b>Opening balance 1 January 2018</b>	<b>3,994.7</b>	<b>265.2</b>	<b>125.7</b>	<b>4,385.6</b>
<b>Closing balance 31 december 2018</b>	<b>4,866.2</b>	<b>292.7</b>	<b>138.0</b>	<b>5,296.8</b>

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2018</b>	<b>1,000.0</b>	<b>60.9</b>	<b>7.5</b>	<b>1,068.4</b>
Reported value gross 31 December 2018	949.6	62.9	7.8	1,020.2
Provisions 1 January 2018	9.5	12.7	2.9	25.0
New financial assets	3.7	3.5	0.6	7.7
<b>Change in PD/LGD/EAD</b>	<b>0.2</b>	<b>0.0</b>	<b>-</b>	<b>0.2</b>
Management overlay	-	-	-	-
Transfers between stages	-0.3	5.8	2.3	7.8
-Transfer from stage 1 to 2	-0.6	8.1	-	7.5
-Transfer from stage 1 to 3	-0.1	-	1.9	1.8
-Transfer from stage 2 to 1	0.3	-2.1	-	-1.8
-Transfer from stage 2 to 3	-	-0.2	0.5	0.3
-Transfer from stage 3 to 1	0.0	-	-0.0	-0.0
-Transfer from stage 3 to 2	-	0.0	-0.0	-0.0
Exchange rate change	-	-	-	-
Removed financial assets	-3.2	-8.3	-2.8	-14.3
<b>Provisions 31 december 2018</b>	<b>9.8</b>	<b>13.6</b>	<b>3.0</b>	<b>26.4</b>
<b>Opening balance 1 January 2018</b>	<b>990.5</b>	<b>48.2</b>	<b>4.6</b>	<b>1,043.4</b>
<b>Closing balance 31 december 2018</b>	<b>939.8</b>	<b>49.3</b>	<b>4.8</b>	<b>993.9</b>



## Lending to the public (IFRS 9)

### – change in reserve for expected credit losses

	Group			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2019</b>	<b>13,426.9</b>	<b>915.7</b>	<b>237.4</b>	<b>14,580.0</b>
New financial assets	4,575.6	281.6	24.4	4,881.6
Change in PD/LGD/EAD	-233.1	-12.8	-1.5	-247.3
Management overlay	27.6	-27.6	-0.0	-
<b>Transfers between stages</b>	<b>-614.1</b>	<b>393.7</b>	<b>188.8</b>	<b>-31.6</b>
-Transfer from stage 1 to 2	-686.9	671.2	-	-15.7
-Transfer from stage 1 to 3	-117.9	-	116.3	-1.7
-Transfer from stage 2 to 1	183.3	-193.1	-	-9.7
-Transfer from stage 2 to 3	-	-98.3	96.0	-2.3
-Transfer from stage 3 to 1	7.4	-	-7.9	-0.4
-Transfer from stage 3 to 2	-	13.9	-15.6	-1.7
Exchange rate change	184.3	22.0	6.9	213.1
Removed financial assets	-2,863.0	-233.5	-143.2	-3,239.7
<b>Provisions 31 December 2019</b>	<b>14,504.3</b>	<b>1,339.0</b>	<b>312.8</b>	<b>16,156.1</b>

	Parent			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2019</b>	<b>11,059.9</b>	<b>743.8</b>	<b>225.6</b>	<b>12,029.4</b>
New financial assets	4,246.2	273.3	23.5	4,543.0
Change in PD/LGD/EAD	-194.7	-11.0	-1.4	-207.1
Management overlay	19.6	-19.6	-	-
<b>Transfers between stages</b>	<b>-535.0</b>	<b>337.4</b>	<b>168.2</b>	<b>-29.3</b>
-Transfer from stage 1 to 2	-593.8	579.2	-	-14.6
-Transfer from stage 1 to 3	-103.8	-	102.3	-1.5
-Transfer from stage 2 to 1	155.4	-164.7	-	-9.3
-Transfer from stage 2 to 3	-	-90.1	88.2	-1.8
-Transfer from stage 3 to 1	7.3	-	-7.7	-0.4
-Transfer from stage 3 to 2	-	12.9	-14.6	-1.7
Exchange rate change	184.3	22.0	6.9	213.1
Removed financial assets	-2,471.2	-182.4	-134.4	-2,788.1
<b>Provisions 31 December 2019</b>	<b>12,309.2</b>	<b>1,163.5</b>	<b>288.4</b>	<b>13,761.0</b>

	Group			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2018</b>	<b>12,675.1</b>	<b>774.1</b>	<b>218.4</b>	<b>13,667.6</b>
New financial assets	3,749.0	136.5	15.6	3,901.2
Change in PD/LGD/EAD	-212.7	-7.0	-4.4	-224.2
Management overlay	18.6	-11.0	-7.6	-0.0
<b>Transfers between stages</b>	<b>-398.5</b>	<b>229.3</b>	<b>141.8</b>	<b>-27.4</b>
-Transfer from stage 1 to 2	-507.9	500.7	-	-7.2
-Transfer from stage 1 to 3	-103.3	-	102.2	-1.1
-Transfer from stage 2 to 1	204.6	-210.2	-	-5.7
-Transfer from stage 2 to 3	-	-81.5	75.0	-6.4
-Transfer from stage 3 to 1	8.1	-	-14.2	-6.1
-Transfer from stage 3 to 2	-	20.3	-21.2	-0.9
Exchange rate change	111.3	6.7	3.2	121.2
Removed financial assets	-2,515.8	-213.0	-129.6	-2,858.4
<b>Provisions 31 December 2018</b>	<b>13,426.9</b>	<b>915.7</b>	<b>237.4</b>	<b>14,580.0</b>

	Parent			
	Stage 1	Stage 2	Stage 3	Total
<b>Reported value gross 1 January 2018</b>	<b>11,614.9</b>	<b>718.9</b>	<b>218.4</b>	<b>12,552.2</b>
New financial assets	2,855.2	103.0	14.6	2,972.8
Change in PD/LGD/EAD	-170.7	-5.9	-4.4	-181.0
Management overlay	12.3	-4.7	-7.6	-0.0
<b>Transfers between stages</b>	<b>-346.2</b>	<b>182.3</b>	<b>138.9</b>	<b>-24.9</b>
-Transfer from stage 1 to 2	-419.8	414.2	-	-5.6
-Transfer from stage 1 to 3	-98.2	-	97.3	-1.0
-Transfer from stage 2 to 1	166.0	-171.3	-	-5.3
-Transfer from stage 2 to 3	-	-75.5	69.2	-6.2
-Transfer from stage 3 to 1	5.8	-	-11.9	-6.1
-Transfer from stage 3 to 2	-	14.9	-15.7	-0.8
Exchange rate change	111.3	6.7	3.2	121.2
Removed financial assets	-3,016.9	-256.5	-137.4	-3,410.9
<b>Provisions 31 December 2018</b>	<b>11,059.9</b>	<b>743.8</b>	<b>225.6</b>	<b>12,029.4</b>

# Note 6. Measurement of fair value

## Financial assets at fair value

The methods for determining the value of all financial assets and liabilities within the Group adhere to a hierarchy. This hierarchy reflects observable prices or other information used in the valuation-methods. A judgment is made each quarter to determine if the valuations refer to quoted prices representing actual and regularly occurring transactions or not. Transactions between different levels in the hierarchy may happen when there are indications that the market conditions, e.g. liquidity, have changed. No reclassifications have occurred during the second half of the year.

Level 1 uses quoted prices in an active market, i.e. easily accessible by different market makers and representing actual and frequent transactions. Level 2 uses calculated values that are based on observable market quotations for similar instruments, or instruments on a less active market. This level include interest bearing instruments, interest rate swaps, and cross-currency swaps. Level 3 refers to financial instruments that are not actively traded in a market and where valuation models are used where significant input data is based on unobservable data. A certain proportion of lending to the public is included in level 3 .

	Group							
	2019-12-31				2018-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Lending to the public	-	-	51.8	51.8	-	-	-	-
Derivatives	-	147.0	-	147.0	-	213.4	-	213.4
Bonds / other interest-bearing securities	738.1	-	-	738.1	693.1	-	-	693.1
<b>Liabilities</b>								
Derivatives	-	17.1	-	17.1	-	38.1	-	38.1

	Parent							
	2019-12-31				2018-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets</b>								
Lending to the public	-	-	51.8	51.8	-	-	-	-
Derivatives	-	34.4	-	34.4	-	36.4	-	36.4
Bonds / other interest-bearing securities	738.1	-	-	738.1	693.1	-	-	693.1
<b>Liabilities</b>								
Derivatives	-	17.1	-	17.1	-	25.5	-	25.5

2019-12-31	Group				
	Valued at fair value through profit and loss	Amortised cost	Amortised cost	Non financial assets and liabilities	Carrying value
<b>Assets</b>					
Lending to credit institutions	-	1,935.6	-	-	1,935.6
Lending to the public	51.8	16,072.6	-	-	16,124.4
Derivatives	147.0	-	-	-	147.0
Bonds and other interest-bearing securities	738.1	-	-	-	738.1
Intangible assets	-	-	-	107.6	107.6
Tangible assets	-	-	-	60.8	60.8
Other assets	-	18.8	-	86.5	105.4
Prepaid expenses and accrued income	-	5.4	-	15.5	20.9
Tax assets	-	-	-	13.9	13.9
<b>Total</b>	936.8	18,032.4	-	284.3	19,253.5
<b>Liabilities</b>					
Liabilities to credit institutions	-	-	2,000.0	-	2,000.0
Issued bonds	-	-	3,901.1	-	3,901.1
Deposits from the public	-	-	11,421.4	-	11,421.4
Derivatives	17.1	-	-	-	17.1
Tax liabilities	-	-	-	-	-
Other liabilities	-	-	206.8	13.1	219.8
Accrued expenses and prepaid income	-	-	88.6	-	88.6
<b>Total</b>	17.1	-	17,617.9	13.1	17,648.0



	Group				
2018-12-31	Valued at fair value through profit and loss	Amortised cost	Amortised cost	Non financial assets and liabilities	Carrying value
<b>Assets</b>					
Lending to credit institutions	-	1,862.8	-	-	<b>1,862.8</b>
Lending to the public	-	14,494.1	-	-	<b>14,494.1</b>
Derivatives	213.4	-	-	-	<b>213.4</b>
Bonds and other interest-bearing securities	693.1	-	-	-	<b>693.1</b>
Intangible assets	-	-	-	58.0	<b>58.0</b>
Tangible assets	-	-	-	8.3	<b>8.3</b>
Other assets	-	44.2	-	92.2	<b>136.4</b>
Prepaid expenses and accrued income	-	13.0	-	14.3	<b>27.3</b>
Tax assets	-	-	-	3.0	<b>3.0</b>
<b>Total</b>	<b>906.5</b>	<b>16,414.1</b>	<b>-</b>	<b>175.8</b>	<b>17,496.4</b>
<b>Liabilities</b>					
Liabilities to credit institutions	-	-	1,998.9	-	<b>1,998.9</b>
Issued bonds	-	-	3,433.7	-	<b>3,433.7</b>
Deposits from the public	-	-	10,416.6	-	<b>10,416.6</b>
Derivatives	38.1	-	-	-	<b>38.1</b>
Tax liabilities	-	-	-	-	<b>-</b>
Other liabilities	-	-	58.2	13.9	<b>72.2</b>
Accrued expenses and prepaid income	-	-	79.8	-	<b>79.8</b>
<b>Total</b>	<b>38.1</b>	<b>-</b>	<b>15,987.3</b>	<b>13.9</b>	<b>16,039.3</b>

	Parent				
2019-12-31	Valued at fair value through profit and loss	Amortised cost	Amortised cost	Non financial assets and liabilities	Carrying value
<b>Assets</b>					
Lending to credit institutions	-	1,333.4	-	-	<b>1,333.4</b>
Lending to the public	51.8	13,683.5	-	-	<b>13,735.2</b>
Derivatives	34.4	-	-	-	<b>34.4</b>
Bonds and other interest-bearing securities	738.1	-	-	-	<b>738.1</b>
Shares and participations in associated companies	-	-	-	4.7	<b>4.7</b>
Intangible assets	-	-	-	94.2	<b>94.2</b>
Tangible assets	-	-	-	7.1	<b>7.1</b>
Other assets	-	696.5	-	83.5	<b>780.1</b>
Prepaid expenses and accrued income	-	5.4	-	14.8	<b>20.2</b>
Tax assets	-	-	-	13.0	<b>13.0</b>
<b>Total</b>	<b>824.3</b>	<b>15,718.8</b>	<b>-</b>	<b>217.2</b>	<b>16,760.3</b>
<b>Liabilities</b>					
Liabilities to credit institutions	-	-	1,487.8	-	<b>1,487.8</b>
Deposits from the public	-	-	11,421.4	-	<b>11,421.4</b>
Derivatives	17.1	-	-	-	<b>17.1</b>
Bonds and other interest-bearing securities	2,000.0	-	-	-	<b>2,000.0</b>
Tax liabilities	-	-	-	-	<b>-</b>
Other liabilities	-	-	156.9	12.4	<b>169.3</b>
Accrued expenses and prepaid income	-	-	76.5	-	<b>76.5</b>
<b>Total</b>	<b>2,017.1</b>	<b>-</b>	<b>13,142.5</b>	<b>12.4</b>	<b>15,172.0</b>

2018-12-31	Parent				
	Valued at fair value through profit and loss	Amortised cost	Amortised cost	Non financial assets and liabilities	Carrying value
<b>Assets</b>					
Lending to credit institutions	-	1,261.9	-	-	<b>1,261.9</b>
Lending to the public	-	11,976.9	-	-	<b>11,976.9</b>
Derivatives	36.4	-	-	-	<b>36.4</b>
Bonds and other interest-bearing securities	693.1	-	-	-	<b>693.1</b>
Shares and participations in associated companies	-	-	-	4.7	<b>4.7</b>
Intangible assets	-	-	-	43.5	<b>43.5</b>
Tangible assets	-	-	-	7.3	<b>7.3</b>
Other assets	-	723.3	-	92.1	<b>815.4</b>
Prepaid expenses and accrued income	-	13.0	-	12.6	<b>25.5</b>
<b>Total</b>	<b>729.5</b>	<b>13,975.1</b>	<b>-</b>	<b>160.1</b>	<b>14,864.8</b>
<b>Liabilities</b>					
Liabilities to credit institutions	-	-	2,631.8	-	<b>2,631.8</b>
Deposits from the public	-	-	10,416.6	-	<b>10,416.6</b>
Derivatives	25.5	-	-	-	<b>25.5</b>
Bonds and other interest-bearing securities	200.0	-	-	-	<b>200.0</b>
Tax liabilities	-	-	-	0.3	<b>0.3</b>
Other liabilities	-	-	68.9	13.2	<b>82.1</b>
Accrued expenses and prepaid income	-	-	51.5	-	<b>51.5</b>
<b>Total</b>	<b>225.5</b>	<b>-</b>	<b>13,168.8</b>	<b>13.5</b>	<b>13,407.8</b>

Financial assets and liabilities are valued to both fair value through profit and loss as well as amortized cost. All derivative contracts in this group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio.

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value since the item is not subject to significant value changes. Any currency change is recorded in the income statement. There is no material difference in lending to the public if all loans were lent to the interest rates per December 31st compared to the current interest rate of

the loans. Method for determining the fair value of derivatives is described in the accounting principles. Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

Deposits from the public have mainly short tenors why the market value is in accordance with the carrying value. For all other financial assets and liabilities with a short tenor the carrying value equals the fair value since the discounted value does not produce a material effect.

## Note 7. Capital adequacy analysis – Parent company and Consolidated situation

For the establishment of statutory capital requirements for the Bank, the Regulation (EU) 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR) applies; and, European Directive (2013/36/EU) on access to the activity of credit institutions, the prudential supervision of credit institutions and investment firms transposed into Act (2014:966) on capital buffers and Act (2014:968) on special supervision of credit institutions and securities companies.

The rules state that the Bank's own funds shall cover both the statutory minimum capital requirements (capital requirements for credit risk, market risk and operational risk) and should include the estimated capital requirements for additional risks identified in the activity in accordance with the Bank's ICLAAP.

In this note, the Bank discloses information regarding the Bank, and the Consolidated situation. For further information regarding ownership structure, see section on financial overview.

The Bank has an established capital planning for the next three years based on:

- the Bank's risk profile,

- identified risks in terms of probability and financial impact,
- stress tests and scenario analysis,
- the expected expansion of lending and financing opportunities and,
- new legislation, actions of competitors and other external changes.

The review of the capital plan is an integral part of the work on the Bank's yearly ICLAAP. The plan is monitored continuously and at least an annual review is performed or more often if needed to ensure that risks are properly considered and reflect the Bank's true risk profile and capital needs.

In this interim report, the Bank has chosen to disclose the information required on the capital base and capital adequacy according to the European Regulation 575/2013 on prudential requirements for credit institutions and investment firms (Supervisory), the SFSA's Regulations (FFFS 2014:12) regarding prudential requirements and capital buffers and the Regulation (EU) No 1423/2013 laying down implementing technical standards regarding disclosure of own funds requirements for institutions.

	Consolidated situation		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
<b>Capital Adequacy</b>				
<b>Total capital base</b>	<b>1,407.8</b>	<b>1,303.0</b>	<b>1,494.0</b>	<b>1,413.4</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>1,407.8</b>	<b>1,303.0</b>	<b>1,494.0</b>	<b>1,413.4</b>
Capital instruments and the related share premium accounts	4,451.4	4,451.4	663.7	663.7
Retained earnings	287.8	144.8	924.5	793.2
Accumulated other comprehensive income	26.0	26.0	-	-
Intangible assets (net of related tax liability)	-3,357.4	-3,319.2	-94.2	-43.5
<b>Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 2 Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Risk Exposure Amount</b>	<b>8,252.3</b>	<b>7,466.4</b>	<b>6,995.8</b>	<b>6,198.6</b>
Risk exposure amount credit risk	6,889.1	6,266.4	5,804.8	5,166.2
Risk exposure amount market risk	259.6	157.8	259.6	157.8
Risk exposure amount operational risk	1,036.1	880.8	931.4	874.6
Risk exposure amount credit valuation adjustment risk	67.4	161.3	-	-
<b>CET 1 capital ratio, %</b>	<b>17.06%</b>	<b>17.45%</b>	<b>21.36%</b>	<b>22.80%</b>
<b>Tier 1 capital ratio, %</b>	<b>17.06%</b>	<b>17.45%</b>	<b>21.36%</b>	<b>22.80%</b>
<b>Total capital ratio, %</b>	<b>17.06%</b>	<b>17.45%</b>	<b>21.36%</b>	<b>22.80%</b>

	Consolidated situation		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
<b>Capital Buffer Requirements %</b>				
Institution specific buffert requirement	5.00%	4.50%	5.00%	4.50%
of which capital conservation buffer	2.50%	2.50%	2.50%	2.50%
of which countercyclical capital buffer	2.50%	2.00%	2.50%	2.00%
of which systemic risk buffer	-	-	-	-
of which: G-SII or O-SII buffer	-	-	-	-
CET1 available to meet buffers	9.06%	9.45%	13.36%	14.80%

## Capital requirement for credit risk

Capital requirement for credit risk is calculated according to the standardized method.

	Parent			
	2019-12-31			2018-12-31
Balance sheet items	Exposed amount	Risk weight	Risk weighted amount	Capital requirement
Governments or central banks	497.1	0%	-	-
Exposures to institutions	1,164.0	20%	232.8	18.6
Exposures to corporates	683.2	1%	3.9	0.3
Retail exposures	1,026.2	75%	769.7	61.6
Exposures to mortgages	12,427.8	36%	4,421.8	353.7
Exposures in default	281.2	101%	283.8	22.7
Exposures in the form of covered bonds	534.1	10%	53.4	4.3
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-
Equity exposures	4.7	100%	4.7	0.4
Other exposures	34.8	100%	34.8	2.8
Securitisations	-	-	-	-
<b>Total capital requirement for credit risk</b>	<b>16,653.1</b>	<b>-</b>	<b>5,804.8</b>	<b>464.4</b>

	Consolidated situation			
	2019-12-31			2018-12-31
Balance sheet items	Exposed amount	Risk weight	Risk weighted amount	Capital require-ment
Governments or central banks	502.1	0%	-	-
Exposures to institutions	2,017.2	20%	403.4	32.3
Exposures to corporates	-	0%	-	-
Retail exposures	1,026.2	75%	769.7	61.6
Exposures to mortgages	14,789.8	36%	5,260.7	420.9
Exposures in default	304.2	101%	306.8	24.5
Exposures in the form of covered bonds	534.1	10%	53.4	4.3
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-
Equity exposures	-	-	-	-
Other exposures	95.2	100%	95.2	7.6
Securitisations	-	-	-	-
<b>Total capital requirement for credit risk</b>	<b>19,268.8</b>	<b>-</b>	<b>6,889.1</b>	<b>551.1</b>

## Capital requirement for operational risk

Calculation of the capital requirement for operational risk using the standardized approach.

	Consolidated situation		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Relevant indicator	690.8	587.2	620.9	583.1
of which 12%	82.9	70.5	74.5	70.0
<b>Total capital requirement for operational risk</b>	<b>82.9</b>	<b>70.5</b>	<b>74.5</b>	<b>70.0</b>



Capital requirement for market risk

Calculation of the capital requirement for market risk is computed using the standardized approach.

	Consolidated situation		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Capital requirement for currency risks	20.8	12.6	20.8	12.6
Total capital requirement for market risk	20.8	12.6	20.8	12.6

Capital requirements for credit valuation adjustment risk

Capital requirements for credit valuation adjustment risk is computed using the standardized approach.

	Consolidated situation		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Capital requirements for credit valuation adjustment risk	5.4	12.9	-	-
Total capital requirement for credit valuation adjustment risk	5.4	12.9	-	-
Total Pillar 1 capital requirement	660.2	597.3	559.7	495.9

The Bank meets the minimum level for the capital base, which equals the total minimum capital requirement

Note 8. Related parties

Assets and liabilities	Group		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Intercompany receivables				
Parent	-	-	-	-
Subsidiary	-	-	683.2	710.0
Total	-	-	683.2	710.0
Intercompany payables				
Parent	85.3	12.4	85.3	12.4
Subsidiary	-	-	1.9	12.0
Total	85.3	12.4	87.3	24.4

Income and costs	Group		Parent	
	2019	2018	2019	2018
Interest income calculated using the effective interest method				
Parent	-	-	-	-
Subsidiary	-	-	130.3	194.6
General administration expenses				
Parent	-	-	-	-
Subsidiary	-	-	-21.5	-27.7
Total	-	-	108.7	166.9

Related parties

Related parties for the Group refer to:

- Bluestep Holding AB, organizational number 556668-9575, with domicile in Stockholm.

Related parties for the Bank refers to:

- Bluestep Holding AB, organiational number 556668-9575, with domicile in Stockholm,
- Bluestep Finans Funding No 1 AB, organizational number 556791-6928, with domicile in Stockholm,
- Bluestep Mortgage Securities No 2 Designated Activity Company, organizational number 522186, with domicile in Dublin,
- Bluestep Mortgage Securities No 3 Designated Activity Company, organizational number 550839, with domicile in Dublin,

- Bluestep Mortgage Securities No 4 Designated Activity Company, organizational number 596111, with domicile in Dublin

- Bluestep Servicing AB, organizational number 556955-3927, with domicile in Stockholm.

Senior officials

Information regarding salaries and remuneration will be disclosed in the annual report 2019. No remuneration with senior officials has occurred except these.

Interest income

The interest income relates to interest income on internal loans between the Bank and the subsidiaries in the Group.

# Note 9. Pledged assets, contingent liabilities and commitments

	Group		Parent	
	2019-12-31	2018-12-31	2019-12-31	2018-12-31
<b>Pledged assets for own liabilities</b>				
Shares and participations in associated companies	0.0	0.0	0.0	0.0
Lending to credit institutions	596.3	588.2	-	-
Lending to the public	5,265.6	7,213.0	2,876.5	4,668.2
Derivatives	109.2	175.0	-	-
Intangible assets	0.2	0.6	-	-
Other assets	66.4	70.6	62.2	68.8
Prepaid expenses and accrued income	0.7	-	-	-
<b>Contingent liabilities</b>				
Contingent liabilities	-	-	-	-
Commitments	-	-	-	-

# Note 10. Parent company information

Bluestep Bank AB is a wholly owned subsidiary of Bluestep Holding AB, 556668-9575, with registered office in Stockholm, where consolidated group accounts are prepared.

## Affirmation by the CEO

The Year-End Report has not been reviewed by the Bank’s auditor.

The CEO affirms that the Year-End Report 2019 provides a fair overview of the Company’s and the Group’s operations, financial position and results and describes material risks and uncertainties facing the Company and the Group.

Stockholm February 28, 2020

Björn Lander, CEO

# Definitions of alternative performance measures

## Return on Equity

Operating profit after tax of 21.4% as a percentage of average equity.

## Return on Assets

Profit after credit losses as a percentage of average assets.

## Gross income

Interest income excluding interest income from bond holdings and interest income from the bank.

## Leverage Ratio

Capital base in relation to total assets excluding intangible assets.

## C/I

Total expenses divided by total operating income.

## Credit losses (%)

Credit losses in relation to the closing balance of lending to the public.

## CET1 ratio

Common Equity Tier 1 in relation to risk-weighted exposure amount.

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