

Interim Report

Bluestep Bank AB (publ)

January–June 2019

Bluestep.

A photograph of a man in an orange t-shirt carrying a young child on his shoulders. The child is wearing a white and black striped shirt and dark pants. They are outdoors in a park-like setting with trees and sunlight filtering through the leaves, creating a bokeh effect. The image has a warm, golden-hour tone.

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Administration report

Bluestep Bank AB (publ), org no 556717-5129 with registered offices in Stockholm, Sweden, hereby presents the interim accounts and group accounts for the period 1 January 2019 – 30 June 2019. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB, org no 556791-6928 with registered offices in Stockholm, Sweden, Bluestep Mortgage Securities No 2 Designated Activity Company, org no 522186 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 3 Designated Activity Company, org no 550839 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111 with registered offices in Dublin, Ireland, and Bluestep Servicing AB, org no 556955-3927 with registered offices in Stockholm, Sweden.

Organisation and operations

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

Ownership and definitions

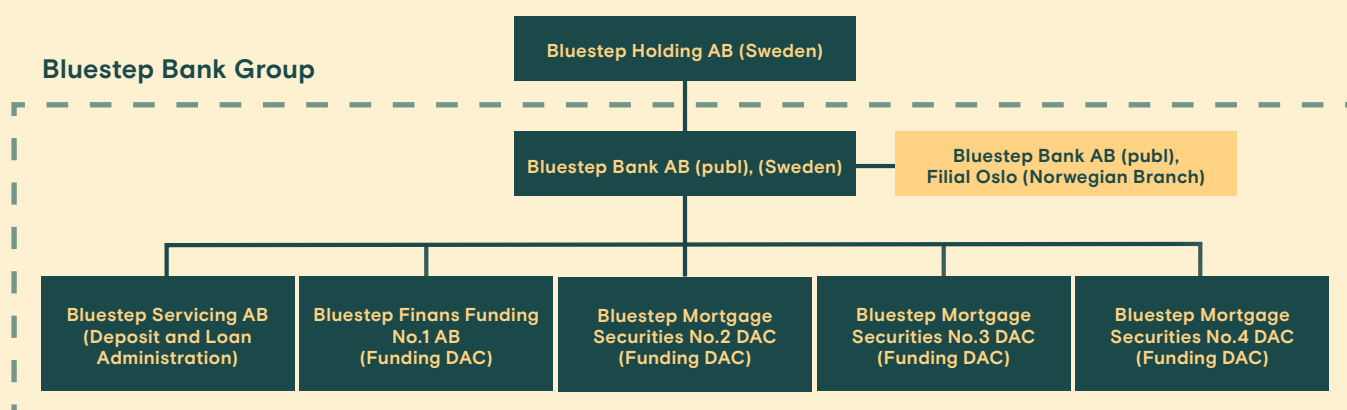
The ownership structure and definitions used are detailed below:

- Bluestep Holding AB (“BHAB”) Owns 100% of Bluestep Bank AB
- Bluestep Bank AB (publ) (the “Bank”, also known as the “Parent”) Parent company of the Bluestep Bank Group (“The Group”)

- Bluestep Bank AB (publ), filial Oslo (“The Branch” Norwegian branch for the Norwegian deposit and mortgage operations
- Bluestep Finans Funding No 1 AB (“BFF1”) Funding DAC. Ownership 100%
- Bluestep Mortgage Securities No 2 Designated Activity Company (“Step 2”) Funding DAC. 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, with the Norwegian operations managed via the Branch. The Group is Sweden’s and Norway’s largest specialised mortgage lender and the core business is to engage in lending activities. The Group’s funding sources consist of equity, retail deposit funding in Sweden and Norway, issued securities (Residential Mortgage Backed Securities “RMBS”), senior unsecured bonds and a committed credit facility. Bluestep acts as a complement on the mortgage market and focuses on understanding and helping customers who experience difficulties in being approved for a loan by their traditional bank.

All financial information is provided for the Group unless



stated otherwise, while regulatory information is stated for the legal entity Bluestep Bank AB (publ) or the Financial Group, which is reported to the Swedish FSA. As of 30 June 2019, the Financial Group consists of BHAB, the Bank, BSAB, BFF1, Step 2, Step 3, and Step 4.

Significant events during the first six months of 2019

- Harry Klagsbrun resigned from the Board in January and the number of ordinary members of the Board decreased from eight to seven.
- On 21 January, the Bank informed the Step 2 bondholders that the bonds would be redeemed on 11 February. After completing the redemption, a voluntary liquidation of Step 2 was initiated.
- BFF1 acquired mortgage loans from the Bank at a value totalling SEK 411m in March. The credit facility of BFF1 was extended in May, with a new final maturity date of May 2021 (February 2020).
- The Bank was assigned an investment grade rating of Baa2, Stable outlook by Moody's on 24 June.
- On 25 June, SEK 600m in senior unsecured bonds were issued under the MTN programme which was established during the autumn of 2018. The tap issue has a final maturity date of December 2021. The issue was met with great interest from institutional investors.

Significant regulatory updates

The Bank applies the new accounting standard IFRS 16 – Leases for financial year 2019. IFRS 16 replaces IAS 17 – Leases and its interpretations. The standard applies from 1 January, 2019 and is adopted by the EU. The standard entails new disclosures for a lessee which will be presented in the annual report of 2019. The transition to IFRS 16 has not had a significant impact on the Groups financial reports or capital adequacy. The interim report applies the same accounting principles and calculation methods as in the annual report of 2018.

Financial overview

Profit for the period compared with the same period the previous year

The Group's net profit for the period amounted to SEK 109m (SEK 91m), corresponding to an increase of 20%. The increase is mainly attributable to increased interest income. The Group's operating profit before tax amounted to SEK 137m (SEK 117m).

Net interest income

The Groups net interest income increased by 13% compared to the same period the previous year, to SEK 395m (SEK 348m). The increase is attributable to volume growth in lending to the public.

Operating expenses

The Group's expenses increased by 10% compared to the same period the previous year, to SEK 247m (SEK 225m). The increase is mainly attributable to investments within business- and product development, rebranding and reinforcements in IT- and system areas.

Credit losses

Net credit losses amounted to SEK 29 m (SEK 27m).

Balance sheet

Compared to the same period the previous year, the Group's total lending to the public increased by 8%. At the end of the period, the lending amounted to SEK 15,535m (SEK 14,361m as of 30 June 2018, SEK 14,522m as of 31 December 2018). The lending in the Branch increased by 21% compared to June 2018 and amounted to SEK 6,184m (SEK 5,128m as of 30 June 2018, SEK 5,290m as of 31 December 2018) at the end of the period.

During the spring of 2019, the Bank launched senior loans as a new product. A senior loan is an equity release loan aimed at people over 60 who own a home.

The Group's other assets increased to SEK 741.2m (SEK 141.2m as of 30 June 2018, SEK 108.8m as of 31 December 2018). The increase is attributable to the issuance of senior unsecured bonds totalling SEK 600m with a settlement date of 3 July.

Capital base and capital adequacy

At the end of the period common equity tier 1 capital "CET1" amounted to SEK 1,400.5m (SEK 1,299.6m as of 30 June 2018, SEK 1,303.0m as of 31 December 2018) for the Financial Group. This corresponds to a CET1 capital ratio of 17.4% (17.4% as of 30 June 2018, 17.5% as of 31 December 2018).

Funding

The Group's funding sources consist of equity, retail deposit funding in Sweden and Norway, issued securities (Residential Mortgage Backed Securities "RMBS"), senior unsecured bonds and a committed credit facility. At the end of 2018, the Bank applied to the Swedish FSA for a license to issue covered bonds.

In February the Group redeemed an RMBS-transaction (Step 2). The subsidiary BFF1's existing credit facility of SEK 2,000 m was extended in May. The amortisation period of the facility begins in May 2020 (May 2019), with a final maturity date in May 2021 (February 2020). The credit facility was fully utilised at the end of the period.

In June 2019, the Bank completed a tap issue of senior unsecured bonds amounting to SEK 600m. The tap issue was made after the Bank was assigned a rating of Baa2, Stable outlook from Moody's. After the tap

issue, the total volume of outstanding senior unsecured bonds under the Banks MTN-programme amounts to SEK 800m.

Total deposits from the public amounted to SEK 12,525m at the end of the period (SEK 10,977m as of 30 June 2018, SEK 10,417m as of 31 December 2018), an increase of 14% compared to June 2018. Deposits from the public in the Branch amounted to SEK 8,206m (SEK 6,153m as of 30 June 2018, SEK 5,884m as of 31 December 2018).

Deposit products offered to customers are covered by the Swedish state deposit guarantee, which amounts to SEK 950,000. In Norway, the deposit products are also covered by the Norwegian deposit guarantee, which amounts to NOK 2,000,000 by Bankenes Sikringsfond.

Liquidity

The Financial Group's liquidity reserve amounted to SEK 2,815m at the end of the period (SEK 2,841m as of 30 June 2018, SEK 2,556m as of 31 December 2018).

Staff

The average number of employees in the Group during the period amounted to 269 (233 as of 30 June 2018), of which 65 (55 as of 30 June 2018) were employed in the Branch. The increase in the number of employees is mainly related to organic growth in the business together with investments in business and product development, as well as the development of the company's IT platform.

Key figures the Group	2019 H1	2018 H1	2018	2017	2016	2015
Net Profit after Tax (SEK m)	109.2	90.8	162.0	191.9	163.2	115.6
Gross Income / Average loanbook ^{1,2}	7.4%	7.6%	7.5%	7.4%	7.4%	7.8%
Operating Income / Average loanbook ²	5.5%	5.4%	5.3%	5.3%	5.4%	5.3%
Credit losses (%) ²	0.37%	0.32%	0.36%	0.22%	0.25%	0.40%
CET1 ³	1,400.5	1,299.6	1,303.0	1,063.8	914.7	746.3
CET1 (%) ³	17.44%	17.37%	17.45%	15.02%	15.00%	14.60%
Return on Equity ^{1,2}	14.7%	15.1%	12.6%	18.9%	19.4%	16.8%
Return on Assets ^{1,2}	1.5%	1.4%	1.2%	1.6%	1.6%	1.4%
Liquidity Reserve (SEK m)	2,777.5	3,531.0	2,555.9	3,029.7	2,076.7	1,803.3
- whereof unutilized credit facility for BFF1	-	700.0	-	450.0	400.0	-
Deposits from the public (SEK m)	12,525.4	10,977.1	10,416.6	10,418.6	9,504.4	7,186.8
External Funding (SEK m)	5,069.5	5,154.2	5,432.6	4,831.3	3,404.0	3,675.6
Lending portfolio (SEK m)	15,534.6	14,361.2	14,521.7	14,521.7	12,068.6	9,692.1
Leverage Ratio	7.3%	7.3%	7.5%	6.4%	6.5%	6.3%
Average number of employees	269	233	243	227	187	176

¹Alternative performance measures

²Key figures related to H1 are recalculated to full year figures.

³Financial Group

Branches in other countries

The Bank is active in Norway through its Norwegian branch, which is one of the leading creditors on the specialised mortgage market in Norway. The Norwegian operations are mainly financed by deposits from the public in Norway and own funds. Internal loans from the Bank can also be extended to the Branch.

Income Statement

SEK Millions	Note	Group			Parent		
		Jan-Jun 2019	Jan-Jun 2018	Annual 2018	Jan-Jun 2019	Jan-Jun 2018	Annual 2018
Operating income							
Interest income calculated using the effective interest method		562.1	518.5	1,064.5	482.1	471.4	937.6
Other interest income		4.2	3.2	6.5	29.6	34.1	70.8
Interest expense calculated using the effective interest method		-125.6	-104.1	-213.9	-209.2	-235.3	-459.0
Other interest expenses		-45.8	-69.4	-138.8	-11.2	-18.1	-34.5
Net interest income		394.9	348.2	718.2	291.3	252.1	514.8
Group contributions		-	-	-	-	20.0	85.4
Net result of financial transactions		12.1	13.6	14.2	-4.0	-20.7	-4.8
Other operating income		6.0	7.6	13.6	5.3	5.5	10.7
Total operating income		413.0	369.4	746.0	292.6	256.9	606.1
Operating expense							
General administration expenses		-231.1	-212.8	-435.9	-191.6	-140.8	-308.4
Depreciation on fixed assets		-16.0	-12.6	-47.6	-9.2	-10.1	-41.9
Total expenses		-247.2	-225.4	-483.6	-200.9	-150.9	-350.3
Result pre credit losses		165.8	144.1	262.4	91.7	105.9	255.8
Credit losses, net	4	-28.9	-26.7	-50.2	-27.8	-25.5	-47.8
Operating profit/loss		136.9	117.4	212.2	63.9	80.5	208.0
Tax		-27.8	-26.6	-50.2	-15.1	-26.6	-50.2
NET PROFIT/LOSS FOR THE PERIOD		109.2	90.8	162.0	48.7	53.9	157.8
Statement of Comprehensive Income							
Net income		109.2	90.8	162.0	48.7	53.9	157.8
Items that may be reclassified to the income statement							
Exchange differences, foreign operations		10.1	10.7	-0.3	10.1	10.7	-0.3
Whereof tax effect		-2.2	-2.4	0.1	-2.2	-2.4	0.1
COMPREHENSIVE PROFIT/LOSS		119.3	101.5	161.7	58.8	64.6	157.4

Balance Sheet

		Group			Parent		
SEK Millions	Not	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Assets							
Lending to credit institutions		2,021.6	2,106.6	1,862.8	1,474.4	1,501.1	1,261.9
Lending to the public	5	15,534.6	14,361.2	14,521.7	13,003.6	11,807.5	11,976.9
Derivatives		171.8	303.0	213.4	26.6	37.1	36.4
Bonds and other interest-bearing securities		755.9	724.4	693.1	755.9	724.4	693.1
Intangible assets		83.8	65.1	58.0	4.7	4.7	4.7
Tangible assets		20.4	8.7	8.3	69.8	49.1	43.5
Other assets		741.2	141.2	108.8	7.9	7.4	7.3
Prepaid expenses and accrued income		33.0	38.1	27.3	1,445.1	1,490.7	815.4
Tax assets		30.0	-	3.0	25.8	36.0	25.5
Skattefordran		30,0	-	3,0	39.7	-	-
Total assets		19,392.3	17,748.2	17,496.4	16,853.3	15,657.9	14,864.8
Liabilities							
Liabilities to credit institutions		1,999.3	1,297.2	1,998.9	1,823.8	3,121.9	2,631.8
Issued bonds		3,070.3	3,857.0	3,433.7	805.2	-	200.0
Deposits from the public		12,525.4	10,977.1	10,416.6	12,525.4	10,977.1	10,416.6
Derivatives		41.7	42.3	38.1	38.7	50.2	25.5
Tax liabilities		-	7.5	-	-	9.7	0.3
Other liabilities		96.4	79.3	72.2	80.5	81.7	82.1
Accrued expenses and prepaid income		82.9	90.8	79.8	64.0	53.2	51.5
Total liabilities		17,815.9	16,351.2	16,039.3	15,337.5	14,293.9	13,407.8
Equity							
Restricted equity							
Share capital		100.0	100.0	100.0	100.0	100.0	100.0
Total restricted equity					100.0	100.0	100.0
Retained earnings		1,367.3	1,206.2	1,195.2	1,367.0	1,210.2	1,199.2
Result for this year		109.2	90.8	162.0	48.7	53.9	157.8
Total non restriced equity					1,415.8	1,264.1	1,356.9
Total equity		1,576.4	1,397.0	1,457.2	1 515,8	1 364,1	1 456,9
Total equity and liabilities		19,392.3	17,748.2	17,496.4	16 853,3	15 657,9	14 864,8

Changes in Equity

Group SEK Millions	Shareholders' equity		
	Share capital	Retained earnings*	Total equity
Opening balance 2018-01-01	100.0	1,009.4	1,109.4
Shareholder contributions**		200.0	200.0
Effect of transition to IFRS 9		-17.2	-17.2
Tax effect due to transition to IFRS 9		3.3	3.3
Result for the period reported via income statement		90.8	90.8
Exchange differences, foreign operations		10.7	10.7
Ending balance 2018-06-30	100.0	1,297.0	1,397.0
Opening balance 2018-01-01	100.0	1,009.4	1,109.4
Shareholder contributions**		200.0	200.0
Effect of transition to IFRS 9		-17.2	-17.2
Tax effect due to transition to IFRS 9		3.3	3.3
Result for the period reported via income statement		162.0	162.0
Exchange differences, foreign operations		-0.3	-0.3
Ending balance 2018-12-31	100.0	1,357.2	1,457.2
Opening balance 2019-01-01	100.0	1,357.2	1,457.2
Result for the period reported via income statement		109.2	109.2
Exchange differences, foreign operations		10.1	10.1
Ending balance 2019-06-30	100.0	1,476.4	1,576.4

* Total shareholder contributions MSEK 563,7 (363,7)

** Conditional shareholder contributions. Repayment of the conditional shareholder contributions is subject to a decision made by the annual shareholders' meeting of the Company.

Parent SEK Millions	Shareholders' equity		
	Restricted	Non restricted	Total equity
	Share capital	Retained earnings*	
Opening balance 2018-01-01	100.0	1,010.0	1,110.0
Shareholder contributions**		200.0	200.0
Effect of transition to IFRS 9		-13.5	-13.5
Tax effect due to transition to IFRS 9		3.0	3.0
Result for the period reported via income statement		53.9	53.9
Exchange differences, foreign operations		10.7	10.7
Ending balance 2018-06-30	100.0	1,264.1	1,364.1
Opening balance 2018-01-01	100.0	1,010.0	1,110.0
Shareholder contributions**		200.0	200.0
Effect of transition to IFRS 9		-13.5	-13.5
Tax effect due to transition to IFRS 9		3.0	3.0
Result for the period reported via income statement		157.8	157.8
Exchange differences, foreign operations		-0.3	-0.3
Ending balance 2018-12-31	100.0	1,356.9	1,456.9
Opening balance 2019-01-01	100.0	1,356.9	1,456.9
Result for the period reported via income statement		48.7	48.7
Exchange differences, foreign operations		10.1	10.1
Ending balance 2019-06-30	100.0	1,415.8	1,515.8

* Total shareholder contributions MSEK 563,7 (363,7)

** Conditional shareholder contributions. Repayment of the conditional shareholder contributions is subject to a decision made by the annual shareholders' meeting of the Company.

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

Cash Flow Statement

SEK Millions	Note	Group			Parent		
		Jan-Jun 2019	Jan-Jun 2018	Annual 2018	Jan-Jun 2019	Jan-Jun 2018	Annual 2018
Operating activities							
Pre tax income		136.9	117.4	212.2	63.9	80.5	208.0
		136.9	117.4	212.2	63.9	80.5	208.0
Adjustments for items not included in cash flow							
Depreciation		16.0	12.6	47.6	9.2	10.1	41.9
Unrealised changes in value		-4.9	-13.6	5.4	4.0	20.7	24.4
Credit losses excluding recoveries	4	53.6	50.9	95.9	52.3	49.7	93.5
Total – Items not included in cash flow		64.8	49.9	148.9	65.6	80.5	159.8
Taxes paid		-27.8	-44.9	-76.1	-15.4	-43.9	-76.9
Cash flow from current operations before changes to operating capital		173.9	122.3	285.1	114.0	117.1	290.9
Cash flow from changes to operating capital							
Increase (-)/decrease (+) of lending to the public		-1,066.5	-794.1	-1,025.1	-1,092.7	648.9	411.9
Increase (-)/decrease (+) of changes in receivables		-623.5	-167.7	-12.4	-620.1	-776.4	-66.2
Increase (+)/decrease (-) of deposits from the public		2,108.8	558.5	-1.9	2,108.8	558.5	-1.9
Increase (+)/decrease (-) of changes in short term liabilities		30.9	0.6	-21.7	-2.0	21.1	-204.9
Cash flow from operating activities		623.6	-280.2	-776.1	508.0	569.3	429.8
Investing activities							
Investments in intangible assets		-35.7	-14.8	-41.0	-34.1	-12.2	-37.0
Acquisition of fixed assets		-18.2	-0.9	-2.3	-2.0	-0.9	-2.3
Increase (-)/decrease (+) of financial assets		-57.9	-66.6	-54.3	-66.8	-100.9	-73.3
Cash flow from investing activities		-111.8	-82.3	-97.6	-102.9	-114.0	-112.5
Financing activities							
Liabilities to credit institutions		0.4	747.2	1,451.1	-808.0	-551.3	-841.4
Issued bonds		-363.4	-424.2	-	605.2	-	200.0
Shareholders' contribution		-	200.0	200.0	-	200.0	200.0
Subordinated liabilities		-	-	-849.7	-	-	-
Cash flow from financing activities		-363.1	522.9	801.3	-202.8	-351.3	-441.4
NET CASH FLOW FOR THIS PERIOD		148.7	160.4	-72.3	202.3	104.0	-124.1
Liquid funds at beginning of year		1,862.8	1,935.5	1,935.5	1,261.9	1,386.4	1,386.4
Currency difference i liquidity		10.1	10.7	-0.3	10.1	10.7	-0.3
LIQUID FUNDS END OF PERIOD		2,021.6	2,106.6	1,862.8	1,474.4	1,501.1	1,261.9
Cash flow includes interest receipts of		571.1	524.7	1,076.0	516.3	507.4	1,011.7
Cash flow includes interest payments of		-174.5	-117.4	-372.6	-220.4	-197.2	-513.5

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Disclosures

All amounts in the notes are in millions of Swedish kronor (SEKm) and represent carrying amounts unless indicated otherwise. Figures in parentheses 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 Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559). The accounting principles for the Parent company are prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559), 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 2018 annual report, Note 1. Applied accounting principles and calculations methods are unchanged from the 2018 annual report, except for the transition to IFRS 16. For further information, see the 2018 annual report.

IFRS 16 Leases

The Group applies the new accounting standard IFRS 16 – Leases for fiscal year 2019. IFRS 16 replace IAS 17 – Leases and its interpretations. The standard is applied from 1 January 2019 and is adopted by the EU. The standard entails new disclosures for lessees which will be presented in the 2019 annual report. The transition to IFRS 16 has not had any significant impact on the Groups financial reports or capital adequacy.

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 incur 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. In order 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 equity, retail deposits, issued securities (RMBS and senior unsecured bonds) and secured credit facilities. Consequently, 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, that is,

credit risk, operational risk, CVA risk and market risk. The methodology applicable to calculate the capital requirements is stated in 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 internal capital and liquidity adequacy assessment process ("ICLAAP") is a result of Pillar II of the Basel II accords. The ICLAAP includes a number of 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.



Figure shows an overview of key identified risks and capital requirements. For further information on capital adequacy and Pillars I and II, see Note 7.

To manage identified risks, the Bank has created a framework for managing risk and capital through principles, organisational structures and 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 defence 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 measurement 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 in order 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 processes are based on the three lines of defence approach allocating 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 Risk Manager 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 risks within the organisation. As part of the second line of defence, the Risk Manager 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-sheet-related risks. These risks are primarily interest rate risk, liquidity risk, currency risk and credit risk.

For further information about the Bank'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 supports 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 adopted by the Board of Directors.

As part of the Bank'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 Jan–Jun 2019	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Interest income	294.1	248.1	55.9	-31.9	566.3
Interest expense	-90.4	-88.4	-8.5	15.9	-171.4
Net interest income	203.7	159.7	47.4	-16.0	394.9
Total operating income	221.1	161.7	46.6	-16.5	413.0
Total expenses	-134.1	-102.8	-28.0	17.8	-247.2
Result pre credit losses	86.9	58.9	18.6	1.3	165.8
Credit losses, net	-3.2	-4.4	-21.3	-	-28.9
Operating profit/loss	83.7	54.5	-2.7	1.3	136.9
Allocated tax*	-14.5	-13.7	-	0.4	-27.8
NET PROFIT/LOSS FOR THE PERIOD	69.3	40.8	-2.7	1.7	109.2

Income statement Jan–Jun 2018	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Interest income	302.3	196.8	57.1	-34.5	521.7
Interest expense	-119.7	-68.4	-7.1	21.7	-173.5
Net interest income	182.6	128.4	50.0	-12.8	348.2
Total operating income	202.1	130.7	50.0	-13.3	369.4
Total expenses	-118.4	-89.0	-31.2	13.3	-225.4
Result pre credit losses	83.7	41.7	18.7	0.0	144.1
Credit losses, net	-6.0	-1.4	-19.3	-	-26.7
Operating profit/loss	77.7	40.3	-0.6	0.0	117.4
Allocated tax*	-15.8	-10.1	-0.7	-	-26.6
NET PROFIT/LOSS FOR THE PERIOD	61.9	30.2	-1.3	0.0	90.8

Income statement Annual 2018	Group				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	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
Net interest income	366.8	277.5	98.5	-24.7	718.2
Total operating income	395.0	279.7	98.5	-27.3	746.0
Total expenses	-258.8	-195.7	-56.3	27.3	-483.6
Result pre credit losses	136.2	84.0	42.2	0.0	262.4
Credit losses, net	-12.3	-3.4	-34.5	-	-50.2
Operating profit/loss	123.9	80.6	7.7	0.0	212.2
Allocated tax*	-27.2	-22.1	-1.0	-	-50.2
NET PROFIT/LOSS FOR THE PERIOD	96.7	58.5	6.7	0.0	162.0

* Allocated tax is used to allocate tax to the various operating segments and is not a measure directly regulated in IFRS.

Balance sheet 2019-06-30	Koncernen				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Lending to credit institutions	937.6	1,084.0	-	-	2,021.6
Lending to the public	8,343.6	6,184.1	1,006.8	-	15,534.6
Deposits from the public	4,319.9	8,205.5	-	-	12,525.4

Balance sheet 2018-06-30	Koncernen				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Lending to credit institutions	1,490.4	616.2	-	-	2,106.6
Lending to the public	8,223.3	5,127.7	1,010.1	-	14,361.2
Deposits from the public	4,824.0	6,153.1	-	-	10,977.1

Balance sheet 2018-12-31	Koncernen				
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Lending to credit institutions	1,366.4	496.4	-	-	1,862.8
Lending to the public	8,239.2	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 accounts. Market-based transfer prices are applied between operating segments, while all expenses for IT, other Group functions and Group staffs are transfer priced at cost to the operating segments. Executive management expenses are not distributed. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

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

Each COO governs their operations based on clearly stated objectives regarding their development of new lending, loan portfolio, income and expenses, and their respective KPIs. 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 Bank, BFF1, Step 2, Step 3, Step 4) and providing support functions (BSAB) are included in Mortgages Sweden. Mortgages Norway is operated through the Branch. Other operations include personal loans, which are managed within the Bank in Sweden.

There are 190 (160) full-time employees in Mortgages Sweden, 65 (55) in Mortgages Norway, and 14 (14) in Other operations.

Note 4. Credit losses

The Group started applying IFRS 9 on 1 January 2018 when the new standard came into force and replaced IAS 39. Provisions in accordance with IFRS 9 are calculated using quantitative models base on inputs and assumptions made by management. The following points could have a major impact on the level of reservations:

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

Credit impairments	Group			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Credit impairment provisions	-1.2	-5.0	-5.3	-1.3	-3.8	-3.1
of which Stage 1	-1.6	-0.4	-0.6	-1.9	-0.3	-1.9
of which Stage 2	0.1	-3.1	-4.3	-0.4	-2.3	-1.7
of which Stage 3	0.2	-1.5	-0.5	1.0	-1.2	0.5
Credit impairments for off balance sheet exposures	-	-	-	-	-	-
Actual losses during the period	-52.4	-45.9	-90.5	-51.0	-45.9	-90.4
Recoveries	24.7	24.2	45.7	24.5	24.2	45.7
Credit losses, net	-28.9	-26.7	-50.2	-27.8	-25.5	-47.8

Note 5. Lending to the public

The tables below show a breakdown of loans at amortised cost and the write-downs with step allocations per asset class are presented. Bluestep

Bank holds no material purchased or original credit losses (POCI) at the end of the period.

Group 30 June 2019

	Group			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	13,426.9	915.7	237.4	14,580.0
New financial assets	2,397.9	47.5	2.8	2,448.2
Change in PD/LGD/EAD	-150.7	-9.0	-3.3	-163.0
Change due to expertise	-	-	-	-
Transfers between stages	-324.0	174.4	137.4	-12.2
-Transfer from stage 1 to 2	-492.2	486.5	-	-5.7
-Transfer from stage 1 to 3	-59.1	-	59.2	0.1
-Transfer from stage 2 to 1	222.8	-226.5	-	-3.7
-Transfer from stage 2 to 3	-	-103.9	102.7	-1.2
-Transfer from stage 3 to 1	4.5	-	-5.3	-0.9
-Transfer from stage 3 to 2	-	18.3	-19.1	-0.8
Exchange rate change	332.9	24.5	11.8	369.2
Removed financial assets	-1,410.1	-132.2	-101.7	-1,644.0
Provisions 30 June 2019	14,272.9	1,020.8	284.6	15,578.2

	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
New financial assets	1,036.4	3.2	0.9	1,040.6
Change in PD/LGD/EAD	-64.5	-3.7	-1.4	-69.7
Change due to expertise	-	-	-	-
Transfers between stages	-103.9	63.2	36.9	-3.8
-Transfer from stage 1 to 2	-222.1	221.2	-	-0.9
-Transfer from stage 1 to 3	-17.1	-	17.1	0.0
-Transfer from stage 2 to 1	132.7	-134.4	-	-1.7
-Transfer from stage 2 to 3	-	-31.0	30.2	-0.8
-Transfer from stage 3 to 1	2.6	-	-2.7	-0.1
-Transfer from stage 3 to 2	-	7.4	-7.7	-0.3
Exchange rate change	-	-	-	-
Removed financial assets	-763.4	-74.8	-46.0	-884.2
Provisions 30 June 2019	7,714.9	545.7	80.2	8,340.8

	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
New financial assets	1,122.8	37.4	1.2	1,161.4
Change in PD/LGD/EAD	-38.0	-4.3	-1.8	-44.1
Change due to expertise	-	-	-	-
Transfers between stages	-193.5	90.7	96.1	-6.7
-Transfer from stage 1 to 2	-231.4	227.4	-	-4.1
-Transfer from stage 1 to 3	-39.4	-	39.4	-0.0
-Transfer from stage 2 to 1	75.5	-76.4	-	-0.9
-Transfer from stage 2 to 3	-	-71.0	70.5	-0.4
-Transfer from stage 3 to 1	1.9	-	-2.6	-0.8
-Transfer from stage 3 to 2	-	10.7	-11.2	-0.5
Exchange rate change	332.9	24.5	11.8	369.2
Removed financial assets	-497.2	-31.6	-48.1	-577.0
Provisions 30 June 2019	5,594.1	411.5	199.1	6,204.8

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	949.6	62.9	7.8	1,020.2
New financial assets	238.7	6.9	0.7	246.2
Change in PD/LGD/EAD	-48.3	-1.0	-	-49.2
Change due to expertise	-	-	-	-
Transfers between stages	-26.6	20.5	4.4	-1.7
-Transfer from stage 1 to 2	-38.6	37.9	-	-0.7
-Transfer from stage 1 to 3	-2.6	-	2.7	0.1
-Transfer from stage 2 to 1	14.6	-15.7	-	-1.1
-Transfer from stage 2 to 3	-	-1.9	1.9	0.0
-Transfer from stage 3 to 1	-	-	-	-
-Transfer from stage 3 to 2	-	0.2	-0.2	-0.0
Exchange rate change	-	-	-	-
Removed financial assets	-149.5	-25.8	-7.6	-182.8
Provisions 30 June 2019	963.8	63.5	5.3	1,032.7

Parent 30 June 2019

	Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	11,059.9	743.8	225.6	12,029.4
New financial assets	2,272.1	46.1	1.9	2,320.1
Change in PD/LGD/EAD	-125.5	-7.5	-3.2	-136.2
Change due to expertise	-	-	-	-
Transfers between stages	-292.6	155.6	125.7	-11.2
-Transfer from stage 1 to 2	-431.4	426.0	-	-5.4
-Transfer from stage 1 to 3	-54.3	-	54.4	0.0
-Transfer from stage 2 to 1	188.7	-191.9	-	-3.3
-Transfer from stage 2 to 3	-	-94.9	94.0	-0.9
-Transfer from stage 3 to 1	4.5	-	-5.3	-0.9
-Transfer from stage 3 to 2	-	16.5	-17.3	-0.8
Exchange rate change	332.9	24.5	11.8	369.2
Removed financial assets	-1,330.6	-103.9	-95.3	-1,529.9
Provisions 30 June 2019	11,916.0	858.6	266.6	13,041.3

Group 30 June 2018

	Group			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	12,675.1	774.1	218.4	13,667.6
New financial assets	1,889.3	26.6	2.7	1,918.6
Change in PD/LGD/EAD	-142.0	-4.5	0.9	-145.5
Change due to expertise	-	-	-	-
Transfers between stages	-298.8	184.5	100.0	-14.3
-Transfer from stage 1 to 2	-432.1	432.7	-	0.6
-Transfer from stage 1 to 3	-56.6	-	57.7	1.1
-Transfer from stage 2 to 1	180.3	-184.1	-	-3.7
-Transfer from stage 2 to 3	-	-82.7	79.6	-3.0
-Transfer from stage 3 to 1	9.5	-	-12.0	-2.6
-Transfer from stage 3 to 2	-	18.6	-25.2	-6.7
Exchange rate change	419.1	29.5	15.4	463.9
Removed financial assets	-1,273.2	-119.8	-77.4	-1,470.5
Provisions 30 June 2018	13,269.6	890.3	260.0	14,419.9

	Mortgages Sweden			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	7,679.6	446.1	83.4	8,209.0
New financial assets	878.3	5.5	2.0	885.8
Change in PD/LGD/EAD	-59.8	-2.7	-1.5	-64.1
Change due to expertise	-	-	-	-
Transfers between stages	-132.9	100.2	32.0	-0.6
-Transfer from stage 1 to 2	-208.0	209.4	-	1.4
-Transfer from stage 1 to 3	-19.0	-	19.0	-0.0
-Transfer from stage 2 to 1	91.0	-92.0	-	-1.0
-Transfer from stage 2 to 3	-	-30.7	29.9	-0.7
-Transfer from stage 3 to 1	3.2	-	-3.3	-0.1
-Transfer from stage 3 to 2	-	13.4	-13.6	-0.2
Exchange rate change	-	-	-	-
Removed financial assets	-709.7	-52.9	-34.6	-797.2
Provisions 30 June 2018	7,655.6	496.2	81.2	8,233.0

	Mortgages Norway			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	3,995.5	267.1	127.6	4,390.2
New financial assets	800.9	12.5	-	813.4
Change in PD/LGD/EAD	-34.3	-1.0	2.5	-32.8
Change due to expertise	-	-	-	-
Transfers between stages	-131.2	58.2	60.8	-12.1
-Transfer from stage 1 to 2	-181.7	181.4	-	-0.2
-Transfer from stage 1 to 3	-32.7	-	33.6	0.9
-Transfer from stage 2 to 1	77.0	-78.7	-	-1.7
-Transfer from stage 2 to 3	-	-49.6	47.4	-2.2
-Transfer from stage 3 to 1	6.2	-	-8.6	-2.4
-Transfer from stage 3 to 2	-	5.1	-11.6	-6.5
Exchange rate change	419.1	29.5	15.4	463.9
Removed financial assets	-400.7	-39.1	-35.8	-475.6
Provisions 30 June 2018	4,649.4	327.2	170.4	5,147.0

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	1,000.0	60.9	7.5	1,068.4
New financial assets	210.1	8.5	0.7	219.4
Change in PD/LGD/EAD	-47.8	-0.8	-0.0	-48.7
Change due to expertise	-	-	-	-
Transfers between stages	-34.8	26.1	7.2	-1.5
-Transfer from stage 1 to 2	-42.4	41.8	-	-0.5
-Transfer from stage 1 to 3	-4.9	-	5.0	0.2
-Transfer from stage 2 to 1	12.3	-13.3	-	-1.0
-Transfer from stage 2 to 3	-	-2.4	2.3	-0.1
-Transfer from stage 3 to 1	0.1	-	-0.2	-0.0
-Transfer from stage 3 to 2	-	-	-	-
Exchange rate change	-	-	-	-
Removed financial assets	-162.9	-27.8	-7.0	-197.7
Provisions 30 June 2018	964.6	66.9	8.4	1,039.8

Parent 30 June 2018

	Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	11,614.9	718.9	218.4	12,552.2
New financial assets	1,234.4	23.1	2.7	1,260.1
Change in PD/LGD/EAD	-113.5	-3.9	1.0	-116.5
Change due to expertise	-	-	-	-
Transfers between stages	-269.2	156.5	99.6	-13.2
-Transfer from stage 1 to 2	-371.3	372.4	-	1.1
-Transfer from stage 1 to 3	-54.2	-	55.4	1.1
-Transfer from stage 2 to 1	150.0	-153.6	-	-3.5
-Transfer from stage 2 to 3	-	-76.4	73.6	-2.8
-Transfer from stage 3 to 1	6.3	-	-8.7	-2.4
-Transfer from stage 3 to 2	-	14.1	-20.7	-6.6
Exchange rate change	419.1	29.5	15.4	463.9
Removed financial assets	-2,030.8	-167.4	-87.2	-2,285.4
Provisions 30 June 2018	10,854.8	756.6	249.8	11,861.2

Group 31 December 2018

	Group			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	12,675.1	774.1	218.4	13,667.6
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
Change due to expertise	18.6	-11.0	-7.6	-0.0
Transfers between stages	-398.5	229.3	141.8	-27.4
-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
Provisions 31 December 2018	13,426.9	915.7	237.4	14,580.0

	Mortgages Sweden			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	7,679.6	446.1	83.4	8,209.0
New financial assets	1,664.8	58.0	5.1	1,727.8
Change in PD/LGD/EAD	-95.8	-3.7	-1.2	-100.7
Change due to expertise	18.6	-11.0	-7.6	-0.0
Transfers between stages	-218.1	150.2	59.1	-8.8
-Transfer from stage 1 to 2	-306.3	302.7	-	-3.6
-Transfer from stage 1 to 3	-39.8	-	39.2	-0.6
-Transfer from stage 2 to 1	125.7	-127.8	-	-2.1
-Transfer from stage 2 to 3	-	-40.4	38.5	-1.9
-Transfer from stage 3 to 1	2.3	-	-2.3	-0.1
-Transfer from stage 3 to 2	-	15.7	-16.3	-0.5
Exchange rate change	-	-	-	-
Removed financial assets	-1,438.8	-81.6	-49.0	-1,569.5
Provisions 31 December 2018	7,610.3	557.9	89.7	8,257.9

	Mortgages Norway			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	3,995.5	267.1	127.6	4,390.2
New financial assets	1,717.6	60.2	9.0	1,786.8
Change in PD/LGD/EAD	-46.6	-2.2	-3.2	-52.0
Change due to expertise	-	-	-	-
Transfers between stages	-150.0	58.6	76.6	-14.8
-Transfer from stage 1 to 2	-164.6	163.0	-	-1.5
-Transfer from stage 1 to 3	-58.4	-	58.0	-0.4
-Transfer from stage 2 to 1	67.2	-69.1	-	-1.9
-Transfer from stage 2 to 3	-	-39.8	35.3	-4.5
-Transfer from stage 3 to 1	5.7	-	-11.8	-6.1
-Transfer from stage 3 to 2	-	4.5	-4.8	-0.3
Exchange rate change	111.3	6.7	3.2	121.2
Removed financial assets	-760.7	-95.7	-73.2	-929.6
Provisions 31 December 2018	4,867.1	294.9	139.9	5,301.9

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	1,000.0	60.9	7.5	1,068.4
New financial assets	366.7	18.3	1.6	386.5
Change in PD/LGD/EAD	-70.3	-1.1	-	-71.4
Change due to expertise	-	-	-	-
Transfers between stages	-30.4	20.5	6.0	-3.9
-Transfer from stage 1 to 2	-37.1	35.0	-	-2.1
-Transfer from stage 1 to 3	-5.1	-	5.0	-0.1
-Transfer from stage 2 to 1	11.6	-13.3	-	-1.6
-Transfer from stage 2 to 3	-	-1.3	1.2	-0.0
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.0
-Transfer from stage 3 to 2	-	0.1	-0.1	-0.0
Exchange rate change	-	-	-	-
Removed financial assets	-316.3	-35.8	-7.3	-359.4
Provisions 31 December 2018	949.6	62.9	7.8	1,020.2

Parent 31 December 2018

	Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	11,614.9	718.9	218.4	12,552.2
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
Change due to expertise	12.3	-4.7	-7.6	-0.0
Transfers between stages	-346.2	182.3	138.9	-24.9
-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
Provisions 31 December 2018	11,059.9	743.8	225.6	12,029.4

Lending to the public (IFRS 9) – change of provisions for expected credit losses

Group 30 June 2019

	Group			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	13,426.9	915.7	237.4	14,580.0
Reported value gross 30 June 2019	14,272.9	1,020.8	284.6	15,578.2
Provisions 1 January 2019	13.9	25.7	11.4	51.0
New financial assets	3.4	1.7	0.5	5.6
Change in PD/LGD/EAD	-0.3	0.0	-0.1	-0.4
Change due to expertise	-	-	-	-
Transfers between stages	-0.5	6.5	6.3	12.3
-Transfer from stage 1 to 2	-1.0	13.3	-	12.2
-Transfer from stage 1 to 3	-0.1	-	2.7	2.6
-Transfer from stage 2 to 1	0.6	-5.1	-	-4.5
-Transfer from stage 2 to 3	-	-2.1	4.4	2.2
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.4	-0.7	-0.3
Exchange rate change	0.1	0.2	0.2	0.4
Removed financial assets	-2.0	-7.2	-6.9	-16.1
Provisions 30 June 2019	14.6	26.9	11.3	52.8
 Opening balance 1 January 2019	 13,413.0	 889.9	 226.0	 14,529.0
Closing balance 30 June 2019	14,258.3	995.0	273.3	15,527.8
Adjustment hedge accounting				6.8
Closing balance 30 June 2019 inclusive hedge accounting	14,258.3	995.0	273.3	15,534.6

	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 30 June 2019	7,718.2	545.7	80.2	8,340.8
Provisions 1 January 2019	3.2	9.9	6.5	19.6
New financial assets	0.8	0.1	0.1	1.0
Change in PD/LGD/EAD	-0.0	-0.0	-0.1	-0.1
Change due to expertise	-	-	-	-
Transfers between stages	-0.1	0.7	3.1	3.8
-Transfer from stage 1 to 2	-0.3	3.3	-	3.0
-Transfer from stage 1 to 3	-0.0	-	1.0	1.0
-Transfer from stage 2 to 1	0.2	-1.9	-	-1.7
-Transfer from stage 2 to 3	-	-1.0	2.6	1.6
-Transfer from stage 3 to 1	0.0	-	-0.0	-0.0
-Transfer from stage 3 to 2	-	0.3	-0.5	-0.2
Exchange rate change	-	-	-	-
Removed financial assets	-0.3	-2.6	-3.3	-6.2
Provisions 30 June 2019	3.6	8.1	6.3	18.0
Opening balance 1 January 2019	7,607.1	547.9	83.3	8,238.3
Closing balance 30 June 2019	7,714.7	536.5	73.8	8,323.9
Adjustment hedge accounting				19.7
Closing balance 30 June 2019 inclusive hedge accounting	7,714.7	536.5	73.8	8,343.6

	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 30 June 2019	5,594.1	411.5	199.1	6,204.8
Provisions 1 January 2019	0.9	2.2	2.0	5.1
New financial assets	0.3	0.3	0.0	0.6
Change in PD/LGD/EAD	0.0	-0.0	-0.0	-0.0
Change due to expertise	-	-	-	-
Transfers between stages	-0.1	0.5	1.4	1.8
-Transfer from stage 1 to 2	-0.1	1.6	-	1.5
-Transfer from stage 1 to 3	-0.0	-	0.6	0.5
-Transfer from stage 2 to 1	0.0	-0.4	-	-0.4
-Transfer from stage 2 to 3	-	-0.7	1.0	0.3
-Transfer from stage 3 to 1	0.0	-	-0.0	-0.0
-Transfer from stage 3 to 2	-	0.1	-0.2	-0.1
Exchange rate change	0.1	0.2	0.2	0.4
Removed financial assets	-0.1	-1.4	-0.7	-2.2
Provisions 30 June 2019	1.1	1.7	2.8	5.5
Opening balance 1 January 2019	4,866.2	292.7	138.0	5,296.8
Closing balance 30 June 2019	5,593.0	408.7	196.3	6,197.0
Adjustment hedge accounting				-12.9
Closing balance 30 June 2019 inclusive hedge accounting	5,593.0	408.7	196.3	6,184.1

	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 30 June 2019	963.8	63.5	5.3	1,032.7
Provisions 1 January 2019	9.8	13.6	3.0	26.4
New financial assets	2.3	1.3	0.3	4.0
Change in PD/LGD/EAD	-0.3	0.1	-	-0.2
Change due to expertise	-	-	-	-
Transfers between stages	-0.3	5.3	1.8	6.8
-Transfer from stage 1 to 2	-0.6	8.4	-	7.7
-Transfer from stage 1 to 3	-0.0	-	1.1	1.1
-Transfer from stage 2 to 1	0.3	-2.7	-	-2.4
-Transfer from stage 2 to 3	-	-0.4	0.8	0.3
-Transfer from stage 3 to 1	-	-	-	-
-Transfer from stage 3 to 2	-	0.1	-0.1	-0.0
Exchange rate change	-	-	-	-
Removed financial assets	-1.6	-6.5	-2.9	-11.0
Provisions 31 December 2019	9.9	13.8	2.2	25.9
Opening balance 1 January 2019	939.8	49.3	4.8	993.9
Closing balance 30 June 2019	953.9	49.8	3.1	1,006.8

Parent 30 June 2019

	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 30 June 2019	11,916.0	858.6	266.6	13,041.3
Provisions 1 January 2019	12.6	22.2	10.4	45.2
New financial assets	3.3	1.7	0.3	5.3
Change in PD/LGD/EAD	-0.3	-0.0	-0.1	-0.4
Change due to expertise	-	-	-	-
Transfers between stages	-0.5	6.6	5.2	11.3
-Transfer from stage 1 to 2	-0.9	12.3	-	11.3
-Transfer from stage 1 to 3	-0.1	-	2.6	2.5
-Transfer from stage 2 to 1	0.5	-4.5	-	-4.0
-Transfer from stage 2 to 3	-	-1.5	3.4	1.8
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.4	-0.7	-0.3
Exchange rate change	0.1	0.2	0.2	0.4
Removed financial assets	-1.9	-6.8	-6.4	-15.1
Provisions 30 June 2019	13.3	23.8	9.6	46.7
Opening balance 1 January 2019	11,047.3	721.7	215.2	11,984.2
Closing balance 30 June 2019	11,902.7	835.9	257.0	12,996.7
Adjustment hedge accounting				6.8
Closing balance 30 June 2019 inclusive hedge accounting	11,902.7	835.9	257.0	13,003.6

Group 30 June 2018

	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 30 June 2018	13,269.6	890.3	260.0	14,419.9
Provisions 1 January 2018	13.3	21.4	10.9	45.6
New financial assets	2.7	1.9	0.5	5.1
Change in PD/LGD/EAD	0.5	0.7	-0.1	1.0
Change due to expertise	-	-	-	-
Transfers between stages	-0.7	8.7	6.6	14.6
-Transfer from stage 1 to 2	-1.1	13.7	-	12.7
-Transfer from stage 1 to 3	-0.1	-	3.9	3.8
-Transfer from stage 2 to 1	0.4	-3.4	-	-3.0
-Transfer from stage 2 to 3	-	-1.8	4.2	2.5
-Transfer from stage 3 to 1	0.0	-	-0.5	-0.5
-Transfer from stage 3 to 2	-	0.2	-1.0	-0.8
Exchange rate change	0.1	0.2	0.2	0.5
Removed financial assets	-9.2	-9.1	-5.6	-23.0
Provisions 30 June 2018	6.6	23.7	12.6	42.9
Opening balance 1 January 2018	12,661.8	752.7	207.5	13,622.0
Closing balance 30 June 2018	13,255.8	865.6	247.4	14,360.6
Adjustment hedge accounting				0.6
Closing balance 30 June 2018 inclusive hedge accounting	13,255.8	865.6	247.4	14,361.2

	Mortgages Sweden			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	7,679.6	446.1	83.4	8,209.0
Reported value gross 30 June 2018	7,655.6	496.2	81.2	8,233.0
Provisions 1 January 2018	3.0	6.8	6.2	16.0
New financial assets	0.5	0.2	0.2	0.9
Change in PD/LGD/EAD	0.1	0.2	-0.1	0.2
Change due to expertise	-	-	-	-
Transfers between stages	-0.2	1.8	2.7	4.3
-Transfer from stage 1 to 2	-0.3	3.4	-	3.1
-Transfer from stage 1 to 3	-0.0	-	1.3	1.3
-Transfer from stage 2 to 1	0.1	-1.0	-	-0.9
-Transfer from stage 2 to 3	-	-0.9	2.6	1.7
-Transfer from stage 3 to 1	0.0	-	-0.3	-0.3
-Transfer from stage 3 to 2	-	0.2	-0.8	-0.6
Exchange rate change	-	-	-	-
Removed financial assets	-1.9	-0.9	-2.4	-5.2
Provisions 30 June 2018	1.6	8.1	6.6	16.3
Opening balance 1 January 2018	7,676.6	439.3	77.1	8,193.0
Closing balance 30 June 2018	7,652.4	488.1	74.7	8,213.5
Adjustment hedge accounting				9.8
Closing balance 30 June 2018 inclusive hedge accounting	7,652.4	488.1	74.7	8,223.3

	Mortgages Norway			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	3,995.5	267.1	127.6	4,390.2
Reported value gross 30 June 2018	4,649.4	327.2	170.4	5,147.0
Provisions 1 January 2018	0.8	1.9	1.8	4.5
New financial assets	0.2	0.1	-	0.2
Change in PD/LGD/EAD	-0.0	0.1	0.0	0.1
Change due to expertise	-	-	-	-
Transfers between stages	-0.1	0.2	0.8	0.9
-Transfer from stage 1 to 2	-0.1	1.0	-	0.9
-Transfer from stage 1 to 3	-0.0	-	0.5	0.5
-Transfer from stage 2 to 1	0.0	-0.4	-	-0.4
-Transfer from stage 2 to 3	-	-0.5	0.7	0.2
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.0	-0.2	-0.1
Exchange rate change	0.1	0.2	0.2	0.5
Removed financial assets	-1.7	-1.9	-2.0	-5.6
Provisions 30 June 2018	-0.7	0.5	0.9	0.7
Opening balance 1 January 2018	3,994.7	265.2	125.7	4,385.6
Closing balance 30 June 2018	4,646.9	323.5	166.4	5,136.9
Adjustment hedge accounting				-9.2
Closing balance 30 June 2018 inclusive hedge accounting	4,648.5	325.1	168.0	5,127.7

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	1,000.0	60.9	7.5	1,068.4
Reported value gross 30 June 2018	964.6	66.9	8.4	1,039.8
Provisions 1 January 2018	9.5	12.7	2.9	25.0
New financial assets	2.0	1.6	0.3	3.9
Change in PD/LGD/EAD	0.4	0.3	0.0	0.7
Change due to expertise	-	-	-	-
Transfers between stages	-0.5	6.8	3.1	9.4
-Transfer from stage 1 to 2	-0.7	9.3	-	8.6
-Transfer from stage 1 to 3	-0.1	-	2.2	2.1
-Transfer from stage 2 to 1	0.3	-2.0	-	-1.8
-Transfer from stage 2 to 3	-	-0.4	1.0	0.5
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	-	-	-
Exchange rate change	-	-	-	-
Removed financial assets	-1.6	-8.9	-2.7	-13.2
Provisions 30 June 2018	9.7	12.5	3.6	25.9
Opening balance 1 January 2018	990.5	48.2	4.6	1,043.4
Closing balance 30 June 2018	954.9	52.4	4.7	1,010.1

Parent 30 June 2018

	Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	11,614.9	718.9	218.4	12,552.2
Reported value gross 30 June 2018	10,854.8	756.6	249.8	11,861.2
Provisions 1 January 2018	12.7	20.5	10.9	44.1
New financial assets	2.3	1.8	0.5	4.6
Change in PD/LGD/EAD	0.4	0.8	-0.1	1.1
Change due to expertise	-	-	-	-
Transfers between stages	-0.7	8.2	6.3	13.9
-Transfer from stage 1 to 2	-1.0	12.7	-	11.7
-Transfer from stage 1 to 3	-0.1	-	3.8	3.7
-Transfer from stage 2 to 1	0.4	-3.1	-	-2.7
-Transfer from stage 2 to 3	-	-1.6	3.5	2.0
-Transfer from stage 3 to 1	0.0	-	-0.2	-0.2
-Transfer from stage 3 to 2	-	0.2	-0.8	-0.6
Exchange rate change	0.1	0.2	0.2	0.5
Removed financial assets	-10.1	-9.0	-6.4	-17.7
Provisions 30 June 2018	4.7	2.6	11.5	38.7
Opening balance 1 January 2018	11,602.2	698.4	207.5	12,508.1
Closing balance 30 June 2018	10,842.4	734.0	238.3	11,806.9
Adjustment hedge accounting				0.6
Closing balance 30 June 2018 inclusive hedge accounting	10,842.4	734.0	238.3	11,807.5

Group 31 December 2018

	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
Change due to expertise	-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	14,529.0
Adjustment hedge accounting				-7.5
Closing balance 31 December 2018 inclusive hedge accounting	13,413.0	889.9	226.0	14,521.7

	Mortgages Sweden			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	7,679.6	446.1	83.4	8,209.0
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
Change in PD/LGD/EAD	0.2	-0.1	-0.2	-0.2
Change due to expertise	-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	-0.1	-3.6	-4.3
Provisions 31 December 2018	3.2	10.9	6.5	20.6
Opening balance 1 January 2018	7,676.6	439.3	77.1	8,193.0
Closing balance 31 December 2018	7,607.1	547.9	83.3	8,239.3
Adjustment hedge accounting				-0.3
Closing balance 31 December 2018 inclusive hedge accounting	7,607.1	547.9	83.3	8,239.2

	Mortgages Norway			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	3,995.5	267.1	127.6	4,390.2
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
Change in PD/LGD/EAD	-0.0	-0.1	-0.1	-0.2
Change due to expertise	-	-	-	-
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
Provisions 31 December 2018	0.9	2.2	2.0	5.1
 Opening balance 1 January 2018	 3,994.7	 265.2	 125.7	 4,385.6
Closing balance 31 December 2018	4,866.2	292.7	138.0	5,296.8
Adjustment hedge accounting				-7.2
Closing balance 31 December 2018 inclusive hedge accounting	4,866.2	292.7	138.0	5,289.6

	Other operations			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	1,000.0	60.9	7.5	1,068.4
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
Change in PD/LGD/EAD	0.2	0.0	-	0.2
Change due to expertise	-	-	-	-
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
Provisions 31 December 2018	9.8	13.6	3.0	26.4
Opening balance 1 January 2018	990.5	48.2	4.6	1,043.4
Closing balance 31 December 2018	939.8	49.3	4.8	993.9

Parent 31 December 2018

	Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2018	11,614.9	718.9	218.4	12,552.2
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
Change in PD/LGD/EAD	0.2	0.0	-0.3	-0.1
Change due to expertise	-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
Provisions 31 December 2018	12.6	22.2	10.4	45.2
Opening balance 1 January 2018	11,602.2	698.4	207.5	12,508.1
Closing balance 31 December 2018	11,047.3	721.7	215.2	11,984.2
Adjustment hedge accounting				-7.5
Closing balance 31 December 2018 inclusive hedge accounting	11,047.3	721.7	215.2	11,976.9

Note 6. Calculation of fair value

Financial assets at fair value

All assets and liabilities measured at fair value are classified in a valuation hierarchy. This hierarchy reflects observable prices or other information used in the valuation methods. A judgment is made each quarter to determine if valuations refer to noted prices representing actual and regularly occurring transactions or not. Transfers between different levels in the hierarchy may happen when there are indications that market conditions, e.g. liquidity, have changed. No reclassifications have occurred during the first half year.

Level 1 uses valuations of quoted prices in an active market, i.e. easily accessible by different market makers and representing actual and frequent transactions. This level includes government securities and other interest-bearing instruments that are actively traded. Level 2 uses calculated values that are based on observable market quotations for similar instruments, or instruments on a less active market. This level includes interest-bearing instruments, interest rate swaps and cross-currency swaps. No financial assets or liabilities are included in level 3.

	Group				
	Financial assets and liabilities	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
2019-06-30	Fair value	Amortised cost	Amortised cost	Carrying value	Carrying value
Assets					
Lending to credit institutions	-	2,021.6	-	-	2,021.6
Lending to the public	-	15,534.6	-	-	15,534.6
Derivatives	171.8	-	-	-	171.8
Bonds and other interest-bearing securities	755.9	-	-	-	755.9
Intangible assets	-	-	-	83.8	83.8
Tangible assets	-	-	-	20.4	20.4
Other assets	-	648.9	-	92.3	741.2
Prepaid expenses and accrued income	-	10.2	-	22.8	33.0
Tax	30.0	-	-	-	30.0
Total	957.8	18,215.3	-	219.3	19,392.3
Liabilities					
Liabilities to credit institutions	-	-	1,999.3	-	1,999.3
Issued bonds	-	-	3,070.3	-	3,070.3
Deposits from the public	-	-	12,525.4	-	12,525.4
Derivatives	41.7	-	-	-	41.7
Tax liabilities	-	-	-	-	-
Other liabilities	-	-	78.1	18.3	96.4
Accrued expenses and prepaid income	-	-	82.9	-	82.9
Total	41.7	-	17,755.9	18.3	17,815.9

	Group				
	Financial assets and liabilities	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
	Fair value	Amortised cost	Amortised cost	Carrying value	Carrying value
2018-06-30					
Assets					
Lending to credit institutions	-	2,106.6	-	-	2,106.6
Lending to the public	-	14,335.6	-	-	14,335.6
Derivatives	303.0	-	-	-	303.0
Bonds and other interest-bearing securities	724.4	-	-	-	724.4
Intangible assets	-	-	-	65.1	65.1
Tangible assets	-	-	-	8.7	8.7
Other assets	-	60.8	-	105.9	166.7
Prepaid expenses and accrued income	-	12.2	-	25.9	38.1
Total	1,027.4	16,515.2	-	205.6	17,748.2
Liabilities					
Liabilities to credit institutions	-	-	1,297.2	-	1,297.2
Issued bonds	-	-	3,857.0	-	3,857.0
Deposits from the public	-	-	10,977.1	-	10,977.1
Derivatives	42.3	-	-	-	42.3
Tax liabilities	-	-	-	7.5	7.5
Other liabilities	-	-	64.4	15.0	79.3
Accrued expenses and prepaid income	-	-	90.8	-	90.8
Total	42.3	-	16,286.4	22.5	16,351.2

	Group				
	Financial assets and liabilities	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
	Fair value	Amortised cost	Amortised cost	Carrying value	Carrying value
2018-12-31					
Assets					
Lending to credit institutions	-	1,862.8	-	-	1,862.8
Lending to the public	-	14,521.7	-	-	14,521.7
Derivatives	213.4	-	-	-	213.4
Bonds and other interest-bearing securities	693.1	-	-	-	693.1
Intangible assets	-	-	-	58.0	58.0
Tangible assets	-	-	-	8.3	8.3
Other assets	-	16.6	-	92.2	108.8
Prepaid expenses and accrued income	-	27.3	-	-	27.3
Tax	-	3.0	-	-	3.0
Total	906.5	16,431.5	-	158.5	17,496.4
Liabilities					
Liabilities to credit institutions	-	-	1,998.9	-	1,998.9
Issued bonds	-	-	3,433.7	-	3,433.7
Deposits from the public	-	-	10,416.6	-	10,416.6
Derivatives	38.1	-	-	-	38.1
Tax liabilities	-	-	-	-	-
Other liabilities	-	-	58.2	13.9	72.2
Accrued expenses and prepaid income	-	-	79.8	-	79.8
Total	38.1	-	15,987.3	13.9	16,039.3

	Parent				
	Financial assets and liabilities	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
	Fair value	Amortised cost	Amortised cost	Carrying value	Carrying value
2019-06-30					
Assets					
Lending to credit institutions	-	1,474.4	-	-	1,474.4
Lending to the public	-	13,003.6	-	-	13,003.6
Derivatives	26.6	-	-	-	26.6
Bonds and other interest-bearing securities	755.9	-	-	-	755.9
Shares and participations in associated companies	-	-	-	4.7	4.7
Intangible assets	-	-	-	69.8	69.8
Tangible assets	-	-	-	7.9	7.9
Other assets	-	1,354.2	-	90.9	1,445.1
Prepaid expenses and accrued income	-	10.2	-	15.6	25.8
Tax	39.7	-	-	-	39.7
Total	782.5	15,842.3	-	188.8	16,853.3
Liabilities					
Liabilities to credit institutions	-	-	1,823.8	-	1,823.8
Deposits from the public	-	-	12,525.4	-	12,525.4
Issued securities	-	-	805.2	-	805.2
Derivatives	38.7	-	-	-	38.7
Tax liabilities	-	-	-	-	-
Other liabilities	-	-	62.8	17.6	80.5
Accrued expenses and prepaid income	-	-	64.0	-	64.0
Total	38.7	-	15,281.2	17.6	15,337.5

	Parent				
	Financial assets and liabilities	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
	Fair value	Amortised cost	Amortised cost	Carrying value	Carrying value
2018-06-30					
Assets					
Lending to credit institutions	-	1,501.1	-	-	1,501.1
Lending to the public	-	11,783.8	-	-	11,783.8
Derivatives	37.1	-	-	-	37.1
Bonds and other interest-bearing securities	724.4	-	-	-	724.4
Shares and participations in associated companies	-	-	-	4.7	4.7
Intangible assets	-	-	-	49.1	49.1
Tangible assets	-	-	-	7.4	7.4
Other assets	-	1,408.6	-	105.9	1,514.4
Prepaid expenses and accrued income	-	12.2	-	23.8	36.0
Total	761.5	14,705.6	-	190.8	15,657.9
Liabilities					
Liabilities to credit institutions	-	-	3,121.9	-	3,121.9
Deposits from the public	-	-	10,977.1	-	10,977.1
Derivatives	50.2	-	-	-	50.2
Tax liabilities	-	-	-	9.7	9.7
Other liabilities	-	-	67.5	14.3	81.7
Accrued expenses and prepaid income	-	-	53.2	-	53.2
Total	50.2	-	14,219.7	24.0	14,293.9

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

	Group											
	2019-06-30				2018-06-30				2018-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Derivatives	-	171.8	-	171.8	-	303.0	-	303.0	-	213.4	-	213.4
Bonds / other interest-bearing securities	755.9	-	-	755.9	724.4	-	-	724.4	693.1	-	-	693.1
Total	755.9	171.8	-	927.7	724.4	303.0	-	1,027.4	693.1	213.4	-	906.5
Liabilities												
Derivatives	-	41.7	-	41.7	-	42.3	-	42.3	-	38.1	-	38.1
Total	-	41.7	-	41.7	-	42.3	-	42.3	-	38.1	-	38.1

	Parent											
	2019-06-30				2018-06-30				2018-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Derivatives	-	26.6	-	26.6	-	37.1	-	37.1	-	36.4	-	36.4
Bonds / other interest-bearing securities	755.9	-	-	755.9	724.4	-	-	724.4	693.1	-	-	693.1
Total	755.9	26.6	-	782.5	724.4	37.1	-	761.5	693.1	36.4	-	729.5
Liabilities												
Derivatives	-	38.7	-	38.7	-	50.2	-	50.2	-	25.5	-	25.5
Total	-	38.7	-	38.7	-	50.2	-	50.2	-	25.5	-	25.5

Financial assets and liabilities are measured at fair value through the income statement. All derivative contracts in this group are entered for the purpose of hedging interest rate- and foreign exchange-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 amount is considered consistent with fair value since the post is not subject to significant value changes. Any currency change is recognised in the income statement. There is no material difference in lending to the public if all loans were lent at the interest rates per 30 June compared to the current interest rate of the loans. The 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 measured at fair value.

Deposits from the public have mainly short-term maturity profiles because the market value is considered to be in accordance with the carrying amount. For all other financial assets and liabilities with a short tenor the carrying amount equals the fair value since the discounted value does not produce a noticeable effect.

Note 7. Capital adequacy analysis

– Parent company and consolidated situation

For the establishment of statutory capital requirements for the Bank, 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 the Administration report.

The Bank has 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 a review is performed annually or more often if needed to ensure that risks are properly taken into account 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 European Regulation 573/2013 on prudential requirements for credit institutions and investment firms (Supervisory), the SFSA's Regulations (FFFS 2014:12) regarding prudential requirements and capital buffers and Regulation (EU) No 1423/2013 stating implementation of technical standards with regard to disclosure of own funds requirements for institutions.

Capital Adequacy	Consolidated situation			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Total capital base	1,400.5	1,299.6	1,303.0	1,446.0	1,280.3	1,413.4
Common Equity Tier 1 (CET1) capital	1,400.5	1,299.6	1,303.0	1,446.0	1,280.3	1,413.4
Capital instruments and the related share premium accounts	4,451.4	4,486.6	4,451.4	663.7	663.7	663.7
Retained earnings	262.3	49.2	144.8	852.0	665.7	793.2
Accumulated other comprehensive income	26.0	-	26.0	-	-	-
Intangible assets (net of related tax liability)	-3,339.3	-3,236.2	-3,319.2	-69.8	-49.1	-43.5
Additional Tier 1 capital						
Tier 2 Capital						
Risk Exposure Amount	8,028.4	7,481.8	7,466.4	6,758.1	6,118.2	6,198.6
Risk exposure amount credit risk	6,716.1	6,333.4	6,266.4	5,617.4	5,183.2	5,166.2
Risk exposure amount market risk	208.2	97.3	157.8	208.2	59.4	157.8
Risk exposure amount operational risk	1,036.1	880.8	880.8	931.4	874.6	874.6
Risk exposure amount credit valuation adjustment risk (CVA)	68.0	170.3	161.3	1.2	0.9	-
CET 1 capital ratio, %	17.44%	17.37%	17.45%	21.40%	20.93%	22.80%
Tier 1 capital ratio, %	17.44%	17.37%	17.45%	21.40%	20.93%	22.80%
Total capital ratio, %	17.44%	17.37%	17.45%	21.40%	20.93%	22.80%

Capital Buffer Requirements %	Consolidated situation			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Institution specific buffert requirement	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
of which capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
of which countercyclical capital buffer	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
of which systemic risk buffer	-	-	-	-	-	-
of which: G-SII or O-SII buffer	-	-	-	-	-	-
CET1 available to meet buffers	9.44%	9.37%	9.45%	13.40%	12.93%	14.80%

The countercyclical capital buffer is set to increase to 2.5% in September 2019.

Capital requirement for credit risk

The standardised approach is used for calculating the capital requirement for credit risk.

Exposure class	Consolidated situation					
	2019-06-30				2018-06-30	2018-12-31
	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement	Capital requirement
Governments or central banks	335.3	0%	-	-	-	-
Exposures to institutions	2,370.3	21%	494.6	39.6	42.6	36.7
Exposures to corporates	-	0%	-	-	-	-
Retail exposures	1,020.2	75%	765.1	61.2	60.9	59.9
Exposures to mortgages	14,230.3	36%	5,059.3	404.7	372.1	378.4
Exposures in default	279.2	101%	280.8	22.5	20.7	18.9
Exposures in the form of covered bonds	543.0	10%	54.3	4.3	4.4	4.2
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	61.9	100%	61.9	5.0	5.9	3.2
Securitisations	-	-	-	-	-	-
Total capital requirement for credit risk	18,840.3		6,716.1	537.3	506.7	501.3

Exposure class	Parent					
	2019-06-30				2018-06-30	2018-12-31
	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement	Capital requirement
Governments or central banks	330.7	0%	-	-	-	-
Exposures to institutions	1,514.1	21%	323.3	25.9	25.3	21.1
Exposures to corporates	708.3	0%	2.2	0.2	0.6	1.1
Retail exposures	1,020.2	75%	765.1	61.2	60.9	59.9
Exposures to mortgages	11,720.8	36%	4,164.7	333.2	299.1	305.9
Exposures in default	262.6	101%	264.3	21.1	20.0	18.0
Exposures in the form of covered bonds	543.0	10%	54.3	4.3	4.4	4.2
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Equity exposures	4.7	100%	4.7	0.4	0.4	0.4
Other exposures	38.8	100%	38.8	3.1	4.0	2.7
Securitisations	-	-	-	-	-	-
Total capital requirement for credit risk	16,143.2		5,617.4	449.4	414.7	413.3

Capital requirement for operational risk

The standardised approach is used for calculating the capital requirement for operational risk.

	Consolidated situation			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Relevant indicator	690.8	587.2	587.2	620.9	583.1	583.1
of which 12% (business line retail banking)	82.9	70.5	70.5	74.5	70.0	70.0
Total capital requirement for operational risk	82.9	70.5	70.5	74.5	70.0	70.0

Capital requirement for market risk

The standardised approach is used for calculating the capital requirement for market risk.

	Consolidated situation			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Capital requirement for currency risks	16.7	7.8	12.6	16.7	4.7	12.6
Total capital requirement for market risk	16.7	7.8	12.6	16.7	4.7	12.6

Capital requirements for credit valuation adjustment risk

The standardised approach is used for calculating the capital requirement for credit valuation adjustment risk.

	Consolidated situation			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Capital requirements for credit valuation adjustment risk	5.4	13.6	12.9	0.1	0.1	-
Total capital requirement for credit valuation adjustment risk	5.4	13.6	12.9	0.1	0.1	-
Total Pillar 1 capital requirement	642.3	598.5	597.3	540.7	489.5	495.9

The Bank's capital base meets the minimum level, which corresponds to a capital base which at least equals the total minimum capital requirement.

Note 8. Related parties

Assets and liabilities	Group			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Intercompany receivables	25.0	-	-	733.3	1,369.6	710.0
Intercompany payables	-	12.4	12.4	2.0	17.6	24.4

	Group			Parent		
	Jan-Jun 2019	Jan-Jun 2018	Helár 2018	Jan-Jun 2019	Jan-Jun 2018	Annual 2018
Interest and Commission income	-	-	-	69.9	100.2	194.6
Financial expense	-	-	-	-10.4	-10.8	-27.7
Total	-	-	-	59.5	89.4	166.9

Related parties

Related parties to the Group refers to:

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

Related parties to the Bank refer to:

- Bluestep Holding AB, org no 556668-9575, with registered offices in Stockholm,
- Bluestep Finans Funding No 1 AB, org no 556791-6928, with registered offices in Stockholm,
- Bluestep Mortgage Securities No 2 Designated Activity Company, org no 522186, with registered offices in Dublin,
- Bluestep Mortgage Securities No 3 Designated Activity Company, org no 550839, with registered offices in Dublin,
- Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111, with registered offices in Dublin
- Bluestep Servicing AB, org no 556955-3927, with registered offices in Stockholm.

Senior officials

See Note 10, Salaries and remuneration in the 2018 annual report. No transactions with senior officials have been made in addition to these.

Interest income

Interest income for the Bank relates to interest income from internal loans between the Bank and other companies within the Group.

Note 9. Pledged assets, contingent liabilities and commitments

	Group			Parent		
	2019-06-30	2018-06-30	2018-12-31	2019-06-30	2018-06-30	2018-12-31
Pledged assets for own liabilities						
Shares and participations in associated companies*	None	None	None	0.0	0.0	0.0
Assets in Bluestep Mortgage Securities No 2**	None	1,282.1	1,583.4	None	None	None
Assets in Bluestep Mortgage Securities No 3**	1,749.7	2,027.9	2,226.2	None	None	None
Assets in Bluestep Mortgage Securities No 4**	1,788.8	2,331.6	3,397.7	None	None	None
Assets in Bluestep Finans Funding No 1 AB	2,774.0	2,680.0	2,705.7	None	None	None
Other assets pledged and pledged collateral						
Assets pledged for financial instruments	83.1	80.5	68.8	83.1	80.5	68.8
Contingent liabilities						
Contingent liabilities	None	None	None	None	None	None
Commitments	None	None	None	None	None	None

* The Bank has pledged all shares in its subsidiary Step 3 and Step 4 as collateral for loans from credit institutions

** Designated Activity Company

The main collateral for the Bank's mortgages is a pledge in real estate and pledging of condominiums. The Bank evaluates the collateral used in the lending process. The Bank's policy on obtaining collateral has not changed significantly during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the previous reporting period. The most significant assumptions that affect the collateral and ultimately the reserves are house price indices in each country.

Note 10. Parent company information

Bluestep Bank AB is a wholly owned subsidiary of Bluestep Holding AB, org no 556668-9575, with registered offices in Stockholm, where the consolidated group accounts are prepared.

Note 11. Significant events after the end of the period

The Bank announced on 8 July that Björn Lander had been appointed as the new CEO. The appointment will be effective as of 1 October. At this time, Rolf Stub will resign as acting CEO and return to the role as Head of Strategy and Business development.

Definition of alternative performance measures

Gross income

Interest income excluding interest income from bond holdings and interest income from credit institutions .

Return on equity

Profit after tax (tax rate 21.4% in Sweden and 25.0% in Norway) as a percentage of average equity.

Return on assets

Results after credit losses as percentage of average assets.



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