Annual and Sustainability report 2022

Bluestep Bank AB (publ)

Content

Pages 16-121 constitute the formal annual report.
Bluestep Bank's sustainability work is described on pages 22-35 and 108-119.

"We are a challenger in the Nordic mortgage market and a modern alternative to traditional banks"

This is Bluestep Bank

Bluestep Bank is a challenger in the mortgage market and a modern alternative to traditional banks, choosing to see the potential in each and every one of our customers. Since 2005, we have enabled financial empowerment of tens of thousands of people, allowing entrance to the housing market, and the possibility of regaining control of their finances. Through inclusive yet sustainable and responsible lending we play an important role for those excluded by traditional banks.

Our business

Bluestep Bank is a specialised mortgage bank, working to increase financial inclusion and enable financial empowerment of more people. We focus our efforts on helping those who for various reasons are excluded from the traditional banking sector. Instead of solely relying on automated processes we trust each individual's potential and choose to see possibilities instead of obstacles. We were established as a challenger in the Swedish market in 2005 and today we are the leading specialist mortgage lender in the Nordics, offering our services in Sweden, Norway and Finland. Bluestep Bank also offers equity release for people over 60 years of age, enabling more people to maintain a desired living standard.

Our role in society

In today's financial market Bluestep Bank is more relevant than perhaps ever before. All of our customers have different needs and preconditions, what unites them is the exclusion they experience from traditional banks. Much is different today compared to only a decade ago. Forms of employment have evolved, and permanent employment is either not a possibility or not a desire for many of the youths entering the job market today. Freelancing, the growth of the gig economy and the shortage of housing in combination with the continued rise in house-prices are all contributing to a generation facing difficulties in starting their adult lives in the most basic way – through leaving the parents' nest.

The modern financial market has also introduced new types of credits and loans, making it easier than ever to end up with expensive credits and thereby facing late payments and possibly payment remarks. Previous financial decisions can threaten financial security as well as the opportunity to purchase a home. We want to offer the possibility for people in difficult circumstances to use their home as a security for consolidating expensive credits and to thereby lower their monthly cost, improve their financial situation and over time regain control of their finances.

Our customers

Our customers are always at the core of everything we do. Our customer base consists of people wanting to purchase a home, but lack permanent employment, have historic payment remarks or have a limited credit history. Many also consolidate their debts into their mortgage, making it possible to significantly lower their monthly interest payments and capital repayments. Bluestep Bank is subject to the same rules and regulations as the traditional banks, and although we have the objective to support as many people as we can, we have to carry out a thorough, fair and individual assessment of each applicant. We will always be in the forefront of responsible and fair lending and take pride in our extensive and personalised application process. When welcoming a customer, we want to safeguard that each individual gets the opportunity to experience an improved financial situation in both the short-term and the long-term. That is our customer value proposition.

The year in brief

Performance and financial position

- Lending to the public increased by 11% to MSEK 20,346 (MSEK 18,333). Adjusted for currency effects the increase was 9%.
- New lending amounted to MSEK 6,903 (MSEK 7,169). Adjusted for currency effects the decrease was 6%, as both NOK and EUR strengthened against SEK compared to the same period last year.
- Net interest income amounted to MSEK 921 (MSEK 833), an increase of 11%.
- Operating profit amounted to MSEK 310 (MSEK 325). Operating income increased during the year, but non-recurring items associated with the strategic review initiated by the owners of the Group (amounting to MSEK 36) and increased credit loss provisions led to a decrease in operating profit by 5%.
- Net credit losses amounted to MSEK 28 (MSEK 7), equivalent to a credit loss level of 0.14% (0.04%).
- The return on equity for the year was 13.9% (14.6%).
- The Common Equity Tier 1 ("CET1") ratio was 17.0% (16.4%), which is with a good margin to the targeted level at 16%.

Financing

- The Group redeemed its final outstanding RMBS transaction (Step 4) in May. The Group has thereby taken another step towards its long-term funding structure, comprising of covered bonds, senior unsecured bonds and deposits from the public.
- Two tap issues of covered bonds, amounting to MSEK 300 each, were completed during the first half of 2022. At the end of the period, the Group had an outstanding volume of covered bonds amounting to MSEK 5,900 under Bluestep Bank's MTCN-programme.
- At the end of the year, the Group had an outstanding volume of MSEK 1,550 and MNOK 550 in senior unsecured bonds under the Bank's MTN-programme.
- Deposits from the public amounted to MSEK 13,239 (MSEK 10,426).

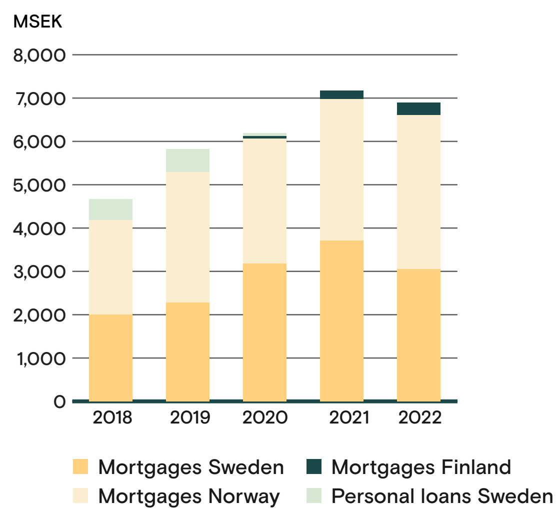
+11%

Net interest income compared to previous year

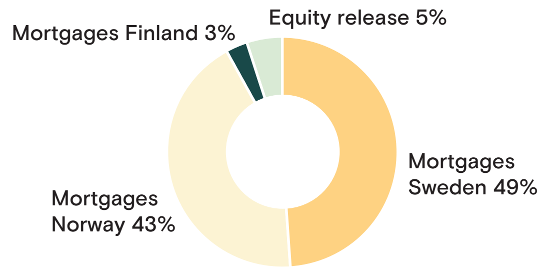
Strategic development and significant events

- The year 2022 has been characterised by a swift change in macro coupled with geopolitical uncertainty due to the conflict in Ukraine. This has resulted in sharply rising interest rates, high energy prices and elevated inflation. The outlook is still filled with uncertainty and Bluestep Bank is closely monitoring the situation and implements measures as needed.
- The strategic review initiated by EQT VII, the indirect majority shareholder in Bluestep Bank, concluded with EQT VII deciding to remain committed to Bluestep Bank.
- Both Bluestep Bank's growth initiatives, focusing on the equity release product in Sweden and mortgages in Finland doubled in volume during the year and reached MSEK 1,011 (MSEK 542), and MSEK 511 (MSEK 219) respectively.
- Bluestep Bank notified the Swedish Financial Services Authority of the intention to provide cross-border services by offering deposit products to customers residing in Germany. The notification was acknowledged by the Swedish Financial Services Authority and thereafter also by the German Federal Financial Supervisory Authority ("BaFin"). This will enable Bluestep Bank to further diversify the Group's funding.
- A common Nordic function for loan and deposit administration was established at the end of 2021. During 2022, the next step was finalised with the migration to one common IT system for loan-and deposit administration.
- Jayne Almond was appointed new chairman of the Board of Directors as Per-Arne Blomquist decided to step down. His departure and the decision from Lars Wollung and Sofia Arhall Bergendorff not to stand for re-election, decreased the number of Board members from eight to six during the year.

New Lending



Lending to the public 2022



Key figures

MSEK	2022	2021	Δ
Lending to the public	20,346	18,333	11%
Deposits from the public	13,239	10,426	27%
Net interest income	921	833	11%
Operating expenses	568	533	7%
Operating profit	310	325	-5%
C/I, %[1,2]	63%	62%	1
Credit losses, %[1,2]	0.14%	0.04%	0.10
Return on equity, %[1,2]	13.9%	14.6%	-0.7
CET1, %[1]	17.0%	16.4%	0.6

[1] *The change is stated in percentage points.*
[2] *See page 120 for definitions of alternative performance measures.*

Strong growth despite a challenging macro climate

"In times of hardship, Bluestep Bank can help more people."

A continued troubled world

2022 continued to pose massive challenges for individuals, companies, and societies globally. The covid-19 pandemic still caused lockdowns in Asia and consequent supply chain disruptions, and the Russian invasion of Ukraine has caused unimaginable suffering for millions of people, which has also had severe implications for the macroeconomic climate globally, but first and foremost in Europe.

For years the Nordic region has been characterised by low interest rates, a stable labour market and high growth. In 2022 most of these features have taken a turn for the worse. Rising inflation and rising interest rates, together with sharply increasing energy prices have led to a perfect storm in people's personal finances, causing everyday life to be much more expensive than only a year ago.

At the same time, the Swedish housing market has decreased with double digit percentage points, something not experienced in decades. In these very troubled times Bluestep Bank is more relevant than ever before – exclusion from both the housing market and from traditional banks has left room for a financially inclusive modern mortgage bank with the aim to improve financial inclusion through home ownership.

"2022 was year of continued solid performance."

A strong and resilient business despite a challenging market

Even though surrounding circumstances and the macro climate is not favourable, Bluestep Bank has continued to perform well, showcasing a resilient company fit to seize the opportunities that this type of market can lead to. In 2022 Bluestep Bank exhibited both strong growth in lending to the public and continued solid profitability. We have continued to take further steps to build market share in Finland and in the equity release product through 60plusbanken in Sweden. These two areas remain a strong focus as they present a vast underlying market potential that we will continue to penetrate during 2023.

A well carried out strategy means improved growth opportunities

In 2018 Bluestep Bank set out on a strategic transformational journey. As we now sum up 2022 we can see that the main objectives in that strategy have been delivered upon. By divesting our personal loan portfolio, we effectively created a pure mortgage bank, we have increased our product range by offering equity release through 60plusbanken in Sweden and we have launched and established our mortgage business in Finland. Furthermore, we have streamlined operations with the transformation to one core banking platform and one centralised back office organisation.

The strategy has helped us establish a more effective, lean, and productive organisation, ensuring increased customer benefits while also making us well prepared for further expansion. During 2022 a strategic overview was conducted by our owners, EQT VII, to oversee potential options for Bluestep Bank going forward. After having carried out a thorough analysis, EQT VII has decided to remain committed to Bluestep Bank.

Increased efforts on leadership and employees

The last few years have taught us that leadership and team building are crucial to maintain business as usual even in the face of constantly changing circumstances. This becomes increasingly important as we all are beginning to understand that the world moves much faster than ever before, and that constant change is the new reality. To equip our leaders for the future, Bluestep Bank has decided to invest in a tailored leadership programme, that will be running for all of 2023. The programme includes all managers in all our markets.

Lastly, I would also like to thank our fantastic employees, who have faced many challenges in their everyday life and at work during the past two years. Without them, our stable and growing performance would not have been possible.

Björn Lander
Chief Executive Officer

Statements by the Chairman of the Board

2022 has been yet another year characterised by unease in our surrounding world. The continued lockdowns in Asia due to the Covid-19 pandemic have posed further disruptions in supply chains globally, and Russia's invasion of Ukraine has caused severe suffering for millions of people, increased the security threat in Europe as well as disrupting energy supply in most European countries.

Remarkable resilience despite a challenging environment

Despite a challenging macro-economic climate over the past two years, Bluestep Bank has shown remarkable resilience and has performed very well. Bluestep Bank has been able to grow the business despite a challenging environment showing that the company is well positioned to not only handle difficulties, but also to make the most of its circumstances.

To evaluate the many options that lie ahead for an attractive company such as Bluestep Bank, a review of strategic alternatives was carried out during 2022. The review has now been concluded and our majority owners, EQT VII have announced their continued commitment to the company.

Renewed commitment and focus on expansion

2022 was also the year where I was elected as chairman. The Previous Chairman, Per-Arne Blomquist, has seen the main deliverables of the strategy set out in 2018 through which has strengthened and cemented Bluestep Bank's position as the modern, leading and financially inclusive specialist mortgage bank in the Nordic region. With renewed commitment from EQT, we are now in a position to continue developing the strategy for the coming years. We have already achieved numerous deliverables that have significantly transformed and prepared our company for the future. Moving forward, we will continue to channel our efforts towards expanding distribution, diversifying our product range, and refining our customer segmentation strategies.

In times where many people find themselves struggling financially, with increased interest rates, inflation and bolting energy- and fuel prices, Bluestep Bank's services are needed more than ever before. As more and more people struggle, more people will also find themselves excluded from both the housing market and from traditional banks. We will continue to see to the needs of more people – by bringing financial inclusion to the Nordic region.

Jayne Almond

Chairman of the Board

Meet Bluestep Bank

2022 has been yet another year characterised by unease in our surrounding world. Despite a challenging macro-economic climate over the past two years, Bluestep Bank has shown remarkable resilience and at the same time developed the business showing that the company is well positioned to not only handling difficulties, but also to make the most of its circumstances. Moving forward, we have to keep streamlining operations focusing on transformation to one core banking platform and one centralised back office. Exclusion from both the housing market and from traditional banks has left room for a modern mortgage bank aiming at improving financial inclusion through home ownership.

During 2022, we developed several functions in Bluestep Bank's application process in order to make it more straight forward and to make it possible to reach a loan specialist faster and at first contact. In regards to the business development, our focus is simply to make the application process quicker and easier for the customer. Offering a chat functionality, providing better information, and responding faster to customers are some examples of milestones achieved during 2022.

- Another important enabler is the transformation of our core banking system as well as aligning the Nordic customer process. We are now up and running with our SMART-system in both Finland and Norway – Sweden is right around the corner. A group-wide suite of services that will make our customer processing even more efficient and structured. The SMART-system will also serve as a foundation for digitalisation moving forward. Examples of the modules in SMART is credit decision support, customer data master, rule-based loan handling and document archives. This will be crucial for the bank going forward and is a monumental achievement by everyone involved, says Wictor Björklund, Business Developer, Sweden.

- SMART was launched during 2022 and has already made a big impact on our operations in Finland. The new operating system has made the loan process smoother and the decision phase quick and seamless, explains Piritta Hekkala, Loan Officer, Finland.

Apart from constant improvement initiatives in our customer processes we have also continued to prepare Bluestep Bank for a more digital and scalable future. We already cooperate more between our markets and the tech team, and our business teams work more closely together. Going forward, finding group wide solutions will be essential.

Internally, the climate is inclusive, positive, and passionate. All employees at Bluestep Bank have a high understanding of our role, for both people and society. This is reflected in everything we do as well as in the results for our customers.

- My impression is that the customers are satisfied with the solutions they get from us, and the response time we have. They get the information they need, and we can offer solutions that customers have not received from other banks, says Martine Aasen Mekiassen, Loan Officer, Norway.

At Bluestep Bank, we talk a lot about transformation – but what does that really mean for our customers?

- For our customers, transformation often means transformation of their financial situation and thus the possibilities it brings into their life. We take this very seriously and put a lot of effort into making our process more inclusive. We want the customer to feel understood, listened to and taken care of, explains Jesper Johansson, Head of Business Development.

With such journey of transformation we have to be prepared to meet some obstacles along the way. We sometimes face quite a challenge with standardisation since we have customers with very different backgrounds and situations, and we want to cater to all their needs.

In times where many people find themselves struggling financially, with increased interest rates, inflation and bolting energy- and fuel prices, Bluestep Bank's services are needed more than ever before.

Wictor Björklund and Jesper Johansson.

"By being flexible and listening to our customer needs, we can find solutions for the many rather than the few. Here, our fantastic customer-facing colleagues plays an important role in us having a competitive advantage as a bank."

Jesper Johansson,
Head of Business Development

"Overall, I think that the most important thing is to really listen to the customer and to always be sympathetic and willing to help."

Piritta Hekkala
Loan Officer, Finland

"It is very important that we find the right solution given the situation that the individual customer is in, so that we can put them in the best possible financial situation."

Martine Aasen Mekiassen
Loan Officer, Norway

Board of Directors

The Board of Directors are elected by the shareholders at the Annual General Meeting. The Board currently consists of six members.

Jayne Almond

Chairman

Elected to the Board: 2022

Born: 1957

Other assignments: Chairman of the Board of Kensington Mortgage Company Limited. Honorary Fellow and Chairman of Remunerations Committee of St. Hilda's College, Oxford.

Albert Gustafsson

Member of the Board

Elected to the Board: 2017

Born: 1977

Other assignments: Partner at EQT Partners AB. Member of the Board of Directors Eton Group AB. Member of the Board of Directors Beijer Ref AB (publ). Member of the Board of Directors Green Water AB and Recover Nordic AS.

Rolf Stub

Member of the Board

Elected to the Board: 2020

Born: 1963

Other assignments: Member of the Board of Directors of Uno Finans AS. Chairman of the Board of Directors of Nstart AB.

Simon Tillmo

Member of the Board

Elected to the Board: 2020

Born: 1991

Other assignments: Member of the Board of Directors of ENV Topco AB, Private Equity Director at EQT Partners GmbH.

Toby Franklin

Member of the Board

Elected to the Board: 2008

Born: 1972

Other assignments: Partner, Acuity Investments LLP, UK. Chairman of the Board of Tower Leasing Ltd, UK. Member of the Board of Directors of Pro Global Holdings Ltd, UK. Member of the Board of Directors of Carfico ltd. Member of Investment Committee at IW Capital Ltd.

Julia Ehrhardt

Member of the Board

Elected to the Board: 2021

Born: 1980

Other assignments: CFO Ark Kapital AB, Member of the Board of Nstart AB, Vice Chairman of the non-profit organisation DNA.

Senior Management Team

The Senior Management Team are responsible for the ongoing operational decision-making within Bluestep Bank.

Björn Lander

Chief Executive Officer

Employed: 2019

Born: 1975

Previous roles: President Business area OCP at Bauer Media, CEO Zmarta group, CEO Webguidepartner, CFO Highlight Media, Group controller Modern Times Group.

Pontus Sardal

Chief Financial Officer

Employed: 2021

Born: 1967

Previous roles: CFO Ikano Bank. CFO and Deputy CEO Hoist Finance. Various CFO positions at SEB.

Christian Marker

Chief Legal Officer

Employed: 2005

Born: 1979

Previous roles: Various roles within mortgage lending at SBAB.

Anna Fogelström

Chief Information Officer

Employed: 2022

Born: 1983

Previous roles: Head of CTO Office at Swedbank, Chief Product Owner at Swedbank, Management Consultant at EY in Stockholm and New York.

Caroline Redare

*Chief Human Resource Officer**

Employed: 2022

Born: 1968

Previous roles: HR Manager Qbrick, HR Manager Forsen, Nordic HR Manager Olympus, HR Manager Inrego.

**Interim during Karin Jenner's parental leave.*

Mia Lund Hanusek

*Chief Marketing Officer***

Employed: 2020

Born: 1975

Previous roles: Board member at MM Sports. Marketing Director at MediaMarkt and INDISKA. Brand management consultant at Lynxeye. Management consultant at McKinsey.

Sarmad Jawady

*Chief Commercial Officer, Sweden***

Employed: 2007

Born: 1984

Previous roles: Head of Mortgage Center, Head of Product & Process, Strategy and Business Development, Head of Partner and Relations, Business Owner Equity Release at Bluestep Bank.

Erik Walberg Olstad

Chief Commercial Officer & Branch Manager, Norway

Employed: 2012

Born: 1987

Previous roles: Customer consultant at DNB. Head of Customer Support, Head of Customer Center at Bluestep Bank.

Petri Matikainen

Chief Commercial Officer & Branch Manager, Finland

Employed: 2019

Born: 1976

Previous roles: Country Manager at GCC Capital Finland Branch. Consumer Lending Manager at Avida Finans. Chief Risk Analyst and Head of Underwriting at Nordax Bank. Product Manager at TF Bank. Underwriter at Citibank.

***left Bluestep Bank in February 2023*

Administration report

Bluestep Bank AB (publ) (“the Bank”, also called “Parent”), org no 556717-5129 with registered office in Stockholm, Sweden, hereby presents the annual report and the consolidated financial statements for the financial year from 2022-01-01 – 2022-12-31. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB (“BFF1”), org no 556791-6928, with its registered office in Stockholm, Bluestep Mortgage Securities No 2 Designated Activity Company (“Step2”), org no 522186, with its registered office in Dublin, Bluestep Mortgage Securities No 3 Designated Activity Company (“Step 3”), org no 550839, with its registered office in Dublin, Bluestep Mortgage Securities No 4 Designated Activity Company (“Step 4”), org no 596111, with its registered office in Dublin and Bluestep Servicing AB (“BSAB”), org no 556955-3927, with its registered office in Stockholm, Sweden. All the financial information is provided for the Group unless otherwise stated, while the regulatory information relates to the legal entity Bluestep Bank AB (publ) or the Consolidated situation which Bluestep reports to the Swedish Financial Supervisory Authority (“SFSA”). The Consolidated situation consists of Bluestep Holding AB (“BHAB”), the Bank, BSAB, BFF1, Step 2, Step 3 and Step 4.

The Group’s results

The full year refers to 1 January – 31 December 2022 (compared to the same period in the previous year).

Operating profit

Operating profit amounted to MSEK 310 (MSEK 325). Operating income rose for the full year, but increased costs attributable to the strategic review, increased credit loss provisions and unrealised losses of financial instruments held at fair value resulted in a somewhat lower operating profit for the year.

Net interest income

Net interest income increased by 11% to MSEK 921 (MSEK 833). Increased lending volumes and currency effects have contributed to the increase, as have rising interest rates which have driven both interest income and interest expenses to higher levels than previous year.

Operating expenses

Expenses increased by 7% to MSEK 568 (MSEK 533). The increase is due to non-recurring items of MSEK 36 associated with the strategic review initiated by the owners of the Group, as well as increased costs for our growth initiatives, 60plusbanken and Finland. C/I before credit losses has been impacted by these costs, but remained stable at 63% (62%).

Employees

The average number of employees in the Group during the year were 264 (272), of which 61 (66) were employed by the Norwegian branch and 22 (15) by the Finnish branch.

Credit losses

Net credit losses amounted to MSEK 28 (MSEK 7), which corresponds to a credit loss level of 0.14% (0.04%). Actual losses were lower than previous year, but provisions increased during the year. The overlay stemming from the uncertainty of the Covid-19 pandemic and shifting macro environment is now to a large extent reflected in the expected credit losses ("ECL") model. A small overlay provision is nonetheless maintained due to the current strained situation with increased energy cost and elevated inflation. As of December 2022, the overlay amounted to MSEK 1.2 (MSEK 5.4). For more information on credit losses, see Note 10 "Credit losses".

Tax

Tax expense amounted to MSEK 56 (MSEK 69), which corresponds to an effective tax rate of 18.8% (21.2%). The deviation from the nominal tax rate of 20.6% is due to temporary non-taxable exchange rate effects.

Net profit

Profit for the year amounted to MSEK 242 (MSEK 256).

Operating income

MSEK	2022	2021	Change, %
Net interest income	921	833	11%
Net result of financial transactions	-24	23	-201%
Other operating income	9	9	-2%
Total operating income	**906**	**865**	**5%**

Operating expenses

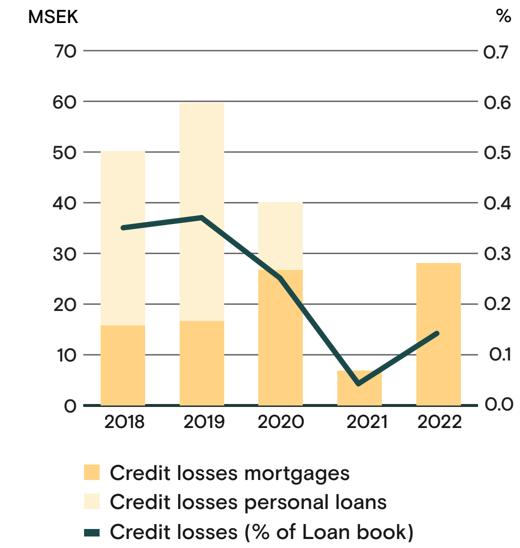
MSEK	2022	2021	Change, %
Staff costs	-256	-236	8%
Administration costs	-255	-232	10%
Depreciation and impairments	-58	-65	-10%
Total operating expenses	**-568**	**-533**	**7%**

Credit losses

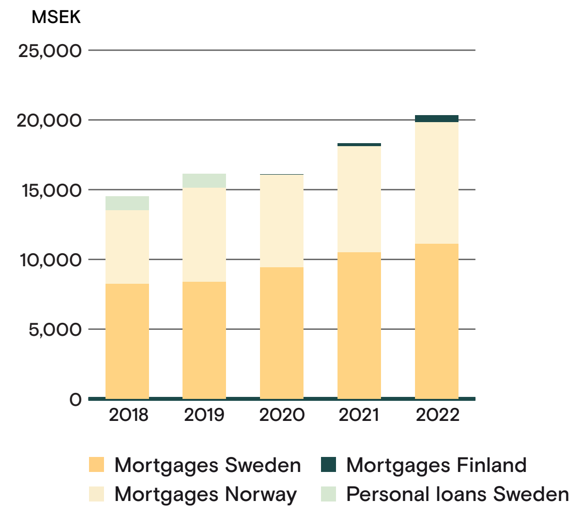
MSEK	2022	2021	Change, %
Net credit losses	-28	-7	308%
Credit losses (%)[1]	0.14%	0.04%	268%

[1] *Credit losses net in relation to closing balance of lending to the public.*

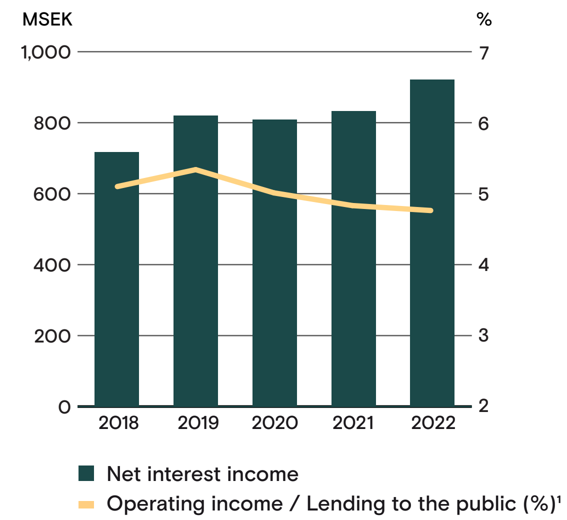
Credit losses



Lending portfolio



Net interest income



[1] *See page 120 for definitions of alternative performance measures*

Financial position

Per 31 December 2022 (compared to same date the previous year).

Lending

The Group's total loan portfolio increased by 11% and amounted to MSEK 20,346 (MSEK 18,333). Adjusted for currency effects, the increase was 9%. The Swedish mortgage portfolio, including the equity release product, accounts for 54% of the total lending to the public, the Norwegian mortgages for 43% and the Finnish mortgages for 3%.

Capital adequacy

The disclosures should be read on the basis that the Bank is classified as "small and non-complex institution" in accordance with point 145 of Article 4(1) of the CRR.

The CET1 capital amounted to MSEK 1,624 (MSEK 1,390) for the Consolidated situation, and MSEK 1,625 (MSEK 1,410) for the Parent. This is equivalent to a CET1 capital ratio of 17.0% (16.4%) for the Consolidated situation and 17.1% (17.1%) for the Parent. The CET1 capital ratio is the same as the total capital ratio, as no additional Tier1 capital (AT1) or subordinated debt (T2) has been issued by the Group.

The Consolidated situation has a buffer to the target CET1 ratio of 16%.

For further information on capital adequacy, see Note 30 "Capital adequacy analysis - Parent company and Consolidated situation".

Return on equity

Return on equity amounted to 13.9% (14.6%) for the full year. The decrease is mainly due to the of previously mentioned effects from unrealised losses from financial instruments and costs associated with the strategic review by the owners.

Financing

At end of the period, the Group's sources of financing consisted of equity, deposits from the public in Sweden and Norway, covered bonds and senior unsecured bonds.

Funding

The Group's outstanding nominal volume of senior unsecured bonds amounted to MSEK 1,550 (MSEK 2,050) and MNOK 550 (MNOK 550). The outstanding nominal volume of covered bonds amounted to MSEK 5,900 (MSEK 5,300). The RMBS-funding (Residential Mortgage Backed Securities, i.e. bonds with underlying Swedish mortgage assets as collateral) was redeemed in full in May 2022 (MSEK 492).

Deposits

Total deposits from the public amounted to MSEK 13,239 (MSEK 10,426). Deposits in the Norwegian Branch amounted to MSEK 6,671 (MSEK 6,335). The increase is mainly due to higher lending to the public.

The deposit products are covered by the Swedish government deposit guarantee, which amounts to SEK 1,050,000. In Norway, the deposit products are also covered by the Norwegian deposit guarantee, which amounts to NOK 2,000,000 via the Norwegian Banks' Guarantee Fund.

Credit rating

The Bank´s credit rating (long-term deposit rating from Moody´s) is A3 with stable outlook since June 2020. The Bank´s covered bonds have a credit rating of Aa1 from Moody´s.

Liquidity reserve

As of year-end, the Group's liquidity reserve amounted to MSEK 3,041 (MSEK 2,334), consisting of MSEK 1,697 (MSEK 1,147) placed with credit institutions, MSEK 502 (MSEK 356) placed with central banks, MSEK 207 (MSEK 283) invested in Swedish and Norwegian covered bonds and MSEK 635 (MSEK 548) invested in bonds issued by the Swedish and Norwegian governments or municipalities. All bond investments were in bonds with credit ratings AAA / Aaa.

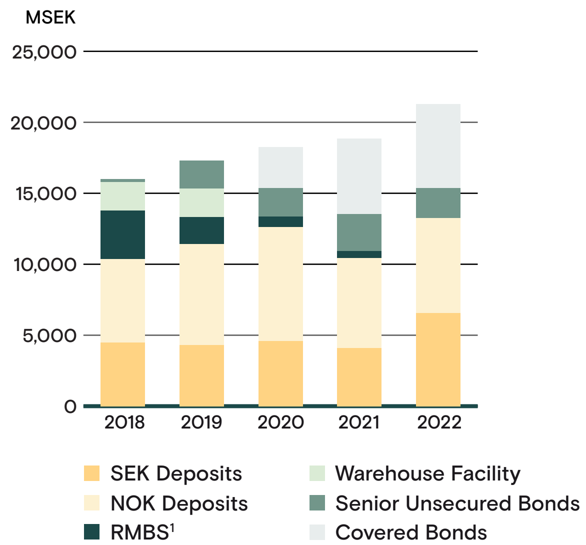
The liquidity coverage ratio ("LCR") for the Consolidated situation amounted to 472% (496%) at the end of the year. The Net Stable Funding Ratio ("NSFR") was 132% (130%). Both the LCR and NSFR exceed the internally applied limits as well as minimum regulatory requirements by a substantial margin.

Five year overview

Key figures | Group	2022	2021	2020	2019	2018
Operating profit, MSEK	309.9	325.2	215.5	274.5	212.2
Gross revenue / Lending portfolio, %[1]	6.4%	6.3%	7.2%	7.5%	7.5%
Net interest income / Lending portfolio, %[1]	4.8%	4.8%	5.0%	5.3%	5.1%
Credit losses, %[1]	0.14%	0.04%	0.25%	0.37%	0.35%
CET1, MSEK	1,624.0	1,390.1	1,617.2	1,474.9	1,303.0
CET1 ratio, %	17.0%	16.4%	19.7%	17.9%	17.5%
Return on Equity, %[1]	13.9%	14.6%	10.1%	14.1%	13.0%
Return on Assets, %	1.4%	1.6%	1.1%	1.5%	1.2%
Liquidity reserve, MSEK	3,041.0	2,334.0	3,000.3	2,673.7	2,555.9
Deposits from the public, MSEK	13,239.1	10,426.0	12,612.9	11,421.4	10,416.6
External funding, MSEK	8,158.9	8,521.1	5,702.0	5,901.1	5,432.6
Lending portfolio, MSEK	20,346.3	18,333.1	16,115.5	16,150.0	14,521.7
Leverage ratio, %	6.8%	6.6%	7.9%	7.7%	7.5%
Average number of employees	264	272	275	274	243

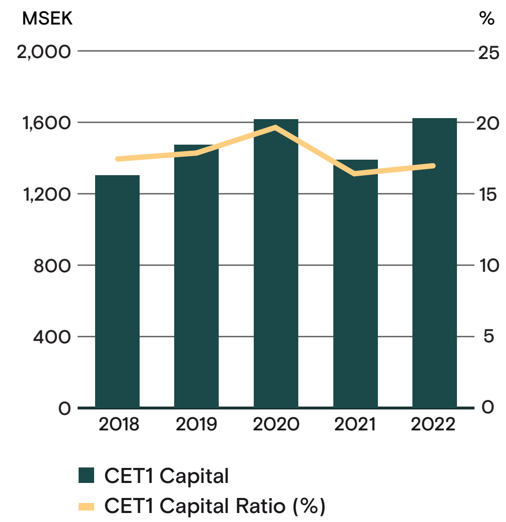
[1] *See page 120 for definitions of alternative performance measures*

External funding sources

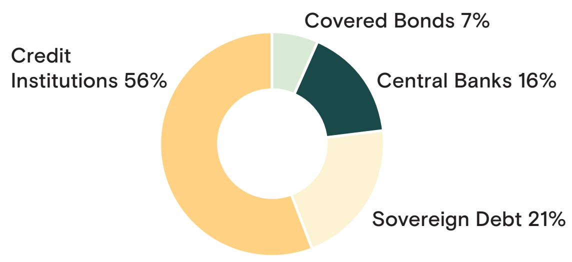


[1] *Residential Mortgage Backed Securities, ie. bonds with underlying Swedish mortgage assets as collateral*

CET1 Capital & CET1 Capital Ratio
(Consolidated situation)



Liquidity reserve, Group



Organisation and operations

Bluestep Bank AB (publ) is a public limited liability bank company under the supervision of the SFSA as a small and non-complex institution. The Bank's head office is located at Sveavägen 163, SE-104 35 Stockholm, Sweden.

The Bank operates in Sweden, Norway and Finland. The Group is the Nordic's largest specialist residential mortgage lender in its niche and the core business is to engage in mortgage lending activities which are mainly funded by equity, deposits from the public and issuance of covered bonds and senior unsecured bonds.

Ownership and definitions

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

- Bluestep Holding AB ("BHAB") Owns 100% of Bluestep Bank AB (publ)
- Bluestep Bank AB (publ) ("the Bank", also called "the Parent") Parent Company of the Bluestep Bank Group ("the Group")
- Bluestep Bank AB, branch in Oslo ("the Norwegian Branch") Norwegian branch for the Norwegian deposit and mortgage operations
- Bluestep Bank AB, branch in Finland ("the Finnish Branch") Finnish branch for the Finnish mortgage operations
- Bluestep Finans Funding No 1 AB ("BFF1") Warehouse funding facility company and Funding SPV. 100% owned by the Bank
- Bluestep Mortgage Securities No 2 Designated Activity Company ("Step 2") Former financing company in liquidation. 100% owned by the Bank
- Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3") Former financing company in liquidation. 100% owned by the Bank
- Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4") Former financing company in liquidation. 100% owned by the Bank
- Bluestep Servicing AB ("BSAB") Loan administration for the Bank's financing companies, 100% owned by the Bank

Foreign branches

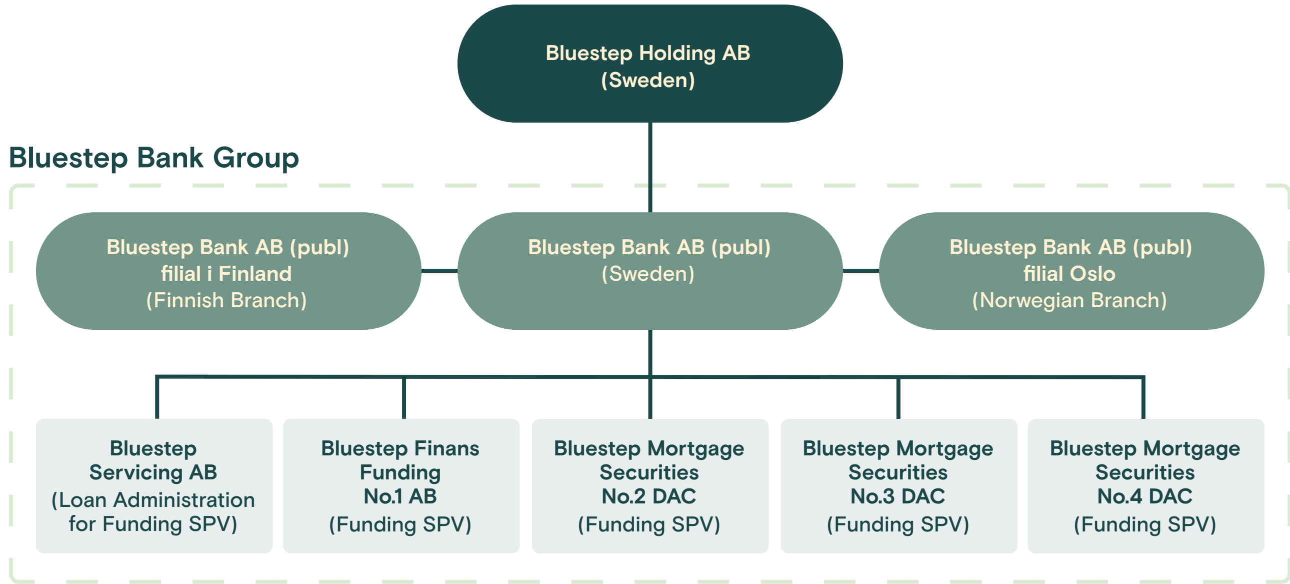
In addition to Sweden, the Bank has operations in Norway and Finland, which are run through the respective branches. The Bank is a leading credit provider in the specialist mortgage market in Norway and strengthened its role in the Nordic region by establishing a branch and issuing mortgages in Finland during 2020. The Norwegian business is primarily funded through deposits from the public in Norway, issuance of senior unsecured bonds and internal loans from the Bank. The Finnish Branch is funded through internal loans from the Bank.

Significant regulatory changes

For 2022, there has been no significant regulatory changes. For further information regarding accounting principles, see Note 1 "Accounting principles". The Annual report is prepared in accordance with the same accounting principles and calculation methods as the Annual report for 2021. The Bank has chosen to prepare the corporate governance report separately from the annual report pursuant to the Swedish Annual Accounts Act Chapter 6 Section 6. The corporate governance report is not part of the administration report; instead, it is presented on pages 122-124 in this document.

Significant events and other information after the end of the period

- As a consequence of the build-up of the common Nordic Back Office, Bluestep Bank has made the decision to dissolve the subsidiary BSAB.
- In February 2023, Bluestep Bank held an Extraordinary General Meeting and decided on a distribution of profits to Bluestep Holding AB (100% owner of Bluestep Bank). The dividend distribution amounted to MSEK 37 and has been taken into account in the capital adequacy figures.



The subsidiaries Step 2, Step 3 and Step 4 are currently under liquidation.

Sustainability

Bluestep Bank's sustainability report[1] has been compiled with inspiration from the Global Reporting Initiative (GRI) Standards. It covers the 2022 calendar year and includes the parent company, Bluestep Bank AB, along with its subsidiaries and branches. The report also represents the company's communication on progress (COP) to the UN Global Compact.

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Our aim is to enable economic empowerment for more people and set an example for responsible banking. Our vision is to contribute responsibly to increasing financial inclusion in society, where more people can reach their financial potential with the support of responsible and transparent banking services. Financial inclusion and responsible lending is at the core of Bluestep Bank's DNA. We intend to continue leading the way by integrating sustainability into everything we do and becoming an even better mortgage lender for our customers, our employees, our communities and future generations. With an ambition to differentiate Bluestep Bank as the inclusive and responsible mortgage lender in the Nordic region, it is natural to be a member of UNEP FI and a signatory of the Principles for Responsible Banking.

UN environment programme | finance initiative

Principles for Responsible Banking

The past year in brief

2022 was largely characterised by sharply rising inflation, rising interest rates and high electricity prices. This has affected the housing market negatively with falling sales volumes and falling house prices. During the year, Bluestep Bank has had focus on being accessible both to customers and potential customers, and by focusing on improving our products and processes, we at Bluestep Bank can make mortgages available to more people.

Adopted ambition continues to be set high within all parts of the sustainability area. The work of measuring, setting targets and reducing the company's environmental footprint has been further developed during the year. Bluestep Bank has intensified its focus on equality, diversity and inclusion and continued to work on identified areas with potential for improvement. In the area of governance, a review of the company's overall policy for governance and control has been carried out and steps have been taken to establish a process for handling human rights at the supplier level.

[1] Constitutes the statutory sustainability reporting in accordance with Act 19995:1559 on annual report in credit institutions and securities companies

Strategic sustainability KPIs and targets

Our sustainability efforts embrace our entire business. So, we are happy and proud to present our strategic sustainability KPIs below. Through our sustainability strategy, we ensure a holistic perspective on our sustainability work.

The ambition is to be able to present clear targets linked to the majority of the KPIs below.

The following targets have currently been decided upon:

Gender equality	target date 2023
Share of women among employees	40%–60%
Share of women among management	40%–60%
Share of women among senior management	≥ 30%

Financial inclusion

Customers with less conventional income status[1] total portfolio (year)		**Responsible lending, credit losses**[2] %		**Customer satisfaction index**[3] %		**First-time buyers**[4] total portfolio (year)		**Customers paying off unsecured loans and credits**[5] total portfolio (year)	
2022	7,107 (1,885)	2022	0.14	2022	89.3	2022	1,264 (279)	2022	13,131 (2,750)
2021	7,067 (2,328)	2021	0.04	2021	89.9	2021	1,270 (460)	2021	12,974 (2,997)

Environment (E)				Social (S)				Governance (G)			
Carbon footprint[6] tonnes of CO_{2e} (prev. year)		**Carbon intensity** tonnes of CO_{2e} per employee		**Gender equality** percentage of women (prev. year)		**Languages spoken** number		**Training in relevant policies** %		**Customer complaints** number	
Scope 1	7.5 (3.2)	2022	0.92	Senior Management	33 (22)	2022	26	2022	100%	2022	65
Scope 2	16.5 (20.3)	2021	1.10	Management	35 (34)	2021	27	2021	100%	2021	84
Scope 3	221.5 (275.6)			Employees	50 (52)						

[1] Refers to credit portfolio mortgages (as of 31 Dec.) for number of customers where permanent employment is not the primary source of income, this year's number in parentheses. This includes customers where the primary source of income is from self-employment, hourly employment, project employment, substitute employment, temporary employment and benefits (incl. student, unemployment and disability). Customers where the primary source of income is fixed employment, pension (retirees) or other (including where the categorising of the primary source of income type is ambiguous) have been excluded from the KPI.

[2] Refers to mortgages.

[3] Refers to an average during the year (excl. Finland).

[4] Refers to credit portfolio mortgages (as of 31 Dec.) for number of customers where loans have been taken out for the purchase of permanent housing, the youngest borrower is under 30 years of age and any co-borrower is not a parent, this year's number in parentheses.

[5] Refers to credit portfolio mortgages (as of 31 Dec.) for customers who had unsecured loans or credits that were settled in full or partly at the time of payment, this year's number in parentheses.

[6] For more info see page 113.

How Bluestep Bank contributes to achieving the Sustainable Development Goals

The sustainable development goals (SDGs) are part of the sustainability agenda adopted by most of the world's countries, and aims at achieving four things by 2030. To eradicate extreme poverty. To reduce inequalities and injustices in the world. To promote peace and justice. To solve the climate crisis. The SDGs provide a framework for this to become reality. Below we describe Bluestep Bank's contribution to achieve this vision.

Bluestep Bank has analysed the 17 SDGs in Agenda 2030 to identify where our business has the most impact, thereby also identifying where we can actively contribute to change.

The Board of Directors at Bluestep Bank have chosen to prioritise the four SDGs with most relevance for our impact and that are crucial for the business.

SUSTAINABLE DEVELOPMENT GOALS

5 GENDER EQUALITY

SDG 5 | Gender equality

Achieve gender equality and empower all women and girls.

The overall goal is prioritised, no targets are selected.

How Bluestep Bank contributes:
By measuring, raising awareness and setting goals that actively steer towards increased gender equality.

Challenge:
There are specific industry challenges which at large lie on inherited structural barriers.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 | Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Bluestep Bank has two focus targets (2 of 12) under this goal, defined as:

- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.
- **8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

How Bluestep Bank contributes:
By promoting the availability of mortgages and allowing more people the possibility of having an improved financial situation and based on individual financial needs, offer an individual solution. Bluestep Bank aims at helping customers who for some reason have been denied mortgages or refinancing loans by traditional banks. We strive to allow people the opportunity to break segregation and also enabling more people to move for work, supporting both individual dreams and societal needs. We work hard to ensure compliance with international guidelines and principles, and promote inclusive, equal workplaces that are characterised by diversity.

Challenge:
To ensure that our suppliers of products and services also comply with these principles and sustainability requirements.

10 REDUCED INEQUALITIES

SDG 10 | Reduced inequalities

The basis for a sustainable society is a fair distribution of resources and economic, social and political influence in society. The rallying cry of Agenda 2030, "Leave no one behind", and SDG 10 together underscore the importance of promoting a society where no one is excluded from progress.

Bluestep Bank has two focus targets (2 of 10) under this goal, defined as:

- **10.1** By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.
- **10.2** By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

How Bluestep Bank contributes:
Through our products and processes, we at Bluestep Bank can make mortgages available to more people. The benefit is that more people get the chance to make their own choices about how they want to live and breaking unwanted segregation as well as allowing people to move for work. Research suggests that financial inclusion of more people, one of the core issues for Bluestep Bank, helps toward building stronger communities. Financial inclusion can contribute to greater equality and increased economic growth. By continuing to develop and improve our products, we will help more people to a better financial situation and have the opportunity to get a mortgage. As a result, we at Bluestep Bank can continue to deliver value to customers, society, employees and owners.

Challenge:
Regulation and market practice have generally made it more difficult for, or completely excluded, certain groups from accessing the mortgage market.

13 CLIMATE ACTION

SDG 13 | Climate action

Take urgent action to combat climate change and its impacts.

The overall goal is prioritised, no targets are selected.

How Bluestep Bank contributes:
By being a modern, digital mortgage bank without an office network that strives to have as low climate impact as possible in its own operations. Bluestep Bank continuously drives and develops resource- and energy saving products and ways to work that accelerate digitalisation and contribute to climate-smarter lending.

Challenge:
Bluestep Bank is a company in a growth stage, with full focus on further growth so that we can help more people own their own home. The challenge is to reduce our climate impact as the company grows and the number of employees and offices increases.

Attractive workplace

Bluestep Bank embraces diversity among our customers and employees alike. To purchase a home, or to take control of your financial situation can be difficult and complex. The diverse backgrounds among our employees facilitate communication and enables us to understand more people and their backgrounds and life situations.

Our values govern how we work, and we continuously strive to maintain an open workplace characterised by discussion, active listening and by providing opportunities for personal growth. This is a key factor in staff retention and attraction as well as in developing our business , all based on our values.

Inclusive

Our business is about people and creating value that allows for inclusion of more people in society and enabling more people to become financially stable. We strive to understand individuals and to identify potential and willpower in our customers. The understanding of how peoples backstory can define their past, but doesn't dictate their future makes us able to provide value and find a deeper meaning in what we do and of our mission.

Passionate

Our greatest asset is the commitment and engagement that is shown by all of us working at Bluestep Bank. We show passion in our everyday work, something that shines through to our customers. We believe in peoples potential even when others do not have faith in their ability. We are passionate about changing the lives of our customers – little by little our passion enables for more people to live their life to the fullest, following their passions.

Innovative

We are a frontrunner in our industry – taking responsible lending seriously whilst also contributing with our solutions to help those who may not have other options. We create true win-win scenarios for all our stakeholders, which differentiate us from our competitors in the market. Through exceeding expectations and taking action to solving problems we are the thought leaders of our industry.

Responsible

We go beyond compliance. We have both the opportunity and the responsibility to change the way our customers are seen by traditional players in the banking sector. We do what we say and we own what we do and take ownership of our business – from start to finish.

Our employee survey shows that 87% of employees think Bluestep Bank is heading in the right direction, and 80% say that all in all the company is a very good workplace.

Diversity and Inclusion

Bluestep Bank's employees come from different backgrounds – in fact, more than 25 languages are spoken among our roughly 265 employees. Language skills and diverse backgrounds reduce barriers and increase understanding in general, which is essential in our business. We have a good gender balance among our employees.

Gender equality

Bluestep Bank has almost an even gender distribution among our employees (52/48) and has an ambition that it should also be reflected among managers and senior management (see page 23, strategic sustainability KPIs and targets).

To easier be able to identify any areas with potential for improvement, Bluestep Bank participates in the Jämix index from Nyckeltalsinstitutet. The index consists of 9 areas and gives the company a way of measuring development and also get a benchmark against other companies.

HR strategy

Dedicated employees represent our most important building block for achieving our long-term goals. Being well organised plays an important role in our ability to successfully cooperate and leverage the skills of every employee. We continuously strive to advance and improve our organisation through a local presence with Nordic support.

To be a sustainable employer that attracts talented employees, we focus on leadership, culture, training and health.

Our leadership promise is to develop our employees so that we achieve our vision and goals together. We have a number of leadership behaviours linked to our values. We offer regular leadership training, and as a result 85% of employees stated in our 2022 survey that they would recommend their manager to a friend.

We publicise the way we work and our workplace culture via our LinkedIn profile. When recruiting new employees, we use a competence based recruitment process to ensure bias-free recruitment.

We continuously provide internal training about our products, our customer offering and other skill enhancing initiatives. Bluestep Bank offers unique expertise concerning mortgages and financial inclusion and we actively engage in skills transfer. All employees receive a regular evaluation and follow-up of their performance and career path.

We conduct quarterly pulse surveys with tools from &Frankly to get regular feedback on what the organisation thinks about various issues, where the results are followed up at team level with the participation of employees. Our employees are covered by comprehensive insurance packages that can provide support both preventively, when something actually happens and in case of rehabilitation needs.

Work environment

Bluestep Bank has a methodical approach to improving the work environment, to create a space where individuals feel good, perform optimally, are motivated, and feel that they are being protected from injury or illness on the job.

An important aspect of systematically managing workplace health and safety is the identification of primary risks. Bluestep Bank's starting point for assessing risks includes three main considerations: a systematic process for identifying operational risks, employee surveys, and annual health and safety inspections.

In each office, there is at least one person appointed as a health and safety representative. Health and safety representatives are the workers' representative in health and safety matters. They are appointed either by the trade union (if one exists) or by the workers.

In 2022, we have made training efforts for managers regarding the work environment, followed by clarification of the associated distributional responsibilities.

Inclusive banking

Bluestep Bank is a challenger in the mortgage market and a modern alternative to traditional banks, with the aim of helping our customers gain a better financial situation and to offer them an attractive solution based on their individual financial needs. Bluestep Bank endeavours to help customers who, for one reason or another, have been denied loans by the traditional banks. The Bank offers mortgages in Sweden, Norway and Finland, as well as equity release product in Sweden through 60plusbanken. In addition, Bluestep Bank also offers savings accounts.

Bluestep Bank was founded in 2004 to complement traditional banks by addressing the needs of a previously underserved segment of the mortgage market. There was, and still is, a need to provide mortgages to customers who are denied loans by other players. In the early days of Bluestep Bank's history, our customers were often people who were going through a tough period in their lives when they were unable to pay their bills on time – resulting in a bad credit history. A record of payment default carries a high risk of rejection in a credit application at the traditional banks.

In recent years, additional customer needs have arisen at large tied to shifting lifestyles and employment patterns. Nowadays there are more flexible job arrangements, consultancy work, short-term contracts and self-employed people than ever before. While other forms of employment and ways of providing a living are increasing in the labour market, many mortgage lenders have kept the same assessment basis as previously, and offer only digital solutions without the possibility of painting the bigger picture of a person's circumstances. As a result, some customer groups who do not fit the standardised model have been left out. The extra effort Bluestep Bank puts into assessing more than just employment forms and history and instead look forward at the individual possibilities has opened up mortgage opportunities to more customers, both historically and currently. These customers now have the chance to enjoy the benefits a mortgage can bring, enabling them to make the most of the many benefits of owning their own home.

60plusbanken

Under the brand 60plusbanken, Bluestep Bank offers equity release credits to people aged 60 or older who own their home.

This means that we can help more pensioners to a better everyday economy and an increased quality of life. We do this by offering various solutions in a responsible and sustainable way to free up capital from their own housing. Through the 60plus loan and the increase in the value of the home, the customer can thus, for example, create a buffer or enable a renovation without selling their home.

Preventive insolvency management

For Bluestep Bank, guiding people towards a more secure future is a common denominator throughout the customer journey, even when they face temporary financial difficulties in paying their mortgage. Our collections department works every day to lend a helping hand and offer fit-for-purpose solutions. We manage the entire insolvency process, meaning that we at Bluestep Bank serve as our customers' point of contact and help them throughout the process. We make sure of supporting customers early on in order to prevent as many as possible from ending up in a payment default situation and by reaching out we can together with the customer find an individual solution.

Community engagement

Bluestep Bank collaborates with Mentor Sweden, a non-profit organisation that offers mentoring programmes to young people aged 13–17 and whose vision is to reduce inequalities in society. The programme's activities support these young people and help to boost their self-esteem by connecting them with an adult mentor they can talk to. This increases their chances of having a bright future, taking positive decisions and avoiding destructive lifestyles that involve violence and drugs.

During the year, Bluestep Bank's employees have been given the opportunity to participate in the organisation's Mentor Boost workshop, a much appreciated and mutually enriching experience for employees and students alike.

Climate-neutral banking

Bluestep Bank strives to have the lowest possible environmental impact in terms of offices and business travel. The goal of business travel is to make any trips as environmentally friendly and cost effective as possible. Instead of travelling between offices, employees use telephone- and video conferencing whenever they can.

The head office in Stockholm is located in a building that holds the LEED Gold environmental certification. Bluestep Bank is working with the landlord to limit energy consumption with regard to heating, electricity and air conditioning. As a company, Bluestep Bank has an ambitious goal to equip employees with what they need to raise awareness, and lead and develop resource- and energy saving products and practices that help to reduce our environmental impact. We have identified a focus area for developing reduction targets and action plans that aim to further reduce the environmental impact of our own operations. The targets will be presented in 2023.

Green Mortgages

To encourage more people to switch to an energy efficient home, Bluestep Bank offer Green Mortgages. The green mortgage gives a reduction on the interest rate and creates incentives through a lower monthly cost. Existing customers who qualify for a Green mortgage receive the interest discount automatically. During 2022 seven green mortgages have been paid out with a total volume of MSEK 14.5 (MSEK 7.7).

Carbon footprint

Bluestep Bank uses the Greenhouse Gas Protocol (GHG Protocol) standard developed by the World Resources Institute and World Business Council for Sustainable Development.

Emissions by scope

The table shows greenhouse gas emissions expressed as tonnes of CO2 equivalent (CO2e, market-based). Bluestep Bank's carbon footprint has been produced in partnership with the environmental consultancy U&We using the tool 'Our Impacts'. The full report is available on www.bluestepbank.com.

Input data can be either actual (retrieved from the accounts, reports, etc.) or projected (estimated according to a calculation method). For 2022, 94.3% (previous year 93%) of emissions are based on actual data and 5.7% on estimated data. This means that the data quality is generally good.

We aim to reduce the percentage of projected data over time and to base the climate report as far as possible on actual data.

Emissions, tonnes CO_{2e}	2022	2021
Scope 1	7.5	3.2
Scope 2	16.5	20.3
Scope 3	221.5	275.6
Total	245.4	299.2
(per employee)	0.92	1.10

Scope 3 - Credit portfolio

Emissions, tonnes CO_{2e}	Total	Sweden	Norway	Finland
Per MSEK lending	5.94	4.79	7.42	6.00
Per employee	454.9	298.1	1063.3	120.0
Per square metre	0.049	0.042	0.056	0.069
Total	121,923	53,954	64,861	3,109

The table shows greenhouse gas emissions expressed as tonnes of CO2 equivalent (CO2e, marketbased). The scope has been the underlying collateral for mortgages in Sweden, Norway and Finland and the calculation has been done in accordance with "PCAF The Global GHG Accounting & Reporting Standard for the financial industry".

EU Taxonomy

The EU Taxonomy is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. It recognises as green, or environmentally sustainable, economic activities that make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum social safeguards.

Companies covered by the EU Non-Financial Reporting Directive ("NFRD"), i.e. large companies of general interest with more than 500 employees ("NFRD companies"), need to report in accordance with the taxonomy in their sustainability report. Bluestep Bank is not covered by these requirements but reports on a voluntary basis and the information provided is with inspiration from the transitional rules.

Eligible assets

(extended table and information in Note S6 "EU Taxonomy")

Assets	Assets in MSEK	Proportion of total assets, %
Taxonomy-eligible	20,303.6	89.9
Non-eligible	42.7	0.2

Green Asset Ratio (GAR): 0.13%

When calculating the share of green assets, only actual energy declarations in accordance with data from the National Board of Housing, Building and Planning have been used as a basis, no estimates have been used. When using an estimated energy class, the proportion of green assets would instead be 0.72%. The Swedish definition of energy class A is stricter than many other countries, which gives a conservative share of green assets. The ambition is to be able to use the definition of buildings that are the 15% most energy efficient in accordance with the EU's taxonomy in the future.

Business ethics and governance

Responsible banking is an essential part of every aspect of our business. With sustainable and responsible, yet inclusive, lending at the forefront we safeguard that each of our customers gets an opportunity to better their financial situation.

At Bluestep Bank, we safeguard credit applications during our manual reviews. Although this entails much work on our part, it allows us to understand each customer's unique circumstances – in terms of the past, the present ability to pay, and the future. The higher level of manual work and customer interaction brings higher costs compared with fully automated processes. Customers' risk profiles can also differ. This is why Bluestep Bank sets individual interest rates. A thorough review of the credit application and risk based pricing, combined with the reward of lower interest rates when the customer makes timely loan payments, contributes to sustainable lending.

Bluestep Bank experiences that the increased use of standardised assessments and digitalisation and automation of many credit-granting processes causes more individuals with a good credit rating to be denied a mortgage. This means that there is a greater need for Bluestep Bank's products. However, helping customers who have previously been denied a mortgage requires careful and diligent analysis. Bluestep Bank conducts such an analysis based on an in-depth review of the individual's personal finances and an attempt to understand their future solvency levels. A central part of this analysis is the interaction between the customer and Bluestep Bank. Since the inception of this business model in 2005, we have been able to help many customers own their own home.

As part of ensuring that our policies are followed with regard to compliance and data management, all new employees are trained in an introductory programme. This programme includes a review of internal control functions and training on Bluestep Bank's practices around anti-money laundering (see below), anti-corruption and terrorist financing, as well as areas such as banking secrecy, the general data protection regulations (GDPR) and information security. For Bluestep Bank to ensure that all employees have up-to-date knowledge in these areas, we have mandatory annual training. The training is followed by a test, which all employees passed in 2022. As a result of Bluestep Bank's work, we have a high internal risk awareness, as well as well-functioning processes and procedures. Bluestep Bank has never been subject to regulatory fines or sanctions. The Bank advocates an open, constructive dialogue with the authorities.

Principles for Responsible Banking (PRB)

In 2021, Bluestep Bank signed UN's initiative, the Principles for Responsible Banking.

The principles of responsible banking constitute a framework for ensuring that the signatory banks' strategy and practices are in line with the vision that society has set for its future in the goals of sustainable development and the Paris Climate Agreement.

The framework consists of six principles designed to bring purpose, vision and ambition to sustainable financing and as a signatory bank, Bluestep Bank undertakes to incorporate these six principles in all business areas, at the strategic level, portfolio and transaction level.

For more information see Note S7 "Summary of the Principle for Responsible Banking report" and the full report (Reporting and Self-assessment template) is available on www.bluestepbank.com.

Transparency

Transparency is an important part of providing credit responsibly, this includes ensuring that the customer understands the terms and conditions set out in the agreement. The understanding between customers and Bluestep Bank is furthermore grounded in our ability to speak to customers in their own language – our employees speak over 25 languages – and if needed an interpreter is hired to make sure the customer and the bank officer understand each other. Throughout the process, questions are asked to ensure that the customer understands the agreement and that any questions can be answered prior to payment. These are some examples of how Bluestep Bank works to grant credit responsibly to more people. One indicator regarding the implementation of our business model is the size of Bluestep Bank's credit losses. Our low credit losses suggest that we are succeeding in our efforts to provide credit responsibly.

During the year, Bluestep Bank published selected policies and KPIs on the website that should provide good insight into the business.

How the bank prevents fraud and money laundering

Bluestep Bank takes active steps to prevent the bank from being used as a target for money laundering and terrorist financing in accordance with applicable legislation and regulations. These steps include training staff internally, ensuring that processes and procedures are adapted to applicable legislation and regulations, and monitoring transactions. The risk assessment we conduct, which lays the groundwork for processes and procedures that address identified risks, is another example of our preventive measures. If suspicious transactions are detected, they are reported to the relevant authority. Furthermore, the bank takes preventive steps to regularly train its staff by offering both annual training and targeted training, and by participating in forums with the aim of improving staff knowledge in this area.

The Anti Financial Crime division was launched in 2020 in order to bolster and concentrate efforts to combat money laundering and terrorist financing, and prevent the bank from being used for fraud. The division aims to strengthen anti-money laundering and antiterrorist financing efforts as the first line of defence. It does this by working closely with the company's departments and managing operations in the context of money laundering and fraud.

Sustainability risks

Bluestep Bank strives for a high level of risk awareness and a sound risk management culture throughout the organisation.

A sustainability report contains sustainability information needed to understand a company's development, position and results as well as the consequences of doing business. This information should cover issues related to the environment, social conditions, staff, respect for human rights and the fight against corruption (detailed table and information in Note S2 "Sustainability risks").

Climate and environment

To expand our understanding of the financial implications of climate change on Bluestep Bank's operations, Bluestep Bank aims for gradual implementation of the TCFD recommendations. TCFD stands for Taskforce on Climate related Financial Disclosure and is a framework that guides organisations in identifying their climate-related financial risks and opportunities. The framework focuses on how climate change affects operations, unlike most other standards related to the climate issue which instead highlight the impact of the business on the climate. The TCFD recommendations are based on governance, strategy, risk management, targets and metrics. In these areas, questions are raised about how the business manages and evaluates its climate related financial risks, both physical and transition risks.

The full TCFD report is available on www.bluestepbank.com.

Responsible sourcing and supplier code of conduct

Bluestep Bank's supply chain consists of suppliers of various services and goods. The four largest supplier categories, consulting services, marketing and communication, property and office services, as well as software and IT services, make up the majority of Bluestep Bank's total purchase overhead.

Bluestep Bank has an overall routine whereby the majority of all contracts are reviewed internally by lawyers, thus identifying any shortcomings. An identified development area is to clarify Bluestep Bank's views and expectations of suppliers' sustainability efforts and compliance with international guidelines and principles. Work on implementing a process for Sustainability due diligence of suppliers was initiated in 2022 and will be finalised in 2023.

ESG risk management

Bluestep Bank strives for a high level of risk awareness and sound risk management culture throughout the organisation. A sound risk management culture refers to professional values, attitudes and behaviours needed to effectively manage risks and to make sound and informed decisions. Clear and documented internal policies, processes, procedures, routines, and control systems are implemented, including clear roles, responsibilities and authorities. Material risks are identified, assessed, managed, monitored and reported. To learn from realised risks, there is an implemented incident management process for reporting and prevent that occurred negative events might repeatedly occur.

The employees have a key role to play in identifying any irregularities that need to be corrected. There is also a whistleblowing process enabling employees to anonymously report unethical or illegal behaviour committed by the employees. Instructions about the service are available to all employees on the intranet. In 2022, no whistleblowing reports were received.

Environmental, social and governance (ESG) risk management framework

ESG supports the implementation and performance of the business strategy, as well as supports and facilitates the operations, and therefore are considered paramount for to conduct the business.

The Bank's ESG risk management aims to ensure that ESG risk-taking is consistent with set risk management strategies, and is integrated into the overall governance, internal control and risk management frameworks. The ESG risk management covers ESG risks the Bank is, or might be, exposed to in the business and the organisation in its efforts to achieve set goals for growth, profitability and financial stability. ESG risks are characterised in the context of the business and support function operations and the other risk categories in the risk universe.

The Bank defines ESG risk as the risk of economic loss, negative change in earnings or material change in risk profile due to external and internal contribution to climate change, natural resources, pollution and waste (Environmental), deficiencies in human capital, labour standards, including equality and diversity, and workplace health and safety (Social), and deficiencies in corporate governance and corporate behaviour (Governance).

There is an established sustainability organisation, and ESG strategy integrated with the business strategy and the risk management framework. ESG is primarily governed by the Sustainability Policy, and the ESG risk management in the Overall Risk Management Policy. In the Risk Management Strategy document, the risk appetite for ESG risk is stated as low, and there is separately set operational risk KRI and limits set.

ESG risk, as part of the risk universe, is identified, assessed, managed, monitored, controlled and reported as part of the overall risk management framework, using the same methodology and processes as for operational and other operating related risks. Potential impact on the viability and sustainability of the business model and long-term resilience of Bluestep Bank is thereby assessed.

Identified ESG risks are regularly assessed qualitatively based on probability and impact, in the Bluestep Bank ESG Material Assessment, and as part of the Bank's ICLAAP. When identifying and assessing ESG risks, the risk has been sub-categorised into physical and transitional environmental risks, social risks and governance risks.

The ESG risks are limited and mitigated through set risk appetite and risk tolerance, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank.

The impact of ESG risks materialises in the form of existing financial risks (e.g., credit-related risks, financial risks, operating related risks, and other risks in the risk universe). ESG risks are proportionately incorporated as drivers of risks, in particular risks to capital, liquidity and funding. The assessment of the ESG risks is progressively and proportionally integrated into risk assessment procedures for assessment of the level of risk and the review of risk specific controls.

The sustainability efforts, including ESG risks, are disclosed in the Annual and Sustainability Report, and the Risk Management function is internal reporting ESG risks to the Senior Management Team, the CEO, and to Board, and their respectively committees.

For more information on Bluestep Bank's risks and risk management, see the section 'Risk management' below.

Risk Management

Risk management in general

The Bank's risk management aims to ensure that risk-taking is consistent with set risk management strategies and risk appetite, and to achieve an appropriate balance between risk and return. The Bank defines risk as the possibility that an event may occur and adversely affects the achievement of strategy and business objectives. The risk management process, covering to identify, assess, manage, monitor, control and report risks, provides taking and managing risks while at the same time being given the opportunity to achieve set strategic, business, and operating goals. The risk management covers backward-looking, actual, and forward-looking risks, on and off the balance sheet, that the Bank is, or might be, exposed to.

The Bank's main activity is to provide mortgage loans to the public in Sweden, Norway and Finland, and to finance this through a combination of equity, deposits from the public in Sweden and Norway, credit facilities, covered bonds, and senior unsecured bonds. The Bank has no trading book.

The Bank is exposed to a number of risks, such as strategic risk, business risk, operational risk (covering information security risk), credit risk, credit-related concentration risk, market risks, liquidity risk, financing risk, environmental, social and governance-related risk, regulatory risk, and reputational risk. Identified risks are assessed qualitatively based on probability and impact of economic loss, negative change in earnings or material change in risk profile, and quantitatively by calculating capital requirements where relevant.

The risks are limited and mitigated through set risk appetite and risk tolerances, approved policies and instructions, implemented procedures and routines, as well as mitigating measures, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank.

The risk management framework is integrated into the overall governance and internal control frameworks, and is linked to the strategic planning and capital management. The risk management framework covers principles, risk culture, risk management strategies, risk appetite and risk tolerance, risk profile, risk management process, risk control, approval process for new products, sensitivity analysis/stress tests/scenario analysis, internal capital and liquidity assessment process ("ICLAAP"), risk reporting, and risk-related policies and instructions. The risk governance and risk management framework is governed in the Risk Management Policy and Instruction, approved by the Board.

For further information on risk management per risk category, see Note 2 "Risk Management". For further information on capital requirements and capital adequacy, see Note 30 "Capital adequacy analysis - Parent company and Consolidated situation".

The risk management framework is operationalised through the risk management strategy, via approved policies and instructions, performed in day-to-day processes, procedures and routines, and followed-up and controlled by the risk owners and the control functions, as well as by the CEO, the Board and various committees.

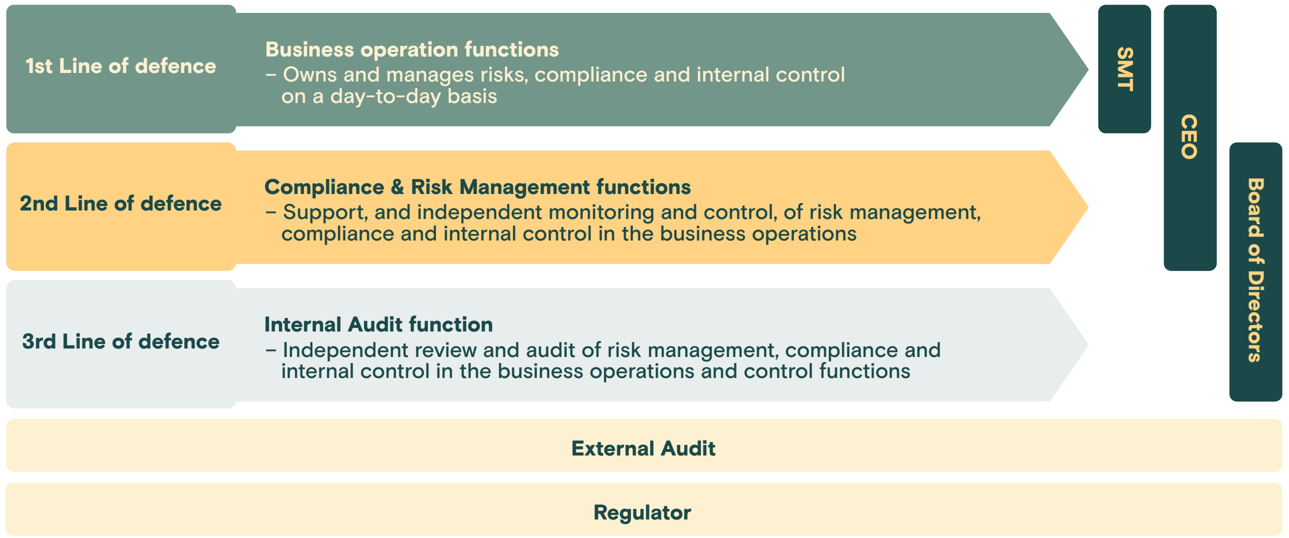
Risk governance

The Bank's risk governance is performed from an organisational perspective as well as from a perspective with three lines of defence.

The organisational perspective consists of the Board, the CEO, the Senior Management Team, business functions, and control functions.

The perspective with three lines of defence consists of the following areas of responsibility for risk management, compliance and internal control;

- First line of defence - Business functions, where managers own their risks and are responsible for the day-to-day risk management, compliance and internal control. The managers of the business functions report to the Senior Management Team and the CEO.
- Second line of defence - The Risk Management function and the Compliance function are responsible for the risk management, compliance and internal control frameworks, and perform support and independent monitoring and control of these areas. The Chief Risk Officer ("CRO") and the Head of Compliance report directly to the CEO, and to the Board.



- Third line of defence - The internal audit function is responsible for independent audit of risk management, compliance and internal control in the business and control functions. The internal audit function reports directly to the Board. The Bank has outsourced the internal audit to Deloitte AB.

The Board establishes financial and business goals and strategies, ensures that there are effective operating structures and systems in place, and ensures compliance with laws, regulations and internal policies. The Board has the ultimate responsibility for risk management, capital management, compliance, and internal control. The responsibility includes deciding on the Bank's risk management strategies and risk appetite, ensuring that the risk, capital and liquidity situation is within set framework, and that the risk management, compliance and internal control is effective and appropriate. The Board has established the following committees;

- Audit, Risk and Compliance Committee ("ARCCO") which assists the Board in reviewing financial reporting, risk management, compliance, internal control and auditing, and
- Remuneration Committee assists the Board in preparing proposals for remuneration.

The CEO is appointed by the Board, and is responsible for the management of the Bank's operations, to ensure that the organisation and working methods are appropriate, and to ensure that business functions comply with external and internal rules. The CEO has established the following committees and forums;

- Senior Management Team which supports the CEO in the day-to-day management of the Bank,
- Risk and Compliance Committee ("RiCO") which supports the operations in operational risk management, compliance and audit issues,
- New Product Approval Process Committee ("NPAP") Committee which supports the operations in considerations of new or changed products, processes, services, systems, and material organisational changes, and
- Asset and Liability Management Committee ("ALCO") which supports the operations in management of balance sheet-related issues and risks.

The Board has appointed a CRO directly subordinated to the CEO. The CRO leads the Risk Management function, which is responsible for supporting and independently monitoring and controlling the risk management within the Bank, thereby ensuring that the risks are identified, assessed, managed, monitored and reported correctly.

Capital Management

The capital management is integrated into the strategic planning, the risk management framework, and the performance of the ICLAAP. The capital management is based on internal conditions, organisational structure, business model, and the risk, capital and liquidity situation. Through the capital management, sufficient capitalisation, appropriate composition of own funds from a loss absorption and cost perspective, efficient use of capital, and efficient capital planning, is ensured. This provides support for achieving set goals, target results, maintaining financial strength and continuity, maintaining sufficient liquidity to meet commitments, and to protect the Bank's brand and reputation. In addition, the operations can continue to generate returns and benefits for owners and other stakeholders. The Bank's capital management framework is governed by the Capital Management Policy, approved by the Board, and covers roles and responsibilities, principles, capital requirements and capital adequacy, capital planning and capital reporting.

The Bank's ICLAAP is performed annually, and more often when necessary, and the monitoring and reporting of key risk indicator outcomes are performed monthly. As part of the ICLAAP, the size and composition of the capital and liquidity reserve is analysed and assessed against estimated contingency needs which addresses shortfalls in situations of financial stress.

Capital adequacy

In accordance with the capital adequacy regulation, the Bank's own funds shall cover the risk-based capital requirements and the leverage ratio capital requirements. The risk-based capital requirements consists of Pillar I minimum capital requirements (for credit risk, operational risk, market risk and credit valuation adjustment risk), the Pillar II capital requirements (for risks not covered or not sufficient covered by the Pillar I minimum capital requirements), the combined buffer requirements (additional capital buffers), and the Pillar II guidance. The leverage ratio is a non-risk-based measure to limit build-up of leverage on the balance sheet, and is calculated as the ratio between Tier 1 capital and the leverage ratio exposure amount, comprising of on- and off-balance sheet exposures.

The Bank maintains a risk-based minimum capital level of 8% of the risk-weighted exposure amounts and has sufficient capital to meet the Pillar II capital requirements, the buffer requirements and the Pillar II guidance in the form of CET1 capital. In addition, the Bank maintains an extra capital buffer to prevent violating external regulatory requirements and internally set capital limits in situations of financial stress and significant negative impact on the financial system. The Board has established a long-term target of CET1 capital ratio of 16%, and a minimum CET1 capital ratio of 15%.

Capital planning

The capital planning is forward-looking in alignment with the strategic planning horizon, and ensures that own funds at all times are, and remain, sufficient in terms of size and quality (loss absorbing capacity) to bear the risks that result from the business performance and the strategic planning. The Bank performs capital planning for the size of the own funds based on;

- identified and assessed risks,
- risk profile,
- sensitivity analysis, stress tests and scenario analysis,
- expected expansion of lending and financing opportunities, and
- new or changed legislation, business and competitive situation, and other external conditions.

The liquidity contingency planning enables rapid responses to mitigate the risks related to the size of the liquidity reserve, and addresses the range from low-impact to high-impact events as well as outlining the Bank's responses to unforeseen liquidity shortfalls.

The recovery planning sets measures that might be taken for restoration of the financial position and viability in situations of financial stress.

The capital plan, liquidity plan, and recovery plan are reviewed at least once a year.

Monitoring and reporting

The Risk Management function monitors the capital requirement and capital adequacy outcomes against set risk tolerance limits on a monthly basis, and reports this to the Board and the CEO.

The ICLAAP, where the capital management is integrated, is performed at least annually, or when necessary, and monitoring of outcomes and reporting is performed monthly.

For further information on the Bank's capital and liquidity management, see Note 2 "Risk management" and Note 30 "Capital adequacy analysis – Parent company and Consolidated situation" in this report, and the periodic information on risk management, capital adequacy and liquidity published on www.bluestepbank.com.

Liquidity Management

The liquidity and financing management framework is governed by the Liquidity and Financing Risk Management Policy, approved by the Board, and covers roles and responsibilities, principles, risk management strategy, risk management process, risk control and reporting of liquidity and financing risks.

The daily management of liquidity risk is performed by the Treasury function. The risk appetite for liquidity risk is low, why the Bank maintains significant excess liquidity in a liquidity reserve. The Bank measures its liquidity reserves in both expected and stressed scenarios to verify that the minimum liquidity requirement is maintained. The minimum liquidity reserve is set by the Board. The Bank uses key risk indicators, in order to detect deviations from the expected liquidity development at an early stage. Contingency plans have also been established to enable rapid responses to mitigate risks related to the size of the liquidity reserve.

Liquidity risk is measured and reported on a daily basis, and covers the level of the Bank's liquidity reserve and its composition, under expected and stressed scenarios. The CEO reports to the Board monthly regarding liquidity management and liquidity risk. The CRO performs independent controls of liquidity risk, and reports to the Board and the CEO. The reports show key figures concerning liquidity risks such as the liquidity reserve, LCR and NSFR. Independent control regarding the liquidity management is also performed within the internal audit framework.

The size and composition of the liquidity reserve are regularly analysed and evaluated against estimated emergency needs in the Bank's ICLAAP which addresses liquidity shortfalls in situations of financial stress.

The LCR measures the extent to which the Bank has sufficient high-quality liquid assets to cover its need for liquidity in stressed situations over the next 30 days. The Bank complies with the LCR requirement on a consolidated basis. Furthermore, a good balance of the currency composition in the liquidity reserve is also sought in relation to potential net outflows for each relevant currency, namely SEK, NOK and EUR. The Bank also complies with the requirements for the NSFR, which ensures that the long-term assets are funded with a minimum level of stable long-term funding. In addition to the LCR and NSFR, the Bank also uses internal measurements and limits to ensure that liquidity risk is managed in accordance with set risk tolerance. The internal measurements and limits are primarily attributable to the size and composition of the Bank's liquidity reserve. The liquidity reserve is set primarily in relation to total liabilities as well as to the size and duration of deposits from the public. In addition, there are internal limits to ensure that the Bank can continue to operate without liquidity injections over a longer period.

The Bank has established a strategy that diversifies both the source and duration of its financing through deposits from the public and issuance of covered- and senior unsecured bonds.

For further information regarding liquidity risk, see Note 2 "Risk Management".

Distribution of profits

Proposal for the distribution of profit (SEK)

The following profits are available for appropriation at the Annual General Meeting	
Retained earnings	1,338,709,033
Profit for the year	238,239,222
Translation reserve	-5,110,175
Total	**1,571,838,080**
The Board propose the following distribution:	
Dividend to shareholders	-
To be carried forward	1,571,838,080
Total	**1,571,838,080**

The Board of Directors' assessment is that the Bank's equity as stated in the annual report is sufficient in relation to the size and risk of the business. For information regarding the results and financial position of the Group and the Bank, please see the income statements and statements of financial position, statements of cash flow and supplementary disclosures.

Income statement

Group

MSEK	Note	FY 2022	FY 2021
Operating income			
Interest income calculated using the effective interest method		1,199.5	1,068.3
Other interest income		50.5	19.5
Interest expense		-328.9	-255.2
Net interest income	4	**921.2**	**832.7**
Net gains/losses on financial transactions	5	-23.6	23.4
Other operating income	6	8.6	8.8
Total operating income		**906.2**	**864.8**
Operating expense			
General administration expenses	7,8,9	-510.1	-467.9
Depreciation of tangible and intangible assets	18,19	-58.1	-64.8
Total operating expenses		**-568.2**	**-532.8**
Profit before credit losses		**338.0**	**332.1**
Credit losses, net	10	-28.1	-6.9
Operating profit		**309.9**	**325.2**
Paid group contributions		-12.0	-
Tax expense	11	-56.1	-68.9
NET PROFIT FOR THE YEAR		**241.8**	**256.3**
Net profit for the year attributable to shareholders		241.8	256.3

Statement of comprehensive income

Group

MSEK	FY 2022	FY 2021
Net profit for the year	**241.8**	**256.3**
Items that may be reclassified to the income statement		
Translation differences of foreign operations	8.4	24.6
Tax due to translation differences of foreign operations	-17.4	-5.1
Total other comprehensive income	**-9.0**	**19.5**
COMPREHENSIVE PROFIT FOR THE YEAR	**232.8**	**275.8**
Comprehensive profit for the year attributable to shareholders	232.8	275.8

Balance sheet

Group

MSEK	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances at central banks	12	501.7	356.4
Lending to credit institutions	13	1,697.0	1,146.7
Lending to the public	14	20,346.3	18,333.1
Value change of interest-hedged items in portfolio hedging		-334.9	-46.6
Derivatives	15	337.8	76.0
Bonds and other interest-bearing securities	16	521.0	493.0
Government debt securities	16	321.3	337.9
Intangible assets	18	126.7	112.6
Tangible assets	19	42.3	43.1
Other assets	20	49.2	62.1
Prepaid expenses and accrued income	21	54.1	23.0
Tax assets	11	87.9	65.0
TOTAL ASSETS		**23,750.6**	**21,002.2**
Liabilities and provisions			
Issued bonds	23	8,158.9	8,521.1
Deposits from the public	24	13,239.1	10,426.0
Derivatives	15	44.6	31.4
Tax liabilities	11	56.9	48.6
Deferred tax	11	1.3	0.7
Other liabilities	25	455.6	102.9
Accrued expenses and prepaid income	26	52.5	57.5
Provisions	27	-	5.0
Total liabilities and provisions		**22,008.8**	**19,193.2**
Equity			
Share capital		100.0	100.0
Translation reserve		-6.8	2.1
Shareholders' contribution		563.7	563.7
Retained earnings		843.1	886.8
Profit for the year		241.8	256.3
Total equity		**1,741.8**	**1,809.0**
TOTAL EQUITY AND LIABILITIES		**23,750.6**	**21,002.2**

Changes in equity

Group

	Shareholders' equity				
MSEK	Share capital	Translation reserve	Shareholders' contribution	Retained earnings incl. profit for the year	Total equity
Opening balance 1 Jan 2021	**100.0**	**-17.4**	**563.7**	**1,091.8**	**1,738.2**
Dividend to shareholders				-205.0	**-205.0**
Profit for the year				256.3	**256.3**
Other comprehensive income					
Translation differences of foreign operations		24.6			**24.6**
Tax due to translation differences of foreign operations		-5.1			**-5.1**
Closing balance 31 Dec 2021	**100.0**	**2.1**	**563.7**	**1,143.1**	**1,809.0**
Opening balance 1 Jan 2022	**100.0**	**2.1**	**563.7**	**1,143.1**	**1,809.0**
Dividend to shareholders				-300.0	**-300.0**
Profit for the year				241.8	**241.8**
Other comprehensive income					
Translation differences of foreign operations		8.4			**8.4**
Tax due to translation differences of foreign operations		-17.4			**-17.4**
Closing balance 31 Dec 2022	**100.0**	**-6.8**	**563.7**	**1,084.9**	**1,741.8**

Cash flow statement

Group

MSEK	Note	FY 2022	FY 2021
Operating activities			
Operating profit		**309.9**	**325.2**
Adjustments for items not included in cash flow			
Depreciation	18,19	58.1	64.8
Unrealised changes in value	5	-70.6	5.3
Credit losses excluding recoveries	10	37.0	15.5
Interest accruals		31.6	-28.8
Other		-12.6	-21.1
Total – Items not included in cash flow		**43.4**	**35.7**
Tax paid		-70.3	-43.3
Cash flow from current operations before changes to operating capital		**283.1**	**317.6**
Cash flow from changes to operating capital			
Increase (–)/decrease (+) of lending to the public		-1,783.9	-2,137.1
Increase (–)/decrease (+) of short term receivables		-200.8	20.6
Increase (–)/decrease (+) in bonds and other interest-bearing securities		-31.6	-14.8
Increase (–)/decrease (+) government debt securities		12.2	-99.4
Increase (+)/decrease (–) of deposits from the public		2,826.6	-2,174.0
Increase (+)/decrease (–) in issued bonds		-384.0	2,840.0
Increase (+)/decrease (–) of short term liabilities		354.4	-22.4
Cash flow from operating activities		**1,075.9**	**-1,269.5**
Investing activities			
Investments in intangible assets	18	-53.7	-44.3
Investments in tangible assets	19	-17.6	-6.6
Sale of the personal loan portfolio		–	729.3
Cash flow from investing activities		**-71.3**	**678.4**
Financing activities			
Dividend paid to shareholders		-300.0	-205.0
Cash flow from financing activities		**-300.0**	**-205.0**
NET CASH FLOW FOR THE YEAR		**704.5**	**-796.1**
Liquid funds at beginning of year		1,503.1	2,279.7
Currency difference in liquidity		-9.0	19.5
LIQUID FUNDS END OF YEAR		**2,198.7**	**1,503.1**
of which cash and balances at central banks		*501.7*	*356.4*
of which lending to credit institutions		*1,697.0*	*1,146.7*
Cash flow includes interest receipts of		**1,312.9**	**1,072.4**
Cash flow includes interest payments of		**-315.4**	**-268.1**

Income statement

Parent

MSEK	Note	FY 2022	FY 2021
Operating income			
Interest income calculated using the effective interest method		1,199.4	1,068.0
Other interest income		55.9	35.9
Interest expenses		-337.8	-287.7
Net interest income	4	**917.6**	**816.2**
Received group contributions		1.4	-
Net gains/losses on financial transactions	5	-23.4	21.3
Other operating income	6	9.5	23.8
Total operating income		**905.1**	**861.4**
Operating expense			
General administration expenses	7,8,9	-529.3	-486.8
Depreciation of tangible and intangible assets	18,19	-41.4	-46.1
Total operating expenses		**-570.7**	**-533.0**
Profit before credit losses		**334.3**	**328.4**
Credit losses, net	10	-28.1	-6.9
Operating profit		**306.3**	**321.6**
Paid group contributions		-12.0	-
Tax expense	11	-56.1	-68.1
NET PROFIT FOR THE YEAR		**238.2**	**253.5**

Statement of comprehensive income

Parent

MSEK	FY 2022	FY 2021
Net profit for the year	**238.2**	**253.5**
Items that may be reclassified to the income statement		
Translation differences of foreign operations	8.0	25.6
Tax due to translation differences of foreign operations	-17.3	-5.3
Total other comprehensive income	**-9.3**	**20.3**
COMPREHENSIVE PROFIT FOR THE YEAR	**229.0**	**273.9**

Balance sheet

Parent

MSEK	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances at central banks	12	501.7	356.4
Lending to credit institutions	13	1,684.4	987.1
Lending to the public	14	20,346.3	18,333.1
Value change of interest-hedged items in portfolio hedging		-334.9	-46.6
Derivatives	15	337.8	57.7
Bonds and other interest-bearing securities	16	521.0	493.0
Government debt securities	16	321.3	337.9
Shares and participations in associated companies	17	0.2	0.2
Intangible assets	18	122.7	110.1
Tangible assets	19	14.7	6.7
Other assets	20	50.7	61.0
Prepaid expenses and accrued income	21	54.1	22.4
Tax assets	11	79.6	58.8
TOTAL ASSETS		**23,699.7**	**20,777.6**
Liabilities			
Liabilities to credit institutions	22	0.9	329.4
Issued bonds	23	8,158.9	8,028.0
Deposits from the public	24	13,239.1	10,426.0
Derivatives	15	44.6	31.4
Tax liabilities	11	56.9	47.1
Other liabilities	25	436.5	75.6
Accrued expenses and prepaid income	26	51.2	57.4
Total liabilities		**21,988.1**	**18,994.9**
Equity			
Share capital		100.0	100.0
Fund for development expenses		39.8	29.2
Translation reserve		-5.1	4.2
Retained earnings		1,338.7	1,395.7
Profit for the year		238.2	253.5
Total equity		**1,711.6**	**1,782.7**
TOTAL EQUITY AND LIABILITIES		**23,699.7**	**20,777.6**

Changes in equity

Parent

MSEK	Restricted equity: Share capital	Restricted equity: Fund for development expenses	Non restricted equity: Translation reserve	Non restricted equity: Retained earnings incl. profit for the year	Total equity
Opening balance 1 Jan 2021	**100.0**	**19.1**	**-16.2**	**1,610.9**	**1,713.8**
Dividend to shareholders				-205.0	**-205.0**
Profit for the year				253.5	**253.5**
Other comprehensive income					
Translation differences of foreign operations			25.6		**25.6**
Tax due to translation differences of foreign operations			-5.3		**-5.3**
The year's own accumulated intangible assets		10.2		-10.2	**-**
Closing balance 31 Dec 2021	**100.0**	**29.2**	**4.2**	**1,649.3**	**1,782.7**
Opening balance 1 Jan 2022	**100.0**	**29.2**	**4.2**	**1,649.3**	**1,782.7**
Dividend to shareholders				-300.0	**-300.0**
Profit for the year				238.2	**238.2**
Other comprehensive income					
Translation differences of foreign operations			8.0		**8.0**
Tax due to translation differences of foreign operations			-17.3		**-17.3**
The year's own accumulated intangible assets		10.5		-10.5	**-**
Closing balance 31 Dec 2022	**100.0**	**39.8**	**-5.1**	**1,576.9**	**1,711.6**

The share capital consists of two common stock of the same kind with quotient value of MSEK 50. All shares have equal voting power. Dividend per share amounted to MSEK 150 (MSEK 102.5).

Cash flow statement

Parent

MSEK	Note	FY 2022	FY 2021
Operating activities			
Operating profit		**306.3**	**321.6**
Adjustments for items not included in cash flow			
Depreciation	18,19	41.4	46.1
Unrealised changes in value	5	-72.0	7.0
Credit losses excluding recoveries	10	37.0	15.5
Interest accruals		32.2	-28.3
Other		-10.8	-21.7
Total – Items not included in cash flow		**27.8**	**18.5**
Tax paid		-67.1	-40.7
Cash flow from current operations before changes to operating capital		**267.0**	**299.3**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-1,783.3	-2,137.1
Increase (-)/decrease (+) of short term receivables		-219.7	20.5
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-31.6	-14.8
Increase (-)/decrease (+) government debt securities		12.2	-99.4
Increase (+)/decrease (-) of deposits from the public		2,826.6	-2,174.0
Increase (+)/decrease (-) in issued bonds		107.9	3,093.8
Increase (+)/decrease (-) of short term liabilities		363.4	-9.5
Cash flow from operating activities		**1,542.4**	**-1,021.1**
Investing activities			
Investments in intangible assets	18	-51.1	-46.4
Investments in tangible assets	19	-10.9	-4.0
Increase in shares and participations in associated companies	17	-	4.5
Sale of the personal loan portfolio		-	729.3
Cash flow from investing activities		**-62.0**	**683.3**
Financing activities			
Repayment of liabilities to credit institutions		-328.5	-252.8
Dividend paid to shareholders		-300.0	-205.0
Cash flow from financing activities		**-628.5**	**-457.8**
NET CASH FLOW FOR THE YEAR		**851.9**	**-795.6**
Liquid funds at beginning of year		1,343.5	2,118.7
Currency difference in liquidity		-9.3	20.3
LIQUID FUNDS END OF YEAR		**2,186.1**	**1,343.5**
of which cash and balances at central banks		*501.7*	*356.4*
of which lending to credit institutions		*1,684.4*	*987.1*
Cash flow includes interest receipts of		**1,318.2**	**1,088.5**
Cash flow includes interest payments of		**-324.3**	**-300.6**

Notes to the Financial statements and Sustainability report

All amounts in the notes are in millions of Swedish kronor (MSEK) and represent carrying amounts unless otherwise indicated. Figures in parentheses refer to the previous year.

Content

Note 1 | Accounting principles

General information

Bluestep Bank AB (publ) is a joint-stock bank under the supervision of the SFSA. The Bank's head office is located at Sveavägen 163, SE-104 35 Stockholm, Sweden. The Annual Report was approved for publication by the Board of Directors on 25 April 2023. The income statement and balance sheet will be presented at the Annual General Meeting for adoption on 28 April 2023. The Bank is a wholly owned subsidiary of Bluestep Holding AB, which is reporting consolidated statements on the highest Group level. A subsidiary's financial position is recognised in the consolidated financial statements from the time the subsidiary is acquired up to and including the date on which the controlling interest ceases. The Bank is considered to have a controlling interest in a company when it has over 50% of voting rights in the company and when it is exposed to, or entitled to a variable return on its holding in the company. Intra-Group transactions between companies of the Group are eliminated in the consolidated financial statements. The Bank's business is described in the Administration Report.

Compliance with standards and laws

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the SFSA's Regulations and general guidelines, FFFS 2008:25. The Group also applies RFR 1, Additional Accounting Regulations for Groups and related interpretations issued by the Swedish Financial Reporting Board, and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL).

The Bank applies so-called legally limited IFRS, and as a rule follows IFRS and the accounting policies applied in the consolidated financial statements. The Parent Company must furthermore observe and prepare its annual report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the SFSA's Regulations and general guidelines, FFFS 2008:25 and RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

Unless otherwise stated, the accounting policies below have been applied consistently to all periods presented in the financial statements.

Changes in accounting policies due to new or amended IFRS

There are no changes in IFRS standards and interpretations that are considered to have any material impact on the Bank's financial statements.

Benchmark reform phase 2

The amendments to IAS 39 and IFRS 9 entail exceptions to certain hedge accounting requirements when existing benchmark rates in hedging |relationships are replaced with alternative benchmark rates. The amendments are thus considered to enable the transition to new benchmark rates without significant effects on earnings. As the Bank does not have any derivatives, lending or financing based on the replaced benchmark rates, there have been no significant effects on the Bank's financial reports, capital adequacy, major exposures or other circumstances according to applicable operating regulations. Phase 2 in the benchmark reform has has not had any material impact on the Bank's financial statements.

New and revised standards and interpretations that have not yet come into force

There are no changes in IFRS standards and interpretations that have not yet entered into force that are expected to have any material impact on the Bank's financial statements.

Estimations and critical assessments

When preparing the financial statements in compliance with IFRS, management must rely on estimations and assessments that affect the reported amounts of assets, liabilities and disclosures of any assets and contingent liabilities at the reporting date, as well as reported income and expenses during the reporting period.

The Bank's management makes assessments and estimates to determine the value of certain financial assets and liabilities. These are attributable to financial instruments, loans to the public and asset-backed bonds. The assessments and estimations are based on historical experience and several other factors that are deemed reasonable under present circumstances.

The calculation of expected credit losses demand that the Bank makes assessments and estimates for example when credit risk negatively changes and is calculated considering both internal and external information. The information consists of past events, current circumstances and reasonable verifiable forecasts of future economic conditions that can affect expected future cash flows. The expected credit losses take into account both asset-specific and macroeconomic factors and reflect the Bank's expectations of these. At this time, no sustainability aspects are considered in the ECL calculations. For a more detailed description of the calculation of impairment, see Note 2 "Risk management".

Assessments

Depending on the degree of observability of market data and market activity, different methods are used to determine the fair value of financial instruments. Quoted prices in active markets are used first. When these are not available, valuation models are used instead. The Bank determines when the markets are considered inactive and quoted prices no longer correspond to fair value and a valuation model should be used instead.

Estimates

In the application of the Bank's accounting principles, estimates and assessments are made to determine the carrying amounts of certain assets and liabilities. These estimates are based on historical developments and other factors, including expectations of future events that are considered reasonable in the current circumstances. Significant estimates and assessments have been made in the areas below with reference to detailed information.

Assessments and estimates for asset-backed bonds are based on expected lifetime and average return, which are in turn based on historical performance, expected cash flows and interest rates.

The Group has historically issued bonds secured by Swedish mortgages (so-called securitisation), of which the last one was repaid during the year. In such transactions, mortgages have been sold from the Bank to wholly-owned subsidiaries, which in turn have issued bonds that external parties have invested in. The Bank has made the assessment that the assets that were sold to the subsidiaries do not fulfil the requirements for derecognition. As the credit risk is retained in the Bank, and therefore not fully been transferred to the subsidiary, the assets were recognised in the Bank and not in each subsidiary.

Foreign currency

The Bank's monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities recognised at historical cost are translated to the exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate prevailing on the date of measurement at fair value. The income and expenses from the branches are translated according to the average exchange rate per transaction month, which is considered an estimate of the exchange rate at each transaction day. The reporting currency for the Group is Swedish krona.

Interest income and interest expense

Interest income and interest expenses are recognised using the effective interest method under net interest income. The effective interest rate is the interest rate that accurately discounts the estimated future deposits and disbursements over the expected duration of the financial instrument, or a shorter period if applicable, to the financial asset's or liability's recognised net value.

Interest income and interest expenses include, where appropriate, accrued amounts of fees received, which are included in the effective rate, transaction costs and any discounts, premiums and other differences between the original value of the receivable/liability and the amount settled on maturity.

Interest income and interest expenses presented in the income statement consist of:

- Interest on financial assets and liabilities valued at amortised cost according to the effective interest method, including interest on bad debts
- Interest from financial assets classified as valued at fair value through other comprehensive income
- Interest from financial assets and liabilities measured at fair value through profit or loss

Commission income and expense

Commissions consist of transaction-based fees that are recognised when the transaction is performed. Accrual occurs in the period to which the income or expense refers.

Net gains/losses on financial transactions

Net gains/losses on financial transactions includes the realised and unrealised changes in value arising from financial transactions classified as held for trading, instruments included in fair value hedges, potential ineffectiveness in hedging relationships, and currency gains and losses on financial assets and liabilities. Interest compensation from early redemptions of loans recognised at amortised cost are also included in net gains/losses on financial transactions.

Financial instruments

Most of the Bank's balance sheet items are financial instruments. A financial instrument is any form of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument in another company. Some examples of financial instruments on the asset side, are lending to the public and credit institutions, bonds and other interest-bearing securities and derivatives. The liability side includes deposits and borrowing from the public, issued bonds, derivatives, liabilities to credit institutions and accounts payable.

Financial assets are recognised in the balance sheet on the settlement date. Liabilities are recognised when the counterparty has performed, and a contractual obligation exists even though an invoice has not yet been received. A financial asset is derecognised from the balance sheet when the contractual rights to the asset are realised, expired or the Bank loses control over them. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner closed.

Financial assets and liabilities are offset and recognised as a net amount in the balance sheet only when a legal right to offset the amounts exists and an intention exists to settle the items in a net amount or simultaneously realise the asset and settle the liability. Financial instruments are initially recognised at fair value, which is the acquisition cost plus transaction costs, for all financial instruments except those belonging to the category of financial assets and liabilities recognised at fair value through profit or loss. Subsequent accounting depends on how the financial instruments are categorised:

- Financial assets and liabilities at fair value through profit or loss
- Financial assets and liabilities recognised at amortised cost

Financial assets measured at fair value through profit or loss

This category consists of financial assets held in a business model that does not involve collecting contractual cash flows or partially collecting contractual cash flows and partially collecting cash flows from sales. In addition to sales of financial assets, the Bank also assesses the business model based on how the portfolio of financial assets is evaluated in terms of return and risk. Financial assets whose contractual cash flows do not consist solely of principal, interest and fees are also classified in this category. The Bank's assets in this sub-group consist of: (i) derivative instruments with positive market value not included in an effective hedging relationship (see the section on hedge accounting); (ii) derivatives that constitute effective hedging instruments; (iii) bonds and other interest-bearing securities held for liquidity risk management; and (iv) lending to the public at fair value through profit or loss.

Assets in this category are initially recognised at fair value, while attributable transaction costs are recognised immediately in profit or loss. Changes in fair value and realised profit/loss for these assets are recognised directly in profit or loss as Net gains/losses on financial transactions, while accrued interest and interest received are recognised as interest income.

Fair value is the price at the measurement date that would be received by selling an asset or payable on the transfer of a liability through an orderly transaction between market participants. The fair value of financial instruments measured at fair value and traded on an active market, such as Swedish covered bonds, is based on quoted prices. For financial instruments not traded in an active market, fair value is determined based on generally accepted measurement techniques, which in turn are based on observable market quotations to the greatest extent possible.

Level 1: Quoted prices (unadjusted) from active markets for identical assets or liabilities.

Level 2: Valuation model based on observable data for the asset or liability other than the prices included in Level 1, either direct (actual prices) or indirect (derived prices).

Level 3: Valuation models where essential data is based on non-observable data.

Derivatives

The Bank's derivative instruments have been acquired to hedge the risks of interest rate and exchange rate exposures. The Bank applies hedge accounting to hedging relationships that meet the requirements. Derivatives not included in a hedging relationship are recognised at fair value through profit or loss. Derivatives included in an effective hedging relationship are recognised as described below.

Hedge accounting (IAS 39)

The Bank uses derivatives to hedge interest rate risks in the business. The derivatives are measured at fair value in the balance sheet and otherwise managed according to each hedging relationship. At initial hedge accounting, the Bank documents the economic correlation between the hedged item and the hedging instrument, that is, that there is a well-founded expectation that the hedging instrument is highly effective in counteracting the hedged risk's impact on the hedged item, and that it must be possible to measure and evaluate this effectiveness reliably. Ineffectiveness is recognised as profit or loss. If the conditions for hedge accounting are no longer fulfilled, the use of hedge accounting is discontinued.

Bonds and other interest-bearing securities

The Bank has invested some of its excess liquidity in bonds and other interest-bearing securities. Capital gains and losses are accounted for as Net gains/losses on financial transactions.

Financial assets measured at amortised cost

This category consists of financial assets held in a business model to collect contractual cash flows. The contractual cash flows consist solely of principal, interest and fees. In the statement of financial position, these are presented in the balance sheet as Loans to credit institutions, Loans to the public and Other assets, depending on their nature. These assets are recognised at amortised cost. Loan receivables are initially recognised at acquisition cost, which consist of the loan amount paid less fees received and additional costs that form an integral part of the return. The interest rate that generates the loan's acquisition cost when calculating the present value of future payments is considered the effective interest rate. Receivables other than loan receivables, which are not interest-bearing, are expected to be short-term and are therefore recognised at a nominal amount without being discounted. Expected credit losses are reported separately outside of operating expenses.

Lending to the public

Lending to the public consists of loans to individuals secured with property as collateral. Impairment losses and recoveries of impairment losses are recognised as net credit losses. For further information regarding impairment losses, see the following paragraph.

Expected credit losses and impairment of financial assets recognised at amortised cost

IFRS 9 includes an impairment model for expected credit losses in which a reserve corresponding to expected credit losses is recognised for financial assets that are measured at amortised cost. In the model, expected credit losses are measured based on the estimated risk at the time of calculation, whether a significant increase in credit risk has occurred since initial recognition and assessed macroeconomic developments, even if no actual loss event has occurred. Expected credit losses are calculated based on both internal and external information. The information consists of past events, current circumstances and reasonable verifiable forecasts of future economic conditions that can affect expected future cash flows. The expected credit losses must consider both asset-specific and macroeconomic factors and reflect the Bank's expectations regarding these factors. For a more detailed description of the calculation of impairment, see Note 2 "Risk management".

Financial liabilities measured at fair value through profit or loss

The Bank's liabilities in this category are derivative instruments with negative market values which are mandatorily valued at fair value through profit or loss. These can both be part of an effective hedging relationship or a non-effective hedging relationship. For more information see the section on hedge accounting. Liabilities in this category are initially recognised at fair value, while attributable transaction costs are recognised in profit or loss. Changes in fair value and realised profit/loss are recognised directly in the income statement under *Net gains/losses on financial transactions*, while accrued interest and interest received are recognised in *Net interest income*.

Financial liabilities measured at amortised cost

Funding, deposits from the public and other financial liabilities such as accounts payable are included in this category. The liabilities are measured at amortised cost.

Issued securities

Issued securities refer to bonds issued by the Group and are valued at amortised cost. As of the Interim report 2021, the Bank presents accrued interest expenses on issued bonds as part of the debt value to harmonise with the lending and deposit items. Accrued interest expenses were earlier classified as accrued expenses and prepaid income.

Shareholders' contributions and Group contributions to the parent company

The Parent recognises Group contributions and shareholders' contributions in accordance with the general rule of the Swedish Financial Reporting Board's Recommendation RFR 2 Accounting for Legal Entities. Group contributions received from subsidiaries are recognised as financial income and Group contributions to subsidiaries are recognised as an increase in participations in Group companies. Group contributions provided to a Parent Company are recognised as a financial expense.

Approved Group contributions not paid at the reporting date may be entered as a liability, even if the decision was taken after the end of the reporting period.

Received shareholders' contributions are recognised in equity.

Equity

The translation reserve consists of unrealised exchange rate effects as a result of translation of foreign entities.

Intangible assets

Intangible assets are recognised at acquisition cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a linear basis over the estimated useful lifetime of the asset. Intangible assets with a determinable useful lifetime are written off from the date they are available for use. The expected useful lifetime is estimated to five years.

Intangible assets are recognised in the balance sheet only if the asset is identifiable, it is likely that the asset will generate future financial benefits and the Bank has control over the asset.

The carrying amount of an intangible asset is derecognised from the balance sheet at disposal, sale or when no future economic benefits are expected from the use of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognised as other operating income/expenses.

Impairment testing is performed at least once a year, or if there is an indication of a permanent decline in value.

Tangible assets

These assets are recognised at cost less accumulated depreciation based on an assessment of the assets' useful lifetime. The expected useful lifetime is estimated to five years.

Impairment testing is performed at least once a year, or if there is an indication of a permanent decline in value.

Leases

Leases are recognised as a right-of-use asset under assets and a lease liability under liabilities. IFRS 16 is based on the approach that the lessee is entitled to use an asset for a specific period and is obligated to pay for this right (the source of the right-of-use asset concept). IFRS 16 is not applied to the Parent Company.

The interest expenses for the year attributable to leases is shown in Note 4 "Net interest income", changes in right-of-use assets is shown in Note 19 "Tangible assets", and the lease liability per year-end and duration information is shown in Note 25 "Other liabilities" and Note 28 "Assets and liabilities duration information", respectively.

Pensions

Pensions are recognised as defined contribution plans and are expensed on an ongoing basis during the year. As the Bank fulfils its obligations in connection with its premium payments, there are no booked pension provisions.

Taxes

Income taxes consist of current and deferred tax. Current tax is tax payable or received with respect to the current year, applying the tax rates determined at the reporting date. Adjustments of current tax attributable to prior periods is also included in current tax.

Current tax assets and liabilities are valued at the amount expected to be received or paid. Income taxes are recognised in profit or loss except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity.

Deferred taxes refer to tax on differences between recognised and taxable value. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax assets represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carry forwards or other future tax deductibles. Deferred tax assets are tested at the end of each accounting year and recognised to the extent that they are likely to be utilised at each reporting date. At the reporting date, fixed tax rates are used in the calculations. The tax rate in Sweden for 2022 is 20.6%.

Cash flow statement

The cash flow statement is prepared using the indirect method in accordance with IAS 7. The reported cash flow includes only transactions that entail incoming or outgoing payments.

Cash and cash equivalents

Cash and cash equivalents comprise liquid funds held at credit institutions, as well as short-term investments with a maturity of less than three months from the acquisition date and exposed to only a slight risk of value fluctuations. Cash and cash equivalents are recognised at nominal amounts.

Securitisation

When a financial asset is transferred, the Bank must evaluate the extent to which it retains the risks and benefits associated with ownership of the financial asset. If the Bank essentially retains all the risks and benefits associated with ownership of the financial asset, the Bank continues to recognise the financial asset in the statement of financial position. The Group has carried out three securitisation transactions recognised accordingly (2013, 2015, and 2017). In these transactions loan receivables from the Bank were sold to wholly-owned subsidiaries, Step 2, Step 3 and Step 4 (known as special purpose vehicles or SPV). All transactions have been repaid and the three subsidiaries are currently under liquidation. Since the loan receivables sold from the Bank did not meet the requirements for derecognition from the statement of financial position, primarily because the credit risk was not entirely transferred, these receivables were recognised in the Bank. The Bank, which was the seller of the loans, was bound to repurchase any loans that did not meet the requirements from the beginning.

Note 2 | Risk management

In this note, the Bank discloses information on risk management for material risk categories. For general information regarding risk management, risk governance, and the ownership structure, see the section "Administration report".

In order to proactively manage the Bank's risks, analyses are also continuously carried out in the operations and by the Risk Management function as well as part of the ICLAAP, such as how credit risks in lending or future financing needs are affected by future macroeconomic changes to use as a basis for steering the Bank.

Credit risk

Definition

Credit risk is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to failure of a counterparty to fulfil its obligations in accordance with agreed terms.

Mitigating measures

Given the nature of the business with lending to the public, credit risk is a material risk for the Bank. Credit losses could arise partly due to inability or unwillingness of a customer or a counterparty to fulfil its obligations in relation to lending (probability of default), and partly due to recoveries from the collateralised assets being insufficient to cover the principal amounts, accrued interest and other costs (loss given default). In addition, credit risk can be reflected as losses via provisions resulting from reduction in portfolio values arising from actual or perceived deterioration in credit quality.

The main credit risk exposures are mortgages, investments such as government bonds and covered bonds and exposures to other institutions.

The Bank provides residential mortgages in Sweden, Norway and Finland. The credit portfolio is well diversified and consists of a large number of customers, mainly in sectors with somewhat increased risk compared to traditional mortgage banks. The credit strategy is based on the borrowers' expected ability to repay their debts and credit history, and to assess the probability of default, the borrowers are divided into different risk grades.

Credit risk is primarily managed through credit instructions and established risk management strategy with explicit risk appetite and risk tolerance. Active credit risk management is also achieved through prudent customer selection in the credit operations, which ensure that a careful and well-balanced customer selection is made. The credit operations are responsible for the credit decision process and to ensure compliance with policies and instructions for credit risk management.

The risk classification system is a central part of the credit process, encompassing work and decision-making processes for granting and monitoring credit, and quantification of credit risk. The credit granting presupposes that the borrower can fulfil their commitment to the Bank on good grounds. A sound, long-term robust and risk-balanced lending presupposes that the credit transaction is set in relation to influencing external factors. This means that the Bank's and others' knowledge of expected local, regional and global change and development, of significance to the business and its risk, are taken into account. Systematic analysis of the individual credit exposures takes place through ongoing follow-up of individual commitments.

Active credit risk management is also achieved by the collection operations responsible for non-performing loans, i.e. where customers have ceased to service their debt obligations and thereby breached their contractual terms and attempt to implore customers to return to orderly payments or take other actions to mitigate the risk of loss.

In order to maintain a well-diversified credit portfolio, with a balanced risk profile and to have a good balance between risk and return, the Bank continuously strives to understand the borrowers and their individual conditions.

The performance of the loan books is continuously monitored, and risk drivers analysed, allowing for a better understanding of the underlying credit risk.

Credit risk regarding customer and object

Estimating credit exposure for risk management purposes is complex and requires use of models, since the exposure varies according to changes in market conditions, expected cash flows and the passage of time. Assessing the credit risk for a portfolio of assets entails additional estimates of the probability of default, the associated losses and standard correlations between counterparties. The Bank measures credit risk by using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This method is used to calculate ECL under IFRS 9.

After the date of the initial credit assessment, the borrower's payment behaviour is continually monitored to create a behaviour score. All other information about the borrower that affects their ability to pay, such as previous behaviour patterns, are also incorporated into this behaviour score. This score is used to estimate the PD.

LTV

Loan to value ("LTV") describes how large leverage a borrower has, and it is used by a lender to explain the relation between a loan and the value of the collateral. The higher percentage distribution a LTV has, the higher risk for the lender.

The main security for the Bank's mortgages is mortgages in real estates and condominiums. The Bank performs a valuation of the security used in the lending process. The Bank's policy to obtain securities has not changed considerable during the reporting period and there has not occurred any specific changes of the total quality on the securities which is held by the Bank since the previous reporting period.

Mortgages Sweden	31 Dec 2022		31 Dec 2021	
Allocation LTV, MSEK	Exposure, gross	Write-downs	Exposure, gross	Write-downs
-50%	971.2	1.4	978.6	1.0
50 - 60%	757.4	1.4	754.2	0.9
60 - 70%	1,681.1	3.7	1,528.9	2.8
70 - 80%	2,755.3	12.8	2,741.2	8.2
80 - 90%	3,967.7	19.1	3,942.3	10.6
90 - 100	10.9	0.5	9.2	0.0
100% +	2.8	0.0	10.6	0.0
Total	**10,146.4**	**39.1**	**9,965.0**	**23.5**

Mortgages Norway	31 Dec 2022		31 Dec 2021	
Allocation LTV, MSEK	Exposure, gross	Write-downs	Exposure, gross	Write-downs
- 50%	1,711.8	3.0	1,460.8	2.1
50 - 60%	890.6	2.0	858.8	1.3
60 - 70%	1,329.7	3.2	1,334.2	3.1
70 - 80%	2,054.5	4.8	1,994.2	4.8
80 - 90%	2,748.8	5.8	1,995.2	3.2
90 - 100	–	–	1.0	–
100% +	–	–	–	–
Total	**8,735.3**	**18.8**	**7,644.2**	**14.4**

Mortgages Finland	31 Dec 2022		31 Dec 2021	
Allocation LTV, MSEK	Exposure, gross	Write-downs	Exposure, gross	Write-downs
- 50%	84.3	0.3	35.9	0.1
50 - 60%	57.0	0.3	28.7	0.0
60 - 70%	93.6	0.7	48.3	0.1
70 - 80%	166.9	0.4	52.4	0.0
80 - 90%	111.5	0.5	54.5	0.1
90 - 100	–	–	–	–
100% +	–	–	–	–
Total	**513.3**	**2.2**	**219.8**	**0.4**

Sensitivity analysis

The most significant assumption which affects the collateral and in the end the provisions, is the house price index in each country due to its effect on the LGD. The changes in ECL as of 31 December 2022 is shown below, which would result in reasonable changes in these parameters compared to the actual assumptions made by the Bank. No sensitivity analysis is performed for the Finnish mortgage portfolio due to its relative age and lack of relevant data.

Mortgages Sweden	-20%	-10%	+/-0%	10%	20%
Change in ECL	9.5	4.8	0.0	-3.8	-7.6

Mortgages Norway	-20%	-10%	+/-0%	10%	20%
Change in ECL	0.7	0.3	0.0	-0.4	-0.8

Measurements of credit reserves and expected credit losses

Reserves are calculated using quantitative models based on inputs, assumptions and methods. The following items may have a particularly heavy impact on the level of reserves:

- determination of a significant increase in credit risk;
- consideration of prospective macroeconomic scenarios; and
- measurement of both expected credit losses within the next 12 months and expected credit losses during the remaining term.

The most important inputs for measuring expected credit losses are:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD); and
- expected maturity

These calculations are derived from internally developed statistical models, which consider both historical data and probability-weighted prospective scenarios.

In addition, the Bank has the possibility to perform a Management Overlay, if it deems that there are factors that the quantitative models do not take into account. The additional provision (Management Overlay in addition to calculated provisions) for higher expected credit losses due to Covid-19 was per June 2022 modified and rolled over to cover for the swift shift in underlying macro with sharply rising interest rates and elevated inflation. Per year end models are updated to reflect current macro outlook. Though, a smaller overlay provision is still maintained due to current strained situation on customers personal finances due to high energy prices and elevated inflation. The closing overlay balance per December 2022 was MSEK 1.2 (MSEK 5.4).

The Bank does not report any loss reserve for short-term other receivables as a result of the probability of default on these being assessed as low.

Components, assumptions and estimation techniques

The **ECL** is calculated at either a 12 month or lifetime level, depending on whether there is a significant increase in credit risk since the first credit assessment of the contract in question, or if the loan is in default. The ECL is calculated by calculating the PD, EAD and LGD for every future month for each contract. These three components are multiplied together and adjusted by the probability of survival, i.e. the likelihood that the contract has not gone into default or been terminated prematurely. Each monthly amount produced through these calculations is discounted back to the reporting date and totalled. The discount rate used in the calculation is the effective interest rate of the loan at disbursement.

The **PD**: 12 months and the PD for the remaining term are equivalent to the probability of default in the next 12 months and the entire remaining term of the financial asset, respectively.

The lifetime PD is generated by looking at the maturity profile of each risk segment. This maturity profile looks at where in time a default takes place, from the first assessment date throughout the entire contract term for each loan. The profile is based on historic data and is expected to be the same for each segment chosen. To estimate the 12-month PD, a logistical regression model customised for the product is used.

Both values are based on the circumstances on the reporting date and future financial conditions that affect credit risk. The PD models are based on homogeneous sub-segments of the total credit portfolio, such as country, business area or product group. They are used to derive the 12-month PD and the PD for the remaining term.

Historical default data are used to create term structures for the PD on the reporting date, which are subsequently adjusted to derive the prospective PD. A deterioration in an economic outlook based on forecast macroeconomic variables for each scenario or an increase in the probability that the worst-case scenario will occur result in a higher PD. This increases both the number of loans transferred from Stage 1 to Stage 2 and the estimated credit reserves.

The **EAD** represents estimated credit exposure on a future default date considering altered expectations in credit exposure on the reporting date. The Bank's method for modelling EAD reflects current contract terms for the repayment of principal and interest, the maturity date and expected repayments beyond contractual payments. The remaining exposure is estimated based on these variables on a monthly basis until the loan is considered repaid.

The **LGD** corresponds to the estimated credit losses expected in case of default, considering the expected value of future recoveries, realisation of collateral, when the recoveries are expected to occur and the time value of the money. When calculating the LGD, the collateral type, borrower type and contract information are minimum requirements. The LGD calculations are based on historic information concerning loss data in homogeneous sub-segments of the total credit portfolio, such as country, security type and product. Prospective macroeconomic factors are reflected in the LGD calculations through their impact on the loan-to-value ratio. A deterioration in an economic outlook based on macroeconomic factors for each scenario, or an increase in the probability that the worst-case scenario will occur, results in a higher LGD as well as the estimated credit reserves and vice versa.

Remaining maturity

For contracts at Stage 2 or Stage 3, the Bank estimates the expected credit losses while considering the risk of default for the remaining maturity. The expected maturity is generally limited to the maximum contract period during which the Bank is exposed to credit risk, even if a longer period accords with business practice. All contract terms are considered when the expected maturity is determined, including repayment, extension and transfer alternatives that are binding for the Bank.

Significant increase in credit risk ("SICR")

IFRS 9 uses a three-stage model to calculate impairment. This model is based on changes in credit risk since initial recognition. The impairment model contains three stages based on changes in the credit quality of the financial assets. In the three-stage model, the assets are divided into three categories depending on how the credit risk has changed since the asset was first entered on the balance sheet. Stage 1 includes assets that have not had a significant increase in credit risk. Stage 2 includes assets that have had a significant increase in credit risk. Stage 3 includes collateralised assets. The credit loss provisioning for the assets is determined by their category. Provisions for expected credit losses in the next 12 months are made in Stage 1, while provisions are made for expected credit losses during the entire remaining maturity of the assets in Stages 2 and 3.

- A loan that is not in default at the time of the credit assessment is classified as Stage 1, and the borrower's creditworthiness is continually assessed by the Bank.
- If a significant increase in credit risk since initial recognition can be determined, the loan is transferred to Stage 2, but it is not yet classified as in default.
- If the loan goes into default it is consequently transferred to Stage 3.
- For loans at Stage 1, the ECL is only calculated for the next 12 months of the contract. For loans at Stages 2 or 3, the corresponding calculation is performed for the remaining duration of the loan.

One consistent concept for assessing ECL is that prospective information must be used.

Change in credit risk since first assessment session

Stage 1	Stage 2	Stage 3
First credit assessment session	Significant increase in credit risk since first credit assessment session	Uncertain claim
12 month expected credit losses	Expected credit losses during the contract period	Expected credit losses during the contract period

The tables below present a breakdown of loans valued at amortised cost distributed according to PD interval and stage allocation.

PD interval Mortgages	Group & Parent			
31 Dec 2022, MSEK	Stage 1	Stage 2	Stage 3	Total
<=0.4%	2,760.1	7.8	-	**2,767.9**
0.4%-0.8%	5,605.2	9.4	-	**5,614.5**
0.8%-3.2%	7,518.9	151.8	-	**7,670.7**
3.2%-6.4%	959.5	186.6	-	**1,146.1**
6.4%-12.8%	216.4	549.7	-	**766.0**
12.8%-	50.6	1,006.3	-	**1,056.9**
Loans in stage 3	-	-	372.8	**372.8**
Change due to expert credit judgement	-25.3	25.3	-	**-**
Total	**17,085.3**	**1,936.9**	**372.8**	**19,394.9**
Reserve for expected credit losses	-7.2	-31.7	-21.1	**-60.0**
Total lending to the public valued at amortised cost	**17,078.1**	**1,905.2**	**351.7**	**19,334.9**

PD interval Mortgages	Group & Parent			
31 Dec 2021, MSEK	Stage 1	Stage 2	Stage 3	Total
<=0.4%	2,680.2	3.4	-	**2,683.6**
0.4%-0.8%	5,625.5	5.8	-	**5,631.3**
0.8%-3.2%	6,847.5	94.0	-	**6,941.5**
3.2%-6.4%	754.1	163.3	-	**917.4**
6.4%-12.8%	216.3	384.2	-	**600.5**
12.8%-	54.8	700.4	-	**755.3**
Loans in stage 3	-	-	299.6	**299.6**
Change due to expert credit judgement	-473.2	473.2	-	**-0.0**
Total	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**
Reserve for expected credit losses	-6.0	-20.3	-12.0	**-38.3**
Total lending to the public valued at amortised cost	**15,699.3**	**1,804.0**	**287.6**	**17,790.9**

To assess whether there is a significant increase in risk that necessitates a transfer to Stage 2, the Bank uses the change to the loan's lifetime PD, i.e. the expected credit risk for the entire lifetime of the contract. One criterion for a significant increase in risk is a relative percentage change to the lifetime PD that exceeds a given threshold.

In addition to this criterion, the Bank also uses an absolute change to the PD that means if the lifetime PD increases by a certain percentage, which varies according to product category, it is referred to Stage 2.

The Bank deems the credit risk of a loan to have increased significantly when one or more of the following criteria have been met.

Quantitative criteria

The remainder of the loan's lifetime PD has increased at the reporting date, compared with the corresponding part during initial recognition, to an extent that the increase exceeds the thresholds defined for the Bank.

These thresholds are considered separately for the Bank's various portfolios by reviewing the trends of the lifetime PD before loans go into default. The lifetime PD trends for loans that do not go into default are also reviewed to discern "natural" PD movements that should thus not be considered as a SICR. See Determination of significant increase in credit risk.

The assessment of SICR contains prospective information and is performed at the portfolio level on a quarterly basis for all loan products provided by the Bank. This assessment is performed continually and periodically at the counterparty and contract levels. The criteria used to identify SICR are monitored and examined for suitability on a regular basis by an independent department.

Backstop

In addition to the significant PD changes described above, the Bank also uses a backstop, which means that a loan that is 30 to 90 days in default is referred to Stage 2 even if there is no significant increase in PD.

Determination of significant increase in credit risk ("SICR")

To assess if a loan is in the state of SICR and therefore should be deemed as Stage 2, the change in estimated lifetime PD since time of payout is measured. A significant increase in credit risk is defined as a relative increase (in percent) in estimated lifetime PD that exceeds a given threshold. In combination with the relative change an absolute increase is required as well, which means that if lifetime PD increase by a given percentage point the loan is deemed as Stage 2.

SICR for Swedish Mortgages is defined as a lifetime PD above 1.9% and a relative increase since payout by 500% or more. The criteria does not mean that loans with a lifetime below 1.9% are excluded from SICR, Backstop is still used in applicable cases. SICR for Norwegian Mortgages is defined as an relative increase of lifetime PD since payout by 400% or more. For both portfolios the regulatory Back-stop of 30 plus days past due is used as well.

A loan is no longer deemed as SICR after two months of performing, the following month the loan is migrated back to Stage 1.

Below tables show the sensitivity in the threshold the Bank uses in classifying SICR.

Mortgages Sweden 31 Dec 2022
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 Dec 2022, MSEK	Gross amount 31 Dec 2022, MSEK	Share of portfolio 31 Dec 2022
<=0.4%	500%	0.8%	0.8%	0.1	1,721.0	17%
0.4%-0.8%	500%	2.6%	2.0%	1.3	4,400.2	43%
0.8%-3.2%	500%	31.2%	-1.8%	2.2	2,529.4	25%
3.2%-6.4%	500%	109.5%	4.0%	2.2	588.4	6%
6.4%-12.8%	500%	9.9%	-8.9%	3.0	273.0	3%
12.8%-	500%	0.1%	-0.9%	16.1	481.7	5%
Loans in stage 3		0.0%	0.0%	14.1	152.7	2%
Total		**8.7%**	**-0.9%**	**39.1**	**10,146.4**	**100%**

Mortgages Norway 31 Dec 2022
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Reduced limit for PD-impairment with 40%	Increased limit for PD-impairment with 50%	Credit loss reserve 31 Dec 2022, MSEK	Gross amount 31 Dec 2022, MSEK	Share of portfolio 31 Dec 2022
<=0.4%	400%	0.0%	0.0%	0.0	878.3	10%
0.4%-0.8%	400%	0.0%	0.0%	0.1	1,270.4	15%
0.8%-3.2%	400%	6.5%	-0.3%	1.1	4,717.8	54%
3.2%-6.4%	400%	86.8%	-24.4%	0.6	570.3	7%
6.4%-12.8%	400%	42.4%	-48.6%	1.9	492.6	6%
12.8%-	400%	3.0%	-7.2%	9.4	600.3	7%
Loans in stage 3		0.0%	0.0%	5.7	205.6	2%
Total		**9.1%**	**-9.3%**	**18.8**	**8,735.3**	**100%**

Mortgages Finland 31 Dec 2022
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Reduced limit for PD-impairment with 40%	Increased limit for PD-impairment with 50%	Credit loss reserve 31 Dec 2022, MSEK	Gross amount 31 Dec 2022, MSEK	Share of portfolio 31 Dec 2022
<=0.4%	400%			-	-	-
0.4%-0.8%	400%			-	-	-
0.8%-3.2%	400%			0.8	496.9	97%
3.2%-6.4%	400%			0.0	0.2	0.0
6.4%-12.8%	400%			0.0	1.5	0.0
12.8%-	400%			-	-	-
Loans in stage 3				1.3	14.5	3%
Total				**2.2**	**513.2**	**100%**

Mortgages Sweden 31 Dec 2021
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 Dec 2021, MSEK	Gross amount 31 Dec 2021, MSEK	Share of portfolio 31 Dec 2021
<=0.4%	500%	0.0%	0.0%	0.1	1,233.2	12%
0.4%-0.8%	500%	0.3%	0.2%	1.1	4,063.2	41%
0.8%-3.2%	500%	9.9%	-4.9%	2.3	3,418.1	34%
3.2%-6.4%	500%	52.1%	-24.4%	1.8	481.1	5%
6.4%-12.8%	500%	34.1%	-2.8%	2.3	313.7	3%
12.8%-	500%	0.2%	-0.2%	7.7	327.4	3%
Loans in stage 3		0.0%	0.0%	8.2	128.3	1%
Total		**8.4%**	**-2.7%**	**23.5**	**9,965.0**	**100%**

Mortgages Norway 31 Dec 2021
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Reduced limit for PD-impairment with 40%	Increased limit for PD-impairment with 50%	Credit loss reserve 31 Dec 2021, MSEK	Gross amount 31 Dec 2021, MSEK	Share of portfolio 31 Dec 2021
<=0.4%	400%	0.0%	0.0%	0.0	473.7	6%
0.4%-0.8%	400%	0.0%	0.0%	0.1	807.4	11%
0.8%-3.2%	400%	2.7%	-0.3%	1.0	4,413.2	59%
3.2%-6.4%	400%	15.3%	-25.9%	0.5	581.0	8%
6.4%-12.8%	400%	14.2%	-32.4%	1.5	376.8	5%
12.8%-	400%	1.1%	-13.6%	7.4	636.0	9%
Loans in stage 3		0.0%	0.0%	3.7	166.6	2%
Total		**2.7%**	**-11.4%**	**14.0**	**7,454.8**	**100%**

Mortgages Finland 31 Dec 2021
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Reduced limit for PD-impairment with 40%	Increased limit for PD-impairment with 50%	Credit loss reserve 31 Dec 2021, MSEK	Gross amount 31 Dec 2021, MSEK	Share of portfolio 31 Dec 2021
<=0.4%	400%			-	-	0%
0.4%-0.8%	400%			-	-	0%
0.8%-3.2%	400%			0.0	21.4	100%
3.2%-6.4%	400%			-	-	0%
6.4%-12.8%	400%			-	-	0%
12.8%-	400%			-	-	0%
Loans in stage 3				0.0	0.0	0%
Total				**0.0**	**21.5**	**100%**

Definition of default

The Bank defines a loan as in default (credit impaired), when it meets the following criteria:

Quantitative criterion

The borrower is over 90 days late in paying one or more of their contractual payments. No qualitative indicators have been identified in the debt collection process and thereby are not applicable in the default definition.

A loan is considered no longer in default (is cured) when it no longer meets the above-mentioned criterion for default. This period has been determined by analysing the probability that a loan will return to normal status after having been classified as in default.

The Bank has committed to follow the Collection Instruction, approved by the CEO, as the main governance document regarding handling collection procedures, hereunder the approval of losses. In addition, the respective Collection Working Instructions for each country outlines in detail, among other things, the routines and mandates for loans resulting in loss. Before approving a loss, each case is carefully assessed and the procedure is well documented, such that approval of loss is as a point of departure the final resort. Each collection department is also instructed to proactively effectuate the necessary measures to minimise the probability of loss in the arrears portfolio.

Prospective information

Prospective information is used in both the determination of SICR and the calculation of ECL. The Bank has analysed historical data to identify the correlation between macroeconomic variables, credit risk and expected credit losses for each portfolio.

Prospective information is included in both the determination of a significant increase in credit risk and the calculation of expected credit losses. Based on its analyses of historical data, the Bank has identified and considered macroeconomic factors that affect credit risk and credit losses for the various portfolios. These factors are based on country and product type. In general, the factors with the highest correlation are GDP growth, unemployment and interest rates, where the Bank has identified the strongest correlation between the Bank's portfolio and the market rate (STIBOR 3-month). The Bank continually monitors the macroeconomic trends of each country. This includes defining prospective macroeconomic scenarios for various portfolio segments and translating them into macroeconomic forecasts. The outcome scenario (base scenario) is based on assumptions that correspond to the Bank's planning scenario and is used to create alternative scenarios that consider both a more positive and a more negative outlook.

In general, a deterioration in an economic outlook based on forecast macroeconomic factors for each scenario, or an increase in the probability that the worst-case scenario might occur, mean an increase in both the number of loans moved from Stage 1 to Stage 2 and the estimated credit reserves. On the other hand, an improvement in outlook, based on forecast macroeconomic factors, or an increase in the probability that the best-case scenario might occur, has the opposite effect. It is not possible to reasonably isolate the effects of changes in the various macroeconomic factors for a scenario due to the relationship between the factors and the internal relationship between the level of pessimism inherent in a scenario and its likelihood of occurring.

In addition to the base scenario, the Bank also generates other potential scenarios combined with the probability of each. The number of scenarios generated is determined by ensuring that all non-linear relationships are covered.

The number of scenarios and their weights are evaluated at each reporting date. At 1 January 2022 and 31 December 2022 the Bank determined that three scenarios covered all non-linear relationships. The weights of each scenario are determined internally through statistical analysis and expert-based credit assessment.

SICR is determined by using the lifetime PD for each scenario and weighting them together with their respective probabilities, as well as qualitative indicators and a backstop. The combination of these components determines whether the contract should be assessed as Stage 1 or Stage 2, and whether 12-month or lifetime ECL should be used. After this evaluation, the Bank measures ECL as either a weighted 12-month amount (Stage 1) or a weighted lifetime amount (Stages 2 and 3). These probability-weighted scenarios are calculated by running each scenario through the established ECL model and multiplying it by the appropriate scenario weights.

As with every economic forecast, these are expected values and the probabilities of each scenario are subject to a high degree of inherent uncertainty, and therefore the actual outcome may differ significantly from the Bank's forecasts. However, the Bank considers these forecasts to be the best estimate based on potential outcomes, and the Bank has analysed the non-linear relationships for each portfolio to determine that its chosen scenarios represent all possible scenarios.

Consideration of macroeconomic assumptions

The most significant assumptions used to calculate ECL at 31 December 2022 are shown in the table below. The base, optimistic and negative scenarios are used for all the portfolios.

31 December 2022	Weight	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Mortgage Sweden Interest rate assumption - optimistic	0.25	2.01	2.72	2.71	2.43	2.36	2.42	2.48	2.51	2.50	2.61
Mortgage Sweden Interest rate assumption - base	0.50	2.43	3.31	3.44	3.08	2.92	2.90	2.88	2.83	2.74	2.77
Mortgage Sweden Interest rate assumption - negative	0.25	2.84	3.90	4.16	3.72	3.48	3.38	3.28	3.15	2.98	2.93
Mortgage Sweden House price index - optimistic	0.25	0.95	1.04	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Mortgage Sweden House price index - base	0.50	0.90	1.01	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Mortgage Sweden House price index - negative	0.25	0.85	0.95	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Mortgage Norway House price index - optimistic	0.25	0.98	0.99	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Mortgage Norway House price index - base	0.50	0.95	0.98	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Mortgage Norway House price index - negative	0.25	0.93	0.98	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01

31 December 2021	Weight	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Mortgage Sweden Interest rate assumption - optimistic	0.25	-0.25	-0.59	-0.72	-0.65	-0.32	0.09	0.54	1.12	1.79	2.24
Mortgage Sweden Interest rate assumption - base	0.50	-0.25	-0.25	-0.25	-0.07	0.18	0.50	0.87	1.37	1.96	2.32
Mortgage Sweden Interest rate assumption - negative	0.25	-0.25	0.09	0.23	0.52	0.68	0.92	1.21	1.62	2.13	2.40
Mortgage Sweden House price index - optimistic	0.25	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Mortgage Sweden House price index - base	0.50	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Mortgage Sweden House price index - negative	0.25	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Mortgage Norway House price index - optimistic	0.25	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
Mortgage Norway House price index - base	0.50	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Mortgage Norway House price index - negative	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

The regulations stipulate that the Bank must calculate reserves under various macroeconomic conditions. The Bank has chosen to carry out the calculation under a Base scenario, which corresponds to the expected macroeconomic development of the variables that affect the provisions. In combination with the Base scenario, an assumption is made of an optimistic, i.e. a more positive market trend and a negative scenario, where the market does not develop in line with the assumptions in the models.

Other prospective factors that are not part of the above scenarios, such as regulatory, legal or political changes, have also been considered, but have not been deemed to have any material impact and therefore no adjustments were made based on these factors. This evaluation is performed continually at each reporting date.

The credit reserves shown below would have arisen as of 31 December 2022 with a negative or positive scenario, whereas if the probability that they might occur is considered reasonable they would be considered 100% probable.

An observation is that the Norwegian mortgage portfolio has the same estimated credit losses according to all three scenarios. This is due to that model parameters and expected portfolio performance cancel out the effects of implemented scenarios.

Group 2022

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	Optimistic	58.8	2.0
	Negative	61.3	-2.2
Sweden	Optimistic	37.8	3.1
	Negative	40.4	-3.4
Norway	Optimistic	18.8	-0.1
	Negative	18.8	0.1
Finland	Optimistic	2.2	0.0
	Negative	2.2	0.0
Total Group	**Optimistic**	**58.8**	**2.0**
	Negative	**61.3**	**-2.2**

Group 2021

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	Optimistic	37.7	1.5
	Negative	38.9	-1.6
Sweden	Optimistic	22.9	2.4
	Negative	24.1	-2.6
Norway	Optimistic	14.4	0.0
	Negative	14.4	0.0
Finland	Optimistic	0.4	0.0
	Negative	0.4	0.0
Total Group	**Optimistic**	**37.7**	**1.5**
	Negative	**38.9**	**-1.6**

Parent 2022

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	Optimistic	58.8	2.0
	Negative	61.3	-2.2
Sweden	Optimistic	37.8	3.1
	Negative	40.4	-3.4
Norway	Optimistic	18.8	-0.1
	Negative	18.8	0.1
Finland	Optimistic	2.2	0.0
	Negative	2.2	0.0
Total Parent	**Optimistic**	**58.8**	**2.0**
	Negative	**61.3**	**-2.2**

Parent 2021

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	Optimistic	37.7	1.5
	Negative	38.9	-1.6
Sweden	Optimistic	22.9	2.4
	Negative	24.1	-2.6
Norway	Optimistic	14.4	0.0
	Negative	14.4	0.0
Finland	Optimistic	0.4	0.0
	Negative	0.4	0.0
Total Parent	**Optimistic**	**37.7**	**1.5**
	Negative	**38.9**	**-1.6**

Credit risk regarding financial counterparties

Credit rating agencies

The relation between the credit quality steps and the ratings provided by rating agencies are shown in table below.

Credit Quality Step	Moody's	Fitch	S&P's
1	Aaa - Aa3	AAA - AA-	AAA - AA-
2	A1 - A3	A+ - A-	A+ - A-
3	Baa1 - Baa3	BBB+ - BBB-	BBB+ - BBB-
4	Ba1 - Ba3	BB+ - BB-	BB+ - BB-
5	B1 - B3	B+ - B-	B+ - B-
6	<B3	<B-	≤ CCC+

Financial instruments that have been offset in the balance sheet or are subject to netting agreement

The Bank enters into derivative contracts, all under the International Swaps and Derivatives Association's (ISDA) master netting agreement, which means that when a counterparty cannot settle their obligations, the agreement is cancelled and all outstanding commitments between the parties shall be settled by a net amount. ISDA agreements do not meet the criteria for offsetting in the balance sheet since offsetting is only permitted due to a party's inability to settle, and also that no intention to reach a net settlement exists.

Group situation 31 Dec 2022, MSEK

Amounts that have not been offset in the balance sheet	Gross value	Netting in the Balance sheet	Net amount Balance sheet
Derivatives	337.8	–	337.8
Sum financial assets	**337.8**	**–**	**337.8**
Derivatives	44.6	–	44.6
Sum financial liabilities	**44.6**	**–**	**44.6**

Group situation 31 Dec 2021, MSEK

Amounts that have not been offset in the balance sheet	Gross value	Netting in the Balance sheet	Net amount Balance sheet
Derivatives	76.0	–	76.0
Sum financial assets	**76.0**	**–**	**76.0**
Derivatives	31.4	–	31.4
Sum financial liabilities	**31.4**	**–**	**31.4**

Maximum credit risk exposure

The following table shows the Bank's and the Group's maximum credit risk exposure by geographical area.

Maximum Credit Risk Exposure

	Group					
	31 Dec 2022			31 Dec 2021		
MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Governments or central banks						
- Credit Quality Step 1	843.8	320.9	66.5	717.5	215.5	40.7
Total Governments or central banks	**843.8**	**320.9**	**66.5**	**717.5**	**215.5**	**40.7**
Lending to credit institutions						
- Credit Quality Step 1	1,062.4	600.3	34.3	695.7	426.9	24.1
- Credit Quality Step 2	–	–	–	–	–	–
- No rating	–	–	–	–	–	–
Total lending to credit institutions	**1,062.4**	**600.3**	**34.3**	**695.7**	**426.9**	**24.1**
Corporates						
- No rating (Intercompany receivables)	–	–	–	1.9	–	–
Total corporates	**–**	**–**	**–**	**1.9**	**–**	**–**
Lending to the general public						
- Unsecured loans	42.1	–	–	43.4	–	–
- Loans secured by residential property	10,815.3	8,643.0	511.1	10,418.1	7,605.6	219.4
Total lending to the general public	**10,857.4**	**8,643.0**	**511.1**	**10,461.5**	**7,605.6**	**219.4**
Bonds and other interest-bearing securities						
- Credit Quality Step 1	101.8	106.4	–	102.9	180.6	–
- Credit Quality Step 2	–	–	–	–	–	–
Total bonds and other interest-bearing securities	**101.8**	**106.4**	**–**	**102.9**	**180.6**	**–**
Derivatives						
- Credit Quality Step 2	307.4	78.0	–	93.2	32.4	–
- Credit Quality Step 2	–	–	–	–	–	–
- No rating	0.0	–	–	–	–	–
Total derivatives	**307.4**	**78.0**	**–**	**93.2**	**32.4**	**–**
Other assets						
- No rating	71.7	17.4	1.6	65.7	5.0	1.0
Total other assets	**71.7**	**17.4**	**1.6**	**65.7**	**5.0**	**1.0**
Sum per geography	**13,244.5**	**9,765.9**	**613.4**	**12,138.5**	**8,465.9**	**285.2**
Total		**23,623.9**			**20,889.6**	

Maximum Credit Risk Exposure

	Parent					
	31 Dec 2022			31 Dec 2021		
MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Governments or central banks						
– Credit Quality Step 1	835.4	320.9	66.5	711.4	215.5	40.7
Total Governments or central banks	**835.4**	**320.9**	**66.5**	**711.4**	**215.5**	**40.7**
Lending to credit institutions						
– Credit Quality Step 1	1,049.8	600.3	34.3	536.0	426.9	24.1
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	–	–	–	–	–	–
Total lending to credit institutions	**1,049.8**	**600.3**	**34.3**	**536.0**	**426.9**	**24.1**
Corporates						
– No rating (Intercompany receivables)	1.4	–	–	1.9	–	–
Total corporates	**1.4**	**–**	**–**	**1.9**	**–**	**–**
Lending to the general public						
– Unsecured loans	42.1	–	–	43.4	–	–
– Loans secured by residential property	10,815.3	8,643.0	511.1	10,418.1	7,605.6	219.4
Total lending to the general public	**10,857.4**	**8,643.0**	**511.1**	**10,461.5**	**7,605.6**	**219.4**
Bonds and other interest-bearing securities						
– Credit Quality Step 1	101.8	106.4	–	102.9	180.6	–
– Credit Quality Step 2	–	–	–	–	–	–
Total bonds and other interest-bearing securities	**101.8**	**106.4**	**–**	**102.9**	**180.6**	**–**
Derivatives						
– Credit Quality Step 2	307.4	78.0	–	74.9	32.4	–
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	0.0	–	–	–	–	–
Total derivatives	**307.4**	**78.0**	**–**	**74.9**	**32.4**	**–**
Other assets						
– No rating	44.3	17.4	1.6	27.8	5.0	1.0
Total other assets	**44.3**	**17.4**	**1.6**	**27.8**	**5.0**	**1.0**
Sum per geography	**13,197.6**	**9,765.9**	**613.4**	**11,916.4**	**8,465.9**	**285.2**
Total		**23,577.0**			**20,667.5**	

Credit risk

	Group					
	31 Dec 2022			31 Dec 2021		
Receivables from private individuals, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	10,469.5	8,024.0	511.1	10,046.7	7,063.2	219.4
Due 30-60 days	180.7	239.5	–	199.2	209.9	–
Due 60-90 days	57.9	102.1	–	60.9	89.4	–
Due over 90 days	149.3	277.4	–	154.7	243.1	–
Total	**10,857.4**	**8,643.0**	**511.1**	**10,461.5**	**7,605.6**	**219.4**
Provisions	**39.1**	**18.8**	**2.2**	**23.5**	**14.4**	**0.4**

Credit risk

	Parent					
	31 Dec 2022			31 Dec 2021		
Receivables from private individuals, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	10,469.5	8,024.0	511.1	10,046.7	7,063.2	219.4
Due 30-60 days	180.7	239.5	–	199.2	209.9	–
Due 60-90 days	57.9	102.1	–	60.9	89.4	–
Due over 90 days	149.3	277.4	–	154.7	243.1	–
Total	**10,857.4**	**8,643.0**	**511.1**	**10,461.5**	**7,605.6**	**219.4**
Provisions	**39.1**	**18.8**	**2.2**	**23.5**	**14.4**	**0.4**

Credit risk

	Group					
	31 Dec 2022			31 Dec 2021		
Other financial assets, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	2,387.2	1,122.9	102.4	1,677.0	860.4	65.8
– Credit Quality Step 1	2,315.4	1,105.5	100.7	1,609.3	855.4	64.9
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	71.7	17.4	1.6	67.7	5.0	1.0
Non performing	–	–	–	–	–	–
Total	**2,387.2**	**1,122.9**	**102.4**	**1,677.0**	**860.4**	**65.8**
Provisions	**–**	**–**	**–**	**–**	**–**	**–**

Credit risk

	Parent					
	31 Dec 2022			31 Dec 2021		
Other financial assets, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	2,340.2	1,122.9	102.4	1,454.9	860.4	65.8
– Credit Quality Step 1	2,294.5	1,105.5	100.7	1,425.2	855.4	64.9
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	45.7	17.4	1.6	29.7	5.0	1.0
Non performing	–	–	–	–	–	–
Total	**2,340.2**	**1,122.9**	**102.4**	**1,454.9**	**860.4**	**65.8**
Provisions	**–**	**–**	**–**	**–**	**–**	**–**

Credit-related concentration risk

Definition
Credit-related concentration risk is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to individual counterparty exposures, or groups of counterparty exposures, whose credit risk represents a material degree of co-variation.

Mitigating measures
Exposure to concentration risk is inherent in the business model, why the concentration risk is one of the core focus areas in customer credit assessment. Concentration risk might arise due to lack of diversification and lending too heavily in one industry, market, geographic area or purchase of only one type of financial instrument, as well as from concentration in funding and liquidity mix.

The maximum credit exposure to any client or counterparty as of 31 December 2022 was MSEK 1,160 for the Consolidated situation. Credit quality, geographical exposure and the maximum exposure for credit risk are further disclosed in the Section "Maximum credit risk exposure" above.

Since the Bank only operates in Sweden, Norway and Finland, and the outstanding loan portfolio mainly consists of secured loans, a certain level of exposure to concentration risk is inherent in the business model. The concentration risk is one of the core focus areas in the borrowers' credit assessment and is continuously monitored. The Risk Management function is independently assessing the concentration risk to ensure that the risk profile is in line with set risk strategy and managed appropriately, and reports the concentration risk to the Board and the CEO on a monthly basis.

For concentration risk, Pillar II capital requirements are calculated under three different categories: individual concentration, industry concentration and geographical concentration. The total capital requirement for concentration risk is the sum of the capital requirements for the three different categories of concentration risk. Based on this, the Bank maintains sufficient capital for the assessed concentration risk.

Credit valuation adjustment risk

Definition
Credit valuation adjustment ("CVA") risk is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to changes in counterparty credit spreads and market risk factors that drive market prices of derivative transactions and securities financing transactions.

Mitigating measures
CVA risk arise if a counterparty in a transaction might fail before the final settlement of the transaction is performed. More precisely, an adjustment is made to the mid- market valuation of a portfolio of transactions with given counterparties to reflect the current market value of the credit risk of the counterparty but excludes the current market value of the credit risk of the counterparty.

The Bank uses OTC derivatives for its hedging strategies, and the CVA risk is very sensitive to mark-to-market valuations and the terms of the transaction.

The Bank does not have any rating triggers in its derivative contracts, i.e., the provision of collateral by the Bank under derivative agreements would not be affected by a change in the Bank's credit rating.

Credit valuation adjustment exposures are continuously assessed and reported. As CVA risk is a consequence of the hedging activities, and the average term of these activities in most cases is shorter than three years, no specific further risk mitigating actions are taken.

Market risk

Foreign exchange rate risk

Definition
Foreign exchange rate ("FX") risk is a sub-risk category to market risk, and is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to currency fluctuations in foreign exchange rates and changes in the relative value of the involved currencies.

Mitigating measures
Given the Bank's operations in Norway and Finland, the Bank is exposed to market risk related to changes in foreign exchange rates. The Treasury function hedges the exchange rate risk by derivatives and currency-matching of liabilities and assets. There are established policies, instructions, processes and routines for managing exposure to market risk.

Sensitivity analysis with an instantaneous change in currency of 10%
The table below shows the net position in foreign currencies as of the balance sheet date.

TSEK	31 Dec 2022	Value change -10%	Value change +10%	31 Dec 2021	Value change -10%	Value change +10%
EUR position	-116,867	11,687	-11,687	-37,170	3,717	-3,717
GBP position	-	-	-	-	-	-
NOK position	642,921	-64,292	64,292	475,475	-47,548	47,548
Impact on earnings	**526,054**	**-52,605**	**52,605**	**438,306**	**-43,831**	**43,831**

A change in relevant exchange rates in relation to the Swedish krona of -10% would at the balance sheet date result in an instantaneous net negative impact on earnings, prior deduction of tax, amounting to MSEK -52.6 (MSEK -43.8). The effect on equity would be MSEK -41.8 (MSEK -34.8).

Interest rate risk from the banking book

Definition
Interest rate risk in the banking book is a sub-risk category to market risk, and is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to changes in market interest rates affecting the exposures.

Mitigating measures
The interest rate risk derives from income and market value of a loan portfolio as a result of uncertain future interest rates. In particular, the Bank may suffer losses or reduced income as interest rates fluctuate over time, as both the asset and liability bases are a mix of fixed and variable interest-bearing items with different maturities and interest periods. The Bank is thus exposed to the risk of losses arising from negative movements in market interest rates and from the lending and deposits offered by the Bank.

The Bank uses derivative instruments to achieve desired mitigation of interest rate risks. Interest rate risk is primarily attributable to fixed rates to a larger extent being applied to lending, whereas financing to a larger extent is conducted at variable rates. The Bank actively manages the interest rate risk by matching fixed and floating interest rates and durations of assets and liabilities when possible, or by mitigating the risk with hedging instruments.

In accordance with the SFSA's methodology for assessing individual types of risks, exposures to interest rate risk arising as a consequence of interest rate fluctuations are part of the Pillar II capital requirements. By using numerous stress scenarios, the interest rate risk exposure is calculated under unfavourable conditions. If the exposures should exceed set limits, or are close to doing so, the Bank will enter into new hedging instruments to reduce the interest rate exposure to a level within set limits.

The Treasury function performs monthly monitoring and reporting of interest rate risk to management, and the Risk Management function performs independent follow-up and reporting.

Sensitivity analysis in case of market interest rate change of 100 basis points (bps)
The Bank calculates interest risk exposures in several ways, including those based on the SFSA's guidance on methods to assess individual risk types under the Pillar II capital requirement. The tables below show the exposure at a positive/negative change in market interest rates of 100 bps.

TSEK	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+100bps	-7,030	-0.42%
Decreased interest rates	-100bps	7,217	0.43%

The calculation assumes that market interest rates increase/decrease by 100 bps and states the instantaneous change in the economic value for the Bank.

TSEK	Change	Absolute risk	Risk, % of net interest income
Increased interest rates	+100bps	-19,748	-2.47%
Decreased interest rates	-100bps	19,711	2.46%

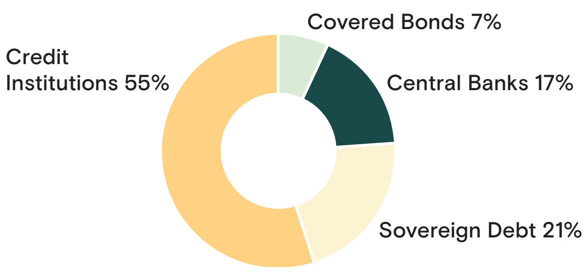
The calculation assumes that market interest rates increase/decrease by 100 bps and states the change in the net interest income for the Bank over the next 12 months.

Liquidity risk

Definition
Liquidity risk is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to not being able to fulfil payment obligations on any given due date without the cost of obtaining the funds increasing considerably.

Mitigating measures
The risk appetite for liquidity risk is low, and the Bank shall retain enough excess liquidity in a liquidity reserve to meet unforeseen cash outflows. The liquidity reserve is only composed of highly rated liquid securities (government bonds and covered bonds) and bank account balances according to the Bank's Liquidity and Financing Risk Management Policy. The Board has set limits for the minimum liquidity reserve and liquidity buffer that the Bank shall maintain at any time. The Bank uses key risk indicators ("KRIs"), in order to detect deviations from the expected liquidity development at an early stage. Contingency plans have also been established to enable rapid responses to mitigate risks related to the size of the liquidity reserve.

Liquidity reserve (Bank)



The distribution of the liquidity reserve is shown in the figure above.

The extent of the liquidity risk exposure depends on the Bank's, and its established branch offices' and subsidiaries' ability to raise the necessary funding to meet its obligations, hence funding risk is interconnected to the liquidity risk.

The Bank is mainly exposed to liquidity risk related to retail deposits and refinancing of issued securities (senior unsecured bonds and covered bonds) and credit facilities. Diversification of funding reduces the liquidity risk. Ongoing interest payments are well matched with corresponding flows attributable to the underlying mortgage assets, which also reduces the liquidity risk. As the Bank diversifies its funding sources, liquidity risk is reduced. Deposit product features and pricing are designed to maximise their cost/risk efficiency. The Bank has retail deposits from the public in Sweden and Norway, which are covered by the respective country's deposit guarantee scheme, which thereby further reduces the liquidity risk. The Bank offers different deposit products depending on the needs of the Bank and market prices, incorporating this risk into its decision making.

	Consolidated situation		Parent	
MSEK	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Liquidity Reserve				
Cash and balances with central banks	501.7	356.4	501.7	356.4
Deposits in other banks	1,701.9	1,164.1	1,684.4	987.1
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	641.4	552.4	641.4	552.4
Covered bonds issued by other institutions	208.3	283.5	208.3	283.5
Total	**3,053.3**	**2,356.4**	**3,035.8**	**2,179.4**

The numbers in the table above include accrued interest.

The LCR and the NSFR are calculated and monitored on a monthly basis. The Treasury function manages the liquidity risks, and reports the liquidity situation on a daily and monthly basis. Additional liquidity monitoring metrics ("ALMM") are also reported to the supervisory authorities on a quarterly basis.

The LCR and the NSFR for the Consolidated situation are shown in the table below.

	Consolidated situation	
	31 Dec 2022	**31 Dec 2021**
Liquidity Coverage Ratio (LCR), %	**472**	**496**
Liquid Assets Level 1	1,210.7	1,052.4
Liquid Assets Level 2	86.2	87.3
High-Quality Liquid Assets, MSEK	**1,296.9**	**1,139.7**
Customer deposits	814.8	761.4
Other outflows	283.2	157.2
Cash Outflows, MSEK	**1,098.0**	**918.6**
Inflows from retail customers, lending activities	226.7	179.9
Other inflows	1,806.7	1,026.5
Cash Inflows (max. 75% of Cash Outflows)	**823.5**	**689.0**
Net Stable Funding Ratio (NSFR), %	**132**	**130**
Available Stable Funding	19.7	18.2
Required Stable Funding	14.9	14.1

Operational risk

Definition

Operational risk is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to inadequate or failed internal processes, people, systems or from external events, including legal risk and information and communication technology ("ICT") risk.

Mitigating measures

The Bank has a range of measures and tools in place for identifying, assessing, managing, monitoring, controlling, documenting and reporting operational risks. These are part of a solid set of policies, instructions, processes, procedures and routines to ensure that the operational risks in the business operations are at an acceptable level, and that processes and IT systems work accordingly. Additionally, the Bank conducts regular training and education of staff, such as mandatory training in operational risk management, incident management, anti-money laundering and terrorism financing, GDPR, bank secrecy, conflicts of interest, code of conduct, and information security. The Bank also has a formal whistle-blowing process to be able to report irregularities.

As part of the risk management framework, all business functions perform risk self-assessments of their operations twice a year, in order to identify and assess risks that could otherwise have been overlooked. Identified operational risks are assessed based on likelihood of occurrence and impact of potential events. Material risks are mitigated by ensuring processes, routines and/or controls, which also increases the knowledge and awareness of the staff and contributes to spreading a consensus of operational risks within the Bank.

The Bank also regularly performs follow-up and controls of outsourced operations to third-party suppliers in order to maintain governance and continuity of the operations.

Through the incident reporting tool, the staff reports incidents for further analysis and follow-up. The Risk Management function continuously monitors reported incidents, and follows up with incident owner and incident responsible staff to ensure that proper actions are taken and to prevent incidents from reoccurring. The Risk Management function reports material incidents to the CEO, the RiCO and the Board.

IT related risks are mitigated in particular through the development and maintenance of reliable IT systems with built-in controls, reconciliations, backup procedures and business continuity through contingency plans, continuity plans and disaster recovery plans in the event of a material disruption. Continuous testing of business continuity management plans are carried out, and structured work is carried out to protect the information. To strengthen this work even further, a continuous review of processes and working methodologies is performed to improve and supplement the Bank's information security. The Bank has a security function that ensures and maintains a high level of information security in the operations, and the function proactively works to increase security awareness in the organisation as well as with partners and to continuously improve the security of the IT environment.

NPAP is an established process for analysing and evaluating risks as a basis for approving new or changed products, services, systems and materials organisational changes.

Furthermore, proactive work is performed to prevent and strengthen the ability to manage serious events that may affect the conduct of business operations or IT systems. Business continuity plans exist that describe how the Bank will operate in the event of serious disruptions, and the plans are tested annually to ensure that they are well adapted to the operations and system environments.

Other risks

In addition to the risks mentioned above, risk assessments are also performed for other risks to which the Bank is, or might be, exposed to, such as strategic risk, business risk, other market risks (settlement risk and credit spread risk), financing risk, credit risk in liquidity reserve, asset liability management risk, environmental, social and governance-related risks, regulatory risk, and reputational risk.

The risks are assessed qualitatively, and thereto material risks are assessed quantitatively as Pillar II capital requirement and in the Bank's ICLAAP to allocate capital to ensure continued financial stability over the strategic business horizon.

Note 3 | Operating segments

The operating segment report is based on the Group's accounting principles, organisation and management accounts. OECD transfer pricing guidelines are applied for invoicing and allocation of cross-border services.

The executive decision maker in the organisation is the CEO. The Chief Commercial Officers ("CCO") in Sweden, Norway and Finland all report to the Chief Executive Officer.

They are responsible for their respective mortgage segment. Each CCO governs their operations based on clearly stated objectives regarding 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 divided into Mortgages Sweden, Mortgages Norway and Mortgages Finland. All companies within the Group relating to mortgages in Sweden (the Parent, BSAB and Step 4) are included in Mortgages Sweden. Mortgages Norway and Finland are operated through each Branch. The personal loan portfolio, which was sold on the 1st of January 2021, is reported under Other operations. The income during 2021 is related to the sale of the portfolio.

Balance sheet 31 Dec 2022

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	Total
Lending to credit institutions	1,063.0	600.3	33.7	–	–	**1,697.0**
Lending to the public	11,118.7	8,716.5	511.1	–	–	**20,346.3**
Deposits from the public	6,568.0	6,671.1	–	–	–	**13,239.1**

Balance sheet 31 Dec 2021

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	Total
Lending to credit institutions	696.3	426.9	23.6	–	–	**1,146.7**
Lending to the public	10,483.8	7,629.8	219.4	–	–	**18,333.1**
Deposits from the public	4,091.4	6,334.6	–	–	–	**10,426.0**

Income statement FY 2022

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	Total
Interest income	658.7	599.6	23.5	–	-31.8	**1,250.1**
of which interest income within group	31.8	–	–	–		
Interest expense	-194.2	-161.7	-4.8	–	31.8	**-328.9**
of which interest expense within group	–	-27.6	-4.2	–		
Net interest income	**464.5**	**438.0**	**18.8**	**–**	**-0.0**	921.2
Total operating income	**449.6**	**440.1**	**18.9**	**–**	**-2.4**	906.2
Total operating expenses	**-264.0**	**-208.3**	**-62.3**	**-35.9**	**2.4**	-568.2
Profit before credit losses	**185.6**	**231.8**	**-43.5**	**-35.9**	**-0.0**	338.0
Credit losses, net	-17.7	-10.8	-1.6	2.1	–	**-28.1**
Operating profit	**167.9**	**220.9**	**-45.1**	**-33.8**	**-0.0**	**309.9**

Income statement FY 2021

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	Total
Interest income	550.0	534.0	7.9	–	-4.1	**1,087.8**
of which interest income within group	4.1	–	–	–		–
Interest expense	-129.6	-128.3	-1.4	–	4.1	**-255.2**
of which interest expense within group	–	-3.0	-1.2	–		–
Net interest income	**420.5**	**405.7**	**6.5**	**–**	**0.0**	**832.7**
Total operating income	**450.3**	**410.1**	**6.5**	**17.9**	**-19.9**	**864.8**
Total operating expenses	**-293.5**	**-215.4**	**-40.1**	**-3.6**	**19.9**	**-532.8**
Profit before credit losses	**156.8**	**194.6**	**-33.6**	**14.3**	**0.0**	**332.1**
Credit losses, net	-0.6	-5.9	-0.3	-0.0	–	**-6.9**
Operating profit	**156.2**	**188.7**	**-33.9**	**14.3**	**0.0**	**325.2**

Note 4 | Net interest income

	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Interest income				
Lending to credit institutions	9.9	1.2	9.8	0.9
Lending to the public	1,232.1	1,083.4	1,232.1	1,083.4
Bonds	8.1	3.2	13.5	19.6
Other	0.0	–	0.0	–
Total interest income	**1,250.1**	**1,087.8**	**1,255.4**	**1,103.9**
of which interest income from financial items calculated using the effective interest method	1,199.5	1,068.3	1,199.4	1,068.0
Interest expense				
Lending to credit institutions	-2.3	-1.8	-2.1	-1.5
Deposits from the public	-176.5	-130.2	-191.6	-184.1
of which deposit guarantee	*-21.4*	*-22.7*	*-21.4*	*-22.7*
Derivates	-41.1	-65.3	-38.5	-55.3
Issued bonds	-107.7	-55.4	-105.5	-46.8
Other	-1.4	-2.5	-0.1	-0.0
of which interest expense for leasing	*-0.7*	*-0.9*	*–*	*–*
Total interest expense	**-328.9**	**-255.2**	**-337.8**	**-287.7**
of which interest income from financial items calculated using the effective interest method	-287.8	-132.7	-299.3	-184.1
Total net interest income	**921.2**	**832.7**	**917.6**	**816.2**

Note 5 | Net gains/losses on financial transactions

	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Bonds - unrealised changes	-8.0	-3.9	-8.0	-3.9
Interest rate derivatives - unrealised changes	2.3	3.5	3.7	4.1
-realised change i value	-	-	-	-
Currency derivatives - unrealised changes	-74.2	-33.0	-75.4	-35.2
- realised change in value	-20.4	5.5	-20.4	5.5
Exchange rate changes other receivables and liabilities - unrealised changes	77.8	27.3	77.8	27.3
Hedge accounting - fair value adjustment hedged item*	-287.5	-94.9	-287.5	-94.9
Hedge accounting - fair value hedge instrument*	286.0	95.7	286.0	95.7
Interest compensation from early redemptions	0.3	5.3	0.3	4.9
Income from sale of personal loan portfolio	-	17.9	-	17.9
Total net gains/losses on financial transactions	**-23.6**	**23.4**	**-23.4**	**21.3**

Refers to the outcome of hedge accounting of fair value for portfolio hedging of interest rate risk.

All derivative contracts in the 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.

Note 6 | Other operating income

	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Billing fees	8.4	8.5	9.4	23.6
Valuation fees	0.1	0.2	0.1	0.2
Other operating income	0.1	0.0	0.1	0.0
Total other operating income	**8.6**	**8.8**	**9.5**	**23.8**

Note 7 | General administration expenses

	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Personnel costs				
Salaries and remuneration	-181.2	-178.7	-178.3	-168.8
Variable performance benefit	-3.9	3.2	-3.8	3.1
Social security fees	-52.9	-53.4	-51.3	-50.6
Pension expenses	-22.3	-18.6	-21.9	-17.8
Other personnel costs	-17.5	-9.1	-17.3	-8.5
Activated salary costs	22.3	20.2	19.6	18.0
Total	**-255.6**	**-236.4**	**-252.9**	**-224.6**
Other administration expenses				
Administration expenses deposits from the public	-1.2	-1.0	-1.2	-4.9
Administration expenses lending to the public	-11.1	-9.1	-18.3	-28.7
Professional fees	-47.0	-19.0	-45.3	-17.8
Other administration expenses	-195.2	-202.4	-211.6	-210.9
Total	**-254.6**	**-231.5**	**-276.4**	**-262.3**
Total general administration expenses	**-510.1**	**-467.9**	**-529.3**	**-486.8**

Note 8 | Auditors remuneration and expenses

	Group		Parent	
TSEK	FY 2022	FY 2021	FY 2022	FY 2021
Ernst & Young AB				
Audit assignment	2,818	2,819	2,758	2,314
Audit activities in addition to audit assignment	68	25	-	-
Total audit expenses	**2,885**	**2,844**	**2,758**	**2,314**

Audit assignments refer to the auditor's compensation for the statutory audit. The work includes the audit of the annual report and accounting, the administration of the board and the managing director and fees for audit advice provided in connection with the audit assignment. Everything else is auditing in addition to the audit assignment, tax counselling or other assignments.

Note 9 | Salaries and remuneration

The Board

The Board's fees are determined by the Bank's Annual General Meeting. At the end of the year the Board consisted of six members.

For participation in the Board's work in the Bank, the Board's ARCCO Committee, as well as the Remuneration Committee, the Board has remunerated six of the members with a total of TSEK 2,960 (TSEK 2,613) during 2022. No remuneration has been paid for the remaining board members.

Senior Management

Compensation to the CEO and other individuals identified as Identified Staff is proposed by the Bank's Remuneration committee and determined by the Board. Compensation to other senior officials is determined by the CEO, and in some cases in consultation with members of the Board. Compensation to the CEO and senior officials consists of a basic salary and pension contributions. The period of notice for the CEO is twelve months. Agreements on severance pay with the CEO or any other Senior Management are determined by individual contracts. Information on compensation according to the SFSA's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on the Bank's website.

Pension commitments

In the Swedish operations, a defined contribution plan is applied for all employees, according to which 4.5% of the employee's gross salary is set aside on a monthly basis and 30% on income over 7.5 income base amounts (in accordance with the BTP plan). In the Norwegian branch, 7% of gross salary is set aside on a monthly basis and 13% on income between 7.1-12 income base amounts, and in the Finnish branch, 7.15% of the gross salary is set aside for people under 52 years old and over 62 years old. For people between 52-62 years old, 8.65% of the gross salary is set aside.

Salaries and remuneration - Members of the Board and CEO FY 2022

TSEK	Salary	Pension	Total
CEO - Björn Lander	5,011	503	**5,514**
Chairman of the Board - Per-Arne Blomquist (resigned Dec 2022)	1,293	-	**1,293**
Chairman of the Board - Jayne Almond (assigned as Board member Apr 2022 and as Chairman in Dec 2022)	-	-	**-**
Board member - Toby Franklin	469	-	**469**
Board member - Lars Wollung (resigned Apr 2022)	313	-	**313**
Board member - Sofia Arhall Bergendorff (resigned Apr 2022)	313	-	**313**
Board member - Rolf Stub	417	-	**417**
Board member - Simon Tillmo	-	-	**-**
Board member - Albert Gustafsson	-	-	**-**
Board member - Julia Ehrhardt	156	-	**156**
Senior Management Team excluding CEO - 8 people	14,786	2,614	**17,399**
Total salaries and remuneration 2022	**22,757**	**3,117**	**25,874**

Salaries and remuneration – Members of the Board and CEO FY 2021

TSEK	Salary	Pension	Total
CEO – Björn Lander	3,795	483	**4,278**
Chairman of the Board – Per-Arne Blomquist	759	–	**759**
Board member – Toby Franklin	455	–	**455**
Board member – Lars Wollung	303	–	**303**
Board member – Sofia Arhall Bergendorff	303	–	**303**
Board member – Rolf Stub	792	–	**792**
Board member – Simon Tillmo	–	–	**–**
Board member – Albert Gustafsson	–	–	**–**
Board member – Julia Ehrhardt (assigned in Oct 2021)	–	–	**–**
Senior Management Team excluding CEO – 8 people	11,677	2,387	**14,064**
Total salaries and remuneration 2021	**18,084**	**2,871**	**20,954**

Salaries and remuneration – Other employees

	Group		Parent	
TSEK	FY 2022	FY 2021	FY 2022	FY 2021
Salaries and remuneration	162,788	155,316	162,434	147,640
Pension costs	22,295	18,562	21,921	17,844
Social security fees	52,940	53,438	51,254	50,590
Other staff costs	17,535	9,082	17,284	8,484
Total salaries, remuneration, social security, and pensions	**255,558**	**236,398**	**252,892**	**224,558**

Distribution by gender of the Board and Senior Management Team

	Parent	
	FY 2022	FY 2021
The Board		
Women	2	2
Men	4	6
Total	**6**	**8**
Management team including CEO		
Women	3	2
Men	6	7
Total	**9**	**9**

Average number of employees

	Group		Parent	
	FY 2022	FY 2021	FY 2022	FY 2021
Sweden				
Women	96	99	95	92
Men	86	91	82	82
Total	**182**	**190**	**177**	**173**
Norway				
Women	31	31	31	31
Men	30	35	30	35
Total	**61**	**66**	**61**	**66**
Finland				
Women	9	4	9	4
Men	13	11	13	11
Total	**22**	**15**	**22**	**15**
Average number of employees	**264**	**272**	**259**	**254**

Note 10 | Credit losses

Provisions are calculated using quantitative models based on inputs and assumptions made by management. The Bank does not calculate provisions for off balance items, i.e. loan commitments, as there is no irrevocable commitment in these contracts and therefore they have no impairment requirements.

The additional provision (Management Overlay in addition to calculated provisions) for higher expected credit losses due to Covid-19 was per June 2022 modified and rolled over to cover for the swift shift in underlying macro with sharply rising interest rates and elevated inflation. Per year end models are updated to reflect current macro outlook. Though, a smaller overlay provision is still maintained due to current strained situation on customers personal finances due to high energy prices and elevated inflation. The closing overlay balance per December 2022 was MSEK 1.2 (MSEK 5.4).

The following points can have major impact on the level of reservations:

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

Credit impairments

	Group & Parent	
MSEK	FY 2022	FY 2021
Stage 1 – net impairment	**-1.2**	**0.3**
Stage 2 – net impairment	**-11.1**	**-1.6**
Stage 3 – impairment / recoveries for the year	**-16.0**	**-6.3**
Write-offs		
Actual losses during the year	-15.9	-21.5
Release of allowances in Stage 3	7.2	13.6
Recoveries from previous write-offs	8.9	8.6
Total write-offs	**0.3**	**0.7**
Total credit losses, net	**-28.1**	**-6.9**

Note 11 | Tax on net result

The tax rate for 2022 in Sweden is 20.6% (20.6%). The tax rate for 2022 in Norway is 25.0% (25.0%) and the tax rate for 2022 in Finland is 20.0% (20.0%).

Tax expense in income statement	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Current tax on net result	-55.6	-68.4	-56.1	-68.1
Tax attributable to previous year	-0.5	-0.5	-	-
Total tax expense	**-56.1**	**-68.9**	**-56.1**	**-68.1**

Reconciliation effective tax	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Net profit for the year	241.8	256.3	238.2	253.5
Tax	56.1	68.9	56.1	68.1
Net profit before tax	**297.9**	**325.2**	**294.3**	**321.6**
Tax attributable to				
Tax based on current tax rate 20.6% (20.6%)	-61.4	-67.0	-60.6	-66.2
Tax effect foreign tax rates	-9.8	-6.5	-11.0	-6.9
Tax effect non deductible income	16.2	5.5	16.2	5.5
Tax effect non deductible costs	-0.7	-0.4	-0.7	-0.3
Deferred tax	-0.5	-0.5	-	-
Total tax expense	**-56.1**	**-68.9**	**-56.1**	**-68.1**
Tax effect attributable to translation reserve				
Tax due to translation differences of foreign operations	-17.4	-5.1	-17.3	-5.3
Total tax effect	**-17.4**	**-5.1**	**-17.3**	**-5.3**
Deferred tax				
Carrying balance	-0.7	-0.5	-	-
Tax based on current tax rate 20.6% (20.6%)	-1.3	-0.7	-	-
Payment of deferred tax	0.7	0.5	-	-
Total deferred tax	**-1.3**	**-0.7**	**-**	**-**
Tax accounted for in balance sheet				
Tax assets	87.9	65.0	79.6	58.8
Tax liabilities	-56.9	48.6	-56.9	-47.1

Note 12 | Cash and balances at central banks

	Group & Parent	
MSEK	31 Dec 2022	31 Dec 2021
Balances at central banks	501.7	356.4
Cash	0.0	0.0
Total cash and balances at central banks	**501.7**	**356.4**

Note 13 | Lending to credit institutions

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Swedish banks	1,697.0	1,146.7	1,684.4	987.1
Total lending to credit institutions	**1,697.0**	**1,146.7**	**1,684.4**	**987.1**

Note 14 | Lending to the public

	Group & Parent	
MSEK	31 Dec 2022	31 Dec 2021
Valued at amortised cost		
Mortgages Sweden	10,107.4	9,941.6
Mortgages Norway	8,716.5	7,629.8
Mortgages Finland	511.1	219.4
Valued at fair value		
Mortgages Sweden	1,011.4	542.3
Total lending to the public	**20,346.3**	**18,333.1**

The loan to value per 31 December 2022 for mortgages valued at amortised cost was 67.0% (69.1%).

The tables on the following page provide a breakdown of lending to the public at amortised cost and provisions per stage, and movements during the period.

31 Dec 2022	Group & Parent								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	9,059.8	933.9	152.7	**10,146.4**	-5.0	-19.9	-14.1	**-39.1**	**10,107.4**
Mortgages Norway	7,553.0	976.7	205.6	**8,735.3**	-1.9	-11.2	-5.7	**-18.8**	**8,716.5**
Mortgages Finland	472.4	26.3	14.5	**513.2**	-0.2	-0.6	-1.3	**-2.2**	**511.1**
Total	**17,085.3**	**1,936.9**	**372.8**	**19,394.9**	**-7.2**	**-31.7**	**-21.1**	**-60.0**	**19,334.9**

31 Dec 2021	Group & Parent								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	9,039.1	797.7	128.3	**9,965.0**	-4.5	-10.8	-8.2	**-23.5**	**9,941.6**
Mortgages Norway	6,458.8	1,014.6	170.9	**7,644.2**	-1.5	-9.1	-3.8	**-14.4**	**7,629.8**
Mortgages Finland	207.3	12.0	0.5	**219.8**	-0.1	-0.3	-0.0	**-0.4**	**219.4**
Total	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**	**-6.0**	**-20.3**	**-12.0**	**-38.3**	**17,790.8**

	Group & Parent			
MSEK	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 Jan 2022	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**
Reported value gross 31 Dec 2022	**17,085.3**	**1,936.9**	**372.8**	**19,394.9**
Provisions 1 Jan 2022	**-6.0**	**-20.3**	**-12.0**	**-38.3**
New financial assets	-2.9	-8.6	-3.7	**-15.1**
Change in PD/LGD/EAD	0.4	-1.9	-0.5	**-1.9**
Change due to expert credit judgement	-0.2	-1.0	–	**-1.2**
Transfers between stages	**0.3**	**-5.5**	**-11.9**	**-17.1**
Transfer from stage 1 to 2	0.6	-12.4	–	**-11.8**
Transfer from stage 1 to 3	0.1	–	-5.3	**-5.2**
Transfer from stage 2 to 1	-0.4	4.3	–	**3.9**
Transfer from stage 2 to 3	–	3.1	-7.9	**-4.8**
Transfer from stage 3 to 1	-0.0	–	0.2	**0.2**
Transfer from stage 3 to 2	–	-0.5	1.2	**0.7**
Changes in exchange rates	-0.1	-0.4	-0.3	**-0.7**
Removed financial assets	1.3	5.9	7.2	**14.4**
Provisions 31 Dec 2022	**-7.2**	**-31.7**	**-21.1**	**-60.0**
Reported value net 1 Jan 2022	**15,699.2**	**1,804.0**	**287.6**	**17,790.8**
Reported value net 31 Dec 2022	**17,078.1**	**1,905.2**	**351.7**	**19,334.9**

	Group & Parent			
MSEK	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 Jan 2021	**14,581.9**	**1,744.2**	**330.4**	**16,656.5**
Reported value gross 31 Dec 2021	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**
Provisions 1 Jan 2021	**-6.1**	**-18.1**	**-19.0**	**-43.3**
New financial assets	-2.5	-3.1	-0.7	**-6.2**
Change in PD/LGD/EAD	1.6	1.3	0.8	**3.7**
Change due to expert credit judgement	-0.9	-4.5	–	**-5.4**
Transfers between stages	**0.3**	**-0.5**	**-6.5**	**-6.6**
Transfer from stage 1 to 2	0.5	-5.4	–	**-4.9**
Transfer from stage 1 to 3	0.1	–	-3.7	**-3.7**
Transfer from stage 2 to 1	-0.3	3.6	–	**3.4**
Transfer from stage 2 to 3	–	1.9	-4.4	**-2.6**
Transfer from stage 3 to 1	-0.0	–	0.2	**0.2**
Transfer from stage 3 to 2	–	-0.6	1.5	**0.9**
Changes in exchange rates	-0.1	-0.5	-0.3	**-0.8**
Removed financial assets	1.7	5.1	13.6	**20.3**
Provisions 31 Dec 2021	**-6.0**	**-20.3**	**-12.0**	**-38.3**
Reported value net 1 Jan 2021	**14,575.8**	**1,726.1**	**311.4**	**16,613.3**
Reported value net 31 Dec 2021	**15,699.2**	**1,804.0**	**287.6**	**17,790.8**

Transferred assets which are not removed from the balance sheet in the Parent company:

The Bank has kept the assets sold to the securitisation company, Step 4, in its own balance sheet since they do not fulfil the requirements for derecognition. Several tests have been performed and the conclusion is supported by the following factors:

- The size of the Banks earnings is directly dependent of the financial performance of the assets
- The credit risk is not transferred to Step 4 as the Bank has invested in underlying bonds with low ranking (lower payment priority)

The counterpart item to lending in Step 4 is shown as liabilities to credit institutions in the balance sheet of the Parent. At the initial transaction in March 2017, the assets had a value of MSEK 2,986. The table below shows the presented values of the assets:

Transferred assets Step 4	9 Mar 2017	31 Dec 2021	31 Dec 2022
Lending to the public, MSEK	2,986.1	862.8	0.0
Total transferred assets	**2,986.1**	**862.8**	**0.0**

Note 15 | Hedge accounting and derivatives

The derivative instruments consist of hedging instruments covering lending to the public, bonds and other interest-bearing securities. A breakdown of the counterparties to the derivatives is specified below:

Assets	Group					
	31 Dec 2022			31 Dec 2021		
MSEK	Notional amount	Purchase value	Reported value	Notional amount	Purchase value	Reported value
Swedish financial institutes	7,637.2	–	248.7	6,451.1	–	45.1
Foreign financial institutes	3,001.5	–	89.1	5,006.2	–	30.9
Total	**10,638.7**	**–**	**337.8**	**11,457.3**	**–**	**76.0**

Assets	Parent					
	31 Dec 2022			31 Dec 2021		
MSEK	Notional amount	Purchase value	Reported value	Notional amount	Purchase value	Reported value
Swedish financial institutes	7,637.2	–	248.7	6,451.1	–	45.1
Foreign financial institutes	3,001.5	–	89.1	2,066.5	–	12.6
Total	**10,638.7**	**–**	**337.8**	**8,517.6**	**–**	**57.7**

Liabilities	Group					
	31 Dec 2022			31 Dec 2021		
MSEK	Notional amount	Purchase value	Reported value	Notional amount	Purchase value	Reported value
Swedish financial institutes	4,311.5	–	26.3	3,617.2	–	23.2
Foreign financial institutes	963.8	–	18.3	3,211.3	–	8.3
Total	**5,275.3**	**–**	**44.6**	**6,828.5**	**–**	**31.4**

Liabilities	Parent					
	31 Dec 2022			31 Dec 2021		
MSEK	Notional amount	Purchase value	Reported value	Notional amount	Purchase value	Reported value
Swedish financial institutes	4,311.5	–	26.3	3,617.2	–	23.2
Foreign financial institutes	963.8	–	18.3	3,211.3	–	8.3
Total	**5,275.3**	**–**	**44.6**	**6,828.5**	**–**	**31.4**

The Bank uses derivative instruments to achieve desired reduction of interest rate risks. Interest rate risks are in SEK and NOK and primarily attributable to fixed rates to a larger extent being applied to lending, whereas financing is to a larger extent conducted at variable rates. The Bank began to apply hedge accounting during 2016 for new derivative transactions.

The Bank applies fair value hedging in accordance with the carve-out method in IAS 39. The hedged items consist of portfolios of borrowing, deposits and lending. The hedging instruments consist of interest rate swaps in SEK and NOK where Bluestep pays a fixed interest and receives a variable interest, usually with a maturity of up to three years. These interest rate swaps have either STIBOR 3M or NIBOR 3M as reference rates and are thereby not affected of the IBOR-transition which was applied from the 31 December 2021.

The hedging ratio between hedging instruments and hedged items is 1: 1. The efficiency of the hedging relationship is evaluated by comparing the change in the fair value of hedging instruments and the hedged item, respectively. Possible inefficiencies in the economic relationship are mainly attributable to differences in changes in value in interest rate swaps in relation to changes in value in the hedged item.

The change in value of hedged items amounted to MSEK -287.5 (MSEK -94.9) as per 31 December 2022, and the corresponding change in value of hedge instruments was MSEK 286.0 (MSEK 95.7). The unrealized market valuation of hedge accounting is reported under "Net result of financial transactions" and amounted to MSEK -1.5 (MSEK 0.8). The hedge accounting is effective and thereby meets the conditions for when hedge accounting may be applied.

Hedging instruments and hedge ineffectiveness

		Carrying amount			
MSEK	Nominal amount	Assets	Liabilities	Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit/loss
Interest rate risk					
Interest rate swap 2022	10,268.7	331.9	–	286.0	-1.5
Interest rate swap 2021	13,211.8	54.5	-9.3	95.7	0.8

Hedged items

	Carrying amount		Accumulated adjustment on the hedged item		
MSEK	Assets	Liabilities	Assets	Liabilities	Change in value used for measuring hedge ineffectiveness
Interest rate risk					
Lending to the public 2022	10,102.2	–	–	-334.9	-287.5
Lending to the public 2021	11,476.2	–	–	-46.6	-94.9

Maturity profile and average price, hedging instruments

	31 Dec 2022			31 Dec 2021		
	Remaining contractual maturity			Remaining contractual maturity		
MSEK	<1 year	1–5 years	>5 years	<1 year	1–5 years	>5 years
Fair value hedges						
Nominal amount	3,495.7	6,772.9	–	4,241.9	8,969.9	–
Average fixed interest rate, %	0.24%	1.15%	–	0.76%	0.41%	–

Note 16 | Bonds and other interest-bearing securities

	Group & Parent			
	31 Dec 2022		31 Dec 2021	
MSEK	Purchase value	Reported value	Purchase value	Reported value
Government debt securities				
Swedish issuers				
Bonds issued by the Swedish government or municipalities	328.8	321.3	344.3	337.9
Total government debt securities	**328.8**	**321.3**	**344.3**	**337.9**
Bonds and other interest-bearing securities				
Swedish issuers				
Covered bonds (listed) issued by Swedish credit institutions	103.9	101.4	103.9	102.8
Foreign issuers				
Bonds issued by the Norwegian government	315.3	313.6	211.0	209.9
Covered bonds (listed) issued by Norwegian credit institutions	100.8	106.0	179.4	180.3
Total bonds and other interest-bearing securities	**520.0**	**521.0**	**494.2**	**493.0**

Note 17 | Shares in associated companies

Company name	Number of shares	Share %	Recognised value 2022 MSEK	Recognised value 2021 MSEK
Bluestep Finans Funding No 1 AB	100,000	100%	0.1	0.1
Bluestep Mortgage Securities No 2 Designated Activity Company	1	100%	0.0	0.0
Bluestep Mortgage Securities No 3 Designated Activity Company	1	100%	0.0	0.0
Bluestep Mortgage Securities No 4 Designated Activity Company	1	100%	0.0	0.0
Bluestep Servicing AB	50,000	100%	0.1	0.1
Total			**0.2**	**0.2**

Company name	Reg. No.	Domicile	Equity	Net profit 2022 MSEK	Net profit 2021 MSEK
Bluestep Finans Funding No 1 AB	556791-6928	Stockholm	2.6	0.3	-0.2
Bluestep Mortgage Securities No 2 Designated Activity Company	522186	Dublin	0.0	-0.0	0.2
Bluestep Mortgage Securities No 3 Designated Activity Company	550839	Dublin	0.0	-0.2	-0.1
Bluestep Mortgage Securities No 4 Designated Activity Company	596111	Dublin	0.0	1.7	1.2
Bluestep Servicing AB	556955-3927	Stockholm	22.4	-0.0	0.1

Note 18 | Intangible assets

	Group		Parent	
	Internally developed software		Internally developed software	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Acquisition value brought forward	**348.3**	**307.9**	**326.7**	**278.8**
Balanced cost for internal development	22.3	20.7	19.6	19.9
Investments for the year	31.4	26.5	32.3	26.5
This year's exchange rate differences	0.2	1.5	0.2	1.5
Disposals	0.4	-8.2	-	-
Acquisition value carried forward	**402.7**	**348.3**	**378.8**	**326.7**
Depreciation brought forward	**-235.8**	**-191.1**	**-216.6**	**-171.7**
Depreciation for the year	-40.6	-42.2	-39.4	-34.5
Translation difference	-0.1	-1.4	-0.1	-1.4
Impairments	-	-9.2	-	-9.0
Disposals	0.4	8.2	-	-
Depreciation carried forward	**-276.0**	**-235.8**	**-256.1**	**-216.6**
Closing residual value	**126.7**	**112.6**	**122.7**	**110.1**

Investments of intangible assets consist of a combination of IT systems and internally developed system- and software development costs. FX revaluation of foreign operations result in an exchange rate difference amounting to MSEK -0.1 (MSEK -1.4) as of the balance sheet date. The exchange rate difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement. Average remaining maturity is 30.8 months (36.4 months).

Note 19 | Tangible assets

	Group				Parent	
	31 Dec 2022		31 Dec 2021		31 Dec 2022	31 Dec 2021
MSEK	Total	of which right-of-use asset	Total	of which right-of-use asset	Total	Total
Acquisition value brought forward	**97.7**	**72.3**	**98.2**	**70.5**	**23.0**	**25.2**
Investments for the year	11.3	0.5	4.2	0.4	10.9	3.9
Translation difference	1.2	1.0	1.8	1.5	0.2	0.3
Divestments/ disposals	-	-	-6.8	-0.3	-	-6.4
Assessments and modifications	6.3	6.3	0.3	0.3	-	-
Acquisition value carried forward	**116.5**	**80.1**	**97.7**	**72.3**	**34.1**	**23.0**
Depreciation brought forward	**-54.5**	**-35.9**	**-45.3**	**-23.2**	**-16.3**	**-19.9**
Depreciation for the year	-18.0	-16.7	-15.3	-12.6	-2.0	-2.6
Translation difference	-1.7	-0.6	-0.7	-0.5	-1.1	-0.3
Divestments/ disposals	-	0.7	6.8	0.3	-	6.4
Depreciation carried forward	**-74.2**	**-52.5**	**-54.5**	**-35.9**	**-19.4**	**-16.3**
Closing residual value	**42.3**	**27.6**	**43.1**	**36.4**	**14.7**	**6.7**

FX revaluation of foreign operations result in an exchange rate difference amounting to MSEK -1.7 (MSEK -0.7) as at balance sheet date. The exchange rate difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement.

Note 20 | Other assets

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accounts receivable	29.9	9.7	29.9	8.5
Intercompany receivables	0.0	1.9	1.5	1.9
Securities financial instruments[1]	18.2	49.6	18.2	49.6
Long term deposits	0.0	0.5	0.0	0.5
Other receivables	1.1	0.5	1.1	0.5
Total other assets	**49.2**	**62.1**	**50.7**	**61.0**

[1] *Collateral in the form of cash that the parties clear between each other due to changes in the value of the underlying financial instruments.*

Not 21 | Prepaid expenses and accrued income

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued interest bonds and other interest-bearing securities	36.7	5.0	36.7	5.0
Other prepaid expenses and accrued income	17.4	17.9	17.4	17.4
Total prepaid expenses and accrued income	**54.1**	**23.0**	**54.1**	**22.4**

Note 22 | Liabilities to credit institutions

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Debts to Bluestep No 4 Designated Activity Company	-	-	0.9	329.4
Total liabilities to credit institutions	**-**	**-**	**0.9**	**329.4**

Note 23 | Issued bonds

Bonds secured by mortgages	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Covered bonds, issued in SEK	6,012.8	5,411.6	6,012.8	5,411.6
RMBS-transaction (Step 4)	-	493.1	-	-
Total bonds secured by mortgages	**6,012.8**	**5,904.7**	**6,012.8**	**5,411.6**

Unsecured bonds	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Senior unsecured bonds, issued in SEK	1,559.5	2,050.4	1,559.5	2,050.4
Senior unsecured bonds, issued in NOK	586.6	566.0	586.6	566.0
Total unsecured bonds	**2,146.1**	**2,616.4**	**2,146.1**	**2,616.4**

Note 24 | Deposits from the public

	Group & Parent	
MSEK	31 Dec 2022	31 Dec 2021
Deposits from the public	13,239.1	10,426.0
Total deposits from the public	**13,239.1**	**10,426.0**

Note 25 | Other liabilities

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Trade creditors	44.9	19.2	44.9	18.6
Intercompany liabilities	12.0	0.0	15.2	7.2
Social security fees	18.9	14.3	18.6	13.7
Lease liabilities	21.8	33.4	-	-
Other liabilities	357.9	36.0	357.9	36.1
Total other liabilities	**455.6**	**102.9**	**436.5**	**75.6**

Note 26 | Accrued expenses and prepaid income

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued salaries and remunerations	16.9	25.6	16.6	24.5
Accrued social security fees	4.1	4.1	4.1	4.0
Accrued interest	11.0	7.2	11.0	7.2
Other accrued expenses and prepaid income	20.5	20.7	19.6	21.9
Total accrued expenses and prepaid income	**52.5**	**57.5**	**51.2**	**57.4**

Note 27 | Provisions

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Staff provisions	-	2.2	-	-
Facility provisions	-	2.8	-	-
Total provisions	**-**	**5.0**	**-**	**-**

The provisions in 2021 consisted of costs in accordance with the restructuring of the new Nordic back office.

Note 28 | Assets and liabilities duration information

Group

Remaining duration 31 Dec 2022	Non discounted contractual cash flows						
MSEK	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**Without duration**	**Total**
Assets							
Cash and balances at central banks	501.7	–	–	–	–	–	**501.7**
Lending to credit institutions	1,697.0	–	–	–	–	–	**1,697.0**
Lending to the public	–	159.2	321.3	1,713.8	18,380.0	-228.0	**20,346.3**
Value change of interest-hedged items in portfolio hedging	–	–	–	–	–	-334.9	**-334.9**
Derivatives	–	5.0	49.2	283.7	–	–	**337.8**
Bonds and other interest-bearing securities	–	–	203.6	638.7	–	–	**842.3**
Intangible assets	–	–	–	–	–	126.7	**126.7**
Tangible assets	–	–	–	–	–	42.3	**42.3**
Other assets	–	52.3	139.0	–	–	–	**191.3**
Total assets	**2,198.7**	**216.5**	**713.1**	**2,636.2**	**18,380.0**	**-393.9**	**23,750.6**
Liabilities							
Issued bonds	–	48.4	1,900.0	6,131.4	–	79.0	**8,158.9**
Deposits from the public	7,660.1	1,955.9	3,010.0	613.2	–		**13,239.1**
Derivatives	–	10.0	34.5	–	–		**44.6**
Other liabilities	–	451.9	114.4	–	–		**566.3**
of which lease liabilities	–	–	*11.1*	*10.7*	–	–	***21.8***
Equity	–	–	–	–	–	1,741.8	**1,741.8**
Total equity and liabilities	**7,660.1**	**2,466.2**	**5,058.9**	**6,744.6**	**–**	**1,820.8**	**23,750.6**

Group

Remaining duration 31 Dec 2021	Non discounted contractual cash flows						
MSEK	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**Without duration**	**Total**
Assets							
Cash and balances at central banks	356.4	–	–	–	–	–	**356.4**
Lending to credit institutions	1,146.7	–	–	–	–	–	**1 146.7**
Lending to the public	–	31.0	2.5	14.5	18,561.6	-276.5	**18,333.1**
Value change of interest-hedged items in portfolio hedging	–	–	–	–	–	-46.6	**-46.6**
Derivatives	–	0.4	18.2	56.7	–	0.7	**76.0**
Bonds and other interest-bearing securities	–	–	107.5	723.3	–	–	**830.9**
Intangible assets	–	–	–	–	–	112.6	**112.6**
Tangible assets	–	–	–	–	–	43.1	**43.1**
Other assets	–	63.0	87.0	–	–	–	**150.0**
Total assets	**1,503.1**	**94.4**	**215.2**	**794.5**	**18,561.6**	**-166.6**	**21,002.2**
Liabilities							
Issued bonds	–	14.9	1,492.5	6,914.0	–	99.7	**8,521.1**
Deposits from the public	7,304.5	1,107.5	1,436.0	578.0	–	–	**10,426.0**
Derivatives	–	8.7	20.2	2.5	–	–	**31.4**
Other liabilities	–	125.6	69.0	20.0	–	–	**214.6**
of which lease liabilities	–	*4.0*	*9.4*	*20.0*	–	–	***33.4***
Equity	–	–	–	–	–	1,809.0	**1,809.0**
Total equity and liabilities	**7,304.5**	**1,256.7**	**3,017.7**	**7,514.6**	**–**	**1,908.7**	**21,002.2**

Remaining duration 31 Dec 2022	Parent						
	Non discounted contractual cash flows						
MSEK	Payable on demand	< 3 mth	3 mth – 1 yr	1 – 5 yr	>5 yr	Without duration	Total
Assets							
Cash and balances at central banks	501.7	–	–	–	–	–	**501.7**
Lending to credit institutions	1,684.4	–	–	–	–	–	**1,684.4**
Lending to the public	–	159.2	321.3	1,713.8	18,380.0	–228.0	**20,346.3**
Value change of interest-hedged items in portfolio hedging	–	–	–	–	–	–334.9	**–334.9**
Derivatives	–	5.0	49.2	283.7	–	–	**337.8**
Bonds and other interest-bearing securities	–	–	203.6	638.7	–	–	**842.3**
Shares and participations in associated companies	–	–	–	–	–	0.2	**0.2**
Intangible assets	–	–	–	–	–	122.7	**122.7**
Tangible assets	–	–	–	–	–	14.7	**14.7**
Other assets	–	53.7	130.7	–	–	–	**184.4**
Total assets	**2,186.1**	**217.9**	**704.8**	**2,636.2**	**18,380.0**	**–425.3**	**23,699.7**
Liabilities							
Liabilities to credit institutions	–	–	0.9	–	–	–	**0.9**
Issued bonds	–	48.4	1,900.0	6,131.4	–	79.0	**8,158.9**
Deposits from the public	7,660.1	1,955.9	3,010.0	613.2	–	–	**13,239.1**
Derivatives	–	10.0	34.5	–	–	–	**44.6**
Other liabilities	–	450.2	94.4	–	–	–	**544.6**
Equity	–	–	–	–	–	1,711.6	**1,711.6**
Total equity and liabilities	**7,660.1**	**2,464.5**	**5,039.8**	**6,744.6**	**–**	**1,790.6**	**23,699.7**

Remaining duration 31 Dec 2021	Parent						
	Non discounted contractual cash flows						
MSEK	Payable on demand	< 3 mth	3 mth – 1 yr	1 – 5 yr	>5 yr	Without duration	Total
Assets							
Cash and balances at central banks	356.4	–	–	–	–	–	**356.4**
Lending to credit institutions	987.1	–	–	–	–	–	**987.1**
Lending to the public	–	31.0	2.5	14.5	18,561.6	–276.5	**18,333.1**
Value change of interest-hedged items in portfolio hedging	–	–	–	–	–	–46.6	**–46.6**
Derivatives	–	0.4	0.4	56.7	–	0.2	**57.7**
Bonds and other interest-bearing securities	–	–	107.5	723.3	–	–	**830.9**
Shares and participations in associated companies	–	–	–	–	–	0.2	**0.2**
Intangible assets	–	–	–	–	–	110.1	**110.1**
Tangible assets	–	–	–	–	–	6.7	**6.7**
Other assets	–	61.9	80.3	–	–	–	**142.2**
Total assets	**1,343.5**	**93.3**	**190.7**	**794.5**	**18,561.6**	**–205.9**	**20,777.6**
Liabilities							
Liabilities to credit institutions	–	–	329.4	–	–	–	**329.4**
Issued bonds	–	13.8	1,000.0	6,914.0	–	100.3	**8,028.0**
Deposits from the public	7,304.5	1,107.5	1,436.0	578.0	–	–	**10,426.0**
Derivatives	–	8.7	20.2	2.5	–	–	**31.4**
Other liabilities	–	115.4	64.7	–	–	–	**180.1**
Equity	–	–	–	–	–	1,782.7	**1,782.7**
Total equity and liabilities	**7,304.5**	**1,245.4**	**2,850.3**	**7,494.5**	**–**	**1,882.9**	**20,777.6**

Note 29 | Financial assets and liabilities

Financial instruments 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. Transfers between different levels in the hierarchy may occur when there are indications that the market conditions, e.g. liquidity, have changed. Lending to the public valued at fair value through profit or loss is calculated based on assumptions of lifetime, reference rates and value of the collateral. Lending to the public is classified in its entirety at Level 3.

Level 1 uses valuation of quoted prices in an active market, i.e. easily accessible by different market participants and represent actual and frequent transactions. Bonds and other interest-bearing securities, which are actively traded are shown here. Level 2 uses calculated values that are based on observable market prices for similar instruments, or instruments on a less active market. This level includes 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. At this level there is a certain proportion of lending to the public.

Assets and liabilities 31 Dec 2022

	Group				
MSEK	Valued at fair value through profit or loss[1]	*of which hedge accounting*	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	–	501.7	–	**501.7**
Lending to credit institutions	–	–	1,697.0	–	**1,697.0**
Lending to the public	1,011.4	–	19,334.9	–	**20,346.3**
Value change of interest-hedged items in portfolio hedging	–	–	-334.9	–	**-334.9**
Derivatives	337.8	*331.9*	–	–	**337.8**
Bonds and other interest-bearing securities	521.0	–	–	–	**521.0**
Government debt securities	321.3	–	–	–	**321.3**
Other assets	–	–	29.9	19.3	**49.2**
Prepaid expenses and accrued income	–	–	36.7	17.4	**54.1**
Total non-financial assets	–	–	–	256.9	**256.9**
Total assets	**2,191.5**	***331.9***	**21,265.4**	**293.7**	**23,750.6**
Liabilities and provisions					
Issued bonds	–	–	8,158.9	–	**8,158.9**
Deposits from the public	–	–	13,239.1	–	**13,239.1**
Derivatives	44.6	–	–	–	**44.6**
Other liabilities	–	–	436.7	18.9	**455.6**
Prepaid income and accrued expenses	–	–	52.5	–	**52.5**
Total non-financial liabilities	–	–	–	58.2	**58.2**
Total liabilities and provisions	**44.6**	**–**	**21,887.2**	**77.1**	**22,008.8**

[1] *Mandatorily at fair value through profit and loss*

Assets and liabilities 31 Dec 2021

	Group				
MSEK	Valued at fair value through profit or loss[1]	*of which hedge accounting*	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	–	356.4	–	**356.4**
Lending to credit institutions	–	–	1,146.7	–	**1,146.7**
Lending to the public	542.3	–	17,790.8	–	**18,333.1**
Value change of interest-hedged items in portfolio hedging	–	–	-46.6	–	**-46.6**
Derivatives	76.0	*54.5*	–	–	**76.0**
Bonds and other interest-bearing securities	493.0	–	–	–	**493.0**
Government debt securities	337.9	–	–	–	**337.9**
Other assets	–	–	11.6	50.5	**62.1**
Prepaid expenses and accrued income	–	–	5.0	17.9	**23.0**
Total non-financial assets	–	–	–	220.7	**220.7**
Total assets	**1,449.1**	***54.5***	**19,263.9**	**289.1**	**21,002.2**
Liabilities and provisions					
Issued bonds	–	–	8,521.1	–	**8,521.1**
Deposits from the public	–	–	10,426.0	–	**10,426.0**
Derivatives	31.4	*9.3*	–	–	**31.4**
Other liabilities	–	–	88.6	14.3	**102.9**
Prepaid income and accrued expenses	–	–	57.5	–	**57.5**
Provisions	–	–	5.0	–	**5.0**
Total non-financial liabilities	–	–	–	49.3	**49.3**
Total liabilities and provisions	**31.4**	***9.3***	**19,098.2**	**63.6**	**19,193.2**

[1] *Mandatorily at fair value through profit and loss*

Assets and liabilities 31 Dec 2022

MSEK	Parent: Valued at fair value through profit or loss[1]	*of which hedge accounting*	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	–	501.7	–	**501.7**
Lending to credit institutions	–	–	1,684.4	–	**1,684.4**
Lending to the public	1,011.4	–	19,334.9	–	**20,346.3**
Value change of interest-hedged items in portfolio hedging	–	–	-334.9	–	**-334.9**
Derivatives	337.8	*331.9*	–	–	**337.8**
Bonds and other interest-bearing securities	521.0	–	–	–	**521.0**
Government debt securities	321.3	–	–	–	**321.3**
Shares and participations in associated companies	–	–	–	0.2	**0.2**
Other assets	–	–	31.3	19.3	**50.7**
Prepaid expenses and accrued income	–	–	36.7	17.4	**54.1**
Total non-financial assets	–	–	–	217.1	**217.1**
Total assets	**2,191.5**	***331.9***	**21,254.2**	**254.0**	**23,699.7**
Liabilities					
Liabilities to credit institutions	–	–	0.9	–	**0.9**
Issued bonds	–	–	8,158.9	–	**8,158.9**
Deposits from the public	–	–	13,239.1	–	**13,239.1**
Derivatives	44.6	–	–	–	**44.6**
Tax liabilities	–	–	–	56.9	**56.9**
Other liabilities	–	–	417.9	18.6	**436.5**
Prepaid income and accrued expenses	–	–	51.2	–	**51.2**
Total liabilities	**44.6**	**–**	**21,868.0**	**75.5**	**21,988.1**

[1] *Mandatorily at fair value through profit and loss*

Assets and liabilities 31 Dec 2021

MSEK	Parent: Valued at fair value through profit or loss[1]	*of which hedge accounting*	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	–	356.4	–	**356.4**
Lending to credit institutions	–	–	987.1	–	**987.1**
Lending to the public	542.3	–	17,790.8	–	**18,333.1**
Value change of interest-hedged items in portfolio hedging	–	–	-46.6	–	**-46.6**
Derivatives	57.7	*54.5*	–	–	**57.7**
Bonds and other interest-bearing securities	493.0	–	–	–	**493.0**
Government debt securities	337.9	–	–	–	**337.9**
Shares and participations in associated companies	–	–	–	0.2	**0.2**
Other assets	–	–	10.5	50.5	**61.0**
Prepaid expenses and accrued income	–	–	5.0	17.4	**22.4**
Total non-financial assets	–	–	–	175.6	**175.6**
Total assets	**1,430.8**	***54.5***	**19,103.2**	**243.6**	**20,777.6**
Liabilities					
Liabilities to credit institutions	–	–	329.4	–	**329.4**
Issued bonds	–	–	8,028.0	–	**8,028.0**
Deposits from the public	–	–	10,426.0	–	**10,426.0**
Derivatives	31.4	*9.3*	–	–	**31.4**
Tax liabilities	–	–	–	47.1	**47.1**
Other liabilities	–	–	61.9	13.7	**75.6**
Prepaid income and accrued expenses	–	–	57.4	–	**57.4**
Total liabilities	**31.4**	***9.3***	**18,902.8**	**60.7**	**18,994.9**

[1] *Mandatorily at fair value through profit and loss*

Financial assets and liabilities are valued both at fair value through profit or loss and amortised cost. All derivative contracts included in assets and liabilities (valued at fair value) are entered into for the purpose of hedging interest rate- and currency risks in the Group's business. All interest-bearing securities (valued at fair value) 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 post is not subject to significant value changes. Any currency effects are 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 31 December 2022 compared to the current interest rate of the loans. Method for determining the fair value of derivatives is described in Note 1 "Accounting principles". Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

Deposits from the public generally have short term maturity profiles why the market value is in accordance with the carrying value. For all other financial assets and liabilities with a short term period the carrying value equals the fair value since the discounted value does not produce a noticeable effect.

Valued at fair value through profit or loss per level

	Group							
	31 Dec 2022				31 Dec 2021			
MSEK	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	–	–	1,011.4	**1,011.4**	–	–	542.3	**542.3**
Derivatives	–	337.8	–	**337.8**	–	76.0	–	**76.0**
Bonds / other interest-bearing securities	842.3	–	–	**842.3**	830.9	–	–	**830.9**
Total	**842.3**	**337.8**	**1,011.4**	**2,191.5**	**830.9**	**76.0**	**542.3**	**1,449.1**
Liabilities								
Derivatives	–	44.6	–	**44.6**	–	31.4	–	**31.4**
Total	**–**	**44.6**	**–**	**44.6**	**–**	**31.4**	**–**	**31.4**

	Parent							
	31 Dec 2022				31 Dec 2021			
MSEK	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	–	–	1,011.4	**1,011.4**	–	–	542.3	**542.3**
Derivatives	–	337.8	–	**337.8**	–	57.7	–	**57.7**
Bonds / other interest-bearing securities	842.3	–	–	**842.3**	830.9	–	–	**830.9**
Total	**842.3**	**337.8**	**1,011.4**	**2,191.5**	**830.9**	**57.7**	**542.3**	**1,430.8**
Liabilities								
Derivatives	–	44.6	–	**44.6**	–	31.4	–	**31.4**
Total	**–**	**44.6**	**–**	**44.6**	**–**	**31.4**	**–**	**31.4**

Changes in lending to the public valued at fair value in level 3

Assets 31 Dec 2022

	Group & Parent					
MSEK	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Gains/ losses on revaluation	Total
Lending to the public	542.3	498.2	-68.8	40.8	-1.1	**1,011.4**

Assets 31 Dec 2021

	Group & Parent					
MSEK	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Gains/ losses on revaluation	Total
Lending to the public	216.8	325.7	-15.2	14.9	0.0	**542.3**

Sensitivity analysis for lending to the public in level 3

The Bank has performed a sensitivity analysis of lending to the public valued at fair value altering assumptions of unobservable inputs in the valuation model. The sensitivity analysis is done in two parts, the first one being based on a parallel shift of the yield curve with 1% and the second is based on an instant movement in house prices of 10%.

An upward parallel shift of the yield curve with 1% would result in a negative change in fair value of MSEK 11 (MSEK 0) and a downward parallel shift with 1% would result in a positive change in fair value of MSEK 1 (MSEK 0). An instant decline in house prices of 10% would result in a negative change in fair value of MSEK 7 (MSEK 0) and an instant increase in house prices of 10% would result in a positive change i fair value of MSEK 1 (MSEK 0).

Note 30 | Capital adequacy analysis – Parent company and Consolidated situation

This capital adequacy information complies with the disclosure requirements for credit institutions set out in the Act (1995:1559) regarding annual reports at credit institutions and securities companies, the SFSA's regulations and general guidelines (FFFS 2008:25) regarding annual reports at credit institutions and securities companies, the SFSA's regulations (FFFS 2014:12) regarding prudential requirements and capital buffers, the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 ("CRR"), and the Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

In this note, information is disclosed regarding the Bank and the Consolidated situation. For further information regarding the ownership structure, see the section "Administration report".

The Bank and the Consolidated situation have prior permission from the SFSA to include interim profits in CET1 capital in accordance with Article 26(2) of the CRR.

Reports on risk management and capital adequacy in accordance with the Pillar III disclosure requirements are published on www.bluestepbank.com.

Risk-based capital requirement

The risk-based capital requirement is calculated in accordance with the CRR, the Swedish Acts, and the SFSA Regulations and General Guidelines. The risk-based capital requirement consists of the Pillar I capital requirement, the Pillar II capital requirement, the combined buffer requirement, and the Pillar II guidance.

Overview of the methodologies used for calculating the risk-based capital requirement is shown below.

Risk-based capital requirements		Method
Pillar I Capital Requirement		
	Credit risk	Standardised Approach
	Counterparty credit risk	Original Exposure Method
Minimum Capital Requirement	CVA risk	Standardised Approach
	Market risk	Standardised Approach
	Operational risk	Alternative Standardised Approach
Pillar II Capital Requirement		
	For material risks, internal methodologies have been applied.	
	For the following risks, SFSA methodologies have been applied;	
Pillar II Requirement ("P2R")	- Interest Rate risk	
	- Credit Spread risk	
	- Concentration risk	
Combined Buffer Requirement		
Countercyclical Capital Buffer ("CCyCB")	-	-
Capital Conservation Buffer ("CCB")	-	-
Pillar II Guidance		
Pillar II Guidance ("P2G")	-	-

Pillar I capital requirement: The Pillar I capital requirement is calculated based on the standardised approach for credit risk, credit valuation adjustment risk and market risk, while the original exposure method is used for the counterparty risk and the alternative standardised approach is used for operational risk. The minimum capital requirement amounts to 8% of the risk weighted assets ("RWAs").

Pillar II requirement ("P2R"): The Pillar II requirement is based on qualitatively and quantitatively assessment of material risks to determine whether additional capital is needed for risks not covered, or not sufficient covered, by the Pillar I minimum capital requirement. The Pillar II capital requirement for material risks is assessed using internal methodologies, as well as methods from the SFSA for concentration risk, interest rate risk, and credit spread risk. The SFSA performs a supervisory review and evaluation process ("SREP") and formally decides on a P2R. In accordance with the latest SFSA's SREP decision, a risk-based P2R of 1.20% of the RWAs for the Consolidated situation and 1.10% of the RWAs for the Bank shall be met.

Combined buffer requirement: The combined capital buffers are regulatory buffers held to absorb losses in periods of financial stress. The applicable countercyclical capital buffer ("CCyCB") factors as of the reporting period are 1% in Sweden, 2% in Norway, and 0% in Finland.

Pillar II guidance ("P2G"): The Pillar II guidance level is decided by the SFSA as part of the SREP in addition of the other main components to cover risks and manage future financial stresses. The P2G applies if the SFSA considers the capital conservation buffer to be insufficient for covering risks the Bank might be exposed to. The SFSA has decided not to notify any P2G for the Consolidated Situation or the Bank.

The Consolidated situation and the Bank shall at all times satisfy the CET1 capital ratio of at least 4.5%, Tier 1 capital ratio of at least 6%, total capital ratio of at least 8%, and the institution-specific buffer requirements.

Overview of risk weighted exposure amounts (EU OV1) is shown in the table below.

		Consolidated situation		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
MSEK		31 Dec 2022	31 Dec 2021	31 Dec 2022
1	Credit risk (excluding CCR)	7,863	6,957	629
2	*Of which the standardised approach*	*7,863*	*6,957*	*629*
3	*Of which the Foundation IRB (F-IRB) approach*			
4	*Of which: slotting approach*			
EU 4a	*Of which: equities under the simple riskweighted approach*			
5	*Of which the Advanced IRB (A-IRB) approach*			
6	Counterparty credit risk - CCR	118	189	9
7	*Of which the standardised approach*			
8	*Of which internal model method (IMM)*			
EU 8a	*Of which exposures to a CCP*			
EU 8b	*Of which credit valuation adjustment - CVA*	*29*	*21*	*2*
9	*Of which other CCR*	*89*	*168*	*7*
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	*Of which SEC-IRBA approach*			
18	*Of which SEC-ERBA (including IAA)*			
19	*Of which SEC-SA approach*			
EU 19a	*Of which 1250%*			
20	Position, foreign exchange and commodities risks (Market risk)	702	494	56
21	*Of which the standardised approach*	*702*	*494*	*56*
22	*Of which IMA*			
EU 22a	Large exposures			
23	Operational risk	888	831	71
EU 23a	*Of which basic indicator approach*			
EU 23b	*Of which standardised approach*	*888*	*831*	*71*
EU 23c	*Of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
25	*Not applicable*			
26	*Not applicable*			
27	*Not applicable*			
28	*Not applicable*			
29	**Total**	**9,570**	**8,471**	**766**

		Parent		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
MSEK		31 Dec 2022	31 Dec 2021	31 Dec 2022
1	Credit risk (excluding CCR)	7,819	7,007	626
2	*Of which the standardised approach*	*7,819*	*7,007*	*626*
3	*Of which the Foundation IRB (F-IRB) approach*			
4	*Of which: slotting approach*			
EU 4a	*Of which: equities under the simple riskweighted approach*			
5	*Of which the Advanced IRB (A-IRB) approach*			
6	Counterparty credit risk - CCR	118	11	9
7	*Of which the standardised approach*			
8	*Of which internal model method (IMM)*			
EU 8a	*Of which exposures to a CCP*			
EU 8b	*Of which credit valuation adjustment - CVA*	*29*		*2*
9	*Of which other CCR*	*89*	*11*	*7*
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	*Of which SEC-IRBA approach*			
18	*Of which SEC-ERBA (including IAA)*			
19	*Of which SEC-SA approach*			
EU 19a	*Of which 1250%*			
20	Position, foreign exchange and commodities risks (Market risk)	702	494	56
21	*Of which the standardised approach*	*702*	*494*	*56*
22	*Of which IMA*			
EU 22a	Large exposures			
23	Operational risk	846	744	68
EU 23a	*Of which basic indicator approach*			
EU 23b	*Of which standardised approach*	*846*	*744*	*68*
EU 23c	*Of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
25	*Not applicable*			
26	*Not applicable*			
27	*Not applicable*			
28	*Not applicable*			
29	**Total**	**9,485**	**8,257**	**759**

The Consolidated situation's and the Bank's total risk-based capital requirements are shown below.

Capital requirements and Pillar II Guidance	Consolidated situation		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pillar I	765.6	677.7	758.8	660.6
Pillar II	114.8	-	104.3	-
Combined buffer	373.8	246.9	370.7	240.9
Pillar II Guidance	-	-	-	-
Total capital requirements	**1,254.3**	**924.5**	**1,233.9**	**901.5**

Capital requirements and Pillar II Guidance	Consolidated situation		Parent	
% RWA	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pillar I	8.00%	8.00%	8.00%	8.00%
Pillar II	1.20%	-	1.10%	-
Combined buffer	3.91%	2.91%	3.91%	2.92%
Pillar II Guidance	-	-	-	-
Total capital requirements	**13.11%**	**10.91%**	**13.01%**	**10.92%**

The Pillar II capital requirement was decided by the SFSA in July 2022. The own funds capital requirement is met for both the Consolidated situation and the Bank.

Leverage ratio requirement

The leverage ratio is calculated in accordance with the CRR, the Swedish Acts, and the SFSA's Regulations and General Guidelines. The leverage ratio is a non-risk-based measure to limit build-up of leverage on the balance sheet, and is calculated as the ratio between Tier 1 capital and the leverage ratio exposure amount, comprising of on- and off-balance sheet exposures.

The table to the right gives an overview of the leverage ratio capital requirements.

Leverage ratio requirements
Minimum Capital Requirement
Pillar II Requirement ("P2R")
Pillar II Guidance ("P2G")

The minimum capital requirement for the leverage ratio is 3% of the leverage exposure amount, and additional 0.15% should be met for the Consolidated situation as P2G in accordance with the latest SFSA's SREP decision.

The minimum and Pillar II leverage ratio requirements shall be met with Tier 1 capital, while P2G shall be met with CET1 capital.

The leverage ratio requirement is shown below.

Leverage ratio requirement and Pillar II Guidance	Consolidated situation		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Minimum	714.1	633.2	712.0	620.0
Pillar II Capital requirements	-	-	-	-
Pillar II Guidance	35.7	-	-	-
Total leverage ratio requirement and Pillar II Guidance	**749.8**	**633.2**	**712.0**	**620.0**

Leverage ratio requirement and Pillar II Guidance	Consolidated situation		Parent	
%	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Minimum	3.00%	3.00%	3.00%	3.00%
Pillar II Capital requirements	-	-	-	-
Pillar II Guidance	0.15%	-	-	-
Total leverage ratio requirement and Pillar II Guidance	**3.15%**	**3.00%**	**3.00%**	**3.00%**

The Consolidated situation and Bank is fulfilling the total leverage ratio requirement of 3.15% of the leverage exposure amount.

Composition of regulatory own funds

The composition of regulatory own funds (EU CC1) is shown below.

		Consolidated situation		Parent	
MSEK		31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	4,451	4,451	664	664
	of which: Instrument type 1				
	of which: Instrument type 2				
	of which: Instrument type 3				
2	Retained earnings	-69	-69	815	815
3	Accumulated other comprehensive income (and other reserves)	19	28	-5	4
EU-3a	Funds for general banking risk				
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	210	0	201	0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	4,611	4,410	1 675	1 483
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-2	-2	-2	-2
8	Intangible assets (net of related tax liability) (negative amount)	-2,985	-3,019	-47	-71
9	Not applicable				
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-2,987	-3,020	-50	-73
29	**Common Equity Tier 1 (CET1) capital**	1,624	1,390	1 625	1 410
Additional Tier 1 (AT1) capital: instruments					
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**				
Additional Tier 1 (AT1) capital: regulatory adjustments					
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**				
44	**Additional Tier 1 (AT1) capital**				
45	**Tier 1 capital (T1 = CET1 + AT1)**	1,624	1,390	1 625	1 410
Tier 2 (T2) capital: instruments					
51	**Tier 2 (T2) capital before regulatory adjustments**				
Tier 2 (T2) capital: regulatory adjustments					
57	**Total regulatory adjustments to Tier 2 (T2) capital**				
58	**Tier 2 (T2) capital**				
59	**Total capital (TC = T1 + T2)**	1,624	1,390	1 625	1 410
60	**Total risk exposure amount**	9,570	8,471	9 485	8 257
Capital ratios and requirements including buffers				0	0
61	Common Equity Tier 1	16.97%	16.41%	17,13%	17,07%
62	Tier 1	16.97%	16.41%	17,13%	17,07%
63	Total capital	16.97%	16.41%	17,13%	17,07%
64	Institution CET1 overall capital requirements	9.08%	7.62%	9,03%	7,62%
65	of which: capital conservation buffer requirement	2.50%	2.50%	2,50%	2,50%
66	of which: countercyclical capital buffer requirement	1.41%	0.62%	1,41%	0,62%
67	of which: systemic risk buffer requirement				
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement				
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0.68%		0,62%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	8.97%	8.41%	9,13%	9,07%

Key metrics

Key metrics (EU KM1) for the Consolidated situation and the Bank are shown below.

	MSEK	Consolidated situation				
		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,624	1,616	1,493	1,515	1,390
2	Tier 1 capital	1,624	1,616	1,493	1,515	1,390
3	Total capital	1,624	1,616	1,493	1,515	1,390
Risk-weighted exposure amounts						
4	Total risk exposure amount	9,570	9,000	8,794	8,874	8,471
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio	16.97%	17.95%	16.97%	17.07%	16.41%
6	Tier 1 ratio	16.97%	17.95%	16.97%	17.07%	16.41%
7	Total capital ratio	16.97%	17.95%	16.97%	17.07%	16.41%
Additional own funds requirements to address risks other than the risk of excessive leverage[1]						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	1.20%	1.20%			
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.68%	0.68%			
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.90%	0.90%			
EU 7d	Total SREP own funds requirements	9.20%	9.20%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement[1]						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
9	Institution specific countercyclical capital buffer	1.41%	1.19%	0.62%	0.42%	0.41%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	3.91%	3.69%	3.12%	2.92%	2.91%
EU 11a	Overall capital requirements	13.11%	12.89%	11.12%	10.92%	10.91%
12	CET1 available after meeting the total SREP own funds requirements	8.97%	9.95%	8.97%	9.07%	8.41%
Leverage ratio						
13	Total exposure measure	23,805	21,540	21,776	21,900	21,107
14	Leverage ratio	6.82%	7.50%	6.86%	6.92%	6.59%
Additional own funds requirements to address the risk of excessive leverage[2]						
EU 14a	Additional own funds requirements to address the risk of excessive leverage	0.00%				
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%				
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement[2]						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,297	949	1,261	1,196	1,140
EU 16a	Cash outflows - Total weighted value	1,098	1,127	937	949	919
EU 16b	Cash inflows - Total weighted value	2,033	1,055	1,390	1,355	1,206
16	Total net cash outflows (adjusted value)	275	282	234	237	230
17	Liquidity coverage ratio	472.43%	336.83%	538.42%	503.91%	496.28%
Net Stable Funding Ratio						
18	Total available stable funding	19,726	18,566	17,941	18,474	18,227
19	Total required stable funding	14,936	14,612	14,467	14,744	14,068
20	NSFR ratio (%)	132.07%	127.06%	124.01%	125.29%	129.56%

[1] *as a percentage of risk-weighted exposure amount*
[2] *as a percentage of total exposure measure*

	MSEK	Parent				
		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,625	1,641	1,516	1,540	1,410
2	Tier 1 capital	1,625	1,641	1,516	1,540	1,410
3	Total capital	1,625	1,641	1,516	1,540	1,410
Risk-weighted exposure amounts						
4	Total risk exposure amount	9,485	8,913	8,706	8,713	8,257
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio	17.13%	18.41%	17.41%	17.67%	17.07%
6	Tier 1 ratio	17.13%	18.41%	17.41%	17.67%	17.07%
7	Total capital ratio	17.13%	18.41%	17.41%	17.67%	17.07%
Additional own funds requirements to address risks other than the risk of excessive leverage[1]						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	1.10%	1.10%			
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.62%	0.62%			
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.83%	0.83%			
EU 7d	Total SREP own funds requirements	9.10%	9.10%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement[1]						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
9	Institution specific countercyclical capital buffer	1.41%	1.19%	0.63%	0.43%	0.42%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	3.91%	3.69%	3.13%	2.93%	2.92%
EU 11a	Overall capital requirements	13.01%	12.79%	11.13%	10.93%	10.92%
12	CET1 available after meeting the total SREP own funds requirements	9.13%	10.41%	9.41%	9.67%	9.07%
Leverage ratio						
13	Total exposure measure	23,732	21,466	21,698	21,579	20,668
14	Leverage ratio	6.85%	7.64%	6.99%	7.13%	6.82%
Additional own funds requirements to address the risk of excessive leverage[2]						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement[2]						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,297	949	1,261	1,196	1,140
EU 16a	Cash outflows - Total weighted value	1,098	1,127	937	949	919
EU 16b	Cash inflows - Total weighted value	2,028	1,049	1,390	1,281	1,118
16	Total net cash outflows (adjusted value)	275	282	234	237	230
17	Liquidity coverage ratio	472.43%	336.83%	538.42%	503.91%	496.28%
Net Stable Funding Ratio						
18	Total available stable funding	19,728	18,592	17,941	18,499	18,246
19	Total required stable funding	14,928	14,603	14,467	14,128	13,400
20	NSFR ratio (%)	132.15%	127.31%	124.01%	130.94%	136.16%

[1] *as a percentage of risk-weighted exposure amount*
[2] *as a percentage of total exposure measure*

Note 31 | Related parties

Related parties

Related parties refer to:

- EQT VII (private equity fund), registered in Edinburgh (ultimate owner of Bluestep Holding AB),
- Bluestep Holding AB, org no 556668-9575, registered in Stockholm,
- Bluestep Finans Funding No 1 AB, org no 556791-6928, registered in Stockholm,
- Bluestep Mortgage Securities No 2 Designated Activity Company, org no 522186, registered in Dublin,
- Bluestep Mortgage Securities No 3 Designated Activity Company, org no 550839, registered in Dublin,
- Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111, registered in Dublin
- Bluestep Servicing AB, org no 556955-3927, registered in Stockholm,
- Uno Finans AS, org no 921320639, registered in Oslo (broker agency which is an associated company to Bluestep Holding AB).

Assets and liabilities

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Intercompany receivables				
Parent	0.0	1.9	0.0	1.9
Subsidiaries	0.0	1.9	1.4	533.4
Total	**0.0**	**3.9**	**1.5**	**535.4**
Intercompany payables				
Parent	12.0	-	12.0	-
Subsidiaries	-	-	4.0	7.2
Associates	1.8	1.2	1.8	1.2
Total	**13.8**	**1.2**	**17.8**	**8.4**

Income and costs

	Group		Parent	
MSEK	FY 2022	FY 2021	FY 2022	FY 2021
Interest income calculated using the effective interest method				
Parent	-	-	-	-
Subsidiaries	-	-	6.6	32.4
General administration expenses				
Parent	-	-	-	-
Subsidiaries	-	-	-7.2	-23.9
Associates	12.5	9.6	12.5	9.6
Total	**12.5**	**9.6**	**11.9**	**18.1**

Interest income

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

Note 32 | Pledged assets, contingent liabilities and commitments

	Group		Parent	
MSEK	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pledged assets and comparable securities for own liabilities				
Shares and participations in associated companies	0.0	0.0	-	-
Lending to credit institutions	4.7	144.9	4.7	1.2
Lending to the public	6,608.0	6,851.8	6,608.0	6,851.8
Government debt securities	19.9	18.3	19.9	18.3
Derivatives	-	18.3	-	-
Intangible assets	-	-	-	-
Other assets	18.2	50.7	18.2	49.6
Prepaid expenses and accrued income	-	0.1	-	-
Commitments				
Granted loans not paid out	49.3	32.8	49.3	32.8

Lending to credit institutions

Reserved funds related to RMBS-transactions and the Bank of Finland reserve requirement.

Lending to the public

Collateral registered for the benefit of holders of covered bonds issued by the Bank. The collateral comprise loans granted against mortgages in single-family homes, second homes and tenant-owners' rights with a LTV ratio within 75% of the market value. In the event of the Bank's insolvency, the holders of the covered bonds have prior rights to the pledged assets. For previous periods, a smaller part also relates to mortgages pledged as collateral for the Group's remaining RMBS-transaction.

Government debt securities

Relates to collateral pledged in case of negative balances on accounts held with the Swedish Central Bank. Accounts with the Swedish Central Bank are used for clearing between banks. If a payment obligation (negative account balance) is not met, the Swedish Central Bank has a possibility to claim the pledged collateral.

Derivatives

Assets pledged as collateral for the Group's currency- and interest rate derivative-transactions.

Note 33 | Distribution of profits

Proposal for the distribution of profits

SEK	
The following profits are available for appropriation at the Annual General Meeting	
Retained earnings	1,338,709,033
Profit for the year	238,239,222
Translation reserve	-5,110,175
Total	**1,571,838,080**
The Board propose the following distribution:	
Dividend to shareholders	-
To be carried forward	1,571,838,080
Total	**1,571,838,080**

The Board's assessment is that the equity accounted in the annual report is enough in relation to the business extent and risk. Concerning the result and position in general of the Group and Bank, please see the preceding income statement, balance sheet, cash flow statement and additional information.

Notes to the Sustainability report

Note S1 | Sustainability governance

At Bluestep Bank, the Board of Directors are ultimately responsible for ensuring that the business conducts active and long-term efforts to achieve sustainable development. The Board decides on strategy, goals and sustainability policy, and it monitors and evaluates Bluestep Bank's sustainability work.

The CEO serves as a guide and determines priorities and strategic choices in our sustainability efforts in accordance with the approved business strategy. The CEO ensures that the bank's sustainability efforts are supported by an appropriate organisational structure and commits to the resources needed to achieve the goals.

The sustainability manager leads and coordinates sustainability efforts at Bluestep Bank and actively uses the strategic sustainability agenda together with the CEO and the Board. The sustainability manager represents Bluestep Bank with regard to sustainability issues vis-à-vis our majority owner and in other external contexts.

To integrate and sharpen our focus on sustainability at the company, Bluestep Bank has a sustainability forum that meets regularly. This forum helps the sustainability manager to coordinate, manage and drive sustainability efforts at Bluestep Bank. The forum is chaired by the sustainability manager, who also appoints the members of the sustainability forum.

Sustainability framework

Bluestep Bank has adopted a sustainability policy to regulate our sustainability efforts. The policy, which is reviewed and adopted by the Board, describes Bluestep Bank's sustainability work and governance. The following are also important elements of the Sustainability framework for supporting our day-to-day tasks and managing risks in the business.

Policies	Commitments
Code of Conduct policy	UN Global Compact and Communication on Progress (COP)
Supplier Code of Conduct Instruction	UN Principles for Responsible Banking (PRB)
Governance and control policy	Global reporting initiative (GRI) Standards
Ethical guidelines policy	Task force on Climate-related Financial Disclosures (TCFD)
Conflicts of interest policy	
Anti Money Laundering policy	
Remuneration policy	
Consumer protection policy	
Data protection policy	
Information Security Governing Policy	

Note S2 | Sustainability risks

A sustainability report contains sustainability information needed to understand a company's development, position and results as well as the consequences of doing business. This information should cover issues related to the environment, social conditions, staff, respect for human rights and the fight against corruption. The following table has been developed in order to clarify how Bluestep Bank lives up to the rules in the Annual Accounts Act on sustainability reporting.

	Climate & Environment	Social conditions	Personnel	Human rights	Anti-corruption
Description	Ability to adapt operations to climate and environmental changes.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on social conditions.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on staff.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on human rights.	Corruption involves an act in which a person uses their position to achieve an undue advantage for his or her own benefit or that of another person.
Primary risks	Bluestep Bank's operations are exposed to transition risks if Bluestep Bank fails to adapt products and services to the future sustainable economy, which sets higher environmental and climate standards. Physical climate risk is primarily linked to climate and environmental risks in conjunction with lending. Future climate change may affect customers' ability to pay, as well as the value of assets and collateral.	Bluestep Bank is exposed to risks associated with social conditions during the purchase of services or goods.	In our own operations, the risk is mainly linked to Bluestep Bank as an employer. Risks related to staff include health and safety at the workplace, the presence of victimisation, compensation levels and workload.	Bluestep Bank is exposed to risks associated with human rights during the purchase of services or goods.	The risk of corruption is present in all parts of Bluestep Bank's business. The existence of corruption could seriously affect confidence in Bluestep Bank on the part of the public, owners, customers and employees, and thus the company's future competitiveness.
Governance	Sustainability policy, Risk policy	Consumer protection policy, Data protection policy, Supplier Code of Conduct	Sustainability policy, Ethical guidelines policy and Remuneration policy	Sustainability policy and Global Compact's 10 principles, Supplier Code of Conduct	Ethical guidelines policy and Remuneration policy
Targets and results	To be worked on and decided in 2023.	To be worked on and decided in 2023.	Presence of workplace victimisation Target: 0%, Actual 0%	Presence of human rights violations Target: 0%, Actual 0%	Presence of corruption Target: 0%, Actual 0%
Link to business strategy	Negative impact on the Group's financial position.	Tarnished reputation and negative impact on the Group's financial position.	Tarnished reputation and negative impact on the Group's financial position.	Tarnished reputation and negative impact on the Group's financial position.	Reputational risk and sanctions.

Note S3 | Materiality analysis and stakeholder dialogue

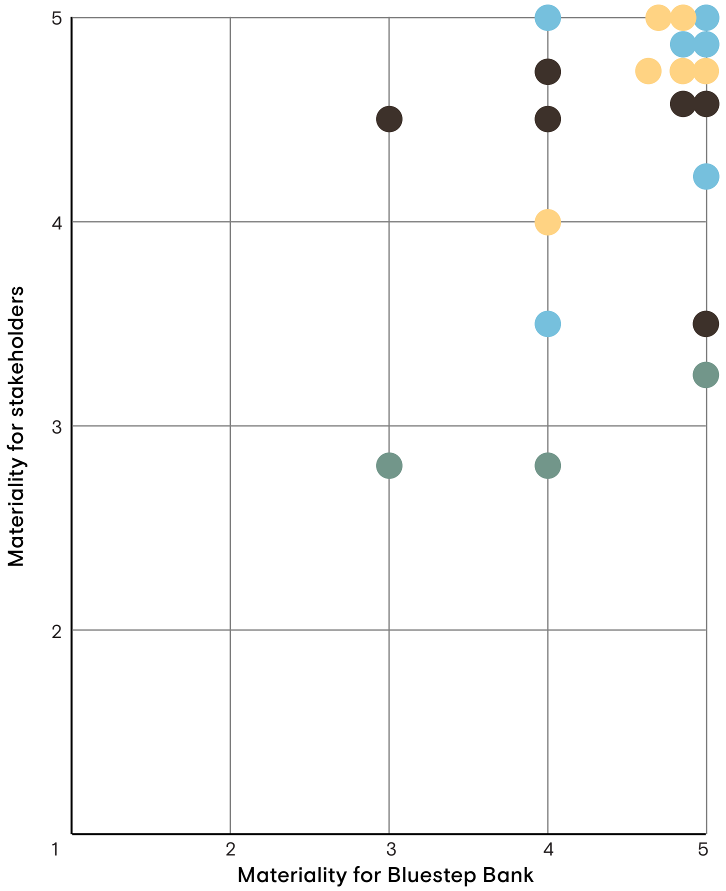
Bluestep Bank conducted its first stakeholder dialogue and materiality analysis in 2019. The materiality analysis takes in the views of multiple stakeholders as well as opinions that affect the economic, social and environmental footprint of the business and that can influence stakeholder decision-making. As its starting point, the analysis took the Sustainability Accounting Standards Board (SASB), the UN's sustainable development goals, and Bluestep Bank's vision of financial inclusion for more people. Based on these areas, a questionnaire was created with accompanying explanations as well as background material for those who wanted further information.

Stakeholders	Customers	Employees	Owners / Investors	Partners / Suppliers	Government agencies
Communication via	Complaint management Customer meetings Customer surveys	Employee discussions Employee surveys	Dialogue Sustainability review	Agreements Interviews Procurement	Laws Reports Rules and regulations

These topics were discussed with customers who called Bluestep Bank over the course of a week and with a small group of selected employees from Bluestep Bank's various offices. A selection of Bluestep Bank's partners were then asked questions within the framework of a current dialogue. Representatives from our majority owner submitted answers; no government agencies were approached.

The list of sustainability topics is presented below.

- Eco-friendly products
- Environmental impact of the business
- Adaptation and reduction of climate impact
- Prevention of corruption and financial crime
- Customer data and privacy
- Community engagement
- Attractive workplace
- Diversity and equal opportunities
- Financial inclusion
- Stable IT systems
- Sustainable procurement
- Sound compensation
- Transparency
- Financial stability
- Regulatory compliance
- Financial results
- Sustainable product innovation
- Transparent terms and pricing
- Transparent marketing
- Brand
- Partnership ecosystems

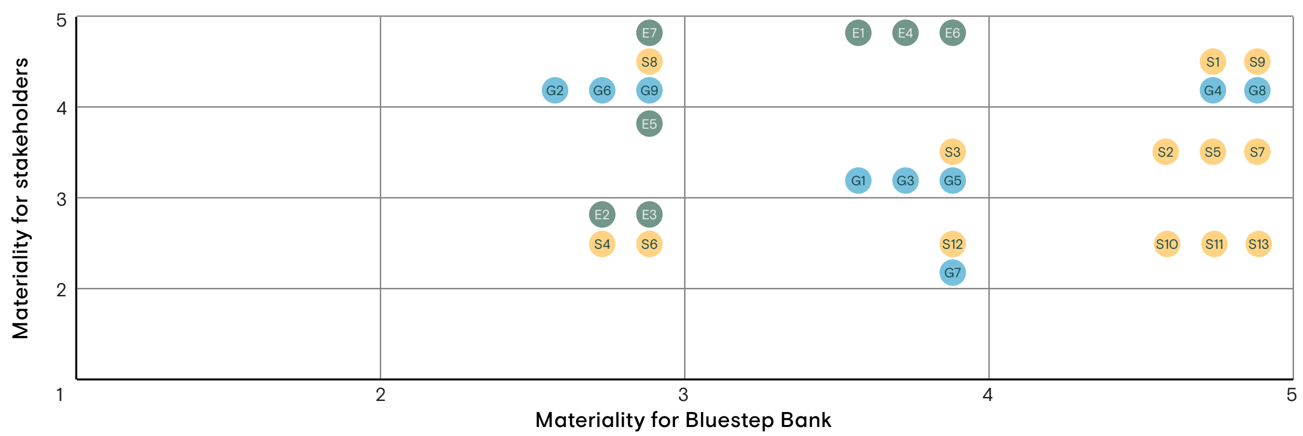


Out of 21 sustainability topics, 20 were identified in the stakeholder and materiality analyses and are reported as material and are grouped into four target areas as follows:

Attractive workplace	Inclusive banking	Climate-neutral banking	Business ethics and governance
Attractive workplace Diversity and equal opportunities	Community engagement Financial inclusion Financial stability Financial results Brand Partnership ecosystems	Environmental impact of the business Sustainable procurement Sustainable product innovation	Prevention of corruption and financial crime Customer data and privacy Stable IT systems Sound compensation Transparency Transparent terms and pricing Transparent marketing Regulatory compliance

At the end of 2021, a strategy review related to sustainability was carried out which included an update and review of the materiality analysis. Among participating stakeholders in the project were representatives from the owner, the Board, management and employees. The review largely confirmed the previous materiality analysis and resulted in several focus areas (highlighted in the table below) within the four target areas, with the aim of further bolstering and fleshing out the company's strategy for sustainable business.

Pillars	Internal topics	External topics
Environmental	E1 – GHG emissions E2 – Electricity & Heat E3 – Waste management E4 – Climate risk management	E5 – Green funding E6 – Green product E7 – Physical impacts of climate change
Social	S1 – Diversity & Inclusion S2 – Employee engagement S3 – Talent attraction S4 – Employee health & safety S5 – Responsible remuneration	S6- Community engagement S7 – Customer welfare S8 – Human rights S9 – Pricing & affordability S10 – Financial inclusion & access S11 – Responsible lending S12 – Socially linked funding S13 – Financial literacy
Governance	G1 – Data ethics & privacy G2 – Responsible taxation G3 – Whistleblowing policy G4 – ESG governance G5 – Systemic risk management G6 – Financial crime (AML)	G7 – Industry engagement G8 – Transparency & disclosure G9 – Documenting PAIs



Note S4 | Key figures, employees 2022

	Total	Sweden	Norway	Finland
Total number of employees at year-end[1]	**268**	**181**	**59**	**25**
Number of limited-term employees, %	**1**	1	2	0
Number of part-time employees, %	**0**	0	0	0
Average age, years	**34**	36	32	31
Persons who left the company during the year	**68**	45	18	5
New hires during the year	**49**	29	8	12
Employee turnover, %	**21**	21	24	22
Gender distribution				
Women on the board, %	**33**			
Women in senior management, %	**33**			
Female managers, %	**35**	42	25	29
Female employees, %	**50**	52	49	48
Sick leave and wellness				
Short-term leave, %	**2.5**	1.9	3.6	4.1
Long-term leave, %	**2.5**	2.7	2.3	0.8
Total sick leave, %	**5.0**	4.7	5.8	4.9
Withdrawals of wellness allowances for all employees, %	**90**	71	-	100
Age distribution				
>29, %	**26**	22	32	44
30-39, %	**43**	41	51	40
40-49, %	**18**	21	12	12
50-59, %	**9**	11	3	4
60<, %	**4**	5	2	0

[1] *Number of employees expressed in number of persons and not converted into full-time equivalents*

Note S5 | Carbon footprint

Bluestep Bank uses the Greenhouse Gas Protocol (GHG Protocol) standard developed by the World Resources Institute and World Business Council for Sustainable Development.

The GHG Protocol divides emissions into three groups, or scopes. These are:

- **Scope 1** – Direct greenhouse gas emissions from the combustion of fossil-fuels, such as emissions from oil boilers and vehicles.
- **Scope 2** – Indirect greenhouse gas emissions from purchased energy used, such as electricity and district heating
- **Scope 3** – Other indirect greenhouse gas emissions, for example, from business travel, transport, paper consumption

The GHG Protocol covers seven greenhouse gases: These are: carbon dioxide (CO2), methane gas (CH4), nitrous gases (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), nitrogen trifluoride (NF3), sulphur hexafluoride (SF6)

These gases have different global warming potentials. For example, CO2 has potential 1 while CH4 has potential 25. Therefore, total gases are converted to CO2 equivalents.

Emissions by emission source

	Total		Sweden		Norway		Finland	
Emissions, tonnes CO_{2e}	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Scope 1								
Owned/leased cars	7.51	3.25	7.51	3.25	0.00	0.00	0.00	0.00
Scope 2								
Electricity consumption	4.79	6.15	3.49	6.14	0.00	0.00	1.29	0.00
Heating	11.28	13.81	7.68	10.13	0.00	0.00	3.60	3.68
District cooling	0.38	0.38	0.38	0.38	0.00	0.00	0.00	0.00
Scope 3								
Water consumption	0.13	0.10	0.08	0.07	0.03	0.03	0.01	0.01
Waste (incl. road freight)	0.14	0.35	0.13	0.34	0.01	0.01	0.00	0.01
IT purchases	36.85	98.89	15.21	53.87	14.65	40.71	7.00	4.31
Paper and printed matter	4.98	5.03	4.92	4.98	0.04	0.04	0.03	0.01
Business travel	41.25	22.66	26.52	14.91	9.23	5.57	5.50	2.18
Hotel nights	10.87	5.63	9.01	4.02	1.06	1.40	0.81	0.20
Commuting	121.28	138.11	65.66	81.17	39.00	48.08	16.62	8.86
Other	5.96	4.87	4.04	3.02	0.59	0.91	1.33	0.94
Total	**245.4**	**299.2**	**144.6**	**182.3**	**64.6**	**96.7**	**36.2**	**20.2**
Key figures								
Per employee	0.92	1.10	0.80	0.98	1.06	1.40	1.39	1.12
Per MSEK lent	0.01	0.02	0.01	0.02	0.01	0.01	0.07	0.09
Per square metre (office space)	0.07	0.09	0.05	0.07	0.13	0.19	0.19	0.10

Note S6 | EU Taxonomy

Companies covered by the EU Non-Financial Reporting Directive ("NFRD"), ie large companies of general interest with more than 500 employees ("NFRD companies"), need to report in accordance with the taxonomy in their sustainability report. Bluestep Bank is not covered by these requirements but reports on a voluntary basis and the information provided is in accordance with the transitional rules.

Extended table

Assets	Assets in MSEK	Assets share of Total Covered Assets, %	Assets share of Total Assets, %
Taxonomy eligible	20,303.6	90.1	89.9
Taxonomy non-eligible	42.7	0.2	0.2
Covered Assets not excluded by default from numerator	**20,346.3**	**90.3**	**90.1**
Non-NFRD undertakings	0	0	0
Derivatives, hedge accounting	382.4	1.7	1.7
On demand interbank loans	1,701.9	7.6	7.5
Cash and cash-related assets and other assets (e g Goodwill, commodities etc)	103.3	0.5	0.5
Covered Assets excluded by default from numerator	**2,187.6**	**9.7**	**9.7**
Total Covered Assets	**22,533.9**	**100.0**	**99.8**
Central governments, central banks, supranationals	0	-	0
Trading portfolio	50.5	-	0.2
Assets not included in Total Covered Assets	**50.5**	**-**	**0.2**
Total Assets	**22,584.4**	**-**	**100**

Taxonomy eligible

Consists of the assets that can be assessed under the taxonomy, at present a number of sectors are covered by the taxonomy, of which loans to households with residential properties as security is included.

Taxonomy non-eligible

This category includes loans to households excluding mortgages, such as unsecured loans.

Green Assets

In order for buildings to be classified as sustainable investments, they must have an energy class A or belong to the 15% that are most energy efficient.

For detached houses and apartments, properties with an energy class A have been included in green assets.

Green Asset Ratio (GAR) shows the proportion of exposures related to Taxonomy-aligned activities compared to total covered assets.

Note S7 | Summary of the Principle for Responsible Banking report

Principle 1 Alignment

For Bluestep Bank sustainability is a cornerstone of the corporate culture, and we strive to contribute to long-term sustainable development. We have a responsibility to promote social, ethical, environmental, and financial sustainability. Bluestep Bank is a specialised mortgage bank and shall be the first choice for those who are excluded by the traditional banks. Our customer base consists of people wanting to purchase a home or use a mortgage to consolidate expensive credits and loans, and have a less conventional income status, historic payment remarks or limited credit history.

Principle 2 Impact and Target setting

The Nordic countries performs well towards achieving the 17 SDG:s, with Finland in top and Sweden and Norway on a third and fourth place. But challenges remain. Common to all three countries shows that an increasingly part of the population, as the “gig-economy”, and especially people born from foreign countries outside the Nordics, feel excluded and have significantly less opportunities on the mortgage market. Further, one of the most important factors for increased financial inclusion is that banks offer loans adapted to different types of life situations.

During 2022 Bluestep Bank has initiated an impact analysis using the UNEP FI Portfolio Impact Analysis Tool for Banks, the work will continue during 2023. Focus has been on the core business, mortgage loans. All three markets (Sweden, Norway and Finland) have been prioritised. Deposits has been deemed to be out of scope.

The credit portfolio pertains to private individuals and households and in this report only mortgages have been included: by geography 54% in Sweden (including the equity release product), 43% in Norway and 3% in Finland. The portfolio consists of 27.8% of customers with less conventional income status. First-time buyers refer to 4.9% and customers who have paid off unsecured loans and credits to a total share of 61.2% of the mortgage credit portfolio (2022).

Target setting - Bluestep aim to set and publish targets in the field of climate change mitigation and financial health & inclusion during the upcoming year (2023).

Principle 3 Clients and Customers

Bluestep Bank has analysed the 17 SDGs in Agenda 2030 to identify where our business has the most impact, thereby also identifying where we can actively contribute to change. The Board of Directors at Bluestep Bank have chosen to prioritise the four SDGs with most relevance for our impact and that are crucial for the business. To help with the implementation and to reach the goals Bluestep Bank has a variety of policies and instructions in place for us as a bank, as for our management, co-workers, customers, and clients to encourage sustainable activities such as a Sustainability policy, Remuneration policy, Code of conduct policy and Supplier code of conduct instruction etc.

Principle 4 Stakeholders

Bluestep Bank has conducted a stakeholder dialogue and materiality analysis. The materiality analysis takes in the views of multiple stakeholders as well as opinions that affect the economic, social and environmental footprint of the business and that can influence stakeholder decision-making. As its starting point, the analysis took the Sustainability Accounting Standards Board (SASB), the UN’s sustainable development goals, and Bluestep Bank’s vision of financial inclusion for more people. Based on these areas, a questionnaire was created and discussed with customers, a small group of selected employees from Bluestep Bank, partners and representatives from our owners. The analyses ended up in four target areas: attractive workplace, inclusive banking, climate-neutral banking and business ethics and governance. In the end of 2021, an updated analysis was carried out, and largely confirmed the previous materiality analysis and resulted in additional topics in the field of ESG, with the aim of strengthen the strategy for sustainable business.

Principle 5 Governance and Culture

At Bluestep Bank, the Board of Directors are ultimately responsible for ensuring that the business conducts active and long-term efforts to achieve sustainable development. The Board decides on strategy, goals, and sustainability policy, and it monitors and evaluates Bluestep Bank’s sustainability work.

As part of ensuring that our policies are followed, all new employees are trained in an introductory program. To ensure that all employees have up-to-date knowledge, we have mandatory annual training. Bluestep Bank works continuously to mitigate sustainability risks in our business and minimise our imprint on the environment. There is an ESG strategy integrated with the business strategy and the risk management framework. ESG is primarily governed by the Sustainability Policy, and the ESG risk management in the Overall Risk Management Policy. In the Risk Management Strategy document, the risk appetite for ESG risk is stated as low, and there is separately set operational risk KRI and limits set. The sustainability efforts, including ESG risks, are disclosed in the Annual and Sustainability Report, and the Risk Management function is internal reporting ESG risks to the Senior Management Team, the CEO, and to Board, and their respectively committees.

Principle 6 Transparency and Accountability

The overarching goal of integrating sustainability into Bluestep Bank will be a continuous progress and learning from experience. We have used the UNEPFI’s Impact Analysis to identify our positive and negative impact areas, which are well aligned with selected target areas and SDGs. The upcoming reporting period will focus on setting SMART targets connected to climate mitigation and financial inclusion and implement the targets within the bank.

The full report (Reporting and Self- assessment template) is available on www.bluestepbank.com.

Note S8 | GRI Index

General disclosures

(AR = Annual Report)

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG
Organisational profile					
102-1	Name of the organisation		Bluestep Bank AB (publ)		
102-2	Activities, brands, products, and services	AR 2-7			
102-3	Location of headquarters		Stockholm, Sweden		
102-4	Location of operations		Sweden, Norway and Finland		
102-5	Ownership and legal form	AR 20			
102-6	Markets served		Mortgages in Sweden, Norway and Finland, and savings accounts in Sweden and Norway		
102-7	Scale of the organisation	AR 16-19			
102-8	Information on employees and other workers	AR 112			8
102-9	Supply chain	AR 34		4.5	
102-10	Significant changes to the organisation and its supply chain				
102-11	Precautionary principle or approach	AR 24-25			
102-12	External initiatives		PRB, TCFD, Diversity Charter		
102-13	Membership of associations		Global Compact, UNEP-FI		
Strategy					
102-14	Statement from senior decision-maker	AR 8-11			
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	AR 26		10	
Governance					
102-18	Governance structure	AR 108, 122			
Stakeholder engagement					
102-40	List of stakeholder groups	AR 110-111			
102-41	Collective bargaining agreements		1.1% of employees have a collective agreement	3	
102-42	Identifying and selecting stakeholders	AR 110-111		3	
102-43	Approach to stakeholder engagement	AR 110-111			
102-44	Key topics and concerns raised	AR 110-111			
Reporting practice					
102-45	Entities included in the consolidated financial statements	AR 16-17			
102-46	Defining report content and topic boundaries	AR 110-111			
102-47	List of material topics	AR 110-111			
102-48	Restatements of information		No material changes		
102-49	Changes in reporting		No material changes		
102-50	Reporting period		1 January – 31 December 2022		
102-51	Date of most recent report		2022-04-26		
102-52	Reporting cycle		Updated annually as of 31 December		
102-53	Contact point for questions regarding the report		Björn Lander, CEO		
102-54	Claims of reporting in accordance with the GRI Standards		Produced with inspiration from GRI Standards		
102-55	GRI content index	AR 116-119			
102-56	External assurance		Yes		

Topic-specific disclosures

(AR = Annual Report)

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG	Connection to materiality analysis
Economic performance						
201: Economic performance						Inclusive and climate-neutral banking
103-1,2,3	Management approach	AR 108				
201-1	Direct economic value generated and distributed	AR 16-19			8,10	
201-2	Economic impacts and other risks and opportunities due to climate change	AR 30-31			13	
205: Anti-corruption						Business ethics and governance
103-1,2,3	Sustainability governance	AR 108				
205-2	Communication and training about anti-corruption policies and procedures	AR 32-33		10		
205-3	Confirmed incidents of corruption and actions taken		No corruption incidents were reported during the year	10		
Environment						
305: Emissions						
103-1,2,3	Sustainability governance	AR 108				
305-1	Direct (Scope 1) GHG emissions	AR 113		7,8	13	Climate-neutral banking
305-2	Energy indirect (Scope 2) GHG emissions	AR 113		7,8	13	
305-3	Other indirect (Scope 3) GHG emissions	AR 113		7,8	13	

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG	Connection to materiality analysis
Social						
403: Occupational health and safety						Attractive workplace
103-1,2,3	Sustainability governance	AR 108				
403-4	Health and safety topics covered in formal agreements with trade unions	AR 27		3	8	
404: Training and education						Attractive workplace
103-1,2,3	Sustainability governance	AR 108				
404-3	Percentage of employees receiving regular performance and career development reviews	AR 27			8	
405: Diversity and equal opportunity						Attractive workplace
103-1,2,3	Sustainability governance	AR 108				
405-1	Diversity of governance bodies and employees	AR 112		6	8	
406: Non-discrimination						Attractive workplace
103-1,2,3	Sustainability governance	AR 108				
406-1	Incidents of discrimination and corrective actions taken		No material incidents were reported during the year	6	8	
413: Local communities						Inclusive banking
103-1,2,3	Sustainability governance	AR 108				
413-1	Community engagement	AR 29				
417: Marketing and labelling						Business ethics and governance
103-1,2,3	Sustainability governance	AR 108				
417-2	Incidents of non-compliance concerning product and service information and labelling		No material incidents were reported during the year			
417-3	Incidents of non-compliance concerning marketing communications		No material incidents were reported during the year			

Definition of alternative performance measures

C/I

Costs before credit losses in relation to operating income.

MSEK	FY 2022	FY 2021
Costs before credit losses	568.2	532.8
Operating income	906.2	864.8
C/I, %	**63%**	**62%**

Credit losses

Net credit losses in relation to the closing balance of lending to the public.

MSEK	FY 2022	FY 2021
Credit losses	28.1	6.9
Lending to the public	20,346.3	18,333.1
Credit losses, %	**0.14%**	**0.04%**

Return on equity

Operating profit after tax in relation to average equity. The tax rate for 2022 in Sweden is 20.6% (20.6%).

MSEK	FY 2022	FY 2021
Operating profit	309.9	325.2
Operating profit less tax	**246.1**	**258.2**
Total equity 2020-12-31	-	1,738.2
Total equity 2021-12-31	1,809.0	1,809.0
Total equity 2022-12-31	1,741.8	-
Average equity	**1,775.4**	**1,773.6**
Return on equity, %	**13.9%**	**14.6%**

Gross Revenue / Lending to the public

Interest income excluding interest income from bond holdings and interest income from credit institutions in relation to average lending to the public.

MSEK	FY 2022	FY 2021
Total Interest Income	1,250.1	1,087.8
Interest income bonds	-8.1	-3.2
Interest income credit institutions	-9.9	-1.2
Gross revenue	**1,232.1**	**1,083.4**
Lending to the public 2020-12-31	-	16,115.5
Lending to the public 2021-12-31	18,333.1	18,333.1
Lending to the public 2022-12-31	20,346.3	-
Average lending to the public	**19,339.7**	**17,224.3**
Gross Revenue / Lending to the public, %	**6.4%**	**6.3%**

Net interest income / Lending to the public

Net interest income in relation to average lending to the public.

MSEK	FY 2022	FY 2021
Net interest income	**921.2**	**832.7**
Lending to the public 2020-12-31	-	16,115.5
Lending to the public 2021-12-31	18,333.1	18,333.1
Lending to the public 2022-12-31	20,346.3	-
Average lending to the public	**19,339.7**	**17,224.3**
Net interest income / Lending to the public, %	**4.8%**	**4.8%**

The Board and the CEO:s signatures

The Board of Directors and the CEO ensure that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts, respectively, provide a true and fair view of the parent company's and the Group's position and earnings.

The Directors' Report for the Parent Company and the Group, respectively, provides a true and fair view of the development of the Parent Company and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm the 25 April 2023

Björn Lander
CEO

Jayne Almond
Chairman

Rolf Stub
Board member

Simon Tillmo
Board member

Albert Gustafsson
Board member

Toby Franklin
Board member

Julia Ehrhardt
Board member

Our audit report has been submitted as of 28 April 2023
Ernst & Young AB

Daniel Eriksson
Authorized auditor

Corporate governance report

Bluestep Bank AB (publ) (the "Bank") conducts banking operations and is supervised by the Swedish Financial Supervisory Authority ("SFSA"). The Bank is a wholly owned subsidiary of Bluestep Holding AB, which is owned by EQT VII since 2017. The Bank has a Norwegian branch for deposits and mortgage lending, which commenced its activities in 2010, and a Finnish branch for mortgage lending, which commenced its activities in June 2020.

The Bank is the Parent Company of a group consisting of; Bluestep Servicing AB, which previously administrated deposit and lending activities; and the funding companies Bluestep Finance Funding No1 AB, Bluestep Mortgage Securities No 2 Designated Activity Company, Securities No 3 Designated Activity Company and Bluestep Mortgage Securities No 4 Designated Activity Company.

Corporate governance must function well for the Bank to enjoy confidence in the marketplace and create added value for stakeholders. For this reason and to prevent conflicts of interest, the Company has defined roles and clear areas of responsibility allocated among the Board of Directors, the CEO and other stakeholders. This corporate governance report is created in accordance with the requirements in the Annual Accounts Act (1995:1554).

The main issues for corporate governance at the Bank are explained below.

Corporate governance

The Bank is a dedicated, solutions-oriented organisation that offers mortgages in all three countries where it operates and savings accounts in Norway and Sweden.

The Bank is a Swedish public limited liability bank company. The Bank's corporate governance is based on Swedish law, regulations and general recommendations issued by the SFSA, guidelines from the European Banking Authority (EBA), Nasdaq Stockholm's regulations for issuers, Oslo Børs' Issuer Rules and Harmonized Rules, the Bank's Articles of Association and internal policies and instructions. The Bank has a traditional form of corporate governance, where the shareholders appoint the Board which in turn appoints the CEO. There are internal and external control functions as well.

Since the Bank's shares are not admitted to trading on a regulated market, the Swedish Code of Corporate Governance is not applied to the Bank.

Annual General Meeting

The Bank is governed via the Annual General Meeting in accordance with the basic rules on the governance and organisation of a limited company. The Annual General Meeting is the Bank's highest decision-making body, and the Articles of Association contain no special provisions that affect decision making at the Annual General Meeting.

At the Annual General Meeting, the shareholders of the Bank must confirm the income statement and balance sheet, dividends and other disposals according to the Bank's result, the discharge for the board and the CEO, election of the board and resolution of the boards fees.

The Annual General Meeting also appoints the external auditor for the Bank, who emits an audit report of the Bank's annual report and consolidated statements, the disposal of the result, and the boards and the CEO's management of the Bank and its activity. The external auditor's audit report is submitted to the Annual General Meeting, which subsequently must take a position on it.

The Bank's Articles of Association have been prepared in accordance with the requirements in the Swedish Companies Act regarding mandatory information and has no decisions regarding appointment and dismissal of board members or amendment of the Articles of Association. Nor are there limitations of how many votes each shareholder can submit at the Annual General Meeting. The Articles of Association have been approved by the SFSA in accordance with the Banking and Finance Act (2004:297).

At present, the Annual General Meeting has not authorised the Board of Directors to resolve to issue new shares or buy back the Bank's own shares.

Board of Directors

The Board of Directors is ultimately responsible for the Bank's administration and organisation. The duties of the Board of Directors are primarily governed by the Swedish Companies Act (2005:551), the Banking and Finance Act (2004:297) and by regulations from the SFSA.

The Board's responsibilities include determining and reviewing the Bank's objectives and strategies considering its long-term financial targets and the risks which the Bank is, or might be, exposed to. The board is also responsible for applying capital requirements; satisfactory control of regulatory compliance; and ensuring compliance with internal rules for risk management, risk control and risk reporting.

The Board of Directors is also responsible for ensuring that internal governing documents, such as policies and instructions are regularly evaluated. The purpose is to ensure that the Bank's operations are run in a way that the Bank's obligations are not jeopardised, that reporting of violations is done and followed up, and that the Bank's operations are driven in a healthy way. It also includes maintaining a healthy risk culture, particularly regarding credit risks that are related to the Bank's business model. The Board of Directors must also monitor the Bank's financial performance and ensure the quality of its financial reporting and reporting by the control functions. The Board follows written rules of procedure that are determined annually. The rules of procedure comply with the Swedish Companies Act, the Swedish Banking and Financing Business Act and regulations issued by Sweden's Financial Supervisory Authority. The rules of procedure also govern the allocation of duties between the Board members and the CEO.

The Boards committees and the Bank's remunerations principles

The Board of Directors has established an Audit, Risk, and Compliance Committee, ("ARCCO") which assists the Board in reviewing financial reporting, risk management, compliance, internal control and auditing. More information regarding ARCCO is found in the section "Control environment" below.

The Bank has also established a remuneration committee, and in accordance with the regulations issued by the SFSA, a clear policy, instructions and processes to maintain a healthy remuneration structure. Compensations to the CEO and other individuals identified as Identified Staff are determined by the Board of Directions after preparations by the remuneration committee.

Compensations to the CEO and senior executives consist of salary and pension contributions. The Bank's remuneration principles to the employees are created to ensure that remunerations to individuals do not counteract the Bank's long-term interests.

The CEO and the Bank's senior management

The CEO bears the overall responsibility for ensuring that all of the Bank's business risks are managed according to established policies and guidelines. The CEO is also responsible for ensuring that the Bank's organisation and work processes continually follow applicable regulations. According to internal governing documents, the CEO is also responsible for the Bank's financial reporting, and the CEO must accordingly ensure that the Board receives adequate information to be able to evaluate the Bank's financial position. This includes trends in liquidity and credit risk, important business transactions and other circumstances that may be important to the Board of Directors and the owners. The CEO must also lead the Bank's senior management in implementing decisions taken by the Board.

Internal control

The Board's responsibility for internal control is governed primarily by the Swedish Companies Act, the Swedish Annual Accounts Act (1995:1554) and relevant sections of the regulations and general recommendations issued by the SFSA and guidelines issued by the EBA.

Internal control – financial reporting

The Bank's procedures for internal control, risk assessment, control activities and monitoring of financial reporting are designed with the objective of ensuring reliable overall financial reporting and external financial reporting in accordance with International Financial Reporting Standards (IFRS), applicable laws and regulations and other requirements applicable to companies with listed securities. The work involves the Board of Directors, the Bank's senior management and other personnel.

Internal control – governing documents

An important part of the Bank's internal control consists of governing documents in forms of policies, instructions and manuals. The governing documents exists for essential areas and form the framework for the business. All the policies are approved by the Board of Directors and the instructions are approved by the CEO. The governing documents are evaluated, updated and approved ongoingly, however, at least annually.

Control environment

The Board of Directors has adopted several governing documents that, together with external regulations, serve as the basis for the Bank's control environment. It is the duty of all employees to comply with the adopted governing documents. The Board of Directors has adopted governing documents that govern the respective responsibilities of the CEO and the Board of Directors.

The Bank's risk governance is performed from an organisational perspective as well as from a perspective with three lines of defence.

The organisational perspective consists of the Board, the CEO, the Senior Management Team, business functions, and control functions.

The perspective with three lines of defence consists of the following areas of responsibility for risk management, compliance and internal control:

- First line of defence - Business functions, where managers own their risks and are responsible for the day-to-day risk management, compliance and internal control. The managers of business functions report directly to the Senior Management Team and the CEO.
- Second line of defence - The risk management function and the compliance function are responsible for the frameworks for risk management, compliance and internal control, and to perform support and independent monitoring and steering, support and control of these areas. The Chief Risk Officer ("CRO") and the Head of Compliance report directly to the CEO and to the Board.
- Third line of defence - The internal audit function is responsible for independent review of risk management, compliance and internal control in the business, support and control functions. The internal audit function reports

directly to the Board. The Bank has outsourced the internal audit to Deloitte AB.

In addition to regularly scheduled annual controls, the risk management and compliance functions are also obligated to report back to the Board of Directors and CEO at least once per month. Their reports must point out material shortcomings and risks. The CEO and Board of Directors must ensure that the Bank has procedures in place to regularly follow up which actions have been taken in response to the reporting by the control functions.

The Board of Directors bears the ultimate responsibility for the Bank's risk levels 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 mentioned above, the Board of Directors has established the ARCCO, which continuously monitors the quality of the Bank's financial reporting, corporate governance, internal control, compliance, risk control and the internal audit.

The Board has appointed a CRO who is directly subordinate to the CEO. The CRO leads the Risk Management function, which is responsible for supporting and independently monitoring and controlling the risk management for the Bank, and thereby ensuring that the risks are identified, assessed, managed, monitored and reported correctly.

The Bank's risk management system is complemented by the following committees:

- Risk and Compliance Committee ("RiCO") to support the operations in risk management regarding operational risks, compliance, and audit issues,
- The New Product Approval Process Committee ("NPAP") to support the operations in decisions on new or changed products, processes, services, systems, and material organisational changes, and
- Asset and Liability Management Committee ("ALCO") to support the operations in managing balance sheet-related issues and risks.

Risk assessment and control activities

The Bank's risk management aims to ensure that the outcomes of risk-taking activities are consistent, with set risk management strategies and risk appetite, and that there is an appropriate balance between risk and return. The risk management framework is integrated into the overall governance and internal control framework, and is linked to the strategic planning and capital management. The risk management covers risks that arise in the business and the organisation, and is limited and mitigated through set risk appetite and risk tolerance, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank. The Bank's risk governance and risk management framework is governed by the Risk Management Policy and Instruction, which has been approved by the Board.

The Bank defines risk as the possibility that an event will occur and adversely affect the achievement of an objective or process. The risk management covers both actual and forward-looking risks, on and off the balance sheet, to which the Bank is, or might be, exposed in its operations and in its efforts to achieve set goals for growth, profitability and financial stability.

Monitoring, evaluation and reporting

The Board of Directors continually evaluates the information it receives. The Board regularly receives reports from the Bank's operations concerning issues that include the Bank's financial position, as well as reports from the ARCCO, RiCO, NPAP and ALCO concerning their observations, recommendations and proposed actions and decisions. Internal audit and the Compliance and Risk functions regularly report their observations and proposed actions to the CEO and Board of Directors. Internal and external regulations that govern financial reporting, as well as other applicable requirements, are communicated internally by means of relevant governing documents. All Bank personnel has access to these documents on the intranet.

Bluestep Bank.

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Org.Number 556717-5129
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