# Annual and Sustainability report 2023

Bluestep Bank AB (publ)

# Content



Pages 20-23 constitute the formal annual report.
The Group's sustainability work is described on pages 26-34 and 113-121.

"Recognizing the complexities of these macroeconomic shifts, the Bluestep Bank Group embraced flexibility and responsiveness"

# This is the Bluestep Bank Group

The Group 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

The Group is specialised in mortgage lending and aims 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 evaluate everyone'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. The Group also offers an equity release product in Sweden for those over 60 years of age who own their home, enabling more people to maintain a desired living standard.

### Our role in society

In today's financial market, the Group is more relevant than perhaps ever before. All our customers have different needs and preconditions, what unites them is the exclusion they experience from traditional banks. A lot of things are different today compared to only a decade ago. Forms of employment have evolved, and permanent employment is neither a possibility nor a desire for many in the younger generations entering today's job market. Freelancing, the growth of the gig economy and the shortage of housing in combination with the continued rise in interest rates are all contributing to a generation facing difficulties in starting their adult lives in the most basic way – through leaving the parent's 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. The Group is subject to the same rules and regulations as 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 personalized 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

### Strategic development and significant events

Against the prevailing backdrop of weak macroeconomic growth, given the Group's size, any aspiration to outperform requires strategic distinction combined with sound execution. The key growth imperative in the three countries is to grow customer numbers, do more business with customers, and do this more efficiently.

During the year under review, the macroeconomic environment was characterised by a significant increase in global inflation as supply-chain constraints and pent-up demand drove up global prices, followed by rising interest rates. Given this backdrop, all the geographies where the Group operates grappled with higher inflation and rising interest rates.

Such an environment poses both challenges and possibilities. Tougher economic times are naturally challenging for a bank and its mortgage customers.At the same time, such an environment is exactly where Bluestep is needed even more, focusing on financial inclusion and helping people during times of difficulty. Bluestep is continuing to closely monitor the development, to manage both challenges and possibilities in a successful and sustainable way going forward.

An important milestone in the Group's history was the acquisition of Bank2 ASA ('Bank2') on the 31st of October 2023. This strategic move aims to tap into the identified synergies by expanding the current operations in Norway and thereby strengthening the Group's position as a specialist mortgage provider in the Nordics. By combining Bank2's deep market understanding and distribution capabilities in the Norwegian market with Bluestep's Nordic platform and diversed funding, the combination will create a bank that is well positioned to capture the full potential of the demand for specialist mortgages in the Nordics and help even more customers to obtain innovative mortgage products. The Group's lending portfolio grew by approximately MNOK 5,062 through the acquisition.

Following the notification to the Swedish Financial Supervisory Authority ("SFSA") and the German Federal Financial Supervisory Authority ("BaFin"), the Group began offering deposit products in EUR to customers residing in Germany during the second half of 2023. This additional source of funding is a valuable addition for the Group's Finnish mortgage business. Deposit funding in an additional currency is also improving asset/liability-matching as well as diversification of the Group's funding.

### Performance and financial position

The financial performance and financial position is impacted by the acquisition of Bank2, which is fully consolidated from the 31st of October. Refer to Note 34 for further disclosures regarding the acquisition.

- Lending to the public increased by 29% to MSEK 26, 205 (MSEK 20,346). Adjusted for currency effects the increase was 7% excluding Bank2.
- New lending amounted to MSEK 7,009 (MSEK 6,903). Adjusted for currency effects the increase was 4%.
- Net interest income amounted to MSEK 959 (MSEK 921), an increase of 4%.
- Operating profit amounted to MSEK 298(MSEK 310). Bank2 contributed with MSEK 16 to operating profit since the acquisition date. Operating profit was impacted by MSEK 20 due to a continued build-up of net credit loss provisions.
- Operating expenses amounted to 649 MSEK (568 MSEK) and were impacted by non-recurring costs (36 MSEK) related to the strategic review that was initiated by the owners of the Group in 2022. The current year includes restructuring costs following the acquisition of Bank2 amounting to MSEK 22. Directly attributable transaction costs for the acquisition of Bank2 amounted to approximately MSEK 45 on Group level. Adjusted for these non-recurring costs, the operating expenses amounted to 582 MSEK.
- Net credit losses amounted to MSEK 48 (MSEK 28), equivalent to a credit loss level of 0.18% (0.14%).
- The return on equity for the period was 11.2% (13.9%).
- The Common Equity Tier 1 ("CET1") ratio was 15.5% (17.0%) for the Consolidated situation. The total capital ratio was 16.0%.

### Financing and funding

The Group's long-term strategy is to have a well-diversified funding structure, mainly comprising of retail deposits from the public and the issuance of covered and senior unsecured bonds.

- During the first half of 2023, one of Bluestep's outstanding covered bonds, amounting to MSEK 1,900 was repaid. During the second half of the year a new covered bond, amounting to MSEK 1,000 was issued. At the end of the year, Bluestep had an outstanding volume of covered bonds amounting to MSEK 5,000 under Bluestep Bank's MTCN-programme.
- At the end of the year, the Group had an outstanding volume of MSEK 1,850 and MNOK 550 in senior unsecured bonds under Bluestep Bank's MTN-programme.
- Furthermore, the Bluestep had an outstanding volume of MNOK 60 in AT1-instruments and MNOK 60 in T2-instruments, issued by Bank2.
- Deposits from the public amounted to MSEK 20,513 (MSEK 13,239). Deposit funding in EUR, via a German deposit platform provided by Raisin GmbH ("Raisin") was launched during the summer of 2023, furthering the diversification of the Group's funding. The acquisition of Bank2 also entailed an increase in deposits from the general public in Norway.

## Key figures

All figures presented as part of the financial performance and financial position are impacted by the acquisition of Bank2. Details regarding the assets and liabilities acquired are presented in Note 34. Increases are due to both organic growth in the lending portfolio but mainly due to the consolidation of Bank2. All figures are impacted by currency effects where the NOK weakened against the SEK and the EUR weakened slightly against the SEK. The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (MSEK) unless otherwise indicated. No adjustments for rounding are made, therefore summation differences may occur.

| MSEK | 2023 | 2022 |
|---|---|---|
| **Lending to the public** | 26,205 | 20,346 |
| **Deposits from the public** | 20,513 | 13,239 |
| **Net interest income** | 959 | 921 |
| **Operating expenses** | 649 | 568 |
| **Operating profit** | 298 | 310 |
| **Cost/Income, %[1,2]** | 65% | 63% |
| **Credit losses, %[1,2]** | 0.18% | 0.14% |
| **Return on equity, %[1,2]** | 11.2% | 13.9% |
| **CET1, %[1]** | 15.5% | 17.0% |

*[1] The change is stated in percentage points.*
*[2] See section 'Definitions of alternative performance measures'.*

# One Team, One Journey, One Bank

**"Looking ahead, our optimism remains resolute. The focus on ONE bank, streamlined operations and an improved customer journey, positions the Bluestep for continued success, even in the face of uncertainty."**

Amidst the persistent macroeconomic challenges of 2023, the Group demonstrated resilience, skillfully navigating dynamic market changes. The convergence of rising interest rates, heightened inflation, and housing market pressures underscored the need for agility. This year stands as a testament to the Bluestep's unwavering commitment to transforming operations and adapting to the evolving landscape, navigating not only macroeconomic challenges but also the impact of global conflicts like the ongoing war in Ukraine.

### Flexibility and responsiveness

Recognizing the complexities of these macroeconomic shifts, Bluestep embraced flexibility and responsiveness. The evolving market dynamics spurred a transformative process, marking a strategic shift towards a new era characterized by digitalization and automation. Aligned with an overarching theme of "One Team, One Journey, One Bank," this strategic evolution emphasized the seamless integration of operations and people across markets, ultimately enhancing the customer experience. Looking forward, the Group remains optimistic, unveiling new opportunities to leverage strengths and accelerate growth across unified operations in Sweden, Norway, and Finland.

As part of this transformative journey, the introduction of Euro Deposits fortified operations, emphasizing a diversified funding strategy. This strategic move aimed to strengthen financial foundations, enabling competitive financing of operations and products across borders.

### Market dynamics and a strategic milestone

Significant performance objectives were achieved in key markets, such as Finland and the equity release product through 60plusbanken in Sweden, emphasizing the Group's commitment to market expansion.

Establishing market shares and advancing products in these areas remained key priorities, reflecting Bluestep's strategic response to the ever-evolving market landscape.

A milestone achievement in 2023 was the successful acquisition of Bank2, aligning with the Group's growth strategy and mission of promoting financial inclusion. This strategic move solidified the Group's position in Norway, presenting exciting opportunities for continued success and mission advancement.

### Inclusive mortgages & streamlined financial empowerment

The Group's commitment to inclusivity shone through innovative offerings like Kompisavtalet – a unique contract facilitating home purchases among friends. This initiative opened the housing market and mortgage opportunities to a broader demographic, including friends, siblings, and non-traditional families, showcasing the Group's adaptability to evolving market needs.

The launch of a new customer login portal across all sites marked a pivotal step in the Group's dedication to providing an elevated customer experience. The user-friendly interface was designed to streamline logins and empower Bluestep's customers with enhanced control over their financial situations, perfectly aligning with Bluestep's commitment to a cohesive customer journey, also evidenced by low credit losses over time.

### Resolute optimism for the future

Looking ahead, our optimism remains resolute. The focus on ONE bank, streamlined operations, and an improved customer journey positions Bluestep for continued success, even in the face of uncertainty, where we see opportunities for further growth.

In conclusion, I want to express my gratitude to our fantastic colleagues and acknowledge their contributions amid ongoing challenges over the year. The stable and growing performance of the business would not have been possible without their invaluable efforts.

Björn Lander
**Chief Executive Officer**

# Meet Bluestep Bank Group

In 2023, the Group embarked on a transformative journey to enhance Nordic cooperation, aligning not only its operations but also its organizational structure across Finland, Norway, and Sweden.

**"Our transformative journey underscores our commitment to 'One Team, One Journey, One Bank.' This alignment underlines our dedication to a consistent approach to achieve common goals."**

Erik Walberg Olstad
Nordic Chief Commercial Officer

**"Navigating the diverse markets of Finland, Norway, and Sweden in the restructured Sales Department has been a collaborative journey. The value of shared challenges and dialogues within our distinct teams underscores the success of our Nordic collaboration."**

Susanne Ahlgren
Group Manager

This initiative, a pivotal component of the "One Team, One Journey, One Bank" approach introduced at the beginning of the year, aimed to harmonize markets, and establish a unified operating model, fostering a singular approach to achieve common objectives. This effort reflects our commitment to cultivating exceptional leaders, fostering colleagues through strategic investments in people, emphasizing diversity and inclusion, and enhancing internal communication.

### Nordic collaboration reinforced

In a bid to enhance Nordic collaboration, a new operational model was implemented across all functions, exemplified by changes in the Sales Departments across Finland, Norway, and Sweden. This transformative approach empowered the Sales Department to oversee every aspect of new customer onboarding, from applications to loan documentation and communication. With a keen focus on efficiency and delivering an exceptional customer experience, the Sales Department underwent a restructuring process into distinct teams. This initiative underscored the value of shared challenges and collaborative dialogues in navigating diverse markets.

### Empowering leaders, nurturing colleagues

The Group prioritized cultivating exceptional leaders and colleagues through strategic investments, emphasizing diversity and inclusion. In 2023, educational training sessions and a year-long leadership program facilitated by Amazing Leaders were instrumental in enhancing leadership capabilities, addressing challenges, and fostering a collaborative workplace culture integral to the transformation journey. As part of this initiative, a course in Inclusive Recruitment underscored the commitment to building an inclusive and diverse workforce.

### Uniting through improved communication

The Group prioritized enhancing internal communication in 2023 as a vital aspect of its transformation journey. Efforts included expanding communication channels, introducing a dedicated internal communication resource, and further developing our intranet, Bluenet. Regular all-staff meetings and the launch of an internal podcast, Bluecast, aimed to foster cohesion and teamwork, reflecting the organization's dedication to "one team, one journey, and one bank."

**"Working in the transformed Sales Department has been incredibly rewarding. Being part of a team that oversees every step of new customer onboarding highlights our commitment to delivering an exceptional customer experience."**

Jukka-Pekka Kuosmanen
Team Manager

**"We prioritize people, fostering leadership and supporting colleagues through ongoing initiatives and programs. Our commitment is to build a culture of collaboration and diversity, shaping our transformation journey."**

Caroline Redare
Chief Human Resource Officer

**"The evolution of our communication channels ensures that we stay connected, informed, and collectively thrive in our diverse work environment."**

Fredrika Hökfelt Grip
Communication Specialist

# CORPORATE GOVERNANCE, THE BOARD AND SENIOR MANAGEMENT

# Statements by the Chairman of the board

In 2023, the Group overcame economic challenges, positioning itself for growth. The Bank's transformation into an efficient and agile institution sets the stage for substantial expansion in the coming years, emphasizing a commitment to operational excellence and seizing new opportunities.

### Navigating economic challenges

The past year unfolded against a backdrop of considerable challenges in the macroeconomic landscape. Faced with rising interest rates and their far-reaching consequences, the Group navigated through the tough economic terrain. Despite these challenges, we find ourselves in a strong position to accelerate our growth in 2024.

The resilience demonstrated during this demanding period positions us well for the anticipated improvements in mortgage conditions and a potential decrease in interest rates. We have weathered the storm, and now we look forward to capitalizing on the opportunities that lie ahead. As conditions become more favorable, we aim to leverage our robust position to not only sustain but strengthen our growth.

### Efficiency, transformation and growth

The Group has transformed into an agile, efficient, and well-optimized organization, thanks to our commitment to operational excellence. The groundwork laid in 2023 has set the stage for substantial development in the upcoming years, particularly in 2024-2025. Our efficiency initiatives have strategically positioned us for continued expansion, and we are poised to capitalize on new opportunities for development. Despite the challenges faced in 2023, we emerged from the year with a strong foundation.

The coming years will see us expanding our presence, enhancing efficiency, and developing new distribution channels. Our progress is underpinned by a strategic perspective that prioritizes efficiency, positioning us as a robust and dynamic player in the market. The Group is committed to maintaining an efficient position to seize opportunities as they arise. As we reflect on 2023, we are confident in our ability to navigate complexities and grow from strength to strength in the years to come.

Jayne Almond
**Chairman of the Board**





# Corporate governance report

The Group is dedicated to maintaining the highest standards of corporate governance, recognizing that effective governance is essential to foster market confidence and generate value for all stakeholders. For this reason and to prevent conflicts of interest, the Group has defined roles and clear areas of responsibility allocated among the Boards, the CEO, and other stakeholders. This corporate governance report is created in accordance with the requirements in the Annual Accounts Act (1995:1554). For detailed information on the Group structure, refer to the Administration report.

### Governance overview

The Group's corporate governance framework is based on Swedish legislation, regulations and general guidelines issued by the SFSA. It aligns with the guidelines from the European Banking Authority ("EBA"), Nasdaq Stockholm's regulations for issuers, Oslo Børs' Issuer Rules and Harmonized Rules. This framework is further supported by the Bank's Articles of Association and internal policies and instructions.

The Group has a traditional form of corporate governance, where the shareholders appoint the Board, who then oversee the Group's strategic direction, including the appointment of the Chief Executive Officer ("CEO"). The Group also maintains internal and external control functions to ensure compliance and efficient management.

As the Bank's shares are not traded on a regulated market, it is relevant to note that the Swedish Code of Corporate Governance is not applicable. Nevertheless, the Group consistently endeavours to uphold high governance standards, aligning with recognised best practices.

### Annual general meeting

The Bank is governed by its Annual General Meeting ("AGM") in accordance with the standard rules on the governance and organisation of a limited company. At the AGM, the shareholders have several key responsibilities:

- Confirm the income statement and balance sheet and the consolidated income statement and consolidated balance sheet of the Bank and the Group respectively;
- Decide on dividends and other disposals according to the Bank's result;
- Approve the discharge for the Board and the CEO of their responsibilities, elect the Board and resolve on the proposed Board's fees; and
- Appoint the external auditor for the Bank.

The appointed external auditor is responsible for auditing the annual report and consolidated accounts of the Bank, the audit of the proposed allocation of the result, and the audit of the Board's and the CEO's management of the Bank and its activities. The audit report is subsequently submitted to the AGM for review.

The Bank's Articles of Association are aligned with the Companies Act (2005:551), specifically regarding mandatory content. The Articles of Association do not include provisions regarding the appointment and dismissal of board members or amendment to the Articles of Association nor any special provisions that affect decision making at the AGM. There are no limitations on the number of votes each shareholder can cast at the AGM. The Articles of Association have been approved by the SFSA in accordance with the Banking and Financing Business Act (2004:297) ("BFBA").

At present, the AGM has not authorised the Board to issue new shares or repurchase the Bank's own shares.

### Board of directors

The Board is ultimately responsible for the Bank's administration and organisation. The duties of the Board are primarily governed by the Companies Act, the BFBA and by regulations from the SFSA.

The Board's key responsibilities include, amongst other:

- Determining and reviewing the Bank's objectives and strategies, considering its long-term financial targets and associated risks.
- Ensuring the compliance with capital requirements, regulatory requirements. internal rules for risk management, risk control and risk reporting; and
- Ensuring that the internal governing documents are regularly evaluated.

The purpose is to ensure that the Bank and the Group's s operations are conducted in a manner to safeguard its obligations, to notify serious breaches of regulations in line with guidelines and that these are not monitored and followed up, and that the Bank and the Group's business are run in a healthy and optimized way. This includes maintaining a healthy risk culture, particularly regarding credit risks that are related to the Bank and the Group's business model. The Board shall monitor the Bank and the Group's financial performance and ensure the quality of its financial reporting and reporting by the control functions.

The Board follows written rules of procedure, adopted annually, which comply with the Companies Act, the BFBA and the SFSA regulations. The rules of procedure also govern the allocation of duties between the Board members and the CEO.

The Board holds ultimate responsibility for the Bank's risk profile and risk management framework, and for ensuring that the Bank has adequate controls in place.

The Board provides directives to the CEO by means of policies related to governance, management, control and reporting of risks.

### The Boards committees and the Bank's remunerations principles

The Board has established an Audit, Risk, and Compliance Committee, ("ARCCO") aiding in the review of financial reporting, corporate governance, risk management, compliance, internal control and auditing.

The Bank also has a Remuneration Committee. In accordance with SFSA regulations, it adheres to clear policies, instructions and processes to maintain a healthy remuneration structure. Compensation to the CEO and Identified Staff are determined by the Board, following the recommendation by the Remuneration Committee. Compensation to the CEO and senior executives consist of salary and pension contributions. The Bank's remuneration principles aim to ensure that remuneration to individuals do not counteract the Bank's long-term interests.

For more detailed information on the composition and roles of the various committees, please visit www.bluestepbank.com/corporate-governance.

### The CEO's role in corporate governance

The CEO has the overarching responsibility for ensuring that all the Bank's business risks are managed in accordance with established policies and guidelines. This responsibility ensures that the Bank's organisation and operational processes are continually aligned with applicable regulations. According to internal governing documents, the CEO is also responsible for the Bank's financial reporting. It is imperative that the CEO provides the Board with sufficient and relevant information to accurately assess the Bank and the Group's financial position and financial result. This includes updates on liquidity and credit risk, significant business transactions, and other factors that may be important for decision making to the Board and the shareholders.

Additionally, the CEO is tasked with leading the Senior Management Team ("SMT") in executing decisions taken by the Board.

### Risk management

The Board and the CEO are responsible for operationalisation of risk management and compliance of operations and ensuring that the Bank and the Group regularly follow up on actions taken in response to the control function reports.

A Chief Risk Officer (CRO), subordinate to the CEO, leads the Risk Management function, ensuring that risks are appropriately identified, assessed, managed, monitored, and reported.

The Bank's risk management framework includes these committees:

- Risk and Compliance Committee ("RiCO") for operational risks, compliance, regulatory, and audit matters.
- New Product Approval Process Committee ("NPAP") for decisions on new or modified products, processes, services, systems, and material organisational changes.
- Asset and Liability Management Committee ("ALCO") for managing balance sheet-related issues and risks.
- Sustainability Management Committee for overseeing Environmental, Social and Governance ("ESG")strategy, compliance with sustainability reporting standards, and managing ESG-related risks.

### Control environment

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

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 SMT, 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: Business functions are the primary risk owners, handling day-to-day risk management, compliance, and internal control. These functions report to the SMT and the CEO.
- Second line: Comprises the Risk Management and Compliance functions, responsible for establishing frameworks and providing independent monitoring. The CRO and Head of Compliance report to the CEO and the Board.
- Third line: The internal audit function, outsourced to Deloitte AB, offers an independent review of risk management, compliance, and internal control, reporting directly to the Board.


### Internal control – Financial reporting

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

The Bank and Group's procedures for internal control, risk management, control activities and monitoring of financial reporting are designed to ensure accurate and reliable financial reporting in accordance with International Financial Reporting Standards ('IFRS'), applicable laws and regulations and other requirements applicable to companies with listed securities. The process involves the Board, the SMT and other relevant employees.

### Internal control – Governing documents

An important part of the Bank's internal control is the establishment and maintenance of governing documents, which include policies, instructions routines, and process descriptions. These documents cover essential areas of operation and provide a structured framework for the Bank and Group's activities. All the policies are approved by the Board, while the instructions are approved by the CEO. Relevant governing documents are accessible to all staff on the intranet. The governing policies are subject to ongoing evaluation, updated at least annually and also when required.

### Risk assessment

The Bank's risk management framework ensures that outcomes align with risk strategies and appetite, maintaining a balance between risk and return. The Bank's risk governance and risk management framework which is part of the broader governance and internal control framework, supports strategic planning and capital management. It encompasses risks in business and organisational activities, bounded by established risk appetite and risk tolerances. This approach facilitates informed risk-taking decisions, promoting risk management awareness within the Bank. This 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. More information is provided in the risk sections of the annual report.

### Board oversight in risk management and evaluation

The Board is responsible for overseeing operational risk reporting and the ongoing evaluation of the Bank's governance. Monthly reports on material risks and shortcomings are submitted to the Board and CEO by the Risk Management and Compliance functions. This process ensures that the Board is appropriately informed and can take necessary actions in a timely manner. Additionally, the Board regularly reviews reports from the Internal Audit function, and committees such as ARCCO, which in turn reviews reports from RiCO, NPAP, ALCO and the Sustainability Management Committee. These activities assist the Board in effectively managing the Bank's risk levels and the performance of its risk management framework.

# Board of directors

The Board of directors are elected by the shareholders at the Annual General Meeting.

**Jayne Almond**

*Chairperson*

Elected to the board: 2022

Born: 1957

Other assignments: Chairman of Bluestep Holding AB and board member Arbuthnot Latham.

**Christopher Rees**

*Member of the Board*

Elected to the board: 2023

Born: 1972

Other assignments: Board Member of Bluestep Holding AB and Hoist Finance AB (publ). Council Member of the Seerave Foundation. Director of Kalix Capital UK Ltd.

**Rolf Stub**

*Member of the Board*

Elected to the board: 2020

Born: 1963

Other assignments: Board member of Bluestep Holding AB, Chairman of the Board of Eiendomsfinans AS, Eiendomsfinans Drift AS and Nstart AB.

**Vesa Koskinen**

*Member of the Board*

Elected to the board: 2023

Born: 1979

Other assignments: Board Member of Bluestep Holding AB, Desotec, BioGaia, Oterra and Kirva Holding Oy. Partner at EQT Partners and Board Member of EQT Partners OY.

**Christian Shin Høegh Andersen**

*Member of the Board*

Elected to the board: 2023

Born: 1985

Other assignments: Board Member of Bluestep Holding AB and BC MidCo PTE Ltd. Partner at EQT Partners.

**Julia Ehrhardt**

*Member of the Board*

Elected to the board: 2021

Born: 1980

Other assignments: Board Member of Bluestep Holding AB, Nstart AB and DNA (non-profit organization). Chief Treasury & Business Enabler of Gilion AB.

Previous board members Albert Gustafsson,Simon Tillmo and Toby Franklin left the board on the 6th of October 2023 and the new board members Christopher Rees, Vesa Koskinen and Christian Shin Høegh Andersen were elected on the same date.

# Senior management team

The Senior management team (SMT) are responsible for the ongoing operational management and decision-making within the Group.

**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.

**Erik Walberg Olstad**

*Chief Commercial Officer*

Employed: 2012

Born: 1987

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

**Christer Pettersson**

*Chief Customer Acquisition Officer*

Employed: 2022

Born: 1967

Previous roles: Head of E-Commerce and Commercial Digitalization at Hultafors Group, Head of E-Commerce and Marketing at Arvato Financial Solutions, Nordic E-commerce Manager at Apollo Travel Group.

**David Nilsson Nannini**

*Chief Data Officer*

Employed: 2023

Born: 1981

Previous roles: Head of Product at Sergel Group, Head of Business Development at Bisnode.

# ADMINISTRATION REPORT

# Administration report

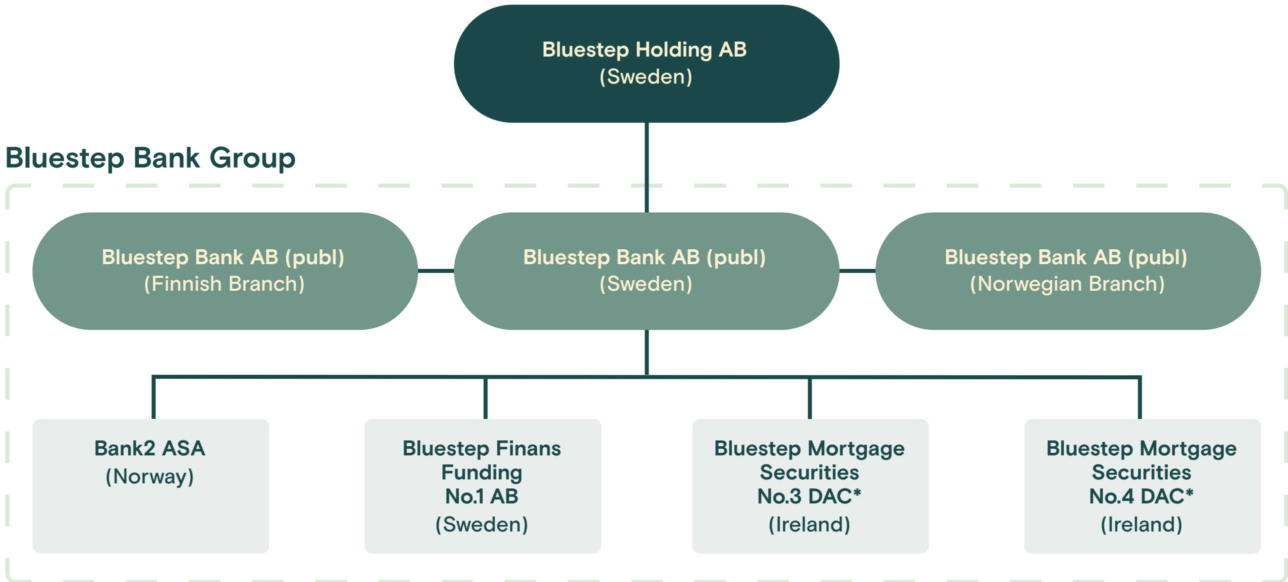
## Operations and financial overview

Bluestep Bank AB (publ) (the "Bank", also referred to as the "Parent"), org no 556717-5129 is a public limited liability bank company under the supervision of the Swedish Financial Supervisory Authority ('SFSA') and categorised as a small and non-complex institution in accordance with point 145 of Article 4(1) of the CRR. The Bank is placed in category four by the SFSA under its categorisation of Swedish credit institutions.

The Bank's head office is located at 163 Sveavägen, SE-104 35, Stockholm, Sweden. The Group comprises the Bank and the wholly-owned subsidiaries, as depicted in the figure below. The Group is the Nordics' 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. The Group operates in Sweden, Norway and Finland, of which the latter two are operated through branches in the respective countries. Bank2 is operated as a separate entity.

All financial information is provided for the Group if not otherwise stated, while the regulatory information refers to the legal entity Bluestep Bank AB (publ) or the Consolidated situation which the Bank reports to the SFSA. The Consolidated situation include all the entities as depicted in the figure below. Bluestep Holding AB is owned by EQT VII.

The Bank hereby presents the annual report for the financial year 1 January 2023 to 31 December 2023.




**These subsidiaries are currently under liquidation.*
*All entities are included in the Consolidated situation.*
*Additional information regarding the companies in the Group is available in Note 17 and 31.*





## The Group's results

The year refers to 1 January - 31 December 2023 (compared to same period the previous year). The financial performance and financial position is impacted by the acquisition of Bank2, which is fully consolidated and the financial performance included as from the 31st of October. Refer to Note 34 where further disclosure is made regarding the acquisition.

## Finance performance

### Net interest income

The Group's net interest income for the year increased by 4% to MSEK 959 (MSEK 921). New lending volumes, increased interest rates and the consolidation of Bank2 for the period since acquisition, contributed to the increased interest income. Higher market interest rates have led to increased interest expenses compared to the comparative year.
Inflation and interest rates weighed on household disposable income overall. Identifying and originating quality new business continued to require a fine balancing act given competitive actions in the market. It has been even more evident in a higher-rate environment. Origination therefore remains tilted towards low- to medium-risk customers that have the most capacity for credit and this mix of lending has resulted in some margin compression, but the Group continues to capture a higher share of low- and medium-risk business, in line with its strategy.

### Operating expenses

The Group's expenses for the year amounted to MSEK 649 (MSEK 568). In addition to inflation, the increase in operating expenses is mainly due to staff costs related to headcount (due to the the acquisition of Bank2) and the continued expansion of the Finnish business. Amortisation and depreciation of capitalised technology continues to increase as the Group prioritises investments in technology to be able to meet customer needs and expectations.

Moreover, operating expenses are impacted by costs for the growth initiatives for the equity release product in Sweden and the expansion of the operations in Finland.

The prior year was impacted by non-recurring items (MSEK 36) that related to the strategic review initiated by the owners of the Group. The current year include restructuring costs following the acquisition of Bank2 amounting to MSEK 22. Directly attributable transaction costs for the acquisition of Bank2 amounted to approximately MSEK 45 on Group level. The cost income ratio before credit losses amounted to 65% (63%).

### Employees

The average number of employees of the Group were 299 (264), with the increase mostly due to the employees included from Bank2.

### Credit losses

The Group's credit performance was stable, despite the prevailing macroeconomic environment. The overall credit loss ratio increased to 0.18% (0.14%), driven largely by the Swedish operations. This underlying performance reflects the Group's origination approach and was achieved despite inflation and interest rate pressures.

The net credit losses increased to MSEK 48 (MSEK 28).

The Group incorporates forward-looking information into the determination of expected credit losses to ensure a comprehensive and well-informed assessment is made. In the judgment of the management, inflation has come closer to target levels and interest rates are expected to adjust downwards. This in combination with stabilised property prices and higher transaction volumes should be supportive for customers to recover. No overlay was therefore considered necessary. For further information refer to Note 10 "Credit losses".

### Operating profit

The Group's operating profit for the year amounted to MSEK 298 (MSEK 310). The movement is mainly due to the reasons described under operating expenses and credit losses.

### Tax

Tax expenses amounted to MSEK 74 (MSEK 56) for the year, which corresponds to an effective tax rate of 27.7% (18.8%). The deviation from the nominal tax rate of 20.6% is due to the acquisition of Bank2 and the strong growth in the Norwegian market, where the corporate income tax rate is 25%.

### Net profit

Net profit for the year amounted to MSEK 192 (MSEK 242).

## Financial position

Per 31 December 2023 (compared to same date the previous year).

### Lending

The Group's total lending to the public increased by 29% and amounted in total to MSEK 26,205 (MSEK 20,346) of which Bank2 contributed MSEK 5,062 to the current year. The Norwegian mortgage portfolio accounts for 53% of the total lending to the public, the Swedish mortgages for 44% and the Finnish mortgages for 3%.

### Liquidity reserve

At the end of the year, the Group's liquidity reserve amounted to MSEK 4,254 (MSEK 3,041) and was placed as follows:

- Central banks MSEK 1,045 (MSEK 502).
- Credit institutions MSEK 1,504 (MSEK 1,697).
- Swedish, Norwegian and German bonds and government debt securities MSEK 1,705 (MSEK 842).

The liquidity coverage ratio ("LCR") in the Consolidated situation amounted to 697% (472%) at the end of the year. The Net Stable Funding Ratio ("NSFR") was 133% (132%). Both the LCR and NSFR exceed the internally applied limits and the regulatory requirements.

### Financing, funding and deposits

The Group's long-term strategy of a well-diversified funding structure, focused on deposits from the public, covered- and senior unsecured bonds remained unchanged.

At the end of the year, the Group's sources of financing consisted of equity, deposits from the public in Sweden, Norway and Germany, covered bonds, senior unsecured bonds and AT1- and T2 instruments issued by Bank2.

Retail deposits from the public have increased during the year, in part due to favourable financing conditions, while some bond financing has been redeemed.

The outstanding nominal volume of covered bonds amounted to MSEK 5,000 (MSEK 5,900) and senior unsecured bonds amounted to MSEK 1,850 (MSEK 1,550) and MNOK 550 (MNOK 550). The AT1-instruments amounted to MNOK 60 and the T2-instruments amounted to MNOK 60.

Of the total deposits from the public, 62% are based in NOK, 32% in SEK and the remaining portion in EUR. Deposits in SEK and EUR are covered by the Swedish government deposit guarantee, which amounts to SEK 1,050,000. Deposits in NOK amounted to MSEK 12,817 (MSEK 6,671), of which deposits relating to Bank2 amounted to MSEK 5,009. In Norway, the deposit products of the Norwegian branch are also covered by the Norwegian deposit guarantee, which amounts to NOK 2,000,000 via the Norwegian Banks' Guarantee Fund. The NOK deposits related to Bank2 are solely covered by the Norwegian deposit guarantee.

### Capital adequacy

For the Consolidated situation, the Common Equity Tier 1 capital ("CET1") ratio was 15.5% (17.0%), and the total capital ratio 16.0% (17.0%). For the Parent, the CET1 ratio was 22.3% (17.1%), and the total capital ratio 22.3% (17.1%).

During the year, the CET1 capital has increased to MSEK 2,003 (MSEK 1,624) for the Consolidated situation, and to 2,428 MSEK (MSEK 1,625) for the Parent. The increase is primarily attributed to the positive net profit and as a result of capital contribution in connection with the acquisition of Bank2. The Pillar I capital requirement has increased as a result of increased lending, and for the Consolidated situation also as a result of the acquisition of Bank2.

The countercyclical capital buffer in Sweden has increased from 1.0% to 2.0% as of the 22nd of June 2023, and in Norway from 2.0% to 2.5% as of the 31st of March 2023. The combined buffer requirement also increased, attributed to the application of systemic risk buffer for exposures in Norway as a result of acquisition of Bank2, as well as changes in the Norwegian systemic risk buffer design as such.

The leverage ratio for the Consolidated situation was 6.4% (6.8%), and for the Parent 9.2% (6.8%).

For further information on capital adequacy, see Note 30 "Capital adequacy analysis".

### Return on equity

Return on equity amounted to 11.2% (13.9%) for the year.

### Credit rating

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

## Significant events during 2023

Subsequent to the acquisition of Bank2, the board of Bluestep Bank approved the merger plan for the merger of Bank2 with the Bank's Norwegian branch.

## Significant events and other information after the end of the period

No significant events have occurred after the 31st of December 2023 that would impact the financial result or financial performance of the Group for the year ending 31 December 2023.

### Merger

The merger was approved during the 1st quarter of 2024 by both the Norwegian FSA and the SFSA, in line with Section 12-1 of the Norwegian Act on Financial Undertakings ("NAFU") (nw. finansforetaksloven) and pursuant to Chapter 10 Section 25 of the BFBA in Sweden, respectively.

The was merger was implemented on the 2nd of April 2024 with the Bank as the surviving company and Bank2 as the transferring company. The operations of Bank2 continues through the Norwegian branch of Bluestep Bank. The merger was carried out pursuant to section 13-36 of the Norwegian Public Limited Liability Companies Act ("NPLLCA"), Chapter 23 of the Swedish Companies Act (2005:551) and Chapter 10 Section 18-22 and 25 of the Swedish Banking and Financing Business Act (2004:297) ("BFBA").

### Early redemption of AT1 instruments

Before the merger, Bank2 carried out an early redemption of AT1 instruments (the "bonds") with an outstanding nominal amount of MSEK 60. In accordance with the terms Bank2 excersised its right to call for early redemption of the bonds. The bonds were redeemed at a price corresponding to the nominal amount plus accrued interest up to and including the next cupon payment day. The bonds were redeemed on the 18th of March 2024. Prior to the transaction, Bank2 received a written consent from the Norwegian FSA.

### Five year overview

| Key figures \| Group | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Operating profit, MSEK | 297.7 | 309.9 | 325.2 | 215.5 | 274.5 |
| Gross revenue / Lending portfolio, %[1] | 7.4% | 6.4% | 6.3% | 7.2% | 7.5% |
| Net interest income / Lending portfolio, %[1] | 4.1% | 4.8% | 4.8% | 5.0% | 5.3% |
| Credit losses, %[1] | 0.18% | 0.14% | 0.04% | 0.25% | 0.37% |
| CET1, MSEK | 2,002.8 | 1,624.0 | 1,390.1 | 1,617.2 | 1,474.9 |
| CET1 ratio, % | 15.5% | 17.0% | 16.4% | 19.7% | 17.9% |
| Return on equity, %[1] | 11.2% | 13.9% | 14.6% | 10.1% | 14.1% |
| Return on assets, % | 1.1% | 1.4% | 1.6% | 1.1% | 1.5% |
| Liquidity reserve, MSEK | 4,254.9 | 3,041.0 | 2,334.0 | 3,000.3 | 2,673.7 |
| Deposits from the public, MSEK | 20,513.1 | 13,239.1 | 10,426.0 | 12,612.9 | 11,421.4 |
| External funding, MSEK | 7,583.0 | 8,158.9 | 8,521.1 | 5,702.0 | 5,901.1 |
| Lending portfolio, MSEK | 26,205.1 | 20,346.3 | 18,333.1 | 16,115.5 | 16,150.0 |
| Leverage ratio, % | 6.4% | 6.8% | 6.6% | 7.9% | 7.7% |
| Average number of employees | 299 | 264 | 272 | 275 | 274 |

*[1] See the section for definitions of alternative performance measures.*
*[2] Key figures are annualised to full-year values, considering the acquisition of Bank2.*

# Sustainability report

The Group's sustainability section in the administration report provides a comprehensive overview of events during 2023. the summary represents the Group's communication on progress (COP) to the UN Global Compact, part of the reporting to UN's Principles for Responsible Banking (PRB), reporting according to EU taxonomy regulation, and how the Group contributes to Agenda 2030.

The Group aims to enable economic empowerment for a broader population and serve as a model for responsible banking. The Group envision contributing to the expansion of financial inclusion in society where more people can achieve their financial potential through the support of responsible and transparent banking services.

Financial inclusion and responsible lending is at the core of the Group's DNA. The Group's commitment is to lead the way by integrating sustainability into everything the Group does and continuously improving as a mortgage lender to better serve customers, support employees, contribute to communities, and positively impact future generations. With an ambition to differentiate the Group 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

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.

## The past year in brief

The year 2023 was characterized by significant challenges in both the environment and the economy. The macroeconomic issues from recent years continue to have affect, as detailed in the year in brief section of this report. Many are struggling both mentally and financially, in a time characterized by an escalating climate crisis. The warm climate of 2023 marks the warmest year globally recorded according to historical measurements. The year has been characterized by a series of global natural disasters, including events on the northern side of the hemisphere. It's evident that the climate crisis doesn't respect national borders and emphasizes the collective responsibility where everyone needs to contribute their share.

The Group is committed to advancing its ESG initiatives. The Group has started to work with the sustainable consultancy U&We to define and formulate the targets to reduce the environmental impact. Additionally, the Group has carried out a human rights due diligence to prevent and alleviate any adverse effects on human rights and working conditions within the organization and throughout its supply chain.

## Strategic sustainability targets and KPIs

The Group's sustainability efforts embrace the entire business. The strategic sustainability targets and KPIs are presented below. Through the sustainability strategy, the Group ensure a holistic perspective on the sustainability work.

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



| 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) | |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | 7,496 (1,889) | 2023 | 0.18 | 2023 | 90.4 | 2023 | 1,279 (280) | 2023 | 13,722 (3,196) |
| 2022 | 7,107 (1,885) | 2022 | 0.14 | 2022 | 89.3 | 2022 | 1,264 (279) | 2022 | 13,131(2,750) |

| 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 | 6.2 (7.5) | 2023 | 1.26 | Senior Management | 25 (33) | 2023 | 27 | 2023 | 100% | 2023 | 47 |
| Scope 2 | 13.9 (16.5) | 2022 | 0.92 | Management | 29 (35) | 2022 | 26 | 2022 | 100% | 2022 | 65 |
| Scope 3 | 313.4 (221.5) | | | Employees | 49 (50) | | | | | | |

*[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 pages in the notes.*

## How the Group 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. The Group's contribution to achieve this vision: The Group has analysed the 17 SDGs outlined in Agenda 2030 to identify where the Group's business can make the most significant impact, allowing to contribute to positive change. Following this analysis, the Board of Directors at Bluestep have chosen to prioritise the four SDGs with most relevance for impact and that are crucial for the business.

### SDG 5 | Gender equality

Achieve gender equality and empower all women and girls. The overall goal is prioritised, no targets are selected.

**How the Group 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.

### SDG 8 | Decent work and economic growth

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

The Group 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 the Group 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. The Group aims at helping customers who for some reason have been denied mortgages or refinancing loans by traditional banks. The Group strives to allow people the opportunity to break segregation and also enabling more people to move for work, supporting both individual dreams and societal needs. The Group works hard to ensure compliance with international guidelines and principles, and promote inclusive, equal workplaces that are characterised by diversity.

**Challenge:**

To ensure that the Group's suppliers of products and services also comply with these principles and sustainability requirements.

### 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.

The Group 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 the Group contributes:**

Through products and processes, the Group 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 the Group, helps toward building stronger communities. Financial inclusion can contribute to greater equality and increased economic growth. By continuing to develop and improve the Group's products, the Group wil help more people to a better financial situation and have the opportunity to get a mortgage. As a result, the Group 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.

### 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 Group 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. The Group continuously drives and develops resource- and energy saving products and ways to work that accelerate digitalisation and contribute to climate-smarter lending.

**Challenge:**

The Group is in a growth stage, with full focus on further growth to be able to help more people own their own home. The challenge is to reduce our climate impact as the company grows and the number of employees increases.

## Attractive workplace

The Group embraces diversity among customers and employees alike, understanding that purchasing a home or taking control of financial situations can be difficult and complex. The diverse backgrounds among the employees facilitate communication and enables the bank to better comprehend people, their backgrounds and life situations. The Group's work is guided by values, and the Group is committed to fostering an open workplace that encourages discussion, active listening, and personal growth opportunities. This approach is a key factor in retaining and attracting staff, as well as driving the development of our business.

**Inclusive**

The Group's 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**

The Group's greatest asset is the commitment and engagement that is shown by all of us working at Bluestep. The Group show passion in its everyday work, something that shines through to its customers. The Group believes 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**

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

**Responsible**

The Group aims to go beyond compliance. The Group has both the opportunity and the responsibility to change the way the customers are seen by traditional players in the banking sector. The Group does what it says and owns what it does and take ownership of its business – from start to finish. The Group's employee Net Promotor Score (eNPS1) is +30. A strong evidence showing that employees are really proud of Bluestep Bank Group as their employer.

### Diversity and Inclusion

The Group's employees come from different backgrounds – in fact, more than 27 languages are spoken among its 299 employees. The multitude of language skills and diverse backgrounds reduce barriers and increase understanding in general, which is essential for the business. There is a good gender balance among the Group's employees, 51% men and 49% women.

### HR strategy

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

To establish the Group as a sustainable employer capable of attracting top talent, the bank place an emphasis on leadership, culture, training, and employee well-being. The Group's leadership promise is to develop employees so that the bank can achieve its vision and goals together. The Group have identified specific leadership behaviours that are tied to the bank's core values and the bank offer regular leadership training.

The Group communicates the work methodologies and workplace culture through the Group's LinkedIn profile. When recruiting new employees, the Group use a competence based recruitment process to ensure bias-free recruitment.

The Group consistently conduct internal training sessions covering products, customer offerings, and various skill-enhancing initiatives. The Group offers unique expertise concerning mortgages and financial inclusion and actively engage in skills transfer. Each employee receive regular evaluations and follow-up of their performance and career path.

It gives the Group the opportunity to get regular feedback on how the organisation experiences the workplace , where the results are followed up at team level with the participation of employees. The 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

The Group has a methodical approach to improving the work environment, aiming 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. The Group'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.

## Educational training

The Group is dedicated to foster a culture of leadership and skill enhancement among its employees. In pursuit of this objective, the Group collaborated whit Amazing Leaders to conduct an one-year educational training program focused on leadership development.

The goal of these training sessions was to cultivate robust leadership capabilities among participants, empowering them to tackle challenges and promote a culture of collaboration and diversity. By investing in these initiatives, the Group strive to equip its employees with the skills and mindset necessary to lead effectively in a dynamic and diverse work environment.

The Group aims to go beyond compliance. The Group has both the opportunity and the responsibility to change the way its customers are seen by traditional players in the banking sector. The Group does what it says and the Group own what its does and takes ownership of its business – from start to finish.

## Inclusive banking

Bluestep Bank Group wants to contribute to financial inclusion and financial health. By offering customers an attractive solution based on their individual financial needs, Bluestep Bank Group can enable for more people to buy a home or restore the economic balance in their lives. Enhancing customers' financial literacy is another crucial aspect of efforts to promote greater financial inclusion. This year, Bluestep Bank Group introduced a digital financial school, offering valuable advice and guidance. The Group 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 Group'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 Group 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, the Group offers equity release credits to people aged 60 or older who own their home. This initiative allows the Group to contribute to improving the everyday economy and enhancing the quality of life for more pensioners. The Group does this by offering various responsible and sustainable solutions 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.

### "Kompisavtalet" (Mortgage loan for friends)

The Group recognize the evolving challenges within the housing market, where financial barriers often limit individuals from realizing their dream of homeownership. In response to these challenges, the bank offers Kompisavtalet, an innovative solution designed to facilitate joint homeownership for friends and siblings.

This tool enables friends to collectively apply for mortgages, breaking down barriers that have traditionally excluded people from joint homeownership. Bluestep Bank Group offer support throughout the process, ensuring everyone receives the guidance and expertise needed.

Living together as friends does not fall under the protection of the Cohabitees Act, leaving shared homeownership regulated by co-ownership laws. This can lead to complications, as each co-owner may be entitled to an equal share of profits regardless of their financial contribution. To preempt conflicts, it is crucial to establish clear ownership and commitments through a Kompisavtalet.

Beyond friends, the bank extend Kompisavtalet to siblings, acknowledging the enduring nature of sibling relationships. the Group believe siblings, like friends, should have the opportunity to take out mortgages together. Kompisavtalet seamlessly caters to the dynamics of sibling partnerships, ensuring a fair and secure arrangement.



### Financial school

The Group believes financial information should be accessible and easy to understand for everybody. The Group recognize the significance of information in empowering individuals to make informed decisions for better personal finances. In line with this commitment, the bank aims to contribute to the process through the creation of a Financial School, a resource covering various common areas of finance for individuals.

The Financial School will help people to delve into topics such as interest rates, mortgages, savings strategies, housing options, indebtedness, budgeting, and family finances. The objective is to assist people in understanding and analysing these aspects more profoundly, enabling them to make well-informed decisions that contribute to financial security in their daily lives.

The Group has further extended its commitment by introducing the Financial School for seniors tailored specifically for seniors. The Group understand that personal finances takes on a new dimension in the senior years, especially post-retirement. The Financial School for seniors is designed to provide easily accessible information addressing unique financial considerations of pensioners.

### Financial health

Through the shared commitment to financial health, the Group's acquisition of Bank2 represents a significant step in prioritizing the well-being of the Group's customers. Recognizing the challenges that individuals face regarding financial difficulties and mental health, Bank2 has committed to fostering a culture of empathy and support within its operations.

In line with this commitment, Bank2 work together with external experts and psychologists. This collaboration aims to assist Bank2 in gaining a better understanding of the relationship between financial difficulties and mental health issues, and to develop tailored products and services for customers.

Bank2 consolidates its best advice, including self-help courses and contact information for external agencies. This initiative empowers individuals on their financial journey, offering them the tools and resources necessary to manage challenges.

In the course of 2023, the Group has explored opportunities and initiatives aimed at enhancing commitment to social responsibility, specifically in the realms of well-being and mental health across all the Group's operations. Looking ahead to 2024, the Group is dedicated to furthering these efforts by developing and implementing a working plan. This plan will focus on strategic measures to manage and prioritize well-being and mental health within the organization.

## Preventive insolvency management

For the Group, 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. The collections department works every day to lend a helping hand and offer fit-for-purpose solutions. The Group manages the entire insolvency process, meaning that Group serve as the customers' point of contact and help them throughout the process. The Group makes 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 the Group can together with the customer find an individual solution.

## Climate-neutral banking

The Group strives to minimize the environmental impact as much as possible, especially concerning the offices. The Group is a digital bank, and the services are primarily accessible through digital platforms and phones. Additionally, the Group offers its customers digital signatures, further reducing the carbon footprint. The head office in Stockholm is located in a building that holds the LEED Gold environmental certification. The Group collaborates with the landlord to reduce energy consumption related to heating, electricity and air conditioning. All offices within the Group also use 100 percent renewable electricity. The Group has an ambitious goal to equip employees with what they need to raise awareness, and take a leading role in developing resource and energy saving products and practices. These efforts align with the commitment to significantly reduce the environmental impact. As part of the Group's ongoing work towards contributing to combat climate change and reducing the environmental footprint, the Group has initiated a process to set targets. Throughout this initiative, the Group has sought guidance from the sustainability agency, U&We. The focus of the efforts has centred on aligning with the SBT initiative, identifying approaches relevant to the Group, and gathering essential information to shape the targets.

### Green Mortgages

To encourage more people to switch to an energy efficient home, the Group 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 2023 green mortgages have been paid out with a total volume of MSEK 6.2 (MSEK 14.5).

### Carbon footprint

The Group adheres to the Greenhouse Gas Protocol (GHG Protocol) standard, developed by the World Resources Institute and World Business Council for Sustainable Development.

### Emissions from the operation

The table illustrates greenhouse gas emissions presented in tonnes of CO2 equivalent (CO2e, market-based). The Group's carbon footprint has been collaboratively generated with the environmental consultancy U&We, using the 'Our Impacts' tool. 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 2023, 95.6% (previous year 94.3%) of emissions are based on actual data and 4.44% on estimated data. This means that the data quality is generally good. The Group aims to reduce the percentage of projected data over time and to base the climate report as far as possible on actual data.
Scope 1 and 2 are in line with previous year. Scope 3 has increased, mainly due to increased business travel. The primary factors contributing to the increase are air travel resulting from more frequent businesstrips combined with an increase in emission factors.

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".

| Emissions, tonnes, $CO_{2e}$ | 2023 | 2022 |
|---|---|---|
| Scope 1 | 6.2 | 7.5 |
| Scope 2 | 13.9 | 16.5 |
| Scope 3 | 313.4 | 221.5 |
| Total | 333.5 | 245.4 |
| (per employee) | 1.26 | 0.92 |

### Eligible assets

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

| Assets | Assets in MSEK | Proportion of total assets, % |
|---|---|---|
| Taxonomy-eligible | 26,205.1 | 92.4 |
| Non-eligible | 45.8 | 0.2 |

Green Asset Ratio (GAR): 0.07

The table shows a significant difference in emissions per employee for the Norwegian portfolio compared to the Swedish and Finnish portfolio. The figures is largely attributed to the lack of information on loan to value (LTV) and living area of the Norweigan collaterals where assumptions have been used instead. For example, for collaterals with no LTV (Loan-to-Value) ratio, a loan-to-value ratio of 100 percent has been used.

### 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. ThGroup is not covered by these requirements but reports on a voluntary basis and the information provided is with inspiration from the transitional rules.

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 0.29%. The Swedish definition of energy class A is stricter than many other countries, which gives a conservative share of green assets. 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.

### Financed emissions - Credit portfolio (Scope 3)

| Emissions, tonnes $CO_{2e}$ | Total | Sweden | Norway | Finland |
|---|---|---|---|---|
| Per MSEK lending | 6.60 | 5.13 | 7.72 | 16.00 |
| Per employee | 536.2 | 322.1 | 1231.8 | 535.0 |
| Per square metre | 0.056 | 0.046 | 0.066 | 0.071 |
| Total | 141,566 | 59,592 | 70,215 | 11,759 |

## Business ethics and governance

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

In the Group, manual review of a credit application is prioritized. Although this entails much work, it allows the 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 the Group 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.

The Group experience 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 The Group's products. However, helping customers who have previously been denied a mortgage requires careful and diligent analysis. The Group conduct 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 the Group. Since the inception of this business model in 2005, the Group has been able to help many customers own their own home.

As part of ensuring that 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 the Group'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 the Group to ensure that all employees have up-to-date knowledge in these areas, the Group has a mandatory annual training. The training is followed by a test, which all employees passed in 2023. As a result of this work, the Group has a high internal risk awareness, as well as well-functioning processes and procedures. The Group has never been subject to regulatory fines or sanctions. The Group advocates an open, constructive dialogue with the authorities.

## Principles for Responsible Banking (PRB)

In 2021, the Group 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, the Group 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 the Group is furthermore grounded in the ability to speak to customers in their own language – the employees speak over 27 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 the Group works to grant credit responsibly to more people. One indicator regarding the implementation of the business model is the size of the Group's credit losses. The low credit losses suggest that the Group is succeeding in the efforts to provide credit responsibly.

## Preventing fraud and money laundering

The Group takes active steps to prevent it 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 that the Group conducts, which lays the groundwork for processes and procedures that address identified risks, is another example of the Group's preventive measures. If suspicious transactions are detected, they are reported to the relevant authority.

Furthermore, the Group 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 departments and managing operations in the context of money laundering and fraud.

## Sustainability risks

The Group strives for a high level of risk awareness and a sound risk management culture throughout the organisation. Detailed table and information in Note S2 "Sustainability risks").

### Climate and environment

To expand the understanding of the financial implications of climate change on the Group's operations, the Group is actively working towards the gradual implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

TCFD provides a framework that guides organizations in identifying climate-related financial risks and opportunities. Unlike most other standards related to climate issues that focus on the business's impact on the climate, the TCFD framework concentrates on understanding how climate change affects operations. The TCFD recommendations cover key areas such as governance, strategy, risk management, targets, and metrics. These areas raise important questions about how the business manages and evaluates its climate-related financial risks, including both physical and transition risks. For a detailed overview, the complete TCFD report is accessible on www.bluestepbank.com.

### Responsible sourcing and supplier code of conduct

The Group's supply chain consists of suppliers of various services and goods with a concentration in areas such as IT, marketing and communication and financial and insurance activities.

The Group has an overall routines whereby the majority of all contracts are reviewed internally by lawyers, thus identifying any shortcomings. An identified development area has been to clarify the Group's view and expectations of our supplier chain's compliance with international guidelines and principles due to human rights and decent working conditions. On part of this has been to improve the supplier code, which set the expectations of our supplier´s sustainability and human rights work. The supplier code will be included in all agreements with suppliers and can be read in its entirety at bluestepbank.com. Further a work on implementing a human rights due diligence process of suppliers have been initiated and finalized during the year.

### Human rights due diligence

The Transparency Act aims to promote companies respect for basic human rights and decent working conditions and ensure the public's access to the information. The Act applies to larger enterprises based in Norway that provide goods and services in or outside the country, and it has been in effect since July 1, 2022.

The Group has conducted a human rights due diligence assessment in accordance with the Transparency Act and OECD Guidelines for Multinational Enterprises. The purpose of this assessment is to prevent and mitigate negative impacts on human rights and decent working conditions within the bank and its suppliers. The Group's policies, routines and guidelines and all suppliers in operational markets have been evaluated in the due diligence process. The assessment has provided the Group with a deeper understanding and has led to the development of an action plan.

The Group has identified and analysed its workplace to ensure safety. The Group employ a systematic process, conduct employee surveys for feedback, and perform annual health and safety inspections, all of which assist in reducing potential risks within the bank. The grievance mechanism serves as a crucial mechanism to encourage employees to report any misconduct, unethical behavior, or potential risks within the organization.

Training is key to risk prevention. All employees must complete annual training on core policies, which helps mitigate risks and preventing potential issues within the workplace.

The Group has conducted a questionnaire to collect information on human rights issues and working conditions among its suppliers. Additionally, the Group has assessed possible risk associated with the suppliers' industry, company size in terms of employees or countries of operation. The Group has identified that some of the suppliers conduct their business in geographical areas classified as high-risk countries. The Group has conducted in-depth analyses for those selected suppliers, with a focus on key issues such as child labour, modern slavery, freedom of association, and working conditions.

While no significant issues were identified, the Group acknowledge a deficiency in the understanding of the Group's supplier code of conduct. To address this, the Group will implement training within its contract management team to ensure a better understanding of the Supplier Code of Conduct, and the Group will also request the suppliers to sign the Code.

The Group plans to continually develop and assess measures and criteria to identify human rights risks within its operations and supply chain, an ongoing process learning by experience. For more information see Note S8 "Summary of the Transparency Act statement" and the full act is available on www.bluestepbank.com.

### ESG risk management

The Group emphasizes a robust risk management culture across its operations, fostering a high level of risk awareness throughout the organization. This culture embodies professional values, attitudes, and behaviors essential for effective risk management and informed decision-making. ESG factors are instrumental in aligning with the business strategy, supporting its implementation, and facilitating operations. Consequently, they are deemed crucial for conducting business.

Employees play a pivotal role in identifying and rectifying any irregularities. The whistleblowing process allows for anonymous reporting of unethical or illegal behavior by employees, with instructions readily available on the intranet. In 2023, no reports were received through this channel.

For a comprehensive understanding of the Group's risk management, see the "Risk Management" section below, and for further information on the ESG risk management, see Note 2 "Risk management".

# Risk management

## Risks during 2023

The year has been characterized by the uncertain macroeconomic situation and geopolitical tension with rising interest rates and elevated inflation, leading to increased stress for households, decreased property prices and thereby affecting the asset quality of the Bank. Additionally, bank failures in the United States and Europe have caused volatility in the financial market, even though the spillover effects have been limited for Nordic banks and the Nordic financial market in general.

The Bank has no trading book, hedges its interest rate risks, and has liquidity reserves placed with stable counterparties with good credit ratings. Furthermore, cyber security remains an area of increased risk from a global perspective.

## Risk management in general

The risk management aims to ensure that risk-taking is aligned with established risk management strategies and risk appetite, as well as achieving 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 strategic and business objectives. The risk management process, covering identification, assessment, management, monitoring, control, and reporting of risks, enables taking and managing risks while achieving set strategic, business, and operational objectives. 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, Norway and Germany, credit facilities, covered bonds, and senior unsecured bonds.

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 changes in risk profile, and quantitatively by calculating capital requirements where relevant.

The risks are mitigated and limited through established 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 management framework is operationalised through the risk management strategy, through approved policies and instructions, performed in day-to-day pro-cesses, 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.

The risk governance is performed from an organisational perspective as well as from a perspective with three lines of defence. The risk management framework is governed by the Risk Management Policy, approved by the Board of Directors.

For further information on risk management per risk category, see Note 2 "Risk Management".

## Capital management

The capital management is integrated in the strategic planning, risk management framework, and 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 brands and reputation. The Bank's capital management framework is governed by the Capital Management Policy, approved by the Board of Directors, and covers roles and responsibilities, principles, capital requirements and capital adequacy, capital planning and capital reporting.

The ICLAAP is conducted on an annual basis, and more often when necessary, and monitoring and reporting on key risk indicators occur on a monthly basis. As an integral part of the ICLAAP process, an analysis is conducted to evaluate the adequacy of the capital and liquidity reserves in terms of size and composition against estimated contingency needs addressing shortfalls in situations of financial stress.

## Capital adequacy

In accordance with the capital adequacy regulations, the Bank's own funds shall cover the risk-based capital requirements and the leverage ratio capital requirements. The risk-based capital requirements consist of Pillar I capital requirements (for credit risk, operational risk, market risk, and credit valuation adjustment risk), Pillar II capital requirements (for risks not covered or insufficiently covered by the Pillar I capital requirements), combined buffer requirements (additional capital buffers), and 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 Pillar II capital requirements, buffer requirements and Pillar II guidance. In addition, the Bank maintains an extra capital buffer to prevent violating external regulatory requirements, internally established 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 reserves, 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 establishes 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 annually.

### 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, covering capital management, is performed at least annually or when necessary, and monitoring of outcomes and reporting is performed on a quarterly basis.

For further information on the Bank's capital and liquidity management, see 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 are 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. On a monthly basis, the CEO reports to the Board regarding liquidity management and liquidity risk. The Risk Management function 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 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 sought in relation to potential net outflows for each relevant currency, namely SEK, NOK and EUR. The Bank 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 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 group 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 profit

Proposal for the distribution of profit (SEK)

| | |
|---|---|
| **The following profits are available for appropriation at the Annual General Meeting** | |
| Retained earnings | 2,112,474,900 |
| Profit for the year | 254,986,662 |
| Translation reserve | -16,786,498 |
| **Total** | **2,350,675,064** |
| **The Board propose the following distribution:** | |
| Dividend to shareholders | – |
| To be carried forward | 2,350,675,064 |
| **Total** | **2,350,675,064** |

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.

# FINANCIAL STATEMENTS

# Income statement

## Group

| MSEK | Note | FY 2023 | FY 2022 |
|---|---|---|---|
| **Operating income** | | | |
| Interest income calculated using the effective interest method | | 1,686.9 | 1,199.5 |
| Other interest income | | 121.3 | 50.5 |
| Interest expense | | -849.3 | -328.9 |
| **Net interest income** | 4 | **958.9** | **921.2** |
| Net gains/losses on financial transactions | 5 | 27.4 | -23.6 |
| Other operating income | 6 | 8.3 | 8.6 |
| **Total operating income** | | **994.6** | **906.2** |
| **Operating expense** | | | |
| General administration expenses | 7,8,9 | -572.8 | -510.1 |
| Depreciation of tangible and intangible assets | 18,19 | -76.1 | -58.1 |
| **Total operating expenses** | | **-648.9** | **-568.2** |
| **Profit before credit losses** | | **345.6** | **338.0** |
| Credit losses, net | 10 | -48.0 | -28.1 |
| **Operating profit** | | **297.7** | **309.9** |
| Paid group contributions | | -32.0 | -12.0 |
| Tax expense | 11 | -73.7 | -56.1 |
| **NET PROFIT FOR THE YEAR** | | **192.0** | **241.8** |
| Net profit for the year attributable to shareholders | | 192.0 | 241.8 |

# Statement of comprehensive income

## Group

| MSEK | FY 2023 | FY 2022 |
|---|---|---|
| **Net profit for the year** | **192.0** | **241.8** |
| **Items that may be reclassified to the income statement** | | |
| Translation differences of foreign operations | -53.4 | 8.4 |
| Hedge accounting of net investment before tax | 4.2 | - |
| Tax due to translation differences of foreign operations | 28.1 | -17.4 |
| **Total other comprehensive income** | **-21.0** | **-9.0** |
| **COMPREHENSIVE PROFIT FOR THE YEAR** | **170.9** | **232.8** |
| Comprehensive profit for the year attributable to shareholders | 170.9 | 232.8 |



# Balance sheet

## Group

| MSEK | Note | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 12 | 1,044.7 | 501.7 |
| Lending to credit institutions | 13 | 1,504.3 | 1,697.0 |
| Lending to the public | 14 | 26,205.1 | 20,346.3 |
| Value change of interest-hedged items in portfolio hedging | | -82,6 | -334.9 |
| Derivatives | 15 | 186.4 | 337.8 |
| Shares and participations | 17 | 59.3 | - |
| Investments in associates | 17 | 95.2 | - |
| Bonds and other interest-bearing securities | 16 | 664.5 | 521.0 |
| Government debt securities | 16 | 1,040.4 | 321.3 |
| Intangible assets | 18 | 173.9 | 126.7 |
| Goodwill | 18 | 77.4 | |
| Tangible assets | 19 | 46.4 | 42.3 |
| Deferred tax assets | 11 | 33.8 | - |
| Other assets | 20 | 24.5 | 49.2 |
| Prepaid expenses and accrued income | 21 | 73.3 | 54.1 |
| Tax assets | 11 | 88.7 | 87.9 |
| **TOTAL ASSETS** | | **31,236.5** | **23,750.6** |
| **Liabilities and provisions** | | | |
| Issued bonds | 23 | 7,583.0 | 8,158.9 |
| Deposits from the public | 24 | 20,513.1 | 13,239.1 |
| Derivatives | 15 | 83.6 | 44.6 |
| Tax liabilities | 11 | 56.4 | 56.9 |
| Deferred tax liabilities | 11 | 5.8 | 1.3 |
| Other liabilities | 25 | 444.5 | 455.6 |
| Accrued expenses and prepaid income | 26 | 79.6 | 52.5 |
| Provisions | 27 | 7.6 | - |
| **Total liabilities and provisions** | | **28,773.4** | **22,008.8** |
| **Equity** | | | |
| Share capital | | 100.0 | 100.0 |
| Translation reserve | | -27.9 | -6.8 |
| Shareholders' contribution | | 1,151.1 | 563.7 |
| Additional Tier 1 capital | | 60.4 | - |
| Retained earnings | | 987.5 | 843.1 |
| Profit for the year | | 192.0 | 241.8 |
| **Total equity** | | **2,463.1** | **1,741.8** |
| **TOTAL EQUITY AND LIABILITIES** | | **31,236.5** | **23,750.6** |

# Changes in equity

## Group

| MSEK | Share capital | Translation reserve | Primary capital instrument | Share-holders' contribution | Retained earnings incl. profit for the year | Total equity |
|---|---|---|---|---|---|---|
| **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** |
| **Opening balance 1 Jan 2023** | **100.0** | **-6.8** | | **563.7** | **1,084.9** | **1,741.8** |
| Shareholder contributions | | | | 587.4 | | **587.4** |
| Dividend to shareholders | | | | | -37.0 | **-37.0** |
| Profit for the period | | | | | 192.0 | **192.0** |
| Acquired primary capital instrument | | | 60.4 | | -60.4 | **-** |
| Other comprehensive income | | | | | | |
| Translation differences of foreign operations | | -49.2 | | | | **-49.2** |
| Tax due to translation differences of foreign operations | | 28.1 | | | | **28.1** |
| **Closing balance 31 Dec 2023** | **100.0** | **-27.9** | **60.4** | **1,151.1** | **1,179.5** | **2,463.1** |

# Cash flow statement

## Group

| MSEK | Note | FY 2023 | FY 2022 |
|---|---|---|---|
| **Operating activities** | | | |
| **Operating profit** | | **297.7** | **309.9** |
| **Adjustments for items not included in cash flow** | | | |
| Depreciation and amortisation | 18,19 | 76.1 | 58.1 |
| Unrealised changes in value | 5 | 51.0 | -70.6 |
| Credit losses excluding recoveries | 10 | 53.3 | 37.0 |
| Interest accruals | | 47.3 | 31.6 |
| Other | | 64.7 | -12.6 |
| **Total – Items not included in cash flow** | | **292.3** | **43.4** |
| Tax paid | | -70.5 | -70.3 |
| **Cash flow from current operations before changes to operating capital** | | **519.5** | **283.1** |
| **Cash flow from changes to operating capital** | | | |
| Increase (-)/decrease (+) of lending to the public | | -1,408.4 | -1,783.9 |
| Increase (-)/decrease (+) of short term receivables | | 130.0 | -200.8 |
| Increase (-)/decrease (+) in bonds and other interest-bearing securities | | 638.2 | -31.6 |
| Increase (-)/decrease (+) government debt securities | | -715.2 | 12.2 |
| Increase (+)/decrease (-) of deposits from the public | | 2,471.0 | 2,826.6 |
| Increase (+)/decrease (-) in issued bonds | | -882.8 | -384.0 |
| Increase (+)/decrease (-) of short term liabilities | | -64.7 | 354.4 |
| **Cash flow from operating activities** | | **687.5** | **1,075.9** |
| **Investing activities** | | | |
| Investments in intangible assets | 18 | -71.4 | -53.7 |
| Investments in tangible assets | 19 | -7.0 | -17.6 |
| Acquisition of business, after deduction for cash and cash equivalents | | -355.6 | - |
| **Cash flow from investing activities** | | **-433.9** | **-71.3** |
| **Financing activities** | | | |
| Dividend paid to shareholders | | 122.0 | -300.0 |
| **Cash flow from financing activities** | | **122.0** | **-300.0** |
| **NET CASH FLOW FOR THE YEAR** | | **375.6** | **704.5** |
| Liquid funds at beginning of year | | 2,198.7 | 1,503.1 |
| Currency difference in liquidity | | -25.3 | -9.0 |
| **LIQUID FUNDS END OF YEAR** | | **2,549.0** | **2,198.7** |
| *of which cash and balances at central banks* | | *1,044.7* | *501.7* |
| *of which lending to credit institutions* | | *1,504.3* | *1,697.0* |
| **Cash flow includes interest receipts of** | | **1,979.5** | **1,312.9** |
| **Cash flow includes interest payments of** | | **-809.5** | **-315.4** |

# Income statement

## Parent

| MSEK | Note | FY 2023 | FY 2022 |
|---|---|---|---|
| **Operating income** | | | |
| Interest income calculated using the effective interest method | | 1,619.2 | 1,199.4 |
| Other interest income | | 115.0 | 55.9 |
| Interest expenses | | -811.5 | -337.8 |
| **Net interest income** | 4 | **922.9** | **917.6** |
| Received group contributions | | 20.2 | 1.4 |
| Net gains/losses on financial transactions | 5 | 25.5 | -23.4 |
| Other operating income | 6 | 9.0 | 9.5 |
| **Total operating income** | | **977.5** | **905.1** |
| **Operating expense** | | | |
| General administration expenses | 7,8,9 | -504.7 | -529.3 |
| Depreciation of tangible and intangible assets | 18,19 | -61.0 | -41.4 |
| **Total operating expenses** | | **-565.8** | **-570.7** |
| **Profit before credit losses** | | **411.7** | **334.3** |
| Credit losses, net | 10 | -47.5 | -28.1 |
| **Operating profit** | | **364.2** | **306.3** |
| Paid group contributions | | -32.0 | -12.0 |
| Tax expense | 11 | -77.2 | -56.1 |
| **NET PROFIT FOR THE YEAR** | | **255.0** | **238.2** |

# Statement of comprehensive income

## Parent

| MSEK | FY 2023 | FY 2022 |
|---|---|---|
| **Net profit for the year** | **255.0** | **238.2** |
| **Items that may be reclassified to the income statement** | | |
| Translation differences of foreign operations | -44.0 | 8.0 |
| Hedge accounting of net investment before tax | 4.2 | - |
| Tax due to translation differences of foreign operations | 28.1 | -17.3 |
| **Total items that may be reclassified to the income statement** | **-11.7** | **-9.3** |
| **COMPREHENSIVE PROFIT FOR THE YEAR** | **243.3** | **229.0** |





# Balance sheet

## Parent

| MSEK | Note | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 12 | 972.6 | 501.7 |
| Lending to credit institutions | 13 | 1,366.4 | 1,684.4 |
| Lending to the public | 14 | 21,204.4 | 20,346.3 |
| Value change of interest-hedged items in portfolio hedging | | -82,6 | -334.9 |
| Value change of currency hedged shares in foreign subsidiaries | | -4.7 | - |
| Derivatives | 15 | 186.4 | 337.8 |
| Bonds and other interest-bearing securities | 16 | 199.5 | 521.0 |
| Government debt securities | 16 | 837.4 | 321.3 |
| Shares and participations in associated companies | 17 | 1,054.7 | 0.2 |
| Intangible assets | 18 | 141.9 | 122.7 |
| Tangible assets | 19 | 15.3 | 14.7 |
| Deferred tax assets | 11 | 29.5 | - |
| Other assets | 20 | 25.0 | 50.7 |
| Prepaid expenses and accrued income | 21 | 65.9 | 54.1 |
| Tax assets | 11 | 88.6 | 79.6 |
| **TOTAL ASSETS** | | **26,100.5** | **23,699.7** |
| **Liabilities** | | | |
| Liabilities to credit institutions | 22 | – | 0.9 |
| Issued bonds | 23 | 7,523.3 | 8,158.9 |
| Deposits from the public | 24 | 15,504.3 | 13,239.1 |
| Derivatives | 15 | 78.9 | 44.6 |
| Tax liabilities | 11 | 37.7 | 56.9 |
| Other liabilities | 25 | 386.3 | 436.5 |
| Accrued expenses and prepaid income | 26 | 57,1 | 51,2 |
| Provisions | 27 | 7,6 | - |
| **Total liabilities** | | **23,595.2** | **21,988.1** |
| **Equity** | | | |
| Share capital | | 100.0 | 100.0 |
| Fund for development expenses | | 54.6 | 39.8 |
| Translation reserve | | -16.8 | -5.1 |
| Retained earnings | | 2,112.5 | 1,338.7 |
| Profit for the year | | 255.0 | 238.2 |
| **Total equity** | | **2,505.3** | **1,711.6** |
| **TOTAL EQUITY AND LIABILITIES** | | **26,100.5** | **23,699.7** |

# 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 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** |
| **Opening balance 1 Jan 2023** | **100.0** | **39.8** | **-5.1** | **1,576.9** | **1,711.6** |
| Shareholder contributions | | | | 587.4 | **587.4** |
| Dividend to shareholders | | | | -37.0 | **-37.0** |
| Profit for the year | | | | 255.0 | **255.0** |
| Other comprehensive income | | | | | |
| Translation differences of foreign operations | | | -39.8 | | **-39.8** |
| Tax due to translation differences of foreign operations | | | 28.1 | | **28.1** |
| The year's own accumulated intangible assets | | 14.8 | | -14.8 | **-** |
| **Closing balance 31 Dec 2023** | **100.0** | **54.6** | **-16.8** | **2, 367.5** | **2,505.3** |

*The share capital consists of two common stock of the same kind with quotient value of MSEK 50. All shares have equal voting power.*

# Cash flow statement

## Parent

| MSEK | Note | FY 2023 | FY 2022 |
|---|---|---|---|
| **Operating activities** | | | |
| **Operating profit** | | **364.2** | **306.3** |
| **Adjustments for items not included in cash flow** | | | |
| Depreciation and amortisation | 18,19 | 61.0 | 41.4 |
| Unrealised changes in value | 5 | 50.7 | -72.0 |
| Credit losses excluding recoveries | 10 | 52.5 | 37.0 |
| Interest accruals | | 0.6 | 32.2 |
| Other | | 87.7 | -10.8 |
| **Total – Items not included in cash flow** | | **252.5** | **27.8** |
| Tax paid | | -105.3 | -67.1 |
| **Cash flow from current operations before changes to operating capital** | | **511.4** | **267.0** |
| **Cash flow from changes to operating capital** | | | |
| Increase (-)/decrease (+) of lending to the public | | -1,194.5 | -1,783.3 |
| Increase (-)/decrease (+) of short term receivables | | 107.7 | -219.7 |
| Increase (-)/decrease (+) in bonds and other interest-bearing securities | | 323.8 | -31.6 |
| Increase (-)/decrease (+) government debt securities | | -512.2 | 12.2 |
| Increase (+)/decrease (-) of deposits from the public | | 2,304.7 | 2,826.6 |
| Increase (+)/decrease (-) in issued bonds | | -882.8 | 107.9 |
| Increase (+)/decrease (-) of short term liabilities | | -15.8 | 363.4 |
| **Cash flow from operating activities** | | **642.4** | **1,542.4** |
| **Investing activities** | | | |
| Investments in intangible assets | 18 | -75.3 | -51.1 |
| Investments in tangible assets | 19 | -5.4 | -10.9 |
| Sale of the personal loan portfolio | | -519.0 | - |
| **Cash flow from investing activities** | | **-599.8** | **-62.0** |
| **Financing activities** | | | |
| Repayment of liabilities to credit institutions | | - | -328.5 |
| Received/paid shareholder contributions | | 191.0 | - |
| Group contributions | | -32.0 | - |
| Dividend paid to shareholders | | -37.0 | -300.0 |
| **Cash flow from financing activities** | | **122.0** | **-628.5** |
| **NET CASH FLOW FOR THE YEAR** | | **164.6** | **851.9** |
| Liquid funds at beginning of year | | 2,186.1 | 1,343.5 |
| Currency difference in liquidity | | -15.9 | -9.3 |
| **LIQUID FUNDS END OF YEAR** | | **2,334.8** | **2,186.1** |
| *of which cash and balances at central banks* | | *972.6* | *501.7* |
| *of which lending to credit institutions* | | *1,366.4* | *1,684.4* |
| **Cash flow includes interest receipts of** | | **1,856.3** | **1,318.2** |
| **Cash flow includes interest payments of** | | **-771.9** | **-324.3** |

# 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

The Bank 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. The Bank and the Group's business is described in the Administration Report.

### Basis of accounting

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 1995:1559).

The Parent Company 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 1995:1559), 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.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

### 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 monetary impact on the Group's financial statements.

#### Amendments to IAS 1

The previous requirement for disclosures of significant accounting policies has been replaced with information of material accounting policies. The amendments to IAS 1 are applicable for annual reports starting on or after the 1st of January, 2023.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements. The Group has updated the accounting policies by removing generic wordings and by adding company specific information regarding material accounting policies.

#### 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 Group does not have any derivatives, lending or financing based on the replaced benchmark rates, there have been no significant effects on the Group's financial reports, capital adequacy, major exposures or other circumstances according to applicable operating regulations. Phase 2 in the benchmark reform has not had any material monetary impact on the Group's financial statements.

#### Amendments to IAS 12

The IAS 12 amendments refer to deferred tax for assets and liabilities that arise in a single transaction and a temporary exemption regarding deferred tax attributable to the OECD Pillar II regulatory framework.

The first amendment means that a company should not apply the exemption from reporting deferred tax that is attributable to a transaction where equal amounts of deductible and taxable temporary differences arise, but instead report both the deferred tax asset and tax liability. The Group presents these tax assets and liabilities separately in the tax note in this year's financial reports

The change in the Pillar II framework does not affect the Group since the consolidated revenues fall below the threshold of 750 MEUR.

### 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 Group's financial statements.

### Critical accounting judgements and estimates

When preparing the financial statements in compliance with IFRS, management must rely on judgements and estimates 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.

Management makes judgments and estimates to determine the value of certain financial assets and liabilities (lending to the public and asset-backed bonds). The judgments and estimates 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 Group makes judgements and estimates for example when a significant increase in credit risk occurs 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 Group'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".

### Judgments

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 primarily. If not available, the Group uses generally accepted valuation models instead. The Group determines when the markets are considered inactive and quoted prices no longer correspond to fair value and a valuation model should be used instead.

The Group has historically issued bonds secured by Swedish mortgages (so-called securitisation), of which the last one was repaid during 2022. 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 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.

Fund shares that are classified as Tier 1 capital according to CRR were included in the acquisition of Bank2. The Group has made the assessment that the fund shares do not fulfill the criteria for the definition of a financial liability according to IAS 32. The cash flows (payments of principal and interest) are deemed to be under the Group's control and therefore the instrument is classified as equity.

Goodwill is impairment tested on a yearly basis. The value in use is calculated by the use of a DDM model (Dividend Discount Model). This means that the value of the shareholder equity for each cash-generating unit is determined by discounting that unit's expected cash flows from dividends. The cash flow is discounted with an interest that reflects the return on equity requirements in order to mirror the relative risk of the investment and the time value of money.

### Estimates

In the application of the Group's accounting policies, judgements and estimates are made to determine the carrying amounts of certain assets and liabilities. These 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. 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 also makes estimates regarding the expected life of tangible and intangible assets.

### Consolidated financial statements

The Bank (the Parent company) is a wholly owned subsidiary of Bluestep Holding AB, which is reporting consolidated statements on the highest Group level. The ultimate controlling party of Bluestep Holding AB is EQT VII (a private equity fund). 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.

### Interest income and interest expense

Interest income and interest expenses are recognised using the effective interest method under net interest income. 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, and
- Interest from financial assets and liabilities measured at fair value through profit or loss.

### Net gains/losses on financial transactions

Net gains/losses on financial transactions include 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 measured at amortised cost are also included in net gains/losses on financial transactions.

### Assets and liabilities in foreign currency

The Group'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 foreign operations 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.

### Financial instruments

The majority of the Group'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. The Group's financial assets include for example 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 Group 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 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 the categorisation of the financial instrument:

- Financial assets and liabilities at fair value through profit or loss, and
- 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 Group 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 Group's assets in this subgroup 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; (iv) lending to the public at fair value through profit or loss, and v) fund shares.

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, the fair value is determined based on generally accepted measurement techniques, which 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 Group's derivative instruments have been acquired to hedge the risks of interest rate and exchange rate exposures. The Group 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)

#### Fair value hedge (portfolio hedges)

The Group 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 Group 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 hedge accounting is discontinued. Portfolio hedges are applied by the Group when the interest rate exposure in loan portfolios is hedged with derivatives. When hedge accounting is applied, the hedged risk in the hedged portfolio is also measured at fair value. The value of the hedged risk in the hedged portfolio is recognised on a separate line in the balance sheet (value change of the hedged items in portfolio hedges of interest rate risk).

#### Hedging of net investments in foreign operations

Hedging of net investments in foreign operations is applied to protect the Group from translation differences that arise from the translation of operations in a functional currency other than the presentation currency. The part of the exchange rate result from hedging instruments that are effective is recognised in other comprehensive income. Any ineffectiveness is recognised in the profit or loss within Net gains/losses on financial transactions. If a foreign operation is divested, the gain or loss from the hedging instrument is reclassified from other comprehensive income and recognized in the profit or loss.

### Bonds and other interest-bearing securities

The Group has invested some of its excess liquidity in bonds and other interest-bearing securities. Capital gains and losses are recorded in the profit or loss 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, see the following paragraph.

### Impairment of financial assets measured at amortised cost

Expected credit losses are recognised for financial assets measured at amortised cost in accordance with IFRS 9. In the model, expected credit losses are calculated based on the estimated risk at the time of the 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 consider both asset-specific and macroeconomic factors and reflect the Group's expectations regarding these factors. For a more detailed description of the calculation of impairment, see Note 2 "Risk management".

### 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 an insignificant risk of value fluctuations. Cash and cash equivalents are recognised at nominal amounts.

### Financial liabilities measured at fair value through profit or loss

The Group's liabilities in this category are derivative instruments with negative market values which are mandatorily measured at fair value through profit or loss. These can 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.

### Subordinated loans

Subordinated loans are measured at amortised cost and are subordinated to other liabilities.

### 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 life of the asset. Intangible assets with a determinable useful life are depreciated from the date they are available for use. The expected useful life is estimated to 5 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 Group 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 and are recognised as other operating income/expenses.

### Acquisitions and goodwill

Business combinations are consolidated using the acquisition method.

The cost of an acquisition is calculated as the sum of the transferred consideration measured at fair value at the acquisition date and the amount of any non-controlling interests in the acquiree. For each acquisition, the Group determines whether all non-controlling interests in the acquired company should be recognised at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

Goodwill represents the difference between the cost of business combinations and the fair value of acquired assets, liabilities assumed and contingent liabilities. Goodwill is measured at cost less any accumulated impairment losses. To test impairment needs, the goodwill is allocated to reporting segments. A reporting segment is the lowest level at which goodwill is followed-up in the Group's internal governance.

### Trademarks

Trademarks acquired in a business combination are initially recognised at fair value less any accumulated impairment losses. The Group's assessment is that trademarks useful life is indefinite. Any costs for internally developed trademarks are recognised in the profit or loss in the period in which they arise.

### Customer relationships

Customer relationships acquired in a business combination are initially recognised at fair value less accumulated depreciation and impairment losses.

### Depreciation and impairment

Depreciation is recognised in the profit or loss on a linear basis over the estimated useful lives of intangible assets unless the useful lives are indefinite. Depreciable intangible assets are amortised from the date on which they are available for use.

At each closing date, an assessment is made of whether there is any indication of a decrease in the value of the Group's assets. For goodwill, trademarks and banking licenses that are not amortised on an ongoing basis, impairment tests are carried out at least once a year and/or in the event of an indication of impairment of the asset.

If this is the case, an assessment of the recoverable amount of the asset is made. The recoverable amount is the higher of the asset's fair value, less costs to sell, and its value in use. Value in use refers to the present value of future cash flows attributable to the asset and the present value of net realisable value at the end of its useful life.

If the estimated recoverable amount is less than the carrying amount, an impairment loss is recognised. A previous impairment loss is reversed when there has been a change in the assumptions on the basis of which the recoverable amount of the asset was determined at the time of impairment and which means that the impairment loss is no longer deemed necessary. Reversals of previously made write-downs are tested individually and reported in the profit or loss. Impairment of goodwill is not reversed in a subsequent period.

### Impairment test

Goodwill, trademarks and customer relationships are attributable to the acquisition of subsidiaries. The Group consists of three segments that are geographically distributed (Sweden, Norway and Finland). Impairment testing has been carried out on the individual cash-generating units Sweden and Norway. The impairment test is performed in the fourth quarter of each year.

### Property, plant and equipment

#### Tangible assets

These assets are recognised at cost less accumulated depreciation based on an assessment of the assets' useful lifetime. The expected useful life 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 not applied for 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.

### Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation arising from past events and it is probable that an outflow of resources will be required to settle the obligation. Additionally, a reliable estimation of the amount must be made, and estimated outflows calculated at present value.

Provisions are recognised for restructurings. i.e. extensive organisational changes which may require the payment of employee severance for early termination or offices to be shut down. For a provision to be recognised, a restructuring plan must be in place and announced, so that it has created a valid expectation among those affected that the company will implement a restructuring. A provision for restructuring includes only direct expenses related to the restructuring and not to future operations, such as of the cost of severance.

### Equity

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

### 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.

## Parent company

The Group's accounting policies are applicable in the parent company as well, with the following exceptions:

### 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.

### Acquisitions and goodwill

The cost of a business combination is calculated as the sum of the fair value of the assets, liabilities and equity instruments paid at the date of the transaction. All expenses that are directly attributable to the business combination are also recognised as part of the cost.





# Note 2 | Risk management

In this note, the Group 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".

## 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 fulfill 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 Group. 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 collateralized 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 through 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 Group provides residential mortgages in Sweden, Norway and Finland. The credit portfolio is well diversified and consists of a large number of customers, 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, as well as the underlying security. To assess the probability of default, the borrowers are divided into different risk grades.

Credit risk is primarily managed through the credit policy and credit instructions, as well as established risk management strategy with set risk appetite and risk tolerance. Active credit risk management is achieved through prudent customer selection in the credit operations, to ensure careful and well-balanced customer selection. 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 for 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 Group 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 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 good balance between risk and return, the Group 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 the 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 Group measures credit risk by using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This method is used to calculate Expected Credit Losses ('ECL') under IFRS 9 Financial Instruments.

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.

### Loan to value ("LTV")

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 an LTV has, the higher risk for the lender.

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

The table below shows the allocation of LTV for mortgages in Sweden, Norway and Finland:

| **Sweden** | 31 Dec 2023 | | 31 Dec 2022 | |
|---|---|---|---|---|
| Allocation LTV, MSEK | Exposure, gross | Write-downs | Exposure, gross | Write-downs |
| -50% | 1,032.1 | 2.5 | 971.2 | 1.4 |
| 50 - 60% | 736.6 | 2.3 | 757.4 | 1.4 |
| 60 - 70% | 1,664.2 | 5.6 | 1,681.1 | 3.7 |
| 70 - 80% | 3,120.7 | 20.0 | 2,755.3 | 12.8 |
| 80 - 90% | 3,669.2 | 27.9 | 3,967.7 | 19.1 |
| 90 - 100 | 1.4 | 0.0 | 10.9 | 0.5 |
| 100% + | – | – | 2.8 | 0.0 |
| **Total** | **10,224.2** | **58.2** | **10,146.4** | **39.1** |

| **Norway** | 31 Dec 2023 | | 31 Dec 2022 | |
|---|---|---|---|---|
| Allocation LTV, MSEK | Exposure, gross | Write-downs | Exposure, gross | Write-downs |
| - 50% | 3,484.6 | 12.9 | 1,711.8 | 3.0 |
| 50 - 60% | 1,357.3 | 8.4 | 890.6 | 2.0 |
| 60 - 70% | 1,903.0 | 6.7 | 1,329.7 | 3.2 |
| 70 - 80% | 3,105.9 | 13.7 | 2,054.5 | 4.8 |
| 80 - 90% | 4,015.3 | 20.8 | 2,748.8 | 5.8 |
| 90 - 100 | – | – | – | – |
| 100% + | – | – | – | – |
| **Total** | **13,866.1** | **62.4** | **8,735.3** | **18.8** |

| **Finland** | 31 Dec 2023 | | 31 Dec 2022 | |
|---|---|---|---|---|
| Allocation LTV, MSEK | Exposure, gross | Write-downs | Exposure, gross | Write-downs |
| - 50% | 349.1 | 1.8 | 84.3 | 0.3 |
| 50 - 60% | 107.4 | 0.5 | 57.0 | 0.3 |
| 60 - 70% | 104.9 | 1.2 | 93.6 | 0.7 |
| 70 - 80% | 117.0 | 1.0 | 166.9 | 0.4 |
| 80 - 90% | 64.6 | 0.4 | 111.5 | 0.5 |
| 90 - 100 | – | – | – | – |
| 100% + | – | – | – | – |
| **Total** | **743.1** | **62.4** | **513.3** | **2.2** |

### Sensitivity analysis

The paramount assumption influencing collateral and, consequently, provisions is the house price development in each respective country, primarily due to its impact on the LGD. The adjustments in Expected Credit Losses (ECL) as of December 31, 2023, as outlined below, reflect reasonable alterations in these parameters relative to the actual assumptions adopted by the Group. No sensitivity analysis has been conducted for the Finnish- and Bank2 mortgage portfolio, attributed to its comparatively recent inception and the absence of pertinent data.

| | | | Sweden | | |
|---|---|---|---|---|---|
| **Change in house price index** | **-20%** | **-10%** | **+/-0%** | **10%** | **20%** |
| Change in ECL | 0.2 | 0.1 | 0.0 | -0.1 | -0.2 |

| | | | Norway | | |
|---|---|---|---|---|---|
| **Change in house price index** | **-20%** | **-10%** | **+/-0%** | **10%** | **20%** |
| Change in ECL | -0.4 | -0.2 | 0.0 | 0.2 | -0.4 |





### Measurements of credit reserves and expected credit losses

Provisions are calculated using quantitative models based on inputs, assumptions, and quantitative models. The following items may have a particularly significant impact on the level of provisions:

- determination of a significant increase in credit risk;
- consideration of prospective macroeconomic scenarios; and
- measurement of both ECL within the next 12 months and ECL during the residual expected time on book.

The most important inputs for measuring ECL are:

- probability of default (PD),
- loss given default (LGD), and
- exposure at default (EAD).

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

In addition, the Group has the possibility to perform a management overlay, if it deems that there are factors that the models do not take into consideration.

The Group does not report any provisions 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 on 12 month or lifetime duration, depending on whether there is a significant increase in credit risk since the first credit assessment, 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 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 origination.

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 and the current 12 month PD. This maturity profile assesses 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 within each segment. To estimate the 12-month PD, a logistical regression model customized for the product is used.

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

A deterioration in an economic outlook based on forecasted 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 provisions.

The EAD represents estimated credit exposure on a future default date considering altered expectations in credit exposure on the reporting date. The Group's method for modelling EAD reflects current 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 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 credit portfolio, such as country, security type and product. Prospective macroeconomic factors are reflected in the LGD calculations through their impact on the LTV. 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 Group estimates the ECL while considering the risk of default for the remaining maturity. The expected maturity is generally limited to the maximum contract period during which the Group 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 Group.

The Group does not adopt Bank 2 models, instead use the Bluestep Bank Model and assumptions after the acquisition date.

### 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 recognised 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 defaulted assets. The credit loss provisioning for the assets is determined by their category. Provisions for ECL in the next 12 months are recorded in Stage 1, while provisions are recorded for ECL 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 Group.
- 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 | | | |
|---|---|---|---|---|
| **31 Dec 2023, MSEK** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| <=0.4% | 3,298.0 | 49.4 | – | **3,347.4** |
| 0.4%–0.8% | 5,384.2 | 156.1 | – | **5,540.3** |
| 0.8%–3.2% | 10,072.2 | 545.1 | – | **10,617.3** |
| 3.2%–6.4% | 976.4 | 368.3 | – | **1,344.8** |
| 6.4%–12.8% | 422.7 | 736.7 | – | **1,159.4** |
| 12.8%– | 269.3 | 1,566.4 | 988.5 | **1,835.7** |
| **Total** | **20,422.8** | **3,422.0** | **988.5** | **24,833.4** |
| Reserve for ECL | –9.4 | –53.2 | –62.9 | **–125.5** |
| **Total lending to the public valued at amortised cost** | **20,413.4** | **3,368.8** | **925.6** | **24,707.9** |

**PD interval Mortgages**

| | Group | | | |
|---|---|---|---|---|
| **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 ECL | –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** |

To assess whether there is a significant increase in risk that necessitates a transfer to Stage 2, the Group uses the change in the loan's lifetime PD, i.e. the life-time PD 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 Group 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 Group 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 Group.

These thresholds are considered separately for the Group'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 Group. 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 Group 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 a 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.

Due to the short history of the Finnish portfolio, and thereby small number of observed defaults, the Stage 2 criteria is limited to the regulatory back-stop.

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

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

**Sweden 31 Dec 2023 Credit loss provision impact**

| 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 2023, MSEK | Gross amount 31 Dec 2023, MSEK | Share of portfolio 31 Dec 2023 |
|---|---|---|---|---|---|---|
| <=0.4% | 500% | 0.0% | 0.0% | 26.0 | 261.6 | 3% |
| 0.4%-0.8% | 500% | 0.0% | 0.0% | 0.2 | 2,151.4 | 21% |
| 0.8%-3.2% | 500% | 10.2% | -1.6% | 1.4 | 3,785.9 | 37% |
| 3.2%-6.4% | 500% | 74.4% | -1.8% | 3.1 | 2,663.9 | 26% |
| 6.4%-12.8% | 500% | 2.9% | -14.7% | 2.7 | 586.8 | 6% |
| 12.8%- | 500% | 0.0% | -0.6% | 4.2 | 282.6 | 3% |
| Loans in stage 3 | | 0.0% | 0.0% | 20.6 | 492.0 | 5% |
| **Total** | | **4.2%** | **-1.4%** | **58.2** | **10,224.2** | **100%** |





**Norway 31 Dec 2023**
**Credit loss provision impact**

| 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 2023, MSEK | Gross amount 31 Dec 2023, MSEK | Share of portfolio 31 Dec 2023 |
|---|---|---|---|---|---|---|
| <=0.4% | 400% | 0.0% | 0.0% | 0.0 | 976.9 | 11% |
| 0.4%-0.8% | 400% | 0.0% | 0.0% | 0.1 | 1,402.7 | 15% |
| 0.8%-3.2% | 400% | 6.7% | 0.0% | 1.2 | 4,627.1 | 51% |
| 3.2%-6.4% | 400% | 33.7% | -14.7% | 0.9 | 509.6 | 6% |
| 6.4%-12.8% | 400% | 16.3% | -25.3% | 2.6 | 547.2 | 6% |
| 12.8%- | 400% | 1.2% | -3.6% | 10.5 | 658.9 | 7% |
| Loans in stage 3 | | 0.0% | 0.0% | 7.5 | 287.9 | 3% |
| **Total** | | **4.1%** | **-5.1%** | **22.8** | **9,010.2** | **100%** |

**Sweden 31 Dec 2022**
**Credit loss provision impact**

| 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%** |

**Norway 31 Dec 2022**
**Credit loss provision impact**

| 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%** |

### Definition of default

The Group 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 Group 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 Group has analysed historical data to identify the correlation between macroeconomic variables, credit risk and ECL 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 Group 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 Group has identified the strongest correlation between the Group's portfolio and the market rate (STIBOR 3-month). The Group 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 Group'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 Group 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 2023 and 31 December 2023 the Group 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 Group 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 Group's forecasts. However, the Bank considers these forecasts to be the best estimate based on potential outcomes, and the Group 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 2023 are shown in the table below. The base, optimistic and negative scenarios are used for all the portfolios.

| 31 December 2023 | Weight | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sweden Interest rate assumption - optimistic | 0.25 | 3.36 | 2.85 | 1.74 | 1.54 | 1.65 | 1.80 | 1.96 | 2.23 | 2.36 | 2.52 |
| Sweden Interest rate assumption - base | 0.50 | 3.94 | 3.65 | 2.72 | 2.42 | 2.41 | 2.46 | 2.51 | 2.67 | 2.69 | 2.74 |
| Sweden Interest rate assumption - negative | 0.25 | 4.51 | 4.45 | 3.70 | 3.29 | 3.18 | 3.12 | 3.05 | 3.11 | 3.02 | 2.96 |
| Sweden House price index - optimistic | 0.25 | 1.05 | 1.07 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 | 1.05 |
| Sweden House price index - base | 0.50 | 1.00 | 1.04 | 1.02 | 1.02 | 1.02 | 1.02 | 1.02 | 1.02 | 1.02 | 1.02 |
| Sweden House price index - negative | 0.25 | 0.95 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Norway House price index - optimistic | 0.25 | 1.00 | 1.00 | 1.01 | 1.04 | 1.04 | 1.04 | 1.04 | 1.04 | 1.04 | 1.04 |
| Norway House price index - base | 0.50 | 1.00 | 0.99 | 1.00 | 1.03 | 1.03 | 1.03 | 1.03 | 1.03 | 1.03 | 1.03 |
| Norway House price index - negative | 0.25 | 1.00 | 0.99 | 1.00 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| 31 December 2022 | Weight | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |

The regulations stipulate that the Group must calculate provisions under various macroeconomic conditions. The Group 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 provisions shown below would have arisen as of 31 December 2023 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 2023**

| Business area | Scenarios | Provisions attributable to the scenario, MSEK | Change against reported allocation, % |
|---|---|---|---|
| Mortgages | Optimistic | 123.7 | 1.4% |
| | Negative | 127.0 | -1.2% |
| Sweden | Optimistic | 56.6 | 2.8% |
| | Negative | 59.9 | -2.8% |
| Norway | Optimistic | 62.3 | 0.3% |
| | Negative | 62.3 | 0.0% |
| Finland | Optimistic | 4.8 | 0.0% |
| | Negative | 4.8 | 0.0% |
| **Total Group** | **Optimistic** | **123.7** | **1.4%** |
| | **Negative** | **127.0** | **-1.2%** |

**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** |

**Parent 2023**

| Business area | Scenarios | Provisions attributable to the scenario, MSEK | Change against reported allocation, % |
|---|---|---|---|
| Mortgages | Optimistic | 84.1 | 2.1% |
| | Negative | 87.3 | -1.7% |
| Sweden | Optimistic | 56.6 | 2.8% |
| | Negative | 59.9 | -2.8% |
| Norway | Optimistic | 22.6 | 0.7% |
| | Negative | 22.6 | 0.7% |
| Finland | Optimistic | 4.8 | 0.0% |
| | Negative | 4.8 | 0.0% |
| **Total Parent** | **Optimistic** | **84.1** | **1.4%** |
| | **Negative** | **87.3** | **-1.2%** |

**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** |

### Credit risk regarding financial counterparties

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

**Consolidated situation 31 Dec 2023, MSEK**

| Amounts that have not been offset in the balance sheet | Gross value | Netting in the Balance sheet | Net amount Balance sheet |
|---|---|---|---|
| Derivatives | 186.4 | – | 186.4 |
| **Sum financial assets** | **186.4** | **–** | **186.4** |
| Derivatives | 83.6 | – | 83.6 |
| **Sum financial liabilities** | **83.6** | **–** | **83.6** |

**Consolidated 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** |





*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 2023 | | | | | 31 Dec 2022 | | |
| MSEK | Sweden | Norway | Finland | Denmark | Germany | Sweden | Norway | Finland |
| **Governments or central banks** | | | | | | | | |
| – Credit Quality Step 1 | 839.6 | 72.1 | 133.0 | – | – | 843.8 | 320.9 | 66.5 |
| **Total governments or central banks** | **839.6** | **72.1** | **133.0** | **–** | **–** | **843.8** | **320.9** | **66.5** |
| **Lending to credit institutions** | | | | | | | | |
| – Credit Quality Step 1 | 460.8 | 662.8 | 380.6 | – | – | 1,062.4 | 600.3 | 34.3 |
| – Credit Quality Step 2 | – | – | – | – | – | – | – | – |
| – No rating | – | – | – | – | – | – | – | – |
| **Total lending to credit institutions** | **460.8** | **662.8** | **380.6** | **–** | **–** | **1,062.4** | **600.3** | **34.3** |
| **Corporates** | | | | | | | | |
| – No rating (Intercompany receivables) | – | – | – | – | – | – | – | – |
| **Total corporates** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Lending to the general public** | | | | | | | | |
| – Unsecured loans | 37.8 | 8.0 | – | – | – | 42.1 | – | – |
| – Loans secured by property, other | – | 176,5 | – | – | – | – | – | – |
| – Loans secured by real estate | 11,440.9 | 13,803.7 | 738.3 | – | – | 10,815.3 | 8,643.0 | -511.1 |
| **Total lending to the general public** | **11,478.7** | **13,911.6** | **738.3** | **–** | **–** | **10,857.4** | **8,643.0** | **511.1** |
| **Bonds and other interest-bearing securities** | | | | | | | | |
| – Credit Quality Step 1 | 100.5 | 167.2 | – | 148,6 | – | 101.8 | 106.4 | – |
| – Credit Quality Step 2 | – | – | – | – | – | – | – | – |
| – No rating | – | 248,2 | – | – | – | | | |
| **Total bonds and other interest-bearing securities** | **100.5** | **415,4** | **–** | **148,6** | **–** | **101.8** | **106.4** | **–** |
| **Derivatives** | | | | | | | | |
| – Credit Quality Step 2 | – | – | 48.0 | 138,5 | – | 307.4 | 78.0 | – |
| **Total derivatives** | **–** | **–** | **48.0** | **138,5** | **–** | **307.4** | **78.0** | **–** |
| **Government debt securities** | | | | | | | | |
| – Credit Quality Step 2 | 487.8 | 400.9 | 20.5 | – | 131.2 | 321.3 | – | – |
| **Total government debt securities** | **487.8** | **400.9** | **20.5** | **–** | **131.2** | **321.3** | **–** | **–** |
| **Other assets** | | | | | | | | |
| – No rating | 75.2 | 16.2 | 1.7 | – | – | 71.7 | 17.4 | 1.6 |
| **Total other assets** | **75.2** | **16.2** | **1.7** | **–** | **–** | **71.7** | **17.4** | **1.6** |
| **Sum per geography** | **13,442.8** | **15,555.5** | **1,322.1** | **287.1** | **131.2** | **13,244.5** | **9,765.9** | **613.4** |
| **Total** | **30,738.7** | | | | | **23,623.9** | | |

**Maximum Credit Risk Exposure**

| | Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | | | 31 Dec 2022 | | |
| **MSEK** | **Sweden** | **Norway** | **Finland** | **Danmark** | **Finland** | **Sweden** | **Norway** | **Finland** |
| **Governments or central banks** | | | | | | | | |
| – Credit Quality Step 1 | 839,6 | – | 133,0 | – | – | 835.4 | 320.9 | 66.5 |
| **Total Governments or central banks** | **839,6** | **–** | **133,0** | **–** | **–** | **835.4** | **320.9** | **66.5** |
| **Lending to credit institutions** | | | | | | | | |
| – Credit Quality Step 1 | 458.1 | 527.7 | 380.6 | – | – | 1,049.8 | 600.3 | 34.3 |
| – Credit Quality Step 2 | – | – | – | – | – | – | – | – |
| – No rating | – | – | – | – | – | 1.4 | – | – |
| **Total lending to credit institutions** | **458.1** | **527.7** | **380.6** | **–** | **–** | **1,051.2** | **600.3** | **34.3** |
| **Government debt securities** | | | | | | | | |
| – Credit Quality Step 1 | 416.9 | 289.3 | – | – | 131.2 | 321.3 | – | – |
| **Total government debt securities** | **416.9** | **289.3** | **–** | **–** | **131.2** | **321.3** | **–** | **–** |
| **Lending to the general public** | | | | | | | | |
| – Unsecured loans | 37.8 | – | – | – | – | 42.1 | – | – |
| – Loans secured by residential property | 11,440.9 | 8,987,4 | 738.3 | – | – | 10,815.3 | 8,643.0 | 511.1 |
| **Total lending to the general public** | **11 ,478.7** | 8,987,4 | **738.3** | **–** | **–** | **10,857.4** | **8,643.0** | **511.1** |
| **Bonds and other interest-bearing securities** | | | | | | | | |
| – Credit Quality Step 1 | 100.5 | – | – | 99.0 | – | 101.8 | 106.4 | – |
| **Total bonds and other interest-bearing securities** | **100.5** | **–** | **–** | **99.0** | **–** | **101.8** | **106.4** | **–** |
| **Derivatives** | | | | | | | | |
| – Credit Quality Step 1 | – | – | 48.0 | 138.5 | – | 307.4 | 78.0 | – |
| **Total derivatives** | **–** | **–** | **48.0** | **138.5** | **–** | **307.4** | **78.0** | **–** |
| **Other assets** | | | | | | | | |
| – No rating | 37.1 | 16.2 | 1.7 | – | – | 143.2 | 17.4 | 1.6 |
| **Total other assets** | **37.1** | **16.2** | **1.7** | **–** | **–** | **44.3** | **17.4** | **1.6** |
| **Sum per geography** | **13,331.0** | **9,820.7** | **1,301.6** | **237.4** | **131.2** | **13,197.6** | **9,765.9** | **613.4** |
| **Total** | | | **24,821.9** | | | | **23,577.0** | |





**Credit risk**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | 31 Dec 2022 | | |
| **Receivables from private individuals, MSEK** | **Sweden** | **Norway** | **Finland** | **Sweden** | **Norway** | **Finland** |
| Performing | 9,414.0 | 12,073.2 | 660.5 | 10,046.7 | 7,063.2 | 219.4 |
| Due 30-60 days | 412.4 | 976.8 | 32.1 | 199.2 | 209.9 | - |
| Due 60-90 days | 136.2 | 320.0 | 22.2 | 60.9 | 89.4 | - |
| Due over 90 days | 261.6 | 729.8 | 28.3 | 154.7 | 243.1 | - |
| **Total** | **10,242.2** | **14,099.8** | **743.1** | **10,461.5** | **7,605.6** | **219.4** |
| **Provisions** | **58.2** | **111.7** | **4.8** | **23.5** | **14.4** | **0.4** |

**Credit risk**

| | Parent | | | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | 31 Dec 2022 | | |
| **Receivables from private individuals, MSEK** | **Sweden** | **Norway** | **Finland** | **Sweden** | **Norway** | **Finland** |
| Performing | 9,414.0 | 8.247.8 | 660.5 | 10,046.7 | 7,063.2 | 219.4 |
| Due 30-60 days | 412.4 | 344.5 | 32.1 | 199.2 | 209.9 | - |
| Due 60-90 days | 136.2 | 130.0 | 22.2 | 60.9 | 89.4 | - |
| Due over 90 days | 261.6 | 287.9 | 28.3 | 154.7 | 243.1 | - |
| **Total** | **10,242.2** | **9,010.2** | **743.1** | **10,461.5** | **7,605.6** | **219.4** |
| **Provisions** | **58.2** | **28.8** | **4.8** | **23.5** | **14.4** | **0.4** |

**Credit risk**

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | | | 31 Dec 2022 | | |
| **Other financial assets, MSEK** | **Sweden** | **Norway** | **Finland** | **Danmark** | **Germany** | **Sweden** | **Norway** | **Finland** |
| **Performing** | **1,964.0** | **1,567.4** | **535.9** | **148.6** | **131.2** | 2,387.2 | 1,122.9 | 102.4 |
| – Credit Quality Step 1 | 1,8888.8 | 1,303.0 | 534.1 | 148.6 | 131.2 | 2,315.4 | 1,105.5 | 100.7 |
| – Credit Quality Step 2 | - | - | - | - | - | - | - | - |
| – No rating | 75.2 | 264.4 | 1.7 | - | - | 71.7 | 17.4 | 1.6 |
| **Non performing** | - | - | - | - | - | - | - | - |
| **Total** | **1,964.0** | **1, 567.4** | **535.9** | **148.6** | **131.2** | **2,387.2** | **1,122.9** | **102.4** |
| **Provisions** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |

**Credit risk**

| | Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | | | 31 Dec 2022 | | |
| **Other financial assets, MSEK** | **Sweden** | **Norway** | **Finland** | **Danmark** | **Germany** | **Sweden** | **Norway** | **Finland** |
| **Performing** | 1,852.2 | 833.2 | 515.4 | 99.0 | 131.2 | 2,340.2 | 1,122.9 | 102.4 |
| – Credit Quality Step 1 | 1,815.1 | 817.0 | 513.6 | 99.0 | 131.2 | 2,294.5 | 1,105.5 | 100.7 |
| – Credit Quality Step 2 | - | - | - | - | - | - | - | - |
| – No rating | 37.1 | 16.2 | 1.7 | - | - | 45.7 | 17.4 | 1.6 |
| **Non performing** | - | - | - | - | - | - | - | - |
| **Total** | **1,852.2** | **833.2** | **515.4** | **99.0** | **131.2** | **2,340.2** | **1,122.9** | **102.4** |
| **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 and financial counterparty credit assessment. Concentration risk might arise due to lack of diversification and lending too heavily in one industry, market, geographic area.

Credit quality, geographical exposure and the maximum exposure for credit risk, are further disclosed in the Section "Maximum credit risk exposure" above.

Since the Group 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 Group 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 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 Group 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 Group does not have any rating triggers in its derivative contracts, i.e., the provision of collateral by the Group 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

Market risk is defined as the risk of economic loss, negative change in earnings or material change in risk profile due to fluctuations in the level or volatility of the market prices of assets, liabilities, and financial instruments.

### 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 Group's operations in Norway and Finland, the Group 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.

| Group MSEK | 31 Dec 2023 | Value change -10% | Value change +10% | 31 Dec 2022 | Value change -10% | Value change +10% |
|---|---|---|---|---|---|---|
| EUR position | -170.1 | 17.0 | -17.0 | -116.8 | 11.6 | -11.6 |
| NOK position | 377.6 | -37.9 | 37.7 | 642.9 | -64.2 | 64.2 |
| **Impact on earnings** | **207.5** | **-20.7** | **20.7** | **526.0** | **-52.6** | **52.6** |

A change in relevant exchange rates in relation to SEK of -10% would at the balance sheet date result in an instantaneous net negative impact on earnings, prior deduction of tax, amounting to MSEK -20.7 (MSEK -52.6). The effect on equity would be MSEK -20.7 (MSEK -41.8).

### 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 adverse changes in market interest rates affecting assets, liabilities and off-balance sheet items, including gap risk, basis risk and option risk.

*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 Group 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 Group 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 Group.

The Group uses derivative instruments to achieve desired mitigation of interest rate risks. Interest rate risk is primarily attributable to fixed rates applied to lending, whereas financing to a larger extent is conducted at variable rates. The Group 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 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 Group 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 | -8.3 | -0.34% |
| Decreased interest rates | -100bps | 8.9 | 0.37% |

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 | -7.0 | -0.97% |
| Decreased interest rates | -100bps | 7.2 | 0.99% |

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 Group shall retain enough excess liquidity in a liquidity reserve to meet unforeseen cash outflows. The liquidity reserve is mainly composed of highly rated liquid securities (government bonds and covered bonds) and bank account balances according to the Group's Liquidity and Financing Risk Management Policy. The Board has set limits for the minimum liquidity reserve and liquidity buffer that the Group shall maintain at any time. The Group 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.

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 offers retail deposit products to the public in Sweden, Norway and Germany. Deposit products in Sweden and Germany are covered by the Swedish deposit guarantee scheme. In Norway, the deposit products of the Norwegian branch are covered by the Swedish deposit guarantee (up to SEK 1,050,000) and the Norwegian deposit guarantee (up to NOK 2,000,000) respectively. The NOK deposits related to Bank2 are covered by the Norwegian deposit guarantee 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 2023** | **31 Dec 2022** | **31 Dec 2023** | **31 Dec 2022** |
| **Liquidity Reserve** | | | | |
| Cash and balances with central banks | 1,044.7 | 501.7 | 972.6 | 501.7 |
| Deposits in other banks | 1,504.3 | 1,701.9 | 1,366.4 | 1,684.4 |
| Securities issued or guaranteed by sovereigns, central banks or multinational development banks | 1,041.5 | 641.4 | 851.8 | 641.4 |
| Covered bonds issued by other institutions | 664.4 | 208.3 | 200.5 | 208.3 |
| **Total** | **4,254.9** | **3,053.3** | **3,391.3** | **3,035.8** |

Accrued interest is included in the in the table above.

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 2023** | **31 Dec 2022** |
| **Liquidity Coverage Ratio (LCR), %** | **696.9%** | **472.4%** |
| Liquid Assets Level 1 | 2,339.7 | 1,210.7 |
| Liquid Assets Level 2 | 214.4 | 86.2 |
| **High-Quality Liquid Assets, MSEK** | **2,554.1** | **1,296.9** |
| Customer deposits | 1,073.8 | 814.8 |
| Other outflows | 392.2 | 283.2 |
| **Cash Outflows, MSEK** | **1,466.0** | **1,098.0** |
| Inflows from retail customers, lending activities | 636.3 | 226.7 |
| Other inflows | 1,765.0 | 1,806.7 |
| **Cash Inflows (max. 75% of Cash Outflows)** | **1,099.5** | **823.5** |
| **Net Stable Funding Ratio (NSFR), %** | **133.0%** | **132.1%** |
| Available Stable Funding | 26.2 | 19.7 |
| Required Stable Funding | 19.7 | 14.9 |





## ESG risk

*Definition*

ESG risk is defined 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, biodiversity, energy consumption, pollution and waste management (Environmental), deficiencies in human capital, labour standards, equality, diversity, and inclusion, and workplace health and safety (Social), and deficiencies in corporate governance and corporate behaviour (Governance).

*Mitigating measures*

The Bank maintains a robust sustainability structure within its operations with a dedicated Head of Sustainability, and overseen by a Sustainability Management Committee. The Sustainability Policy is approved by the Board, and the sustainability strategy is integrated with the business strategy and risk management framework. The risk appetite is set as low, with defined key risk indicators and limits in place, aligned with the sustainability strategy.

ESG risks are assessed using methodologies and procedures akin employed for other operating-related risks. The risk assessment gauge the likelihood and potential impact on the Bank's business model viability, sustainability, and long-term resilience. The aim is to ensure alignment with the broader risk management framework and safeguard the Bank's stability. ESG risks are regularly qualitative assessed, based on likelihood and impact, in the Bank's ESG Material Assessment, regular risk assessment, and integ ated within the Bank's ICLAAP. ESG risks are categorised into physical and transitional environmental risks, social risks, and governance risks, for precise identification and assessment. ESG risks are proportionately integrated as factors and risk drivers, and the potential impact of ESG factors may materialise through various other risks, such as business risk, credit risk, financial risk, operational risk, or reputational risk. ESG risks are effectively managed and imited within defined risk appetite and risk tolerance levels, enabling informed risk-taking decisions and fostering a comprehensive understanding of risk management throughout the Bank's operations.

The sustainability efforts, including ESG risks, are reported by the Head of Sustainability to the Sustainability Management Committee and the Board, and by the Risk Management function as part of the risk reporting.

## 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, model risk and ICT risk (information and communication technology 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 Chief Executive Officer. The Head of Operations in Sweden, Norway and Finland all report to the Nordic Chief Commercial Officer, who reports to Chief Executive Officer.

Each Head of Operations is responsible for their respective segment and govern 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 business is divided into three segments: Sweden, Norway and Finland. Norway and Finland are operated through each branch. The operations of Bank2 are included in the Norwegian segment, although it is a separate legal entity. Included in other operations are products in run-off that was acquired through the acquisition of Bank2.

**Balance sheet 31 Dec 2023**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Sweden** | **Norway** | **Finland** | **Other operations** | **Eliminations** | **Total** |
| Lending to credit institutions | 228.4 | 879.2 | 398.3 | - | -1.6 | **1,504.3** |
| Lending to the public | 11,478.7 | 13,987.3 | 738.3 | - | 0.8 | **26,205.1** |
| Deposits from the public | 6,571.9 | 12,817.7 | 1,123.5 | - | - | **20,513.1** |

**Balance sheet 31 Dec 2022**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Sweden** | **Norway** | **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** |

**Income statement FY 2023**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| **MSEK** | **Sweden** | **Norway** | **Finland** | **Other operations** | **Eliminations** | **Total** |
| Interest income | 1,028.4 | 785.6 | 69.3 | 3,0 | -78.1 | **1,808.2** |
| of which interest income within group | 78.1 | - | - | - | -78.1 | -849.3 |
| Interest expense | -501.8 | -380.4 | -43.5 | -1,7 | 78.1 | **-** |
| of which interest expense within group | - | -49.8 | -28.3 | - | 78.1 | - |
| **Net interest income** | **526.5** | **405.3** | **25.8** | **1,3** | **-** | **958.6** |
| **Total operating income** | **583.9** | **409.1** | **27.9** | **-20,8** | **-5.5** | **994.6** |
| **Total operating expenses** | **-280.9** | **-226.2** | **-71.9** | **-75.4** | **5.5** | **-648.9** |
| **Profit before credit losses** | **303.0** | **182.9** | **-44.1** | **-96.1** | **-** | **345.7** |
| Credit losses, net | -34.1 | -11.8 | -3,0 | 0.9 | - | **-48.0** |
| **Operating profit** | **268.9** | **171.1** | **-47.1** | **-95.2** | **-** | **297.7** |

| Income statement FY 2022 | Group | | | | | |
|---|---|---|---|---|---|---|
| MSEK | Sweden | Norway | 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** | **-** | **-** | **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** | **-** | **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** | **-** | **309.9** |

## Note 4 | Net interest income

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **Interest income** | | | | |
| Lending to credit institutions | 64.3 | 9.9 | 61.8 | 9.8 |
| Lending to the public | 1,712.7 | 1,232.1 | 1,647.5 | 1,232.1 |
| Bonds | 30.8 | 8.1 | 24.6 | 13.5 |
| Other | 0.5 | 0.0 | 0.4 | 0.0 |
| **Total interest income** | **1,808.2** | **1,250.1** | **1,734.3** | **1,255.4** |
| of which interest income from financial items calculated using the effective interest method | 1,686.9 | 1,199.5 | 1,619.2 | 1,199.4 |
| **Interest expense** | | | | |
| Lending to credit institutions | -11.3 | -2.3 | -11.3 | -2.1 |
| Deposits from the public | -535.1 | -176.5 | -499.7 | -191.6 |
| *of which deposit guarantee* | *-29.1* | *-21.4* | *-28.1* | *-21.4* |
| Derivates | -17.3 | -41.1 | -17.3 | -38.5 |
| Issued bonds | -283.0 | -107.7 | -282.2 | -105.5 |
| Other | -2.6 | -1.4 | -1.0 | -0.1 |
| *of which interest expense for leasing* | *-1.6* | *-0.7* | - | - |
| **Total interest expense** | **-849.3** | **-328.9** | **-811.5** | **-337.8** |
| of which interest income from financial items calculated using the effective interest method | -832.0 | -287.8 | -794.2 | -299.3 |
| **Total net interest income** | **958.9** | **921.2** | **922.9** | **917.6** |





## Note 5 | Net gains/losses on financial transactions

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| Bonds - unrealised changes | 6.1 | -8.0 | 6.3 | -8.0 |
| Interest rate derivatives - unrealised changes | -2.4 | 2.3 | -3.3 | 3.7 |
| -realised change i value | - | - | - | - |
| Currency derivatives - unrealised changes | 58.5 | -74.2 | 56.2 | -75.4 |
| - realised change in value | 19.5 | -20.4 | 18.9 | -20.4 |
| Exchange rate changes other receivables and liabilities - unrealised changes | -57.6 | 77.8 | -58.2 | 77.8 |
| Hedge accounting - fair value adjustment hedged item* | 247.4 | -287.5 | 249.0 | -287.5 |
| Hedge accounting - fair value hedge instrument* | -244.5 | 286.0 | -244.5 | 286.0 |
| Interest compensation from early redemptions | 0.5 | 0.3 | 0.5 | 0.3 |
| Income from sale of personal loan portfolio | - | - | - | - |
| **Total net gains/losses on financial transactions** | **27.4** | **-23.6** | **25.5** | **-23.4** |

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

## Note 6 | Other operating income

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| Billing fees | 8.3 | 8.4 | 8.9 | 9.4 |
| Valuation fees | - | 0.1 | - | 0.1 |
| Other operating income | - | 0.1 | - | 0.1 |
| **Total other operating income** | **8.3** | **8.6** | **9.0** | **9.5** |

## Note 7 | General administration expenses

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **Personnel costs** | | | | |
| Salaries and remuneration | -214.8 | -181.2 | -208.4 | -178.3 |
| Variable performance benefit | 0.1 | -3.9 | 0.1 | -3.8 |
| Social security fees | -55.9 | -52.9 | -54.2 | -51.3 |
| Pension expenses | -23.9 | -22.3 | -23.4 | -21.9 |
| Other personnel costs | -23.1 | -17.5 | -22.4 | -17.3 |
| Capitalised salary costs | 27.6 | 22.3 | 27.6 | 19.6 |
| **Total** | **-289.9** | **-255.6** | **-280.8** | **-252.9** |
| **Other administration expenses** | | | | |
| Administration expenses deposits from the public | -1.7 | -1.2 | -1.7 | -1.2 |
| Administration expenses lending to the public | -11.0 | -11.1 | -11.0 | -18.3 |
| Professional fees | -76.7 | -47.0 | -29.9 | -45.3 |
| Other administration expenses | -193.4 | -195.2 | -181.3 | -211.6 |
| **Total** | **-282.8** | **-254.6** | **-224.0** | **-276.4** |
| **Total general administration expenses** | **-572.8** | **-510.1** | **-504.7** | **-529.3** |

## Note 8 | Auditors remuneration and expenses

| | Group | | Parent | |
|---|---|---|---|---|
| TSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **RSM** | | | | |
| Audit assignment | 1,511.0 | - | - | - |
| **Ernst & Young AB** | | | | |
| Audit assignment | 3,563.0 | 2,818.0 | 3,340.0 | 2,758.0 |
| Tax consultation | 549.0 | - | 549.0 | - |
| Audit activities in addition to audit assignment | 1,215.0 | 68.0 | 1,125.0 | - |
| **Total remuneration to audit firms** | **6,838.0** | **2,885.0** | **5,104.0** | **2,758.0** |

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, the Board's ARCCO Committee, as well as the Remuneration Committee, the Board has remunerated six of the members.

### Senior Management

Compensation to the CEO and other individuals categorised as Identified Staff is proposed by the Bank's Remuneration committee and decided by the Board. Compensation to other senior officials is decided 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, CEO and SMT – FY 2023**

| TSEK | Salary | Pension | Total |
|---|---|---|---|
| CEO – Björn Lander | 4,010.3 | 708.9 | **4,719.3** |
| Chairman of the Board – Jayne Almond | 601.5 | - | **601.5** |
| Board member – Christopher Rees (appointed October 2023) | - | - | **-** |
| Board member – Rolf Stub | 845.9 | - | **845.9** |
| Board member – Vesa Koskinen (appointed October 2023) | - | - | **-** |
| Board member – Julia Ehrhardt | 339.6 | - | **339.6** |
| Board member – Christian Shin Høegh Andersen (appointed October 2023) | - | - | **-** |
| Board member – Toby Franklin (resigned October 2023) | 727.3 | - | **727.3** |
| Board member – Simon Tillmo (resigned October 2023) | - | - | **-** |
| Board member – Albert Gustafsson (resigned October 2023) | - | - | **-** |
| Senior Management Team excluding CEO – 7 people | 11,484.7 | 1,665.0 | **13,149.0** |
| **Total salaries and remuneration 2023** | **18,009.6** | **2,373.9** | **20,383.7** |

**Salaries and remuneration – Members of the Board, CEO and SMT – 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 – Other employees**

| | Group | | Parent | |
|---|---|---|---|---|
| TSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| Salaries and remuneration | 187,143 | 162,788 | 180,699 | 162,434 |
| Pension costs | 23,883 | 22,295 | 23,444 | 21,921 |
| Social security fees | 55,873 | 52,940 | 54,241 | 51,254 |
| Other staff costs | 23,051 | 17,535 | 22,369 | 17,284 |
| **Total salaries, remuneration, social security, and pensions** | **289,949** | **255,558** | **280,754** | **252,892** |

**Distribution by gender of the Board and SMT**

| | Parent | |
|---|---|---|
| | FY 2023 | FY 2022 |
| **The Board** | | |
| Women | 2 | 2 |
| Men | 4 | 4 |
| **Total number of board members** | **6** | **6** |
| **Management team including CEO** | | |
| Women | 2 | 3 |
| Men | 6 | 6 |
| **Total senior management team including the CEO** | **8** | **9** |

| Average number of employees | Group | | Parent | |
|---|---|---|---|---|
| | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **Sweden** | | | | |
| Women | 88 | 96 | 88 | 95 |
| Men | 87 | 86 | 87 | 82 |
| **Total** | **175** | **182** | **175** | **177** |
| **Norway** | | | | |
| Women | 47 | 31 | 28 | 31 |
| Men | 47 | 30 | 32 | 30 |
| **Total** | **94** | **61** | **60** | **61** |
| **Finland** | | | | |
| Women | 11 | 9 | 11 | 9 |
| Men | 11 | 13 | 11 | 13 |
| **Total** | **22** | **22** | **22** | **22** |
| **Average number of employees** | **291** | **264** | **257** | **259** |
| **Total employees as per 31 December** | **299** | **264** | **264** | **259** |

## Note 10 | Credit losses

| Credit impairments | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **Stage 1 – net impairment** | **-0.7** | **-1.2** | **-0.4** | **-1.2** |
| **Stage 2 – net impairment** | **-12.9** | **-11.1** | **-11.5** | **-11.1** |
| **Stage 3 – impairment / recoveries for the year** | **-23.6** | **-16.0** | **-24.9** | **-16.0** |
| **Write-offs** | | | | |
| Actual losses during the year | -25.3 | -15.9 | -25.3 | -15.9 |
| Release of allowances in Stage 3 | 9.3 | 7.2 | 9.6 | 7.2 |
| Recoveries from previous write-offs | 5.2 | 8.9 | 5.0 | 8.9 |
| **Total write-offs** | **-10.8** | **0.3** | **-10.7** | **0.3** |
| **Total credit losses, net** | **-47.9** | **-28.1** | **-47.5** | **-28.1** |





## Note 11 | Tax on net result

The tax rate for 2023 in Sweden is 20.6% (20.6%), Norway 25.0% (25.0%) and Finland 20.0% (20.0%) and has remained unchanged year-on-year.

| Tax expense in income statement | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| Current tax on net result | -89.2 | -55.6 | -92.4 | -56.1 |
| Deffered tax expense | 0.5 | - | - | - |
| Tax attributable to previous year | 15.0 | -0.5 | 15.2 | - |
| **Total tax expense** | **-73.7** | **-56.1** | **-77.2** | **-56.1** |

| Reconciliation effective tax | Group | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| Net profit for the year | 192.0 | 241.8 | 255.0 | 238.2 |
| Tax | 73.7 | 56.1 | 77.2 | 56.1 |
| **Net profit before tax** | **265.7** | **297.9** | **332.2** | **294.3** |
| **Tax attributable to** | | | | |
| Tax based on current tax rate 20.6% (20.6%) | -54.7 | -61.4 | -68.4 | -60.6 |
| Tax effect foreign tax rates | -14.7 | -9.8 | -8.8 | -11.0 |
| Tax effect non deductible income | 0.1 | 16.2 | 4.6 | 16.2 |
| Tax effect non deductible costs | -19.8 | -0.7 | -19.7 | -0.7 |
| Deferred tax | 0.5 | -0.5 | - | - |
| Tax attributable to previous years | 15.0 | - | 15.2 | - |
| **Total tax expense** | **-73.7** | **-56.1** | **-77.2** | **-56.1** |
| **Tax effect attributable to translation reserve** | | | | |
| Tax due to translation differences of foreign operations | 28.1 | -17.4 | 28.1 | -17.3 |
| **Total tax effect** | **28.1** | **-17.4** | **28.1** | **-17.3** |
| **Deferred tax assets** | | | | |
| Carrying balance | - | - | - | - |
| Tax based on current tax rate 20.6% (20.6%) | 33.8 | - | 29.5 | - |
| Other movements in deferred tax | - | - | - | - |
| **Total deferred tax assets** | **33.8** | **-** | **29.5** | **-** |
| **Deferred tax liabilities** | | | | |
| Carrying balance | -1.3 | -0.7 | - | - |
| Tax based on current tax rate 20.6% (20.6%) | -5.8 | -1.3 | - | - |
| Payment of deferred tax | 1.3 | 0.7 | - | - |
| **Total deferred tax liabilities** | **-5.8** | **-1.3** | **-** | **-** |
| **Tax accounted for in balance sheet** | | | | |
| Tax assets | 88.7 | 87.9 | 88.6 | 79.6 |
| Tax liabilities | -56.4 | -56.9 | -37.7 | -56.9 |

## Note 12 | Cash and balances at central banks

| MSEK | Group 31 Dec 2023 | Group 31 Dec 2022 | Parent 31 Dec 2023 | Parent 31 Dec 2022 |
|---|---|---|---|---|
| Balances at central banks | 1,044.7 | 501.7 | 972.6 | 501.7 |
| Cash | - | - | - | - |
| **Total cash and balances at central banks** | **1,044.7** | **501.7** | **972.6** | **501.7** |

## Note 13 | Lending to credit institutions

| MSEK | Group 31 Dec 2023 | Group 31 Dec 2022 | Parent 31 Dec 2023 | Parent 31 Dec 2022 |
|---|---|---|---|---|
| Swedish banks | 460.8 | 1,697.0 | 458.1 | 1,684.4 |
| Foreign banks | 1,043.5 | - | 908.4 | - |
| **Total lending to credit institutions** | **1,504.3** | **1,697.0** | **1.366.4** | **1,684.4** |

## Note 14 | Lending to the public

| MSEK | Group 31 Dec 2023 | Group 31 Dec 2022 | Parent 31 Dec 2023 | Parent 31 Dec 2022 |
|---|---|---|---|---|
| **Valued at amortised cost** | | | | |
| Mortgage loans - Sweden | 10,165.9 | 10,107.4 | 10,165.9 | 10,107.4 |
| Mortage loans - Norway | 13,803.7 | 8,716.5 | 8,987.4 | 8,716.5 |
| Mortage loans - Finland | 738.3 | 511.1 | 738.3 | 511.1 |
| Corporate loans, factoring and unsecured loans in run-off | 184.4 | - | - | - |
| **Measured at fair value** | | | | |
| Equity release - Sweden | 1,312.8 | 1,011.4 | 1,312.8 | 1,011.4 |
| **Total lending to the public** | **26,205.1** | **20,346.3** | **21,204.4** | **20,346.3** |

**31 Dec 2023** — Group

| MSEK | Reported value gross Stage 1 | Stage 2 | Stage 3 | Total | Provisions Stage 1 | Stage 2 | Stage 3 | Total | Reported value net Total |
|---|---|---|---|---|---|---|---|---|---|
| Mortgage loan - Sweden | 8,764.3 | 1,198.3 | 261.6 | **10,224.2** | -5.7 | -26.5 | -26.0 | **-58.2** | **10,166.0** |
| Mortgage loan - Norway | 11,020.5 | 2,100.9 | 706.8 | **13,828.2** | -2.0 | -38.8 | 7.7 | **-33.1** | **13,795.1** |
| Mortgage loan - Finland | 638.0 | 76.7 | 28.3 | **743.2** | -0.3 | -2.0 | -2.6 | **-4.9** | **738.3** |
| Corporate loans (run-off) | - | 173.8 | 7.2 | **181.0** | - | 3.4 | - | **3.4** | **184.4** |
| Unsecured loans (run-off) | 0.2 | 3.3 | 15.2 | **18.7** | - | -0.3 | -11.0 | **-11.3** | **7.4** |
| Factoring (run-off) | - | - | 0.6 | **0.6** | - | - | -0.1 | **0.1** | **0.7** |
| **Total** | **20,423.0** | **3,553.2** | **1,019.7** | **24,995.9** | **-8.0** | **-64.2** | **-31.8** | **-104.0** | **24,891.9** |

**31 Dec 2023** — Parent

| MSEK | Reported value gross Stage 1 | Stage 2 | Stage 3 | Total | Provisions Stage 1 | Stage 2 | Stage 3 | Total | Reported value net Total |
|---|---|---|---|---|---|---|---|---|---|
| Mortgage loan - Sweden | 8,764.3 | 1,198.3 | 261.6 | **10,224.2** | -5.7 | -26.5 | -26.1 | **-58.2** | **10,165.9** |
| Mortgage loan - Norway | 7,195.3 | 1,527.1 | 287.9 | **9,010.2** | -1.5 | -13.8 | -7.5 | **-22.8** | **8,987.4** |
| Mortgage loan - Finland | 638.0 | 76.7 | 28.3 | **743.1** | -0.3 | -2.0 | -2.6 | **-4.8** | **738.3** |
| **Total** | **16,597.6** | **2,802.1** | **577.8** | **19,977.5** | **-7.5** | **-42.2** | **-36.1** | **-85.9** | **19,891.6** |

**31 Dec 2022** — Group & Parent

| MSEK | Reported value gross Stage 1 | Stage 2 | Stage 3 | Total | Provisions Stage 1 | Stage 2 | Stage 3 | Total | Reported value net Total |
|---|---|---|---|---|---|---|---|---|---|
| Sweden | 9,059.8 | 933.9 | 152.7 | **10,146.4** | -5.0 | -19.9 | -14.1 | **-39.1** | **10,107.4** |
| Norway | 7,553.0 | 976.7 | 205.6 | **8,735.3** | -1.9 | -11.2 | -5.7 | **-18.8** | **8,716.5** |
| 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 2023** — Group

| MSEK | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Reported value gross 1 Jan 2023** | **17,085.3** | **1,936.9** | **372.8** | **19,394.9** |
| **Acquisition of portfolio (Bank2), net** | **3,615.1** | **849.9** | **349.6** | **4,814.6** |
| **Reported value gross 31 Dec 2023** | **20,423.0** | **3,553.2** | **1,019.7** | **24,995.9** |
| **Provisions 1 Jan 2023** | **-7.2** | **-31.7** | **-21.2** | **-60.0** |
| New financial assets | -3.1 | -7.6 | -1.9 | **-12.7** |
| Change in PD/LGD/EAD | - | -4.0 | -2.1 | **-6.0** |
| Change due to expert credit judgement | - | - | - | **-** |
| **Transfers between stages** | **1.2** | **-8.2** | **-20.0** | **-27.0** |
| Transfer from stage 1 to 2 | 1.2 | -18.7 | - | **-17.5** |
| Transfer from stage 1 to 3 | 0.3 | - | -5.9 | **-5.6** |
| Transfer from stage 2 to 1 | -0.4 | 5.9 | - | **5.5** |
| Transfer from stage 2 to 3 | - | 5.9 | -14.8 | **-8.9** |
| Transfer from stage 3 to 1 | - | - | 0.8 | **0.8** |
| Transfer from stage 3 to 2 | - | -1.3 | 5.1 | **3.8** |
| Changes in exchange rates | -0.1 | -1.5 | -1.1 | **-2.7** |
| Removed financial assets | 1.3 | -6.9 | 9.3 | **17.5** |
| Changes in the acquired portfolio | - | -18.1 | - | **-18.1** |
| **Provisions 31 Dec 2023** | **-8.0** | **-64.2** | **-31.8** | **-104.0** |
| **Reported value net 1 Jan 2023** | **17,085.3** | **1,936.9** | **372.8** | **19,395.0** |
| **Reported value net 31 Dec 2023** | **20,415.0** | **3,489.0** | **987.9** | **24,891.9** |

| 31 Dec 2023 | Parent | | | |
|---|---|---|---|---|
| MSEK | Stage 1 | Stage 2 | Stage 3 | Total |
| **Reported value gross 1 Jan 2023** | **17,085.3** | **1,936.9** | **372.8** | **19,394.9** |
| **Reported value gross 31 Dec 2023** | **16,597.6** | **2,802.1** | **577.8** | **19,977.5** |
| **Provisions 1 Jan 2023** | **7.2** | **31.7** | **21.1** | **60.0** |
| New financial assets | 3.1 | 7.6 | 1.9 | **12.9** |
| Change in PD/LGD/EAD | -0.2 | 0.2 | 0.3 | **0.3** |
| Change due to expert credit judgement | – | – | – | – |
| **Transfers between stages** | **-1.2** | **10.4** | **23.0** | **32.2** |
| Transfer from stage 1 to 2 | -1.2 | 20.8 | – | **19.6** |
| Transfer from stage 1 to 3 | -0.2 | – | 12.6 | **12.3** |
| Transfer from stage 2 to 1 | 0.3 | -5.4 | – | **-5.1** |
| Transfer from stage 2 to 3 | – | -6.3 | 14.8 | **8.5** |
| Transfer from stage 3 to 1 | – | – | -0.8 | **-0.8** |
| Transfer from stage 3 to 2 | – | 1.3 | -3.6 | **-2.3** |
| Changes in exchange rates | -0.1 | -1.0 | -0.5 | **-1.6** |
| Removed financial assets | -1.3 | -6.9 | -9.6 | **-17.9** |
| **Provisions 31 Dec 2023** | **7.5** | **42.2** | **36.1** | **85.7** |
| **Reported value net 1 Jan 2023** | **17,078.1** | **1,905.2** | **351.7** | **19,334.9** |
| **Reported value net 1 Jan 2023** | **16,590.1** | **2,760.0** | **541.7** | **19,891.8** |

| 31 Dec 2022 | 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** |





## 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 2023 | | | 31 Dec 2022 | | |
| MSEK | Notional amount | Purchase value | Reported value | Notional amount | Purchase value | Reported value |
| Swedish financial institutes | – | – | – | 7,637.2 | – | 248.7 |
| Foreign financial institutes | 7,953.9 | – | 186.4 | 3,001.5 | – | 89.1 |
| **Total** | **7,953.9** | **–** | **186.4** | **10,638.7** | **–** | **337.8** |

| Assets | Parent | | | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | 31 Dec 2022 | | |
| MSEK | Notional amount | Purchase value | Reported value | Notional amount | Purchase value | Reported value |
| Swedish financial institutes | – | – | – | 7,637.2 | – | 248.7 |
| Foreign financial institutes | 7,953.9 | – | 186.4 | 3,001.5 | – | 89.1 |
| **Total** | **7,953.9** | **–** | **186.4** | **10,638.7** | **–** | **337.8** |

| Liabilities | Group | | | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | 31 Dec 2022 | | |
| MSEK | Notional amount | Purchase value | Reported value | Notional amount | Purchase value | Reported value |
| Swedish financial institutes | – | – | – | 4,311.5 | – | 26.3 |
| Foreign financial institutes | 613.5 | – | 83.6 | 963.8 | – | 18.3 |
| **Total** | **613.5** | **–** | **83.6** | **5,275.3** | **–** | **44.6** |

| Liabilities | Parent | | | | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | 31 Dec 2022 | | |
| MSEK | Notional amount | Purchase value | Reported value | Notional amount | Purchase value | Reported value |
| Swedish financial institutes | – | – | – | 4,311.5 | – | 26.3 |
| Foreign financial institutes | 148.1 | – | 78.9 | 963.8 | – | 18.3 |
| **Total** | 148.1 | **–** | **78.9** | **5,275.3** | **–** | **44.6** |

The Group 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 Group 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 unrealised market valuation of hedge accounting is reported under "Net result of financial transactions". The hedge accounting is effective and thereby meets the conditions for when hedge accounting may be applied.

### Hedging instruments and hedge ineffectiveness

| MSEK | Nominal amount | Carrying amount: Assets | Carrying amount: Liabilities | Change in fair value used for measuring hedge ineffectiveness | Ineffectiveness recognised in Profit/loss |
|---|---|---|---|---|---|
| **Interest rate risk** | | | | | |
| Interest rate swap 2023 | 9,706.8 | 153.0 | -70.5 | -244.5 | 2.8 |
| Interest rate swap 2022 | 10,268.7 | 331.9 | - | 286.0 | -1.5 |

### Hedged items

| MSEK | Carrying amount: Assets | Carrying amount: Liabilities | Accumulated adjustment on the hedged item: Assets | Accumulated adjustment on the hedged item: Liabilities | Change in value used for measuring hedge ineffectiveness |
|---|---|---|---|---|---|
| **Interest rate risk** | | | | | |
| Lending to the public 2023 | 9,706.8 | - | - | -82,6 | 247,4 |
| Lending to the public 2022 | 10,102.2 | - | - | -334.9 | -287.5 |

### Maturity profile and average price, hedging instruments

| | 31 Dec 2023 | | | 31 Dec 2022 | | |
|---|---|---|---|---|---|---|
| | 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 | 1,945.5 | 7,761.3 | - | 3,495.7 | 6,772.9 | - |
| Average fixed interest rate, % | 0.51% | 2.63% | - | 0.24% | 1.15% | - |

### Hedging of net investments in foreign operations

Foreign currency translation differences arise from the translation of operations that do not have SEK as their functional currency. The foreign currency risk arises as a result of fluctuations in the spot rate of the functional currency of the foreign operation versus SEK which causes the carrying amount of the net investment to vary. The Group hedges these exposures with FX derivatives. The foreign exchange effects for hedging instruments are reported in other comprehensive income instead of the income statement.

The Group ensures that designated hedge relationships fulfil the effectiveness requirements. The economic relationship between the net investment in the foreign operation and FX derivatives is assessed using a qualitative analysis of the critical terms, which are matched. The carrying amounts are expected to move in opposite directions as a result of a change in the foreign currency rate. The hedge ratio is one-to-one as the carrying amount of hedging instrument match the portion of the net investment in the foreign operation that is designated as the hedged item. The Group assesses hedge effectiveness by comparing the changes in value of the designated net investment, with the changes in the carrying amont of the hedging instruments, due to movements in the foreign currency rate. The following tables provide information relating to the hedged items and hedging instruments in qualifying hedges of net investments in foreign operations.



### Hedging instruments and hedge ineffectiveness

| TSEK | 2023 Derivatives Norminal value | 2023 Asset and liabilites Booked value | 2023 Hedging accounting Change in value this year | 2022 Derivatives Norminal value | 2022 Asset and liabilites Booked value | 2022 Hedging accounting Change in value this year |
|---|---|---|---|---|---|---|
| **Fair value hedges** currency-related contracts | 9,706.7 | -82,577.3 | 252.2 | 10,270.9 | -334.8 | - |
| **Hedging of net investment in foreign opera-tions** | | | | | | |
| Currency-related contracts | - | - | - | - | - | - |
| Secured item – Net investment in foreign operations | 471.4 | 7.1 | -7.1 | - | - | - |
| **Total secured item** | 471.4 | 7.1 | -7.1 | - | - | - |
| **Total hedging item** | 9,706.7 | -82,577.3 | 252,281.2 | 10,270.9 | -334.8 | - |

## Note 16 | Bonds and other interest-bearing securities

| 31 Dec 2023 | Group | | Parent | |
|---|---|---|---|---|
| | 31 Dec 2023 | | 31 Dec 2023 | |
| MSEK | Purchase value | Reported value | Purchase value | Reported value |
| **Government debt securities** | | | | |
| **Swedish issuers** | | | | |
| Bonds issued by the Swedish government or municipalities | 416.0 | 416.9 | 416.0 | 416.9 |
| Bonds issued by the foreign governments | 625.6 | 623.5 | 435.8 | 420.5 |
| **Total government debt securities** | **1,041.5** | **1,040.4** | **851.8** | **837.4** |
| **Bonds and other interest-bearing securities** | | | | |
| **Swedish issuers** | | | | |
| Covered bonds (listed) issued by Swedish credit institutions | 100.4 | 100.5 | 100.4 | 100.5 |
| **Foreign issuers** | | | | |
| Covered bonds (listed) issued by Norwegian credit institutions | 564.1 | 564.0 | 100.1 | 95.0 |
| **Total bonds and other interest-bearing securities** | **664.4** | **664.4** | **200.5** | **199.6** |

| 31 Dec 2022 | Group | | Parent | |
|---|---|---|---|---|
| | 31 Dec 2022 | | 31 Dec 2022 | |
| 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 | 328.8 | 321.3 |
| Bonds issued by the foreign governments | 315.3 | 313.6 | 315.3 | 313.6 |
| **Total government debt securities** | **644.1** | **634.9** | **644.1** | **634.9** |
| | | | | |
| **Bonds and other interest-bearing securities** | | | | |
| **Swedish issuers** | | | | |
| Covered bonds (listed) issued by Swedish credit institutions | 103.9 | 101.4 | 103.9 | 101.4 |
| **Foreign issuers** | | | | |
| Covered bonds (listed) issued by Norwegian credit institutions | 100.8 | 106.0 | 100.8 | 106.0 |
| **Total bonds and other interest-bearing securities** | **204.6** | **207.5** | **204.6** | **207.5** |

# Note 17 | Shares in associated companies

**Parent**

| 31 Dec 2023 Company name | Reg. No. | Domicile | Number of shares | Share % | Recognised value 2023 MSEK | Equity | Net profit MSEK |
|---|---|---|---|---|---|---|---|
| Bluestep Finans Funding No 1 AB | 556791-6928 | Stockholm | 100,000 | 100% | 0.1 | 2.9 | 0.0 |
| Bluestep Mortgage Securities No 2 Designated Activity Company* | 522186 | Dublin | 1 | 100% | 0.0 | 0.0 | 0.0 |
| Bluestep Mortgage Securities No 3 Designated Activity Company | 550839 | Dublin | 1 | 100% | 0.0 | 0.0 | 0.1 |
| Bluestep Mortgage Securities No 4 Designated Activity Company | 596111 | Dublin | 1 | 100% | 0.0 | 0.0 | -0.5 |
| Bank2 ASA | 988257133 | Oslo | 119,698,110 | 100% | 1,054.6 | 958.7 | 70.0 |
| Bluestep Servicing AB* | 556955-3927 | Stockholm | 50,000 | 100% | - | - | - |
| **Total shares in subsidiaries** | | | | | **1,054.7** | **961.6** | **69.6** |
| **Group** | | | | | | | |
| Eiendomsfinans AS | 967692301 | Oslo | 47,499 | 49% | 96.2 | - | - |
| Other - various investments | | | | | 59.3 | - | - |
| **Total shares in associates** | | | | | | | |

**Liquidated during 2023.*

***Indirect investment via subsidiary Bank2 ASA*

| 31 Dec 2022 Company name | Reg. No. | Domicile | Number of shares | Share % | Recognised value 2022 MSEK | Equity MSEK | Net profit MSEK |
|---|---|---|---|---|---|---|---|
| Bluestep Finans Funding No 1 AB | 556791-6928 | Stockholm | 100,000 | 100% | 0.1 | 2.6 | -0.2 |
| Bluestep Mortgage Securities No 2 Designated Activity Company | 522186 | Dublin | 1 | 100% | 0.0 | 0.0 | 0.2 |
| Bluestep Mortgage Securities No 3 Designated Activity Company | 550839 | Dublin | 1 | 100% | 0.0 | 0.0 | -0.1 |
| Bluestep Mortgage Securities No 4 Designated Activity Company | 596111 | Dublin | 1 | 100% | 0.0 | 0.0 | 1.2 |
| Bluestep Servicing AB | 556955-3927 | Stockholm | 50,000 | 100% | 0.1 | 22.4 | 0.1 |
| **Total shares in subsidiaries** | | | | | **0.2** | **25.0** | **1.2** |

# Note 18 | Intangible assets

Investments of intangible assets consist of a combination of IT systems and internally developed system- and software development costs. Foregin exchange revaluation of foreign operations result in an exchange rate difference amounting to MSEK 1.4 (MSEK -0.1) 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).

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Internally develope software | | Goodwill | | Customer Relationships | | Brands | |
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| **Acquisition value brought forward** | **402.7** | **348.3** | **-** | **-** | **-** | **-** | - | - |
| Balanced cost for internal development | 27.8 | 22.3 | - | - | - | - | - | - |
| Acquisition of subsidiary | 43.6 | 31.4 | 77.4 | - | 13.8 | - | 18.3 | - |
| This year's exchange rate differences | -1.4 | 0.2 | - | - | - | - | - | - |
| Disposals | -19.9 | 0.4 | - | - | - | - | - | - |
| **Acquisition value carried forward** | **452.8** | **402.7** | **77.4** | **-** | **13.8** | **-** | **18.3** | **-** |
| **Amortization brought forward** | **-276.0** | **-235.8** | **-** | **-** | **-** | **-** | - | - |
| Amortization for the year | -53.5 | -40.6 | - | - | - | - | - | - |
| Translation difference | 1.4 | -0.1 | - | - | - | - | - | - |
| Impairments for the year | -2.8 | - | - | - | - | - | - | - |
| Disposals | 19.9 | 0.4 | - | - | - | - | - | - |
| **Amortization carried forward** | **-311.0** | **-276.0** | **-** | **-** | **-** | **-** | - | - |
| **Closing residual value** | **141.9** | **126.7** | **77.4** | **-** | **13.8** | **-** | **18.3** | **-** |

| | Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Internally developed | | Goodwill | | Customer Relationships | | Brands | |
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| **Acquisition value brought forward** | **378.8** | **326.7** | **-** | **-** | **-** | **-** | - | - |
| Balanced cost for internal development | 31.6 | 19.6 | - | - | - | - | - | - |
| Investments for the year | 43.8 | 32.3 | - | - | - | - | - | - |
| This year's exchange rate differences | -1.4 | 0.2 | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| **Acquisition value carried forward** | **452.8** | **378.8** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Amortization brought forward** | **-256.1** | **-216.6** | **-** | **-** | **-** | **-** | - | - |
| Amortization for the year | -56.2 | -39.4 | - | - | - | - | - | - |
| Translation difference | 1.4 | -0.1 | - | - | - | - | - | - |
| Impairments for the year | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| **Amortization carried forward** | **-311.0** | **-256.1** | **-** | **-** | **-** | **-** | - | - |
| **Closing residual value** | **141.9** | **122.7** | **-** | **-** | **-** | **-** | - | - |

| MSEK | | Group | | Parent | |
|---|---|---|---|---|---|
| | | Carrying amount | | | |
| **Specification of intangible assets with indefinite useful life** | **Acquisition year** | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| **Goodwill** | **2023** | **77,4** | **-** | **-** | **-** |

## Note 19 | Tangible assets

| | Group | | | | Parent | |
|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | 31 Dec 2022 | | 31 Dec 2023 | 31 Dec 2022 |
| MSEK | Total | of which right-of-use asset | Total | of which right-of-use asset | Total | Total |
| **Acquisition value brought forward** | **116.5** | **80.1** | **97.7** | **72.3** | **34.1** | **23.0** |
| Investments for the year | 33.8 | 26.9 | 11.3 | 0.5 | 5.6 | 10.9 |
| Translation difference | -1.9 | -1.5 | 1.2 | 1.0 | -0.4 | 0.2 |
| Disposals | -13.8 | -11.5 | - | - | - | - |
| Assessments and modifications | - | - | 6.3 | 6.3 | - | - |
| **Acquisition value carried forward** | **134.6** | **94.0** | **116.5** | **80.1** | **39.3** | **34.1** |
| **Depreciation brought forward** | **-74.2** | **-52.5** | **-54.5** | **-35.9** | **-19.4** | **-16.3** |
| Depreciation for the year | -26.2 | -20.1 | -18.0 | -16.7 | -4.8 | -2.0 |
| Translation difference | 1.0 | 0.8 | -1.7 | -0.6 | 0.2 | -1.1 |
| Disposals | 11.2 | 8.8 | - | 0.7 | - | - |
| **Depreciation carried forward** | **-88.2** | **-62.9** | **-74.2** | **-52.5** | **-23.9** | **-19.4** |
| **Closing residual value** | **46.4** | **31.1** | **42.3** | **27.6** | **15.3** | **14.7** |

Foreign exchange revaluation of foreign operations result in an exchange rate difference amounting to MSEK -1.0 (MSEK -1.7) 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 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Accounts receivable | 22.9 | 29.9 | 23.4 | 29.9 |
| Intercompany receivables | - | - | - | 1.5 |
| Securities financial instruments[1] | - | 18.2 | - | 18.2 |
| Long term deposits | 0.3 | 0.0 | 0.3 | 0.0 |
| Other receivables | 1.3 | 1.1 | 1.3 | 1.1 |
| **Total other assets** | **24.5** | **49.2** | **25.0** | **50.7** |

[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 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Accrued interest bonds and other interest-bearing securities | 55.3 | 36.7 | 51.3 | 36.7 |
| Other prepaid expenses and accrued income | 18.0 | 17.4 | 14.6 | 17.4 |
| **Total prepaid expenses and accrued income** | **73.3** | **54.1** | **65.9** | **54.1** |

# Note 22 | Liabilities to credit institutions

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Debts to Bluestep No 4 Designated Activity Company | - | - | - | 0.9 |
| **Total liabilities to credit institutions** | **-** | **-** | **-** | **0.9** |

# Note 23 | Issued bonds

| Bonds secured by mortgages | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Covered bonds, issued in SEK | 5,105.5 | 6,012.8 | 5,105.5 | 6,012.8 |
| **Total bonds secured by mortgages** | **5,105.5** | **6,012.8** | 5,105.5 | **6,012.8** |

| Unsecured bonds | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Senior unsecured bonds, issued in SEK | 1,868.0 | 1,559.5 | 1,868.0 | 1,559.5 |
| Senior unsecured bonds, issued in NOK | 549.8 | 586.6 | 549.8 | 586.6 |
| Subordinated loan capital, issued in NOK | 59.6 | - | - | - |
| **Total unsecured bonds** | **2,477.5** | **2,146.1** | **2,417.9** | **2,146.1** |

# Note 24 | Deposits from the public

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Deposits from the public | 20,513.1 | 13,239.1 | 15,504.3 | 13,239.1 |
| **Total deposits from the public** | **20,513.1** | **13,239.1** | **15,504.3** | **13,239.1** |





# Note 25 | Other liabilities

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Trade creditors | 65.9 | 44.9 | 52.8 | 44.9 |
| Intercompany liabilities | - | 12.0 | 0.1 | 15.2 |
| Social security fees | 24.5 | 18.9 | 20.1 | 18.6 |
| Lease liabilities | 28.7 | 21.8 | - | - |
| Other liabilities | 325.5 | 357.9 | 313.2 | 357.9 |
| **Total other liabilities** | **444.5** | **455.6** | **386.3** | **436.5** |

# Note 26 | Accrued expenses and prepaid income

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Accrued salaries and remunerations | 24.0 | 16.9 | 20.1 | 16.6 |
| Accrued social security fees | 4.3 | 4.1 | 4.3 | 4.1 |
| Accrued interest | 21.6 | 11.0 | 21.6 | 11.0 |
| Other accrued expenses and prepaid income | 29.7 | 20.5 | 11.1 | 19.6 |
| **Total accrued expenses and prepaid income** | **79.6** | **52.5** | **57.1** | **51.2** |

# Note 27 | Provisions

| | Group | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Employee related provisions | 2.4 | - | 2.4 | - |
| Office infrastructure related provisions | 5.1 | - | 5.1 | - |
| **Total provisions** | **7.6** | **-** | **7.6** | **-** |

# Note 28 | Assets and liabilities duration information

| Remaining duration 31 Dec 2023 | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 1,044.7 | – | – | – | – | – | **1,044.7** |
| Lending to credit institutions | 1,504.3 | – | – | – | – | – | **1,504.3** |
| Lending to the public | – | 202.8 | 409.3 | 2,182.8 | 23,410.3 | – | **26,205.1** |
| Value change of interest-hedged items in portfolio hedging | – | – | – | – | – | -82.6 | **-82.6** |
| Derivatives | – | 52.9 | 106.2 | 32.4 | – | – | **191.5** |
| Bonds and other interest-bearing securities | – | 110.5 | 456.5 | 1,171.4 | – | – | **1,738.4** |
| Intangible assets | – | – | – | – | – | 173.9 | **173.9** |
| Tangible assets | – | – | – | – | – | 46.4 | **46.4** |
| Other assets | – | 52.3 | 139.0 | – | – | – | **191.3** |
| **Total assets** | **2,549.0** | **418.5** | **1,111.0** | **3,386.6** | **23,410.0** | **-137.7** | **31,013.1** |
| **Liabilities** | | | | | | | |
| Issued bonds | – | 160.1 | 2,326.9 | 5,668.8 | – | – | **8,155.8** |
| Deposits from the public | 9,443.8 | 5,110.2 | 5,610.0 | 319.1 | – | – | **20,483.1** |
| Derivatives | – | – | 3.1 | 88.5 | – | – | **91.6** |
| Other liabilities | | 451.9 | 114.4 | – | – | – | **566.3** |
| *of which lease liabilities* | – | – | *13.6* | *15.0* | – | – | ***28.6*** |
| Equity | – | – | – | – | – | 2,463.1 | **2,463.1** |
| **Total equity and liabilities** | **9,443.8** | **5,722.2** | **8,054.4** | **6,076.4** | **–** | **2,463.1** | **31,759.9** |

| Remaining duration 31 Dec 2022 | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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** |

| Remaining duration 31 Dec 2023 | 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 | 972.6 | – | – | – | – | – | **972.6** |
| Lending to credit institutions | 1,366.4 | – | – | – | – | – | **1,366.4** |
| Lending to the public | – | 164.1 | 331.2 | 1,766.3 | 18,942.9 | – | **21,204.4** |
| Value change of interest-hedged items in portfolio hedging | – | – | – | – | – | -82.6 | **-82.6** |
| Derivatives | – | 52.9 | 106.2 | 32.4 | – | – | **191.5** |
| Bonds and other interest-bearing securities | – | 110.5 | 203.6 | 629.5 | – | – | **943.6** |
| Shares and participations in associated companies | – | – | – | – | – | 1,054.7 | **1,054.7** |
| Intangible assets | – | – | – | – | – | 141.9 | **141.9** |
| Tangible assets | – | – | – | – | – | 15.3 | **15.3** |
| Other assets | – | 53.7 | 130.7 | – | – | – | **184.4** |
| **Total assets** | **2,339.1** | **381.4** | **771.7** | **2,428.1** | **18,941.9** | **1,129.3** | **25,992.3** |
| **Liabilities** | | | | | | | |
| Liabilities to credit institutions | – | – | – | – | – | – | **–** |
| Deposits from the public | 5,956.4 | 3,588.8 | 5,610.0 | 319.1 | – | – | **15,474.3** |
| Issued bonds | – | 98.2 | 2,323.3 | 5,598.7 | – | – | **8,020.2** |
| Derivatives | – | – | 3.1 | 88.5 | – | – | **91.6** |
| Other liabilities | – | 488.7 | – | – | – | – | **488.7** |
| Equity | – | – | – | – | – | 2,505.3 | **2,505.3** |
| **Total equity and liabilities** | **5,956.4** | **4,175.7** | **7,936.4** | **6,006.3** | **–** | **2,505.3** | **26,580.1** |

| 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** |

# 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 2023

| | 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 | – | – | 1,044.7 | – | **1,044.7** |
| Lending to credit institutions | – | – | 1,504.3 | – | **1,504.3** |
| Lending to the public | 1,312.8 | – | 24,892.3 | – | **26,205.1** |
| Value change of interest-hedged items in portfolio hedging | – | – | -82.6 | – | **-82.6** |
| Derivatives | 186.4 | *-153.0* | – | – | **186.4** |
| Shares and participations | 59.3 | – | – | – | **96.2** |
| Investments in assoicates | 96.2 | – | – | – | **186.4** |
| Bonds and other interest-bearing securities | 664.5 | – | – | – | **664.5** |
| Government debt securities | 1,040.5 | – | – | – | **1,040.4** |
| Other assets | – | – | 22.9 | 1.7 | **24.5** |
| Prepaid expenses and accrued income | – | – | 55.3 | 18.0 | **73.3** |
| Total non-financial assets | – | – | – | 342.8 | **342.8** |
| **Total assets** | **3,359.7** | ***-153.0*** | **27,437.0** | **362.5** | **31,159.5** |
| **Liabilities and provisions** | | | | | |
| Issued bonds | – | – | 7,583.0 | – | **7,583.0** |
| Deposits from the public | – | – | 20,513.1 | – | **20,513.1** |
| Derivatives | 83.6 | 70.5 | – | – | **83.6** |
| Other liabilities | – | – | 420.0 | 24.5 | **444.5** |
| Prepaid income and accrued expenses | – | – | 79.6 | – | **79.6** |
| Total non-financial liabilities | – | – | – | 69.7 | **69.7** |
| **Total liabilities and provisions** | **83.6** | ***70.5*** | **28,596.6** | **94.2** | **28,773.4** |

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

### 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 2023 | Parent | | | | |
|---|---|---|---|---|---|
| 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 | – | – | 972.6 | – | **972.6** |
| Lending to credit institutions | – | – | 1,366.4 | – | **1,366.4** |
| Lending to the public | 1,312.8 | – | 19,891.6 | – | **21,204.4** |
| Value change of interest-hedged items in portfolio hedging | – | – | -82.6 | – | **-82.6** |
| Value change of currency hedged shares in foreign subsidiaries | | | -4.7 | – | **-4.7** |
| Derivatives | 186.4 | *153.0* | – | – | **186.4** |
| Bonds and other interest-bearing securities | 199.5 | – | – | – | **199.5** |
| Government debt securities | 837.4 | – | – | – | **837.4** |
| Shares and participations in associated companies | – | – | – | 1,054.7 | **1,054.7** |
| Other assets | – | – | 23.4 | 1.6 | **25.0** |
| Prepaid expenses and accrued income | – | – | 51.3 | 14.6 | **65.9** |
| Total non-financial assets | – | – | – | 275.3 | **275.3** |
| **Total assets** | **2,536.1** | *153.0* | **22,218.1** | **1,346.2** | **26,100.5** |
| **Liabilities** | | | | | |
| Liabilities to credit institutions | – | – | – | – | – |
| Issued bonds | – | – | 7,523.3 | – | 7,523.3 |
| Deposits from the public | – | – | 15,504.3 | – | **15,504.3** |
| Derivatives | 78.9 | 70.5 | – | – | **78.9** |
| Tax liabilities | – | – | – | 37.7 | **37.7** |
| Other liabilities | – | – | 366.2 | 20.1 | **386.3** |
| Prepaid income and accrued expenses | – | – | 57.1 | – | **57.1** |
| Other non-financial liabilities | – | – | – | 7.6 | **7.6** |
| **Total liabilities** | **78.9** | *70.5* | **23,450.9** | **57.8** | **23,595.2** |

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

| Assets and liabilities 31 Dec 2022 | Parent | | | | |
|---|---|---|---|---|---|
| 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 | – | – | 1,684.4 | – | **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*

**Fair value**

The Group's financial assets and liabilities are measured 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 are measured at fair value and are included in the Group's liquidity portfolio.

The carrying amount for lending to credit institutions is a reasonable approximation of fair value since the item is not subject to significant value changes. Currency changes are recorded in the income statement.

Fair value for the lending to the public amounts to MSEK 26,768.

The value of lending to the public has been measured based on observable market data by discounting the expected future cash flows of the assets to present value using a discount factor. The expected future cash flows have been based on the size of the portfolio at the end of the balance sheet date and an expected future cash flow take into account historical cash flows, type and nominal amount of receivables and experience with similar assets. For all other financial assets and liabilities with a short tenor the carrying amount is a reasonable approximation of fair value since the discounted amount does not result in any material effects.

### Financial instruments measured at fair value through profit or loss per level

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | | 31 Dec 2022 | | | |
| MSEK | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Lending to the public | – | – | 1,312.8 | 1,312.8 | – | – | 1,011.4 | **1,011.4** |
| Shares and participations | – | 59.3 | – | 59.3 | – | – | – | – |
| Investments in associates | – | 96.2 | – | 96.2 | – | – | – | – |
| Derivatives | – | 186.4 | – | 186.4 | – | 337.8 | – | **337.8** |
| Bonds / other interest-bearing securities | 1,704.9 | – | – | 1,704.9 | 842.3 | – | – | **842.3** |
| **Total** | **1,704.9** | **341.9** | **1,312.8** | **3,359.6** | **842.3** | **337.8** | **1,011.4** | **2,191.5** |
| **Liabilities** | | | | | | | | |
| Derivatives | – | 83.6 | – | 83.6 | – | 44.6 | – | **44.6** |
| **Total** | **–** | **83.6** | **–** | **83.6** | **–** | **44.6** | **–** | **44.6** |

| | Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 Dec 2023 | | | | 31 Dec 2022 | | | |
| MSEK | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | | | | |
| Lending to the public | – | – | 1,312.8 | 1,312.8 | – | – | 1,011.4 | **1,011.4** |
| Derivatives | – | 186.4 | – | **186.4** | – | 337.8 | – | **337.8** |
| Bonds / other interest-bearing securities | 1,036.9 | – | – | **1,036.9** | 842.3 | – | – | **842.3** |
| **Total** | **1,036.9** | **186.4** | **1,312.8** | **2,536.1** | **842.3** | **337.8** | **1,011.4** | **2,191.5** |
| **Liabilities** | | | | | | | | |
| Derivatives | – | 78.9 | – | **78.9** | – | 44.6 | – | **44.6** |
| **Total** | **–** | **78.9** | **–** | **78.9** | **–** | **44.6** | **–** | **44.6** |

## Changes in lending to the public measured at fair value (level 3)

**Assets 31 Dec 2023**

| | Group & Parent | | | | | |
|---|---|---|---|---|---|---|
| MSEK | Carrying balance | New loans | Redeemed loans | Unrealised interest income | Gains/ losses on revaluation | Total |
| Lending to the public | 1,011.4 | 341.2 | -129.2 | 89.1 | 0.3 | **1,312,8** |

**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** |

## Sensitivity analysis for lending to the public in level 3

The Group 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%. The movement is immaterial.





# 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.

In connection with the acquisition of Bank2 during the fourth quarter of 2023, Bluestep Holding issued capital instruments amounting to MSEK 191. Since these capital instruments were not formally approved by the SFSA before year-end, they are not included in the CET1 capital of the Consolidated situation in this report. However, the SFSA did approve the instruments during the first quarter of 2024, which will strengthen the capital base. If the instruments were included as of year-end, the CET1 ratio would have improved by 1.5 percentagepoints to 17.0%.

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, SFSA SREP and 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, the original exposure method for counterparty risk, and the alternative standardised approach for operational risk. The Pillar I capital requirement amounts to 8% of the risk weighted assets("RWAs"), and at least 4.5% shall be met by CET1 capital.

*Pillar II requirement:* 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 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 supervisory review and evaluation process ("SREP") and formally decides on Pillar 2 requirement. The risk-based Pillar II requirement is, in accordance with the latest SFSA SREP decision, 1.20% of the RWAs for the Consolidated situation. In accordance with the latest SFSA SREP decision, Pillar II requirement is 1.10% of the RWAs for the Parent.

*Combined buffer requirement:* The combined buffer requirement absorbs losses in periods of financial stress, and consist of the capital conservation buffer of 2.5%, contracyclical buffer, and for credit risk exposures in Norway, a systemic risk buffer of 4.5%. The applicable countercyclical capital buffer rates as of the reporting date are 2.0% in Sweden, 2.5% in Norway, and 0.0% in Finland. The combined buffer requirement shall bet met by CET1 capital.

*Pillar II guidance:* The Pillar II guidance level is notified by the SFSA as part of the SREP in addition to other main components to cover risks and manage future financial stresses. The Pillar II guidance 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 Pillar II guidance for the Consolidated situation or the Bank.

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

| | | Consolidated situation | | |
|---|---|---|---|---|
| | | Risk weighted exposure amounts (RWEAs) | | Total own funds requirements |
| MSEK | | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 |
| 1 | Credit risk (excluding CCR) | 10,889 | 7,863 | 871 |
| 2 | *Of which the standardised approach* | *10,889* | *7,863* | *871* |
| 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 | 242 | 118 | 19 |
| 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* | *114* | *29* | *9* |
| 9 | *Of which other CCR* | *128* | *89* | *10* |
| 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) | 304 | 702 | 24 |
| 21 | *Of which the standardised approach* | *304* | *702* | *24* |
| 22 | *Of which IMA* | | | |
| EU 22a | Large exposures | | | |
| 23 | Operational risk | 1,455 | 888 | 116 |
| EU 23a | *Of which basic indicator approach* | | | |
| EU 23b | *Of which standardised approach* | *1,455* | *888* | *116* |
| EU 23c | *Of which advanced measurement approach* | | | |
| 24 | Amounts below the thresholds for deduction (subject to 250% risk weight) (For information) | | | |
| **29** | **Total** | **12,891** | **9,570** | **1,031** |

| | | Parent | | |
|---|---|---|---|---|
| | | Risk weighted exposure amounts (RWEAs) | | Total own funds requirements |
| MSEK | | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 |
| 1 | Credit risk (excluding CCR) | 9,354 | 7,819 | 748 |
| 2 | *Of which the standardised approach* | *9,354* | *7,819* | *748* |
| 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 | 242 | 118 | 19 |
| 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* | *114* | *29* | *9* |
| 9 | *Of which other CCR* | *128* | *89* | *10* |
| 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) | 170 | 702 | 14 |
| 21 | *Of which the standardised approach* | *170* | *702* | *14* |
| 22 | *Of which IMA* | | | |
| EU 22a | Large exposures | | | |
| 23 | Operational risk | 1,148 | 846 | 92 |
| EU 23a | *Of which basic indicator approach* | | | |
| EU 23b | *Of which standardised approach* | *1,148* | *846* | *92* |
| 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** | **10,915** | **9,485** | **873** |

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

| Capital requirements and Pillar II Guidance | Consolidated situation | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Pillar I capital requirement | 1,031 | 766 | 873 | 759 |
| Pillar II capital requirement | 155 | 115 | 120 | 104 |
| Combined buffer requirement | 881 | 374 | 505 | 371 |
| Pillar II Guidance | – | – | – | – |
| **Total capital requirements** | **2,067** | **1,254** | **1,498** | **1,234** |

| Capital requirements and Pillar II Guidance | Consolidated situation | | Parent | |
|---|---|---|---|---|
| % RWA | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Pillar I capital requirement | 8.00% | 8.00% | 8.00% | 8.00% |
| Pillar II capital requirement | 1.20% | 1.20% | 1.10% | 1.10% |
| Combined buffer requirement | 6.84% | 3.91% | 4.62% | 3.91% |
| Pillar II Guidance | – | – | – | – |
| **Total capital requirements** | **16.04%** | **13.11%** | **13.72%** | **13.01%** |

The own funds exceed the total capital requirements for 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 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 Pillar II guidance ('P2G') in accordance with the latest SFSA SREP decision.

The minimum and Pillar II leverage ratio requirements shall be met with Tier 1 capital, while Pillar II guidance 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 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Minimum capital requirement | 951 | 714 | 796 | 712 |
| Pillar II capital requirement | – | – | – | – |
| Pillar II guidance | 48 | 36 | – | – |
| **Total leverage ratio requirement and Pillar II Guidance** | **999** | **750** | **796** | **712** |

| Leverage ratio requirement and Pillar II Guidance | Consolidated situation | | Parent | |
|---|---|---|---|---|
| % | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| Minimum capital requirement | 3.00% | 3.00% | 3.00% | 3.00% |
| Pillar II capital requirement | – | – | – | – |
| Pillar II guidance | 0.15% | 0.15% | – | – |
| **Total leverage ratio requirement and Pillar II Guidance** | **3.15%** | **3.15%** | **3.00%** | **3.00%** |

The Tier 1 capital exceeds the total leverage ratio requirement for the Consolidated situation and the Bank.





### Composition of regulatory own funds

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

| | | Consolidated situation | | Parent | |
|---|---|---|---|---|---|
| MSEK | | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| **Common Equity Tier 1 (CET1) capital: instruments and reserves** | | | | | |
| 1 | Capital instruments and the related share premium accounts | – | 4,451 | 100 | 664 |
| 2 | Retained earnings | 4,928 | –69 | 2,167 | 815 |
| 3 | Accumulated other comprehensive income (and other reserves) | –4 | 19 | –17 | –5 |
| EU-5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 201 | 210 | 255 | 201 |
| 6 | **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **5,125** | **4,611** | **2,505** | **1,675** |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | | | | |
| 7 | Additional value adjustments (negative amount) | –3 | –2 | –3 | –2 |
| 8 | Intangible assets (net of related tax liability) (negative amount) | –3,082 | –2,985 | –45 | –47 |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | –30 | – | –30 | – |
| 27a | Other regulatory adjustments | –7 | – | – | – |
| 28 | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **–3,122** | **–2,987** | **–77** | **–50** |
| 29 | **Common Equity Tier 1 (CET1) capital** | **2,003** | **1,624** | **2,428** | **1,625** |
| **Additional Tier 1 (AT1) capital: instruments** | | | | | |
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | 30 | – | – | – |
| 36 | **Additional Tier 1 (AT1) capital before regulatory adjustments** | **30** | **–** | **–** | **–** |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | | | |
| 43 | **Total regulatory adjustments to Additional Tier 1 (AT1) capital** | | | | |
| 44 | **Additional Tier 1 (AT1) capital** | **30** | **–** | **–** | **–** |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** | **2,033** | **1,624** | **2,428** | **1,625** |
| **Tier 2 (T2) capital: instruments** | | | | | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties | 35 | – | – | – |
| 51 | **Tier 2 (T2) capital before regulatory adjustments** | **35** | **–** | **–** | **–** |
| **Tier 2 (T2) capital: regulatory adjustments** | | | | | |
| 57 | **Total regulatory adjustments to Tier 2 (T2) capital** | | | | |
| 58 | **Tier 2 (T2) capital** | **35** | **–** | **–** | **–** |
| 59 | **Total capital (TC = T1 + T2)** | **2,068** | **1,624** | **2,428** | **1,625** |
| 60 | **Total risk exposure amount** | **12,891** | **9,570** | **10,916** | **9,485** |
| **Capital ratios and requirements including buffers** | | | | | |
| 61 | Common Equity Tier 1 | 15.54% | 16.97% | 22.25% | 17.13% |
| 62 | Tier 1 | 15.77% | 16.97% | 22.25% | 17.13% |
| 63 | Total capital | 16.04% | 16.97% | 22.25% | 17.13% |
| 64 | Institution CET1 overall capital requirements | 12.01% | 9.08% | 9.74% | 9.03% |
| 65 | of which: capital conservation buffer requirement | 2.50% | 2.50% | 2,50% | 2.50% |
| 66 | of which: countercyclical capital buffer requirement | 2.22% | 1.41% | 2.12% | 1.41% |
| 67 | of which: systemic risk buffer requirement | 2.11% | 0.00% | 0.00% | 0.00% |
| EU-67b | of which: additional own funds requirements to address the risks other than the risk of excessive leverage | 0.68% | 0.68% | 0.62% | 0.62% |
| 68 | **Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements** | **6.84%** | **7.77%** | **13.15%** | **8.03%** |
| **Amounts below the thresholds for deduction (before risk weighting)** | | | | | |
| 72 | Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 13 | – | – | – |
| 75 | Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) | 4 | – | 4 | – |

## Key metrics

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

| | MSEK | Consolidated situation | | |
|---|---|---|---|---|
| | | 31 Dec 2023 | 30 Jun 2023 | 31 Dec 2022 |
| **Available own funds (amounts)** | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 2,003 | 1,731 | 1,624 |
| 2 | Tier 1 capital | 2,003 | 1,731 | 1,624 |
| 3 | Total capital | 2,068 | 1,731 | 1,624 |
| **Risk-weighted exposure amounts** | | | | |
| 4 | Total risk exposure amount | 12,891 | 9,797 | 9,570 |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | |
| 5 | Common Equity Tier 1 ratio | 15.54% | 17.68% | 16.97% |
| 6 | Tier 1 ratio | 15.77% | 17.68% | 16.97% |
| 7 | Total capital ratio | 16.04% | 17.68% | 16.97% |
| **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% | 1.20% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 0.68% | 0.68% | 0.68% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 0.90% | 0.90% | 0.90% |
| EU 7d | Total SREP own funds requirements | 9.20% | 9.20% | 9.20% |
| **Combined buffer and overall capital requirement[1]** | | | | |
| 8 | Capital conservation buffer | 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 | 2.22% | 2.15% | 1.41% |
| EU 9a | Systemic risk buffer | 2.11% | 0.00% | 0.00% |
| 10 | Global Systemically Important Institution buffer | | | |
| EU 10a | Other Systemically Important Institution buffer | | | |
| 11 | Combined buffer requirement | 6.84% | 4.65% | 3.91% |
| EU 11a | Overall capital requirements | 16.04% | 13.85% | 13.11% |
| 12 | CET1 available after meeting the total SREP own funds requirements | 6.84% | 8.48% | 7.77% |
| **Leverage ratio** | | | | |
| 13 | Total exposure measure | 31,690 | 22,830 | 23,805 |
| 14 | Leverage ratio | 6.42% | 7.58% | 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% |
| **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% |
| **Liquidity Coverage Ratio** | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 2,554 | 955 | 1,297 |
| EU 16a | Cash outflows - Total weighted value | 1,466 | 1,146 | 1,098 |
| EU 16b | Cash inflows - Total weighted value | 1,904 | 1,222 | 2,033 |
| 16 | Total net cash outflows (adjusted value) | 367 | 286 | 275 |
| 17 | Liquidity coverage ratio | 696.89% | 333.18% | 472.43% |
| **Net Stable Funding Ratio** | | | | |
| 18 | Total available stable funding | 26,434 | 19,751 | 19,726 |
| 19 | Total required stable funding | 19,732 | 14,474 | 14,936 |
| 20 | NSFR ratio (%) | 132.98% | 136.46% | 132.07% |

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

| | MSEK | Parent | | |
|---|---|---|---|---|
| | | 31 Dec 2023 | 30 Jun 2023 | 31 Dec 2022 |
| **Available own funds (amounts)** | | | | |
| 1 | Common Equity Tier 1 (CET1) capital | 2,428 | 1,738 | 1,625 |
| 2 | Tier 1 capital | 2,428 | 1,738 | 1,625 |
| 3 | Total capital | 2,428 | 1,738 | 1,625 |
| **Risk-weighted exposure amounts** | | | | |
| 4 | Total risk exposure amount | 10,915 | 9,703 | 9,485 |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | |
| 5 | Common Equity Tier 1 ratio | 22.25% | 17.90% | 17.13% |
| 6 | Tier 1 ratio | 22.25% | 17.90% | 17.13% |
| 7 | Total capital ratio | 22.25% | 17.90% | 17.13% |
| **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% | 1.10% |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 0.62% | 0.62% | 0.62% |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | 0.83% | 0.83% | 0.83% |
| EU 7d | Total SREP own funds requirements | 9.10% | 9.10% | 9.10% |
| **Combined buffer and overall capital requirement[1]** | | | | |
| 8 | Capital conservation buffer | 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 | 2.12% | 2.15% | 1.41% |
| EU 9a | Systemic risk buffer | | | |
| 10 | Global Systemically Important Institution buffer | | | |
| EU 10a | Other Systemically Important Institution buffer | | | |
| 11 | Combined buffer requirement | 4.62% | 4.65% | 3.91% |
| EU 11a | Overall capital requirements | 13.72% | 13.75% | 13.01% |
| 12 | CET1 available after meeting the total SREP own funds requirements | 13.15% | 8.82% | 8.03% |
| **Leverage ratio** | | | | |
| 13 | Total exposure measure | 26,531 | 22,738 | 23,732 |
| 14 | Leverage ratio | 9.15% | 7.65% | 6.85% |
| **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% |
| **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% |
| **Liquidity Coverage Ratio** | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 1,954 | 955 | 1,297 |
| EU 16a | Cash outflows - Total weighted value | 1,157 | 1,146 | 1,098 |
| EU 16b | Cash inflows - Total weighted value | 1,674 | 1,222 | 2,028 |
| 16 | Total net cash outflows (adjusted value) | 289 | 286 | 275 |
| 17 | Liquidity coverage ratio | 675.27% | 333.18% | 472.43% |
| **Net Stable Funding Ratio** | | | | |
| 18 | Total available stable funding | 21,917 | 19,751 | 19,728 |
| 19 | Total required stable funding | 16,051 | 14,474 | 14,928 |
| 20 | NSFR ratio (%) | 136.54% | 136.46% | 132.15% |

[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 (Liquidated during 2023)**,
- 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,
- Uno Finans AS, org no 921320639, registered in Oslo (broker agency which is an associated company to Bluestep Holding AB),
- Uno Finans OY, org no 33098331, registered in Helsinki (broker agency which is a subsidiary to an associated company to Bluestep Holding AB).
- Bank2 ASA, org no 988257133, registered in Oslo.
- Eiendomsfinans AS, org no 967692301, registered in Drammen (broker agency which is an associated company to Bluestep Bank AB).

| Assets and liabilities | Group* | | Parent | |
|---|---|---|---|---|
| MSEK | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| **Intercompany receivables** | | | | |
| Parent | – | – | – | – |
| Subsidiaries | – | – | – | 1.4 |
| **Total** | **–** | **–** | **–** | **1.5** |
| **Intercompany payables** | | | | |
| Parent | – | 12.0 | – | 12.0 |
| Subsidiaries | – | – | 0.1 | 4.0 |
| Associates | 0.1 | 1.8 | 0.1 | 1.8 |
| **Total** | **0.1** | **13.8** | **0.2** | **17.8** |

| Income and costs | Group* | | Parent | |
|---|---|---|---|---|
| MSEK | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **Interest income calculated using the effective interest method*** ** | | | | |
| Parent | – | – | – | – |
| Subsidiaries | – | – | – | 6.6 |
| **General administration expenses** | | | | |
| Parent | – | – | – | – |
| Subsidiaries | – | – | – | -7.2 |
| Associates | 11.2 | 12.5 | 11.2 | 12.5 |
| **Total** | **11.2** | **12.5** | **11.2** | **11.9** |

*Bluestep Bank divested the subsidiary Bluestep Servicing AB, org no 556955-3927, registered in Stockholm, as of June 30, 2023.

**Bluestep Mortgage Securities No 2 Designated Activity Company, org no 522186, registered in Dublin was liquidated during Q4 2023.

***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 2023 | 31 Dec 2022 | 31 Dec 2023 | 31 Dec 2022 |
| **Pledged assets and comparable securities for own liabilities** | | | | |
| Shares and participations in associated companies | – | – | – | – |
| Lending to credit institutions | 14.1 | 4.7 | 14.1 | 4.7 |
| Lending to the public | 5,550.0 | 6,608.0 | 5,550.0 | 6,608.0 |
| Government debt securities | 19.9 | 19.9 | 19.9 | 19.9 |
| Derivatives | – | – | – | – |
| Intangible assets | – | – | – | – |
| Other assets | – | 18.2 | – | 18.2 |
| Prepaid expenses and accrued income | – | – | – | – |
| **Commitments** | | | | |
| Granted loans, not paid out | 45.7 | 49.3 | 45.7 | 49.3 |

### 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 | 2,112,474,900 |
| Profit for the year | 254,986,662 |
| Translation reserve | -16,786,498 |
| **Total** | **2,350,675,064** |
| **The Board propose the following distribution:** | |
| Dividend to shareholders | – |
| To be carried forward | 2,350,675,064 |
| **Total** | **2.350,675,064** |

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.

# Note 34. Acquisition of Bank2

The Bank acquired 95% of the shares in Bank2 as of 31 October 2023. The background of the transaction and the operations of Bank2 are described in the administration report. During November 2023, the remaining minority shares were acquired, and the Bank owns 100% of the shares as at 31 December 2023. The consolidated net result includes acquisition costs related to the acquisition amounting to approximately MSEK 45. The Bank2 loan portfolio has been subjected to Bluestep Bank's model for the calculation of ECL for the Group and the adjustment for the purchase price allocated. In aligning the collection process of the two banks and building a better understanding of the customer behaviour, an adjustment of MNOK 10 was included in the adjustment of the provision for the purposes of the purchase price allocation. These adjustments account for uncertainties in key assumptions and parameters, providing a more thorough understanding of the potential variability in the estimates for Bank2.

If the acquisition had been closed on 1 January 2023, the pro forma figures for the Bluestep Bank Group's operating income and profit before tax for the period as at 31 December are estimated to MSEK 242.7 and MSEK 99.8 respectively. Goodwill is due to identified synergies.

**Purchase price allocation**

| MSEK | 31 Oct 2023 |
|---|---|
| **Assets** | |
| Bank2 trade name | 18.4 |
| Bank2 customer relationships | 13.9 |
| Loans to and receivables from credit instituations | 41.6 |
| Loans to and receivables from customers | 4,822.7 |
| Cash and receivables from central banks | 72.4 |
| Interest bearing securities( bonds) | 779.5 |
| Shares and other equity instruments | 57.7 |
| Participations in assoicated companies | 97.3 |
| Other assets | 17.6 |
| Lease rights and rights of use | 16.8 |
| Deposits and other customer borrowings | -4,868 |
| Subordinated debt | -60.6 |
| Deferred Tax | -5.0 |
| Leasing | -18.3 |
| Other liabilites/debt | -53.2 |
| **Total net assets acquired** | **932.8** |
| **Total consideration** | **1,010.2** |
| **Goodwill** | **77.4** |
| **Deferred consideration (only cash settlement on defined date)** | **138.5** |

**Purchase price allocation**

| MSEK | 31 Oct 2023 |
|---|---|
| Payment of cash in the offer | 475.4 |
| Deferred payment | 138.5 |
| **Total purchase consideration paid** | **613.9** |
| Reinvestment by the shareholders of Bank2 | 396.4 |
| **Total consideration** | **1,010.2** |

# Notes to the Sustainability report

## Note S1 | Sustainability governance

At Bluestep Bank Group, the ultimate responsibility for ensuring active and long-term efforts toward sustainable development lies with the Board of Directors. The Board determines the strategy, goals, and sustainability policy, actively monitoring and evaluating the bank's sustainability initiatives.

Guiding the organization, the CEO shapes priorities and strategic decisions in alignment with the approved business strategy, ensuring that sustainability efforts are supported by a suitable organizational structure and the necessary resources to achieve set goals.

The sustainability manager takes the lead in coordinating sustainability endeavors at Bluestep Bank Group, collaboratively using the strategic sustainability agenda with the CEO and the Board. Representing Bluestep Bank Group on sustainability matters externally, the sustainability manager engages with the majority owner and other external stakeholders.

To enhance the integration and focus on sustainability within the company, Bluestep Bank Group has established a Sustainability Committee (the Committee) during the year. The Committee's role is to develop sustainability policies, frameworks, and strategies, as well as operational oversight of the implementation of sustainability activities. The Committee consists of the CEO, CFO, Head of Sustainability, CRO, CCO, and CHRO. The Committee shall meet at least semi-annually but in practice usually twice every term.

### Sustainability framework

Bluestep Bank Group has implemented a sustainability policy to govern our efforts in sustainability. This policy, reviewed and endorsed by the Board, outlines Bluestep Bank Group's approach to sustainability and its governance. Additionally, the following key elements form part of the Sustainability framework, supporting our daily operations and mitigating 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 | Task force on Climate-related Financial Disclosures (TCFD) |
| Ethical guidelines policy | |
| Conflicts of interest policy | |
| Anti Money Laundering policy | |
| Remuneration policy | |
| Consumer protection policy | |
| Data protection policy | |
| Information Security Governing Policy | |
| Sustainability 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 Group 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 Group's operations, business relations and business commitment have a negative impact on social conditions. | The risk that Bluestep Bank Group's operations, business relations and business commitment have a negative impact on staff. | The risk that Bluestep Bank Group'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 Group's operations are exposed to transition risks if Bluestep Bank Group 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 Group is exposed to risks associated with social conditions during the purchase of services or goods. | In its operations, the risk is mainly linked to Bluestep Bank Group as an employer. Risks related to staff include health and safety at the workplace, the presence of victimisation, compensation levels and workload. | Bluestep Bank Group 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 Group's business. The existence of corruption could seriously affect confidence in Bluestep Bank Group 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 2024. | To be worked on and decided in 2024. | 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

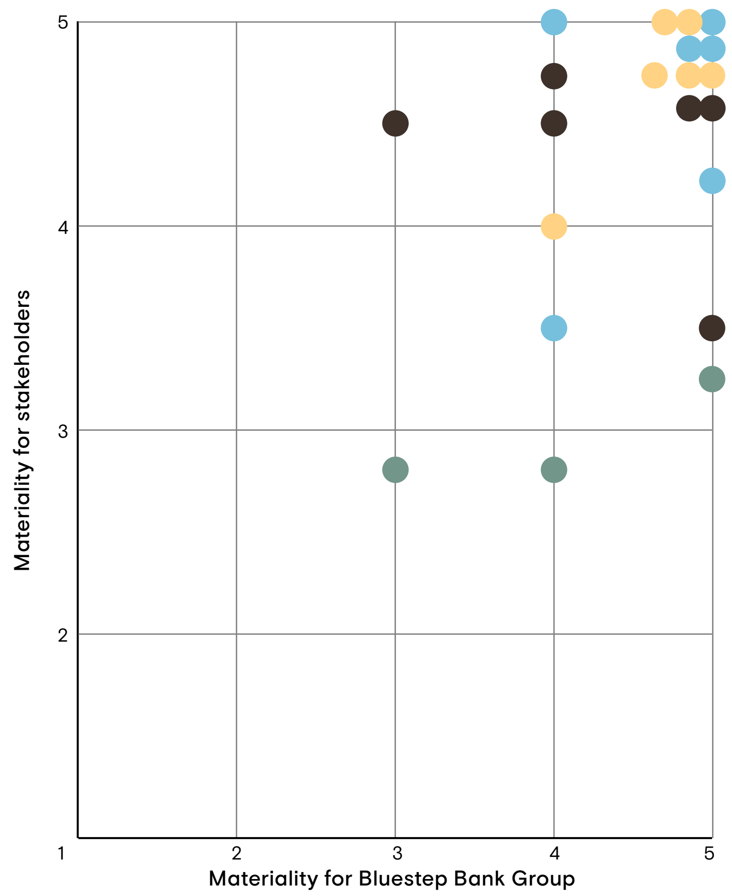
Bluestep Bank Group conducted its first stakeholder dialogue and materiality analysis in 2019. The materiality analysis takes in the views of multiple stakeholders as well as opinions that affect the economic, social and environmental footprint of the business and that can influence stakeholder decision-making. As its starting point, the analysis took the Sustainability Accounting Standards Board (SASB), the UN's sustainable development goals, and Bluestep Bank Group'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<br>Customer meetings<br>Customer surveys | Employee discussions<br>Employee surveys | Dialogue<br>Sustainability review | Agreements<br>Interviews<br>Procurement | Laws<br>Reports<br>Rules and regulations |

These topics were discussed with customers who called Bluestep Bank Group over the course of a week and with a small group of selected employees from Bluestep Bank Group's various offices. A selection of Bluestep Bank Group'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

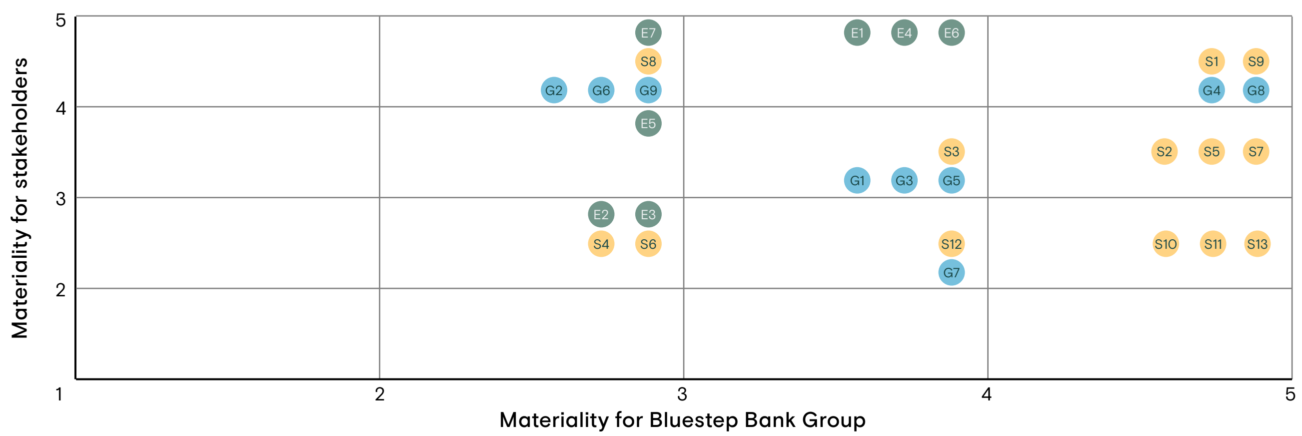


Out of 21 sustainability topics, 20 were identified in the stakeholder and materiality analyses and are reported as material and are grouped into four target areas as follows:

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

In late 2021, a sustainability-focused strategy review was conducted, involving an update and assessment of the materiality analysis. Key stakeholders in the project included representatives from the owner, the Board, management, and employees. The review largely affirmed the findings of the prior materiality analysis and led to the identification of various focus areas (outlined in the table below) within the four target areas. The objective is to strengthen and elaborate on the company's strategy for sustainable business.

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








## Note S4 | Key figures, employees 2023

| | Total | Sweden | Norway | Finland |
|---|---|---|---|---|
| **Total number of employees at year-end**[1] | **264** | **185** | **57** | **22** |
| Number of limited-term employees, % | **0.8** | 0.5 | 1.7 | 0 |
| Number of part-time employees, % | **3** | 2.7 | 3.4 | 4.3 |
| Average age, years | **37** | 39 | 34 | 33 |
| Persons who left the company during the year | **38** | 24 | 9 | 5 |
| New hires during the year | **54** | 40 | 9 | 5 |
| Employee turnover, % | **15** | 14 | 15 | 22 |
| **Gender distribution** | | | | |
| Women on the board, % | **33** | | | |
| Women in senior management, % | **25** | | | |
| Female managers, % | **29** | 34 | 20 | 20 |
| Female employees, % | **49** | 50 | 47 | 49 |
| **Sick leave and wellness** | | | | |
| Short-term leave, % | **1.8** | 1.5 | 2.3 | 3.2 |
| Long-term leave, % | **3.3** | 3.6 | 3.6 | 0.5 |
| Total sick leave, % | **5.2** | 5.1 | 5.9 | 3.7 |
| Withdrawals of wellness allowances for all employees, % | **73.7** | 71 | - | 96 |
| **Age distribution** | | | | |
| >29, % | **21** | 15 | 32 | 40 |
| 30-39, % | **44.5** | 44 | 48 | 40 |
| 40-49, % | **20.5** | 23 | 15 | 14 |
| 50-59, % | **11** | 14 | 3 | 7 |
| 60<, % | **3** | 4 | 2 | 0 |

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

# Note S5 | Carbon footprint

Bluestep Bank Group 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 2023 | FY 2022 | FY 2023 | FY 2022 | FY 2023 | FY 2022 | FY 2023 | FY 2022 |
| **Scope 1** | | | | | | | | |
| Owned/leased cars | 6.20 | 7.51 | 6.20 | 7.51 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Scope 2** | | | | | | | | |
| Electricity consumption | 0.05 | 4.79 | 0.05 | 3.49 | 0.00 | 0.00 | 0.00 | 1.29 |
| Heating | 13.87 | 11.28 | 5.32 | 7.68 | 0.00 | 0.00 | 8.55 | 3.60 |
| District cooling | 0.00 | 0.38 | 0.00 | 0.38 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Scope 3** | | | | | | | | |
| Water consumption | 0.12 | 0.13 | 0.07 | 0.08 | 0.04 | 0.03 | 0.01 | 0.01 |
| Waste (incl. road freight) | 0.12 | 0.14 | 0.11 | 0.13 | 0.01 | 0.01 | 0.00 | 0.00 |
| IT purchases | 54.60 | 36.85 | 33.47 | 15.21 | 15.50 | 14.65 | 5.63 | 7.00 |
| Paper and printed matter | 7.67 | 4.98 | 7.21 | 4.92 | 0.27 | 0.04 | 0.19 | 0.03 |
| Business travel | 180.34 | 41.25 | 83.38 | 26.52 | 80.47 | 9.23 | 16.49 | 5.50 |
| Hotel nights | 8.41 | 10.87 | 5.78 | 9.01 | 1.97 | 1.06 | 0.66 | 0.81 |
| Commuting | 58.20 | 121.28 | 30.03 | 65.66 | 19.27 | 39.00 | 8.90 | 16.62 |
| Other | 3.90 | 5.96 | 3.24 | 4.04 | 0.46 | 0.59 | 0.21 | 1.33 |
| **Total** | **333.5** | **245.4** | **174.8** | **144.6** | **118.0** | **64.6** | **40.6** | **36.2** |
| **Key figures** | | | | | | | | |
| Per employee | 1.26 | 0.92 | 0.95 | 0.80 | 2.07 | 1.06 | 1.85 | 1.39 |
| Per MSEK lent | 0.02 | 0.01 | 0.02 | 0.01 | 0.01 | 0.01 | 0.05 | 0.07 |
| Per square metre (office space) | 0.11 | 0.07 | 0.08 | 0.05 | 0.23 | 0.13 | 0.10 | 0.19 |

# 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 Group 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 | 26,205.1 | 92.6 | 92.4 |
| Taxonomy non-eligible | 45.8 | 0.2 | 0.2 |
| **Covered Assets not excluded by default from numerator** | **26,250.9** | **92.7** | **92.6** |
| Non-NFRD undertakings | 177.1 | 0.6 | 0.6 |
| Derivatives, hedge accounting | 270.0 | 1.0 | 1.0 |
| On demand interbank loans | 1,513.8 | 5.3 | 5.3 |
| Cash and cash-related assets and other assets (e g Goodwill, commodities etc) | 97.9 | 0.3 | 0.3 |
| **Covered Assets excluded by default from numerator** | **2,058.8** | **7.3** | **7.3** |
| **Total Covered Assets** | **28,309.7** | **100.0** | **99.8** |
| Central governments, central banks, supranationals | 0 | - | 0 |
| Trading portfolio | 46,5 | - | 0.2 |
| **Assets not included in Total Covered Assets** | **46.5** | **-** | **0.2** |
| **Total Assets** | **28,356,2** | **-** | **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

Sustainability at Bluestep Bank Group reflects the dedication to fostering a responsible development with financial inclusion as the main theme underpinning the Group's actions. The Group recognize its responsibility to support social, ethical, environmental, and financial sustainability. As a specialized mortgage bank, Bluestep Bank Group positions itself as the first option for individuals marginalized by traditional banking institutions. The Group's customers comprises those seeking to acquire a home or leverage a mortgage for consolidating costly credits and loans. These individuals often have unconventional income statuses, historical payment remarks, or limited credit histories.

### Principle 2 Impact and Target setting

The Nordic countries excel in progressing towards the 17 Sustainable Development Goals (SDGs), with Finland leading, followed by Sweden and Norway in second and seventh place, respectively. However, challenges persist.

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.

In 2023, Bluestep Bank Group initiated the process of setting targets, making significant progress along the way. As part of this work, Bluestep Bank Group has received expert guidance from the sustainability agency, U&We. The Group's efforts have been focused on identifying the approaches applicable to the bank according to the SBT initiative and gathering key information to shape the targets. However, due to the aquisition of the Norwegian mortgage lender Bank2 that took place in late 2023, some adjustments and an expanded analysis may become necessary. Consideration of the acquisition has not been taken into account in this year's reporting to PRB.

Bluestep Bank Group will act and focus on Inclusive, healthy economies and Climate as these areas are aligned with our sustainability targets, the prioritised SDGs and core business. Targets will be set during upcoming reports (2024).

### Principle 3 Clients and Customers

Bluestep Bank Group 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 Group 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 Group 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. The latter has undergone a review and a new structure during the year.

### Principle 4 Stakeholders

Bluestep Bank Group 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 Group'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 Group, 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. In 2023, Bluestep Bank Group has established a Sustainability Management Commitee to integrate and guide sustainability initiatives within the bank.

As part of ensuring that 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 Group 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 Group will be a continuous progress and learning from experience.

During the forthcoming reporting period, the Group's efforts will be centered on incorporating Bank2 into the analysis and mapping work. The Group aim to refine the impact analysis, establish SMART targets linked to climate mitigation and financial inclusion, and actively implement these targets within Bluestep Bank Group. The full report (Reporting and Self- assessment template) is available on www.bluestepbank.com.

## Note S8 | Summary of The Transparency Act Statement

Bluestep Bank Group has carried out a Human Rights due diligence assessment following the Transparency Act and the OECD Guidelines for Multinational Enterprises. The assessment seeks to prevent and mitigate negative impacts on human rights and decent working conditions within the bank and its suppliers. All suppliers in the Swedish, Norwegian and Finnish operations have been assessed in the due diligence process.

### Policies and commitments

Bluestep Bank Group has implemented several key policies to mitigate negative consequences on human rights and working conditions, both within the Group's own operations and across its supplier chain. These policies are designed to promote decent working conditions, protect our employees, prevent risks, and encourage ethical behaviour within our company and among our suppliers.

### Grievance mechanism and duty to provide information

Bluestep Bank Group encourage individuals to report suspected fraud or wrongdoing through its whistleblower service. Additionally, to address inquiries from the public related to human rights, the Group has established an internal procedure. More details are available on the website, www.bluestepbank.com.

### Ways of working internally

As part of managing workplace health and safety, Bluestep Bank Group assesses primary risks through three main considerations: a systematic process for identifying operational risks, employee surveys to gather regular feedback regarding the work environment and annual health and safety inspections. In the bank there are several persons pointed out as health and safety representatives.

During 2022, managers completed a training regarding work environment and distributional responsibilities, and employees are required to complete annual training on the main policies and guidelines.

Bluestep Bank Group also maintains an internal whistleblowing system, normally managed by Bluestep Bank Group's compliance function and the human resources team.

### Suppliers

Bluestep Bank Group has over 200 suppliers in several types of industries. We assess the risk of adverse impacts on human rights and decent working conditions in the supply chain as low, primarily because the majority engage in non-high-risk industries. Additionally, many operate within the EU/EEA and frequently from Nordic countries. For those suppliers conducting business in countries with potentially higher risk, the Group has conducted special assessments.

### Due diligence process

Bluestep Bank Group has conducted a questionnaire to collect information on human rights issues and working conditions among our suppliers. Furthermore, the bank has categorized suppliers based on company size, industry, and geography. The Group has assessed its suppliers based on their responses and respective categories. The Group has conducted in-depth analyses for certain suppliers, focusing on issues such as child labour, modern slavery, freedom of association, and working conditions.

### Findings and way forward

There is a lack of comprehension of the supplier code of conduct due to a lacking internal system. To improve this, Bluestep Bank Group's contract management will be require a training on the Supplier Code of Conduct, and the Group will also request that the suppliers sign the Code.

Bluestep Bank Group is committed to continuing the development and improvement of its impact in the supply chain. The Group aim to increase the submitted questionnaires to cover almost 100 percent over time.

While there is no inherent risk associated with the suppliers' industry, there is a risk associated with geographic locations defined as high-risk. This risk may be attributed to insufficient labour rights and poor local standards. According to the analysis, most of the suppliers operating in higher-risk countries have policies and statements in place.

Bluestep Bank Group may positively influence the working practices of small and local companies. However, for larger ones, the capacity to influence is limited. In the event of identifying a risk, the Group will initiate a formal process to take appropriate action.

Bluestep Bank Group plans to continually develop and assess measures and criteria to identify human rights risks within its operations and supply chain, an ongoing process learning by experience.

# Definition of alternative performance measures

### C/I

Costs before credit losses in relation to operating income.

| MSEK | FY 2023 | FY 2022 |
|---|---|---|
| Costs before credit losses | 648.9 | 568.2 |
| Operating income | 994.6 | 906.2 |
| **C/I, %** | **65%** | **63%** |

### Credit losses

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

| MSEK | FY 2023 | FY 2022 |
|---|---|---|
| Credit losses | 48.0 | 28.1 |
| Credit losses annualised, incl Bank2 | 58.0 | - |
| Lending to the public | 26,205.1 | 20,346.3 |
| **Credit losses, %** | **0.18%** | **0.14%** |

### Return on equity

Operating profit after tax in relation to average equity. The tax rate for 2023 in Sweden is 20.6% (20.6%).

| MSEK | FY 2023 | FY 2022 |
|---|---|---|
| Operating profit | 297.7 | 309.9 |
| Operating profit annualised, incl Bank2 | 297.7 | - |
| **Operating profit less tax** | **236.4** | **246.1** |
| Total equity 2021-12-31 | - | 1,809.0 |
| Total equity 2022-12-31 | 1,775.4 | 1,741.8 |
| Total equity 2023-12-31 | 2,463.1 | - |
| **Average equity** | 2,102.5 | 1,775.4 |
| **Return on equity, %** | **11.2%** | **13.9%** |

### 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 2023 | FY 2022 |
|---|---|---|
| Total Interest Income | 1,808.2 | 1,250.1 |
| Interest income bonds | -30.8 | -8.1 |
| Interest income credit institutions | -64.3 | -9.9 |
| **Gross revenue annualised,incl Bank2** | **1,713.2** | **1,232.1** |
| Lending to the public 2021-12-31 | - | 18,333.1 |
| Lending to the public 2022-12-31 | 20,346.3 | 20,346.3 |
| Lending to the public 2023-12-31 | 26,205.1 | |
| **Average lending to the public** | **23,275.7** | **19,339.7** |
| **Gross Revenue / Lending to the public, %** | **7.4%** | **6.4%** |

### Net interest income / Lending to the public

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

| MSEK | FY 2023 | FY 2022 |
|---|---|---|
| **Net interest income** | **958.9** | **921.2** |
| **Net interest income annualised, incl Bank2** | **958.9** | **-** |
| Lending to the public 2021-12-31 | - | 18,333.1 |
| Lending to the public 2022-12-31 | 20,346.3 | 20,346.3 |
| Lending to the public 2023-12-31 | 26,205.1 | - |
| **Average lending to the public** | **23,275.7** | **19,339.7** |
| **Net interest income / Lending to the public, %** | **4.1%** | **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's and the Group's position and earnings.

The directors' report for the Parent and the Group, respectively, provides a true and fair view of the development of the Parent and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent and the Group.

**Stockholm the 22nd of April 2024**

**Björn Lander**
*CEO*

**Jayne Almond**
*Chairman*

**Rolf Stub**
*Board member*

**Christopher Rees**
*Board member*

**Vesa Koskinen**
*Board member*

**Christian Shin Høegh Andersen**
*Board member*

**Julia Ehrhardt**
*Board member*

Our audit report has been submitted on the 26th of April 2024.
Ernst & Young AB

**Daniel Eriksson**
*Authorized auditor*

Bluestep Bank.

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