Bluestep.

Periodic Information Q2 2024
on Capital Adequacy and Liquidity

1. Introduction

1.1 Purpose and frequency of disclosure

The report provides information about capital adequacy and liquidity as of 30th of June 2024 for the consolidated situation (the "**Financial Group**") of Bluestep Bank AB (publ) ("**BBAB**" or the "**Bank**"). The information disclosed satisfies the regulatory requirements for disclosure, and allows market participants, including analysts, partner banks, investors, and customers, to assess the Bank from liquidity perspective. The report is published on the Bank's website http://www.bluestepbank.com.

1.2 Regulatory context

Together with information addressed in the Bank's Annual Report, the Bank's Interim Report, and the Bank's website, the report complies with the disclosure requirements for credit institutions set out in the Swedish Financial Supervisory Authority (the "**SFSA**") Regulations (FFFS 2014:12) regarding prudential requirements and capital buffers, the SFSA Regulations (FFFS 2010:7) regarding management of liquidity risk in credit institutions and investment firms, 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.

1.3 Scope of application

Bluestep Holding AB is the ultimate parent company of the Financial Group, and the information disclosed in the report is therefore on the basis of Bluestep Holding AB's consolidated situation. The Bank has a Norwegian branch Bluestep Bank AB (publ), filial Oslo and a Finnish branch Bluestep Bank AB (publ), filial i Finland. The following companies are included in the Financial Group: BBAB, Bluestep Finans Funding No 1 AB, Bluestep Mortgage Securities No 3 DAC[1], and Bluestep Mortgage Securities No 4 DAC[2]. All entities are subject to full consolidation. In April 2024 Bluestep completed a cross-border merger with Bank2 ASA, following the acquisition in October 2023. The operations of Bank2 continues through the Norwegian branch.

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

The Bank and the Financial Group have prior permission from the SFSA to include interim profits in Common Equity Tier 1 capital in accordance with Article 26(2) of the CRR.

For information on the legal structure, see the Interim Report 2023 and the corporate website http://www.bluestepbank.com.

[1] Since May 2020, Bluestep Mortgage Securities No 3 DAC is a dormant company with no activity and is under liquidation.

[2] Since May 2022, Bluestep Mortgage Securities No 4 DAC is a dormant company with no activity and is under liquidation.

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1.4 Basis of preparation

The information in the report is prepared solely to meet the disclosure requirements, and to provide certain specified information about capital adequacy and liquidity risk, and for no other purpose. The disclosures do not constitute any form of financial statement relating to the Financial Group, or any form of contemporary or forward-looking record or opinion about the Financial Group.

The disclosures are subject to internal review, challenge and approval processes. An audit trail to support disclosures is maintained.

Wherever possible and relevant, there has been ensured consistency between the disclosures of the reporting under the Pillar I and Pillar II requirements, e.g., information about risk management practices and capital situation.

In order not to conflict with requirements under accounting standards, and to ease the validation process, the quantitative basis of the disclosures is extracted from the mandated set of reporting explaining the financial statements unless otherwise mentioned.

1.5 Exclusion of non-material, proprietary and confidential information

In accordance with Article 432 in the CRR, the Board may choose to omit certain information from publication of the report if the information is deemed immaterial, proprietary, or confidential. These conditions are specified in the regulation as;

- Information is regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.
- Information is regarded as proprietary if disclosing it to the public would undermine the Bank's competitive position.
- Information is regarded as confidential if the Bank has obligations to customers or other counterparty relationships binding it to confidentiality.

If this is the case, the Bank will state the fact that the specific items of information are not disclosed.

2 Capital adequacy

This section addresses the capital adequacy for the Financial Group.

2.1 Risk-based capital requirements

The risk-based capital requirement is calculated in accordance with the CRR, Swedish Acts[3], and SFSA Regulations and General Guidelines. The risk-based capital requirements consist of the Pillar I minimum capital requirement, the Pillar II capital requirement (“**P2R**”), the combined buffer requirements, and the Pillar II guidance (“**P2G**”).

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

Table 2.1 Risk-based capital requirement methodology

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

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

<u>P2R</u>: The P2R is based on qualitative and quantitative assessment of material risks to determine whether additional capital is needed for risks not covered, or not sufficient covered, by the Pillar I minimum capital requirement. The P2R 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 conducts a supervisory review and evaluation process (“**SREP**”) and makes formal decision regarding P2R. In accordance with the latest SFSA SREP decision, a risk-based P2R of 1.20% of the RWAs for the Financial Group and 1.10% of the RWAs for the Bank shall be met.

[3] Act (2014:968) regarding special supervision of credit institutions and securities companies, and Act (2014:966) regarding capital buffers.

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Combined buffer requirement: In addition to the above-mentioned capital requirements, institutions must maintain CET1 capital to meet the combined buffer requirements, which is the sum of capital conservation buffer of 2.5% of the risk weighted assets, a countercyclical buffer of up to 2.5% and a systemic risk buffer of 4.5% the Norwegian credit exposures.

The applicable countercyclical capital buffer ("**CCyCB**") factors as of the reporting period are 2% in Sweden, 2.5% in Norway, and 0% in Finland.

P2G: The P2G level is notified by the SFSA as part of the SREP in addition to the other components to cover risks and manage future financial stresses. The P2G applies if the SFSA considers the capital conservation buffer to be insufficient for covering risks the Bank might be exposed to. The SFSA has not notified of any P2G for the Financial Group or the Bank.

The Financial Group and the Bank shall at all times satisfy the Common Equity Tier 1 capital ("**CET1**") ratio of at least 4.5%, Tier 1 capital ratio of at least 6%, total capital ratio of at least 8% of risk weighted assets.

The total risk-based capital requirements are shown below.

Table 2.2 Total risk-based capital requirements

Total capital requirements (MSEK)	30-Jun-24	31-Dec-23
Pillar I capital requirement	1,104	1,031
Pillar II capital requirement	166	155
Combined buffer requirement	933	881
Pillar II guidance	-	-
Sum capital requirements and P2G	**2,203**	**2,067**

Totalt capital requirements (% of RWAs)	30-Jun-24	31-Dec-23
Pillar I capital requirement	8.00%	8.00%
Pillar II capital requirement	1.20%	1.20%
Combined buffer requirement	6.76%	6.84%
Pillar II guidance	-	-
Sum capital requirements and P2G	**15.96%**	**16.04%**

The own funds capital requirement is met for the Financial Group and the Bank.

2.2 Leverage ratio requirement

The leverage ratio is calculated in accordance with the CRR, Swedish Acts[4], and SFSAs 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 total exposure amount, comprising of on- and off-balance sheet exposures.

The leverage ratio is a binding requirement, set at 3%. Furthermore, the Financial Group is subject to P2G of 0.15% in accordance with the SFSAs SREP decision.

The leverage ratio requirement shall be met with Tier 1 capital, while P2G shall be met with CET1 capital.

[4] Act (2014:968) regarding special supervision of credit institutions and securities companies, and Act (2014:966) regarding capital buffers.

The leverage ratio requirement is shown below.

Table 2.3 Leverage ratio requirement

Leverage ratio requirement (MSEK)	30-Jun-24	31-Dec-23
Minimum leverage ratio requirement	1,002	951
Leverage ratio Pillar II requirement	-	-
Leverage ratio Pillar II guidance	50	48
Total Leverage ratio requirement and P2G	**1,052**	**998**

Leverage ratio requirement (%)	30-Jun-24	31-Dec-23
Minimum leverage ratio requirement	3.00%	3.00%
Leverage ratio Pillar II requirement	-	-
Leverage ratio Pillar II guidance	0.15%	0.15%
Total Leverage ratio requirement and P2G	**3.15%**	**3.15%**

The Financial Group and Bank are fulfilling the total leverage ratio requirement of 3.15%.

2.3 Key metrics

Key metrics are shown below.

Table 2.4 Key metrics (EU KM1)

Key Metrics (MSEK)		30-Jun-24	31-Dec-23	30-Jun-23
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	2,352	2,003	1,731
2	Tier 1 capital	2,352	2,033	1,731
3	Total capital	2,641	2,068	1,731
Risk-weighted exposure amounts				
4	Total risk exposure amount	13,799	12,891	9,788
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	17.04%	15.54%	17.68%
6	Tier 1 ratio (%)	17.04%	15.77%	17.68%
7	Total capital ratio (%)	19.14%	16.04%	17.68%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)				
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 (as a percentage of risk-weighted exposure amount)				
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 (%)	2.21%	2.22%	2.15%
EU 9a	Systemic risk buffer (%)	2.06%	2.11%	-
10	Global Systemically Important Institution buffer (%)	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-
11	Combined buffer requirement (%)	6.76%	6.84%	4.65%
EU 11a	Overall capital requirements (%)	15.96%	16.04%	13.85%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.94%	6.84%	8.48%
Leverage ratio				
13	Total exposure measure	33,392	31,690	22,830
14	Leverage ratio (%)	7.04%	6.42%	7.58%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)				
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 (as a percentage of total exposure measure)				
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)	2,920	2,554	955
EU 16a	Cash outflows - Total weighted value	1,292	1,466	1,146
EU 16b	Cash inflows - Total weighted value	1,386	1,904	1,222
16	Total net cash outflows (adjusted value)	323	367	286
17	Liquidity coverage ratio (%)	904.11%	696.89%	333.18%
Net Stable Funding Ratio				
18	Total available stable funding	29,304	26,243	19,751
19	Total required stable funding	20,454	19,735	14,474
20	NSFR ratio (%)	143.27%	132.98%	136.46%

The increase in available own funds during the H1 of 2024 is driven by inclusion of interim profits in accordance with Article 26(2) of the CRR, the approval by the SFSA to include the capital instrument that was issued by Bluestep Holding in connection with the acquisition of Bank2 as well as the issued Tier 2-instrument under the MTN-programme.

3 Liquidity

The section addresses the liquidity situation, and the size and composition of the external funding sources.

3.1 Liquidity situation

The liquidity coverage ratio ("**LCR**") is shown in the table below.

Table 3.1 Liquidity coverage ratio

Liquidity Coverage Ratio (MSEK)	30-Jun-24	31-Dec-23
Liquidity Coverage Ratio	**904.11%**	**696.89%**
High quality liquid assets	2,920	2,554
Total Outflows	1,292	1,466
Outflows from retail deposits	1,036	1,116
Other outflows	256	350
Total inflows (Max 75% of total outflows)	969	1,100
Inflows from retail customers, lending activities	341	349
Other inflows	1,045	1,555
Net outflows	323	367

The composition of the liquidity reserve is shown in the table below.

Table 3.2 Liquidity reserve

Liquidity Reserve (MSEK)	30-Jun-24	31-Dec-23
Cash and balances with central banks	1,683	1,045
Deposits in other banks	1,129	1,504
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	1,086	1,040
Covered bonds	200	664
Total	**4,098**	**4,254**

The net stable funding ratio ("**NSFR**") with available and required stable funding is shown in the table below.

Table 3.3 Net stable funding ratio

Net stable funding ratio (M SEK)	30-Jun-24	31-Dec-23
Net stable funding ratio	**143.27%**	**132.98%**
Available stable funding	29,304	26,243
Required stable funding	20,454	19,735

The average LCR, average liquidity outflows, inflows and net outflows, and average total liquid assets after applying the relevant haircuts based on end-of-month observations over the preceding 12 months, are shown in the table below.

Table 3.4 Average liquidity coverage ratio and average liquidity outflows, inflows and net liquidity outflows

Liquidity coverage ratio averages over the preceding 12 months (M SEK)	
Liquidity coverage ratio	**619.51%**
Total liquid assets (after haircuts)	2,352
Net liquidity outflows	388
liquidity outflows	1,552
liquidity inflows (before cap, max 75% of outflows)	1,950

The LCR for the Financial Group is well above the regulatory minimum LCR requirement of 100%.

3.2 External funding sources

The aim is to have a diversified funding structure in order to limit refinancing risks. The external funding sources, volumes and relative shares are shown in the table below.

Table 3.5 External funding sources, volumes and relative shares

External funding sources (M SEK)	30-Jun-24	Share (%)
Senior unsecured bonds	2,818	9.46%
Covered bonds	5,288	17.75%
T2	363	1.22%
Deposits from the public	21,315	71.57%
Total	**29,784**	**100.00%**