April 2021

Annual report Bluestep Bank AB (publ) 2020

Bluestep.

A modern mortgage bank.

Content

Pages 14–103 constitute the formal annual report.
Bluestep's sustainability work is described in the sustainability report on pages 110–129.

The year in brief

Performance and financial position

- Lending to the public amounted to SEK 16 116m (SEK 16 150m). Growth was reduced by both the sale of the personal loan portfolio and weakening of the Norwegian krone (NOK). Adjusted for personal loans and currency effects, lending rose by 12%.
- New lending for the year increased by 7% to SEK 6 197m (SEK 5 805m). Adjusted for personal loans and currency effects, the increase was 22%.
- Full year operating profit amounted to SEK 215m (SEK 275m). The decrease is attributable to one-off costs resulting from restructuring and streamlining of the Bank's processes, as well as depreciation and write-offs of fixed assets. Profit was also affected by the strategic initiatives relating to mortgages in Finland and the new 60plusbanken brand, as well as the weaker NOK compared to the previous year. For the full year, net interest income was relatively unchanged and loan losses decreased.
- Net credit losses were positively affected by the sale of the personal loan portfolio and amounted to SEK 40m (SEK 60m). This corresponds to a credit loss level of 0.25% (0.37%), of which 0.17% (0.11%) is attributable to mortgages.
- The Common Equity Tier 1 (CET1) ratio was 19.7% (17.9%). Bluestep has a long-term target of a CET1 ratio of at least 16%.

Financing

- In April 2020, the Bank issued its first covered bonds in accordance with the Covered Bonds Issuance Act (2003:1223). A total volume of SEK 2 900m was issued during the year. The bonds were assigned a credit rating of Aa1 by Moody's.
- Deposits from the public amounted to SEK 12 613m (SEK 11 421m).
- During the year, a RMBS transaction (Step 3) was repaid, along with outstanding credit facilities. The outstanding amount for the RMBS transaction was SEK 787m at the beginning of the year.

”Bluestep has successfully established a new branch in Finland.”

Strategic development and key events

- In February, Bluestep decided to discontinue the personal loan business area and therefore stopped offering new personal loans in order to focus the Bank's strategic direction entirely on mortgage products. In November, an agreement was signed concerning the sale of the personal loan portfolio.
- Bluestep has successfully established a new branch in Finland and launched its' mortgage offerings.
- 60plusbanken was launched as a new brand in Sweden.
- Improvements to processes have been made, including the digital signing of mortgage documents, which simplifies the application process for our customers and reduces both administration and the Bank's climate footprint.
- Bluestep's credit rating was upgraded to A3 with a stable outlook by Moody's.
- In January Erik Walberg Olstad was assigned the legal responsibility for the Norwegian business, whilst still resuming his role as Chief Commercial Officer in Norway. Mia Lund Hanusek and Max Fischer became members of the Senior Management Team as Chief Marketing Officer and Chief Information Officer. As a result of the reorganisation at the end of the year, Sarmad Jawady joined the Senior Management Team as Chief Commercial Officer in Sweden and Petri Matikainen was assigned the legal responsibility of the Finnish business, as well as Chief Commercial Officer in Finland.
- During the year Andreas Pettersson Rohman and Göran Bronner resigned from the Board of Directors, whilst Simon Tillmo and Rolf Stub were appointed.

Covid-19 impact on financials

- Reduced global demand and the drop in oil prices affected NOK negatively. The weaker NOK translates to lower reported profits in SEK and affects the loan portfolio negatively.
- The increased uncertainty brought on by the pandemic led to a decision to tighten the Bank's underwriting criteria in the second quarter, resulting in reduced lending for the year.
- Loan loss provisions were increased through a covid-19 overlay and more conservative assumptions in the provisioning model for Norwegian mortgages.
- The Bank also decided to increase its liquidity reserve, with associated additional funding cost. Liquidity was still slightly elevated at year-end.
- The proposed dividend was withdrawn due to guidelines from the Swedish Financial Supervisory Authority resulting in a CET1 ratio substantially higher than the long-term target.
- The above factors have increased the resilience of the Bank during the pandemic, but combined they also had a significant negative impact on return on equity.

”During the year, Bluestep decided to discontinue the personal loan product in order to focus the Bank's strategic direction entirely on mortgages.”

Key figures	2020	2019	Δ %
Lending to the public (SEK m)	16 116	16 150	0%
Deposits from the public (SEK m)	12 613	11 421	10%
Net interest income (SEK m)	809	819	-1%
Costs (SEK m)	581	514	13%
Operating profit (SEK m)	215	275	-21%
C/I (%)[1,2]	69%	61%	9
Credit losses, net (%)[1,2]	0.25%	0.37%	-0.12
Return on equity (%)[1,2]	10.1%	14.1%	-4.0
CET1 (%)[1,2]	19.7%	17.9%	1.8

[1] The change is in percentage points.
[2] See page 104 for definitions of alternative performance measures.

Comments from the Chief Executive Officer

Strategic transformation of the company

2020 turned out to be a year dominated by a global pandemic, with enormous human suffering and socio-economic implications. Despite these challenging external circumstances, Bluestep successfully completed a strategic transformation of our operations during the year. Bluestep established a new branch in Finland and launched 60plusbanken as a new brand in Sweden for our offering of equity release. We have divested our personal loan portfolio and now focus fully on mortgages. We have also diversified our financing by offering covered bonds. Our digital transformation continues at a high pace with investments in IT and product development. We also continue to invest into building our brand Bluestep in our three markets, Sweden, Norway and Finland. With these strategic initiatives, the Bank is ready for growth in the coming years.

Bluestep's adjusted net income for 2020 is in line with the previous year's net income. Further strategic investments characterised 2020. Our total mortgage portfolio continued to grow and, adjusted for currency fluctuations, we grew our lending by 12 percent. The common equity tier 1 ratio is 19.7 percent, while our loan losses within the mortgage business is just 17 basis points.

Fully focused on mortgages

At the start of 2020, we decided to focus entirely on mortgages going forward and therefore ceased to offer personal loan products. As a result, the remaining personal loan portfolio was divested at the end of the year, which means we are now purely a mortgage bank. This is entirely in line with our strategic direction as a responsible, inclusive and sustainable mortgage bank.

Further expansion in the Nordic region with new branch in Finland

After 15 years in Sweden and 10 years in Norway, we established an operation in Finland in mid-2020, thereby strengthening our position as the leading specialist mortgage lender in the Nordic region. In Finland, Bluestep is the first company on the market within our niche. We are already seeing a strong influx of customers in Finland, and the business targets for 2020 have been achieved. Bluestep is still the market leader in Sweden and Norway and our ambition is to take further market share from an already strong position and grow in all markets.

Launch of new brand: 60plusbanken

One of our strategic focus areas is to further develop Bluestep's product range within equity release. The establishment of 60plusbanken as a standalone brand is an important step in this process. Meeting the market with a separate brand with a clear and educational message regarding the unique opportunities that an equity release loan offers, provides an excellent foundation on which to grow our business.

Diversification of our funding

Bluestep is currently the only bank in our segment in Europe to offer covered bonds. This enables greater diversification of our funding and has a direct impact on what we offer customers. In 2020, we issued covered bonds amounting to SEK 2.9 billion. On two occasions in 2020, Bluestep received a higher credit rating by the credit rating agency Moody's. The rating is currently A3. Our covered bonds have a credit rating of Aa1.

Stronger focus on sustainability

Every day, Bluestep strives to contribute to social and financial inclusion by offering mortgages which provide greater freedom and security, changing the lives of many people in the process. To also contribute to a more climate-friendly world and utilise the unique range of knowledge and experiences that different genders and backgrounds offer is a given for us.

Extensive work was carried out in 2020 to further clarify our Sustainability Strategy in three focus areas: Environmental, Social and Governance (ESG). Already this year, we have taken the next step in our sustainability reporting, which will be developed further with a full focus over the coming years and I would also like to take this opportunity to express our continued support for the UN Global Compact and our commitment to the initiative.

Continued rapid development in 2021

We will continue to grow in 2021 and help more people enter the mortgage market. We will also continue to develop our new 60plusbanken brand and strengthen our established Bluestep brand. We will strengthen our sustainability work and build further on digital solutions to improve the customer experience and optimise our effectiveness in our three markets: Sweden, Norway and Finland.

Thanks

I would like to conclude by addressing everyone who helped to make 2020 yet another successful year for Bluestep. A big thank you to our fantastic employees, our committed owners and, last but certainly not least, all our customers.

Björn Lander,
Chief Executive Officer

Comments from the Chairman of the Board

For Bluestep, 2020 was a year of challenges, new initiatives and the implementation of previously presented plans. The fact that we have been able to continue to invest and deliver a stable annual profit, while the world is going through one of the most difficult times in decades is a real testimony to our strength.

Bluestep is unique in the Nordic market as the only pure mortgage specialist. A bank that deals with every customer based on his or her unique circumstances, offering opportunities that other banks are not able to. We are also able to do this with low loan losses, only 17 basis points in our mortgage operations.

It is fundamental to our business that every customer is viewed as an individual with the right to be judged on his or her unique qualities and potential. In my opinion, this is reflected in Bluestep's clear ambition to be inclusive in our attitude and in everything we do, not the least internally within our own company. Those who work at Bluestep come from many different countries and backgrounds – but we are joined together around a shared idea and strive to make this idea a reality every day.

Sustainability issues are important to Bluestep, and I'd like to take a moment to address them. Financial inclusion and social responsibility are crucial parts of what we consider our 'social licence to operate'. A company or brand that doesn't live up to what we as customers or citizens consider to be reasonable demands will never be able to succeed in the long term. Bluestep has sustainability in its DNA. We open doors for those who otherwise are not welcome to enter the housing market. We do this by assessing each individual's future potential without prejudice, rather than looking at the past. Consequently, we are able to offer financial freedom and freedom to people not being served by high street banks.

In 2021 we will accelerate our sustainability strategy in the three focus areas: environmental, social and governance (ESG). One step we will take is to present a sustainability report, as well as making it easier for everyone to learn about the work we're doing through our own channels.

During 2020 Bluestep decided to only focus on mortgages. This gives us a sharp internal focus, reduces our risk level and encourages a spirit of creativity and product development in this segment. We have already launched 60plusbanken and we will soon offer additional solutions tailored to the needs of our target customers.

New products and services, as well as maintaining a physical presence in new markets such as Finland, demand more from our organisation. Investing in an increasingly digitised internal workflow ensures even faster and more efficient customer service. We are investing in a greater digitisation of both internal processes and marketing, where we need to deliver our message through the right channels.

During the year, Bluestep's profitability was affected by investments for the future. These investments have laid the foundation for continued profitable growth, with stronger return on equity and a declining C/I ratio. We have a solid capital structure and a strong balance sheet.

In other words, Bluestep is very well equipped to grow in new and existing markets, as well as to successfully navigate in a time characterised by the pandemic and other challenges.

Per-Arne Blomquist,
Chairman of the Board

This is Bluestep

Bluestep is a complement to the traditional banks in the mortgage market. Since 2005, we have made it possible for tens of thousands of customers in the Nordics to finance their home or have helped them improve their financial situation in a sustainable way.

Bluestep is a Nordic specialised mortgage bank. We create value to our customers by offering mortgages. We are committed and take the time to understand every aspect of the customer's situation. We attach great importance to the customer's prospects, rather than just looking at their history. We don't believe that the credit history alone can show a customer's entire situation and ability to pay.

Bluestep's loans allow more people to purchase homes, as well as to consolidate debt in order to reduce their monthly costs. Our degree of commitment enables more people to be financially included, thereby creating financial freedom and security.

Bluestep was established in Sweden in 2005, in Norway in 2010 and in Finland in 2020. Since the start in 2005, we have gradually expanded our array of loan products, and we also offer savings accounts with attractive interest rates. The 60plusbanken brand was launched in 2020 for the equity release product.

How it works

The foundation is a sound and thorough loan approval process that creates added value for both Bluestep and our customers.

Bluestep's employees are very involved in the process, and every loan applicant receives their own mortgage specialist. We take great responsibility in understanding the customer's financial situation. We want to be able to judge fairly whether it is possible for Bluestep to approve the loan the customer is applying for. Through a deeper relationship with our customers, when entering an agreement, Bluestep verifies the customer's ability to pay interest and instalments, while also ensuring that the customer would remain solvent even if interest rates were to rise. During the application process, it is important for Bluestep to help the customer understand the implications that a loan would have on their household budget.

Our customers

- **People who wish to consolidate their debts**
- **People with one or more payment remarks**
- **People with variable income or limited credit history**
- **The self-employed/ people with flexible employment**
- **Senior citizens**

Our loans

Thanks to our continuous development of the products we offer, we have been able to successfully reach new customer segments in our markets. Bluestep in Norway offers a product with a secondary pledge, which enables customers to obtain a mortgage from Bluestep and retain their original mortgage with another bank. This enables the customer to increase their mortgage, rather than taking a more expensive unsecured personal loan.

In Sweden, a specialised mortgage product is offered to the elderly, known as an equity release-loan. This loan product is for customers over 60 who own their homes, but whose disposable income or pension is insufficient to keep up with interest and principal payments. The loan enables these customers to remain in their homes. Interest and principal payments are not paid monthly; instead, they are added to the loan and not paid until the customer leaves the home. Bluestep guarantees that customers will be able to remain in their home and that their loan will never exceed the value of their property. Since 2020, this product has been offered under the brands 60plusbanken and "Nya Seniorlånet™".

Our locations

1. Stockholm
2. Oslo
3. Helsingborg
4. Helsinki

Bluestep's employees

Working at Bluestep means contributing to a positive feeling and role in the community. Our employees help people with mortgages and financing solutions that lead to social and financial inclusion.

Our core values are: Professional, Respect, Drive and Different. Diversity and a variety of backgrounds are valued highly at Bluestep. Our employees speak more than 20 different languages and their diversified experiences are a great asset to Bluestep for continued development and increased customer understanding. As Bluestep grows and our geographical and product ranges expand, we can offer career opportunities for those employees wishing to take on the challenge.

We have asked some of our employees to tell us a bit about themselves and what it's like to work at Bluestep:

"The best thing about my job is undoubtedly my great colleagues. We are very open minded and you can truly be yourself."

Alexander Svendsrud, 37, Team manager in Norway

Tell us a bit about your job and why you decided to work at Bluestep:

My title is team manager, but I'm involved in all kinds of areas. In other words my job extends across multiple departments and areas here at the bank.

Where do you find motivation?

The opportunity to work closely with so many skilled and experienced colleagues, both across departments and national borders. You're always learning something new and being challenged in areas outside of your comfort zone.

Heljä Lukka, 23, Mortgage Centre in Finland

Tell us a bit about your job, and why you decided to work at Bluestep

My job is to reach out to customers and have the initial conversation with them. Someone I knew worked at Bluestep, and they got me interested in the company. I thought the atmosphere and the business concept felt modern and helpful, which makes it fun to work with.

What's the best thing about your job?

The best thing about my job is the feeling that I'm giving a customer a good start on their journey towards a new home or a better financial situation. I also want to highlight our wonderful Finnish team, they always make me happy.

Where do you find motivation?

The opportunities we have for professional growth inspires me. Our workdays can't always be different, but I'm often faced with new challenges and tasks which motivate me to develop even further. I'm also learning a lot from colleagues with longer and broader experience in the industry.

Liselotte Brattberg, 53, Mortgage Specialist in Sweden

Tell us a bit about your job, and why you decided to work at Bluestep

I am a mortgage specialist working with the 60plusbanken's equity release product. I began as a mortgage loan specialist in our mortgage centre and I've worked at Bluestep for nearly three and a half years. The reason I applied for a job at Bluestep, was when I saw the advertisement for the mortgage loan officer position and thought 'I know this stuff – I'm the one Bluestep is looking for'. And now three years later I know that I was right.

What's the best thing about your job?

The best things about my job are all of my wonderful and helpful colleagues and the feeling of helping people who usually can't find help elsewhere.

Where do you find motivation?

I'm motivated by the customers that we help. It's an amazing feeling to be able to make a difference in people's lives, regardless of whether you're helping someone add to a low pension, pay off their loans, have the funds for the little extra things in life or quite simply realise their dreams.

Klas Lavemark, 46, Head of Treasury in Sweden

Tell us a bit about your job, and why you decided to work at Bluestep

I'm responsible for Bluestep's treasury function. The treasury function's responsibilities include the bank's funding, liquidity management and the management of market risks. I chose Bluestep mainly for the opportunity to influence and develop the funding strategy, to make it more diversified and suitable for the bank's future needs.

What's the best thing about your job?

I appreciate the mix of pragmatism and drive, whilst still keeping good order. The variety of tasks and many great colleagues.

Where do you find motivation?

Even if we've mostly been working remotely over the last year, I'm motivated by the daily exchange with my colleagues, both within- and outside the treasury function. Looking at the bigger picture, the fact that the treasury function can make a difference is motivating. By doing a good job, we enable the bank to help more people.

Administration report

Bluestep Bank AB (publ) ("the Bank", also called "Parent"), org no 556717-5129 with registered office in Stockholm, Sweden, hereby presents the annual report and the consolidated financial statements for the financial year 2020-01-01 – 2020-12-31. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB ("BFF1"), org no 556791-6928, with its registered office in Stockholm, Bluestep Mortgage Securities No 2 Designated Activity Company ("Step2"), org no 522186, with its registered office in Dublin, Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3"), org no 550839, with its registered office in Dublin, Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4"), org no 596111, with its registered office in Dublin and Bluestep Servicing AB ("BSAB"), org no 556955-3927, with its registered office in Stockholm, Sweden. All the financial information is provided for the Group unless otherwise stated, while the regulatory information relates to the legal entity Bluestep Bank AB (publ) or the Consolidated situation which Bluestep reports to the Swedish Financial Supervisory Authority. The Consolidated situation consists of Bluestep Holding AB ("BHAB"), the Bank, BSAB, BFF1, Step 2, Step 3 and Step 4.

The Group's results

The full year refers to 1 January – 31 December 2020 compared to the same period in the previous year.

Operating profit

Operating profit decreased by 21% and amounted to SEK 215m (SEK 275m). The decrease is attributable to one-off costs from restructuring and streamlining of the Bank's processes, as well as depreciation and write-offs of fixed assets. Profit was also affected by the strategic initiatives relating to mortgages in Finland and the new 60plusbanken brand, as well as the weaker NOK compared to the previous year. For the full year, net interest income remained stable whilst loan losses decreased, despite larger loan loss provisions due to growing uncertainty caused by the pandemic.

Sale of the personal loan portfolio

At the start of the year, the Bank strengthened its strategic focus on mortgages and ceased to offer new unsecured personal loans. In November 2020, the Bank entered an agreement for the sale of the personal loan portfolio, with ownership transferring to the buyer on 1 January 2021. This has affected the net interest income negatively for the year, but in total the Bank's risk adjusted return has been lower for the personal loans than for its mortgage loans. The balance sheet for 2020 recognises the personal loan portfolio as *Assets held for sale* rather than *Lending to the public.*

Operating income

SEK Millions	2020	2019	Change %
Net interest income	809	819	-1%
Net result of financial transactions	16	18	-9%
Other operating income	11	12	-3%
Total operating income	**836**	**848**	**-1%**

Operating expenses

SEK Millions	2020	2019	Change %
Staff costs	-286	-244	17%
Administration costs	-232	-232	0%
Depreciation and impairments	-63	-38	67%
Total operating expenses	**-581**	**-514**	**13%**

Credit losses

SEK Millions	2020	2019	Change %
Net credit losses	-40	-60	-33%
Credit losses (%)[1]	0.25%	0.37%	-33%

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

Net interest income

Net interest income decreased by 1% to SEK 809m (SEK 819m). The decrease is linked to the Bank's decision to withdraw from the higher risk unsecured personal loan market, which has reduced the gross margin as unsecured personal loans generate higher interest income than mortgages. The personal loan portfolio decreased and represented a smaller proportion of total lending during the year. Interest income was also negatively affected by stronger growth in the mortgage segment with lower risk, which in turn affects credit losses favourably. Due to uncertainty caused by the pandemic, the Bank decided to hold a larger liquidity reserve, which has increased interest expenses during the second half of the year. The successful covered bond issuances and strong inflows of deposits from the public contributed to the higher liquidity reserve at year-end. During the year, Bluestep took another step in the ongoing diversification of the Bank's funding. The issuance of covered bonds is a key part of this process, which will have a positive impact on funding costs.

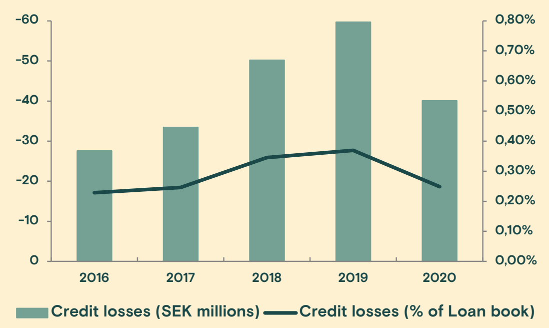
Operating expenses

Expenses increased 13% to SEK 581m (SEK 514m). The increase in administrative costs is attributable to the strategic initiatives relating to mortgages in Finland and the new 60plusbanken brand, as well as one-off costs resulting from restructuring and streamlining of the Bank's processes. Depreciation and write-off of fixed assets increased through further investments in process development and the write-down of IT systems which were discontinued. An example of process development that took place during the year is the possibility to digitally sign mortgage documents in Sweden, which simplifies the application process for our customers and reduces administration for the Bank. The Bank has had separate functions for the administration of lending and deposits for each country in which it operates. This will now be brought together in a single Nordic function with joint processes and systems. The C/I ratio before loan losses was 69% (61%) for the full year. Completed and current restructurings and streamlining are aimed at bringing about improvements for our customers and reducing the Bank's costs going forward.

Credit losses

Net credit losses fell to SEK 40m (SEK 60m). The decrease is attributable to the run-off of the personal loan portfolio. Provisions for future loan losses for mortgages increased through a covid-19 overlay and more conservative assumptions in the provisioning model for Norwegian mortgages. For the full year, the credit loss level was 0.25% (0.37%), and for mortgages it was 0.17% (0.11%).

Credit Losses[1]



[1] *The credit losses increased beginning in 2018 due to the transition to IFRS9.*

Employees

The average number of employees in the Group during the year was 275 (274), of which 67 (72) were employed by the branch in Norway and 9 (0) by the branch in Finland. At year-end the number of full time employees was 266.

Group contribution and dividend

The Directors of BHAB (the 100% owner of the Bank) had planned to recommend a dividend to its general meeting in 2020. This recommendation was withdrawn due to the dividend limitations imposed by the Swedish Financial Supervisory Authority, as a result of the pandemic. In 2019, the Bank paid a group contribution of SEK 85.3m (before tax) to BHAB. Despite the strong capital situation, the board will not propose a dividend in the general meeting in April 2021. After September 30, 2021, an assessment will be made if a dividend will be proposed during the fourth quarter of 2021.

Tax

Tax expense amounted to SEK 61m (SEK 44m), which corresponds to an effective tax rate of 28.4% (23.1%). The deviation from the nominal tax rate of 21.4% is attributable to taxable temporary differences in Norway.

Net Income

Profit for the year amounted to SEK 154m (SEK 146m).

Financial position

At 31 December 2020 compared with the same date previous year, unless otherwise stated.

Lending

The Group's total loan portfolio amounted to SEK 16 116m (SEK 16 150m). The portfolio development was reduced by the sale of the personal loan portfolio and weakening of the Norwegian krone. Adjusted for personal loans and currency effects, lending increased by 12%.

Capital base and capital adequacy

The common equity tier 1 capital (CET1) amounted to SEK 1 617m (SEK 1 475m) for the Consolidated situation. This corresponded to a common equity tier 1 ratio of 19.7% (17.9%). The Bank's common equity tier 1 capital amounted to SEK 1 506m (SEK 1 494m), corresponding to a common equity tier 1 ratio of 19.0% (21.4%). No dividends have been distributed, contributing to the high CET1 ratios. The Bank has a long-term target of a CET1 ratio of at least 16%. The capital situation has been strenghtened by the sale of the personal loan portfolio. For further information regarding capital base and capital adequacy, see Note 31.

Return on equity

Return on equity amounted to 10.1% (14.1%) for the year.

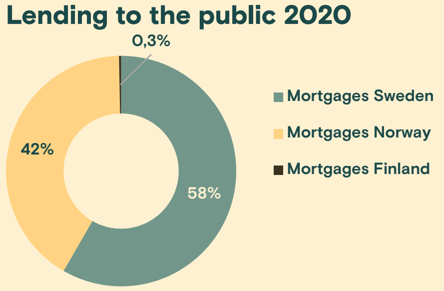
Financing

At the end of the year, the Group's sources of financing consisted of equity, deposits from the public in Sweden and Norway, RMBS (Residential Mortgage Backed Securities, i.e. bonds with underlying Swedish mortgage assets as collateral through the wholly owned subsidiary Step 4), covered bonds and senior unsecured bonds.

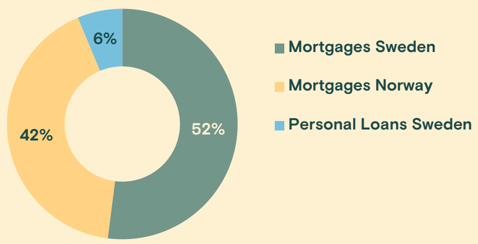
Funding

In January, the Bank contracted a new credit facility of SEK 2 000m, primarily as a result of the license it had been granted to issue covered bonds. The facility was repaid in full at the end of the first half-year. The fully utilised credit facility of SEK 2 000m at the end of the previous year which belonged to the subsidiary BFF1 was repaid in February. A RMBS transaction (Step 3) was repaid in May. In combination with ongoing amortisations of outstanding transactions (Step 4), RMBS funding decreased during the year to SEK 746m (SEK 1 901m). The outstanding volume of unsecured bonds, issued under the Bank's MTN programme, remained unchanged during the year

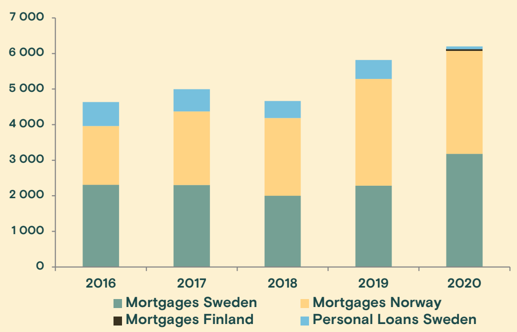
Lending to the public 2020



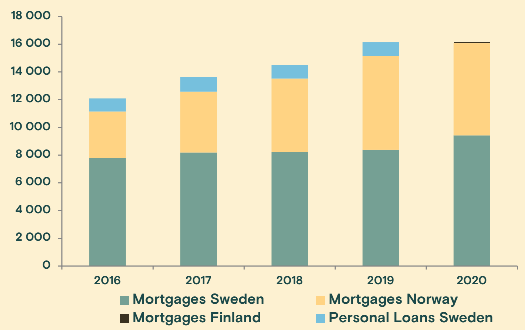
Lending to the public 2019



New Lending (SEK millions)



Lending portfolio (SEK millions)



and amounted to SEK 2 000m (SEK 2 000m). In April, an inaugural issuance of covered bonds was carried out under the Bank's MTCN programme. The tenor of the bond was three years and the volume amounted to SEK 1 700m, which was increased to SEK 1 900m in September. In October, a second issuance of covered bonds was carried out, with a volume of SEK 1 000m and a tenor of five years.

Deposits

Deposits from the public as of year-end amounted to SEK 12 613m (SEK 11 421m), an increase of 10%. Deposits in the Norwegian Branch amounted to SEK 8 024m (SEK 7 105m), which corresponds to an increase of 13%.

The deposit products available to consumers are covered by the Swedish government deposit guarantee, which amounted to SEK 950 000 in Sweden at the year-end. From 1 January 2021, the deposit guarantee amounts to SEK 1 050 000. In Norway, the deposit products are also covered by the Norwegian deposit guarantee, which amounts to NOK 2 000 000 via the Norwegian Banks' Guarantee Fund.

Credit rating

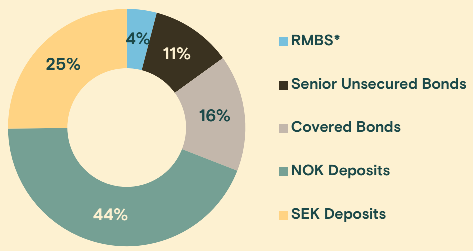
The Bank's credit rating (long-term deposit rating from Moody's) has been A3 with a stable outlook since June 2020. During the year, the credit rating was upgraded on two occasions, to Baa1 with a positive outlook from Baa2 in February and then to A3 in June. The Bank's covered bonds were assigned a credit rating of Aa1 by Moody's.

Liquidity

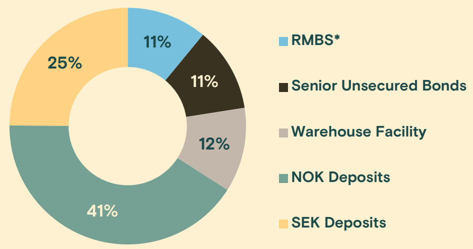
As of year-end, the Group's liquidity reserve amounted to SEK 3 000m (SEK 2 674m), of which SEK 1 877m (SEK 1 670m) was placed with credit institutions, SEK 402m (SEK 266m) was placed with central banks, SEK 286m (SEK 532m) was invested in Swedish and Norwegian covered bonds and SEK 434m (SEK 206m) was invested in bonds issued by the Swedish and Norwegian governments or municipalities. Last year's figure also included bonds issued by other European governments. All bond investments were in bonds with credit ratings AAA / Aaa. The Bank's liquidity reserve amounted to SEK 2 839m (SEK 2 071m).

The liquidity coverage ratio ("LCR") for all currencies in the Consolidated situation amounted to 439% (361%) at year-end. The Net Stable Funding Ratio ("NSFR") was 133% (118%) at year-end. The successful covered bond issuances and strong inflows of deposits from the public contributed to the higher liquidity reserve at year-end.

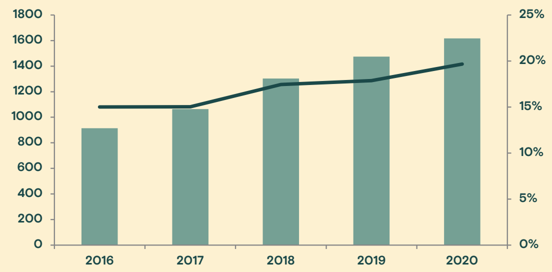
External funding sources 2020



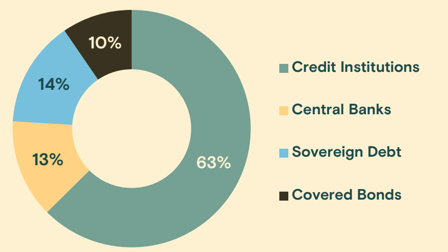
External funding sources 2019



CET1 Capital & CET1 Capital Ratio (Consolidated situation)



Liquidity reserve, Group



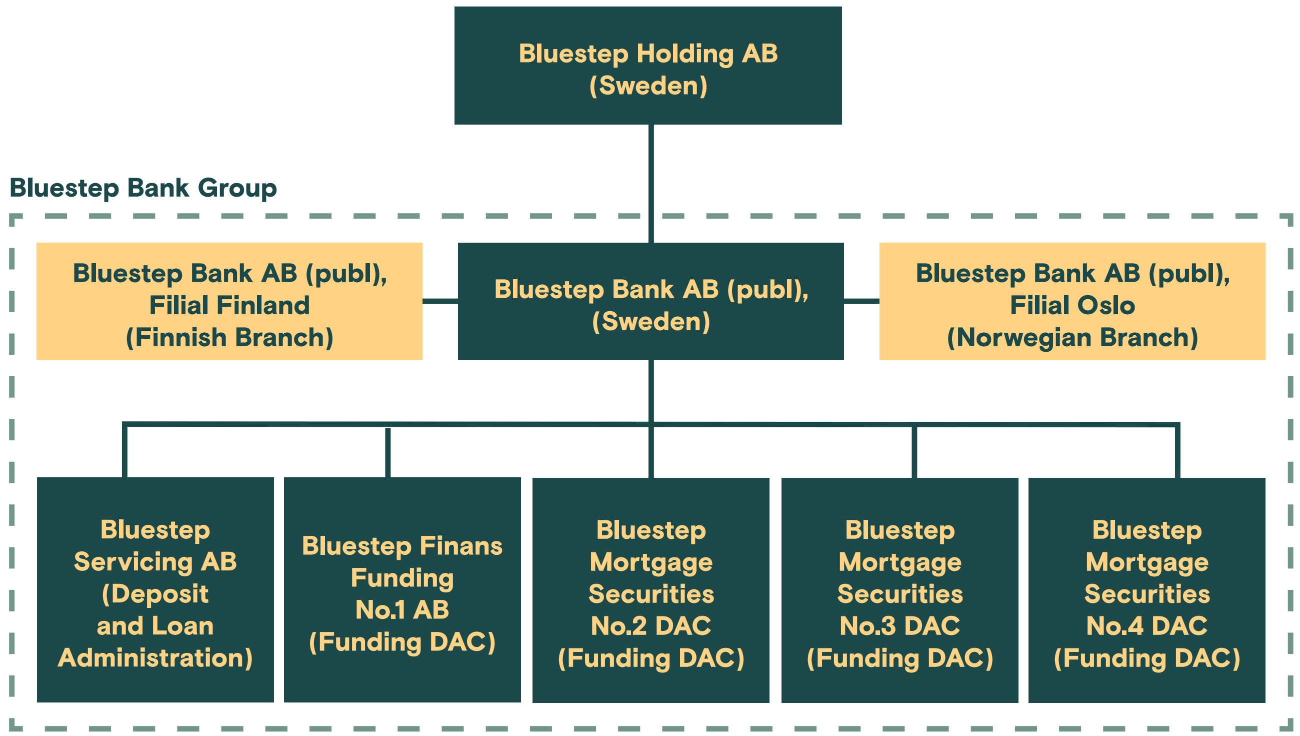
** Residential Mortgage Backed Securities, ie. bonds with underlying Swedish mortgage assets as collateral*

Five-year overview

Key figures | Group	2020	2019	2018	2017	2016
Operating Income (SEK m)	215.5	274.5	212.2	250.8	212.2
Gross revenue / Lending portfolio[2]	7.2%	7.5%	7.5%	7.4%	7.3%
Operating revenues	5.2%	5.5%	5.3%	5.3%	5.3%
Credit losses (%)[2]	0.25%	0.37%	0.35%	0.25%	0.23%
CET1[2]	1,617.2	1,474.9	1,303.0	1,063.8	914.7
CET1 (%)[2]	19.7%	17.9%	17.5%	15.0%	15.0%
Return on Equity[1,2]	10.1%	14.1%	13.0%	19.4%	19.8%
Return on Assets[1]	1.1%	1.5%	1.2%	1.6%	1.6%
Liquidity Reserve (SEK m)	3 000.3	2 673.7	2 555.9	3 029.7	2 076.7
Deposits from the public (SEK m)	12,612.9	11,421.4	10,416.6	10,418.6	9,504.4
External Funding (SEK m)	5,689.2	5,901.1	5,432.6	4,831.3	3,404.0
Lending portfolio (SEK m)	16,115.5	16,150.0	14,521.7	12,366.0	9,918.0
Leverage Ratio[2]	8.0%	7.7%	7.5%	6.4%	6.5%
Average number of employees	275	274	243	227	187

[1] *A shareholders' contribution of SEK 200m was made in 2018, which had a negative effect on return on equity*

[2] *See page 104 for definitions of alternative performance measures.*



Organisation and operations

Bluestep Bank AB (publ) is a joint-stock bank under the supervision of the Swedish Financial Supervisory Authority (the "Swedish FSA"). The Bank's head office is located at Sveavägen 163, SE-104 35 Stockholm, Sweden.

Ownership and definitions

BlueStep Holding AB has been owned by EQT VII since November 2017. The ownership structure and definitions used are detailed below:

- Bluestep Holding AB ("BHAB")
  Owns 100 percent of Bluestep Bank AB (publ)
- Bluestep Bank AB (publ) ("the Bank", also called "the Parent")
  Parent Company of the Bluestep Bank Group ("the Group")
- Bluestep Bank AB (publ), branch in Oslo ("the Norwegian Branch")
  Norwegian branch for the Norwegian deposit and mortgage operations
- •Bluestep Bank AB (publ), branch in Finland ("the Finnish Branch"), registered in January 2020
  Finnish branch for the Finnish mortgage operations
- •Bluestep Finans Funding No 1 AB ("BFF1")
  Warehouse funding facility company and Funding DAC. 100 percent owned by the Bank
- Bluestep Mortgage Securities No 2 Designated Activity Company ("Step 2")
  Former Funding DAC under liquidation. 100 percent owned by the Bank
- Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3")
  Former Funding DAC under liquidation. 100 percent owned by the Bank
- Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4")
  Funding DAC. 100 percent owned by the Bank
- Bluestep Servicing AB ("BSAB")
  Deposit and loan Administration. 100 percent owned by the Bank

Bluestep operates in Sweden, Norway and Finland, where the Norwegian and Finnish operations are run through the respective Branches. The Group is the Nordics largest specialist residential mortgage lender in its niche and the core business is to engage in lending activities which are mainly funded by equity, deposits from the public, credit facilities, issuance of residential mortgage backed securities (through the wholly owned subsidiary Step 4) and issuance of covered bonds and senior unsecured bonds.

All financial information is provided for the Group unless stated otherwise, while regulatory information refers to the legal entity Bluestep Bank AB (publ) or the Consolidated situation, which Bluestep reports to the Swedish Financial Supervisory Authority. The Consolidated situation per 2020-12-31 consists of BHAB, the Bank, the Norwegian Branch, the Finnish Branch, BSAB, BFF1, Step 2, Step 3 and Step 4.

Foreign branches

The Bank has operations in Norway and Finland through its respective branches. The Bank is a leading credit provider in the specialist mortgage market in Norway and strengthened its role in the Nordic region by establishing a branch and issuing mortgages in Finland. The Norwegian business is primarily funded through deposits from the public in Norway and own funds in the form of equity. The Finnish Branch is funded through internal loans from the Bank, which the Norwegian Branch also has as an option for funding.

Significant regulatory changes

In 2020, an update in IAS 39 took place due to the IBOR-reform, for further information see note 1. Otherwise, the Annual Report is prepared in accordance with same accounting principles and calculation methods as the Annual Report 2019.

The Bank has chosen to prepare the statutory sustainability report and corporate governance report separately from the annual report pursuant to the Swedish Annual Accounts Act Chapter 6 Section 6 and Chapter 6 Section 11. The corporate governance report and sustainability report are not part of the administration report; instead, they appear at the end of this document.

Subsequent events

- On the first of January 2021, the sale of the Personal loans portfolio was finalised.

Risk Management

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

Risk Governance

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

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

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

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

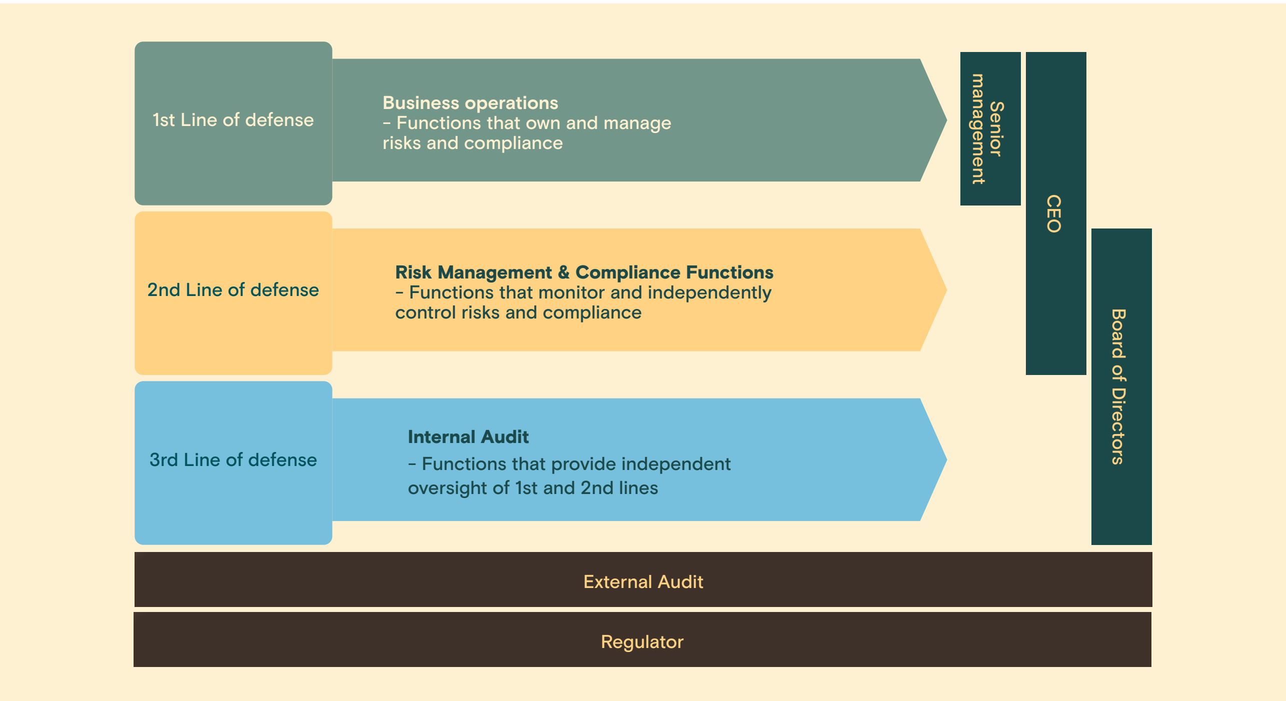
The Board sets financial and business goals and strategies, ensures that there are effective operating structures and systems in place, and ensures compliance with laws, regulations and internal policies. The Board has thus the ultimate responsibility for risk management, capital management, compliance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

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

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

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

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



Risk Management Framework

The Bank's risk management framework ensures alignment with set risk management strategy, risk appetite and risk tolerance, and appropriate balance between risk-taking and return. The risk management framework is integrated into the overall framework for internal governance and control, and covers the Bank's business areas, operations and functions. The framework covers significant risks the Bank is, or might be, exposed to on or off the balance sheet.

The risk management framework includes principles, risk culture, risk management strategy, risk appetite and risk tolerance, risk profile, risk management process, risk control, approval process for new products, sensitivity analysis, stress tests and scenario analysis, internal capital and liquidity assessment process ("ICLAAP"), risk reporting, and risk-related policies and instructions.

The Bank's Risk Management Policy and Instruction is reviewed annually. For further details on the Bank's risk management, see Note 2 "Risk Management".

Capital Management

The Bank's capital management framework is governed by the Capital Management Policy, approved by the Board, and covers roles and responsibilities, principles, capital requirements and capital adequacy, capital planning and capital reporting.

The capital management is integrated into the strategic planning, the risk management strategy and the performance of the ICLAAP, and 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 the own funds from a loss absorption and cost perspective, efficient use of capital and efficient capital planning can be ensured. This provides support for achieving set goals, desired results, maintaining financial strength and continuity, maintaining sufficient liquidity to meet commitments, and to protect the Bank's brand and reputation. In addition, the operations can continue to generate returns and benefits for shareholders and other stakeholders.

Capital requirements and capital adequacy

In accordance with the capital adequacy regulation, the Bank's own funds shall cover statutory Pillar I minimum capital requirements (for credit risk, operational risk, market risk and credit valuation adjustment risk), Pillar II capital requirements for additional identified risks, and combined buffer requirements (in the form of countercyclical capital buffer, capital conservation buffer and capital planning buffer).

The Bank maintains a minimum capital level of 8 percent of the risk-weighted exposure amounts and has sufficient capital to meet Pillar II capital requirements and buffer requirements in the form of Common Equity Tier 1 capital. In addition, the Bank maintains an extra capital buffer to prevent violating external regulatory requirements or internally set capital limits in situations of financial stress and significant negative impact on the financial system. The Board has established a long-term target of Common Equity Tier 1 capital ratio of 16%, and a minimum Common Equity Tier 1 capital ratio of 15%.

The Bank allocates capital for its risks according to Pillar I capital requirement based on the standardised approach for credit risk, market risk and credit valuation adjustment risk, while the alternative standardised approach is used for operational risk. For credit risk, the risk exposure amounts are calculated by risk weighting the Bank's asset items against different risk classes. Allocation between risk categories and underlying risk weights depends on the type of exposure and counterparty, and the total risk-weighted exposure is multiplied by 8 percent. For operational risk, all business areas with the Bank have been classified as retail business, where the capital requirement is 12 per cent of the average of the relevant indicator for the past three financial years.

Pillar II capital requirements have, as part of the Bank's ICLAAP, been calculated for concentration risk, interest rate risk, credit risk, foreign exchange rate risk, liquidity risk, operational risk, business risk and strategic risk. Methods from the Swedish Financial Supervisory Authority are used for concentration risk and interest rate risk, and internal methods are used for the other risks.

Capital planning

The Bank has a capital plan for the amount of own funds based on the risk profile, sensitivity analyses, stress tests and scenario analyses, expected lending expansion and financing opportunities, and new or changed legislation, business and competitive situation and other external conditions.

The capital planning takes into account the results of the forecasted budget plan, balance sheets, capital requirements and capital need when performing the ICLAAP. The capital planning is based on realistic assumptions about how long the capital measures take to implement, what effect the measures may have on the risk, capital and liquidity situation, and how long it takes before the measure gets the expected effect.

Furthermore, the Bank has a recovery plan in accordance with external regulations that establishes measures that can be taken to restore the risk, capital and liquidity position and the profitability if necessary. The recovery plan is reviewed at least once a year.

Monitoring and reporting

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

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

The Bank's Capital Management Policy is reviewed annually. For further details on the Bank's capital management, see Note 31 "Capital adequacy analysis - Parent company and consolidated situation".

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 risk reporting of liquidity and financing risks.

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

Liquidity risk is measured daily, and is reported to the Chairman of the Board, the CEO, the CFO, and the CRO on a daily basis, and to the Board in case of limit-breaches. The daily reporting covers the level of the Bank's liquidity reserve and its composition, under both expected and stressed scenarios. The Bank's CEO reports monthly to the Board regarding liquidity management and liquidity risk. The CRO performs independent controls of liquidity, and reports to the Board and the CEO. The reports show key figures concerning liquidity risks such as the liquidity reserve, liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR"). Independent control regarding the liquidity management is also performed within the internal audit framework.

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

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 coming 30 days. The Bank complies with the LCR requirement on a consolidated basis. Furthermore, a good balance of the currency composition in the liquidity reserve is also sought in relation to potential net outflows for each relevant currency, namely SEK, NOK and EUR. The Bank also complies with the requirements for NSFR, which ensures that long-term assets are funded with a minimum level of stable long-term funding. In addition to the LCR and NSFR, the Bank also uses internal measurements and limits to ensure that liquidity risk is managed in accordance with the Bank's 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 in relation to the size and duration of deposits from the public and in relation to the Bank's total interest-bearing liabilities. In addition, there are internal limits to ensure that the Bank can continue to operate without liquidity injections over a longer period.

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

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

Proposal for the appropriation of profits (SEK)

The following profits are available for appropriation at the annual general meeting	
Retained earnings	1,464,619,657
Profit for the year	146,268,758
Translation reserve	-16,177,353
	1,594,711,062
The Board propose that	
the following be carried forward	1,594,711,062
	1,594,711,062

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 following income statements and statements of financial position, statements of cash flow and supplementary disclosures.

Income statement

Group

SEK Millions	Note	2020	2019
Operating income			
Interest income calculated using the effective interest method		1,162.6	1,153.4
Other interest income		5.6	9.8
Interest expense calculated using the effective interest method		-237.6	-249.1
Other interest expenses		-121.8	-95.1
Net interest income	**4**	**808.9**	**819.0**
Net gains and losses from financial transactions	6	16.4	17.9
Other operating income	7	11.1	11.5
Total operating income		**836.3**	**848.5**
Operating expense			
General administration expenses	8,9,10	-518.0	-476.7
Depreciation of tangible and intangible assets	11,12	-62.7	-37.6
Total operating expenses		**-580.7**	**-514.3**
Profit before credit losses		**255.6**	**334.2**
Credit losses, net	13	-40.1	-59.7
Operating profit/loss		**215.5**	**274.5**
Group contributions		-	-85.3
Tax	14	-61.1	-43.6
PROFIT FOR THE YEAR		**154.4**	**145.6**
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		**154.4**	**145.6**

Statement of comprehensive income

SEK Millions	2020	2019
Profit for the year	**154.4**	**145.6**
Items that may be reclassified to the income statement		
Translation difference for the year, foreign operations	-27.6	3.5
Tax effect, exchange differences, foreign operations	5.9	-0.8
Total other comprehensive income	**-21.7**	**2.8**
COMPREHENSIVE PROFIT FOR THE YEAR	**132.7**	**148.3**

Balance sheet

Group

SEK Millions	Note	2020-12-31	2019-12-31
Assets			
Cash and balances at central banks	15	402.3	266.0
Lending to credit institutions	16	1,877.4	1,669.6
Lending to the public	17	16,115.5	16,150.0
Value change of interest-hedged items in portfolio hedging		47.1	-25.7
Derivatives	18	41.2	147.0
Bonds and other interest-bearing securities	19	720.6	738.1
Intangible assets	11	116.8	107.6
Tangible fixed assets	12	52.9	60.8
Other assets	21	168.0	105.4
Prepaid expenses and accrued income	22	23.0	20.9
Assets held for sale	23	714.6	-
Tax assets		1.8	13.9
Total assets		**20,281.1**	**19,253.5**
Liabilities			
Liabilities to credit institutions	24	-	2,000.0
Issued bonds	25	5,689.2	3,901.1
Deposits from the public	26	12,612.9	11,421.4
Derivatives	18	55.8	17.1
Other liabilities	28	95.1	219.8
Accrued expenses and prepaid income	27	90.0	88.6
Total liabilities		**18,543.0**	**17,648.0**
Equity			
Share capital		100.0	100.0
Translation reserve		-17.4	4.3
Shareholders' contribution		563.7	563.7
Retained earnings		937.4	791.9
Profit for the year		154.4	145.6
Total equity		**1,738.2**	**1,605.5**
Total equity and liabilities		**20,281.1**	**19,253.5**

Statement of changes in equity

Group

SEK Millions	Shareholders' equity Share capital	Translation reserve	Shareholders' contribution	Retained earnings	Total equity
Opening balance 2019-01-01	**100.0**	**1.6**	**563.7**	**791.9**	**1,457.2**
Profit for the year				145.6	**145.6**
Other comprehensive Income		2.8			**2.8**
Ending balance 2019-12-31	**100.0**	**4.3**	**563.7**	**937.4**	**1,605.5**
Opening balance 2020-01-01	**100.0**	**4.3**	**563.7**	**937.4**	**1,605.5**
Profit for the year				154.4	**154.4**
Other comprehensive Income		-21.7			**-21.7**
Ending balance 2020-12-31	**100.0**	**-17.4**	**563.7**	**1,091.8**	**1,738.2**

Cash flow statement

Group

SEK Millions	Note	2020	2019
Operating activities			
Operating profit/loss		215.5	274.5
		215.5	**274.5**
Adjustments for items not included in cash flow			
Depreciation	11,12	62.7	37.6
Unrealised changes in value	6	0.5	-8.4
Credit losses excluding recoveries	13	80.8	105.0
Total – Items not included in cash flow		**144.1**	**134.3**
Taxes paid		-49.0	-54.5
Cash flow from current operations before changes to operating capital		**310.6**	**354.3**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-833.6	-1,707.6
Increase (-)/decrease (+) of change in short term receivables		41.0	76.3
Increase (+)/decrease (-) of deposits from the public		1,191.5	1,004.8
Increase (+)/decrease (-) of change in short term liabilities		-84.7	50.2
Cash flow from operating activities		**624.7**	**-222.1**
Investing activities			
Investments in intangible assets	11	-56.0	-72.9
Investments in tangible fixed assets	12	-7.9	-66.9
Change in bonds and other interest-bearing securities	19	17.0	-36.6
Cash flow from investing activities		**-47.0**	**-176.4**
Financing activities			
Liabilities to credit institutions	24	-2,000.0	1.1
Change in Issued bonds	25	1,788.1	467.4
Cash flow from financing activities		**-211.9**	**468.5**
NET CASH FLOW FOR THIS YEAR		**365.9**	**70.0**
Liquid funds at beginning of year		**1,935.6**	**1,862.8**
Currency difference in liquidity		**-21.7**	**2.8**
LIQUID FUNDS END OF YEAR		**2,279.7**	**1,935.6**
Cash flow includes interest receipts of		**1,158.4**	**1,168.6**
Cash flow includes interest payments of		**-355.1**	**-354.6**

Income statement

Parent

SEK Millions	Note	2020	2019
Operating income			
Interest income calculated using the effective interest method		1,150.8	1,000.6
Other interest income		31.3	59.8
Interest expense calculated using the effective interest method		-328.9	-402.5
Other interest expenses		-84.5	-28.0
Net interest income	4	**768.8**	**629.9**
Group contributions		–	115.2
Net result of financial transactions	6	18.9	-10.7
Other operating income	7	37.4	85.0
Total operating income		**825.2**	**819.4**
Operating expense			
General administration expenses	8,9,10	-536.5	-484.8
Depreciation of fixed assets	11,12	-43.8	-21.5
Total operating expenses		**-580.3**	**-506.3**
Profit before credit losses		**244.9**	**313.1**
Credit losses, net	13	-40.6	-57.4
Operating profit/loss		**204.3**	**255.7**
Group contributions		–	-85.3
Tax	14	-58.0	-42.0
PROFIT FOR THE YEAR		**146.3**	**128.4**

Statement of comprehensive income

SEK Millions	2020	2019
Profit for the year	**146.3**	**128.4**
Items that may be reclassified to the income statement		
Translation difference for the year, foreign operations	-26.3	3.7
Tax effect, exchange differences, foreign operations	5.6	-0.8
Total other comprehensive income	**-20.7**	**2.9**
COMPREHENSIVE PROFIT FOR THE YEAR	**125.6**	**131.3**

Balance sheet

Parent

SEK Millions	Note	2020-12-31	2019-12-31
Assets			
Cash and balances at central banks	15	402.3	266.0
Lending to credit institutions	16	1,716.4	1,067.3
Lending to the public	17	16,115.5	13,760.9
Value change of interest-hedged items in portfolio hedging		47.1	-25.7
Derivatives	18	16.7	34.4
Bonds and other interest-bearing securities	19	720.6	738.1
Shares and participations in associated companies	20	4.7	4.7
Intangible assets	11	107.1	94.2
Tangible fixed assets	12	5.4	7.1
Other assets	21	170.0	780.1
Prepaid expenses and accrued income	22	22.4	20.2
Assets held for sale	23	714.6	–
Tax		2.7	13.0
Total assets		**20,045.3**	**16,760.3**
Liabilities			
Liabilities to credit institutions	24	582.2	1,487.8
Deposits from the public	26	12,612.9	11,421.4
Issued bonds	25	4,943.5	2,000.0
Derivatives	18	55.8	17.1
Other liabilities	28	52.0	169.3
Accrued expenses and prepaid income	27	85.2	76.5
Total liabilities		**18,331.5**	**15,172.0**
Equity			
Share capital		100.0	100.0
Self-procured acquisition values		19.1	10.8
Translation reserve		-16.2	4.5
Retained earnings		1,464.6	1,344.6
Profit for the year		146.3	128.4
Total equity		**1,713.8**	**1,588.2**
Total equity and liabilities		**20,045.3**	**16,760.3**

Statement of changes in equity

Parent

	Restricted		Non restricted		
SEK Millions	**Share capital**	**Fund for development fees**	**Translation reserve**	**Retained earnings**	**Total equity**
Opening balance 2019-01-01	**100.0**	**-**	**1.6**	**1,355.4**	**1,456.9**
Profit for the year				128.4	**128.4**
Tax effect due to transition to IFRS 9			2.9		**2.9**
Comprehensive Income		10.8		-10.8	**-**
Ending balance 2019-12-31	**100.0**	**10.8**	**4.5**	**1,473.0**	**1,588.2**
Opening balance 2020-01-01	**100.0**	**10.8**	**4.5**	**1,473.0**	**1,588.2**
Profit for the year				146.3	**146.3**
Comprehensive Income			-20.7		**-20.7**
The period's own accumulated intangible assets		8.3		-8,3	**-**
Ending balance 2020-12-31	**100.0**	**19.1**	**-16.2**	**1,610.9**	**1,713.8**

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

Cash flow statement

Parent

SEK Millions	Note	2020	2019
Operating activities			
Operating profit/loss		204.3	255.7
		204.3	**255.7**
Adjustments for items not included in cash flow			
Depreciation	11,12	43.8	21.5
Unrealised changes in value	6	-2.4	19.4
Credit losses excluding recoveries	13	81.2	102.3
Total – Items not included in cash flow		**122.7**	**143.1**
Taxes paid		-47.6	-55.3
Cash flow from current operations before changes to operating capital		**279.3**	**343.5**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-3,223.2	-1,860.6
Increase (-)/decrease (+) of change in short term receivables		625.6	42.7
Increase (+)/decrease (-) of deposits from the public		1,191.5	1,004.8
Increase (+)/decrease (-) of change in short term liabilities		-70.0	18.5
Cash flow from operating activities		**-1,196.7**	**-451.2**
Investing activities			
Investments in intangible assets	11	-53.6	-69.1
Investments in tangible fixed assets	12	-1.4	-2.8
Change in bonds and other interest-bearing securities	19	19.9	-64.3
Cash flow from investing activities		**-35.1**	**-136.2**
Financing activities			
Liabilities to credit institutions	24	2,037.9	656.0
Cash flow from financing activities		**2,037.9**	**656.0**
NET CASH FLOW FOR THIS YEAR		**806.0**	**68.5**
Liquid funds at beginning of year		**1,333.4**	**1,261.9**
Currency difference in liquidity		**-20.7**	**2.9**
LIQUID FUNDS END OF YEAR		**2,118.7**	**1,333.4**
Cash flow includes interest receipts of		**1,174.6**	**1,065.9**
Cash flow includes interest payments of		**-409.0**	**-440.9**

Disclosures

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

Content

Note 1. Accounting policies

General information

The Annual Report was approved for publication by the Board of Directors on April 22, 2021. The income statement and balance sheet will be presented at the Annual General Meeting for adoption on April 22, 2021. The Bank is a wholly owned subsidiary of Bluestep Holding AB, which is also the ultimate Parent Company. A subsidiary's financial position is recognized 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 is exposed to or is entitled to a variable return on its holding in the company, and is able to affect these returns through its interest in the company. A controlling interest is deemed to exist when the bank, directly or indirectly through a subsidiary, owns more than half of the voting rights in a company if there is no evidence that it is possible in practical terms for a different investor to independently direct the relevant activities at the company. The Bank's business is described in the Administration Report.

Compliance with standards and laws

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

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

The accounting policies below were applied consistently to all periods presented in the financial statements, unless otherwise stated

Changes in accounting policies due to new or amended IFRS

The Bank has changed the designation of the Groups Income statement to Statement of Income. The parent company´s designation of Statement of comprehensive income has been changed to Comprehensive income.

Benchmark reform phase 1 (new principle for this year)

Amendments have been issued that provide temporary exceptions from applying certain specific hedge accounting requirements for hedging relationships that are directly affected by the benchmark reform. The temporary exceptions are intended to ensure that hedging relationships won't need to be discontinued due to uncertainty caused by the benchmark reform. The amendments are to be applied to financial years beginning on 1 January 2020 or later, with an option to apply them earlier.

Benchmark reform phase 2 (principle not yet applied)

The amendments to IAS 39 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, and thus without significant effects on the bank's financial reports, capital adequacy, major exposures or other circumstances according to applicable operating regulations.

The Bank is not expected to have any significant income impacts as the Bank does not need to split any hedging relations through the exemptions.

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

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

Other changes in IFRS standards and interpretations are not considered to have any material impact on the Bank's financial statements.

Estimations and critical assessments

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

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

Assessments

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

Estimates

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

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

The Group has issued bonds secured by Swedish mortgages (so-called securitisation) several times in recent years. Mortgages have been sold from the Bank and BFF1 to wholly-owned subsidiaries, which have then issued bonds that external parties invested in. The Bank has made the assessment that the assets that were sold to the subsidiaries do not fulfil the criteria to be derecognised. Since the credit risk has not left the Bank, and the risk has therefore not passed to the subsidiary, the assets are still recognised in the Bank and not in each subsidiary. For more information, see the Securitisation section.

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 take into account both asset-specific and macroeconomic factors and reflect the Bank's expectations of these. For a more detailed description of the calculation of impairment, see the risk management note.

Foreign currency

The Bank's Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange rate differences arising from translation are recognised in profit or loss. 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. For the Group, the currency is presented in Swedish crowns.

Interest income and interest expense

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

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

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

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

Commission income and expense

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

Net gains/losses on financial transactions

Net gains/losses on financial transactions includes the realised and unrealised changes in value arising from financial transactions classified as held for trading, instruments included in fair value hedges, potential ineffectiveness in hedging relationships, and currency gains and losses on financial assets and liabilities.

Financial instruments

Most of the Bank's balance sheet items refer to 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. On the asset side, financial instruments include loans to the public and credit institutions, bonds and other interest-bearing securities and derivatives. On the liability side, some examples are deposits and borrowing from the public, subordinated liabilities, liabilities to credit institutions and accounts payable.

Financial assets are recognised in the balance sheet on the business day that contracts were concluded for acquisitions, apart from contracts classified as measured at amortised cost, which are recognised 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, extinguished or the Bank loses control over them. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished.

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

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

Financial assets measured at fair value through profit or loss

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

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 under 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 debt through an orderly transaction between market participants. The fair value of financial instruments measured at fair value and traded on an active market, such as Swedish covered bonds, is based on quoted prices. For financial instruments not traded in an active market, fair value is determined based on generally accepted measurement techniques, which are in turn based on observable market quotations to the greatest extent possible.

Level 1: Quoted prices (unadjusted) on 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 model where essential data is based on non-observable data.

Derivatives

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

Hedge accounting (IAS 39)

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

Bonds and other interest-bearing securities

The Bank has invested some of its excess liquidity in bonds and other interest-bearing securities. These assets have fixed or determinable payments. Capital gains and losses are taken up as net gains/losses from financial transactions. Interest income is recognised using the effective interest rate method.

Financial assets recognised 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 represented by the balance sheet items 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 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 produces the loan's cost when calculating the present value of future payments is considered the effective interest rate. Amortised cost is obtained by discounting the remaining future payments by the effective interest rate amount. Receivables other than loan receivables, which are not interest-bearing, have a short-expected maturity, so they are recognised at a nominal amount without discounting. Expected credit losses are recognised in operating expenses.

Lending to the public

Loans to the public consists of loans to individuals secured with property as collateral. Impairment losses and reversals of impairment losses are recognised as net credit losses. See further about impairment losses in the following paragraph.

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

IFRS 9 introduces an impairment model that measures expected credit losses in which a reserve corresponding to expected credit losses is recognised for financial assets that are measured at amortised cost. In the model, expected credit losses are measured based on the estimated risk at the time of calculation, whether a significant increase in credit risk has occurred since initial recognition and assessed macroeconomic developments, even if no actual loss event has occurred. Expected credit losses are calculated based on both internal and external information. The information consists of past events, current circumstances and reasonable verifiable forecasts of future economic conditions that can affect expected future cash flows. Consequently, credit impairment provisions are more sensitive to changes in future macroeconomic outlooks and are therefore more volatile compared to IAS 39. The expected credit losses must consider both asset-specific and macroeconomic factors and reflect the Bank's expectations regarding these factors. The purpose of the new model is to ensure that accounting reflects the Bank's expectations of the factors that affect the impairment provisions at an earlier stage compared to IAS 39. See the risk management note for a more detailed description of impairment calculation.

Assets held for sale

Assets held for sale refer to the portfolio of unsecured personal loans which is transferred to the buyer on the 1st of January 2021.

Financial liabilities recognised at amortised cost

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

Issued securities

Issued securities refer to bonds issued by the Group and are valued at amortised cost.

Financial liabilities measured at fair value through profit or loss

The Bank's liabilities in this category are derivative instruments with negative market values which must be classified as fair value through profit or loss since they are not part of an effective hedging relationship. For more information see the section on hedge accounting. Derivatives that constitute effective hedging instruments are also recognised at fair value. 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/expense.

Shareholders' contributions and Group contributions to the parent company

The Bank 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 the Parent Company are recognised as a financial cost.

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.

Shareholders' contributions received are recognised in equity.

Equity

Translation reserve consists of unrealized exchange rate effects as a result of translation of foreign entities.

Intangible assets

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

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

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

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

Tangible assets

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

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

Leases

Leases are recorded as a right-of-use asset under assets and a lease liability will recognized under liabilities. In brief, IFRS 16 is based on the approach that the lessee is entitled to use an asset for a specific period and is obligated to pay for this right (the source of the right-of-use asset concept). The following leases are included in the Bank's IFRS 16 implementation: leases for premises, company cars, office equipment and other items that are leased. In accordance with applicable regulations, the Bank has only made exceptions for leases that expire within 12 months and are considered nonmaterial, i.e. the estimated lease expense is less than SEK 50,000. IFRS 16 does not apply to the Parent Company.

Pensions

Pensions are recognised as defined contribution plans and are expensed on an ongoing basis during the year. There are no pension provisions since the Bank has fulfilled its obligations in connection with its premium payments.

Taxes

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

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

Deferred taxes refer to tax on differences between recognised and taxable value. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax assets represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carry forwards or other future tax deductibles. Deferred tax assets are tested at the end of each accounting year and recognised to the extent that they are likely to be utilised at each reporting date. At the balance sheet date, fixed tax rates are used in the calculations. The tax rate in Sweden is 21.4% for 2020.

Cash flow statement

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

Cash and cash equivalents

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

Securitisation

When a financial asset is transferred, the Bank must evaluate the extent to which it retains the risks and benefits associated with ownership of the financial asset. If the Bank retains essentially all the risks and benefits associated with ownership of the financial asset, the Bank continues to recognise the financial asset in the statement of financial position. The Bank carried out securitisation transactions recognised accordingly in 2013, 2015, and 2017. In these transactions loan receivables from the Bank and BFF1 were sold to wholly-owned subsidiaries, Step 2, Step 3 and Step 4 (known as special purpose vehicles or SPV). Since the loan receivables sold from the Bank do not meet the requirements for elimination from the statement of financial position, primarily because the credit risk has not been entirely transferred, these receivables are recognised in the Bank. The Bank, which is the seller of the loans, is bound to repurchase any loans that do not meet the requirements from the beginning.

Note 2. Risk management

Risk profile and strategy

The Bank's risk management aims to ensure that risk-taking is consistent with set risk management strategies, and an appropriate balance between risk and reward. The risk management is integrated into the overall governance and internal control, and is linked to the strategic planning and capital management. The risk management covers backward-looking, actual and forward-looking risks, on and off the balance sheet, the Bank is, or might be, exposed to in the business and the organisation in its efforts to achieve set goals for growth, profitability and financial stability. The Bank defines risk as the possibility that an event will occur and that adversely affect the achievement of an objective or process. The risks are limited and mitigated through set risk appetite and risk tolerance, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank.

The Bank's main activity is to provide loans to the public in Sweden, Norway and Finland, and to finance this through a combination of equity, deposits from the public in Sweden and Norway, issuance of residential mortgage backed securities ("RMBS"), covered bonds and senior unsecured bonds.

The Bank is exposed to a number of risks, such as strategic risk, business risk, credit risk, market risk, liquidity risk, reputational risk and operational risk. Identified risks are assessed qualitatively based on probability and impact, and some risks are also assessed quantitatively by calculating capital requirement.

The table below shows an overview of methods used for calculating capital requirements for identified risks. For further information about the capital adequacy, see Note 31 "Capital adequacy analysis - Parent company and Consolidated situation".

For the most material risks, the definitions and mitigating measures are described below. In order to proactively manage the Bank's risks, analyses are also carried out continuously as part of the ICLAAP, such as how credit risks in lending or future financing needs are affected by future macroeconomic changes to use as a basis for controlling the Bank.

Risk-based capital requirements		Method
Pillar I Capital Requirement Minimum Capital Requirement	Credit risk	Standardised Approach
	CVA risk	Standardised Approach
	Market risk	Standardised Approach
	Operational risk	Alternative Standardised Approach
Pillar II Capital Requirement Specific Own Funds Requirement	Concentration risk	FI Method
	Interest Rate risk	FI Method
	Credit risk	Internal Method
	Market (FX) risk	Internal Method
	Liquidity risk	Internal Method
	Operational risk	Internal Method
	Business risk	Internal Method
	Strategic risk	Internal Method
Combined Buffer Requirement	Counter-Cyclical Capital Buffer	-
	Capital Conservation buffer	-
	Capital Planning Buffer	-

Credit risk

Definition

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

Mitigating measures

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

The Bank provides residential mortgages in Sweden, Norway and Finland. To strengthen the strategic focus on mortgage lending, the Bank stopped offering personal loans in mid-February 2020, and the portfolio was sold at the end of the year. The credit portfolio is well diversified and consists of a large number of customers, mainly in sectors with medium risk. The credit strategy is based on the borrowers' expected ability to repay their debts and credit history, and to assess the probability of default, the borrowers are divided into different risk grades.

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

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

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

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

Credit risk regarding customer and object

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

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

LTV

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

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

Mortgages Sweden	2020-12-31		2019-12-31	
Allocation LTV	Exposure, gross	Write-downs	Exposure, gross	Write-downs
-50%	932.8	0.9	875.0	0.7
50 - 60%	724.3	0.9	671.2	0.8
60 - 70%	1,435.6	3.0	1,336.7	2.5
70 - 80%	2,714.8	8.9	2,488.4	5.3
80 - 90%	3,391.9	13.2	2,953.5	11.8
90 - 100	15.1	0.0	21.6	0.0
100% +	11.7	0.1	18.4	1.0
Total	**9,226.3**	**27.0**	**8,364.8**	**22.0**

Mortgages Norway	2020-12-31		2019-12-31	
Allocation LTV	Exposure, gross	Write-downs	Exposure, gross	Write-downs
-50%	1,299.6	1.0	1,372.0	1.0
50 - 60%	815.4	0.8	869.6	0.7
60 - 70%	1,188.9	2.3	1,251.9	1.6
70 - 80%	1,923.0	7.3	2,055.4	3.4
80 - 90%	1,437.3	2.1	1,196.8	0.8
90 - 100	-	-	-	-
100% +	1.1	0.0	3.1	0.0
Total	**6,665.2**	**13.5**	**6,748.8**	**7.4**

Mortgages Finland	2020-12-31		2019-12-31	
Allocation LTV	Exposure, gross	Write-downs	Exposure, gross	Write-downs
-50%	8.1	0.0	-	-
50 - 60%	5.5	0.0	-	-
60 - 70%	9.7	0.0	-	-
70 - 80%	12.7	0.0	-	-
80 - 90%	11.8	0.0	-	-
90 - 100	-	-	-	-
100% +	-	-	-	-
Total	**47.8**	**0.1**	**-**	**-**

Sensitivity analysis

The most significant assumption which effect the securities and in the end even the provisions are the house price index in each country. Below, the changes in ECL per 31 December 2020 is shown which would result in reasonable changes in these parameters compared with the actual presumptions made by the Bank. No sensitivity analysis is performed for the Finnish mortgage portfolio due to its relative age and no relevant data is available.

Mortgage loans Sweden					
Change in ECL	-20%	-10%	+/-0%	10%	20%
	8.4	4.3	0.0	-3.3	-5.9

Mortgage loans Norway					
Change in ECL	-20%	-10%	+/-0%	10%	20%
	3.6	1.8	-	-2.0	-4.7

Measurements of credit reserves and expected credit losses (ECL)

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

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

The most important inputs for valuing expected credit losses are:

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

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

In addition, the Bank has the possibility to perform a Management Overlay, if it deems that there are factors that the quantitative models do not take into account.

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

Components, assumptions and estimation techniques

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

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

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

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

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

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

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

Remaining maturity

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

Significant increase in credit risk ("SICR")

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

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

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

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

The tables below present a breakdown of loans valued at accrued acquisition value distributed according to internal risk classification with its step allocation.

2020-12-31	Group				Parent			
Risk grade Mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A	7,999.9	437.4	2.1	8,439.5	7,999.9	437.4	2.1	8,439.5
B	3,075.3	325.8	5.6	3,406.7	3,075.3	325.8	5.6	3,406.7
C	3,320.5	456.6	316.0	4,093.1	3,320.5	456.6	316.0	4,093.1
Change due to expertise	-460.4	460.4		0.0	-460.4	460.4		0.0
Total	**13,935.3**	**1,680.3**	**323.7**	**15,939.3**	**13,935.3**	**1,680.3**	**323.7**	**15,939.3**
Reserve for expected credit losses	-6.1	-18.1	-16.3	-40.5	-6.1	-18.1	-16.3	-40.5
Total lending to the public valued at amortized cost	**13,929.2**	**1,662.2**	**307.4**	**15,898.7**	**13,929.2**	**1,662.2**	**307.4**	**15,898.7**

Risk grade Personal loans	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A	451.0	25.0	2.1	478.1	451.0	25.0	2.1	478.1
B	136.0	25.4	3.5	164.9	136.0	25.4	3.5	164.9
C	59.6	13.6	1.1	74.2	59.6	13.6	1.1	74.2
Change due to expertise								
Total	**646.6**	**63.9**	**6.7**	**717.2**	**646.6**	**63.9**	**6.7**	**717.2**
Reserve for expected credit losses			-2.7	-2.7			-2.7	-2.7
Total lending to the public valued at amortized cost	**646.6**	**63.9**	**4.0**	**714.5**	**646.6**	**63.9**	**4.0**	**714.5**

2019-12-31	Group				Parent			
Risk grade Mortgages	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
A	6,891.5	450.8	0.4	7,342.7	5,578.8	366.8	0.4	5,946.1
B	3,112.3	331.9	3.3	3,447.6	2,691.0	287.3	3.3	2,981.7
C	3,509.8	513.2	300.3	4,323.3	3,056.5	458.3	276.0	3,790.7
Change due to expertise	23.0	-23.0	-	-	15.0	-15.0	-	-
Total	**13,536.6**	**1,272.9**	**304.1**	**15,113.6**	**11,341.4**	**1,097.4**	**279.7**	**12,718.5**
Reserve for expected credit losses	-5.3	-13.8	-10.4	-29.5	-4.3	-10.6	-8.5	-23.5
Total lending to the public valued at amortized cost	**13,531.2**	**1,259.2**	**293.8**	**15,084.2**	**11,337.1**	**1,086.8**	**271.2**	**12,695.1**

Risk grade Personal loans	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
A	627.3	27.3	2.8	657.3	627.3	27.3	2.8	657.3
B	229.2	28.6	4.7	262.5	229.2	28.6	4.7	262.5
C	106.7	14.8	1.2	122.7	106.7	14.8	1.2	122.7
Change due to expertise	4.6	-4.6	-	-	4.6	-4.6	-	-
Total	**967.8**	**66.1**	**8.7**	**1,042.5**	**967.8**	**66.1**	**8.7**	**1,042.5**
Reserve for expected credit losses	-10.0	-14.8	-3.6	-28.4	-10.0	-14.8	-3.6	-28.4
Total lending to the public valued at amortized cost	**957.8**	**51.3**	**5.1**	**1,014.1**	**957.8**	**51.3**	**5.1**	**1,014.1**

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

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

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

Quantitative criteria

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

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

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

Backstop

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

Determination of significant increase in credit risk (SICR)

To assess if a loan is in the state of SICR and therefor 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. SICR for Norwegian Mortgages is defined as an relative increase of lifetime PD since payout by 400% or more. For both portfolios the regulatory Back-stop of 30 plus days past due is used as well.

The below table shows the sensitivity in the thresholds the Bank uses in classifying SICR.

Mortgages loan Sweden 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2020	Gross amount 31 December 2020	Share of portfolio % 31 December 2020
<=0.4%	500%	0.0%	0.0%	0.1	1,207.7	13%
0.4%-0.8%	500%	0.0%	0.0%	1.0	3,586.7	39%
0.8%-3.2%	500%	10.8%	-6.8%	2.4	3,242.8	35%
3.2%-6.4%	500%	43.9%	-28.8%	1.8	443.0	5%
6.4%-12.8%	500%	30.1%	-1.3%	2.3	288.4	3%
12.8%-	500%	0.0%	-0.1%	8.6	333.7	4%
Loans in stage 3		0	0.0%	10.7	124.0	1%
Total		**6.5%**	**-2.7%**	**27.0**	**9,226.3**	**100%**

Mortgage loans Norway 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2020	Gross amount 31 December 2020	Share of portfolio % 31 December 2020
<=0.4%	400%	0.0%	0.0%	0.0	341.3	5%
0.4%-0.8%	400%	0.0%	0.0%	0.0	645.8	10%
0.8%-3.2%	400%	1.2%	-0.3%	1.1	3,989.2	60%
3.2%-6.4%	400%	13.4%	-9.7%	0.5	600.0	9%
6.4%-12.8%	400%	6.8%	-21.9%	1.1	371.7	6%
12.8%-	400%	0.3%	-7.6%	5.1	517.5	8%
Loans in stage 3		0.0%	0.0%	5.6	199.7	3%
Total		**1.2%**	**-5.0%**	**13.5**	**6,665.2**	**100%**

Mortgage loans Finland 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2020	Gross amount 31 December 2020	Share of portfolio % 31 December 2020
<=0.4%	400%			-	-	-
0.4%-0.8%	400%			-	-	-
0.8%-3.2%	400%			0.1	47.8	100%
3.2%-6.4%	400%			-	-	-
6.4%-12.8%	400%			-	-	-
12.8%-	400%			-	-	-
Loans in stage 3						
Total				**0.1**	**47.8**	**100%**

Other operation 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2020	Gross amount 31 December 2020	Share of portfolio % 31 December 2020
<=0.4%	61%			-	6.3	1%
0.4%-0.8%	61%			-	18.0	3%
0.8%-3.2%	61%			-	330.6	46%
3.2%-6.4%	61%			-	130.7	18%
6.4%-12.8%	61%			-	131.8	18%
12.8%-	61%			-	93.0	13%
Loans in stage 3		0.0%	0.0%	2.7	6.7	1%
Total		**0.0%**	**0.0%**	**2.7**	**717.2**	**100%**

Mortgage loans Sweden 2019-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2019	Gross amount 31 December 2019	Share of portfolio % 31 December 2019
<=0,4%	500%	0.0%	0.0%	0.2	1,906.7	23%
0,4%-0,8%	500%	0.0%	0.0%	0.8	3,236.0	39%
0,8%-3,2%	500%	25.3%	-1.6%	2.4	2,196.9	26%
3,2%-6,4%	500%	89.3%	-2.0%	1.5	476.0	6%
6,4%-12,8%	500%	2.6%	-15.7%	2.3	206.5	2%
12,8%-	500%	0.0%	-0.8%	7.6	257.0	3%
Loans in stage 3				7.2	85.8	1%
Total		**8.4%**	**-2.3%**	**22.0**	**8,364.8**	**100%**

Mortgage loans Norway 2019-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2019	Gross amount 31 December 2019	Share of portfolio % 31 December 2019
<=0,4%	400%	0.0%	0.0%	0.0	512.3	8%
0,4%-0,8%	400%	0.0%	0.0%	0.0	1,009.6	15%
0,8%-3,2%	400%	3.3%	0.0%	0.4	3,672.1	54%
3,2%-6,4%	400%	64.4%	-22.8%	0.2	440.0	7%
6,4%-12,8%	400%	54.5%	-36.7%	0.6	426.0	6%
12,8%-	400%	3.3%	-8.4%	2.9	470.5	7%
Loans in stage 3				3.1	218.3	3%
Total		**8.1%**	**-7.1%**	**7.4**	**6,748.8**	**100%**

Other operation 2019-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (1.9%) and reduced limit for PD-impairment with 40%	Increase of absolute LT PD (1.9%) with 33% and increased limit for PD-impairment with 60%	Credit loss reserve 31 December 2019	Gross amount 31 December 2019	Share of portfolio % 31 December 2019
<=0,4%	61%	0.0%	0.0%	0.0	7.9	1%
0,4%-0,8%	61%	0.0%	0.0%	0.0	22.8	2%
0,8%-3,2%	61%	0.0%	0.0%	2.3	479.7	46%
3,2%-6,4%	61%	0.0%	0.0%	2.4	200.2	19%
6,4%-12,8%	61%	1.0%	-2.7%	4.4	227.2	22%
12,8%-	61%	1.1%	-1.5%	15.7	96.0	9%
Loans in stage 3				3.6	8.7	1%
Total		**0.8%**	**-1.3%**	**28.4**	**1,042.5**	**100%**

Definition of default

The Bank defines a loan as in default (credit impaired) when it meets one or more of the following criteria:

Quantitative criterion

The borrower is over 90 days late in paying one or more of their contractual payments.

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.

Prospective information

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

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

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

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

The number of scenarios and their weights are evaluated at each reporting date. At 1 January 2020 and 31 December 2020, the Bank determined that three scenarios covered all non-linear relationships. The weights of each scenario are determined internally through statistical analysis and expert-based credit assessment.

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

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

Consideration of macroeconomic assumptions

The most significant assumptions used to calculate ECL at 31 December 2020 are shown in the table below. The base, optimistic and negative scenarios are used for all the portfolios.

31 December 2020	Weight	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Mortgage Sweden Interest rate assumption – optimistic	0.25	-0.25	-0.59	-0.72	-0.65	-0.32	0.09	0.54	1.12	1.79	2.24
Mortgage Sweden Interest rate assumption – base	0.50	-0.25	-0.25	-0.25	-0.07	0.18	0.50	0.87	1.37	1.96	2.32
Mortgage Sweden Interest rate assumption – negative	0.25	-0.25	0.09	0.23	0.52	0.68	0.92	1.21	1.62	2.13	2.40
Mortgage Sweden House price index – optimistic	0.25	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Mortgage Sweden House price index – base	0.50	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Mortgage Sweden House price index – negative	0.25	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Mortgage Norge House price index – optimistic	0.25	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
Mortgage Norge House price index – base	0.50	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Mortgage Norge House price index – negative	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

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

31 December 2019	Weight	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Mortgage Sweden Interest rate assumption – optimistic	0.25	-0.25	-0.59	-0.72	-0.65	-0.32	0.09	0.54	1.12	1.79	2.24
Mortgage Sweden Interest rate assumption – base	0.50	-0.25	-0.25	-0.25	-0.07	0.18	0.50	0.87	1.37	1.96	2.32
Mortgage Sweden Interest rate assumption – negative	0.25	-0.25	0.09	0.23	0.52	0.68	0.92	1.21	1.62	2.13	2.40
Mortgage Sweden House price index – optimistic	0.25	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
Mortgage Sweden House price index – base	0.50	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Mortgage Sweden House price index – negative	0.25	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Mortgage Norge House price index – optimistic	0.25	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
Mortgage Norge House price index – base	0.50	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Mortgage Norge House price index – negative	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

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

The credit reserves shown below would have arisen as at 31 December 2020 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.

2020		Group	
Business area	**Scenarios**	**Provisions attributable to the scenario**	**Change against reported allocation**
Mortgage loans	Optimistic	39.9	1.7%
	Negative	41.1	-1.3%
Sweden	Optimistic	26.4	2.2%
	Negative	27.6	-2.3%
Norway	Optimistic	13.5	0.0%
	Negative	13.5	0.0%
Finland	Optimistic	0.1	0.0%
	Negative	0.1	0.0%
Other operation	Optimistic	2.7	0.0%
	Negative	2.7	0.0%
Total	**Optimistic**	**42.7**	**1.4%**
	Negative	**43.9**	**-1.4%**

2019		Group	
Business area	**Scenarios**	**Provisions attributable to the scenario**	**Change against reported allocation**
Mortgage loans	Optimistic	28.0	1.7%
	Negative	29.0	-1.8%
Sweden	Optimistic	20.6	2.3%
	Negative	21.6	-2.4%
Norway	Optimistic	7.4	0.0%
	Negative	7.4	0.0%
Other operation	Optimistic	28.1	1.1%
	Negative	28.7	-1.1%
Total	**Optimistic**	**56.1**	**1.4%**
	Negative	**57.7**	**-1.4%**

2020		Parent	
Business area	**Scenarios**	**Provisions attributable to the scenario**	**Change against reported allocation**
Mortgage loans	Optimistic	39.9	1.7%
	Negative	41.1	-1.3%
Sweden	Optimistic	26.4	2.2%
	Negative	27.6	-2.3%
Norway	Optimistic	13.5	0.0%
	Negative	13.5	0.0%
Finland	Optimistic	0.1	0.0%
	Negative	0.1	0.0%
Other operation	Optimistic	2.7	0.0%
	Negative	2.7	0.0%
Total	**Optimistic**	**42.7**	**1.4%**
	Negative	**43.9**	**-1.4%**

2019		Parent	
Business area	**Scenarios**	**Provisions attributable to the scenario**	**Change against reported allocation**
Mortgage loans	Optimistic	21.8	1.6%
	Negative	22.5	-1.7%
Sweden	Optimistic	14.8	2.3%
	Negative	15.5	-2.4%
Norway	Optimistic	7.4	0.0%
	Negative	7.4	0.0%
Other operation	Optimistic	28.1	1.1%
	Negative	28.7	-1.1%
Total	**Optimistic**	**50.3**	**0.5%**
	Negative	**51.6**	**-2.1%**

Credit risk regarding financial counterparties

Credit rating agencies

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

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

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

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

Group situation 2020-12-31				
Amounts that have not been offset in the balance sheet	**Gross value**	**Netting in the Balance sheet**	**ISDA Agreement**	**Net amount Balance sheet**
Derivative	41.2	-	-	41.2
Sum financial assets	41.2	-	-	**41.2**
Derivative	55.8	-	-	55.8
Sum financial liabilities	**55.8**	**-**	**-**	**55.8**

Group situation 2019-12-31				
Amounts that have not been offset in the balance sheet	**Gross value**	**Netting in the Balance sheet**	**ISDA Agreement**	**Net amount Balance sheet**
Derivative	147.0	-	-	147.0
Sum financial assets	**147.0**	**-**	**-**	**147.0**
Derivative	17.1	-	-	17.1
Sum financial liabilities	**17.1**	**-**	**-**	**17.1**

Maximum credit risk exposure

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

	Group					
	2020-12-31			2019-12-31		
Maximum Credit Risk Exposure	**Sweden**	**Norway**	**Finland**	**Sweden**	**Norway**	**Finland**
Governments or central banks						
- Credit Quality Step 1	649.0	201.0	30.1	386.5	113.6	-
Total Governments or central banks	**649.0**	**201.0**	**30.1**	**386.5**	**113.6**	**-**
Lending to credit institutions						
- Credit Quality Step 1	505.5	1,362.5	9.4	1,477.7	191.9	-
- Credit Quality Step 2	-	-	-	-	-	-
- No rating	-	-	-	-	-	-
Total lending to credit institutions	**505.5**	**1,362.5**	**9.4**	**1,477.7**	**191.9**	**-**
Corporates						
- No rating	-	-	-	-	-	-
Total corporates	**-**	**-**	**-**	**-**	**-**	**-**
Lending to the general public						
- Unsecured loans	750.1	-	-	1,031.1	-	-
- Loans secured by residential property	9,392.7	6,686.6	47.7	8,369.6	6,723.6	-
Total lending to the general public	**10,142.8**	**6,686.6**	**47.7**	**9,400.7**	**6,723.6**	**-**
Bonds and other interest-bearing securities						
- Credit Quality Step 1	103.5	184.3	-	253.7	280.3	-
- Credit Quality Step 2	-	-	-	-	-	-
Total bonds and other interest-bearing securities	**103.5**	**184.3**	**-**	**253.7**	**280.3**	**-**
Derivatives						
- Credit Quality Step 2	153.2	3.1	-	190.5	18.7	-
- Credit Quality Step 2	-	-	-	-	-	-
- No rating	0.0	-	-	-	-	-
Total derivatives	**153.2**	**3.1**	**-**	**190.5**	**18.7**	**-**
Other assets						
- No rating	77.2	6.0	0.7	87.3	7.5	-
Total other assets	**77.2**	**6.0**	**0.7**	**87.3**	**7.5**	**-**
Sum	**11,631.2**	**8,443.5**	**87.9**	**11,796.5**	**7,335.6**	**-**
Total		**20,162.6**			**19,132.0**	

Maximum Credit Risk Exposure	Parent					
	2020-12-31			2019-12-31		
	Sweden	Norway	Finland	Sweden	Norway	Finland
Governments or central banks						
– Credit Quality Step 1	646.0	201.0	30.1	383.5	113.6	–
Total Governments or central banks	**646.0**	**201.0**	**30.1**	**383.5**	**113.6**	**–**
Lending to credit institutions						
– Credit Quality Step 1	344.5	1,362.5	9.4	875.5	191.9	–
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	–	–	–	–	–	–
Total lending to credit institutions	**344.5**	**1,362.5**	**9.4**	**875.5**	**191.9**	**–**
Corporates						
– No rating	5.0	–	–	683.2	–	–
Total corporates	**5.0**	**–**	**–**	**683.2**	**–**	**–**
Lending to the general public						
– Unsecured loans	750.1	–	–	1,031.1	–	–
– Loans secured by residential property	9,392.7	6,686.6	47.7	5,980.5	6,723.6	–
Total lending to the general public	**10,142.8**	**6,686.6**	**47.7**	**7,011.6**	**6,723.6**	**–**
Bonds and other interest-bearing securities						
– Credit Quality Step 1	103.5	184.3	–	253.7	280.3	–
– Credit Quality Step 2	–	–	–	–	–	–
Total bonds and other interest-bearing securities	**103.5**	**184.3**	**–**	**253.7**	**280.3**	**–**
Derivatives						
– Credit Quality Step 2	128.7	3.1	–	78.0	18.7	–
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	0.0	–	–	–	–	–
Total derivatives	**128.7**	**3.1**	**–**	**78.0**	**18.7**	**–**
Other assets						
– No rating	33.7	6.0	0.7	32.0	7.5	–
Total other assets	**33.7**	**6.0**	**0.7**	**32.0**	**7.5**	**–**
Sum	**11,404.2**	**8,443.5**	**87.9**	**9,317.5**	**7,335.6**	**–**
Total		**19,935.6**			**16,653.1**	

Credit risk	Group					
	2020-12-31			2019-12-31		
Receivables from private individuals	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	9,739.0	6,213.9	47.7	8,967.0	6,216.4	–
Due 30-60 days	195.3	182.9	–	270.8	223.5	–
Due 60-90 days	64.3	77.9	–	68.3	67.3	–
Due over 90 days	144.2	211.9	–	94.6	216.5	–
Total	**10,142.8**	**6,686.6**	**47.7**	**9,400.7**	**6,723.6**	**–**
Provisions	**27.0**	**13.5**	**0.1**	**22.0**	**7.4**	**–**

Credit risk	Parent					
	2020-12-31			2019-12-31		
Receivables from private individuals	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	9,739.0	6,213.9	47.7	6,717.3	6,216.4	–
Due 30-60 days	195.3	182.9	–	197.5	223.5	–
Due 60-90 days	64.3	77.9	–	48.2	67.3	–
Due over 90 days	144.2	211.9	–	48.5	216.5	–
Total	**10,142.8**	**6,686.6**	**47.7**	**7,011.6**	**6,723.6**	**–**
Provisions	**27.0**	**13.5**	**0.1**	**16.1**	**7.4**	**–**

Credit risk	Group					
	2020-12-31			2019-12-31		
Other financial assets	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	**1,488.4**	**1,756.9**	**40.2**	**2,395.7**	**611.9**	**–**
- Credit Quality Step 1	1,411.1	1,750.9	39.5	2,308.4	604.5	–
- Credit Quality Step 2	–	–	–	–	–	–
- No rating	77.2	6.0	0.7	87.3	7.5	–
Non performing	–	–	–	–	–	–
Total	**1,488.4**	**1,756.9**	**40.2**	**2,395.7**	**611.9**	**–**
Provisions	**–**	**–**	**–**	**–**	**–**	**–**

Credit risk	Parent					
	2020-12-31			2019-12-31		
Other financial assets	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	**1,261.3**	**1,756.9**	**40.2**	**2,305.9**	**611.9**	**–**
- Credit Quality Step 1	1,222.6	1,750.9	39.5	1,590.7	604.5	–
- Credit Quality Step 2	–	–	–	–	–	–
- No rating	38.7	6.0	0.7	715.2	7.5	–
Non performing	–	–	–	–	–	–
Total	**1,261.3**	**1,756.9**	**40.2**	**2,305.9**	**611.9**	**–**
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

Since the Bank operates only 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 Bank's business model. The concentration risk is one of the core focus areas in the borrowers' credit assessment, and the Risk Management function continuously monitors and independently assesses the concentration risk to ensure that the risk profile is in line with set risk strategy and managed appropriately. The Risk Management function reports the concentration risk to the Board and the CEO on a monthly basis.

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

Credit valuation adjustment risk

Definition

Credit valuation adjustment 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

Credit valuation adjustment risk results from that a counterparty in a transaction might fail before the final settlement of the transaction. More precisely, it means that an adjustment is made to the midmarket valuation of a portfolio of transactions with given counterparties to reflect the current market value of the credit risk of the counterparty but excludes the current market value of the credit risk of the counterparty.

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

The Bank continuously assesses and reports credit valuation adjustment exposures. As credit valuation adjustment risk is a consequence of the hedging activities, and the average term of these activities is below three years, no specific further risk mitigating actions are taken.

Foreign exchange rate risk

Definition

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

Mitigating measures

Given the Bank's operations in Norway and Finland, and some financing in other currencies, the Bank is exposed to market risk related to changes in foreign exchange rates. The Treasury function hedges the exchange rate risk by derivatives and currency-matching of liabilities and assets. There is a documented process for managing exposure to market risks and established policies and instructions.

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.

SEK Thousands	2020-12-31	Value change -10%	Value change +10%
EUR position	10,866	-1,087	1,087
GBP position	183	-18	18
NOK position	304,335	-30,434	30,434
Impact on earnings	**315,384**	**-31,538**	**31,538**

SEK Thousands	2020-12-31	Value change -10%	Value change +10%
EUR position	10,866	-1,087	1,087
GBP position	183	-18	18
NOK position	304,335	-30,434	30,434
Impact on earnings	**315,384**	**-31,538**	**31,538**

A change in relevant exchange rates in relation to the Swedish krona of -10% would at the balance sheet date result in an instantaneous net negative impact on earnings, prior deduction of tax, amounting to SEK -31.5m (SEK -26.0m). The effect on equity would be SEK -24.8m (SEK -20.4). A change in relevant exchange rates in relation to the Swedish krona of +10% would at the balance sheet date result in an instantaneous net positive impact on earnings of SEK 31.5m (SEK 26.0m). The effect on equity would be SEK 24.8m (SEK 20.4m).

Interest rate risk from the banking book

Definition

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

Mitigating measures

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

In accordance with the Swedish Financial Supervisory Authority's methodology for assessing individual types of risks, exposures to interest rate risk arising as a consequence of interest rate fluctuations are part of the Pillar II capital requirements. The Bank actively manages interest rate risk by matching fixed and floating interest rates, and durations of assets and liabilities, or, when not possible, by mitigating the risk with hedging instruments. By using numerous stress scenarios, the interest rate risk exposure is calculated under unfavourable conditions. If the exposures should exceed set limits, or is 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 is responsible for monthly monitoring and reporting all aspects of interest rate risk to the Board and the CEO, as well as the Risk Management function, which performs independent follow-up and reporting.

Sensitivity analysis in case of market interest rate change of 200 basis points (bps)

The Bank calculates interest risk exposures based on the Swedish Financial Supervisory Authority'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 200 bps.

SEK Thousands	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+200bp	2,139	0.14%
Decreased interest rates	-200bp	-3,817	-0.25%

The calculation assumes that market interest rates increase/decrease by 200 bps and states the instantaneous change in the economic value for the Bank.

SEK Thousands	Change	Absolute risk	Risk, % of net interest income
Increased interest rates	+200bp	737	0.10%
Decreased interest rates	-200bp	-33,730	-4.20%

The calculation assumes that market interest rates increase/decrease by 200 bps and states the change in the net interest income for the Bank over the next 12 months.

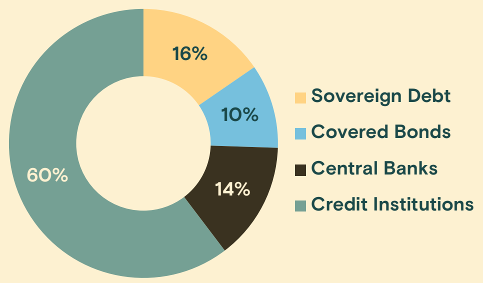
Liquidity risk

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 at maturity without the cost of obtaining the funds increasing considerably.

Mitigating measures

The set risk appetite for liquidity risk is low. The Bank shall retain enough excess liquidity in a liquidity reserve to meet unforeseen cash outflows. The liquidity reserve is only composed of highly rated liquid securities (government bonds and covered bonds) and bank account balances according to the Bank's Liquidity and Financing Risk Management Policy. The Board has set a limit for the minimum liquidity reserve and liquidity buffer that the Bank shall maintain at any time. The liquidity reserve distribution is shown in the figure on the next page.



The Bank is mainly exposed to liquidity risk related to retail deposits and refinancing of issued securities (RMBS, senior unsecured bonds and covered bonds) and credit facilities. Diversification of funding reduces the liquidity risk. Ongoing interest payments and repayments related to RMBS-financing 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, deposit product features and pricing are designed to maximize their cost/risk efficiency. The Bank has retail deposits from the public in Sweden and Norway, consisting of 27% fixed rate accounts (over three months' maturity) and 73% variable deposit accounts, which are covered by the respective country's deposit guarantee scheme, which further reduces the liquidity risk. The Bank offers different deposit products depending on the needs of the Bank and market prices, incorporating this risk into its decision making.

The Treasury function manages the operational handling of liquidity risks, and reports to the Chairman of the Board, the CEO, the CFO, and the CRO on a daily basis, and to the Board in case of limits being breached. The CEO also submits monthly reports on liquidity management and liquidity risk to the Board.

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Liquidity Reserve				
Cash and balances with central banks	402.3	266.0	402.3	266.0
Deposits in other banks	1,945.4	1,681.7	1,716.4	1,067.3
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	438.4	209.4	438.4	209.4
Covered bonds issued by other institutions	287.8	534.1	287.8	534.1
Total	**3,073.8**	**2,691.2**	**2,844.9**	**2,076.8**

The numbers in the table above include accrued interest. The LCR and the NSFR are calculated and monitored every month. The LCR and the NSFR for the Consolidated situation can be found in the table below.

	Consolidated situation	
	2020-12-31	2019-12-31
Liquidity Coverage Ratio (LCR) %	**439**	**361**
Liquid Assets Level 1	987.8	711.4
Liquid Assets Level 2	87.8	215.5
High-Quality Liquid Assets	**1,075.6**	**926.9**
Customer deposits	939.8	918.2
Other outflows	41.1	109.9
Cash Outflows	**980.9**	**1,028.1**
Inflows from retail customers, lending activities	211.4	218.0
Other inflows	1,700.1	1,560.5
Cash Inflows (max. 75% of Cash Outflows)	**735.7**	**771.1**
Net Stable Funding Ratio (NSFR) %	**133**	**118**
Available Stable Funding	18.3	16.2
Required Stable Funding	13.7	13.8

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, and includes legal 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. This have been developed into a solid set of policies, instructions, processes, routines and procedures to ensure that, for example, the staff has the proper competence, training and work experience to maintain the operational risks in the business at an acceptable level, and that processes and IT systems work as they should.

As part of the risk management framework, all business functions perform self-risk assessments of their operations twice a year, in order to identify risks that could otherwise have been overlooked. Identified operational risks are assessed based on their likelihood of occurrence and impact of such an event. 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-ups and controls of outsourced operations to third-party suppliers in order to maintain steering and continuity of the operations.

Through an incident reporting tool, the staff can report incidents to concerned functions for further analysis and follow-up. The Risk Management function continuously monitors reported incidents, and follows up with concerned staff and those responsible in the operations to ensure that proper actions are taken and to prevent the incidents from reoccurring. The Risk Management function reports incidents to both the RiCO, the CEO and the Board.

IT related risks are mitigated in particular through the development 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 tests of continuity management plans are carried out, and a structured work is carried out to protect information. To strengthen this work, a continuous review of processes and working methods is performed, to improve and supplement the Bank's information security.

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 strength 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.

The day-to-day management of the mortgage loan and the administration of deposit accounts for Sweden is outsourced to the Bank's subsidiary BSAB. The management of the mortgage portfolio and the administration of deposit accounts for Norway is provided in-house by the Norwegian loan administration department (Norla). The management of the loan portfolio for Finland is handled by the Finnish branch.

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 the liquidity reserve, matching risk, regulatory risk, reputational risk, and environmental, social and governance-related risks.

Of these other risks, some are assessed quantitatively as part of the Bank's ICLAAP, and are included in the assessment of the Pillar II capital requirement to allocate capital to ensure continued financial stability.

Note 3. Operating segments

Income statement 2020	Group					
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations, other items	Total
Interest income	565.5	539.8	0.6	88.8	-26.3	**1,168.3**
Interest expense	-169.0	-195.4	-0.0	-15.4	20.4	**-359.4**
Net interest income	**396.5**	**344.4**	**0.6**	**73.4**	**-6.0**	**808.9**
Total operating income	**413.1**	**357.5**	**0.5**	**71.1**	**-6.0**	**836.3**
Total expenses	**-290.7**	**-235.0**	**-31.9**	**-23.0**	**0.0**	**-580.7**
Result pre credit losses	**122.4**	**122.5**	**-31.4**	**48.0**	**-6.0**	**255.6**
Credit losses, net	-10.6	-16.0	-0.1	-13.4	-	**-40.1**
Operating profit/loss	**111.8**	**106.5**	**-31.5**	**34.6**	**-6.0**	**215.5**
Allocated tax*	-18.9	-28.2	-	-8.1	-6.0	**-61.1**
Group contributions	-	-	-	-	-	**-**
NET PROFIT/LOSS FOR THE YEAR	**93.0**	**78.3**	**-31.5**	**26.6**	**-11.9**	**154.4**

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

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

Balance sheet 2020-12-31	Group					
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations, other items	Total
Lending to credit institutions	505.8	1,362.5	9.1	-	-	**1,877.4**
Lending to the public	9,416.1	6,651.7	47.7	-	-	**16,115.5**
Deposits from the public	4,589.3	8,023.7	-	-	-	**12,612.9**
Assets held for sale	-	-	-	714.6	-	**714.6**

Balance sheet 2019-12-31	Group					
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations, other items	Total
Lending to credit institutions	1,477.7	191.9	-	-	-	**1,669.6**
Lending to the public	8,394.5	6,741.4	-	1,014.1	-	**16,150.0**
Deposits from the public	4,316.0	7,105.4	-	-	-	**11,421.4**

The personal loan portfolio is reported under other operations.

The operating segment report is based on the Group's accounting policies, organisation and management accounts. Market-based transfer prices are applied between operating segments, while all expenses for IT, other Group functions and Group staffs are transfer priced at cost to the operating segments. Executive management expenses are not distributed. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

The executive decision maker in the organisation is the CEO. The CCO in Sweden, CCO in Norway and the CCO in Finland all report to the CEO. They are responsible for their respective mortgage segment.

Each CCO governs their operations based on clearly stated objectives regarding development of new lending, loan portfolio, income and expenses, and their respective KPIs. Furthermore, the operations strive towards improved quality and cost-effectiveness by increasing process efficiency.

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

There are 199 (191) full-time employees in Mortgages Sweden, 67 (72) in Mortgages Norway, 9 (0) in Mortgage Finland and 0 (11) in other operations.

Note 4. Net interest income

	Group		Parent	
	2020	**2019**	**2020**	**2019**
Interest income				
Lending to credit institutions	0.3	6.4	0.6	8.5
Lending to the public	1,168.7	1,147.8	1,156.6	993.0
Derivates	-	-	-	-
Bonds	-0.7	8.9	21.2	40.4
Intercompany loans	-	-	3.8	18.5
Other	-	0.1	-	0.1
Total interest income	**1,168.3**	**1,163.2**	**1,182.2**	**1,060.4**
Of which:				
Interest income from financial items calculated using the effective interest method	1,162.6	1,153.4	1,150.8	1,000.6
Interest expense				
Liabilities to credit institutions	-9.2	-23.1	-6.4	-
Deposits from the public	-206.8	-199.6	-304.6	-384.5
Derivates	-66.7	-52.1	-47.2	-16.9
Bonds	-55.1	-43.0	-37.2	-11.1
Other	-21.7	-26.3	-17.9	-17.9
Total interest expense	**-359.4**	**-344.2**	**-413.3**	**-430.5**
Of which:				
Interest expense from financial items calculated using the effective interest method	-237.6	-249.1	-328.9	-402.5
Total net interest income	**808.9**	**819.0**	**768.8**	**629.9**

Note 5. Leases

The use rights are classified as tangible fixed assets in the balance sheet and are balanced against equivalent leasing debt which is classified as other liabilities in the balance sheet. The marginal loan interest rate at the beginning of the year was 2.70%.

	Group	
	2020	2019
Opening balance of value rights		
Additional value rights	51.4	20.0
Other	0.2	0.4
Total	**51.6**	**20.5**
Additional rights of use		
Facilities	7.3	44.4
Total	**7.3**	**44.4**
Depreciation of value rights		
Facilities	-12.3	-13.0
Other	-0.1	-0.2
Total	**-12.4**	**-13.2**
Closing balance of value rights		
Facilities	46.5	51.4
Other	0.1	0.2
Total	**46.5**	**51.6**
Interest expense for leasing debt		
Facilities	1.0	0.8
Other	0.0	0.0
Total	**1.0**	**0.8**

Totalt cash outflow	**2020-12-31**	**2019-12-31**
Facilities	15.2	12.9
Other	0.5	0.6
Total	**15.7**	**13.5**

Term analysis of dept 2020	**< 1 year**	**1-5 year**	**> 5 year**
Facilities	-	32.6	17.4

Cash outflow future rental costs 2019	**< 1 year**	**1-5 year**	**> 5 year**
Facilities	12.8	47.5	1.2

Term analysis of dept 2020	**< 1 year**	**1-3 year**	**3-5 year**	**> 5 year**
Facilities	-	3.2	25.4	17.8
Other	0.0	0.1	-	-

Term analysis of dept 2019	**< 1 year**	**1-3 year**	**3-5 year**	**> 5 year**
Facilities	0.9	-	29.6	20.9
Other	0.0	0.2	-	-

Note 6. Net result of financial transactions

	Group		Parent	
	2020	2019	2020	2019
Bonds - unrealised changes	8.0	-1.0	8.0	-1.0
Interest derivatives - unrealised changes	-6.6	-2.6	-3.5	-24.1
-realised change i value	7.0	8.0	7.0	8.0
Issued securities and related currency derivatives - unrealised changes	12.3	7.1	12.2	0.8
Exchange rate changes other receivables and liabilities - unrealised changes	-15.9	4.6	-16.0	4.7
Hedge accounting - fair value hedged item*	73.3	-18.2	73.3	-18.2
Hedge accounting - fair value hedge instrument*	-71.6	18.5	-71.6	18.5
Relocation of interest payments on derivatives to net interest income	9.9	1.6	9.5	0.7
Total	**16.4**	**17.9**	**18.9**	**-10.7**

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

All derivative contracts in the Group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio.

Note 7. Other operating income

	Group		Parent	
	2020	2019	2020	2019
Billing fees	10.6	10.8	36.9	84.3
Valuation fees	0.5	0.7	0.5	0.7
Total	**11.1**	**11.5**	**37.4**	**85.0**

Note 8. General administration expenses

	Group		Parent	
	2020	2019	2020	2019
Personnel costs				
Salaries and emoluments	-198.4	-167.8	-186.8	-159.4
Variable performance benefit	-12.8	-8.5	-12.4	-8.4
Social security charges	-55.5	-50.3	-52.6	-47.4
Pension expenses	-16.0	-18.7	-15.3	-18.1
Other personnel costs	-33.6	-13.2	-32.3	-12.4
Activated salary costs	30.0	14.1	25.8	11.9
Total	**-286.2**	**-244.4**	**-273.5**	**-233.7**
Other administration expenses				
Administration expenses deposits from the public	-1.0	-0.7	-6.1	-5.7
Administration expenses lending to the public	-5.2	-6.5	-27.1	-21.7
Professional fees	-27.3	-41.5	-23.4	-37.6
Other administration expenses	-198.3	-183.5	-206.4	-186.1
Total	**-231.8**	**-232.2**	**-263.0**	**-251.1**
Total General administration expenses	**-518.0**	**-476.7**	**-536.5**	**-484.8**

Note 9. Auditors remuneration and expenses

	Group		Parent	
SEK Thousands	2020	2019	2020	2019
Ernst & Young AB				
Audit assignment	2,277	1,843	1,678	1,209
Audit activities in addition to audit assignment	363	418	363	267
Total	2,640	2,261	2,042	1,476

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 counseling or other assignments.

Note 10. 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 seven members.

For participation in the Board's work in the Bank, as well as the Board's ARCCO Committee, the Board has renumerated six of the members with a total of SEK 4.796m during 2020. No remuneration has been paid for the remaining board members.

Senior officials

Compensation to the CEO and other individuals identified as Remuneration Code Staff is proposed by the Bank's Remuneration committee and determined by the Board. Compensation to other senior officials is determined by the CEO, and in some cases in consultation with members of the Board. Compensation to the CEO and senior officials consists of a basic salary, variable pay in the form of bonus and pension contributions. The period of notice for the CEO is twelve months. Agreements on severance pay with the CEO or any other Senior Executives are determined by individual contracts. Information on compensation according to the Financial Supervisory Authority'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, 5% of gross salary is set aside on a monthly basis and 8% on income between 7.1-12 income base amounts, and in the Finnish branch, 7.15% of the gross salary is set aside for people under 52 years old and over 62 years old. For people between 52-62 years old, 8.65% of the gross salary is set aside.

Salaries and remuneration - Members of the Board and CEO SEK Thousands 2020	**Salary**	**Bonus***	**Pension**	**Total**
CEO - Björn Lander	3,760	-	489	**4,249**
Chariman of the Board - Per-Arne Blomquist	712	-	-	**712**
Board member - Toby Franklin	438	-	-	**438**
Board member - Göran Bronner (resigned in August 2020)	596	-	-	**596**
Board member - Lars Wollung	329	-	-	**329**
Board member - Sofia Arhall Bergendorff	329	-	-	**329**
Board member - Rolf Stub (assigned in August 2020)	2,392	-	-	**2,392**
Board member - Simon Tillmo (assigned in August 2020)	-	-	-	**-**
Board member - Andreas Pettersson Rohman (resigned in May 2020)	-	-	-	**-**
Board member - Albert Gustafsson	-	-	-	**-**
Senior management team excluding CEO - 7 people	10,888	884	2,218	**13,990**
Total costs related to pensions 2020	**19,445**	**884**	**2,707**	**23,036**

** 60% of that amount is deferred and payable in equal amounts over five years under the Company's remuneration policy.*

Salaries and remuneration – Members of the Board and CEO SEK Thousands 2019	Salary	Bonus*	Pension	Total
CEO – Björn Lander (assigned September 2019)	470	–	114	**584**
CEO – Rolf Stub (resigned September 2019)	5,228	–	117	**5,346**
Chariman of the Board – Per-Arne Blomquist	682	–	–	**682**
Board member – Toby Franklin	420	–	–	**420**
Chariman of the Board – Harry Klagsbrun (resigned May 2018)	472	–	–	**472**
Board member – Göran Bronner	315	–	–	**315**
Boardmember – Lars Wollung	210	–	–	**210**
Board member – Andreas Pettersson Rohman	–	–	–	**–**
Board member – Albert Gustafsson	–	–	–	**–**
Board member – Sofia Arhall Bergendorff	–	–	–	**–**
Senior management team excluding CEO – 7 people	6,432	1,265	2,020	**9,716**
Total costs related to pensions 2019	**14,229**	**1,265**	**2,251**	**17,745**

** 60% of that amount is deferred and payable in equal amount over five years under the Company's remuneration policy.*

Salaries and remuneration – Other employees	Group		Parent	
SEK Thousands	**2020**	**2019**	**2020**	**2019**
Salaries and remuneration	181,191	162,189	173,316	155,905
Pension costs	15,955	18,735	15,295	18,068
Social security	55,484	50,273	52,588	47,394
Other staff costs	33,556	13,224	32,275	12,380
Total salaries, remuneration, social security, and pensions	**286,186**	**244,421**	**273,475**	**233,748**

	Parent	
Distribution by gender in board and management	**2020**	**2019**
The Board		
Women	1	1
Men	6	6
Sum	**7**	**7**
Management team including CEO		
Women	3	3
Men	6	5
Sum	**9**	**8**

	Group		Parent	
Average number of employees	**2020**	**2019**	**2020**	**2019**
Sweden				
Women	103	102	92	91
Men	96	100	85	86
Sum	**199**	**202**	**177**	**177**
Norway				
Women	33	34	33	34
Men	34	38	34	38
Sum	**67**	**72**	**67**	**72**
Finland				
Women	1	–	1	–
Men	8	–	8	–
Sum	**9**	**–**	**9**	**–**
Total	**275**	**274**	**253**	**249**

Note 11. Intangible assets

	Group		Parent	
	2020-12-31	**2019-12-31**	**2020-12-31**	**2019-12-31**
Acquisition value brought forward	**240.9**	**182.0**	**215.1**	**157.3**
Investments for the year	40.4	58.3	39.9	57.1
This year's exchange rate differences	-1.9	0.6	-1.9	0.6
Scrapped	-1.5	–	–	–
Acquisition value carried forward	**277.9**	**240.9**	**253.0**	**215.1**
Depreciation brought forward	**-145.8**	**-124.1**	**-131.6**	**-113.8**
Depreciation for the year	-31.1	-21.7	-26.4	-17.2
This year's exchange rate differences	1.6	-0.1	1.8	-0.5
Impairments	-9.5	–	-8.8	–
Scrapped	1.5	–	–	–
Depreciation carried forward	**-183.3**	**-145.8**	**-165.0**	**-131.6**
Self-generated acquisition value brought forward	**12.5**	**–**	**10.8**	**–**
Intangible assets for the period	17.5	12.5	15.1	10.8
Self-generated acquisition value carried forward	**30.0**	**12.5**	**25.8**	**10.8**
Self-generated depreciation value brought forward	**-1.6**	**–**	**-1.1**	**–**
Depreciation for the year	-4.3	-1.6	-3.6	-1.1
Impairments	-1.9	–	-1.9	–
Depreciation carried forward	**-7.8**	**-1.6**	**-6.7**	**-1.1**
Residual value at the end of the accounting period	**116.8**	**107.6**	**107.1**	**94.2**

Purchases of intangible assets consist of a combination of purchases of IT systems and internally generated system and software development costs. FX revaluation of foreign operations result in an exchange rate difference amounting to SEK 1.6m (SEK -0.5m) 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 39.0 months (41.0 months).

Note 12. Tangible fixed assets

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Acquisition value brought forward	**90.6**	**23.6**	**24.2**	**21.3**
Investments for the year	8.0	2.8	1.5	2.8
Reclassification	-	64.0	-	-
Translation effect	-0.5	0.1	-0.5	0.1
Acquisition value carried forward	**98.2**	**90.6**	**25.2**	**24.2**
Depreciation brought forward	**-29.8**	**-15.3**	**-17.1**	**-14.0**
Depreciation for the year	-15.9	-14.4	-3.1	-3.1
Translation effect on fixed assets in Norway	0.3	-0.1	0.3	-0.1
Depreciation carried forward	**-45.3**	**-29.8**	**-19.9**	**-17.1**
Residual value at the end of the accounting period	**52.9**	**60.8**	**5.4**	**7.1**

FX revaluation of foreign operations result in an exchange rate difference amounting to SEK 0.3m (SEK -0.1m) 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 13. Net credit losses

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

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

	Group		Parent	
Credit impairments	**2020**	**2019**	**2020**	**2019**
Credit impairment provisions	**13.9**	**-6.7**	**13.4**	**-7.0**
of which Stage 1	9.1	-1.4	9.0	-1.7
of which Stage 2	10.1	-2.8	10.1	-3.5
of which Stage 3	-5.4	-2.5	-5.7	-1.7
Credit impairments for off balance sheet exposures	**-**	**-**	**-**	**-**
Write-offs				
Actual losses during the period	-53.9	-53.0	-54.0	-50.4
- of which change of reserv due to removed losses	27.0	24.1	24.3	21.7
Credit losses, net	**-40.1**	**-59.7**	**-40.6**	**-57.4**

Group level net losses during the year amounted to SEK -40.1m (SEK -59.7m) of which actual losses amounted to SEK -53.9m (SEK -53.0m).

Note 14. Tax on net result

The tax rate in Sweden for 2020 is 21.4% (21.4%). The tax rate in Norway for 2020 is 25.0% (25.0%) and the tax rate in Finland for 2020 is 20.0% (20.0%).

	Group		Parent	
Tax expense in income statement	**2020**	**2019**	**2020**	**2019**
Current tax on net result	-60.6	-43.6	-58.0	-42.0
Deffered tax expense	-0.5	-0.4	-	-
Total tax expense	**-61.1**	**-43.6**	**-58.0**	**-42.0**

	Group		Parent	
Reconciliation effective tax	**2020**	**2019**	**2020**	**2019**
Net profit before tax	215.5	189.2	204.3	170.4
Tax based on current tax rate (21.4%)	-46.1	-40.5	-43.7	-36.5
Tax attributable to previous year	-0.1	0.2	-0.2	0.2
Tax effect from foreign operations	-11.6	-2.3	-11.9	-5.2
Tax effect non deductible items	-2.3	-0.6	-2.1	-0.5
Deferred tax	-0.5	-0.4	-	-
Total tax expense	**-61.1**	**-43.6**	**-58.0**	**-42.0**

Note 15. Cash and balances at central banks

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Balances at central banks	402.3	266.0	402.3	266.0
Cash	0.0	0.0	0.0	0.0
Total	**402.3**	**266.0**	**402.3**	**266.0**

Note 16. Lending to credit institutions

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Swedish banks	1,877.4	1,669.6	1,716.4	1,067.3
Foreign banks	-	0.1	-	0.1
Total	**1,877.4**	**1,669.6**	**1,716.4**	**1,067.3**

Note 17. Lending to the public

	Group		Parent	
Lending to the public	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Valued at amortized cost	16,613.3	16,098.3	16,613.3	13,709.2
Assets held for sale	-714.6	-	-714.6	-
Valued at fair value	216.8	51.8	216.8	51.8
Sum lending to the public	**16,115.5**	**16,150.0**	**16,115.5**	**13,760.9**

The tables below present a breakdown of loans at amortized cost and its write-downs with successive allocation per asset class. Due to uncertainty in the market as a result of Covid-19 the Bank has decided to stress the expected credit losses. The stress consists of a 15% increase of the 12 month PD for both Swedish and Norwegian mortgages. In addition, the recovery rate for high LTVs in Norwegian mortgages have been stressed by a decrease of 3.4%. As the Finnish branch was established during the year, there is no relevant data available and therefore no stress of PD is performed on the Finnish mortgage portfolio.

Group	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**14,504.3**	**1,339.0**	**312.8**	**16,156.1**
New financal assets	5,237.2	179.9	30.6	**5,447.6**
Change in PD/LGD/EAD	-264.5	-11.4	-0.0	**-275.8**
Change due to expertise	-460.4	460.4	-0.0	**0.0**
Transfers between stages	**-475.5**	**235.9**	**206.6**	**-33.0**
-Transfer from stage 1 to 2	-685.3	674.7	-	**-10.7**
-Transfer from stage 1 to 3	-133.3	-	134.1	**0.8**
-Transfer from stage 2 to 1	339.8	-359.9	-	**-20.1**
-Transfer from stage 2 to 3	-	-96.1	95.9	**-0.1**
-Transfer from stage 3 to 1	3.3	-	-5.9	**-2.6**
-Transfer from stage 3 to 2	-	17.3	-17.5	**-0.3**
Exchange rate change	-631.2	-68.6	-21.6	**-721.4**
Removed financial assets	-3,328.0	-391.1	-197.9	**-3,917.0**
Provisions 31 December 2020	**14,581.8**	**1,744.2**	**330.4**	**16,656.5**

Parent	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**12,309.4**	**1,163.5**	**288.4**	**13,761.0**
New financal assets	6,862.9	306.7	54.8	**7,224.4**
Change in PD/LGD/EAD	-232.6	-10.7	-0.0	**-243.3**
Change due to expertise	-460.4	460.4	-	**0.0**
Transfers between stages	**-452.6**	**231.2**	**191.2**	**-30.2**
-Transfer from stage 1 to 2	-627.2	618.2	-	**-9.0**
-Transfer from stage 1 to 3	-120.6	-	121.4	**0.8**
-Transfer from stage 2 to 1	292.0	-311.1	-	**-19.1**
-Transfer from stage 2 to 3	-	-86.1	86.0	**-0.0**
-Transfer from stage 3 to 1	3.3	-	-5.9	**-2.6**
-Transfer from stage 3 to 2	-	10.1	-10.3	**-0.2**
Exchange rate change	-631.2	-68.6	-21.6	**-721.4**
Removed financial assets	-2,813.3	-338.3	-182.4	**-3,334.0**
Provisions 31 December 2020	**14,582.0**	**1,744.2**	**330.4**	**16,656.5**

Mortgage loans Sweden	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**7,701.8**	**577.2**	**85.8**	**8,364.8**
New financal assets	2,639.3	37.0	11.8	**2,688.0**
Change in PD/LGD/EAD	-118.1	-2.5	-0.1	**-120.7**
Change due to expertise	-202.9	202.9	-0.0	**-**
Transfers between stages	**-187.7**	**105.1**	**75.4**	**-7.3**
-Transfer from stage 1 to 2	-285.2	281.4	-	**-3.8**
-Transfer from stage 1 to 3	-53.8	-	53.9	**0.1**
-Transfer from stage 2 to 1	151.1	-154.2	-	**-3.1**
-Transfer from stage 2 to 3	-	-37.2	37.0	**-0.3**
-Transfer from stage 3 to 1	0.2	-	-0.2	**0.0**
-Transfer from stage 3 to 2	-	15.1	-15.3	**-0.2**
Exchange rate change	-	-	-	**-**
Removed financial assets	-1,519.4	-130.4	-48.9	**-1,698.6**
Provisions 31 December 2020	**8,313.0**	**789.2**	**124.0**	**9,226.3**

Mortgage loans Norway	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**5,834.7**	**695.8**	**218.3**	**6,748.8**
New financal assets	2,502.9	141.2	18.6	**2,662.7**
Change in PD/LGD/EAD	-69.2	-7.8	0.1	**-77.0**
Change due to expertise	-257.5	257.5	-	**0.0**
Transfers between stages	**-247.9**	**101.9**	**124.7**	**-21.4**
-Transfer from stage 1 to 2	-353.2	348.7	-	**-4.5**
-Transfer from stage 1 to 3	-74.1	-	75.0	**0.9**
-Transfer from stage 2 to 1	176.4	-191.5	-	**-15.1**
-Transfer from stage 2 to 3	-	-57.5	57.7	**0.1**
-Transfer from stage 3 to 1	3.0	-	-5.7	**-2.6**
-Transfer from stage 3 to 2	-	2.2	-2.3	**-0.1**
Exchange rate change	-631.2	-68.6	-21.6	**-721.4**
Removed financial assets	-1,557.2	-228.9	-140.3	**-1,926.5**
Provisions 31 December 2020	**5,574.4**	**891.1**	**199.7**	**6,665.2**

Mortgage loans Finland	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**-**	**-**	**-**	**-**
New financal assets	47.8	-	-	**47.8**
Change in PD/LGD/EAD	-	-	-	**-**
Change due to expertise	-	-	-	**-**
Transfers between stages	**-**	**-**	**-**	**-**
-Transfer from stage 1 to 2	-	-	-	**-**
-Transfer from stage 1 to 3	-	-	-	**-**
-Transfer from stage 2 to 1	-	-	-	**-**
-Transfer from stage 2 to 3	-	-	-	**-**
-Transfer from stage 3 to 1	-	-	-	**-**
-Transfer from stage 3 to 2	-	-	-	**-**
Exchange rate change	-	-	-	**-**
Removed financial assets	-	-	-	**-**
Provisions 31 December 2020	**47.8**	**-**	**-**	**47.8**

Other operations	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**967.7**	**66.1**	**8.7**	**1,042.5**
New financal assets	47.2	1.7	0.2	**49.1**
Change in PD/LGD/EAD	-77.2	-1.0	-	**-78.2**
Change due to expertise	-	-	-	**-**
Transfers between stages	**-39.9**	**29.0**	**6.5**	**-4.3**
-Transfer from stage 1 to 2	-46.9	44.6	-	**-2.3**
-Transfer from stage 1 to 3	-5.3	-	5.2	**-0.1**
-Transfer from stage 2 to 1	12.4	-14.3	-	**-1.9**
-Transfer from stage 2 to 3	-	-1.3	1.3	**-0.0**
-Transfer from stage 3 to 1	-	-	-	**-**
-Transfer from stage 3 to 2	-	-	-	**-**
Exchange rate change	-	-	-	**-**
Removed financial assets	-251.4	-31.9	-8.7	**-291.9**
Provisions 31 December 2020	**646.6**	**63.9**	**6.7**	**717.2**

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

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

Mortgage loans Sweden	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	**7,610.3**	**557.9**	**89.7**	**8,257.9**
New financal assets	1,884.9	47.8	8.9	**1,941.6**
Change in PD/LGD/EAD	-100.8	-4.4	-1.4	**-106.6**
Change due to expertise	23.0	-23.0	-0.0	**-**
Transfers between stages	**-197.7**	**138.8**	**50.5**	**-8.4**
-Transfer from stage 1 to 2	-290.1	286.4	-	**-3.7**
-Transfer from stage 1 to 3	-35.5	-	35.0	**-0.6**
-Transfer from stage 2 to 1	126.6	-128.7	-	**-2.2**
-Transfer from stage 2 to 3	-	-27.1	25.7	**-1.4**
-Transfer from stage 3 to 1	1.4	-	-1.4	**-0.0**
-Transfer from stage 3 to 2	-	8.2	-8.7	**-0.5**
Exchange rate change	-	-	-	**-**
Removed financial assets	-1,518.1	-139.9	-61.9	**-1,719.9**
Provisions 31 December 2019	**7,701.6**	**577.2**	**85.8**	**8,364.6**

Mortgage loans Norway	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	**4,867.1**	**294.9**	**139.9**	**5,301.9**
New financal assets	2,276.2	219.8	13.6	**2,509.6**
Change in PD/LGD/EAD	-63.4	-6.9	-0.1	**-70.4**
Change due to expertise	-	-	-	**-**
Transfers between stages	**-377.3**	**226.8**	**131.5**	**-18.9**
-Transfer from stage 1 to 2	-352.9	343.1	-	**-9.8**
-Transfer from stage 1 to 3	-75.9	-	75.1	**-0.8**
-Transfer from stage 2 to 1	45.5	-51.4	-	**-5.9**
-Transfer from stage 2 to 3	-	-70.4	69.7	**-0.8**
-Transfer from stage 3 to 1	6.0	-	-6.4	**-0.4**
-Transfer from stage 3 to 2	-	5.6	-6.8	**-1.2**
Exchange rate change	184.3	22.0	6.9	**213.1**
Removed financial assets	-1,052.1	-60.7	-73.6	**-1,186.5**
Provisions 31 December 2019	**5,834.7**	**695.8**	**218.3**	**6,748.8**

Other operations	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	**949.6**	**62.9**	**7.8**	**1,020.2**
New financal assets	414.5	14.0	1.8	**430.3**
Change in PD/LGD/EAD	-69.1	-1.4	-	**-70.5**
Change due to expertise	4.6	-4.6	-	**-**
Transfers between stages	**-39.1**	**28.2**	**6.7**	**-4.3**
-Transfer from stage 1 to 2	-43.9	41.7	-	**-2.2**
-Transfer from stage 1 to 3	-6.5	-	6.2	**-0.3**
-Transfer from stage 2 to 1	11.3	-13.0	-	**-1.7**
-Transfer from stage 2 to 3	-	-0.7	0.6	**-0.1**
-Transfer from stage 3 to 1	-	-	-	**-**
-Transfer from stage 3 to 2	-	0.1	-0.1	**-0.0**
Exchange rate change	-	-	-	**-**
Removed financial assets	-292.7	-32.9	-7.7	**-333.3**
Provisions 31 December 2019	**967.7**	**66.1**	**8.7**	**1,042.5**

Utlåning till allmänheten – förändring av reserv för förväntade kreditförluster

Group	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**14,504.3**	**1,339.0**	**312.8**	**16,156.1**
Reported value gross 31 December 2020	**14,581.9**	**1,744.2**	**330.4**	**16,656.5**
Provisions 1 January 2020	**15.3**	**28.6**	**14.0**	**57.8**
New financal assets	2.3	1.8	1.6	**5.6**
Change in PD/LGD/EAD	-0.9	-0.3	-0.2	**-1.4**
Change due to expertise	-4.8	-8.9	2.8	**-10.9**
Transfers between stages	**-0.9**	**9.6**	**11.1**	**19.7**
-Transfer from stage 1 to 2	-1.2	16.0	-	**14.7**
-Transfer from stage 1 to 3	-0.2	-	8.5	**8.3**
-Transfer from stage 2 to 1	0.5	-5.3	-	**-4.7**
-Transfer from stage 2 to 3	-	-1.6	3.7	**2.1**
-Transfer from stage 3 to 1	0.0	-	-0.1	**-0.1**
-Transfer from stage 3 to 2	-	0.4	-1.0	**-0.6**
Exchange rate change	-0.1	-0.3	-0.3	**-0.7**
Removed financial assets	-4.8	-12.3	-9.9	**-27.0**
Provisions 31 December 2020	**6.1**	**18.1**	**19.0**	**43.3**
Opening balance 1 January 2020	**14,489.0**	**1,310.5**	**298.8**	**16,098.3**
Closing balance 31 December 2020	**14,575.8**	**1,726.1**	**311.4**	**16,613.3**

Parent	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**12,309.2**	**1,163.5**	**288.4**	**13,761.0**
Reported value gross 31 December 2020	14,581.9	1,744.2	330.4	16,656.5
Provisions 1 January 2020	**14.3**	**25.4**	**12.1**	**51.9**
New financal assets	2.8	3.5	3.4	**9.7**
Change in PD/LGD/EAD	-0.8	-0.1	-0.2	**-1.1**
Change due to expertise	-4.8	-8.9	2.8	**-10.9**
Transfers between stages	**-0.9**	**9.7**	**9.8**	**18.6**
-Transfer from stage 1 to 2	-1.2	15.3	–	**14.1**
-Transfer from stage 1 to 3	-0.2	–	7.5	**7.4**
-Transfer from stage 2 to 1	0.5	-4.6	–	**-4.1**
-Transfer from stage 2 to 3	–	-1.3	3.0	**1.7**
-Transfer from stage 3 to 1	0.0	–	-0.1	**-0.1**
-Transfer from stage 3 to 2	–	0.3	-0.7	**-0.4**
Exchange rate change	-0.1	-0.3	-0.3	**-0.7**
Removed financial assets	-4.5	-11.2	-8.5	**-24.3**
Provisions 31 December 2020	**6.1**	**18.1**	**19.0**	**43.3**
Opening balance 1 January 2020	**12,294.8**	**1,138.1**	**276.3**	**13,709.2**
Closing balance 31 December 2020	**14,575.8**	**1,726.1**	**311.4**	**16,613.3**

Mortgage loans Sweden	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**7,701.8**	**577.2**	**85.8**	**8,364.8**
Reported value gross 31 December 2020	8,313.0	789.2	124.0	9,226.3
Provisions 1 January 2020	**4.4**	**10.4**	**7.2**	**22.0**
New financal assets	1.7	1.1	1.2	**4.0**
Change in PD/LGD/EAD	-0.4	-0.8	-0.2	**-1.4**
Change due to expertise	0.8	2.5	–	**3.3**
Transfers between stages	**-0.3**	**1.8**	**6.7**	**8.1**
-Transfer from stage 1 to 2	-0.3	4.3	–	**4.0**
-Transfer from stage 1 to 3	-0.1	–	5.3	**5.1**
-Transfer from stage 2 to 1	0.1	-2.1	–	**-1.9**
-Transfer from stage 2 to 3	–	-0.9	2.4	**1.5**
-Transfer from stage 3 to 1	0.0	–	-0.0	**-0.0**
-Transfer from stage 3 to 2	–	0.4	-1.0	**-0.6**
Exchange rate change	–	–	–	**–**
Removed financial assets	-1.7	-3.0	-4.3	**-9.0**
Provisions 31 December 2020	**4.4**	**11.9**	**10.7**	**27.0**
Opening balance 1 January 2020	**7,697.4**	**566.8**	**78.6**	**8,342.8**
Closing balance 31 December 2020	**8,308.6**	**777.4**	**113.3**	**9,199.3**

Mortgage loans Norway	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**5,834.7**	**695.8**	**218.3**	**6,748.8**
Reported value gross 31 December 2020	5,574.4	891.1	199.7	6,665.2
Provisions 1 January 2020	0.9	3.4	3.1	**7.4**
New financal assets	0.4	0.6	0.3	**1.2**
Change in PD/LGD/EAD	-0.1	0.2	-0.0	**0.1**
Change due to expertise	0.9	3.1	2.8	**6.7**
Transfers between stages	**-0.1**	**0.5**	**1.7**	**2.2**
-Transfer from stage 1 to 2	-0.1	1.6	–	**1.5**
-Transfer from stage 1 to 3	-0.0	–	1.0	**1.0**
-Transfer from stage 2 to 1	0.1	-0.7	–	**-0.6**
-Transfer from stage 2 to 3	–	-0.4	0.8	**0.4**
-Transfer from stage 3 to 1	0.0	–	-0.1	**-0.1**
-Transfer from stage 3 to 2	–	0.0	-0.0	**-0.0**
Exchange rate change	-0.1	-0.3	-0.3	**-0.7**
Removed financial assets	-0.3	-1.2	-2.0	**-3.5**
Provisions 31 December 2020	**1.6**	**6.2**	**5.6**	**13.5**
Opening balance 1 January 2020	**5,833.9**	**692.4**	**215.2**	**6,741.4**
Closing balance 31 December 2020	**5,572.8**	**884.8**	**194.1**	**6,651.8**

Mortgage loans Finland	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**–**	**–**	**–**	**–**
Reported value gross 31 December 2020	47.8	–	–	47.8
Provisions 1 January 2020	**–**	**–**	**–**	**–**
New financal assets	0.1	–	–	**0.1**
Change in PD/LGD/EAD	–	–	–	**–**
Change due to expertise	–	–	–	**–**
Transfers between stages	**–**	**–**	**–**	**–**
-Transfer from stage 1 to 2	–	–	–	**–**
-Transfer from stage 1 to 3	–	–	–	**–**
-Transfer from stage 2 to 1	–	–	–	**–**
-Transfer from stage 2 to 3	–	–	–	**–**
-Transfer from stage 3 to 1	–	–	–	**–**
-Transfer from stage 3 to 2	–	–	–	**–**
Exchange rate change	–	–	–	**–**
Removed financial assets	–	–	–	**–**
Provisions 31 December 2020	**0.1**	**–**	**–**	**0.1**
Opening balance 1 January 2020	**–**	**–**	**–**	**–**
Closing balance 31 December 2020	**47.7**	**–**	**–**	**47.7**

Other operations	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**967.7**	**66.1**	**8.7**	**1,042.5**
Reported value gross 31 December 2020	646.6	63.9	6.7	717.2
Provisions 1 January 2020	**10.0**	**14.8**	**3.6**	**28.4**
New financal assets	0.1	0.2	0.1	**0.4**
Change in PD/LGD/EAD	-0.4	0.4	–	**-0.0**
Change due to expertise	-6.4	-14.4	–	**-20.9**
Transfers between stages	**-0.5**	**7.2**	**2.7**	**9.4**
-Transfer from stage 1 to 2	-0.8	10.0	–	**9.2**
-Transfer from stage 1 to 3	-0.1	–	2.2	**2.1**
-Transfer from stage 2 to 1	0.4	-2.5	–	**-2.1**
-Transfer from stage 2 to 3	–	-0.3	0.5	**0.2**
-Transfer from stage 3 to 1	–	–	–	**–**
-Transfer from stage 3 to 2	–	–	–	**–**
Exchange rate change	–	–	–	**–**
Removed financial assets	-2.8	-8.1	-3.6	**-14.5**
Provisions 31 December 2020	**–**	**–**	**2.7**	**2.7**
Opening balance 1 January 2020	**957.8**	**51.3**	**5.1**	**1,014.1**
Closing balance 31 December 2020	**646.6**	**63.9**	**4.0**	**714.5**

Group	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	**13,426.9**	**915.7**	**237.4**	**14,580.0**
Reported value gross 31 December 2019	14,504.3	1,339.0	312.8	16,156.1
Provisions 1 January 2019	**13.9**	**25.7**	**11.4**	**51.0**
New financal assets	5.4	5.4	2.1	**12.8**
Change in PD/LGD/EAD	1.2	-0.5	-0.1	**0.6**
Change due to expertise	-0.2	-1.5	–	**-1.7**
Transfers between stages	**-1.0**	**10.8**	**9.0**	**18.9**
-Transfer from stage 1 to 2	-1.2	16.4	–	**15.2**
-Transfer from stage 1 to 3	-0.2	–	6.4	**6.3**
-Transfer from stage 2 to 1	0.4	-4.2	–	**-3.7**
-Transfer from stage 2 to 3	–	-1.7	3.4	**1.7**
-Transfer from stage 3 to 1	0.0	–	-0.1	**-0.1**
-Transfer from stage 3 to 2	–	0.3	-0.7	**-0.4**
Exchange rate change	0.0	0.1	0.1	**0.2**
Removed financial assets	-4.0	-11.4	-8.6	**-24.1**
Provisions 31 December 2019	**15.3**	**28.6**	**14.0**	**57.8**
Opening balance 1 January 2019	**13,413.0**	**889.9**	**226.0**	**14,529.0**
Closing balance 31 December 2019	**14,489.0**	**1,310.5**	**298.8**	**16,098.3**

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

Mortgage loans Sweden	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	**7,610.3**	**557.9**	**89.7**	**8,257.9**
Reported value gross 31 December 2019	7,701.8	577.2	85.8	8,364.8
Provisions 1 January 2019	3.2	9.9	6.5	**19.6**
New financal assets	1.4	1.4	1.2	**4.0**
Change in PD/LGD/EAD	1.0	-0.3	-0.1	**0.6**
Change due to expertise	-0.2	-0.5	–	**-0.8**
Transfers between stages	**-0.3**	**2.9**	**4.3**	**6.9**
-Transfer from stage 1 to 2	-0.3	5.2	–	**4.9**
-Transfer from stage 1 to 3	-0.0	–	2.7	**2.7**
-Transfer from stage 2 to 1	0.1	-1.6	–	**-1.5**
-Transfer from stage 2 to 3	–	-0.9	2.2	**1.3**
-Transfer from stage 3 to 1	0.0	–	-0.0	**-0.0**
-Transfer from stage 3 to 2	–	0.2	-0.6	**-0.4**
Exchange rate change	–	–	–	**–**
Removed financial assets	-0.7	-3.0	-4.6	**-8.3**
Provisions 31 December 2019	**4.4**	**10.4**	**7.2**	**22.0**
Opening balance 1 January 2019	**7,605.8**	**547.5**	**82.5**	**8,235.9**
Closing balance 31 December 2019	**7,697.4**	**566.8**	**78.6**	**8,342.8**

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

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

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

The Bank has kept the assets sold to the securitisation companies, Step 3 (in 2019) and Step 4, in its own balance sheet since they not fulfil the requirements for derecognition. A number of tests has been performed and the conclusion is supported by the following factors:

- The size of BBABs earnings is directly dependent of the economical presentations of the assets
- The credit risk is not transferred to Step 3 and Step 4 since the Bank has invested in underlying bonds with low ranking (lower payment priority)

The table below shows the presented values of the assets:

Transferred assets 2020	Bluestep Mortgage Securities No 3 Designated Activity Company	Bluestep Mortgage Securities No 4 Designated Activity Company
Lending to the public (SEKm)	–	1,118.7
Sum	**–**	**1,118.7**

Transferred assets 2019	Bluestep Mortgage Securities No 3 Designated Activity Company	Bluestep Mortgage Securities No 4 Designated Activity Company
Lending to the public (SEKm)	1,471.9	1,404.7
Sum	**1,471.9**	**1,404.7**

Note 18. Hedge acccounting 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:

	Group					
	2020-12-31			2019-12-31		
Assets	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	2,553.9	–	16.1	5,115.0	–	32.7
Foreign financial institutes	3,793.3	–	25.0	8,762.3	–	114.2
Total	6,347.2	–	41.2	13,877.3	–	147.0

	Parent					
	2020-12-31			2019-12-31		
Assets	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	2,553.9	–	16.1	5,115.0	–	32.7
Foreign financial institutes	650.0	–	0.6	2,450.0	–	1.7
Total	3,203.9	–	16.7	7,565.0	–	34.4

	Group					
	2020-12-31			2019-12-31		
Liabilities	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	5,680.0	–	54.5	1,101.1	–	7.7
Foreign financial institutes	3,574.1	–	1.3	3,279.1	–	9.4
Total	9,254.1	–	55.8	4,380.3	–	17.1

	Parent					
	2020-12-31			2019-12-31		
Liabilities	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	5,680.0	–	54.5	1,101.1	–	7.7
Foreign financial institutes	3,574.1	–	1.3	3,279.1	–	9.4
Total	9,254.1	–	55.8	4,380.3	–	17.1

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

The bank applies fair value hedging in accordance with the carve-out method in IAS 39. The hedged items consist of portfolios of borrowing, deposits and lending. The hedging instruments consist of interest rate swaps in SEK and NOK where Bluestep pays fixed interest and receives variable, usually with a maturity of up to three years.

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

The change in value of hedged items amounted to SEK 73.3m (SEK -18.2m) as per 31 December, and the corresponding change in value of hedge instruments was SEK -71.6m (SEK 18.5m). The unrealized market valuation of hedge accounting is reported under "Net result of financial transactions" and amounted to SEK 1.7m (SEK 0.2m). The hedge accounting is effective and thereby meets the conditions for when hedge accounting may be applied.

		Carrying amount			
Hedging instruments and hedge ineffectiveness	Nominal amount	Assets	Liabilities	Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or Loss
Interest rate risk					
Interest rate swap	11,200.0	4.5	-50.6	-71.6	1.7

	Carrying amount		Accumulated adjustment on the hedged item		
Hedged items	Assets	Liabilities	Assets	Liabilities	Change in value used for measuring hedge ineffectiveness
Interest rate risk					
Lending to the public	10,379.4	–	–	47.1	73.3

	Remaining contractual maturity		
Maturity profile and average price, hedging instruments	<1 year	1–5 years	>5 years
Fair value hedges			
Nominal amount	2,700.0	8,500.0	–
Average fixed interest rate (%)	0.67%	0.50%	–

Note 19. Bonds and other interest-bearing securities

	Group and Parent			
	2020-12-31		2019-12-31	
	Purchase value	Recognised value	Purchase value	Recognised value
Swedish issuers				
Bonds issued by the Swedish government or municipalities	242.5	238.2	111.9	95.7
Covered bonds (listed) issued by Swedish credit institutions	103.9	103.3	253.6	253.6
Foreign issuers				
Bonds issued by the German government	–	–	1.0	1.1
Bonds issued by the Norwegian government	218.1	196.0	114.9	109.3
Covered bonds (listed) issued by Norwegian credit institutions	205.2	183.0	272.5	278.3
Total	769.7	720.6	753.8	738.1

Note 20. Shares in associated companies

Company name	Number of shares	Share %	Recognised value 2020	Recognised value 2019
Bluestep Finans Funding No 1 AB	100,000	100%	4.6	4.6
Bluestep Mortgage Securities No 2 Designated Activity Company	1	100%	0.0	0.0
Bluestep Mortgage Securities No 3 Designated Activity Company	1	100%	0.0	0.0
Bluestep Mortgage Securities No 4 Designated Activity Company	1	100%	0.0	0.0
Bluestep Servicing AB	50,000	100%	0.1	0.1
Total			**4.7**	**4.7**

Company name	Reg. No.	Domicile	Equity	Net profit 2020	Net profit 2019
Bluestep Finans Funding No 1 AB	556791-6928	Stockholm	1.5	5.7	-0.2
Bluestep Mortgage Securities No 2 Designated Activity Company	522186	Dublin	0.0	0.2	2.3
Bluestep Mortgage Securities No 3 Designated Activity Company	550839	Dublin	0.0	-0.3	12.0
Bluestep Mortgage Securities No 4 Designated Activity Company	596111	Dublin	0.0	-2.4	-0.9
Bluestep Servicing AB	556955-3927	Stockholm	18.9	3.4	2.6

Note 21. Other assets

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accounts receivable	13.0	18.8	13.0	13.3
Intercompany receivables	0.0	–	5.0	683.2
Securities financial instruments[1]	115.1	62.2	115.1	62.2
Tax receivables	39.4	24.7	36.4	21.7
Long term deposits	0.1	1.1	0.1	1.0
Other assets	0.4	-1.4	0.4	-1.4
Total	**168.0**	**105.4**	**170.0**	**780.1**

[1] *Funds that the parties exchange due to changes in the value of the underlying financial instruments."*

Not 22. Prepaid expenses and accrued income

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accrued interest	5.5	5.4	5.5	5.4
Other prepaid expenses and accrued income	17.5	15.5	16.9	14.8
Total	**23.0**	**20.9**	**22.4**	**20.2**

Note 23. Assets held for sale

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Assets held for sale	714.6	–	714.6	–
Total	**714.6**	**–**	**714.6**	**–**

In November 2020 the Bank reached an agreement regarding the sale of the personal loans portfolio, where the portfolio is transferred on the 1st of January 2021.

Note 24. Liabilities to credit institutions

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Debts to foreign banks*	–	2,000.0	–	–
Debts to Bluestep No 3 Designated Activity Company and Bluestep No 4 Designated Activity Company	–	–	582.2	1,487.8
Total	**–**	**2,000.0**	**582.2**	**1,487.8**

**Consists of a committed credit facility in BFF1*

Note 25. Issued bonds

	Group		Parent	
Bonds secured by mortgage loans	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Carrying balance	1,901.1	3,233.7	–	–
Issued bonds during year	2,943.5	–	2,943.5	–
Repayments on bonds	-1,098.0	-1,263.4	–	–
Change due to currency fluctuation	-57.3	-69.2	–	–
Total	**3,689.2**	**1,901.1**	**2,943.5**	**–**

	Group		Parent	
Unsecured bonds	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Carrying balance	2,000.0	200.0	2,000.0	200.0
Issued bonds during year	–	1,800.0	–	1,800.0
Total	**2,000.0**	**2,000.0**	**2,000.0**	**2,000.0**

Note 26. Deposits from the public

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Deposits from the public	12,612.9	11,421.4	12,612.9	11,421.4
Total	**12,612.9**	**11,421.4**	**12,612.9**	**11,421.4**

Note 27. Accrued expenses and prepaid income

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Accrued salaries and remunerations	42.3	24.0	40.6	23.3
Accrued social costs	6.6	5.9	6.3	5.7
Accrued interest	25.9	35.1	24.2	24.5
Other accrued expenses and prepaid income	9.8	23.6	8.7	23.0
Accrued interest costs	5.4	-	5.4	-
Total	**90.0**	**88.6**	**85.2**	**76.5**

Note 28. Other liabilities

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Trade creditors	14.7	30.1	14.1	29.8
Intercompany liabilities	0.0	85.3	3.1	87.3
Social costs	16.4	13.1	15.7	12.4
Other liabilities	64.0	91.3	19.0	39.9
Total	**95.1**	**219.8**	**52.0**	**169.3**

Other liabilities include a group contribution from the Bank to BHAB, amounting to SEK 0m (SEK 85.3m).

Note 29. Assets and liabilities duration information

	Group					
	Non discounted contractual cash flows					
Remaining duration 2020-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**Total**
Assets						
Cash and balances at central banks	402.3	-	-	-	-	**402.3**
Lending to credit institutions	1,877.4	-	-	-	-	**1,877.4**
Lending to the public	-	216.6	398.1	641.8	17,011.3	**18,267.8**
Interest bearing securities	-	4.8	213.7	938.1	-	**1,156.6**
Total	**2,279.7**	**221.4**	**611.8**	**1,580.0**	**17,011.3**	**21,704.1**
Liabilities						
Issued bonds	-	18.3	1,000.0	5,084.1	-	**6,102.4**
Deposits from the public	9,027.1	1,266.5	1,547.1	726.9	-	**12,567.6**
Total	**9,027.1**	**1,284.8**	**2,547.1**	**5,811.0**	**-**	**18,670.0**
Derivatives						
Derivatives inflow	-0.0	13.6	-	509.0	-	**522.6**
Derivatives outflow	-0.0	-7.9	-37.3	-520.7	-	**-565.9**
Total	**-0.0**	**5.8**	**-37.3**	**-11.7**	**-**	**-43.3**

	Group					
	Non discounted contractual cash flows					
Remaining duration 2019-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**Total**
Assets						
Cash and balances at central banks	266.0	-	-	-	-	**266.0**
Lending to credit institutions	1,669.6	-	-	-	-	**1,669.6**
Lending to the public	-	229.0	405.9	696.1	16,439.6	**17,770.5**
Interest bearing securities	-	151.5	78.4	527.2	-	**757.1**
Total	**1,935.6**	**380.5**	**484.3**	**1,223.3**	**16,439.6**	**20,463.2**
Liabilities						
Liabilities to credit institutions	-	12.8	1,166.7	833.3	-	**2,012.8**
Issued bonds	-	11.4	785.9	3,111.9	-	**3,909.2**
Deposits from the public	8,951.8	589.5	1,186.5	619.2	17.9	**11,364.9**
Total	**8,951.8**	**613.7**	**3,139.1**	**4,564.5**	**17.9**	**17,286.9**
Derivatives						
Derivatives inflow	0.0	56.3	233.7	882.3	-	**1,172.3**
Derivatives outflow	-0.0	-24.4	-28.8	-50.1	-	**-103.2**
Total	**0.0**	**31.9**	**204.9**	**832.3**	**-**	**1,069.1**

	Parent					
	Non discounted contractual cash flows					
Remaining duration 2020-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**Total**
Assets						
Cash and balances at central banks	402.3	–	–	–	–	**402.3**
Lending to credit institutions	1,716.4	–	–	–	–	**1,716.4**
Lending to the public	–	202.6	369.6	621.3	15,890.4	**17,083.9**
Interest bearing securities	–	4.8	213.7	938.1	–	**1,156.6**
Total	**2,118.7**	**207.4**	**583.3**	**1,559.4**	**15,890.4**	**20,359.3**
Liabilities						
Deposits from the public	9,027.1	1,266.5	1,547.1	726.9	–	**12,567.6**
Issued bonds	–	13.8	1,000.0	3,900.0	–	**4,913.8**
Total	**9,027.1**	**1,280.2**	**2,547.1**	**4,626.9**	**–**	**17,481.3**
Derivatives						
Derivatives inflow	–	6.5	–	–	–	**6.5**
Derivatives outflow	–	-9.4	-37.3	-37.4	–	**-84.1**
Total	**–**	**-2.8**	**-37.3**	**-37.4**	**–**	**-77.6**

	Parent					
	Non discounted contractual cash flows					
Remaining duration 2019-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**Total**
Assets						
Cash and balances at central banks	266.0	–	–	–	–	**266.0**
Lending to credit institutions	1,067.3	–	–	–	–	**1,067.3**
Lending to the public	–	202.2	371.7	679.0	14,457.5	**15,710.4**
Interest bearing securities	–	151.5	78.4	527.2	–	**757.1**
Total	**1,333.4**	**353.7**	**450.1**	**1,206.2**	**14,457.5**	**17,800.9**
Liabilities						
Liabilities to credit institutions	–	3.7	–	–	–	**3.7**
Deposits from the public	8,951.8	589.5	1,186.5	619.2	17.9	**11,364.9**
Issued bonds	–	–	–	2,000.0	–	**2,000.0**
Total	**8,951.8**	**593.1**	**1,186.5**	**2,619.2**	**17.9**	**13,368.6**
Derivatives						
Derivatives inflow	0.0	18.7	–	–	–	**18.7**
Derivatives outflow	-0.0	-8.2	-28.8	-50.1	–	**-87.1**
Total	**0.0**	**10.5**	**-28.8**	**-50.1**	**–**	**-68.3**

Note 30. Financial assets and liabilities

Financial assets at fair value

The methods for determining the value of all financial assets and liabilities within the Group adhere to a hierarchy. This hierarchy reflects observable prices or other information used in the valuation-methods. A judgment is made each quarter to determine if the valuations refer to noted 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 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 makers and represent actual and frequent transactions. Level 2 uses calculated values that are based on observable market quotations for similar instruments, or instruments on a less active market. This level 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.

	Group				
2020-12-31	**Valued at fair value through profit or loss**	**Amortised cost**	**Amortised cost**	**Non-financial assets and liabilities**	**Sum Carrying value**
Assets					
Cash and balances at central banks	–	402.3	–	–	**402.3**
Lending to credit institutions	–	1,877.4	–	–	**1,877.4**
Lending to the public	216.8	15,898.7	–	–	**16,115.5**
Value change of interest-hedged items in portfolio hedges	–	47.1	–	–	**47.1**
Derivatives	41.2	–	–	–	**41.2**
Bonds and other interest-bearing securities	720.6	–	–	–	**720.6**
Intangible assets	–	–	–	116.8	**116.8**
Tangible fixed assets	–	–	–	52.9	**52.9**
Other assets	–	13.0	–	155.0	**168.0**
Prepaid expenses and accrued income	–	5.5	–	17.5	**23.0**
Assets held for sale	–	714.6	–	–	**714.6**
Tax assets	–	–	–	1.8	**1.8**
Total	**978.6**	**18,958.7**	**–**	**343.9**	**20,281.1**
Liabilities					
Issued bonds	–	–	5,689.2	–	**5,689.2**
Deposits from the public	–	–	12,612.9	–	**12,612.9**
Derivatives	55.8	–	–	–	**55.8**
Other liabilities	–	–	78.7	16.4	**95.1**
Accrued expenses and prepaid income	–	–	90.0	–	**90.0**
Total	**55.8**	**–**	**18,470.8**	**16.4**	**18,543.0**

2019-12-31	Group				
	Valued at fair value through profit or loss	Amortised cost	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	266.0	–	–	**266.0**
Lending to credit institutions	–	1,669.6	–	–	**1,669.6**
Lending to the public	51.8	16,098.3	–	–	**16,150.0**
Value change of interest-hedged items in portfolio hedges	–	-25.7	–	–	**-25.7**
Derivatives	147.0	–	–	–	**147.0**
Bonds and other interest-bearing securities	738.1	–	–	–	**738.1**
Intangible assets	–	–	–	107.6	**107.6**
Tangible fixed assets	–	–	–	60.8	**60.8**
Other assets	–	18.8	–	86.5	**105.4**
Prepaid expenses and accrued income	–	5.4	–	15.5	**20.9**
Tax assets	–	–	–	13.9	**13.9**
Total	**936.8**	**18,032.4**	**–**	**284.3**	**19,253.5**
Liabilities					
Liabilities to credit institutions	–	–	2,000.0	–	**2,000.0**
Issued bonds	–	–	3,901.1	–	**3,901.1**
Deposits from the public	–	–	11,421.4	–	**11,421.4**
Derivatives	17.1	–	–	–	**17.1**
Other liabilities	–	–	206.8	13.1	**219.8**
Accrued expenses and prepaid income	–	–	88.6	–	**88.6**
Total	**17.1**	**–**	**17,617.9**	**13.1**	**17,648.0**

2020-12-31	Parent				
	Valued at fair value through profit or loss	Amortised cost	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	402.3	–	–	**402.3**
Lending to credit institutions	–	1,716.4	–	–	**1,716.4**
Lending to the public	216.8	15,898.7	–	–	**16,115.5**
Derivatives	16.7	–	–	–	**16.7**
Bonds and other interest-bearing securities	720.6	–	–	–	**720.6**
Shares and participations in associated companies	–	–	–	4.7	**4.7**
Intangible assets	–	–	–	107.1	**107.1**
Tangible fixed assets	–	–	–	5.4	**5.4**
Other assets	–	18.0	–	152.0	**170.0**
Prepaid expenses and accrued income	–	5.5	–	16.9	**22.4**
Tax assets	–	–	–	2.7	**2.7**
Total	954.1	18,802.6	–	288.6	**20,045.3**
Liabilities					
Liabilities to credit institutions	–	–	582.2	–	**582.2**
Deposits from the public	**–**	**–**	**12,612.9**	**–**	**12,612.9**
Derivatives	55.8	–	–	–	**55.8**
Issued bonds	4,943.5	–	–	–	**4,943.5**
Other liabilities	–	–	36.3	15.7	**52.0**
Accrued expenses and prepaid income	–	–	85.2	–	**85.2**
Total	4,999.2	–	13,316.6	15.7	**18,331.5**
Upplupna kostnader och förutbetalda intäkter	–	–	85,2	–	**85,2**
Summa	**4 999,2**	**–**	**13 316,6**	**15,7**	**18 331,5**

2019-12-31	Parent: Valued at fair value through profit or loss	Amortised cost	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets					
Cash and balances at central banks	–	266.0	–	–	**266.0**
Lending to credit institutions	–	1,067.3	–	–	**1,067.3**
Lending to the public	51.8	13,709.2	–	–	**13,760.9**
Value change of interest-hedged items in portfolio hedges	–	-25.7	–	–	**-25.7**
Derivatives	34.4	–	–	–	**34.4**
Bonds and other interest-bearing securities	738.1	–	–	–	**738.1**
Shares and participations in associated companies	–	–	–	4.7	**4.7**
Intangible assets	–	–	–	94.2	**94.2**
Tangible fixed assets	–	–	–	7.1	**7.1**
Other assets	–	696.5	–	83.5	**780.1**
Prepaid expenses and accrued income	–	5.4	–	14.8	**20.2**
Tax assets	–	–	–	13.0	**13.0**
Total	**824.3**	**15,718.8**	**–**	**217.2**	**16,760.3**
Liabilities					
Liabilities to credit institutions	–	–	1,487.8	–	1,487.8
Deposits from the public	–	–	11,421.4	–	**11,421.4**
Derivatives	17.1	–	–	–	**17.1**
Issued bonds	2,000.0	–	–	–	**2,000.0**
Other liabilities	–	–	156.9	12.4	**169.3**
Accrued expenses and prepaid income	–	–	76.5	–	**76.5**
Total	**2,017.1**	**–**	**13,142.5**	**12.4**	**15,172.0**

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

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value since the post is not subject to significant value changes. Any currency change is recorded in the income statement. There is no material difference in lending to the public if all loans were lent to the interest rates per December 31st compared to the current interest rate of the loans. Method for determining the fair value of derivatives is described in the accounting principles. Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

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

Group	2020-12-31 Level 1	Level 2	Level 3	Total	2019-12-31 Level 1	Level 2	Level 3	Total
Assets								
Lending to public	–	–	216.8	**216.8**	–	–	51.8	**51.8**
Derivatives	–	41.2	–	**41.2**	–	147.0	–	**147.0**
Bonds / other interest-bearing securities	720.6	–	–	**720.6**	738.1	–	–	**738.1**
Total	**720.6**	**41.2**	**216.8**	**978.6**	**738.1**	**147.0**	**51.8**	**936.8**
Liabilities								
Derivatives	–	55.8	–	**55.8**	–	17.1	–	**17.1**
Total	**–**	**55.8**	**–**	**55.8**	**–**	**17.1**	**–**	**17.1**

Parent	2020-12-31 Level 1	Level 2	Level 3	Total	2019-12-31 Level 1	Level 2	Level 3	Total
Assets								
Lending to public	–	–	216.8	**216.8**	–	–	51.8	**51.8**
Derivatives	–	16.7	–	**16.7**	–	34.4	–	**34.4**
Bonds / other interest-bearing securities	720.6	–	–	**720.6**	738.1	–	–	**738.1**
Total	**720.6**	**16.7**	**216.8**	**954.1**	**738.1**	**34.4**	**51.8**	**824.3**
Liabilities								
Derivatives	–	55.8	–	**55.8**	–	17.1	–	**17.1**
Total	**–**	**55.8**	**–**	**55.8**	**–**	**17.1**	**–**	**17.1**

Note 31. Capital adequacy analysis – Parent company and consolidated situation

For establishment of the Bank's capital adequacy and providing information regarding own funds and capital requirements, the following external regulations applies; the Act (2014:968) regarding special supervision of credit institutions and securities companies, the Act (2014:966) regarding capital buffers, the Act (1995:1559) regarding annual reports at credit institutions and securities companies, the Regulation (2014:993) regarding special supervision and capital buffers, the Swedish FSA's regulations (FFFS 2014:12) regarding prudential requirements and capital buffers, the Swedish FSA's regulations and general guidelines (FFFS 2008:25) regarding annual reports at credit institutions and securities companies, the European Parliament and Council Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (the "CRR"), and the Commission Implementing Regulation (EU) No 1423/2013 laying down technical standards for the implementation of the capital adequacy requirements applicable to institutions under Regulation (EU) of the European Parliament and of the Council) No 575/2013.

The regulations state that the Bank's own funds shall cover the minimum capital requirements (for credit risk, operational risk, market risk and credit valuation adjustment risk), Pillar II capital requirements for additional risks identified, and combined capital buffer in accordance with the Bank's ICLAAP.

The Bank has an established capital plan for the size of the own funds over the next three years 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 capital planning is an integrated part of the performance of the ICLAAP, and it is continuously monitored, at least annually or more often if deemed necessary, to ensure that the Bank's risks are correctly considered and reflect the risk profile and capital needs.

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

	Consolidated situation		Parent	
Capital Adequacy	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Own Funds	**1,617.2**	**1,474.9**	**1,506.1**	**1,494.0**
Common Equity Tier 1 (CET1) capital	**1,617.2**	**1,474.9**	**1,506.1**	**1,494.0**
Capital instruments and the related share premium accounts	4,451.4	4,451.4	663.7	663.7
Retained earnings	229.1	350.5	966.7	920.0
Accumulated other comprehensive income	-17.4	4.3	-16.2	4.5
Other reserves	26.0	26.0	–	–
Intangible assets (net of related tax liability)	-3,070.9	-3,357.4	-107.1	-94.2
Regulatory adjustment for prudent valuation	-1.1	–	-1.1	–
Additional Tier 1 capital	–	–	–	–
Tier 2 Capital	–	–	–	–
Risk Exposure Amount	**8,223.0**	**8,252.3**	**7,944.0**	**6,995.8**
Risk exposure amount credit risk	7,086.7	6,889.1	6,964.7	5,804.8
Risk exposure amount market risk	310.0	259.6	310.0	259.6
Risk exposure amount operational risk	774.6	1,036.1	669.0	931.4
Risk exposure amount credit valuation adjustment risk (CVA)	51.7	67.4	0.2	–
CET 1 capital ratio, %	**19.7%**	**17.9%**	**19.0%**	**21.4%**
Tier 1 capital ratio, %	**19.7%**	**17.9%**	**19.0%**	**21.4%**
Total capital ratio, %	**19.7%**	**17.9%**	**19.0%**	**21.4%**

	Consolidated situation		Parent	
Capital Buffer Requirements %	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Institution specific buffert requirement	2.9%	5.0%	2.9%	5.0%
of which capital conservation buffer	2.5%	2.5%	2.5%	2.5%
of which countercyclical capital buffer	0.4%	2.5%	0.4%	2.5%
of which systemic risk buffer	–	–	–	–
of which: G-SII or O-SII buffer	–	–	–	–
CET1 available to meet buffers	11.7%	9.9%	11.0%	13.4%

Interim profits of SEK 46.7m for the parent company are included in retained earnings with the permission from the Swedish FSA in accordance with Article 26 of the CRR.

The countercyclical capital buffer was reduced in March 2020 from 2.5% to 0% by the Swedish Financial Supervisory Authority, and from 2.5% to 1% by the Norwegian Financial Supervisory Authority. The Finnish Financial Supervisory Authority decided to keep the level at 0%.

Minimum capital requirement for credit risk

The capital requirement for credit risk is calculated by using the standardised approach.

	Consolidated situation				
	2020-12-31				2019-12-31
Exposure class	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement
Governments or central banks	900.0	0%	–	–	–
Exposures to institutions	2,218.2	20%	443.6	35.5	32.3
Exposures to corporates	–	0%	–	–	–
Retail exposures	743.6	75%	557.7	44.6	61.6
Exposures to mortgages	15,809.7	36%	5,637.9	451.0	420.9
Exposures in default	320.7	101%	324.0	25.9	24.5
Exposures in the form of covered bonds	287.8	10%	28.8	2.3	4.3
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–
Equity exposures	10.7	100%	10.7	0.9	–
Other exposures	83.9	100%	83.9	6.7	7.6
Securitisations	–	–	–	–	–
Total capital requirement for credit risk	**20,374.6**		**7,086.7**	**566.9**	**551.1**

	Parent				
	2020-12-31				2019-12-31
Exposure class	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement
Governments or central banks	877.1	0%	–	–	–
Exposures to institutions	1,849.2	20%	369.8	29.6	18.6
Exposures to corporates	5.0	100%	5.0	0.4	0.3
Retail exposures	743.6	75%	557.7	44.6	61.6
Exposures to mortgages	15,812.8	36%	5,639.1	451.1	353.7
Exposures in default	320.7	101%	324.0	25.9	22.7
Exposures in the form of covered bonds	287.8	10%	28.8	2.3	4.3
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–
Equity exposures	4.7	100%	4.7	0.4	0.4
Other exposures	35.7	100%	35.7	2.9	2.8
Securitisations	–	–	–	–	–
Total capital requirement for credit risk	**19,936.6**		**6,964.7**	**557.2**	**464.4**

Minimum capital requirement for operational risk

The capital requirement for operational risk is from May 2020 calculated by using the alternative standardised approach. For previous years, the standardised approach was used to calculate capital requirements for operational risk.

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Relevant indicator	516.4	690.8	446.0	620.9
of which 12% (business line retail banking)	62.0	82.9	53.5	74.5
Total capital requirement for operational risk	**62.0**	**82.9**	**53.5**	**74.5**

Minimum capital requirement for market risk

The capital requirement for market risk is calculated by using the standardised approach. The capital requirement for market risk consists only of foreign exchange rate risk.

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Capital requirement for foreign exchange rate risk	24.8	20.8	24.8	20.8
Total capital requirement for market risk	**24.8**	**20.8**	**24.8**	**20.8**

Minimum capital requirement for credit valuation adjustment risk

The capital requirement for credit valuation adjustment risk is calculated by using the standardised method.

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Capital requirements for credit valuation adjustment risk	4.1	5.4	0.0	–
Total capital requirement for credit valuation adjustment risk	**4.1**	**5.4**	**0.0**	**–**

Total Pillar I minimum capital requirements

The Bank's and the Consolidated situation's total minimum capital requirements for credit risk, operational risk, market risk and credit valuation adjustment risk are shown below.

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Pillar I capital requirement	657.8	660.2	635.5	559.7
Total Pillar I capital requirement	**657.8**	**660.2**	**635.5**	**559.7**

The minimum level for the own funds is met for both the Bank and the Consolidated situation, which means that the own funds exceed the total minimum capital requirement.

Internal assessment of capital needs

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

	Consolidated situation		Parent	
Total capital requirements (SEK m)	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Pillar I	**657.8**	**660.2**	**635.5**	**559.7**
Pillar II	**80.4**	**93.3**	**77.9**	**70.2**
of which concentration risk	73.4	72.7	71.3	57.6
of which interest rate risk arising from non-trading book	7.0	20.6	6.6	12.7
Combined capital buffer	**236.8**	**412.6**	**229.0**	**349.8**
of which capital concervation buffer	205.6	206.3	198.6	174.9
of which countercyclical capital buffer	31.3	206.3	30.4	174.9
Sum capital requirements	**975.1**	**1,166.1**	**942.5**	**979.7**

	Consolidated situation		Parent	
Totalt capital requirements (% RWA)	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Pillar I	**8.0%**	**8.0%**	**8.0%**	**8.0%**
Pillar II	**1.0%**	**1.1%**	**1.0%**	**1.0%**
Combined buffer requirements	2.9%	5.0%	2.9%	5.0%
Sum capital requirements	**11.9%**	**14.1%**	**11.9%**	**14.0%**

Bluestep's report on capital and risk management in accordance with the Pillar III disclosure requirements, is published quarterly on www.bluestepbank.com.

Note 32. Related parties

	Group		Parent	
Assets and liabilities	**2020-12-31**	**2019-12-31**	**2020-12-31**	**2019-12-31**
Intercompany receivables				
Parent	0.0	-	0.0	-
Group	0.0	-	541.5	1,143.1
Total	**0.0**	**-**	**541.5**	**1,143.1**
Intercompany payables				
Parent	-	85.3	-	85.3
Group	-	-	3.1	1.9
Total	**-**	**85.3**	**3.1**	**87.3**

	Group		Parent	
Income and costs	**2020**	**2019**	**2020**	**2019**
Interest income calculated using the effective interest method				
Parent	0.0	-	0.0	-
Group	0.0	-	54.1	130.3
General administration expenses				
Parent	-	-	-	-
Group	-	-	-27.7	-21.5
Total	**0.0**	**-**	**26.4**	**108.7**

Related parties

Related parties for the group refer to:

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

Related parties for the Bank refer to:

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

Senior officials

See Note 10 Salaries and remuneration. No further transactions with senior officials have occurred during the fiscal year.

Interest income

The interest income in the Parent relates to interest income on internal loans between the Parent and other companies in the Group.

Note 33. Pledged assets, contingent liabilities and commitments

	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Pledged assets for own liabilities				
Shares and participations in associated companies	0.0	0.0	0.0	0.0
Lending to credit institutions	138.7	596.3	-	-
Lending to the public	4,366.7	5,265.6	4,366.7	2,876.5
Bonds and other interest-bearing securities	19.0	-	19.0	-
Derivatives	24.5	109.2	-	-
Intangible assets	0.0	0.2	-	-
Other assets	115.1	66.4	115.1	62.2
Prepaid expenses and accrued income	0.2	0.7	-	-
Contingent liabilities				
Contingent liabilities	-	-	-	-
Commitments	-	-	-	-

Note 34. Proposal for profit distribution

Proposal for the appropriation of profits (SEK)	
The following profits are available for appropriation at the annual general meeting	
Retained earnings	1,464,619,657
Profit for the year	146,268,758
Translation reserve	-16,177,353
	1,594,711,062
The Board propose that	
the following be carried forward	1,594,711,062
	1,594,711,062

The board's assessment is that the equity accounted for in the annual report is sufficient in relation to the size and risk of the business. Concerning the result and financial position of the Bank and the Group respectively, please see the preceding income statement, balance sheet, cash flow statement and additional information.

The Board of Directors

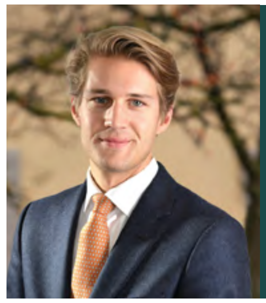
The board of directors is elected by the shareholders at the annual general meeting. The board is currently consisting of seven members.

Per-Arne Blomquist

Chairman

Rolf Stub

Board member



Simon Tillmo

Board member

Albert Gustafsson

Board member

Toby Franklin

Board member

Lars Wollung

Board member

Sofia Arhall Bergendorff

Board member

Senior Management

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

Björn Lander

CEO

Johanna Clason

Chief Financial Officer
(until april 2021)

Mia Lund Hanusek

Chief Marketing Officer

Max Fischer

Chief Information Officer

Sarmad Jawady

Chief Commercial Officer Sweden

Karin Jenner

Chief Human Resource Officer

Petri Matikainen

Chief Commercial Officer Finland

Christian Marker

Chief Legal Officer

Erik Walberg Olstad

Chief Commercial Officer Norway

The Board and the CEO:s signatures

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

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

Stockholm the 22 of April 2021

Björn Lander CEO	Per-Arne Blomquist Chariman	Rolf Stub Board member
Simon Tillmo Board member	Albert Gustafsson Board member	Toby Franklin Board member
Lars Wollung Board member	Sofia Arhall Bergendorff Board member	

Our audit report has been submitted as of 22 April 2021
Ernst & Young AB.

Daniel Eriksson
Authorized auditor

Definition of alternative performance measures

Return on equity (%)
Operating profit after tax (21,4%) in relation to average total equity.Bruttointäkter

Gross revenue
Interest income excluding interest income from bonds and banks.

Leverage ratio (%)
Common Equity Tier 1 capital in relation to total assets excluding intangible assets.

C/I ratio (%)
Total operating expenses in relation to total operating income.

Credit losses (%)
Credit losses net in relation to closing balance of lending to the public.

CET1 ratio (%)
Common Equity Tier 1 capital in relation to risk-weighted exposure amount.

Corporate governance report

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

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

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

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

Corporate governance
The Bank is a dedicated, solutions-oriented organisation that offers mortgages in all three countries and savings accounts in Norway and Sweden. During 2020, the Bank ceased offering personal loans and has sold its personal loans portfolio to an external party.

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

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

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

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

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

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

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

Board of Directors

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

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

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

The Boards committees and the Bank's remunerations principles

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

The Bank has also established a remuneration committee and the Bank has, in accordance with the legislation of the Swedish Financial Supervisory Authority, established a clear policy, instructions and processes to maintain a healthy remuneration structure. Compensations to the CEO and other identified individuals which are seen as special regulated employees are determined by the Board of Directions after preparations by the remuneration committee.

Compensations to the CEO and senior executives consists of salary and variable salary in form of bonus and pension contributions. The Bank's remuneration principles to the employees are created to ensure that remunerations to individuals does not counteract the Bank's long-term interests. For the employees who are special regulated employees, the payment of this compensation is postponed by at least 40 percent over a period of at least three years.

The CEO and the Bank's senior management

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

Internal control

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

Internal control – financial reporting

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

Internal control – governing documents

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

Control environment

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

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

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

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

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

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

The Board of Directors bears the ultimate responsibility for the Bank's risk level and risk management system, and for ensuring that the Bank has adequate controls in place. The Board of Directors provides directives to the CEO by means of policies, with respect to governance, management, control and reporting of risks. As mentioned above, the Board of Directors has established the ARCCO, which continuously monitors the quality of the Bank's financial reporting, corporate governance, internal control, compliance, risk control and internal audit.

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

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

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

Risk assessment and control activities

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

The Bank defines risk as the possibility that an event will occur and that 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 to in its operations and in its efforts to achieve set goals for growth, profitability and financial stability.

Monitoring, evaluation and reporting

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

April 2021

Sustainability report Bluestep Bank AB (publ) 2020

Bluestep. A modern mortgage bank.

Content

Sustainability report

The report has been produced with inspiration from the Global Reporting Initiative (GRI) Standards. It covers the 2020 calendar year and includes the parent company, Bluestep Bank AB (publ), along with its subsidiaries and branches. The report also represents the company's communication on progress (COP) to the UN Global Compact.

Our aim is to enable economic empowerment for more people and set an example for responsible banking. Our vision is an inclusive society, where everyone can reach their financial potential with the support of responsible, transparent banking services.

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.

In 2020 the world was hit by the Covid-19 pandemic, deeply impacting individuals as well as society at large. Bluestep has closely followed recommendations and guidelines from the authorities on how to structure the work environment to limit possibility of contamination and spreading of the virus. Furthermore, throughout this pandemic, Bluestep has been well equipped, operating with good liquidity without receiving government aid, keeping the business open, and following the Swedish Financial Supervisory Authority's recommendations on dividend payouts. A pandemic of such proportions can have a major economic impact on individuals and, as a financial player, we consider it vital to be available to our current and potential customers.

Financial inclusion and responsible lending form part of the core of Bluestep's DNA. We intend to continue leading the way by integrating sustainability into everything we do and becoming an even better bank for our customers, our employees, our communities and future generations. We aim to truly differentiate Bluestep as the Nordic regions' most inclusive, responsible bank.

Strategic sustainability KPIs

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

Financial inclusion									
Customers with income other than from permanent employment*1, portfolio % (year %)		**Responsible lending, credit losses*2** %		**Customer satisfaction index*3** %		**First-time buyers*4**, portfolio % (year %)		**Customers who have paid off unsecured loans and credits*5**, portfolio % (year %)	
2020	39,6 (41,3)	2020	0,17	2020	91,2	2020	5,9 (9,0)	2020	64,2 (61,7)
2019	38,8 (38,6)	2019	0,11	2019	91,2	2019	5,7 (7,1)	**2019**	**64,7 (60,5)**

Environment (E)				Social (S)				Governance (G)			
Carbon footprint*6, tonnes of CO2e (prev. year)		**Carbon intensity,** tonnes of CO2e per employee		**Gender balance,** percentage of women (prev. year)		**Languages spoken,** number		**Training in relevant policies,** %		**Customer complaints,** number	
Scope 1	4,5 (6,1)	2020	0,99	Styrelse	14 (14)	2020	20	**2020**	**100**	**2020**	**47**
Scope 2	83,9 (75,2)	2019	1,39	Ledning	38 (38)	2019	20	**2019**	**100**	**2019**	**31**
Scope 3	212,5 (333)			Anställda	50 (49)						

**1 Refers to credit portfolio mortgages (as at 31 Dec. excl. Finland) for customers who do not have a permanent job as their main source of income (self-employed included), this year's share in parentheses.*

**2 Refers to mortgages*

**3 Refers to 31 Dec.*

**4 Refers to credit portfolio mortgages (as at 31 Dec. excl. Finland) for 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 share in parentheses.*

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

**6 For more info see page 125.*

How Bluestep 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, which aim to achieve four amazing 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. Through the SDGs, this can become a reality. Below, we describe Bluestep's role in achieving this vision.

Bluestep has analysed the 17 SDGs in Agenda 2030 to identify which goals the business impacts through its operations. In this way, Bluestep identified the parts of its business that contribute to achieving the SDGs.

Bluestep has chosen to prioritise three SDGs that our Board of Directors determined were especially relevant and crucial for the business.

SDG 8 | Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. **Bluestep has two focus targets (2 of 12) under this goal, described below:**

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

How Bluestep contributes: By promoting the availability of mortgages and with a goal of helping customers to an improved overview of their financial situation and, based on the customers' individual financial needs, offer an attractive and improved solution. Bluestep tries to help customers who for some reason have been denied loans by traditional banks.

Through our business, we aim to contribute to growth and jobs. We strive to ensure compliance with international guidelines and principles, and promote inclusive, equal workplaces that are characterised by diversity.

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

SDG 10 | Reduced inequalities

The basis for a sustainable society is a fair distribution of resources and economic, social and political influence in society. The rallying cry of Agenda 2030, "Leave no one behind", and SDG 10 together underscore the importance of promoting a society where no one is excluded from progress. **Bluestep has two focus targets (2 of 10) under this goal, described below:**

10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average.

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

How Bluestep contributes: Through our products and processes, we at Bluestep 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. Research exists supporting the idea that the financial inclusion of more people, which Bluestep already achieves and try to increase, helps to build stronger communities. Financial inclusion can contribute to greater equality and increased economic growth. By continuing to develop and improve our products, we will help more people obtain financial advice and have the opportunity to get a mortgage. As a result, we at Bluestep 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 contributes: By being a modern, digital mortgage bank without an office network that strives to have as low a climate impact as possible in its own operations. Bluestep continuously drives and develops resource- and energy-saving ways to work that accelerate digitalisation and contribute to climate-smarter lending.

Challenge: Bluestep is a company in a growth stage, and intends to keep on growing so we help more people own their own home. The challenge is to reduce our climate impact as the company grows and the number of employees and offices increases.

Materiality analysis and stakeholder dialogue

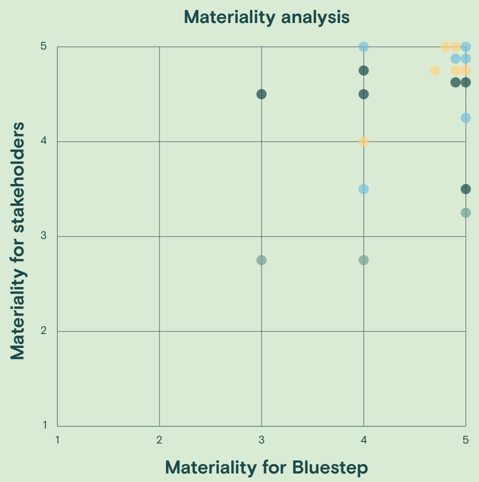
Bluestep conducted its first stakeholder dialogue and materiality analysis in 2019. The materiality analysis takes in the views of multiple stakeholders as well as opinions that affect the economic, social and environmental footprint of the business and that can influence stakeholder decision-making.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

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

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



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

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

At the end of 2020, a strategy project related to sustainability was carried out which included an update and review of our materiality analysis. Among participating stakeholders in the project were representatives from the owner, the board, management and employees. Within the framework of an ongoing brand project in parallel, a major customer survey was conducted and lessons learned from it were incorporated in order to capture the customer perspective.

The project largely confirmed the previous materiality analysis and resulted in several focus areas within the four target areas above, with the aim of further bolstering and fleshing out the company's strategy for sustainable business.

Attractive workplace

Bluestep embraces diversity among our customers and employees alike. Bluestep's employees come from different backgrounds, which is a strength as it facilitates understanding of different customer situations. Mortgages are a big decision for both the customer and Bluestep, which is why good communication and understanding are critical.

Our values govern how we work, and we continuously strive to discuss, give feedback and develop our business based on our values.

Professional	Respect	Drive	Different
We take responsibility, focus on collaboration, and make sure everyone understands	We treat all customers and employees with respect regardless of age, ethnicity or gender	We are dedicated, dare to take decisions, and provide feedback	We are proud, bold and innovative

Our employee survey shows that 98 percent of employees think Bluestep is heading in the right direction, and 86 percent say that all in all the company is a very good workplace.

HR strategy

Dedicated employees represent our most important building block for achieving our long-term goals. To be a sustainable employer that attracts talented employees, we focus on the following.

Leadership

Our leadership promise is to develop our employees so that we achieve our vision and goals together. We have a number of leadership behaviours linked to our values. We offer regular leadership training, and as a result 89 percent of employees stated in our 2020 survey that they would recommend their manager to a friend.

Inclusive culture

Bluestep's employees come from different backgrounds – in fact, more than 20 languages are spoken among our roughly 300 employees. Language skills and diverse backgrounds reduce barriers and increase understanding in general, which is essential in our business. We have a gender balance among our employees (50/50).

Attract

We publicise the way we work and our workplace culture via our LinkedIn profile. When recruiting new employees, we use structured interview processes to ensure bias-free recruitment.

Train

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

Organisation

Being well organised plays an important role in our ability to successfully cooperate and leverage the skills of every employee. We continuously strive to advance and improve our organisation through a local presence with Nordic support.

Health

2020 has been a challenging year due to Covid-19 and our leadership team has been put to the test working to ensure that our employees have a healthy and sustainable work environment. Initiatives have been put in place to promote movement, such as exercise bracelets and online yoga classes. Our employees are covered by a health insurance policy that can be used for consulting with a professional provider about any anxiety or other health matters.

Work environment

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

An important aspect of systematically managing workplace health and safety is the identification of primary risks. Bluestep'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. Bluestep has an employee council, which is also consulted in its role as workplace health and safety committee.

Inclusive banking

Bluestep is a dedicated, solution-oriented mortgage lender whose goal is to help customers gain a better overview of their financial situation and to offer them an attractive solution based on their individual financial needs. Bluestep endeavours to help customers who, for some reason or other, have been denied loans by the traditional banks. The bank offers mortgages in Sweden, Norway and Finland. In addition, Bluestep also offers savings accounts.

Bluestep 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'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 in pace with 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 these forms of employment are increasing in the labour market, many mortgage lenders are striving to automate and digitise their credit granting processes. As a result, some customer groups who do not fit the "cookie-cutter mould" have been left out. The extra effort that we at Bluestep have been making 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.

Preventive insolvency management

For Bluestep, guiding people towards a more secure future is a common thread throughout the customer journey, even when they face temporary financial difficulties in paying off their mortgage with our bank. It's the job of our collections department to lend a helping hand and offer fit-for-purpose solutions. We manage the entire insolvency process, meaning that we at Bluestep serve as our customers' point of contact and help them throughout the process. Early in the process, we reach out to people in different ways and together find a solution that helps the customer through their current situation.

Community engagement

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

During the year, several of Bluestep's employees participated in the organisation's Job Mentor programme, a much appreciated and mutually enriching experience for employees and students alike. In total, 490 youths took part and were inspired about the future.

Climate-neutral banking

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

The head office in Stockholm is located in a building that holds the LEED Gold environmental certification. Bluestep is working with the landlord to limit energy consumption with regard to heating, electricity and air conditioning.

As a company, Bluestep has an ambitious goal to equip employees with what they need to raise awareness, and lead and develop resource- and energy-saving practices that help to reduce our environmental impact. One such example is from late 2020, when Bluestep became one of the first companies in Sweden to launch digital signing for mortgage documents through Mobile BankID. This service is part of the bank's digitalisation efforts and, as a result, 80 percent of the bank's flows are now digital. Our digital signing initiative enables loan documents to be signed in a more streamlined, climatesmart way.

We have identified a focus area for developing reduction targets and action plans that aim to further reduce the environmental impact of our own operations. The targets will be presented in 2021.

Climate reporting

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

EMISSIONS BY SCOPE

Emissions, tonnes CO2e	2020	2019
Scope 1	4,5	6,1
Scope 2	83,9	75,2
Scope 3	212,5	333,3
Total (per employee)	**300.9 (0.99)**	**414.7 (1.39)**

Data from the table show greenhouse gas emissions expressed as tonnes of CO_2 equivalent (CO_2e, market-based). Bluestep's climate report has been produced in partnership with the environmental consultancy U&We using the tool 'Our Impacts'. The full report is available on bluestepbank.com.

Input data can be either actual (retrieved from the accounts, reports, etc.) or projected (estimated according to a calculation method). For 2020, 96.3 percent of emissions are based on actual data and 3.7 percent on projected data. This means that the data quality is generally good.

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

Business ethics and governance

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

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

As part of providing credit responsibly, this includes ensuring that the customer understands the agreement. Bluestep is taking active measures to ensure this by asking all customers if they have spoken to their traditional bank first. By asking this question, we ensure that only those who need Bluestep's loan products apply for a mortgage with us. The understanding between customers and Bluestep is furthermore grounded in our ability to speak to customers in their own language – our employees speak over 20 languages – and if needed an interpreter is hired to make sure the customer and the bank officer understand each other. Throughout the process, questions are asked to ensure that the customer understands the agreement and that any questions can be answered prior to payment. These are some examples of how Bluestep works to grant credit responsibly to more people. One indicator regarding the implementation of our business model is the size of Bluestep's credit losses. Low credit losses suggest that we are succeeding in our efforts to provide credit responsibly.

Bluestep has adopted a sustainability policy to regulate our sustainability efforts. The policy, which was reviewed and adopted by the Board in August 2020, describes Bluestep's sustainability work and governance. The following governance documents are also important elements for supporting our day-to-day tasks and managing risks in the business:

- Governance and control policy
- Ethical guidelines policy
- Conflicts of interest policy
- Anti-money laundering policy
- Business continuity plan and disaster recovery plan
- Remuneration policy
- Consumer protection policy
- Data protection policy
- Information security governing policy

As part of ensuring that our policies are followed with regard to compliance and data management, all new employees are trained in an introductory programme. This programme includes a review of internal control functions and training on Bluestep's practices around anti-money laundering (see below), anti-corruption and terrorist financing, as well as areas such as banking secrecy, the general data protection regulations (GDPR) and information security. For Bluestep to ensure that all employees have up-to-date knowledge in these areas, we have mandatory annual training. The training is followed by a test, which all employees passed in 2020. As a result of Bluestep's work, we have a high internal risk awareness, as well as well-functioning processes and procedures. Bluestep has never been subject to regulatory fines or sanctions. The bank advocates an open, constructive dialogue with the authorities.

How the bank prevents fraud and money laundering

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

A new department, 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 anti-terrorist financing efforts as the first line of defence. It does this by working closely with the company's departments and managing operations in the context of money laundering and fraud.

Sustainability risks

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 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's operations, business relations and business commitment have a negative impact on social conditions.	The risk that Bluestep's operations, business relations and business commitment have a negative impact on staff.	The risk that Bluestep'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's operations are exposed to transition risks if Bluestep 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 is exposed to risks associated with social conditions during the purchase of services or goods.	In our own operations, the risk is mainly linked to Bluestep as an employer. Risks related to staff include health and safety at the workplace, the presence of victimisation, compensation levels and workload.	Bluestep 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's business. The existence of corruption could seriously affect confidence in Bluestep 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	Sustainability policy, Ethical guidelines policy and Remuneration policy	Sustainability policy and Global Compact's 10 principles	Ethical guidelines policy and Remuneration policy
Targets and results	To be worked on and decided in 2021.	To be worked on and decided in 2021.	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.

Climate and environment

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

Responsible sourcing and supplier code of conduct

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

Bluestep has an overall routine whereby the majority of all contracts are reviewed internally by lawyers, thus identifying any shortcomings. An identified development area is to clarify Bluestep's views and expectations of suppliers' sustainability efforts and compliance with international guidelines and principles. Our ambition is to take further steps forward in this area during 2021.

Risk management

We strive for a high level of risk awareness and sound risk culture throughout the bank. A sound risk culture is created through common core values, good measurement methods, effective risk management and good judgement on the part of all employees and managers. Clear and documented internal procedures and control systems must be in place, including responsibilities and authorities. All material risks must be identified, quantified, analysed and reported. Incident reporting must be well-functioning and comprehensive according to a documented process.

Our employees have a key role to play in identifying any irregularities that need to be corrected. Bluestep has a whistleblowing function that enables employees to anonymously report unethical or illegal behaviour committed by the company's employees. Instructions about the service are available to all employees on our intranet. In 2020, no whistleblowing reports were received.

In 2020, we incorporated ESG risks into Bluestep's risk management framework. Assessment of ESG risks takes place with risk owners at least twice a year and exposure to ESG risks is part of the risk function's risk report submitted to the Board and management.

For more information on Bluestep's risks and risk management, see the section 'Risk management' in our annual report.

Sustainability governance

At Bluestep, the Board of Directors is 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's sustainability work.

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

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

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

Notes to Sustainability report

S1 – Key figures, employees, 2020

	Total	Sweden	Norway	Finland
Total number of employees at year-end[1]	304	214	76	14
Number of limited-term employees, %	1	1	0	0
Number of part-time employees, %	8	9	5	7
Average age, years	37	39	33	36
Persons who left the company during the year	59	49	10	0
New hires during the year	61	38	11	12
Employee turnover, %	15	15	12	0
Gender distribution				
Women on the board, %	14			
Women in senior management, %	38			
Female managers, %	36	48	9	0
Female employees, %	50	51	49	29
Sick leave and wellness				
Short-term leave, %	2.0	1.8	2.4	0.6
Long-term leave, %	0.8	0.7	1.4	0.0
Total sick leave, %	2.8	2.5	3.8	0.6
Withdrawals of wellness allowances for all employees, %	84	83	-	100

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

S2 – Climate report

Bluestep 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

Emissions, tonnes CO2e	Total		Sweden		Norway		Finland	
	2020	2019	2020	2019	2020	2019	2020	2019
Scope 1								
Owned/leased cars	4.49	6.11	4.49	6.11	0.00	0.00	0.00	-
Scope 2								
Electricity consumption	42.08	43.19	5.93	7.13	36.16	36.06	0.00	-
Heating	41.33	31.50	10.81	9.56	22.00	21.94	8.52	-
District cooling	0.48	0.52	0.48	0.52	0.00	0.00	0.00	-
Scope 3								
Water consumption	0.14	0.40	0.07	0.16	0.07	0.24	0.01	-
Waste (incl. road freight)	0.03	0.02	0.02	0.01	0.01	0.00	0.00	-
IT purchases	44.70	20.94	17.20	7.40	8.00	13.54	19.50	-
Paper and printed matter	6.28	4.29	5.89	3.78	0.34	0.50	0.06	-
Business travel	13.36	48.73	7.22	29.09	4.56	19.64	1.58	-
Hotel nights	4.72	6.62	1.10	3.65	3.47	2.97	0.16	-
Commuting	138.90	248.47	90.40	176.45	40.96	72.02	7.54	-
Other	4.33	3.87	3.77	3.66	0.26	0.22	0.30	
Total	**300.9**	**414.7**	**147.4**	**247.5**	**115.8**	**167.1**	**37.7**	**-**
Key figures								
Per employee	0.99	1.39	0.69	1.10	1.52	2.32	2.69	-
Per MSEK lent	0.02	0.03	0.01	0.03	0.02	0.02	0.77	-
Per square metre (office space)	0.09	0.13	0.05	0.09	0.23	0.33	0.19	-

H3 – GRI Index

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG
GENERAL DISCLOSURES (SR = Sustainability Report, AR = Annual Report)					
Organisational profile					
102-1	Name of the organisation		Bluestep Bank AB (publ)		
102-2	Activities, brands, products, and services	AR 10,11			
102-3	Location of headquarters		Stockholm, Sweden		
102-4	Location of operations		Sweden, Norway and Finland		
102-5	Ownership and legal form	AR 18,19			
102-6	Markets served		Mortgages in Sweden, Norway and Finland, and savings accounts in Sweden and Norway		
102-7	Scale of the organisation	AR 14-19			
102-8	Information on employees and other workers	SR 124			8
102-9	Supply chain	SR 123		4.5	
102-10	Significant changes to the organisation and its supply chain		In 2020, Bluestep opened a branch in Finland.		
102-11	Precautionary principle or approach	SR 114, 115			
102-12	External initiatives		Mentor Sweden		
102-13	Membership of associations		Global Compact, Swedish Association for Sustainable Business (NMC)		
Strategy					
102-14	Statement from senior decision-maker	AR 7-9			
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	SR 117		10	
Governance					
102-18	Governance structure	SR 123, AR 105			
Stakeholder engagement					
102-40	List of stakeholder groups	SR 116,117			
102-41	Collective bargaining agreements		8% of employees have a collective agreement	3	
102-42	Identifying and selecting stakeholders	SR 116,117		3	
102-43	Approach to stakeholder engagement	SR 116,117			
102-44	Key topics and concerns raised	SR 116,117			
Reporting practice					
102-45	Entities included in the consolidated financial statements	AR 14			
102-46	Defining report content and topic boundaries	SR 116,117			
102-47	List of material topics	SR 116,117			
102-48	Restatements of information		No material changes		
102-49	Changes in reporting		No material changes		
102-50	Reporting period		1 January – 31 December 2020		
102-51	Date of most recent report		2020-04-22		
102-52	Reporting cycle		Updated annually as at 31 December		
102-53	Contact point for questions regarding the report		Björn Lander, CEO		
102-54	Claims of reporting in accordance with the GRI Standards		Produced with inspiration from GRI Standards		
102-55	GRI content index	SR 126-129			
102-56	External assurance		No		

TOPIC-SPECIFIC DISCLOSURES (SR = Sustainability Report, AR = Annual Report)						
GRI Standard	**Description**	**Page reference**	**Comment**	**UNGC principle**	**SDG**	**Connection to materiality analysis**
ECONOMIC PERFORMANCE						
201: Economic performance						
103-1,2,3	Management approach	SR 123				Inclusive and climate-neutral banking
201-1	Direct economic value generated and distributed	AR 14-19			8,10	
201-2	Economic impacts and other risks and opportunities due to climate change	SR 122,124			13	
205: Anti-corruption						
103-1,2,3	Sustainability governance	SR 123				Business ethics and governance
205-2	Communication and training about anti-corruption policies and procedures	SR 121		10		
205-3	Confirmed incidents of corruption and actions taken		No corruption incidents were reported during the year	10		
ENVIRONMENT						
305: Emissions						
103-1,2,3	Sustainability governance	SR 123				Climate-neutral banking
305-1	Direct (Scope 1) GHG emissions	SR 120,125		7.8	13	
305-2	Energy indirect (Scope 2) GHG emissions	SR 120,125		7.8	13	
305-3	Other indirect (Scope 3) GHG emissions	SR 120,125		7.8	13	
SOCIAL						
403: Occupational health and safety						
103-1,2,3	Sustainability governance	SR 123				Attractive workplace
403-4	"Health and safety topics covered in formal agreements with trade unions"	SR 118		3	8	
404: Training and education						
103-1,2,3	Sustainability governance	SR 123				Attractive workplace
404-3	"Percentage of employees receiving regular performance and career development reviews"	SR 118			8	
405: Diversity and equal opportunity						
103-1,2,3	Sustainability governance	SR 123				Attractive workplace
405-1	Diversity of governance bodies and employees	SR 124		6	8	
406: Non-discrimination						
103-1,2,3	Sustainability governance	SR 123				Attractive workplace
406-1	Incidents of discrimination and corrective actions taken		No material incidents were reported during the year	6	8	
413: Local communities						
103-1,2,3	Sustainability governance	SR 123				Inclusive banking
413-1	Community engagement	SR 119				
417: Marketing and labelling						
103-1,2,3	Sustainability governance	SR 123				Business ethics and governance
417-2	Incidents of non-compliance concerning product and service information and labelling		No material incidents were reported during the year			
417-3	Incidents of non-compliance concerning marketing communications		1 incident was reported during the year			

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