Annual report 2021

Bluestep Bank AB (publ)

Bluestep Bank.

A modern mortgage bank.

Content

Pages 16-93 constitute the formal annual report.
Bluestep Bank's sustainability work is described in the sustainability report on pages 98-124.

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

This is Bluestep Bank

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

Our business

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

Our role in society

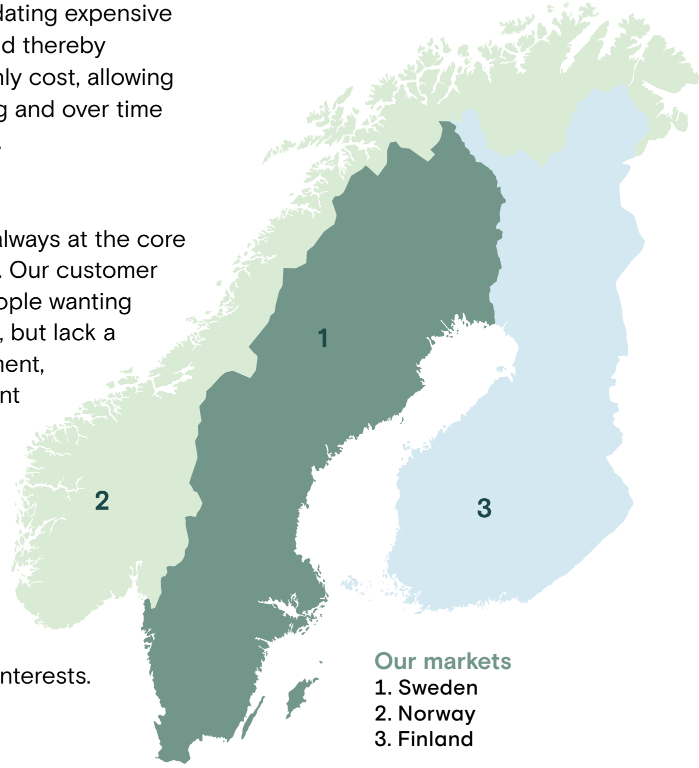
In today's financial market Bluestep Bank is more relevant than perhaps ever before. All of our customers have different needs and preconditions, what unites them is the exclusion they experience from traditional banks. Much is different today compared to only a decade ago. Forms of employment have evolved,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

But the modern financial market has also introduced new types of credits and loans, making it is easier than ever to end up with expensive credits and thereby facing late payments and possibly payment remarks. Previous financial decisions can threaten the financial security as well as the opportunity to purchase a house. We want to offer the possibility for people in a difficult situation to use their home as a security for consolidating expensive credits and loans and thereby lowering their monthly cost, allowing for financial planning and over time becoming debt free.

Our customers

Our customers are always at the core of everything we do. Our customer base consists of people wanting to purchase a home, but lack a permanent employment, have historic payment remarks or who have limited credit history. Many also consolidate their debts into their mortgage, making it possible to significantly lower your monthly interests.

Bluestep Bank is subject to the same rules and regulations as the traditional banks, and although we have the objective to support as many people as we can, we still have to carry out a thorough, fair and individual assessment of each applicant. We will always be in the forefront of responsible and fair lending and take pride in our extensive and personal application process. When welcoming a customer, we want to safeguard that each individual gets the opportunity to experience an improved financial situation both long-term and short-term. That is our customer value proposition.



Our markets
1. Sweden
2. Norway
3. Finland

The year in brief

Performance and financial position

- Lending to the public increased by 14% to MSEK 18,333 (MSEK 16,116). Adjusted for currency effects the increase was 10%. All countries are showing a positive portfolio development, mainly driven by increased lending to customer segments with lower risk.
- New lending for the year increased by 16% to MSEK 7,169 (MSEK 6,197). Adjusted for the personal loan portfolio and currency effects the increase was also 16%, as the difference in new lending of personal loans in 2020 was equivalent to the currency effects in 2021.
- Operating profit increased by 51% and amounted to MSEK 325 (MSEK 215). A stable net interest income together with decreased operating expenses mainly due to efficiency improvements during 2021 have contributed to the increased profit. The C/I ratio for the Bank has decreased to a level of 62%, which is eight percentage points less compared to previous year.
- Net credit losses amounted to MSEK 7 (MSEK 40). This is equivalent to a credit loss level of 0.04% (0.25%). The decrease is mainly related to the divestment of the personal loan portfolio, but credit losses related to mortgages have also decreased compared to the previous year.
- The positive development of operating profit also contributed to an increase on the return on equity of four percentage points to 14.6% (10.1%).
- The Common Equity Tier 1 ratio ("CET1") was 16.4% (19.7%). The CET1-target is 16%.
- The Board of Directors propose an ordinary dividend distribution of MSEK 300 to the Annual General Meeting for fiscal year 2021.

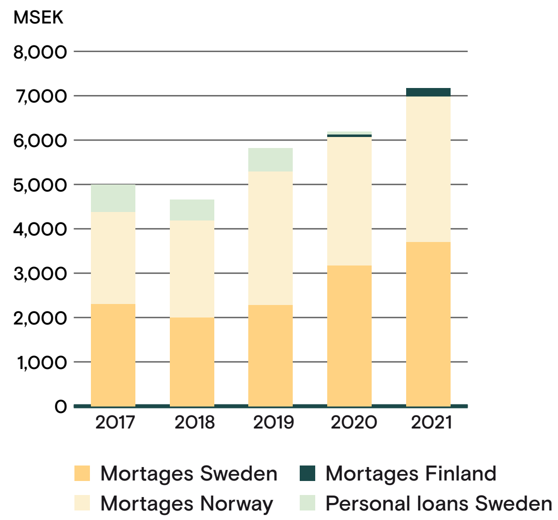
14.6%

Return on equity for the year

Financing

- The diversification of the Group's financing continued during the year, with increased outstanding bond volumes and reduced deposits from the public. The change has contributed to a lower funding cost.
- During the second quarter the Bank issued its first NOK-denominated senior unsecured bond. The volume amounted to MNOK 200 with a tenor of three years, which was increased to MNOK 550 later in the same quarter.
- At the end of the year, the Group had an outstanding volume of MSEK 2,050 and MNOK 550 in senior unsecured bonds (under the Bank's MTN-programme), MSEK 5,300 in covered bonds (under the Bank's MTCN-programme) as well as RMBS funding of MSEK 492.
- Deposits from the public decreased as planned by 17% to MSEK 10,426 (MSEK 12,613).

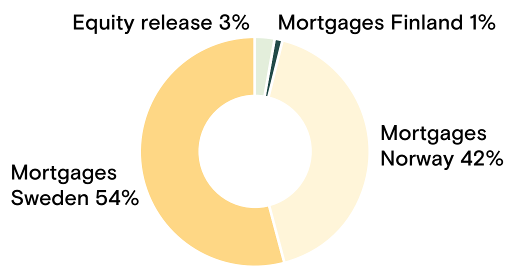
New Lending



Strategic development and significant events

- As the Swedish Financial Supervisory Authority decided not to extend their dividend recommendation, the Board of Directors of Bluestep Holding AB (owning 100% of the Bank) held an extraordinary general meeting in October announcing a dividend distribution of MSEK 250.
- During 2021 the Bank signed the UN Principles for Responsible Banking, and launched green mortgages in Sweden.
- The common Nordic function for lending- and deposit administration was established, realising synergies and paving the way for future expansion.
- Expansion of equity-release product in Sweden and mortgages in Finland continue, and outstanding loan balances per end of year is approx. MSEK 800. Operating result is still negatively impacted by approx. MSEK 50.
- Pontus Sardal joined as new Chief Financial Officer ("CFO") for the Bank in July.
- In October, Julia Ehrhardt was appointed to the Board of Directors, increasing the number of Board members from 7 to 8.
- The Covid-19 pandemic has had no material effects on neither profit- nor volume development during the year.

Lending to the public 2021



Key figures	2021	2020	Δ
Lending to the public, MSEK	18,333	16,116	14%
Deposits from the public, MSEK	10,426	12,613	-17%
Net interest income, MSEK	833	809	3%
Operating expenses, MSEK	533	581	-8%
Operating profit, MSEK	325	215	51%
C/I, %[1,2]	62%	69%	-8
Credit losses, %[1,2]	0.04%	0.25%	-0.21
Return on equity, %[1,2]	14.6%	10.1%	4.43
CET1, %[1]	16.4%	19.7%	-3.26

1. The change is stated in percentage points.
2. See page 92 for definitions of alternative performance measures.

Comments from the Chief Executive Officer

"2021 has resulted in the highest operating profit in the history of Bluestep Bank."

Successful strategic journey towards a specialised mortgage bank

In spite of 2021 still being impacted by Covid-19, Bluestep Bank delivered its best operating profit ever, became a specialised mortgage bank, and built a strategic platform for future growth. Even as we hoped to exit the pandemic in 2021, we saw continued human suffering and socioeconomic consequences. Inside Bluestep Bank, we had to learn new ways of working as a team and have accelerated the transformation of the company through better digital customer journeys and synergies from a stronger central technical platform. Furthermore we safeguarded our unique market position, launched a new brand platform and divested our personal loan portfolio, establishing ourselves as a specialised mortgage bank.

Continued technological transformation and scalability

Bluestep Bank is now active in three markets and as we review geographical expansion opportunities, we need to realize further synergies, both between existing markets and new ones. We have already successfully launched one Nordic core banking platform, which will ensure streamlined operations and facilitate expansion into new markets. In addition, we have centralised our back office in Stockholm and we have digitised many customer journeys, adding another dimension of scalability and efficiency to the company as we continue to grow.

New brand strategy showcasing the real Bluestep Bank

We have refined our unique market position by focusing on financial inclusion and sustainability, and took the important step of divesting the personal loan portfolio. We are now a specialised mortgage bank, a challenger in the mortgage market and a modern alternative to traditional banks. A new strategic positioning was of the utmost importance for us, and the new Brand communication concept clearly showcases our offering to potential clients, employees, partners and other stakeholders.

Measurable sustainability agenda

In 2020 Bluestep Bank created an ambitious Environmental, Social and Governance (ESG) plan. The agenda is now fully integrated into the company strategy. In 2021 we have taken considerable steps to implement it with clear and measurable targets. We focus on the Social and Governance categories, where Bluestep Bank has a clear role to play in society. Within the Social category, Bluestep Bank will continue to work for increased financial inclusion and financial empowerment, and within Governance we are increasing our efforts in responsible banking and transparency. Within the Environmental category, 2021 is the starting point for measuring, targeting and reducing our climate impact. I would also like to take this opportunity to express our continued support for the UN Global Compact and our commitment to the initiative. In 2021 we also signed the UN Principles for Responsible Banking, affirming our willingness to contribute to a more sustainable future for the generations to come.

"One core banking platform and a common Nordic backoffice ensures efficiency and paves the way for further expansion."

Successful product expansion

During the past years we have expanded our product offering to fully realise the potential in our markets. We successfully launched Second charge in Norway and Equity Release in Sweden. Both are off to a good start with potential for further growth. As part of our increased sustainability efforts we also launched green mortgages in 2021. We have also strengthened our efforts towards self-employed, participants in the gig economy as well as freelancers - all in positions to purchase a home but excluded by traditional banks. These product launches are a strategic opportunity, but also in line with our goal of contributing to greater financial inclusion. These products have already increased the number of Bluestep Bank customers, supporting our hypothesis that many segments in society are excluded from the banking sector and thereby from society at large. By broadening our customer base we are able to financially empower more people.

Long term stable financing model

As the only bank in our segment in Europe offering covered bonds we are well positioned to secure long term financial stability for Bluestep Bank. Diversified risk exposure and access to lower funding costs has a direct impact on the terms offered to our customers. In 2021 we issued covered bonds amounting to SEK 2.4 billion, with a total of SEK 5.3 billion issued. We also increased our senior unsecured bond funding, including a first NOK-denominated bond. Our current credit rating is A3 with a covered bonds rating of Aa1.

Continued focus on growth in 2022

2022 will offer many growth opportunities within our existing markets and product offerings and we will continue to explore the possibilities of further expansion both in terms of geographical markets and product portfolio. As a natural stage of having a private equity owner like EQT, which usually owns its portfolio companies between four to six years, EQT has initiated a strategic review to explore alternatives for its holding in Bluestep Bank. This includes, but is not limited to, a potential public listing of Bluestep Bank. Our focus will be on making mortgages accessible to more people, allowing them to take charge of their personal finances thereby driving more financial inclusion. We continue to improve our customer journey and digitising processes to ensure smooth and seamless applications.

Lastly, I would like to thank our fantastic employees who have shown resilience and commitment through a difficult time. Thanks to them we have been able to deliver our best results ever. 2021 has indeed been an spectacular year for Bluestep Bank, and I am confident that we head into 2022 with continued wind in our sails.

Björn Lander
Chief Executive Officer

Statements by the Chairman of the Board

The year 2021 has continued to pose challenges for individuals, authorities and companies around the world and the pandemic has given cause for reflection for Bluestep Bank alike. Despite yet another challenging year, Bluestep Bank has continued to deliver in accordance with our strategic roadmap.

A year of strategic deliviries

The long-term strategy set out in 2018 has now essentially been executed and we are starting to reap the benefits of the strategic repositioning.

Part of the transformation has been in the form of organisational changes, including strengthening functions within the Senior Management Team as well as down-sizing to increase efficiency. Although it has been challenging at times, the company has now implemented extensive improvements and emerged as a stronger and slimmer organisation, ready to take Bluestep Bank into the next stage of profitable growth. Despite the pandemic and associated restrictions, the company has managed to establish new tight knit teams in a digital manner, showcasing both commitment and resilience amongst our employees.

The launch of Finland as a new market in 2020 highlighted the need for common systems and for improving synergies across our markets. As a company that is constantly reviewing new possibilities for expansion, it is essential to capitalise on learnings from existing markets and product lines. In 2021 Bluestep Bank implemented one core Nordic banking platform as a means of centralising systems, streamlining operations and the creation of a one-system-fits-all model also facilitates the entrance into new markets. In 2022 we will continue to review possibilities for increased profitability and investments for the future.

A brand in motion

During the year Bluestep Bank has taken significant leaps forward in establishing the brand in the Finnish market, as well as continuing to grow equity release-offering through 60plusbanken in Sweden and the second charge-offering in Norway.

One of the key strategic deliveries of 2021 has been the divestment of the personal loan portfolio. Through this Bluestep Bank has emerged as a specialised mortgage bank, giving us a unique position in our sector. Through a multifaceted product line, all with the common denominator of mortgages, we have effectively achieved a unique position in the market. As we saw a new company take form, it was also essential to have a brand and a communication concept that portrayed our new direction. A comprehensive work has been put into developing a new brand strategy that aligns with our position as a challenger in the mortgage market and a modern alternative to traditional banks.

A unique financial position

With a continued presence in domestic capital markets we have also diversified our financing further, including issuances of covered bonds as well as senior unsecured bonds in SEK and NOK. The diversified funding structure increases our resilience against volatile financial markets and gives us an advantage compared to our main competitors.

A stronger company

It has been an exciting 2021 and Bluestep Bank has managed to deliver on many essential strategic and operational objectives. The journey set out four years ago has begun to reap benefits, proving that our strategic roadmap delivers tangible results, not least in terms of reaching our highest operating profit ever for the company.

The investments in- and transformation of Bluestep Bank has led to a strong, resilient and differentiated company - fully equipped to seize further underlying market potential. We continue to focus on developing products in existing markets, while also exploring opportunities for further expansion. I look forward to the continued progress of Bluestep Bank in 2022.

Per-Arne Blomquist
Chairman of the Board

Meet Bluestep Bank

Bluestep Bank is currently on an exciting journey. As a newly specialised mortgage bank we have a need to reposition our brand and to share our story, the true story, of the role Bluestep Bank plays in the lives of our customers, as well as in society. When we choose to see possibilities and potential instead of obstacles we can change lives by truly including and empowering more people, something that is evident for all working at Bluestep Bank.

"We are the responsible and sustainable player, offering improved financial quality of life and giving chances to people who are excluded from the mortgage market by traditional banks."

Mia Lund Hanusek, Chief Marketing Officer

During 2021 a comprehensive approach to reviewing our corporate brand strategy has been carried out. The idea was to find ways of portraying the brand as we see it, focusing on the positive impact Bluestep Bank has for our customers, and for society.

Mia Lund Hanusek says;
"As a specialised mortgage bank we have a unique position in our segment. We needed a brand strategy that could portray the true story of who we are and that could separate us from of our competitors. We were never a big player in unsecured loans, but now that we have divested that small part of our portfolio we need to clarify our communication with the focus on mortgages. We are the responsible and sustainable player, offering improved financial quality of life and giving chances to people who are excluded from the mortgage market by traditional banks. The new brand strategy and communication concept clarifies this in a much better way."

"Our new values represent the pride we all feel in this new era of being a specialised mortgage bank putting responsible and sustainable lending at the forefront of everything we do."

Karin Jenner, Chief HR Officer

Internally the level of pride is high amongst all of our employees. People who work at Bluestep Bank has a high understanding of our role for both people and society. As Bluestep Bank evolves as a company – so must our values. To keep up with the new strategic setting and even further the internal pride we present the following new key values;

- Inclusive - Our business is about people and creating value that allows for inclusion of more people in society and enabling more people to become financially stable
- Passionate - We show passion in our everyday work, something that shines through to our customers. We believe in peoples potential even when others do not have faith in their ability
- Innovative- Through exceeding expectations and taking action to solving problems we are the thought leaders of our industry.
- Responsible- We have the responsibility to ensure that each of our customers improve their financial situation with us. We take ownership of our business – from start to finish.

Karin Jenner says;
"Our previous values, although strong, are representative of a Bluestep that has gone through major strategic changes and come out the other end as an essentially new company. Our new values represent the pride we all feel in this new era of being a specialised mortgage bank putting responsible and sustainable lending at the forefront of everything we do."

"To work in value driven companies is a priority for many young talents today and we are proud to be able to offer such an environment."

Daniel Almgren,
Head of Valuation & Sustainability

Sustainability is at the core of what we do. At the heart of our business is increasing financial inclusion and thereby reducing segregation in society and paving the way for new generations to be a part of society. We empower business owners, freelancers, young people and those who want to turn a new leaf in their financial situation. A part of taking our share of responsibility for the future lies in having an ambitious agenda for measuring and reducing our impact on the world around us.

Daniel Almgren says;
"2021 has been a year where we have escalated our work on delivering on an ambitious plan set out in 2020. We have gone from having business goals and sustainable goals to having sustainable business goals, emphasizing that there is no contradiction between profitability and sustainability, but rather that they are interdependent. We want to be an active part of the solution, not the problem, and we see that the response from our customers and employees has been very positive. We have also signed the UN Principles for Responsible Banking affirming our commitment to these issues. To work in value driven companies is a priority for many young talents today and we are proud to be able to offer such an environment."

Board of Directors

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

Per-Arne Blomquist

Chairman

Elected to the Board: 2018

Born: 1962

Other assignments: Member of the Board of Directors of C-RAD AB. Member of the Board of Directors of BUFAB. Managing Director of Qarlbo AB.

Albert Gustafsson

Member of the Board

Elected to the Board: 2017

Born: 1977

Other assignments: Partner at EQT Partners AB. Chairman of the Board of Directors Green Water AB. Member of the Board of Directors of Eton Group AB. Member of the Board of Directors of Beijer Ref AB.

Lars Wollung

Member of the Board

Elected to the Board: 2018

Born: 1961

Other assignments: Chairman of the board of Hoist Finance AB (publ). Chairman of the Board of Directors of Dignisia AB. Chairman of the Board of Directors of RaySearch Laboratories AB (publ). Chairman of the Board of Directors of TPS Investment AB. Member of the Board of Directors of TPS Advisory AB.

Rolf Stub

Member of the Board

Elected to the Board: 2020

Born: 1963

Other assignments: Member of the Board of Directors of Uno Finans AS. Member of the Board of Directors of Nystart Finans Sverige AB.

Simon Tillmo

Member of the Board

Elected to the Board: 2020

Born: 1991

Other assignments: Director at EQT Partners GmbH.

Sofia Arhall Bergendorff

Member of the Board

Elected to the Board: 2018

Born: 1969

Other assignments: Managing Director, Platforms & Partnerships, Northern Europe, at Google. Vice-Chairman at Nuuday A/S.

Toby Franklin

Member of the Board

Elected to the Board: 2008

Born: 1972

Other assignments: Partner, Acuity Investments LLP, UK. Chairman of the board of Tower Leasing Ltd, UK. Member of the Board of Directors of Pro Global Holdings Ltd, UK. Member of the Board of Directors of Carfico Ltd.

Julia Ehrhardt

Member of the Board

Elected to the Board: 2021

Born: 1980

Other assignments: CFO Ark Kapital AB. Member of the Board at Nystart Finans AB. Vice Chairman of the Board at DNA (non-profit organisation).

Senior Management Team

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

Björn Lander

Chief Executive Officer

Employed: 2019

Born: 1975

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

Pontus Sardal

Chief Financial Officer

Employed: 2021

Born: 1967

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

Christian Marker

Chief Legal Officer

Employed: 2005

Born: 1979

Previous roles: Various roles within mortgage lending at SBAB.

Max Fischer

Chief Information Officer

Employed: 2020

Born: 1974

Previous roles: Vice President Engineering Klarna. Executive Vice President IT Nordea. Enterprise Business Architect Retail Banking SEB.

Karin Jenner

Chief Human Resource Officer

Employed: 2014

Born: 1982

Previous roles: Acting HR Director and HR Manager Teleperformance Nordic. HR Specialist FMV. Business Manager Proffice.

Mia Lund Hanusek

Chief Marketing Officer

Employed: 2020

Born: 1975

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

Sarmad Jawady

Chief Commercial Officer, Sweden

Employed: 2007

Born: 1984

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

Erik Walberg Olstad

Chief Commercial Officer & Branch Manager, Norway

Employed: 2012

Born: 1987

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

Petri Matikainen

Chief Commercial Officer & Branch Manager, Finland

Employed: 2019

Born: 1976

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

Administration report

Bluestep Bank AB (publ) ("the Bank", also called "Parent"), org no 556717-5129 with registered offices in Stockholm, Sweden, hereby presents the interim accounts and group accounts for the period 1 January 2021 — 31 December 2021. The Group is comprised of the Bank and the wholly-owned subsidiaries: Bluestep Finans Funding No 1 AB ("BFF1"), org no 556791-6928 with registered offices in Stockholm, Sweden, Bluestep Mortgage Securities No 2 Designated Activity Company ("Step 2"), org no 522186 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3"), org no 550839 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4"), org no 596111 with registered offices in Dublin, Ireland, and Bluestep Servicing AB ("BSAB"), org no 556955-3927 with registered offices in Stockholm, Sweden. All financial information is provided for the Group if not otherwise stated, while the regulatory information refers to the legal entity Bluestep Bank AB (publ) or the consolidated situation which Bluestep reports to the Swedish Financial Supervisory Authority ("SFSA"). The consolidated situation consists of Bluestep Holding AB ("BHAB"), the Bank, BSAB, BFF1, Step 2, Step 3 and Step 4.

The Group's results

The full year refers to 1 January - 31 December 2021 compared to same period the previous year.

Operating profit

The operating profit increased by 51% and amounted to MSEK 325 (MSEK 215).

Net interest income

Net interest income increased by 3% to MSEK 833 (MSEK 809). The net interest income has remained stable despite the sale of the personal loan portfolio, which last year showed a net interest income of MSEK 73, through increased volumes and the ongoing diversification of the Group's funding, which has contributed to lower interest expenses.

Operating expenses

Expenses decreased by 8% to MSEK 533 (MSEK 581). C/I before credit losses decreased to 62% (69%). The improvement was held back by further investments into growth initiatives with the expansion into Finland and the equity release product in Sweden, but thanks to more efficient processes, and the transformation to one common Nordic back-office for the Bank's deposit and lending administration, the Bank managed to decrease operating expenses compared to previous year.

Employees

The average number of employees in the Group during the year was 272 (275), of which 66 (67) were employed by the Norwegian branch and 15 (9) were employed by the Finnish branch.

Credit losses

Net credit losses decreased to MSEK 7 (MSEK 40), which corresponds to a credit loss level of 0.04% (0.25%). The decrease is mainly due to the divestment of the personal loan portfolio, but credit losses related to mortgages have also decreased compared to the previous year. Due to the long-term uncertainty of Covid-19, an additional provision was established during 2020. The provision has neither been reversed, nor offset against actual losses and the year end balance for 2021 was MSEK 5.4.

Tax

The tax expenses amounted to MSEK 69 (MSEK 61) for the year, which corresponds to an effective tax rate of 21.2% (28.4%). The deviation from previous year's nominal tax rate of 21.4% is attributable to taxable temporary differences in Norway.

Net result

Profit for the year amounted to MSEK 256 (MSEK 154).

Operating income

MSEK	2021	2020	Change, %
Net interest income	833	809	3%
Net result of financial transactions	23	16	43%
Other operating income	9	11	-21%
Total operating income	**865**	**836**	**3%**

Operating expenses

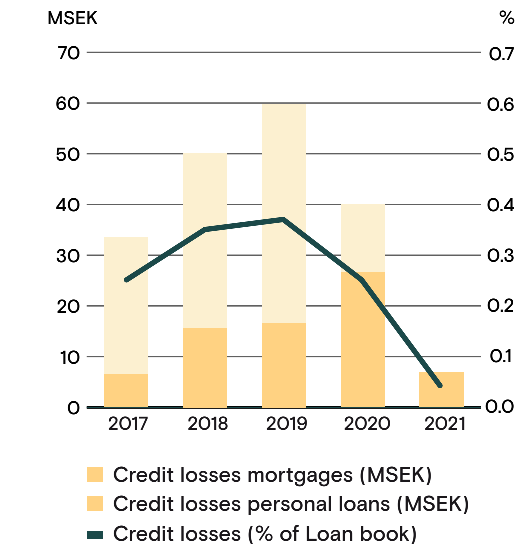
MSEK	2021	2020	Change, %
Staff costs	-236	-286	-17%
Administration costs	-232	-232	0%
Depreciation and impairments	-65	-63	3%
Total operating expenses	**-533**	**-581**	**-8%**

Credit losses

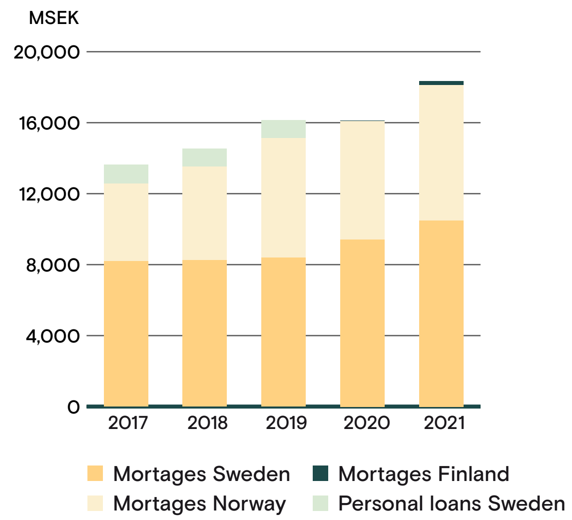
MSEK	2021	2020	Change, %
Net credit losses	-7	-40	-83%
Credit losses (%)[1]	0,04%	0,25%	-85%

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

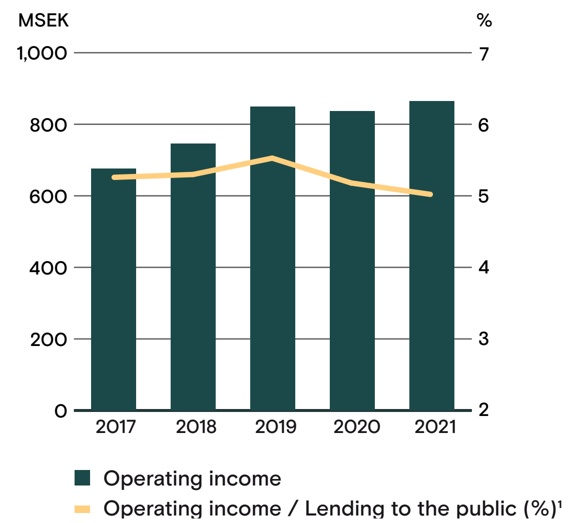
Credit losses



Lending portfolio



Operating income



[1] See page 92 for definitions of alterntative performance measures

Financial position

Per 31 December 2021 compared to same date the previous year.

Lending

The Group's total loan portfolio increased by 14% and amounted to MSEK 18,333 (MSEK 16,116). Adjusted for currency effects, the increase was 10%. The positive volume development is foremost driven by increased lending in customer segments with lower risk. The Swedish mortgage portfolio, including the equity release product, accounts for 57% of the total lending to the public, the Norwegian mortgages for 42% and the Finnish mortgages for 1%.

Capital base and capital adequacy

The common equity tier 1 capital ("CET1") amounted to MSEK 1,390 (MSEK 1,617) for the consolidated situation, and MSEK 1,410 (MSEK 1,606) for the Parent. This is equivalent to a CET1 capital ratio of 16.4% (19.7%) for the consolidated situation, and 17.1% (20.2%) for the Parent. The CET1 capital ratio is the same as the total capital ratio, as no additional Tier1 capital (AT1) or subordinated debt (T2) has been issued for the consolidated situation or the Parent.

The decrease of the CET1 capital is related to the extra dividend distribution in October 2021, following the decision by the SFSA to remove the limitations to pay dividend, and also includes a proposed dividend of MSEK 300 affecting the capital for both the Parent and the consolidated situation.

In October, the Board of BHAB (owns 100% of the Bank) held an extraordinary general meeting deciding on a dividend distribution from the Bank to BHAB of MSEK 205 to be able to pay a dividend of MSEK 250 to the owners of BHAB. The extra dividend paid in October and the proposed dividend brings the CET1-ratio closer to targeted level of 16%. For further information regarding capital base and capital adequacy, see Note 31.

Return on equity

Return on equity amounted to 14.6% (10.1%) for the full year.

Financing

At end of the year, the Group's sources of financing consisted of equity, retail deposits from the public in Sweden and Norway, issuance of 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.

Five year overview

Key figures | Group	2021	2020	2019	2018	2017
Operating profit, MSEK	325.2	215.5	274.5	212.2	250.8
Gross revenue / Lending portfolio, %[1]	6.3%	7.2%	7.5%	7.5%	7.4%
Operating income / Lending portfolio, %[1]	5.0%	5.2%	5.5%	5.3%	5.3%
Credit losses,%[1]	0.04%	0.25%	0.37%	0.35%	0.25%
CET1, MSEK	1,390.1	1,617.2	1,474.9	1,303.0	1,063.8
CET1 ratio, %	16.4%	19.7%	17.9%	17.5%	15.0%
Return on Equity, %[1]	14.6%	10.1%	14.1%	13.0%	19.4%
Return on Assets, %	1.6%	1.1%	1.5%	1.2%	1.6%
Liquidity reserve, MSEK	2,334.0	3,000.3	2,673.7	2,555.9	3,029.7
Deposits from the public, MSEK	10,426.0	12,612.9	11,421.4	10,416.6	10,418.6
External funding, MSEK	8,521.1	5,702.0	5,901.1	5,432.6	4,831.3
Lending portfolio, MSEK	18,333.1	16,115.5	16,150.0	14,521.7	12,366.0
Leverage ratio, %	6.6%	7.9%	7.7%	7.5%	6.4%
Average number of employees	272	275	274	243	227

[1] *See page 92 for definitions of alterntative performance measures*

Funding

The Bank´s outstanding volume of senior unsecured bonds amounted to MSEK 2,050 (MSEK 2,000) and MNOK 550 (MNOK 0). The outstanding volume of covered bonds amounted to MSEK 5,300 (MSEK 2,900) and the RMBS-funding decreased to MSEK 492 (MSEK 746) due to the ongoing amortisations of the remaining outstanding transaction (Step 4).

Deposits

Total deposits from the public amounted to MSEK 10,426 (MSEK 12,613), representing a decrease of 17%. Deposits in the Norwegian Branch amounted to MSEK 6,335 (MSEK 8,024). The decrease is due to continued funding diversification, in favour of covered- and senior unsecured bonds.

The deposit products are covered by the Swedish government deposit guarantee, which since the 1st of January 2021 amounts to SEK 1,050,000. In Norway, the deposit products are also covered by the Norwegian deposit guarantee, which amounts to NOK 2,000,000 via the Norwegian Banks' Guarantee Fund.

Credit rating

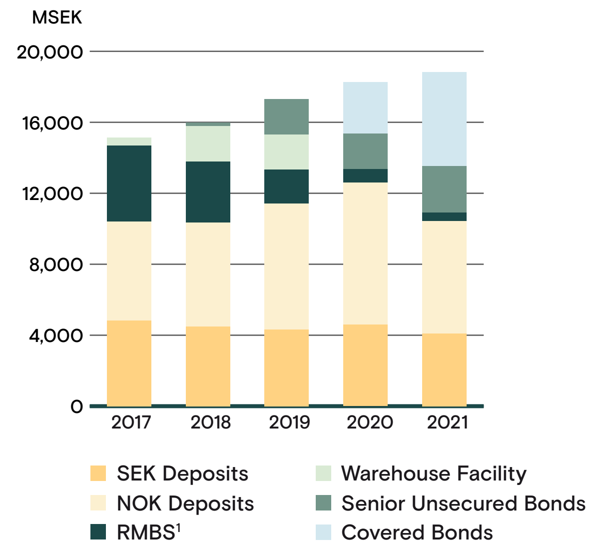
The Bank´s credit rating (long-term deposit rating from Moody´s) is A3 with stable outlook since June 2020. The Bank´s covered bonds have a credit rating of Aa1 from Moody´s.

Liquidity

At end of period, the Group´s liquidity reserve amounted to MSEK 2,334 (MSEK 3,000), of which MSEK 1,147 (MSEK 1,877) was placed with credit institutions, MSEK 356 (MSEK 402) was placed with central banks, MSEK 283 (MSEK 286) was invested in Swedish and Norwegian covered bonds and MSEK 548 (MSEK 328) was invested in bonds issued by the Swedish and Norwegian governments or municipalities. All bond investments had credit ratings of AAA / Aaa.

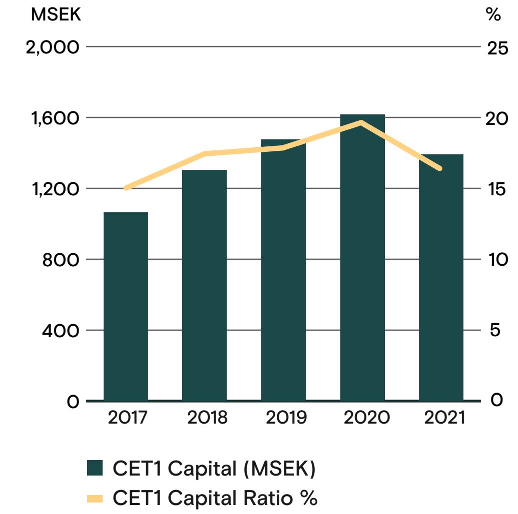
The liquidity coverage ratio ("LCR") for the Consolidated situation amounted to 496% (439%) at year-end. The Net Stable Funding Ratio ("NSFR") was 130% (133%) at year-end. Both the LCR and NSFR exceed the internal limits as well as minimum regulatory requirements by a substantial margin.

External funding sources

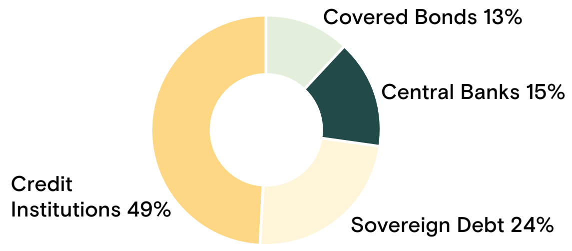


[1] *Residential Mortgage Backed Securities, ie. bonds with underlying Swedish mortgage assets as collateral*

CET1 Capital & CET1 Capital Ratio
(Consolidated situation)



Liquidity reserve, Group



Organisation and operations

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

Ownership and definitions

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

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

Bluestep Bank operates in Sweden, Norway and Finland. The Group is the Nordic's largest specialist residential mortgage lender in its niche and the core business is to engage in mortgage lending activities which are mainly funded by equity, deposits from the public, credit facilities, issuance of RMBS (through the wholly owned subsidiary Step 4) and issuance of covered bonds and senior unsecured bonds.

Foreign branches

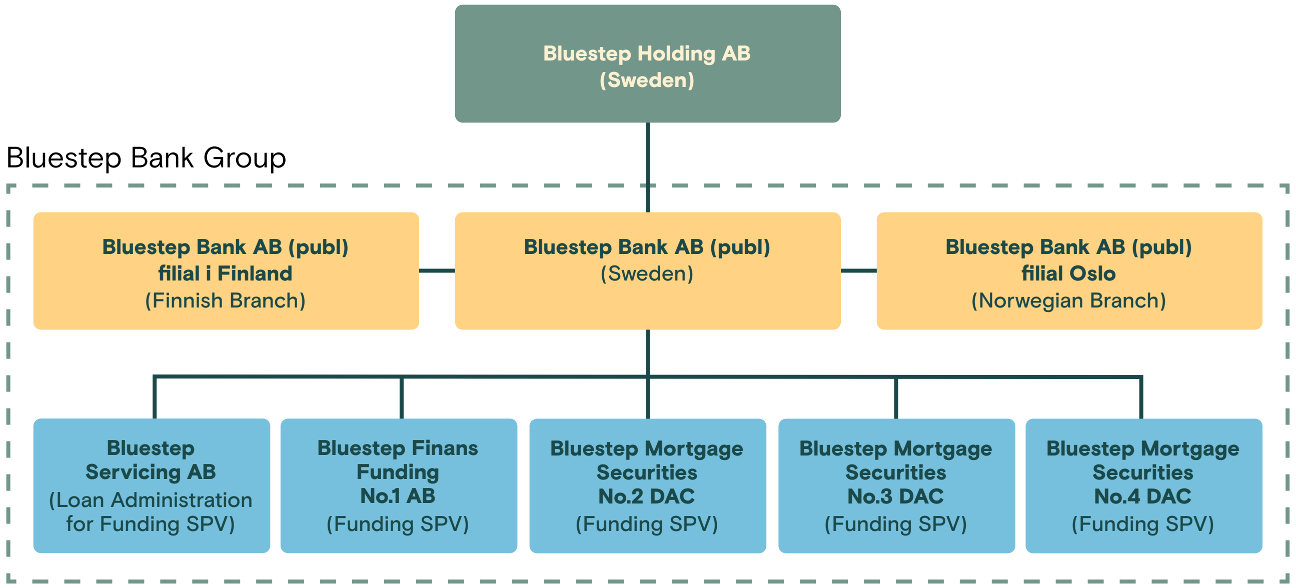
In addition to Sweden, the Bank has operations in Norway and Finland, which are run through the respective branches. The Bank is a leading credit provider in the specialist mortgage market in Norway and strengthened its role in the Nordic region by establishing a branch and issuing mortgages in Finland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

Significant regulatory changes

For 2021, there has been no significant regulatory changes. For further information regarding accounting principles, see Note 1. The Annual report is prepared in accordance with the same accounting principles and calculation methods as the Annual report for 2020. 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 are presented on pages 94-124 in this document.

Significant events and other information after the end of the period

EQT VII, the indirect majority shareholder in the Bank, has initiated a review to explore strategic alternatives for its holding in the Group, including, but not limited to, a potential public listing. No decision has yet been made related to any strategic alternative, nor as to the timetable. Further updates to the market will be provided if and when appropriate.



Risk Management

Risk management in general

The Bank's risk management aims to ensure that risk-taking is consistent with set risk management strategies and risk appetite, and to achieve an appropriate balance between risk and return. The Bank defines risk as the possibility that an event may occur that adversely affects the achievement of an objective or a process. The risk management process, covering to identify, assess, manage, monitor, control and report risks, provides taking and managing risks while at the same time being given the opportunity to achieve set strategic, business, and operating goals. The risks are limited and mitigated through set risk appetite and risk tolerance, approved policies and instructions, implemented procedures and routines, as well as mitigating measures, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank. The risk management covers backward-looking, actual, and forward-looking risks, on and off the balance sheet, that the Bank is, or might be, exposed to.

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

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

The Bank is exposed to a number of risks, such as strategic risk, business risk, operational risk (covering information security risk), credit risk, market risks, liquidity risk, financing risk, environmental, social and governance-related risk, and reputational risk. Identified risks are assessed qualitatively based on probability and impact of economic loss, negative change in earnings or material change in risk profile, and quantitatively by calculating capital requirements where relevant. For further information about risk management for risk categories, see Note 2 "Risk Management". For further information about capital requirement and capital adequacy, see Note 31 "Capital adequacy analysis - Parent company and Consolidated situation".

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

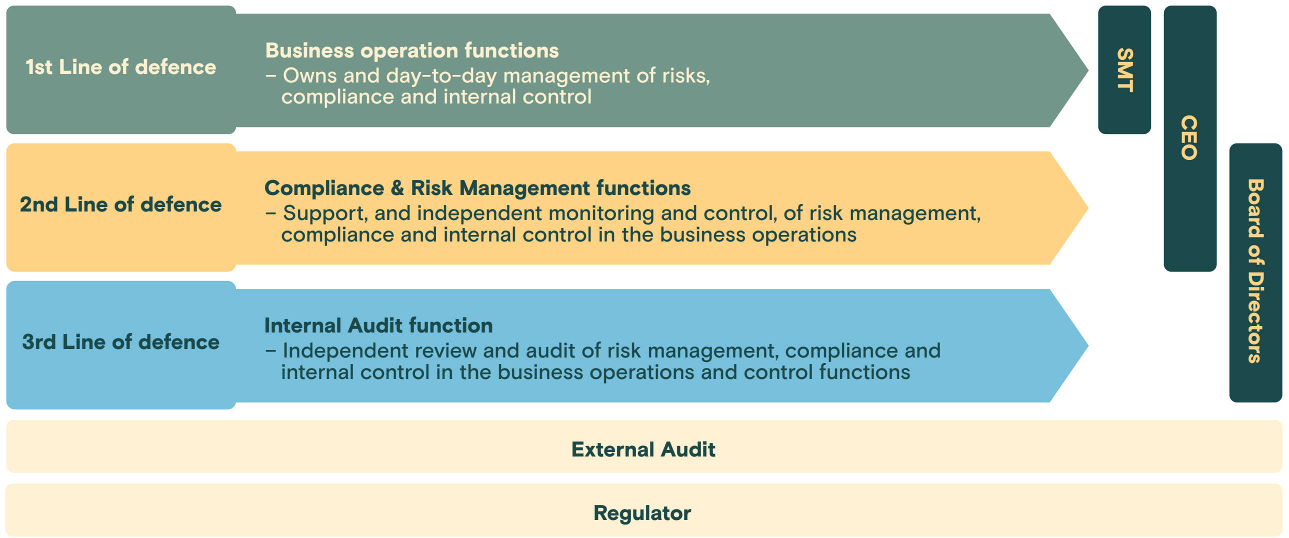
Risk Governance

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

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

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

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



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

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

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

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

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

Capital Management

The capital management is integrated into the strategic planning, the risk management framework, and the performance of the ICLAAP. The capital management are 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, is ensured. This provides support for achieving set goals, target results, maintaining financial strength and continuity, maintaining sufficient liquidity to meet commitments, and to protect the Bank's brand and reputation. In addition, the operations can continue to generate returns and benefits for owners and other stakeholders. The Bank's capital management framework is governed by the Capital Management Policy, approved by the Board, and covers roles and responsibilities, principles, capital requirements and capital adequacy, capital planning and capital reporting.

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

Capital requirements and capital adequacy

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

The Bank maintains a minimum capital level of 8% of the risk-weighted exposure amounts and has sufficient capital to meet the Pillar II capital requirements and buffer requirements in the form of CET1 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 CET1 capital ratio of 16%, and a minimum CET1 capital ratio of 15%.

Capital planning

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

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

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

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

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

Monitoring and reporting

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

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

For further information about the Bank's capital and liquidity management, see Note 2 "Risk management" and Note 31 "Capital adequacy analysis – Parent company and consolidated situation" in this report, and the Bank's report on capital and risk management in accordance with the Pillar III disclosure requirements published quarterly on www.bluestepbank.com.

Liquidity Management

The liquidity and financing management framework is governed by the Liquidity and Financing Risk Management Policy, approved by the Board, and covers roles and responsibilities, principles, risk management strategy, risk management process, risk control and 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 on a daily basis, and is reported to the Chairman of the Board, the CEO, the CFO, and the CRO, 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, LCR and NSFR. Independent control regarding the liquidity management is also performed within the internal audit framework.

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

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

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

Proposal for the distribution of profit (SEK)

The following profits are available for appropriation at the Annual General Meeting	
Retained earnings	1,395,736,539
Profit for the year	253,516,399
Translation reserve	4,167,858
	1,653,420,796
The Board propose the following distribution:	
Dividend to shareholders	300,000,000
To be carried forward	1,353,420,796
	1,653,420,796

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

MSEK	Note	2021	2020
Operating income			
Interest income calculated using the effective interest method		1,068.3	1,162.6
Other interest income		19.5	5.6
Interest expense		-255.2	-359.4
Net interest income	4	**832.7**	**808.9**
Net gains/losses on financial transactions	5	23.4	16.4
Other operating income	6	8.8	11.1
Total operating income		**864.8**	**836.3**
Operating expense			
General administration expenses	7,8,9	-467.9	-518.0
Depreciation of tangible and intangible assets	18,19	-64.8	-62.7
Total operating expenses		**-532.8**	**-580.7**
Profit before credit losses		**332.1**	**255.6**
Credit losses, net	10	-6.9	-40.1
Operating profit		**325.2**	**215.5**
Tax expense	11	-68.9	-61.1
NET PROFIT FOR THE YEAR		**256.3**	**154.4**
Net profit for the year attributable to shareholders		256.3	154.4

Statement of comprehensive income

Group

MSEK	2021	2020
Net profit for the year	**256.3**	**154.4**
Items that may be reclassified to the income statement		
Translation differences of foreign operations	24.6	-27.6
Tax due to translation differences of foreign operations	-5.1	5.9
Total other comprehensive income	**19.5**	**-21.7**
COMPREHENSIVE PROFIT FOR THE YEAR	**275.8**	**132.7**
Comprehensive profit for the year attributable to shareholders	275.8	132.7

Balance sheet

Group

MSEK	Note	2021-12-31	2020-12-31
Assets			
Cash and balances at central banks	12	356.4	402.3
Lending to credit institutions	13	1,146.7	1,877.4
Lending to the public	14	18,333.1	16,115.5
Value change of interest-hedged items in portfolio hedging		-46.6	47.1
Derivatives	15	76.0	41.2
Bonds and other interest-bearing securities	16	493.0	482.4
Government debt securities	16	337.9	238.2
Intangible assets	18	112.6	116.8
Tangible assets	19	43.1	52.9
Other assets	20	62.1	128.6
Prepaid expenses and accrued income	21	23.0	23.0
Assets held for sale	22	-	714.6
Tax assets	11	65.0	41.7
TOTAL ASSETS		**21,002.2**	**20,281.6**
Liabilities and provisions			
Issued bonds	24	8,521.1	5,702.0
Deposits from the public	25	10,426.0	12,612.9
Derivatives	15	31.4	55.8
Tax liabilities	11	48.6	-
Deferred tax	11	0.7	0.5
Other liabilities	26	102.9	90.7
Accrued expenses and prepaid income	27	59.6	80.9
Provisions	28	2.8	0.7
Total liabilities and provisions		**19,193.2**	**18,543.4**
Equity			
Share capital		100.0	100.0
Translation reserve		2.1	-17.4
Shareholders' contribution		563.7	563.7
Retained earnings		886.8	937.4
Profit for the year		256.3	154.4
Total equity		**1,809.0**	**1,738.2**
TOTAL EQUITY AND LIABILITIES		**21,002.2**	**20,281.6**

As of the Interim report 2021, the Group will present accrued interest expenses on issued bonds as a part of the debt value in the balance sheet to harmonize with the lending and deposit items. Accrued interest expenses which earlier were classified as accrued expenses and prepaid income is now presented as issued bonds.

Changes in equity

Group

MSEK	Share capital	Translation reserve	Shareholders' contribution	Retained earnings incl. profit for the year	Total equity
	Shareholders' equity				
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					
Translation differences of foreign operations		-27.6			**-27.6**
Tax due to translation differences of foreign operations		5.9			**5.9**
Closing balance 2020-12-31	**100.0**	**-17.4**	**563.7**	**1,091.8**	**1,738.2**
Opening balance 2021-01-01	**100.0**	**-17.4**	**563.7**	**1,091.8**	**1,738.2**
Dividend to shareholders				-205.0	**-205.0**
Profit for the year				256.3	**256.3**
Other comprehensive income					
Translation differences of foreign operations		24.6			**24.6**
Tax due to translation differences of foreign operations		-5.1			**-5.1**
Closing balance 2021-12-31	**100.0**	**2.1**	**563.7**	**1,143.1**	**1,809.0**

Cash flow statement

Group

MSEK	Note	2021	2020
Operating activities			
Operating profit		**325.2**	**215.5**
Adjustments for items not included in cash flow			
Depreciation	18,19	64.8	62.7
Unrealised changes in value	5	5.3	0.5
Credit losses excluding recoveries	10	15.5	80.8
Interest accruals		-28.8	7.0
Other		-21.1	-14.3
Total – Items not included in cash flow		**35.7**	**136.8**
Tax paid		-43.3	-49.0
Cash flow from current operations before changes to operating capital		**317.6**	**303.2**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-2,137.1	-838.5
Increase (-)/decrease (+) of short term receivables		20.6	33.1
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-14.8	163.0
Increase (-)/decrease (+) government debt securities		-99.4	-137.5
Increase (+)/decrease (-) of deposits from the public		-2,174.0	1,187.2
Increase (+)/decrease (-) in issued bonds		2,840.0	1,793.2
Increase (+)/decrease (-) of short term liabilities		-22.4	-73.9
Cash flow from operating activities		**-1,269.5**	**2,429.8**
Investing activities			
Investments in intangible assets	18	-44.3	-56.0
Investments in tangible assets	19	-6.6	-7.9
Sale of the personal loan portfolio		729.3	-
Cash flow from investing activities		**678.4**	**-63.9**
Financing activities			
Repayment of liabilities to credit institutions		-	-2,000.0
Dividend paid to shareholders		-205.0	-
Cash flow from financing activities		**-205.0**	**-2,000.0**
NET CASH FLOW FOR THE YEAR		**-796.1**	**365.9**
Liquid funds at beginning of year		2,279.7	1,935.5
Currency difference in liquidity		19.5	-21.7
LIQUID FUNDS END OF YEAR		**1,503.1**	**2,279.7**
of which cash and balances at central banks		*356.4*	*402.3*
of which lending to credit institutions		*1,146.7*	*1,877.4*
Cash flow includes interest receipts of		**1,072.4**	**1,158.4**
Cash flow includes interest payments of		**-268.1**	**-355.1**

Income statement

Parent

MSEK	Note	2021	2020
Operating income			
Interest income calculated using the effective interest method		1,068.0	1,150.8
Other interest income		35.9	31.3
Interest expenses		-287.7	-413.3
Net interest income	4	**816.2**	**768.8**
Net gains/losses on financial transactions	5	21.3	18.9
Other operating income	6	23.8	37.4
Total operating income		**861.4**	**825.2**
Operating expense			
General administration expenses	7,8,9	-486.8	-536.5
Depreciation of tangible and intangible assets	18,19	-46.1	-43.8
Total operating expenses		**-533.0**	**-580.3**
Profit before credit losses		**328.4**	**244.9**
Credit losses, net	10	-6.9	-40.6
Operating profit		**321.6**	**204.3**
Tax expense	11	-68.1	-58.0
NET PROFIT FOR THE YEAR		**253.5**	**146.3**

Statement of comprehensive income

Parent

MSEK	2021	2020
Net profit for the year	**253.5**	**146.3**
Items that may be reclassified to the income statement		
Translation differences of foreign operations	25.6	-26.3
Tax due to translation differences of foreign operations	-5.3	5.6
Total other comprehensive income	**20.3**	**-20.7**
COMPREHENSIVE PROFIT FOR THE YEAR	**273.9**	**125.6**

Balance sheet

Parent

MSEK	Note	2021-12-31	2020-12-31
Assets			
Cash and balances at central banks	12	356.4	402.3
Lending to credit institutions	13	987.1	1,716.4
Lending to the public	14	18,333.1	16,115.5
Value change of interest-hedged items in portfolio hedging		-46.6	47.1
Derivatives	15	57.7	16.7
Bonds and other interest-bearing securities	16	493.0	482.4
Government debt securities	16	337.9	238.2
Shares and participations in associated companies	17	0.2	4.7
Intangible assets	18	110.1	107.1
Tangible assets	19	6.7	5.4
Other assets	20	61.0	133.5
Prepaid expenses and accrued income	21	22.4	22.4
Assets held for sale	22	-	714.6
Tax assets	11	58.8	39.1
TOTAL ASSETS		**20,777.6**	**20,045.3**
Liabilities			
Liabilities to credit institutions	23	329.4	582.2
Issued bonds	24	8,028.0	4,954.5
Deposits from the public	25	10,426.0	12,612.9
Derivatives	15	31.4	55.8
Tax liabilities	11	47.1	-
Other liabilities	26	75.6	47.6
Accrued expenses and prepaid income	27	57.4	78.5
Total liabilities		**18,994.9**	**18,331.5**
Equity			
Share capital		100.0	100.0
Fund for development expenses		29.2	19.1
Translation reserve		4.2	-16.2
Retained earnings		1,395.7	1,464.6
Profit for the year		253.5	146.3
Total equity		**1,782.7**	**1,713.8**
TOTAL EQUITY AND LIABILITIES		**20,777.6**	**20,045.3**

As of the Interim report 2021, the Parent will present accrued interest expenses on issued bonds as a part of the debt value in the balance sheet to harmonize with the lending and deposit items. Accrued interest expenses which earlier were classified as accrued expenses and prepaid income is now presented as issued bonds.

Changes in equity

Parent

	Restricted equity		Non restricted equity		
MSEK	Share capital	Fund for development expenses	Translation reserve	Retained earnings incl. profit for the year	Total equity
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**
Other comprehensive income					
Translation differences of foreign operations			-26.3		**-26.3**
Tax due to translation differences of foreign operations			5.6		**5.6**
The year's own accumulated intangible assets		8.3		-8.3	**-**
Closing balance 2020-12-31	**100.0**	**19.1**	**-16.2**	**1,610.9**	**1,713.8**
Opening balance 2021-01-01	**100.0**	**19.1**	**-16.2**	**1,610.9**	**1,713.8**
Dividend to shareholders				-205.0	**-205.0**
Profit for the year				253.5	**253.5**
Other comprehensive income					
Translation differences of foreign operations			25.6		**25.6**
Tax due to translation differences of foreign operations			-5.3		**-5.3**
The year's own accumulated intangible assets		10.2		-10.2	**-**
Closing balance 2021-12-31	**100.0**	**29.2**	**4.2**	**1,649.3**	**1,782.7**

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

Cash flow statement

Parent

MSEK	Note	2021	2020
Operating activities			
Operating profit		**321.6**	**204.3**
Adjustments for items not included in cash flow			
Depreciation	18,19	46.1	43.8
Unrealised changes in value	5	7.0	-2.4
Credit losses excluding recoveries	10	15.5	81.2
Interest accruals		-28.3	16.1
Other		-21.7	-17.8
Total – Items not included in cash flow		**18.5**	**120.9**
Tax paid		-40.7	-47.6
Cash flow from current operations before changes to operating capital		**299.3**	**277.6**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-2,137.1	-3,225.7
Increase (-)/decrease (+) of short term receivables		20.5	623.7
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-14.8	163.0
Increase (-)/decrease (+) government debt securities		-99.4	-137.5
Increase (+)/decrease (-) of deposits from the public		-2,174.0	1,187.2
Increase (+)/decrease (-) in issued bonds		3,093.8	2,949.8
Increase (+)/decrease (-) of short term liabilities		-9.5	-71.4
Cash flow from operating activities		**-1,021.1**	**1,766.6**
Investing activities			
Investments in intangible assets	18	-46.4	-53.6
Investments in tangible assets	19	-4.0	-1.4
Increase in shares and participations in associated companies	17	4.5	-
Sale of the personal loan portfolio		729.3	-
Cash flow from investing activities		**683.3**	**-55.0**
Financing activities			
Repayment of liabilities to credit institutions		-252.8	-905.6
Dividend paid to shareholders		-205.0	-
Cash flow from financing activities		**-457.8**	**-905.6**
NET CASH FLOW FOR THE YEAR		**-795.6**	**806.0**
Liquid funds at beginning of year		2,118.7	1,333.4
Currency difference in liquidity		20.3	-20.7
LIQUID FUNDS END OF YEAR		**1,343.5**	**2,118.7**
of which cash and balances at central banks		*356.4*	*402.3*
of which lending to credit institutions		*987.1*	*1,716.4*
Cash flow includes interest receipts of		**1,088.5**	**1,174.6**
Cash flow includes interest payments of		**-300.6**	**-409.0**

Notes to the financial statements

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

Content

Note 1 | Accounting principles

General information

Bluestep Bank AB (publ) is a joint-stock bank under the supervision of the Swedish FSA. The Bank's head office is located at Sveavägen 163, SE-104 35 Stockholm, Sweden. The Annual Report was approved for publication by the Board of Directors on April 21, 2022. The income statement and balance sheet will be presented at the Annual General Meeting for adoption on April 21, 2022. The Bank is a wholly owned subsidiary of Bluestep Holding AB, which is reporting consolidated statements on the highest Group level. A subsidiary's financial position is recognised in the consolidated financial statements from the time the subsidiary is acquired up to and including the date on which the controlling interest ceases. The Bank is considered to have a controlling interest in a company when it has over 50% of voting rights in the company and when it is exposed to, or entitled to a variable return on its holding in the company. Intra-Group transactions between companies of the Group are eliminated in the consolidated financial statements. The Bank's business is described in the Administration Report.

Compliance with standards and laws

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the 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.

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

Changes in accounting policies due to new or amended IFRS

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

Benchmark reform phase 2

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

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

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

Estimations and critical assessments

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

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

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

Assessments

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

Estimates

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

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

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

Foreign currency

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

Interest income and interest expense

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

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

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

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

Commission income and expense

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

Net gains/losses on financial transactions

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

Financial instruments

Most of the Bank's balance sheet items 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. Some examples of financial instruments on the asset side, are lending to the public and credit institutions, bonds and other interest-bearing securities and derivatives. The liability side includes deposits and borrowing from the public, issued bonds, derivatives, liabilities to credit institutions and accounts payable.

Financial assets are recognised in the balance sheet on the date of signing the acquisition, except for 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, expired or the Bank loses control over them. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner closed.

Financial assets and liabilities are offset and recognised as a net amount in the balance sheet only when a legal right to offset the amounts exists and an intention exists to settle the items in a net amount or simultaneously realise the asset and settle the liability. Financial instruments are initially recognised at acquisition cost, corresponding 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 categorised:

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

Financial assets measured at fair value through profit or loss

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

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

Fair value is the price at the measurement date that would be received by selling an asset or payable on the transfer of a 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 in turn are 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 models where essential data is based on nonobservable data.

Derivatives

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

Hedge accounting (IAS 39)

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

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 accounted for as Net gains/losses on 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 presented in the balance sheet as Loans to credit institutions, Loans to the public and Other assets, depending on their nature. These assets are recognised at amortised cost. Loan receivables are initially recognised at acquisition cost, which consist of the loan amount paid less fees received and additional costs that form an integral part of the return. The interest rate that generates the loan's acquisition cost when calculating the present value of future payments is considered the effective interest rate. Amortised cost is obtained by discounting the remaining future payments by the effective interest rate. Receivables other than loan receivables, which are not interest-bearing, are expected to be short-term and are therefore recognised at a nominal amount without being discounted. Expected credit losses are reported separately outside of operating expenses.

Lending to the public

Lending to the public consists of loans to individuals secured with property as collateral and loans to individuals without collateral. Impairment losses and recoveries of impairment losses are recognised as net credit losses. For further information regarding impairment losses, see the following paragraph.

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

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

Assets held for sale

Assets held for sale refers to the personal loan portfolio which was transferred to the buyer of the portfolio on the 1st of January 2021.

Financial liabilities measured at fair value through profit or loss

The Bank's liabilities in this category are derivative instruments with negative market values which are mandatorily valued at fair value through profit or loss since they are not part of an effective hedging relationship. For more information see the section on hedge accounting. Also derivatives that constitute effective hedging instruments are measured 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*.

Financial assets and liabilities recognised at amortised cost

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

Issued securities

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

Shareholders' contributions and Group contributions to the parent company

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

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

Received shareholders' contributions are recognised in equity.

Equity

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

Intangible assets

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

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

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

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

Tangible assets

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

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

Leases

Leases are recognised as a right-of-use asset under assets and a lease liability under liabilities. IFRS 16 is based on the approach that the lessee is entitled to use an asset for a specific period and is obligated to pay for this right (the source of the right-of-use asset concept). The following leases are included in the Bank's IFRS 16 implementations: 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 or are considered nonmaterial, i.e. the estimated lease expense is less than SEK 50,000. IFRS 16 is not applied to the Parent Company.

The interest expense for the year from leases is shown in Note 4, the change in right-of-use assets is shown in Note 19, and the lease liability per year-end and duration information is shown in Note 26 and Note 29, respectively.

Pensions

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

Taxes

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

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

Deferred taxes refer to tax on differences between recognised and taxable value. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax assets represent a reduction of future tax attributable to temporary tax-deductible differences, tax loss carry forwards or other future tax deductibles. Deferred tax assets are tested at the end of each accounting year and recognised to the extent that they are likely to be utilised at each reporting date. At the reporting date, fixed tax rates are used in the calculations. The tax rate in Sweden for 2021 is 20.6%.

Cash flow statement

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

Cash and cash equivalents

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

Securitisation

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

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

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

Credit risk

Definition

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

Mitigating measures

Given the nature of the business with lending to the public, credit risk is a material risk. Credit losses could arise partly due to inability or unwillingness of a customer or a counterparty to fulfil its obligations in relation to lending (probability of default), and partly due to recoveries from the 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 main credit risk exposures are mortgages, investments as government bonds and covered bonds and exposures to other institutions.

The Bank provides residential mortgages in Sweden, Norway and Finland. The credit portfolio is well diversified and consists of a large number of customers, mainly in sectors with 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.

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

Credit risk regarding customer and object

Estimating credit exposure for risk management purposes is complex and requires use of models, since the exposure varies according to changes in market conditions, expected cash flows and the passage of time. Assessing the credit risk for a portfolio of assets entails additional estimates of the probability of default, the associated losses and standard correlations between counterparties. The Bank measures credit risk by using probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This method is used to calculate 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 mortgages is mortgages in real estates and condominiums. The Bank performs a valuation of the security used in the lending process. The Bank's policy to obtain securities has not changed considerable during the reporting period and there has not occurred any specific changes of the total quality on the securities which is held by the Bank since the previous reporting period.

Mortgages Sweden	2021-12-31		2020-12-31	
Allocation LTV, MSEK	Exposure, gross	Write-downs	Exposure, gross	Write-downs
-50%	978.6	1.0	932.8	0.9
50 - 60%	754.2	0.9	724.3	0.9
60 - 70%	1,528.9	2.8	1,435.6	3.0
70 - 80%	2,741.2	8.2	2,714.8	8.9
80 - 90%	3,942.3	10.6	3,391.9	13.2
90 - 100	9.2	0.0	15.1	0.0
100% +	10.6	0.0	11.7	0.1
Total	**9,965.0**	**23.5**	**9,226.3**	**27.0**

Mortgages Norway	2021-12-31		2020-12-31	
Allocation LTV, MSEK	Exposure, gross	Write-downs	Exposure, gross	Write-downs
- 50%	1,460.8	2.1	1,299.6	1.0
50 - 60%	858.8	1.3	815.4	0.8
60 - 70%	1,334.2	3.1	1,188.9	2.3
70 - 80%	1,994.2	4.8	1,923.0	7.3
80 - 90%	1,995.2	3.2	1,437.3	2.1
90 - 100	1.0	-	-	-
100% +	-	-	1.1	0.0
Total	**7 644,2**	**14,4**	**6,665.2**	**13.5**

Mortgages Finland	2021-12-31		2020-12-31	
Allocation LTV, MSEK	Exposure, gross	Write-downs	Exposure, gross	Write-downs
- 50%	35.9	0.1	8.1	0.0
50 - 60%	28.7	0.0	5.5	0.0
60 - 70%	48.3	0.1	9.7	0.0
70 - 80%	52.4	0.0	12.7	0.0
80 - 90%	54.5	0.1	11.8	0.0
90 - 100	-	-	-	-
100% +	-	-	-	-
Total	**219.8**	**0.4**	**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 2021 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.

	Mortgages Sweden				
	-20%	**-10%**	**+/-0%**	**10%**	**20%**
Change in ECL	8.0	3.7	0.0	-2.9	-5.1

	Mortgages Norway				
	-20%	**-10%**	**+/-0%**	**10%**	**20%**
Change in ECL	0.2	0.1	0.0	-0.1	-0.2

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. During 2020 an additional provision (Management Overlay in addition to calculated provisions) for higher expected credit losses due to Covid-19 was established. The closing balance as of December 2021 was SEK 5.4m. The assessment is based on stressed levels of Probability of Default ("PD"), where 12 month PD for Swedish and Norwegian mortgages has been increased by 15%. There has been no added stress to the Finnish mortgages, due to the Branch being so recently established and therefore no relevant data is available yet.

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 amortised cost distributed according to PD interval and stage allocation.

PD interval Mortgages	Group				Parent			
2021-12-31, MSEK	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
<=0.4%	2,680.2	3.4	–	**2,683.6**	2,680.2	3.4	–	**2,664.8**
0.4%-0.8%	5,625.5	5.8	–	**5,631.3**	5,625.6	5.8	–	**5,597.0**
0.8%-3.2%	6,847.5	94.0	–	**6,941.5**	6,847.5	94.0	–	**6,841.9**
3.2%-6.4%	754.1	163.3	–	**917.4**	754.1	163.3	–	**908.9**
6.4%-12.8%	216.3	384.2	–	**600.5**	216.3	384.2	–	**595.7**
12.8%-	54.8	700.4	–	**755.3**	54.8	700.4	–	**753.9**
Loans in stage 3	–	–	299.6	**299.6**	–	–	299.6	**299.6**
Change due to expertise	-473.2	473.2	–	**-0.0**	-473.2	473.2	–	**-0.0**
Total	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**
Reserve for expected credit losses	-6.0	-20.3	-12.0	**-38.3**	-6.0	-20.3	-12.0	**-38.3**
Total lending to the public valued at amortised cost	**15,699.3**	**1,804.0**	**287.6**	**17,790.9**	**15,699.3**	**1,804.0**	**287.6**	**17,790.9**

PD interval Mortgages	Group				Parent			
2020-12-31, MSEK	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
<=0.4%	2,514.0	7.9	–	**2,521.9**	2,514.0	7.9	–	**2,521.9**
0.4%-0.8%	4,748.8	12.9	–	**4,761.6**	4,748.8	12.9	–	**4,761.6**
0.8%-3.2%	6,261.5	58.5	–	**6,320.0**	6,261.5	58.5	–	**6,320.0**
3.2%-6.4%	648.4	140.8	–	**789.2**	648.4	140.8	–	**789.2**
6.4%-12.8%	195.6	360.2	–	**555.8**	195.6	360.2	–	**555.8**
12.8%-	27.4	639.7	–	**667.1**	27.4	639.7	–	**667.1**
Loans in stage 3	–	–	323.7	**323.7**	–	–	323.7	**323.7**
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 amortised cost	**13,929.2**	**1,662.2**	**307.4**	**15,898.7**	**13,929.2**	**1,662.2**	**307.4**	**15,898.7**

PD interval Personal loans	Group				Parent			
2020-12-31, MSEK	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
<=0.4%	6.3	–	–	**6.3**	6.3	–	–	**6.3**
0.4%-0.8%	18.0	–	–	**18.0**	18.0	–	–	**18.0**
0.8%-3.2%	330.4	0.2	–	**330.6**	330.4	0.2	–	**330.6**
3.2%-6.4%	130.0	0.7	–	**130.7**	130.0	0.7	–	**130.7**
6.4%-12.8%	128.6	3.3	–	**131.8**	128.6	3.3	–	**131.8**
12.8%-	33.2	59.8	–	**93.0**	33.2	59.8	–	**93.0**
Loans in stage 3	–	–	6.7	**6.7**	–	–	6.7	**6.7**
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 amortised cost	**646.6**	**63.9**	**9.4**	**720.0**	**646.6**	**63.9**	**9.4**	**720.0**

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

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

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

Quantitative criteria

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

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

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

Backstop

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

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

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

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

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

Below table shows the sensitivity in the thresholds the Bank uses in classifying SICR.

Mortgages Sweden 2021-12-31
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 Dec 2021, MSEK	Gross amount 31 Dec 2021, MSEK	Share of portfolio 31 Dec 2021
<=0.4%	500%	0.0%	0.0%	0.1	1,233.2	12%
0.4%-0.8%	500%	0.3%	0.2%	1.1	4,063.2	41%
0.8%-3.2%	500%	9.9%	-4.9%	2.3	3,418.1	34%
3.2%-6.4%	500%	52.1%	-24.4%	1.8	481.1	5%
6.4%-12.8%	500%	34.1%	-2.8%	2.3	313.7	3%
12.8%-	500%	0.2%	-0.2%	7.7	327.4	3%
Loans in stage 3		0.0%	0.0%	8.2	128.3	1%
Total		**8.4%**	**-2.7%**	**23.5**	**9,965.0**	**100%**

Mortgages Norway 2021-12-31
Credit loss provision impact of

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

Mortgages Finland 2021-12-31
Credit loss provision impact of

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

Mortgages 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 Dec 2020, MSEK	Gross amount 31 Dec 2020, MSEK	Share of portfolio 31 Dec 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%	0.0%	10.7	124.0	1%
Total		**6.5%**	**-2.7%**	**27.0**	**9,226.3**	**100%**

Mortgages Norway 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Reduced limit for PD-impairment with 40%	Increased limit for PD-impairment with 50%	Credit loss reserve 31 Dec 2020, MSEK	Gross amount 31 Dec 2020, MSEK	Share of portfolio 31 Dec 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%**

Mortgages Finland 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Reduced limit for PD-impairment with 40%	Increased limit for PD-impairment with 50%	Credit loss reserve 31 Dec 2020, MSEK	Gross amount 31 Dec 2020, MSEK	Share of portfolio 31 Dec 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 operations 2020-12-31
Credit loss provision impact of

PD interval at first accounting date	Threshold value impairment of PD	Unchanged absolute LT PD (21%) and reduced limit for PD-impairment with 25%	Increase of absolute LT PD (21%) with 25% and increased limit for PD-impairment with 25%	Credit loss reserve 31 Dec 2020, MSEK	Gross amount 31 Dec 2020, MSEK	Share of portfolio 31 Dec 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%**

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. No qualitative indicators have been identified in the debt collection process and thereby are not applicable in the default definition.

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

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

Prospective information

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

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

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

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

The number of scenarios and their weights are evaluated at each reporting date. At 1 January 2021 and 31 December 2021 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 2021 are shown in the table below. The base, optimistic and negative scenarios are used for all the portfolios.

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

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 Norway House price index - optimistic	0.25	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
Mortgage Norway House price index - base	0.50	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03	1.03
Mortgage Norway House price index - negative	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

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

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

The credit reserves shown below would have arisen as at 31 December 2021 with a negative or positive scenario, whereas if the probability that they might occur is considered reasonable they would be considered 100% probable.

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

Group 2021

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	Optimistic	36.9	1.6
	Negative	38.1	-1.5
Sweden	Optimistic	22.9	2.4
	Negative	24.1	-2.6
Norway	Optimistic	14.0	0.0
	Negative	14.0	0.0
Finland	Optimistic	0.0	0.0
	Negative	0.0	0.0
Other operation	Optimistic	–	0.0
	Negative	–	0.0
Total Group	**Optimistic**	**37.0**	**1.5**
	Negative	**38.2**	**-1.6**

Group 2020

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	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 Group	**Optimistic**	**42.7**	**1.4**
	Negative	**43.9**	**-1.4%**

Parent 2021

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	Optimistic	37.3	2.6
	Negative	38.5	-0.5
Sweden	Optimistic	22.9	2.4
	Negative	24.1	-2.6
Norway	Optimistic	14.4	0.0
	Negative	14.4	0.0
Finland	Optimistic	0.4	0.0
	Negative	0.4	0.0
Other operation	Optimistic	–	0.0
	Negative	–	0.0
Total Parent	**Optimistic**	**37.7**	**1.5**
	Negative	**38.9**	**-1.6**

Parent 2020

Business area	Scenarios	Provisions attributable to the scenario, MSEK	Change against reported allocation, %
Mortgages	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 Parent	**Optimistic**	**42.7**	**1.4**
	Negative	**43.9**	**-1.4**

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 2021-12-31, MSEK

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

Group situation 2020-12-31, MSEK

Amounts that have not been offset in the balance sheet	Gross value	Netting in the Balance sheet	Net amount Balance sheet
Derivatives	41.2	-	41.2
Sum financial assets	**41.2**	**-**	**41.2**
Derivatives	55.8	-	55.8
Sum financial liabilities	**55.8**	**-**	**55.8**

Maximum credit risk exposure

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

Maximum Credit Risk Exposure

	Group					
	2021-12-31			2020-12-31		
MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Governments or central banks						
- Credit Quality Step 1	717.5	215.5	40.7	649.0	201.0	30.1
Total Governments or central banks	**717.5**	**215.5**	**40.7**	**649.0**	**201.0**	**30.1**
Lending to credit institutions						
- Credit Quality Step 1	695.7	426.9	24.1	505.5	1,362.5	9.4
- Credit Quality Step 2	-	-	-	-	-	-
- No rating	-	-	-	-	-	-
Total lending to credit institutions	**695.7**	**426.9**	**24.1**	**505.5**	**1,362.5**	**9.4**
Corporates						
- No rating	1.9	-	-	-	-	-
Total corporates	**1.9**	**-**	**-**	**-**	**-**	**-**
Lending to the general public						
- Unsecured loans	43.4	-	-	750.1	-	-
- Loans secured by residential property	10,418.1	7,605.6	219.4	9,392.7	6,686.6	47.7
Total lending to the general public	**10,461.5**	**7,605.6**	**219.4**	**10,142.8**	**6,686.6**	**47.7**
Bonds and other interest-bearing securities						
- Credit Quality Step 1	102.9	180.6	-	103.5	184.3	-
- Credit Quality Step 2	-	-	-	-	-	-
Total bonds and other interest-bearing securities	**102.9**	**180.6**	**-**	**103.5**	**184.3**	**-**
Derivatives						
- Credit Quality Step 2	93.2	32.4	-	153.2	3.1	-
- Credit Quality Step 2	-	-	-	-	-	-
- No rating	-	-	-	0.0	-	-
Total derivatives	**93.2**	**32.4**	**-**	**153.2**	**3.1**	**-**
Other assets						
- No rating	65.7	5.0	1.0	77.2	6.0	0.7
Total other assets	**65.7**	**5.0**	**1.0**	**77.2**	**6.0**	**0.7**
Sum	**12,138.5**	**8,465.9**	**285.2**	**11,631.2**	**8,443.5**	**87.9**
Total		**20,889.6**			**20,162.6**	

Maximum Credit Risk Exposure

	Parent					
	2021-12-31			2020-12-31		
MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Governments or central banks						
– Credit Quality Step 1	711.4	215.5	40.7	646.0	201.0	30.1
Total Governments or central banks	**711.4**	**215.5**	**40.7**	**646.0**	**201.0**	**30.1**
Lending to credit institutions						
– Credit Quality Step 1	536.0	426.9	24.1	344.5	1,362.5	9.4
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	–	–	–	–	–	–
Total lending to credit institutions	**536.0**	**426.9**	**24.1**	**344.5**	**1,362.5**	**9.4**
Corporates						
– No rating	1.9	–	–	5.0	–	–
Total corporates	**1.9**	**–**	**–**	**5.0**	**–**	**–**
Lending to the general public						
– Unsecured loans	43.4	–	–	750.1	–	–
– Loans secured by residential property	10,418.1	7,605.6	219.4	9,392.7	6,686.6	47.7
Total lending to the general public	**10,461.5**	**7,605.6**	**219.4**	**10,142.8**	**6,686.6**	**47.7**
Bonds and other interest-bearing securities						
– Credit Quality Step 1	102.9	180.6	–	103.5	184.3	–
– Credit Quality Step 2	–	–	–	–	–	–
Total bonds and other interest-bearing securities	**102.9**	**180.6**	**–**	**103.5**	**184.3**	**–**
Derivatives						
– Credit Quality Step 2	74.9	32.4	–	128.7	3.1	–
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	–	–	–	0.0	–	–
Total derivatives	**74.9**	**32.4**	**–**	**128.7**	**3.1**	**–**
Other assets						
– No rating	27.8	5.0	1.0	33.7	6.0	0.7
Total other assets	**27.8**	**5.0**	**1.0**	**33.7**	**6.0**	**0.7**
Sum	**11,916.4**	**8,465.9**	**285.2**	**11,404.2**	**8,443.5**	**87.9**
Total		**20,667.5**			**19,935.6**	

Credit risk

	Group					
	2021-12-31			2020-12-31		
Receivables from private individuals, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	10,046.7	7,063.2	219.4	9,739.0	6,213.9	47.7
Due 30-60 days	199.2	209.9	–	195.3	182.9	–
Due 60-90 days	60.9	89.4	–	64.3	77.9	–
Due over 90 days	154.7	243.1	–	144.2	211.9	–
Total	**10,461.5**	**7,605.6**	**219.4**	**10,142.8**	**6,686.6**	**47.7**
Provisions	**23.5**	**14.4**	**0.4**	**27.0**	**13.5**	**0.1**

Credit risk

	Parent					
	2021-12-31			2020-12-31		
Receivables from private individuals, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	10,046.7	7,063.2	219.4	9,739.0	6,213.9	47.7
Due 30-60 days	199.2	209.9	–	195.3	182.9	–
Due 60-90 days	60.9	89.4	–	64.3	77.9	–
Due over 90 days	154.7	243.1	–	144.2	211.9	–
Total	**10,461.5**	**7,605.6**	**219.4**	**10,142.8**	**6,686.6**	**47.7**
Provisions	**23.5**	**14.4**	**0.4**	**27.0**	**13.5**	**0.1**

Credit risk

	Group					
	2021-12-31			2020-12-31		
Other financial assets, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	1,677.0	860.4	65.8	1,488.4	1,756.9	40.2
– Credit Quality Step 1	1,609.3	855.4	64.9	1,411.1	1,750.9	39.5
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	67.7	5.0	1.0	77.2	6.0	0.7
Non performing	–	–	–	–	–	–
Total	**1,677.0**	**860.4**	**65.8**	**1,488.4**	**1,756.9**	**40.2**
Provisions	**–**	**–**	**–**	**–**	**–**	**–**

Credit risk

	Parent					
	2021-12-31			2020-12-31		
Other financial assets, MSEK	Sweden	Norway	Finland	Sweden	Norway	Finland
Performing	1,454.9	860.4	65.8	1,261.3	1,756.9	40.2
– Credit Quality Step 1	1,425.2	855.4	64.9	1,222.6	1,750.9	39.5
– Credit Quality Step 2	–	–	–	–	–	–
– No rating	29.7	5.0	1.0	38.7	6.0	0.7
Non performing	–	–	–	–	–	–
Total	**1,454.9**	**860.4**	**65.8**	**1,261.3**	**1,756.9**	**40.2**
Provisions	**–**	**–**	**–**	**–**	**–**	**–**

Credit-related concentration risk

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

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

The maximum credit exposure to any client or counterparty as of 31 December 2021 was MSEK 575 for the Consolidated situation. Credit quality, geographical exposure and the maximum exposure for credit risk are further disclosed in the Section "Maximum credit risk exposure" above.

Since the Bank 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 ("CVA") 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 mid- market valuation of a portfolio of transactions with given counterparties to reflect the current market value of the credit risk of the counterparty but excludes the current market value of the credit risk of the counterparty.

The Bank uses OTC derivatives for its hedging strategies, 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 in most cases below three years, no specific further risk mitigating actions are taken.

Market risk

Foreign exchange rate risk

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

Mitigating measures
Given the Bank's operations in Norway and Finland, 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.

TSEK	2021-12-31	Value change -10%	Value change +10%	2020-12-31	Value change -10%	Value change +10%
EUR position	37,170	-3,717	3,717	10,866	-1,087	1,087
GBP position	–	–	–	183	-18	18
NOK position	475,475	-47,548	47,548	304,335	-30,434	30,434
Impact on earnings	**512,645**	**-51,264**	**51,264**	**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 51.3m (SEK 31.5m). The effect on equity would be SEK -40.7m (SEK -28.8m).

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.

The Bank uses derivative instruments to achieve desired mitigation 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 actively manages the 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.

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. 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 performs monthly monitoring and reporting of aspects for interest rate risk to the Board and the CEO, and the Risk Management function performs independent follow-up and reporting.

Sensitivity analysis in case of market interest rate change of 100 basis points (bps)
The Bank calculates interest risk exposures in several ways, including those based on the 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 100 bps.

TSEK	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+100bps	-482	-0.03
Decreased interest rates	-100bps	-2,351	-0.17

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

TSEK	Change	Absolute risk	Risk, % of net interest income
Increased interest rates	+100bps	-4,190	-0.55
Decreased interest rates	-100bps	1,225	0.16

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

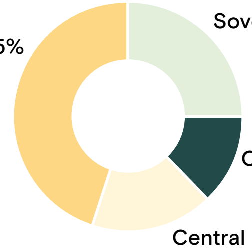
Liquidity risk

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

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

The liquidity reserve distribution is shown in the figure below.

Liquidity reserve (Bank)



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

The Bank is mainly exposed to liquidity risk related to retail deposits and refinancing of issued securities (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, liquidity risk is reduced. 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 30% fixed rate accounts and 70% 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.

	Consolidated situation		Parent	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Liquidity Reserve				
Cash and balances with central banks	356.4	402.3	356.4	402.3
Deposits in other banks	1,164.1	1,945.4	987.1	1,716.4
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	552.4	438.4	552.4	438.4
Covered bonds issued by other institutions	283.5	287.8	283.5	287.8
Total	**2,356.4**	**3,073.8**	**2,179.4**	**2,844.9**

The numbers in the table above include accrued interest.

The LCR and the NSFR are calculated and monitored on a monthly basis. The Treasury function manages the operational handling of liquidity risks, and reports the liquidity situation on a daily and monthly basis.

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

	Consolidated situation	
	2021-12-31	2020-12-31
Liquidity Coverage Ratio (LCR), %	**496**	**439**
Liquid Assets Level 1	1,052.4	987.8
Liquid Assets Level 2	87.3	87.8
High-Quality Liquid Assets, MSEK	**1,139.7**	**1,075.6**
Customer deposits	761.4	939.8
Other outflows	157.2	41.1
Cash Outflows, MSEK	**918.6**	**980.9**
Inflows from retail customers, lending activities	179.9	211.4
Other inflows	1,026.5	1,700.1
Cash Inflows (max. 75% of Cash Outflows)	**689.0**	**735.7**
Net Stable Funding Ratio (NSFR), %	**130**	**133**
Available Stable Funding	18.2	18.3
Required Stable Funding	14.1	13.7

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. These are part of a solid set of policies, instructions, processes, routines and procedures to ensure that the operational risks in the business are at an acceptable level, and that processes and IT systems work as they should. In addition, the Bank conducts regular training and education of staff, such as mandatory training in operational risk management, incident management, anti-money laundering and terrorism financing, GDPR, bank secrecy, conflicts of interest, code of conduct, and information security. The Bank also has a formal whistle-blowing process to be able to report irregularities.

As part of the risk management framework, all business functions perform risk self-assessments of their operations twice a year, in order to identify and assess risks that could otherwise have been overlooked. Identified operational risks are assessed based on 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 the 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 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. The Bank has a security function that ensures and maintains a high level of information security in the operations, and the function works proactively to increase security awareness among staff as well as partners and to continuously improve the security of the IT environment.

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

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

The day-to-day management of the mortgages and the administration of deposit accounts for Sweden and Norway is provided in-house, and 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 liquidity reserve, asset liability management risk, regulatory risk, reputational risk, and environmental, social and governance-related risks.

From 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

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 Chief Commercial Officers ("CCO") in Sweden, Norway and Finland all report to the Chief Executive Officer.

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

The mortgage business is divided into Mortgages Sweden, Mortgages Norway and Mortgages Finland. All companies within the Group relating to mortgages in Sweden (the Parent, BFF1, BSAB and Step 4) are included in Mortgages Sweden. Mortgages Norway and Finland are operated through each Branch. The personal loan portfolio, which was sold on the 1st of January 2021, is reported under Other operations. The income during 2021 is related to the sale of the portfolio.

Balance sheet 2021-12-31

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

Balance sheet 2020-12-31

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	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**

Income statement 2021

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	Total
Interest income	566.4	534.0	7.9	-	-20.5	**1,087.8**
of which interest income within group	20.5	-	-	-	-20.5	-
Interest expense	-145.9	-128.3	-1.4	-	20.5	**-255.2**
of which interest expense within group	-15.9	-3.4	-1.2	-	20.5	-
Net interest income	**420.5**	**405.7**	**6.5**	**-**	**0.0**	**832.7**
Total operating income	**457.9**	**410.1**	**6.5**	**10.3**	**-19.9**	**864.8**
Total operating expenses	**-297.1**	**-215.4**	**-40.1**	**0.0**	**19.9**	**-532.8**
Profit before credit losses	**160.8**	**194.6**	**-33.6**	**10.3**	**0.0**	**332.1**
Credit losses, net	-0,6	-5.9	-0.3	-0.0	-	**-6.9**
Operating profit	**160.2**	**188.7**	**-33.9**	**10.2**	**0.0**	**325.2**
Allocated tax*	-19.7	-45.8	-0.0	-3.3	-	**-68.9**
Net profit for the year	**140.4**	**143.0**	**-34.0**	**6.9**	**0.0**	**256.3**

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

Income statement 2020

	Group					
MSEK	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	Total
Interest income	565.5	539.8	0.6	88.8	-26.3	**1,168.3**
of which interest income within group	26.1	0.3	-	-	-26.3	-
Interest expense	-169.8	196.5	-0.2	-15.4	22.6	**-359.4**
of which interest expense within group	-21.2	-1.1	-0.2	-	22.6	-
Net interest income	**395.7**	**343.2**	**0.3**	**73.4**	**-3.8**	**808.9**
Total operating income	**443.5**	**356.4**	**0.3**	**71.1**	**-35.0**	**836.3**
Total operating expenses	**-326.7**	**-233.9**	**-32.0**	**-23.0**	**34.9**	**-580.7**
Profit before credit losses	**116.8**	**122.5**	**-31.7**	**48.0**	**-0.0**	**255.6**
Credit losses, net	-10.6	-16.0	-0.1	-13.4	-	**-40.1**
Operating profit	**106.2**	**106.5**	**-31.8**	**34.6**	**-0.0**	**215.5**
Allocated tax*	-23.0	-31.5	1.4	-8.1	0.0	**-61.1**
Net profit for the year	**83.2**	**75.0**	**-30.4**	**26.6**	**-0.0**	**154.4**

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

Note 4 | Net interest income

	Group		Parent	
MSEK	2021	2020	2021	2020
Interest income				
Lending to credit institutions	1.2	0.3	0.9	0.6
Lending to the public	1,083.4	1,168.7	1,083.4	1,156.6
Bonds	3.2	-0.7	19.6	21.2
Intercompany loans	-	-	-	3.8
Total interest income	**1,087.8**	**1,168.3**	**1,103.9**	**1,182.2**
of which interest income from financial items calculated using the effective interest method	1,068.3	1,162.6	1,068.0	1,150.8
Interest expense				
Lending to credit institutions	-1.8	-	-1.5	-
Liabilities to credit institutions	-	-9.2	-	-6.4
Deposits from the public	-130.2	-224.6	-184.1	-322.4
of which deposit guarantee	*-22.7*	*-17.8*	*-22.7*	*-17.8*
Derivates	-65.3	-66.7	-55.3	-47.2
Issued bonds	-55.4	-55.1	-46.8	-37.2
Other	-2.5	-3.9	-0.0	-0.1
of which interest cost for leasing	*-0.9*	*-1.0*	-	-
Total interest expense	**-255.2**	**-359.4**	**-287.7**	**-413.3**
of which interest income from financial items calculated using the effective interest method	-132.7	-237.6	-184.1	-328.9
Total net interest income	**832.7**	**808.9**	**816.2**	**768.8**

Note 5 | Net result of financial transaction

MSEK	Group 2021	Group 2020	Parent 2021	Parent 2020
Bonds - unrealised changes	-3.9	8.0	-3.9	8.0
Interest derivatives - unrealised changes	3.5	0.4	4.1	3.5
-realised change i value	-	-	-	-
Currency derivatives - unrealised changes	-	-	-	-
- realised change in value	5.5	7.0	5.5	7.0
Issued securities and related currency derivatives - unrealised changes	-33.0	5.3	-35.2	5.2
Exchange rate changes other receivables and liabilities - unrealised changes	27.3	-15.9	27.3	-16.0
Hedge accounting - fair value hedged item*	-94.9	73.3	-94.9	73.3
Hedge accounting - fair value hedge instrument*	95.7	-71.6	95.7	-71.6
Interest compensation early redemption	5.3	9.9	4.9	9.5
Income from sale of personal loan portfolio	17.9	-	17.9	-
Total net gains/losses of financial transactions	**23.4**	**16.4**	**21.3**	**18.9**

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

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

Note 6 | Other operating income

MSEK	Group 2021	Group 2020	Parent 2021	Parent 2020
Billing fees	8.5	10.6	23.6	36.9
Valuation fees	0.2	0.5	0.2	0.5
Total other operating income	**8.8**	**11.1**	**23.8**	**37.4**

Note 7 | General administration expenses

MSEK	Group 2021	Group 2020	Parent 2021	Parent 2020
Personnel costs				
Salaries and remuneration	-208.7	-198.4	-196.5	-186.8
Variable performance benefit	3.2	-12.8	3.1	-12.4
Social security fees	-53.4	-55.5	-50.6	-52.6
Pension expenses	-18.6	-16.0	-17.8	-15.3
Other personnel costs	-9.1	-33.6	-8.5	-32.3
Activated salary costs	50.2	30.0	45.7	25.8
Total	**-236.4**	**-286.2**	**-224.6**	**-273.5**
Other administration expenses				
Administration expenses deposits from the public	-1.0	-1.0	-4.9	-6.1
Administration expenses lending to the public	-9.1	-5.2	-28.7	-27.1
Professional fees	-19.0	-27.3	-17.8	-23.4
Other administration expenses	-202.4	-198.3	-210.9	-206.4
Total	**-231.5**	**-231.8**	**-262.3**	**-263.0**
Total general administration expenses	**-467.9**	**-518.0**	**-486.8**	**-536.5**

Note 8 | Auditors remuneration and expenses

TSEK	Group 2021	Group 2020	Parent 2021	Parent 2020
Ernst & Young AB				
Audit assignment	2,819	2,277	2,314	1,678
Audit activities in addition to audit assignment	25	363	-	363
Total audit expenses	**2,844**	**2,640**	**2,314**	**2,042**

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 9 | Salaries and remuneration

The Board

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

For participation in the Board's work in the Bank, as well as the Board's ARCCO Committee, the Board has renumerated five of the members with a total of SEK 2.613m during 2021. 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 2021

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

**60% of the 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 2020

TSEK	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 salaries and remuneration 2020	**19,445**	**884**	**2,707**	**23,036**

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

Salaries and remuneration – Other employees

	Group		Parent	
TSEK	2021	2020	2021	2020
Salaries and remuneration	155,316	181,191	147,640	173,316
Pension costs	18,562	15,955	17,844	15,295
Social security fees	53,438	55,484	50,590	52,588
Other staff costs	9,082	33,556	8,484	32,275
Total salaries, remuneration, social security, and pensions	**236,398**	**286,186**	**224,558**	**273,475**

Distribution by gender Board and Senior Management Team

	Parent	
	2021	2020
The Board		
Women	2	1
Men	6	6
Total	**8**	**7**
Management team including CEO		
Women	2	3
Men	7	6
Total	**9**	**9**

Average number of employees

	Group		Parent	
	2021	2020	2021	2020
Sweden				
Women	99	103	92	92
Men	91	96	82	85
Total	**190**	**199**	**173**	**177**
Norway				
Women	31	33	31	33
Men	35	34	35	34
Total	**66**	**67**	**66**	**67**
Finland				
Women	4	1	4	1
Men	11	8	11	8
Total	**15**	**9**	**15**	**9**
Average number of employees	**272**	**275**	**254**	**253**

Note 10 | Credit losses

Provisions are calculated using quantitative models based on inputs and assumptions made by management. During 2020 an additional provision (Management Overlay in addition to calculated provisions) for higher expected credit losses due to Covid-19 was established. The closing balance per December 2021 was SEK 5.4m. The assessment is based on stressed levels of Probability of Default ("PD"), where 12 month PD for Swedish and Norwegian mortgages has been increased by 15%. There has been no added stress to the Finnish mortgages, due to the Branch being so recently established and therefore no relevant data is available yet.

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

Credit impairments

MSEK	2021	2020	2021	2020
Stage 1 – net impairment gains or losses	**0.3**	**9.1**	**0.3**	**9.0**
Stage 2 – net impairment gains or losses	**-1.6**	**10.1**	**-1.6**	**10.1**
Stage 3 – net impairment / recoveries for the year	**-6.3**	**-15.3**	**-6.3**	**-14.3**
Credit impairments for off balance sheet exposures	**–**	**–**	**–**	**–**
Write-offs				
Actual losses during the year	-21.5	-94.6	-21.5	-94.6
Reversal of allowances for write-offs in Stage 3	13.6	9.9	13.6	8.5
Recoveries from previous write-offs	8.6	40.7	8.6	40.6
Total write-offs	**0.7**	**-44.0**	**0.7**	**-45.5**
Total credit losses, net	**-6.9**	**-40.1**	**-6.9**	**-40.6**

Note 11 | Tax on net result

The tax rate for 2021 in Sweden is 20.6% (21.4%). The tax rate for 2021 in Norway is 25.0% (25.0%) and the tax rate for 2021 in Finland is 20.0% (20.0%).

Tax expense in income statement	Group		Parent	
MSEK	2021	2020	2021	2020
Current tax on net result	-68.4	-60.6	-68.1	-58.0
Tax attributable to previous year	-0.5	-0.5	-	-
Total tax expense	**-68.9**	**-61.1**	**-68.1**	**-58.0**

Reconciliation effective tax	Group		Parent	
MSEK	2021	2020	2021	2020
Net profit/Loss for the year	256.3	154.4	253.5	146.3
Tax	68.9	61.1	68.1	58.0
Net profit before tax	**325.2**	**215.5**	**321.6**	**204.3**
Tax attributable to				
Tax based on current tax rate 20.6% (21.4%)	-67.0	-46.1	-66.2	-43.7
Tax effect from other tax rate in foreign operations	-6.5	-12.2	-6.9	-12.1
Tax effect non deductible items	5.1	-2.3	5.1	-2.1
Deferred tax	-0.5	-0.5	-	-
Total tax expense	**-68.9**	**-61.1**	**-68.1**	**-58.0**
Tax effect attributable to translation reserve				
Tax effect, exchange differences, foreign operations	-5.1	5.9	-5.3	5.6
Total tax effect	**-5.1**	**5.9**	**-5.3**	**5.6**
Deferred tax				
Carrying balance	-0.5	-	-	-
Tax based on current tax rate 20.6% (21.4%)	-0.7	-0.5	-	-
Payment of deferred tax	0.5	-	-	-
Total deferred tax	**-0.7**	**-0.5**	**-**	**-**
Tax referd to balance sheet				
Tax assets	65.0	41.7	58.8	39.1
Tax liabilities	-48.6	-	-47.1	-

Note 12 | Cash and balances at central banks

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Balances at central banks	356.4	402.3	356.4	402.3
Cash	-	0.0	-	0.0
Total cash and balances at central banks	**356.4**	**402.3**	**356.4**	**402.3**

Note 13 | Lending to credit institutions

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Swedish banks	1,146.7	1,877.4	987.1	1,716.4
Total lending to credit institutions	**1,146.7**	**1,877.4**	**987.1**	**1,716.4**

Note 14 | Lending to the public

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Valued at amortised cost				
Mortgages Sweden	9,941.6	9,199.3	9,941.6	9,199.3
Mortgages Norway	7,629.8	6,651.8	7,629.8	6,651.8
Mortgages Finland	219.4	47.7	219.4	47.7
Valued at fair value				
Mortgages Sweden	542.3	216.8	542.3	216.8
Total lending to the public	**18,333.1**	**16,115.6**	**18,333.1**	**16,115.6**

The loan to value per 31st of December for mortgages valued at amortised cost was 69.1% (68.7%).

The tables on the following page show a breakdown of loans at amortised cost and the write-downs with stage allocations per asset class.

2021-12-31	Group & Parent								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	9,039.1	797.7	128.3	**9,965.0**	-4.5	-10.8	-8.2	**-23.5**	**9,941.6**
Mortgages Norway	6,458.8	1,014.6	170.9	**7,644.2**	-1.5	-9.1	-3.8	**-14.4**	**7,629.8**
Mortgages Finland	207.3	12.0	0.5	**219.8**	-0.1	-0.3	-0.0	**-0.4**	**219.4**
Total	**15,705.2**	**1,824.3**	**299.6**	**17,829.1**	**-6.0**	**-20.3**	**-12.0**	**-38.3**	**17,790.8**

2020-12-31	Group & Parent								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	8,313.0	789.2	124.0	**9,226.3**	-4.4	-11.9	-10.7	**-27.0**	**9,199.3**
Mortgages Norway	5,574.4	891.1	199.7	**6,665.2**	-1.6	-6.2	-5.6	**-13.5**	**6,651.8**
Mortgages Finland	47.8	–	–	**47.8**	-0.1	–	–	**-0.1**	**47.7**
Other operations	646.6	63.9	6.7	**717.2**	–	–	-2.7	**-2.7**	**714.5**
Total	**14,581.9**	**1,744.2**	**330.4**	**16,656.5**	**-6.1**	**-18.1**	**-19.0**	**-43.3**	**16,613.3**

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

	Group				Parent			
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**14,504.3**	**1,339.0**	**312.8**	**16,156.1**	**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**	**14,581.9**	**1,744.2**	**330.4**	**16,656.5**
Provisions 1 January 2020	**-15.3**	**-28.6**	**-14.0**	**-57.8**	**-14.3**	**-25.4**	**-12.1**	**-51.9**
New financial assets	-2.3	-1.8	-1.6	**-5.6**	-2.8	-3.5	-3.4	**-9.7**
Change in PD/LGD/EAD	0.9	0.3	0.2	**1.4**	0.8	0.1	0.2	**1.1**
Change due to expert credit judgement	**4.8**	**8.9**	**-2.8**	**10.9**	**4.8**	**8.9**	**-2.8**	**10.9**
Transfers between stages	**0.9**	**-9.6**	**-11.1**	**-19.7**	**0.9**	**-9.7**	**-9.8**	**-18.6**
Transfer from stage 1 to 2	1.2	-16.0	–	**-14.7**	1.2	-15.3	–	**-14.1**
Transfer from stage 1 to 3	0.2	–	-8.5	**-8.3**	0.2	–	-7.5	**-7.4**
Transfer from stage 2 to 1	-0.5	5.3	–	**4.7**	-0.5	4.6	–	**4.1**
Transfer from stage 2 to 3	–	1.6	-3.7	**-2.1**	–	1.3	-3.0	**-1.7**
Transfer from stage 3 to 1	-0.0	–	0.1	**0.1**	-0.0	–	0.1	**0.1**
Transfer from stage 3 to 2	–	-0.4	1,0	**0.6**	–	-0.3	0.7	**0.4**
Changes in exchange rates	0.1	0.3	0.3	**0.7**	0.1	0.3	0.3	**0.7**
Removed financial assets	4.8	12.3	9.9	**27.0**	4.5	11.2	8.5	**24.3**
Provisions 31 December 2020	**-6.1**	**-18.1**	**-19.0**	**-43.3**	**-6.1**	**-18.1**	**-19.0**	**-43.3**
Opening balance 1 January 2020	**14,489.0**	**1,310.5**	**298.8**	**16,098.3**	**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**	**14,575.8**	**1,726.1**	**311.4**	**16,613.3**

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

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

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

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

Transferred assets Step 4	2017-03-09	2020-12-31	2021-12-31
Lending to the public, MSEK	2,986.1	1,118.7	862.8
Total transferred assets	**2,986.1**	**1,118.7**	**862.8**

Note 15 | 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:

Assets – Group

MSEK	2021-12-31 Notional amount	2021-12-31 Purchase value	2021-12-31 Recognised value	2020-12-31 Notional amount	2020-12-31 Purchase value	2020-12-31 Recognised value
Swedish financial institutes	6,451.1	-	57.5	2,553.9	-	16.1
Foreign financial institutes	5,006.2	-	18.5	3,793.3	-	25.0
Total	**11,457.3**	**-**	**76.0**	**6,347.2**	**-**	**41.2**

Assets – Parent

MSEK	2021-12-31 Notional amount	2021-12-31 Purchase value	2021-12-31 Recognised value	2020-12-31 Notional amount	2020-12-31 Purchase value	2020-12-31 Recognised value
Swedish financial institutes	6,451.1	-	57.5	2,553.9	-	16.1
Foreign financial institutes	2,066.5	-	0.2	650.0	-	0.6
Total	**8,517.6**	**-**	**57.7**	**3,203.9**	**-**	**16.7**

Liabilities – Group

MSEK	2021-12-31 Notional amount	2021-12-31 Purchase value	2021-12-31 Recognised value	2020-12-31 Notional amount	2020-12-31 Purchase value	2020-12-31 Recognised value
Swedish financial institutes	3,617.2	-	30.8	5,680.0	-	54.5
Foreign financial institutes	3,211.3	-	0.6	3,574.1	-	1.3
Total	**6,828.5**	**-**	**31.4**	**9,254.1**	**-**	**55.8**

Liabilities – Parent

MSEK	2021-12-31 Notional amount	2021-12-31 Purchase value	2021-12-31 Recognised value	2020-12-31 Notional amount	2020-12-31 Purchase value	2020-12-31 Recognised value
Swedish financial institutes	3,617.2	-	30.8	5,680.0	-	54.5
Foreign financial institutes	3,211.3	-	0.6	3,574.1	-	1.3
Total	**6,828.5**	**-**	**31.4**	**9,254.1**	**-**	**55.8**

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 a fixed interest and receives a variable interest, usually with a maturity of up to three years. These interest rate swaps have either STIBOR 3M or NIBOR 3M as reference rates and are thereby not affected of the IBOR-transition which is applied from the 31st of December 2021.

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

The change in value of hedged items amounted to SEK -94.9m (SEK 73.3m) as per 31st of December, and the corresponding change in value of hedge instruments was SEK 95.7m (SEK -71.6m). The unrealized market valuation of hedge accounting is reported under "Net result of financial transactions" and amounted to SEK 0.8m (SEK 1.7m). The hedge accounting is effective and thereby meets the conditions for when hedge accounting may be applied.

Hedging instruments and hedge ineffectiveness

MSEK	Nominal amount	Carrying amount: Assets	Carrying amount: Liabilities	Carrying amount: Change in fair value used for measuring hedge ineffectiveness	Ineffectiveness recognised in Profit or Loss
Interest rate risk					
Interest rate swap	13,211.8	54.5	-9.3	95.7	0.8

Hedged items

MSEK	Carrying amount: Assets	Carrying amount: Liabilities	Accumulated adjustment on the hedged item: Assets	Accumulated adjustment on the hedged item: Liabilities	Change in value used for measuring hedge ineffectiveness
Interest rate risk					
Lending to the public	11,476.2	-	-	-46.6	-94.9

Maturity profile and average price, hedging instruments

MSEK	Remaining contractual maturity: <1 year	1-5 years	>5 years
Fair value hedges			
Nominal amount	4,241.9	8,969.9	-
Average fixed interest rate (%)	0.76%	0.41%	-

Note 16 | Bonds and other interest-bearing securities

MSEK	Group & Parent 2021-12-31 Purchase value	2021-12-31 Recognised value	2020-12-31 Purchase value	2020-12-31 Recognised value
Government debt securities				
Swedish issuers				
Bonds issued by the Swedish government or municipalities	344.3	337.9	242.5	238.2
Total government debt securities	**344.3**	**337.9**	**242.5**	**238.2**
Bonds and other interest-bearing securities				
Swedish issuers				
Covered bonds (listed) issued by Swedish credit institutions	103.9	102.8	103.9	103.3
Foreign issuers				
Bonds issued by the Norwegian government	211.0	209.9	218.1	196.0
Covered bonds (listed) issued by Norwegian credit institutions	179.4	180.3	205.2	183.0
Total bonds and other interest-bearing securities	**494.2**	**493.0**	**527.2**	**482.4**

Note 17 | Shares in associated companies

Company name	Number of shares	Share %	Recognised value 2021	Recognised value 2020
Bluestep Finans Funding No 1 AB	100,000	100%	0.1	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			**0.2**	**4.7**

Company name	Reg. No.	Domicile	Equity	Net profit 2021	Net profit 2020
Bluestep Finans Funding No 1 AB	556791-6928	Stockholm	2.7	-0.2	5.7
Bluestep Mortgage Securities No 2 Designated Activity Company	522186	Dublin	0.0	0.2	0.2
Bluestep Mortgage Securities No 3 Designated Activity Company	550839	Dublin	0.0	-0.1	-0.3
Bluestep Mortgage Securities No 4 Designated Activity Company	596111	Dublin	0.0	1.2	-2.4
Bluestep Servicing AB	556955-3927	Stockholm	22.3	0.1	3.4

Note 18 | Intangible assets

	Group		Parent	
	Internally developed software		Internally developed software	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Acquisition value brought forward	**307.9**	**253.4**	**278.8**	**227.0**
Balanced cost for internal development	20.2	17.5	19.9	13.9
Investments for the year	35.3	40.4	26.5	39.9
This year's exchange rate differences	1.5	-1.9	1.5	-1.9
Disposals	-8.2	-1.5	-	-
Acquisition value carried forward	**356.6**	**307.9**	**326.7**	**278.8**
Depreciation brought forward	**-191.1**	**-147.4**	**-171.7**	**-138.4**
Depreciation for the year	-50.5	-35.4	-34.5	-26.4
This year's exchange rate differences	-1.4	1.6	-1.4	1.8
Impairments	-9.2	-11.5	-9.0	-8.8
Disposals	8.2	1.5	-	-
Depreciation carried forward	**-244.0**	**-191.1**	**-216.6**	**-171.7**
Residual value at the end of the accounting period	**112.6**	**116.8**	**110.1**	**107.1**

Investments of intangible assets consist of a combination of IT systems and internally developed system- and software development costs. FX revaluation of foreign operations result in an exchange rate difference amounting to SEK -1.4m (SEK 1.6m) 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 36.4 months (39.0 months).

Note 19 | Tangible assets

	Group				Parent	
	2021-12-31		2020-12-31		2021-12-31	2020-12-31
MSEK	Total	of which right-of-use asset	Total	of which right-of-use asset	Total	Total
Acquisition value brought forward	**98.2**	**70.5**	**90.6**	**64.0**	**25.2**	**24.2**
Investments for the year	4.2	0.4	8.8	7.3	3.9	1.5
Translation difference	1.8	1.5	-2.7	-2.3	0.3	-0.5
Divestments/ disposals	-6.8	-0.3	-	-	-6.4	-
Assessments and modifications	0.3	0.3	1.5	1.5	-	-
Acquisition value carried forward	**97.7**	**72.3**	**98.2**	**70.5**	**23.0**	**25.2**
Depreciation brought forward	**-45.3**	**-23.2**	**-29.8**	**-10.8**	**-19.9**	**-17.1**
Depreciation for the year	-15.3	-12.6	-16.2	-12.7	-2.6	-3.1
Translation difference	-0.7	-0.5	0.6	0.3	-0.3	0.3
Divestments/ disposals	6.8	0.3	-	-	6.4	-
Depreciation carried forward	**-54.5**	**-35.9**	**-45.3**	**-23.2**	**-16.3**	**-19.9**
Residual value at the end of the accounting period	**43.1**	**36.4**	**52.9**	**47.3**	**6.7**	**5.4**

FX revaluation of foreign operations result in an exchange rate difference amounting to SEK -0.7m (SEK 0.6m) as at balance sheet date. The exchange rate difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement.

Note 20 | Other assets

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Accounts receivable	9.7	13.0	8.5	13.0
Intercompany receivables	1.9	0.0	1.9	5.0
Securities financial instruments[1]	49.6	115.1	49.6	115.1
Long term deposits	0.5	0.1	0.5	0.1
Other assets	0.5	0.4	0.5	0.4
Total other assets	**62.1**	**128.6**	**61.0**	**133.5**

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

Not 21 | Prepaid expenses and accrued income

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Accrued interest	5.0	5.5	5.0	5.5
Other prepaid expenses and accrued income	17.9	17.5	17.4	16.9
Total prepaid expenses and accrued income	**23.0**	**23.0**	**22.4**	**22.4**

Note 22 | Assets held for sale

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Assets held for sale	–	714.6	–	714.6
Total assets held for sale	**–**	**714.6**	**–**	**714.6**

In November 2020 the Bank reached an agreement regarding the sale of the personal loan portfolio, where the portfolio was transferred to the buyer on the 1st of January 2021.

Note 23 | Liabilities to credit institutions

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Debts to Bluestep No 4 Designated Activity Company	–	–	329.4	582.2
Total liabilities to credit institutions	**–**	**–**	**329.4**	**582.2**

Note 24 | Issued bonds

Bonds secured by mortgages	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Covered bonds, issued in SEK	5,411.6	2,948.8	5,411.6	2,948.8
RMBS-transaction (Step 4)	493.1	747.5	–	–
Total bonds secured by mortgages	**5,904.7**	**3,696.3**	**5,411.6**	**2,948.8**

Unsecured bonds	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Senior unsecured bonds, issued in SEK	2,050.4	2,005.7	2,050.4	2,005.7
Senior unsecured bonds, issued in NOK	566.0	–	566.0	–
Total unsecured bonds	**2,616.4**	**2,005.7**	**2,616.4**	**2,005.7**

Note 25 | Deposits from the public

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Deposits from the public	10,426.0	12,612.9	10,426.0	12,612.9
Total deposits from the public	**10,426.0**	**12,612.9**	**10,426.0**	**12,612.9**

Note 26 | Other liabilities

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Trade creditors	19.2	14.7	18.6	14.1
Intercompany liabilities	0.0	0.0	7.2	3.1
Social security fees	14.3	16.4	13.7	15.7
Lease liabilities	33.4	45.0	–	–
Other liabilities	36.0	14.6	36.1	14.6
Total other liabilities	**102.9**	**90.7**	**75.6**	**47.6**

Note 27 | Accrued expenses and prepaid income

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Accrued salaries and remunerations	25.6	42.3	24.5	40.6
Accrued social security fees	4.1	6.6	4.0	6.3
Accrued interest	7.2	6.3	7.2	6.3
Other accrued expenses and prepaid income	22.9	25.7	21.9	25.3
Total accrued expenses and prepaid income	**59.6**	**80.9**	**57.4**	**78.5**

Note 28 | Provisions

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Staff provisions	–	0.7	–	–
Facility provisions	2.8	–	–	–
Total provisions	**2.8**	**0.7**	**–**	**–**

The provisions consists of costs in accordance with the restructuring of the new Nordic back office. The uncertainty of the amounts has been assessed as low.

Note 29 | Assets and liabilities duration information

Group — Non discounted contractual cash flows

Remaining duration 2021-12-31

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

Group — Non discounted contractual cash flows

Remaining duration 2020-12-31

MSEK	Payable on demand	< 3 mth	3 mth - 1 yr	1 - 5 yr	>5 yr	Without duration	Total
Assets							
Cash and balances at credit institutions	402.3	-	-	-	-	-	**402.3**
Lending to credit institutions	1,877.4	-	-	-	-	-	**1,877.4**
Lending to the public	-	28.1	11.1	14.8	16,383.5	-321.9	**16,115.5**
Value change of interest-hedged items in portfolio hedging	-	-	-	-	-	47.1	**47.1**
Derivatives	-	3.1	0.4	26.9	-	10.8	**41.2**
Bonds and other interest-bearing securities	-	-	207.7	512.9	-	-	**720.6**
Intangible assets	-	-	-	-	-	116.8	**116.8**
Tangible assets	-	-	-	-	-	52.9	**52.9**
Assets held for sale	-	1.5	3.2	77.9	627.4	4.6	**714.6**
Other assets	-	130.5	62.8	-	-	-	**193.3**
Total assets	**2,279.7**	**163.2**	**285.1**	**632.5**	**17,010.9**	**-89.8**	**20,281.6**
Liabilities							
Issued bonds	-	8.4	1,000.0	4,647.8	-	45.8	**5,702.0**
Deposits from the public	9,129.5	1,294.7	1,508.4	680.3	-	-	**12,612.9**
Derivatives	-	-	6.7	49.1	-	-	**55.8**
Other liabilities	-	50.4	91.7	29.6	1.0	-	**172.7**
of wich lease liabilities	-	*3.6*	*10.8*	*29.6*	*1.0*	-	***45.0***
Equity	-	-	-	-	-	1,738.2	**1,738.2**
Total liabilities	**9,129.5**	**1,353.5**	**2,606.8**	**5,406.8**	**1.0**	**1,784.0**	**20,281.6**

Remaining duration 2021-12-31	Parent						
	Non discounted contractual cash flows						
MSEK	Payable on demand	< 3 mth	3 mth – 1 yr	1 – 5 yr	>5 yr	Without duration	Total
Assets							
Cash and balances at central banks	356.4	–	–	–	–	–	**356.4**
Lending to credit institutions	987.1	–	–	–	–	–	**987.1**
Lending to the public	–	31.0	2.5	14.5	18,561.6	-276.5	**18,333.1**
Value change of interest-hedged items in portfolio hedging	–	–	–	–	–	-46.6	**-46.6**
Derivatives	–	0.4	0.4	56.7	–	0.2	**57.7**
Bonds and other interest-bearing securities	–	–	107.5	723.3	–	–	**830.9**
Shares and participations in associated companies	–	–	–	–	–	0.2	**0.2**
Intangible assets	–	–	–	–	–	110.1	**110.1**
Tangible assets	–	–	–	–	–	6.7	**6.7**
Other assets	–	61.9	80.3	–	–	–	**142.2**
Total assets	**1,343.5**	**93.3**	**190.7**	**794.5**	**18,561.6**	**-205.9**	**20,777.6**
Liabilities							
Liabilities to credit institutions	–	–	329.4	–	–	–	**329.4**
Issued bonds	–	13.8	1,000.0	6,914.0	–	100.3	**8,028.0**
Deposits from the public	7,304.5	1,107.5	1,436.0	578.0	–	–	**10,426.0**
Derivatives	–	8.7	20.2	2.5	–	–	**31.4**
Other liabilities	–	115.4	64.7	–	–	–	**180.1**
Equity	–	–	–	–	–	1,782.7	**1,782.7**
Total liabilities	**7,304.5**	**1,245.4**	**2,850.3**	**7,494.5**	**–**	**1,882.9**	**20,777.6**

Remaining duration 2020-12-31	Parent						
	Non discounted contractual cash flows						
MSEK	Payable on demand	< 3 mth	3 mth – 1 yr	1 – 5 yr	>5 yr	Without duration	Total
Assets							
Cash and balances at credit institutions	402.3	–	–	–	–	–	**402.3**
Lending to credit institutions	1,716.4	–	–	–	–	–	**1,716.4**
Lending to the public	–	28.1	11.1	14.8	16,383.5	-321.9	**16,115.5**
Value change of interest-hedged items in portfolio hedging	–	–	–	–	–	47.1	**47.1**
Derivatives	–	3.1	0.4	4.6	–	8.6	**16.7**
Bonds and other interest-bearing securities	–	–	207.7	512.9	–	–	**720.6**
Shares and participations in associated companies	–	–	–	–	–	4.7	**4.7**
Intangible assets	–	–	–	–	–	107.1	**107.1**
Tangible assets	–	–	–	–	–	5.4	**5.4**
Assets held for sale	–	1.5	3.2	77.9	627.4	4.6	**714.6**
Other assets	–	135.4	59.6	–	–	–	**195.0**
Total assets	**2,118.7**	**168.1**	**281.9**	**610.2**	**17,010.9**	**-144.6**	**20,045.3**
Liabilities							
Liabilities to credit institutions	–	–	–	582.2	–	–	**582.2**
Issued bonds	–	6.7	1,000.0	3,900.0	–	47.9	**4,954.5**
Deposits from the public	9,129.5	1,294.7	1,508.4	680.3	–	–	**12,612.9**
Derivatives	–	–	6.7	49.1	–	–	**55.8**
Other liabilities	–	115.4	10.6	–	–	–	**126.1**
Equity	–	–	–	–	–	1,713.8	**1,713.8**
Total liabilities	**9,129.5**	**1,416.8**	**2,525.7**	**5,211.5**	**–**	**1,761.7**	**20,045.3**

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.

Assets and liabilities 2021-12-31

	Group			
MSEK	Valued at fair value through profit or loss[1]	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets				
Cash and balances at central banks	-	356.4	-	**356.4**
Lending to credit institutions	-	1,146.7	-	**1,146.7**
Lending to the public	542.3	17,790.8	-	**18,333.1**
Value change of interest-hedged items in portfolio hedging	-	-46.6	-	**-46.6**
Derivatives	76.0	-	-	**76.0**
Bonds and other interest-bearing securities	493.0	-	-	**493.0**
Government debt securities	337.9	-	-	**337.9**
Other assets	-	11.6	50.5	**62.1**
Prepaid expenses and accrued income	-	5.0	17.9	**23.0**
Total non-financial assets	-	-	220.7	**220.7**
Total assets	**1,449.1**	**19,263.9**	**289.1**	**21,002.2**
Liabilities				
Issued bonds	-	8,521.1	-	**8,521.1**
Deposits from the public	-	10,426.0	-	**10,426.0**
Derivatives	31.4	-	-	**31.4**
Other liabilities	-	88.6	14.3	**102.9**
Prepaid income and accrued expenses	-	59.6	-	**59.6**
Provisions	-	2.8	-	**2.8**
Total non-financial liabilities	-	-	49.3	**49.3**
Total liabilities	**31.4**	**19,098.2**	**63.6**	**19,193.2**

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

Assets and liabilities 2020-12-31

	Group			
MSEK	Valued at fair value through profit or loss[1]	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 hedging	-	47.1	-	**47.1**
Derivatives	41.2	-	-	**41.2**
Bonds and other interest-bearing securities	482.4	-	-	**482.4**
Government debt securities	238.2	-	-	**238.2**
Other assets	-	13.0	115.5	**128.6**
Prepaid expenses and accrued income	-	5.5	17.5	**23.0**
Assets held for sale	-	714.6	-	**714.6**
Total non-financial assets	-	-	211.3	**211.3**
Total assets	**978.6**	**18,958.7**	**344.4**	**20,281.6**
Liabilities and provisions				
Issued bonds	-	5,702.0	-	**5,702.0**
Deposits from the public	-	12,612.9	-	**12,612.9**
Derivatives	55.8	-	-	**55.8**
Deferred tax	-	-	0.5	**0.5**
Other liabilities	-	74.3	16.4	**90.7**
Accrued expenses and prepaid income	-	80,9	-	**80,9**
Provisions	-	0,7	-	**0,7**
Total liabilities and provisions	**55.8**	**18,470.8**	**16.8**	**18,543.4**

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

Assets and liabilities 2021-12-31

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

1 Mandatorily at fair value through profit and loss

Assets and liabilities 2020-12-31

MSEK	Parent: Valued at fair value through profit or loss [1]	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**
Value change of interest-hedged items in portfolio hedging	–	47.1	–	**47.1**
Derivatives	16.7	–	–	**16.7**
Bonds and other interest-bearing securities	482.4	–	–	**482.4**
Government debt securities	238.2	–	–	**238.2**
Shares and participations in associated companies	–	–	4.7	**4.7**
Other assets	–	18.0	115.5	**133.5**
Prepaid expenses and accrued income	–	5.5	16.9	**22.4**
Assets held for sale	–	714.6	–	**714.6**
Total non-financial assets	–	–	151.5	**151.5**
Total assets	**954.1**	**18,802.6**	**288.6**	**20,045.3**
Liabilities				
Liabilities to credit institutions	–	582.2	–	**582.2**
Issued bonds	–	4,954.5	–	**4,954.5**
Deposits from the public	–	12,612.9	–	**12,612.9**
Derivatives	55.8	–	–	**55.8**
Other liabilities	–	31.9	15.7	**47.6**
Accrued expenses and prepaid income	–	78.5	–	**78.5**
Total liabilities	**55.8**	**18,260.0**	**15.7**	**18,331.5**

[1] Mandatorily at fair value through profit and loss

Financial assets and liabilities are both valued at fair value through profit or loss and amortised cost. All derivative contracts included in assets and liabilities valued at fair value are entered into for the purpose of hedging interest rate- and currency risks in the Group's business 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 effects are recorded in the income statement. There is no material difference in lending to the public if all loans were lent to the interest rates per December 30th compared to the current interest rate of the loans. Method for determining the fair value of derivatives is described in the Annual Report for 2020, Note 1. Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

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

Valued at fair value through profit or loss per level

	Group							
	2021-12-31				2020-12-31			
MSEK	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	–	–	542.3	**542.3**	–	–	216.8	**216.8**
Derivatives	–	76.0	–	**76.0**	–	41.2	–	**41.2**
Bonds / other interest-bearing securities	830.9	–	–	**830.9**	720.6	–	–	**720.6**
Total	**830.9**	**76.0**	**542.3**	**1,449.1**	**720.6**	**41.2**	**216.8**	**978.6**
Liabilities								
Derivatives	–	31.4	–	**31.4**	–	55.8	–	**55.8**
Total	**–**	**31.4**	**–**	**31.4**	**–**	**55.8**	**–**	**55.8**

	Parent							
	2021-12-31				2020-12-31			
MSEK	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	–	–	542.3	**542.3**	–	–	216.8	**216.8**
Derivatives	–	57.7	–	**57.7**	–	16.7	–	**16.7**
Bonds / other interest-bearing securities	830.9	–	–	**830.9**	720.6	–	–	**720.6**
Total	**830.9**	**57.7**	**542.3**	**1,430.8**	**720.6**	**16.7**	**216.8**	**954.1**
Liabilities								
Derivatives	–	31.4	–	**31.4**	–	55.8	–	**55.8**
Total	**–**	**31.4**	**–**	**31.4**	**–**	**55.8**	**–**	**55.8**

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

Assets 2021-12-31

	Group & Parent						
MSEK	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Realised interest and operating income	Gains/ losses on revaluation	Total
Lending to the public	216.8	325.7	-15.2	14.8	1.0	-0.9	**542.3**

Assets 2020-12-31

	Group & Parent						
MSEK	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Realised interest and operating income	Gains/ losses on revaluation	Total
Lending to the public	51.8	164.1	-4.6	5.3	1.1	-0.8	**216.8**

Sensitivity analysis for lending to the public in level 3

The Bank has performed a sensitivity analysis of lending to the public valued at fair value altering assumptions of unobservable inputs in the valuation model. The sensitivity analysis is based on a decrease in house price index of 10% and an increased intrest rate stress of 1%. The results have shown no impact on the portfolio's fair value.

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 Swedish banking and finance business Act (2004:297), 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, and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 ("CRR").

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

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

Risk-based capital requirement

The risk-based capital requirements are calculated in accordance with the Swedish Acts, the SFSA Regulations and General Guidelines, and the CRR. The risk-based capital requirements consist of the Pillar I minimum capital requirements, the Pillar II capital requirements, and the combined buffer requirements.

The Bank allocates capital for its risks according to the risk-based 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. The risk-based Pillar II capital requirements have, as part of the Bank's ICLAAP, been assessed for concentration risk, interest rate risk, credit spread risk, credit risk, foreign exchange rate risk, liquidity risk, operational risk, business risk, and strategic risk. Methods from the Swedish FSA are used for concentration risk, interest rate risk, and credit spread risk, and internal methods are used for the other risks.

The table below gives an overview of the methods used for calculating the risk-based capital requirement.

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		
Pillar II Requirement ("P2R")	Concentration risk	SFSA Method
	Interest Rate risk	SFSA Method
	Credit spread risk	SFSA Method
	Credit risk	Internal Method
	Foreign Exchange Rate risk	Internal Method
	Liquidity risk	Internal Method
	Operational risk	Internal Method
	Business risk	Internal Method
	Strategic risk	Internal Method
Pillar II Guidance ("P2G")	–	–
Combined Buffer Requirement		
Countercyclical Capital Buffer ("CCyCB")	–	–
Capital Conservation Buffer ("CCB")	–	–

Pillar I minimum capital requirement: The minimum capital requirements for capital adequacy under Pillar I is that own funds shall constitute of at least 8% of the risk weighted assets ("RWAs"). The capital adequacy regulations specify a minimum own funds requirement based on RWAs for credit risk, credit valuation adjustment, market risk (foreign exchange risk), and operational risk.

Pillar II requirement ("P2R"): Under Pillar II, the capital adequacy is assessed in relation to the risk profile, and for determining whether additional capital is required for risks not covered or not sufficient covered by minimum capital requirement. As part of the ICLAAP, material risks are assessed in quantitative as well as qualitative terms, to determine the Pillar II capital requirement. In addition, the SFSA makes an assessment and formal decision of the applicable Pillar II capital requirement as part of the supervisory review and evaluation process ("SREP"). The Pillar II capital requirement is additional to Pillar I capital requirement.

Pillar II guidance ("P2G"): The Pillar II guidance ensures sufficient own funds for risks not covered, or not sufficiently covered, by other capital requirements, and to absorb losses under financial stress. The SFSA makes a formal decision of the applicable Pillar II guidance as part of the SREP.

Combined buffer requirement: Additional capital buffers is held to absorb losses in periods of financial stress, and shall be met with CET1 capital.

The applicable countercyclical capital buffer ("CCyCB") factors are 0% in Sweden and Finland, and 1% in Norway.

Own funds

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

The own funds and the risk exposure amounts are shown in the table below.

Capital Adequacy

	Consolidated situation		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Own funds	**1,390.1**	**1,617.2**	**1,409.7**	**1,605.6**
Common Equity Tier 1 (CET1) capital	**1,390.1**	**1,617.2**	**1,409.7**	**1,605.6**
Capital instruments and the related share premium accounts	4,451.4	4,451.4	663.7	663.7
Retained earnings	231.0	229.1	1,114.8	1,066.2
Accumulated other comprenhensive income	1.7	-17.4	4.2	-16.2
Other reserves	26.0	26.0	-	-
Intangible assets (net of related tax liability)	-3,018.5	-3,070.9	-71.5	-107.1
Regulatory adjustment for prudent valuation	-1.5	-1.1	-1.5	-1.1
Independently reviewed interim profits net of any foreseeable charge or dividend	-300.0	-	-300.0	-
Additional Tier 1 capital	**-**	**-**	**-**	**-**
Tier 2 Capital	**-**	**-**	**-**	**-**
Risk Exposure Amount	**8,470.7**	**8,223.0**	**8,257.5**	**7,944.0**
Risk exposure amount credit risk	7,124.9	7,086.7	7,018.9	6,964.7
Risk exposure amount market risk	494.1	310.0	494.1	310.0
Risk exposure amount operational risk	830.6	774.6	744.5	669.0
Risk exposure amount credit valuation adjustment risk (CVA)	21.1	51.7	-	0.2
CET 1 capital ratio, %	**16.4%**	**19.7%**	**17.1%**	**20.2%**
Tier 1 capital ratio, %	**16.4%**	**19.7%**	**17.1%**	**20.2%**
Total capital ratio, %	**16.4%**	**19.7%**	**17.1%**	**20.2%**
Institution specific buffer requirement, %	**2.9%**	**2.9%**	**2.9%**	**2.9%**
of which capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which countercyclical buffer requirement	0.4%	0.4%	0.4%	0.4%
CET1 available to meet buffers	**8.4%**	**11.7%**	**9.1%**	**12.2%**

Pillar I minimum capital requirement for credit risk

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

The break-down of RWAs and the minimum capital requirement per exposure class for the Consolidated situation and the Bank are shown below.

Exposure class	Consolidated situation				
	2021-12-31				2020-12-31
MSEK	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement
Governments or central banks	978,7	0%	-	-	-
Exposures to institutions	1,382.1	20%	276.4	22.1	35.5
Exposures to corporates	-	0%	-	-	-
Retail exposures	43.2	75%	32.4	2.6	44.6
Exposures to mortgages	17,953.4	36%	6,413.5	513.1	451.0
Exposures in default	289.8	100%	290.1	23.2	25.9
Exposures in the form of covered bonds	283.5	10%	28.4	2.3	2.3
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-
Equity exposures	12.4	100%	12.4	1.0	0.9
Other exposures	71.7	100%	71.7	5.7	6.7
Securitisations	-	-	-	-	-
Total capital requirement for credit risk	**21,014.8**		**7,124.9**	**570.0**	**566.9**

Exposure class	Parent				
	2021-12-31				2020-12-31
MSEK	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement
Governments or central banks	967.6	0%	-	-	-
Exposures to institutions	1,094.3	20%	218.9	17.5	29.6
Exposures to corporates	1.9	100%	1.9	0.2	0.4
Retail exposures	43.2	75%	32.4	2.6	44.6
Exposures to mortgages	17,953.4	36%	6,413.5	513.1	451.1
Exposures in default	289.8	100%	290.1	23.2	25.9
Exposures in the form of covered bonds	283.5	10%	28.4	2.3	2.3
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-
Equity exposures	0.2	100%	0.2	0.0	0.4
Other exposures	33.6	100%	33.6	2.7	2.9
Securitisations	-	-	-	-	-
Total capital requirement for credit risk	**20,667.5**		**7,018.9**	**561.5**	**557.2**

Pillar I minimum capital requirement for operational risk

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

	Consolidated situation		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Relevant indicator	553.7	516.4	496.3	446.0
of which 12% (business line retail banking)	66.4	62.0	59.6	53.5
Total capital requirement for operational risk	**66.4**	**62.0**	**59.6**	**53.5**

Pillar I minimum capital requirement for market risk

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

	Consolidated situation		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Capital requirement for foreign exchange rate risk	39.5	24.8	39.5	24.8
Total capital requirement for market risk	**39.5**	**24.8**	**39.5**	**24.8**

Pillar I 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	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Capital requirements for credit valuation adjustment risk	1.7	4.1	-	0.0
Total capital requirement for credit valuation adjustment risk	**1.7**	**4.1**	**-**	**0.0**

Total Pillar I minimum capital requirement

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

	Consolidated situation		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Pillar I capital requirement	677.6	657.8	660.6	635.5
Total Pillar I capital requirement	**677.6**	**657.8**	**660.6**	**635.5**

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

Total risk-based capital requirements

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

Capital requirements	Consolidated situation		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Pillar I	**677.7**	**657.8**	**660.6**	**635.5**
Pillar II	**101.6**	**82.4**	**91.0**	**79.6**
of which concentration risk	78.9	75.3	77.4	73.0
of which interest rate risk arising from non-trading book	18.3	7.0	9.1	6.6
of which credit spread risk	4.4	-	4.4	-
Combined buffer	**246.9**	**236.8**	**240.9**	**229.0**
of which capital concervation buffer	211.8	205.6	206.4	198.6
of which countercyclical capital buffer	35.1	31.3	34.5	30.4
Total capital requirements	**1,026.1**	**977.1**	**992.5**	**944.1**

Capital requirements	Consolidated situation		Parent	
% RWA	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Pillar I	8.0%	8.0%	8.0%	8.0%
Pillar II	1.2%	1.0%	1.1%	1.0%
Combined buffer	2.9%	2.9%	2.9%	2.9%
Total capital requirements	**12.1%**	**11.9%**	**12.0%**	**11.9%**

Leverage ratio requirement

The leverage ratio requirements are calculated in accordance with the Swedish Acts, the SFSAs Regulations and General Guidelines, and the CRR. The leverage ratio requirement shall be met by Tier 1 capital. The leverage ratio is a non-risk-based measure to limit build-up of leverage on the balance sheet, and is calculated as the ratio between Tier 1 capital and the leverage ratio exposure amount, comprising of on- and off-balance sheet exposures.

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

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

The Consolidated situations's and the Bank's leverage ratio requirements are shown below.

Leverage ratio requirement	Consolidated situation		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Leverage ratio exposure amount	21,107.3	20,374.6	20,667.5	19,936.6
Tier 1 capital	1,390.1	1,617.2	1,409.7	1,605.6
Leverage ratio	**6.6%**	**7.9%**	**6.8%**	**8.1%**

The Bank is fulfilling the minimum leverage ratio requirement of 3%. The leverage ratio decreased compared to 2020 as a result of reduced Tier1 capital due to deduction of foreseeable dividend payment.

Key metrics

Key metrics (EU KM1) for the Consolidated situation and the Bank are shown on the next page.

MSEK		Consolidated situation 2021-12-31	2021-09-30	2021-06-30	2021-03-31	2020-12-31
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,390.1	1,766.0	1,762.6	1,636.0	1,617.2
2	Tier 1 capital	1,390.1	1,766.0	1,762.6	1,636.0	1,617.2
3	Total capital	1,390.1	1,766.0	1,762.6	1,636.0	1,617.2
Risk-weighted exposure amounts						
4	Total risk exposure amount	8,470.7	8,271.0	8,052.2	7,915.7	8,223.0
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio	16.4%	21.4%	21.9%	20.7%	20.2%
6	Tier 1 ratio	16.4%	21.4%	21.9%	20.7%	20.2%
7	Total capital ratio	16.4%	21.4%	21.9%	20.7%	20.2%
Additional own funds requirements to address risks other than the risk of excessive leverage[1]						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage					
EU 7b	of which: to be made up of CET1 capital (percentage points)					
EU 7c	of which: to be made up of Tier 1 capital (percentage points)					
EU 7d	Total SREP own funds requirements	8.0%	8.0%	8.0%	8.0%	8.0%
Combined buffer and overall capital requirement[1]						
8	Capital conservation buffer	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the levelof a Member State					
9	Institution specific countercyclical capital buffer	0.4%	0.4%	0.4%	0.4%	0.4%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	2.9%	2.9%	2.9%	2.9%	2.9%
EU 11a	Overall capital requirements	10.9%	10.9%	10.9%	10.9%	10.9%
12	CET1 available after meeting the total SREP own funds requirements	5.5%	13.4%	13.9%	12.7%	12.2%
Leverage ratio						
13	Total exposure measure	21,107.3	20,630.8	20,095.3	19,637.1	20,374.6
14	Leverage ratio	6.6%	8.6%	8.8%	8.3%	7.9%
Additional own funds requirements to address the risk of excessive leverage[2]						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement[2]						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,139.7	1,045.7	1,001.5	1,047.5	1,075.6
EU 16a	Cash outflows - Total weighted value	918.6	940.9	865.9	927.7	980.9
EU 16b	Cash inflows - Total weighted value	1,206.5	1,473.9	1,395.7	1,250.5	1,911.6
16	Total net cash outflows (adjusted value)	229.7	235.2	216.5	231.9	245.2
17	Liquidity coverage ratio	496.3%	444.5%	462.7%	451.6%	438.6%
Net Stable Funding Ratio						
18	Total available stable funding	18,226.5	17,277.4	17,420.5	18,196.2	18,261.8
19	Total required stable funding	14,068.4	13,990.5	13,670.2	13,335.9	13,737.5
20	NSFR ratio (%)	129.6%	123.5%	127.4%	136.4%	132.9%

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

MSEK		Parent 2021-12-31	2021-09-30	2021-06-30	2021-03-31	2020-12-31
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,409.7	1,749.1	1,748.7	1,621.4	1,605.6
2	Tier 1 capital	1,409.7	1,749.1	1,748.7	1,621.4	1,605.6
3	Total capital	1,409.7	1,749.1	1,748.7	1,621.4	1,605.6
Risk-weighted exposure amounts						
4	Total risk exposure amount	8,257.5	8,054.9	7,824.5	7,646.5	7,944.0
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio	17.1%	21.7%	22.3%	21.2%	20.2%
6	Tier 1 ratio	17.1%	21.7%	22.3%	21.2%	20.2%
7	Total capital ratio	17.1%	21.7%	22.3%	21.2%	20.2%
Additional own funds requirements to address risks other than the risk of excessive leverage[1]						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage					
EU 7b	of which: to be made up of CET1 capital (percentage points)					
EU 7c	of which: to be made up of Tier 1 capital (percentage points)					
EU 7d	Total SREP own funds requirements	8.0%	8.0%	8.0%	8.0%	8.0%
Combined buffer and overall capital requirement[1]						
8	Capital conservation buffer	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the levelof a Member State					
9	Institution specific countercyclical capital buffer	0.4%	0.4%	0.4%	0.4%	0.4%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	2.9%	2.9%	2.9%	2.9%	2.9%
EU 11a	Overall capital requirements	10.9%	10.9%	10.9%	10.9%	10.9%
12	CET1 available after meeting the total SREP own funds requirements	6.2%	10.8%	11.4%	10.3%	9.3%
Leverage ratio						
13	Total exposure measure	20,667.5	20,166.2	19,600.3	19,179.3	19,936.6
14	Leverage ratio	6.8%	8.7%	8.9%	8.5%	8.1%
Additional own funds requirements to address the risk of excessive leverage[2]						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement[2]						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,139.7	1,045.7	1,001.5	1,047.5	1,075.6
EU 16a	Cash outflows - Total weighted value	918.6	940.9	865.9	927.7	974.1
EU 16b	Cash inflows - Total weighted value	1,118.0	1,367.9	1,265.8	1,113.5	1,780.1
16	Total net cash outflows (adjusted value)	229.7	235.2	216.5	231.9	243.5
17	Liquidity coverage ratio	496.3%	444.5%	462.6%	451.6%	441.7%
Net Stable Funding Ratio						
18	Total available stable funding	18,246.1	16,986.0	17,097.0	17,487.5	17,535.5
19	Total required stable funding	13,400.0	13,266.5	13,459.2	13,306.9	13,715.2
20	NSFR ratio (%)	136.2%	128.0%	127.0%	131.4%	127.9%

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

Note 32 | Related parties

Related parties

Related parties refer to:

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

Assets and liabilities	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Intercompany receivables				
Parent	1.9	0.0	1.9	0.0
Group	1.9	0.0	533.5	541.5
Total	**3.9**	**0.0**	**535.4**	**541.5**
Intercompany payables				
Parent	-	-	-	-
Group	-	-	7.2	3.1
Total	**-**	**-**	**7.2**	**3.1**

Income and costs	Group		Parent	
MSEK	2021	2020	2021	2020
Interest income calculated using the effective interest method				
Parent	-	0.0	-	0.0
Group	-	0.0	32.4	54.1
General administration expenses				
Parent	-	-	-	-
Group	-	-	-23.9	-27.7
Total	**-**	**0.0**	**8.5**	**26.4**

Interest income

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

Note 33 | Pledged assets, contingent liabilities and commitments

	Group		Parent	
MSEK	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Pledged assets and comparable securities for own liabilities				
Shares and participations in associated companies	0.0	0.0	-	0.0
Lending to credit institutions	144.9	138.7	1.2	-
Lending to the public	6,851.8	4,366.7	6,851.8	4,366.7
Government debt securities	18.3	19.0	18.3	19.0
Derivatives	18.3	24.5	-	-
Intangible assets	-	0.0	-	-
Other assets	50.7	115.1	49.6	115.1
Prepaid expenses and accrued income	0.1	0.2	-	-
Contingent liabilities				
Contingent liabilities	-	-	-	-
Commitments	-	-	-	-

Lending to credit institutions

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

Lending to the public

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

Government debt securities

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

Derivatives

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

Note 34 | Proposal for the distribution of profit

Proposal for the appropriation of profits

SEK	
The following profits are available for appropriation at the Annual General Meeting	
Retained earnings	1,395,736,539
Profit for the year	253,516,399
Translation reserve	4,167,858
Total	**1,653,420,796**
The Board propose the following distribution:	
Dividend to shareholders	300,000,000
To be carried forward	1,353,420,796
Total	**1,653,420,796**

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

Definition of alternative performance measures

C/I

Costs before credit losses in relation to operating income.

MSEK	2021	2020
Costs before credit losses	532.8	580.7
Operating income	864.8	836.3
C/I, %	**62%**	**69%**

Credit losses

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

MSEK	2021	2020
Credit losses	6.9	40.1
Lending to the public	18,333.1	16,115.5
Credit losses, %	**0.04%**	**0.25%**

Return on equity

Operating profit after tax in relation to average equity. The tax rate for 2021 in Sweden is 20.6% (21.4%).

MSEK	2021	2020
Operating profit	325.2	215.5
Operating profit less tax	**258.2**	**169.4**
Total equity 2019-12-31	N/A	1,605.5
Total equity 2020-12-31	1,738.2	1,738.2
Total equity 2021-12-31	1,809.0	N/A
Average equity	**1,773.6**	**1,671.8**
Return on equity, %	**14.6%**	**10.1%**

Gross Revenue / Lending to the public

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

MSEK	2021	2020
Total Interest Income	1,087.8	1,168.3
Interest income bonds	-3.2	0.7
Interest income credit institutions	-1.2	-0.3
Gross revenue	**1,083.4**	**1,168.7**
Lending to the public 2019-12-31	N/A	16,150.0
Lending to the public 2020-12-31	16,115.5	16,115.5
Lending to the public 2021-12-31	18,333.1	N/A
Average lending to the public	**17,224.3**	**16,132.8**
Gross Revenue / Lending to the public, %	**6.3%**	**7.2%**

Operating income / Lending to the public

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

MSEK	2021	2020
Operating income	864.8	836.3
Lending to the public 2019-12-31	N/A	16,150.0
Lending to the public 2020-12-31	16,115.5	16,115.5
Lending to the public 2021-12-31	18,333.1	N/A
Average lending to the public	**17,224.3**	**16,132.8**
Operating income / Lending to the public, %	**5.0%**	**5.2%**

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 21 of April 2022

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

Julia Ehrhardt
Board member

Our audit report has been submitted as of 26 of April 2022
Ernst & Young AB

Daniel Eriksson
Authorized auditor

Corporate governance report

Bluestep Bank AB (publ) (the "Bank") conducts banking operations and is supervised by the Swedish Financial Supervisory Authority. 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 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 where it operates and savings accounts in Norway and Sweden.

The Bank is a Swedish public limited liability bank company. The Bank's corporate governance is based on Swedish law, regulations and general recommendations issued by the Swedish Financial Supervisory Authority, guidelines from the European Banking Authority (EBA), Nasdaq Stockholm's regulations for issuers, Oslo Børs Issuer Rules and Harmonized Rules, 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 Annual General Meeting.

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 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 managers of business functions report directly to the Senior Management Team and the CEO.
- Second line of defence - The risk management function and the compliance function are responsible for the frameworks for risk management, compliance and internal control, and 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, compliance, and audit issues,
- The New Product Approval Process Committee ("NPAP") to support the operations in decisions on new or changed products, processes, services, systems, and material organisational changes, and
- Asset and Liability Management Committee ("ALCO") to support the operations in managing balance sheet-related issues and risks.

Risk assessment and control activities

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

The Bank defines risk as the possibility that an event will occur and 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.

Sustainability report 2021

Bluestep Bank AB (publ)

Bluestep Bank.

A modern mortgage bank.

Content

Introduction

Bluestep Bank's sustainability report[1] has been produced with inspiration from the Global Reporting Initiative (GRI) Standards. It covers the 2021 calendar year and includes the parent company, Bluestep Bank AB, along with its subsidiaries and branches. The report also represents the company's communication on progress (COP) to the UN Global Compact.

COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

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

Financial inclusion and responsible lending is at the core of Bluestep Bank's DNA. We intend to continue leading the way by integrating sustainability into everything we do and becoming an even better mortgage lender for our customers, our employees, our communities and future generations. With an ambition to really differentiate Bluestep Bank as the inclusive and responsible mortgage lender in the Nordic region, it is natural to be a member of UNEP FI and a signatory of the Principles for Responsible Banking.

UN environment programme | finance initiative

Principles for Responsible Banking

The past year in brief

In 2021 the Covid-19 pandemic continued to deeply impact individuals as well as society at large and it is of extra importance as a financial institute to be available to current and potential customers. By focusing on improving our products and processes, we at Bluestep Bank can make mortgages available to more people.

The set ambition is high in all parts of our sustainability efforts. The work of measuring, targeting and reducing the company's environmental footprint has led to an additional scope 3 category for the credit portfolio to the greenhouse gas protocol and the proportion of estimated data has decreased. During the year, Bluestep Bank launched green mortgages for both new and existing customers.

Bluestep Bank has intensified its focus on gender equality, diversity and inclusion. During the year, the Board of Directors decided to expand the focus on the global sustainability goals from three prioritised goals to four. This has led to the inclusion of SDG's goal five, with a focus on gender equality. To map the current situation and to identify possible areas with improvement potential, Bluestep Bank now participates in the Jämix index from Nyckeltalsinstitutet, thereby receiveing a way to measure development and the ability to compare with other companies in the industry.

Regarding governance, a review of the company's overall policy for governance and control is ongoing, as well as initiatives to strengthen transparency. During the year, Bluestep Bank published selected policies and key figures on the website providing good insight into the business.

Last but not least, in 2021 Bluestep Bank has chosen to be a signatory of the UN's initiative on Principles for Responsible Banking.

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

Strategic sustainability KPIs and targets

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

The ambition is to be able to present clear targets linked to the KPIs below. The decision and establishment of these began in 2021 and will continue in 2022.

The following are the targets that have currently been decided:

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

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 %)	
2021	21.2 (20.8)	2021	0.00	2021	89.9	2021	6.2 (9.2)	2021	62.3 (55.1)
2020	21.3 (20.1)	2020	0.17	2020	89.7	2020	5.9 (9.0)	2020	64.2 (60.5)

Environment (E)				Social (S)				Governance (G)			
Carbon footprint[6] tonnes of CO_{2e} (prev. year)		**Carbon intensity** tonnes of CO_{2e} per employee		**Gender equality** percentage of women (prev. year)		**Languages spoken** number		**Training in relevant policies** %		**Customer complaints** number	
Scope 1	3.2 (4.5)	2021	1.10	Senior Management	22 (38)	2021	27	2021	100%	2021	84
Scope 2	20.9 (83.9)	2020	0.99	Management	34 (36)	2020	20	2020	100%	2020	47
Scope 3	275.6 (212.5)			Employees	52 (50)						

[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 and pensioners excluded), this year's share in parentheses.*

[2] *Refers to mortgages.*

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

[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 108.*

How Bluestep Bank contributes to achieving the sustainable development goals

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

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

Bluestep Bank has chosen to prioritise four SDGs that it's Board of Directors determined were especially relevant and crucial for the business.

SDG 5 | Gender equality

Achieve gender equality and empower all women and girls

The overall goal is prioritised, no targets are selected.

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

Challenge:
There are industry challenges and inherited structural barriers.

SDG 8 | Decent work and economic growth

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

Bluestep Bank 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 Bank contributes:
By promoting the availability of mortgages and with a goal of helping customers to an improved financial situation and, based on the customers' individual financial needs, offer an indivdual solution. Bluestep Bank aims at helping 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 Bank 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 Bank contributes:
Through our products and processes, we at Bluestep Bank can make mortgages available to more people. The benefit is that more people get the chance to make their own choices about how they want to live. Research suggests that financial inclusion of more people, one of the core issues for Bluestep Bank, helps building stronger communities. Financial inclusion can contribute to greater equality and increased economic growth. By continuing to develop and improve our products, we will help more people to a better financial situation and have the opportunity to get a mortgage. As a result, we at Bluestep Bank can continue to deliver value to customers, society, employees and owners.

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

SDG 13 | Climate action

Take urgent action to combat climate change and its impacts.

The overall goal is prioritised, no targets are selected.

How Bluestep Bank contributes:
By being a modern, digital mortgage bank without an office network that strives to have as low a climate impact as possible in its own operations. Bluestep Bank continuously drives and develops resource- and energy-saving products and ways to work that accelerate digitalisation and contribute to climate-smarter lending. Green mortgages was launched during 2021.

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

Attractive workplace

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

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

Inclusive

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

Passionate

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

Innovative

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

Responsible

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

Our employee survey shows that 95 percent of employees think Bluestep Bank is heading in the right direction, and 81 percent say that all in all the company is a very good workplace.

Diversion and Inclusion

Bluestep Bank's employees come from different backgrounds – in fact, more than 25 languages are spoken among our roughly 280 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).

Gender equality

Bluestep Bank has an even gender distribution among our employees (50/50) and has an ambition that it should also be reflected among managers and senior management.

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

HR strategy

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

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

Our leadership promise is to develop our employees so that we achieve our vision and goals together. We have a number of leadership behaviours linked to our values. We offer regular leadership training, and as a result 89 percent of employees stated in our 2021 survey that they would recommend their manager to a friend.

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

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

2021 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 daily digital training classes, 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 Bank 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 Bank's starting point for assessing risks includes three main considerations: a systematic process for identifying operational risks, employee surveys, and annual health and safety inspections.

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

Inclusive banking

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

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

In recent years, additional customer needs have arisen 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 model have been left out. The extra effort that we at Bluestep Bank 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.

60plusbanken

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

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

Preventive insolvency management

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

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

Climate-neutral banking

Bluestep Bank strives to have the lowest possible environmental impact in terms of offices and business travel. The goal of business travel is to make any trips as environmentally friendly and cost-effective as possible. Instead of 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 Bank is working with the landlord to limit energy consumption with regard to heating, electricity and air conditioning.

As a company, Bluestep Bank has an ambitious goal to equip employees with what they need to raise awareness, and lead and develop resource- and energy-saving products and practices that help to reduce our environmental impact.

We have identified a focus area for developing reduction targets and action plans that aim to further reduce the environmental impact of our own operations. The targets will be presented in 2022.

Green Mortgages

To encourage more people to switch to a climate-smart home, Bluestep Bank launched Green Mortgage in 2021. The green mortgage gives a reduction on the interest rate and creates incentives through a lower monthly cost.

Existing customers who qualify for a Green mortgage receive the interest discount automatically. Since the launch, in addition to green mortgages for existing customers, four new green mortgages have been paid out with a total volume of SEK 7,719,000.

Carbon footprint

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

Emissions by scope

Emissions, tonnes CO_{2e}	2021	2020
Scope 1	3.2	4.5
Scope 2	20.3	83.9
Scope 3	275.6	212.5
Total	299.2	300.9
(per employee)	(1.10)	(0.99)

The table shows greenhouse gas emissions expressed as tonnes of CO_2 equivalent (CO_{2e}, market-based). Bluestep Bank's carbon footprint has been produced in partnership with the environmental consultancy U&We using the tool 'Our Impacts'. The full report is available on www.bluestepbank.com

Input data can be either actual (retrieved from the accounts, reports, etc.) or projected (estimated according to a calculation method). For 2021, 93 percent (previous year 96.3 percent) of emissions are based on actual data and 7.0 percent on estimated data. This means that the data quality is generally good.

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

Scope 3 - Credit portfolio

Emissions, tonnes CO_{2e}	Total	Sweden	Norway
Per MSEK lending	5.44	4.81	6.30
Per employee	335.4	242.2	688.2
Per square metre	0.045	0.038	0.057
Total	95,922	48,438	47,484

The table shows greenhouse gas emissions expressed as tonnes of CO_2 equivalent (CO_{2e}, market-based). The scope has been the underlying collateral for mortgages in Sweden and Norway (Finland excluded) and calculation has been done in accordance with "PCAF The Global GHG Accounting & Reporting Standard for the financial industry".

EU Taxonomy

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

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

Eligible assets

(extended table and information in Note S6)

Assets	Assets in MSEK	Proportion of total assets, %
Taxonomy-eligible	18,289.5	92.7
Non-eligible	43.6	0.2

Green Asset Ratio (GAR): 0.06%

When calculating the share of green assets, only actual energy declarations in accordance with data from the National Board of Housing, Building and Planning have been used as a basis, no estimates have been used. When using an estimated energy class, the proportion of green assets would instead be 0,2%.

The Swedish definition of energy class A is stricter than many other countries, which gives a conservative share of green assets. The ambition is to be able to use the definition of buildings that are the 15 percent most energy efficient in accordance with the EU's taxonomy in the future.

Business ethics and governance

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

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

Bluestep Bank 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 Bank's products. However, helping customers who have previously been denied a mortgage requires careful and diligent analysis. Bluestep Bank conducts such an analysis based on an in-depth review of the individual's personal finances and an attempt to understand their future solvency levels. A central part of this analysis is the interaction between the customer and Bluestep Bank. Since the inception of this business model in 2005, we have been able to help many customers own their own home.

As part of ensuring that our policies are followed with regard to compliance and data management, all new employees are trained in an introductory programme. This programme includes a review of internal control functions and training on Bluestep Bank's practices around anti-money laundering (see below), anti-corruption and terrorist financing, as well as areas such as banking secrecy, the general data protection regulations (GDPR) and information security. For Bluestep Bank to ensure that all employees have up-to-date knowledge in these areas, we have mandatory annual training. The training is followed by a test, which all employees passed in 2021. As a result of Bluestep Bank's work, we have a high internal risk awareness, as well as well-functioning processes and procedures. Bluestep Bank has never been subject to regulatory fines or sanctions. The Bank advocates an open, constructive dialogue with the authorities.

Principles for Responsible Banking (PRB)

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

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

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

Transparency

Transparency is an important part of providing credit responsibly, this includes ensuring that the customer understands the terms and conditions set our in the agreement. The understanding between customers and Bluestep Bank is furthermore grounded in our ability to speak to customers in their own language – our employees speak over 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 Bank works to grant credit responsibly to more people. One indicator regarding the implementation of our business model is the size of Bluestep Bank's credit losses. Low credit losses suggest that we are succeeding in our efforts to provide credit responsibly.

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

How the bank prevents fraud and money laundering

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

The Anti Financial Crime division was launched in 2020 in order to bolster and concentrate efforts to combat money laundering and terrorist financing, and prevent the bank from being used for fraud. The division aims to strengthen anti-money laundering and 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

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

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

Climate and environment

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

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

Responsible sourcing and supplier code of conduct

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

Bluestep Bank has an overall routine whereby the majority of all contracts are reviewed internally by lawyers, thus identifying any shortcomings. An identified development area is to clarify Bluestep Bank's views and expectations of suppliers' sustainability efforts and compliance with international guidelines and principles. Our ambition is to take further steps forward in this area during 2022.

Risk management

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

The employees have a key role to play in identifying any irregularities that need to be corrected. There is also a whistleblowing process enabling employees to anonymously report unethical or illegal behaviour committed by the employees. Instructions about the service are available to all employees on the intranet. In 2021, no whistleblowing reports were received.

Environmental, social and governance (ESG) risk management framework

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

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

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

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

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

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

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

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

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

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

Notes to Sustainability Report

Note S1 | Sustainability governance

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

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

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

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

Sustainability framework

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

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

Note S2 | Table Sustainability risks

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

	Climate & Environment	Social conditions	Personnel	Human rights	Anti-corruption
Description	Ability to adapt operations to climate and environmental changes.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on social conditions.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on staff.	The risk that Bluestep Bank's operations, business relations and business commitment have a negative impact on human rights.	Corruption involves an act in which a person uses their position to achieve an undue advantage for his or her own benefit or that of another person.
Primary risks	Bluestep Bank's operations are exposed to transition risks if Bluestep Bank fails to adapt products and services to the future sustainable economy, which sets higher environmental and climate standards. Physical climate risk is primarily linked to climate and environmental risks in conjunction with lending. Future climate change may affect customers' ability to pay, as well as the value of assets and collateral.	Bluestep Bank is exposed to risks associated with social conditions during the purchase of services or goods.	In our own operations, the risk is mainly linked to Bluestep Bank as an employer. Risks related to staff include health and safety at the workplace, the presence of victimisation, compensation levels and workload.	Bluestep Bank is exposed to risks associated with human rights during the purchase of services or goods.	The risk of corruption is present in all parts of Bluestep Bank's business. The existence of corruption could seriously affect confidence in Bluestep Bank on the part of the public, owners, customers and employees, and thus the company's future competitiveness.
Governance	Sustainability policy, Risk policy	Consumer protection policy, Data protection policy	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 2022.	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.

Note S3 | Materiality analysis and stakeholder dialogue

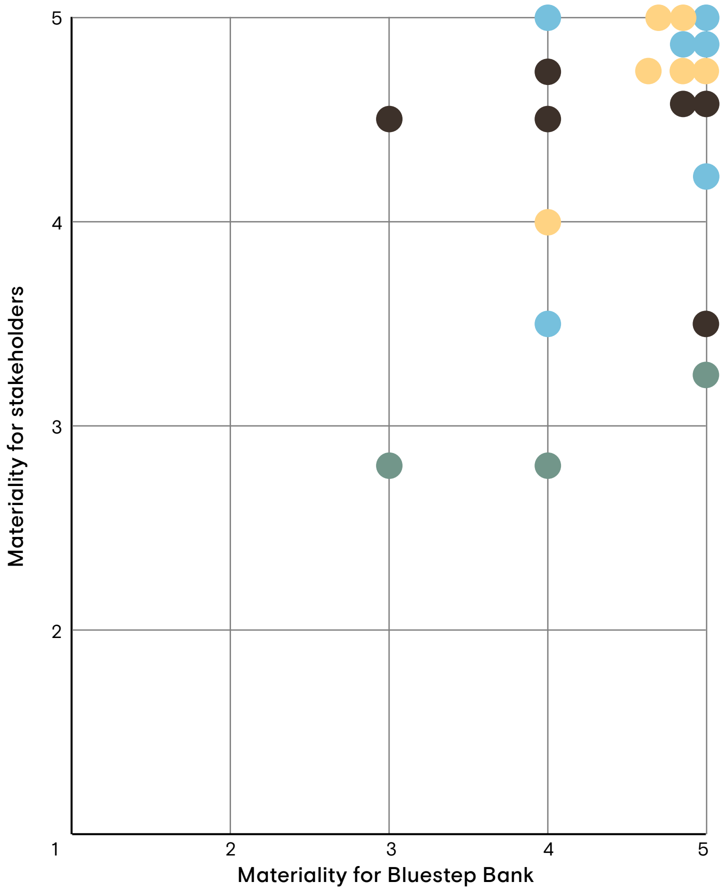
Bluestep Bank conducted its first stakeholder dialogue and materiality analysis in 2019. The materiality analysis takes in the views of multiple stakeholders as well as opinions that affect the economic, social and environmental footprint of the business and that can influence stakeholder decision-making.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

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

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

The list of sustainability topics is presented below.

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

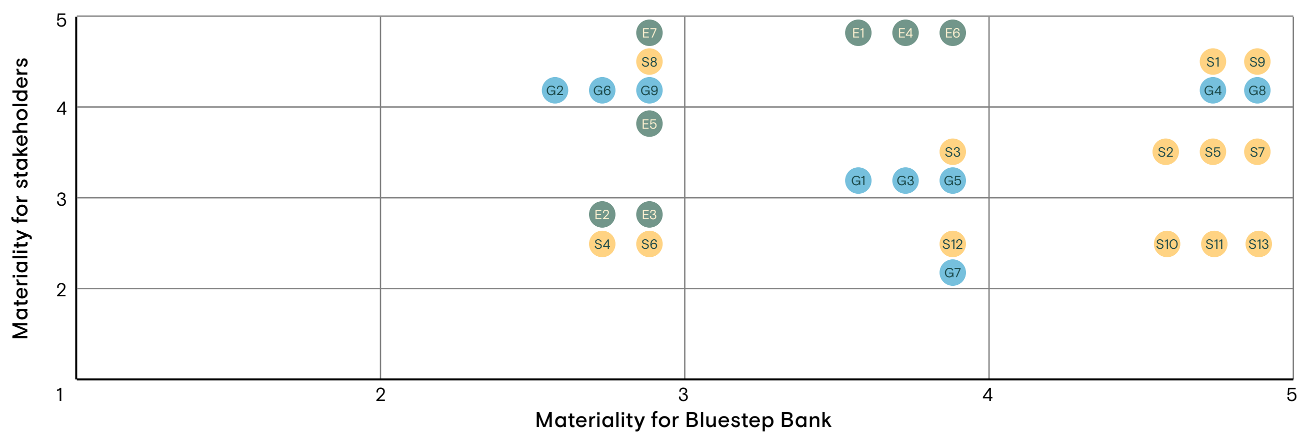


20 of the 21 sustainability topics identified in the stakeholder and materiality analyses are reported as material and are grouped into four target areas as follows:

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

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



Note S4 | Key figures, employees, 2021

	Total	Sweden	Norway	Finland
Total number of employees at year-end[1]	**286**	**200**	**69**	**17**
Number of limited-term employees, %	**1**	1	0	0
Number of part-time employees, %	**7**	7	6	12
Average age, years	**37**	39	33	34
Persons who left the company during the year	**67**	48	15	4
New hires during the year	**49**	32	10	7
Employee turnover, %	**21**	21	21	15
Gender distribution				
Women on the board, %	**25**			
Women in senior management, %	**22**			
Female managers, %	**34**	43	10	25
Female employees, %	**52**	53	54	29
Sick leave and wellness				
Short-term leave, %	1.6	1.4	2.0	0.9
Long-term leave, %	2.2	1.5	3.8	0.0
Total sick leave, %	**3.8**	3.1	5.8	0.9
Withdrawals of wellness allowances for all employees, %	**90**	89	-	100
Age distribution				
>29, %	**24**	35	33	27
30-39, %	**37**	49	39	40
40-49, %	**21**	13	22	19
50-59, %	**14**	1	6	10
60<, %	**4**	1	0	3

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

Note S5 | Carbon footprint

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

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

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

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

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

Emissions by emission source

	Total		Sweden		Norway		Finland	
Emissions, tonnes CO_{2e}	2021	2020	2021	2020	2021	2020	2021	2020
Scope 1								
Owned/leased cars	3.25	4.49	3.25	4.49	0.00	0.00	0.00	0.00
Scope 2								
Electricity consumption	6.15	42.08	6.14	5.93	0.00	36.16	0.00	0.00
Heating	13.81	41.33	10.13	10.81	0.00	22.00	3.68	8.52
District cooling	0.38	0.48	0.38	0.48	0.00	0.00	0.00	0.00
Scope 3								
Water consumption	0.10	0.14	0.07	0.07	0.03	0.07	0.01	0.01
Waste (incl. road freight)	0.35	0.03	0.34	0.02	0.01	0.01	0.01	0.00
IT purchases	98.89	44.70	53.87	17.20	40.71	8.00	4.31	19.50
Paper and printed matter	5.03	6.28	4.98	5.89	0.04	0.34	0.01	0.06
Business travel	22.66	13.36	14.91	7.22	5.57	4.56	2.18	1.58
Hotel nights	5.63	4.72	4.02	1.10	1.40	3.47	0.20	0.16
Commuting	138.11	138.90	81.17	90.40	48.08	40.96	8.86	7.54
Other	4.87	4.33	3.02	3.77	0.91	0.26	0.94	0.30
Total	299.2	300.9	182.3	147.4	96.7	115.8	20.2	37.7
Key figures								
Per employee	1.10	0.99	0.98	0.69	1.40	1.52	1.12	2.69
Per MSEK lent	0.02	0.02	0.02	0.01	0.01	0.02	0.09	0.77
Per square metre (office space)	0.09	0.09	0.07	0.05	0.19	0.23	0.10	0.19

Note S6 | EU Taxonomy

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

Extended table

Assets	Assets in MSEK	Assets share of Total Covered Assets, %	Assets share of Total Assets, %
Taxonomy eligible	18 289.5	92.9	92.7
Taxonomy non-eligible	43.6	0.2	0.2
Covered Assets not excluded by default from numerator	**18 333.1**	**93.1**	**92.9**
Non-NFRD undertakings	0	0	0
Derivatives, hedge accounting	114.6	0.6	0.6
On demand interbanks loans	1164.1	5.9	5.9
Cash and cash-related assets and other assets (e g Goodwill, commodities etc)	78.1	0.4	0.4
Covered Assets excluded by default from numerator	**1 356.8**	**6,9**	**6.9**
Total Covered Assets	**19 689.9**	**100**	**99.8**
Central governments, central banks, supranationals	0	-	0
Trading portfolio	49.1	-	0.2
Assets not included in Total Covered Assets	**49.1**	**-**	**0.2**
Total Assets	**19 739.0**	**-**	**100**

Taxonomy eligible

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

Taxonomy non-eligible

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

Green Assets

In order for buildings to be classified as sustainable investments, they must have an energy class A or belong to the 15% that are most energy efficient.[1]

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

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

[1] The National Board of Housing, Building and Planning and the Swedish Energy Agency will investigate the role of the state in developing a method for determining which buildings are the 15 percent most energy efficient in accordance with the EU's taxonomy for sustainable investments. The National Board of Housing, Building and Planning and the Swedish Energy Agency must report the assignment to the Government Offices no later than 30 May 2022.

Note S7 | GRI Index

General disclosures

(SR = Sustainability Report, AR = Annual Report)

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG
Organisational profile					
102-1	Name of the organisation		Bluestep Bank AB (publ)		
102-2	Activities, brands, products, and services	AR 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				
102-11	Precautionary principle or approach	SR 114, 115			
102-12	External initiatives		PRB, TCFD, Diversity Charter		
102-13	Membership of associations		Global Compact, UNEP-FI		
Strategy					
102-14	Statement from senior decision-maker	AR 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		3% 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			

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG
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 2021		
102-51	Date of most recent report		2020-04-23		
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						Inclusive and climate-neutral banking
103-1,2,3	Management approach	SR 123				
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						Business ethics and governance
103-1,2,3	Sustainability governance	SR 123				
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						Climate-neutral banking
103-1,2,3	Sustainability governance	SR 123				
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	

GRI Standard	Description	Page reference	Comment	UNGC principle	SDG	Connection to materiality analysis
Social						
403: Occupational health and safety						Attractive workplace
103-1,2,3	Sustainability governance	SR 123				
403-4	Health and safety topics covered in formal agreements with trade unions	SR 118		3	8	
404: Training and education						Attractive workplace
103-1,2,3	Sustainability governance	SR 123				
404-3	Percentage of employees receiving regular performance and career development reviews	SR 118			8	
405: Diversity and equal opportunity						Attractive workplace
103-1,2,3	Sustainability governance	SR 123				
405-1	Diversity of governance bodies and employees	SR 124		6	8	
406: Non-discrimination						Attractive workplace
103-1,2,3	Sustainability governance	SR 123				
406-1	Incidents of discrimination and corrective actions taken		No material incidents were reported during the year	6	8	
413: Local communities						Inclusive banking
103-1,2,3	Sustainability governance	SR 123				
413-1	Community engagement	SR 119				
417: Marketing and labelling						Business ethics and governance
103-1,2,3	Sustainability governance	SR 123				
417-2	Incidents of non-compliance concerning product and service information and labelling		No material incidents were reported during the year			
417-3	Incidents of non-compliance concerning marketing communications		No material incidents were reported during the year			

Bluestep Bank.

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