

26 february 2021

Year-End Report Bluestep Bank AB (publ) 2020



“Bluestep’s mortgages enable more people to own their home and help them improve their economic circumstances in a sustainable way”

The year in brief

As of 31 December 2020, compared to the same date the previous year.

Performance and financial position

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

Financing

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

Strategic development and key events

- In February, Bluestep decided to discontinue the personal loan business area and therefore stopped offering new personal loans in order to focus the Bank's strategic direction entirely on mortgage products. In November, an agreement was signed concerning the sale of the personal loan portfolio.
- Bluestep has successfully established a new branch in Finland and launched its' mortgage offerings.
- 6Oplusbanken was launched as a new brand in Sweden.
- Improvements to processes have been made, including the digital signing of mortgage documents, which simplifies the process for our customers and reduces both administration and the Bank's climate footprint.
- Bluestep's credit rating was upgraded to A3 with a stable outlook by Moody's.

Covid-19 impact on financials

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

KPI's

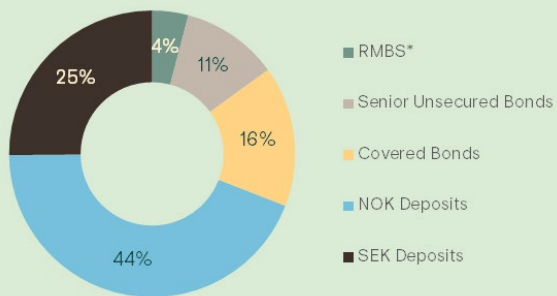
KPI's	Half-year			Annual		
	Jul-Dec 2020	Jul-Dec 2019	Δ %	2020	2019	Δ %
Lending to the public (SEK m)	16 116	16 150	0%	16 116	16 150	0%
Deposits from the public (SEK m)	12 613	11 421	10%	12 613	11 421	10%
Net interest income (SEK m)	396	424	-7%	809	819	-1%
Total expenses (SEK m)	295	267	10%	581	514	13%
Operating profit/loss (SEK m)	115	138	-16%	215	275	-21%
Credit losses (%) ^{1,2,3}	-0.04%	0.38%	-0.43	0.25%	0.37%	-0.12
Return on Equity (%) ^{1,2,3}	10.64%	13.59%	-2.95	10.13%	14.09%	-3.96
CET1 ratio ¹	19.74%	17.87%	1.87	19.74%	17.87%	1.87
C/I (%) ^{1,2}	72.60%	61.34%	11.27	69.44%	60.61%	8.82

1. Change in percentage points

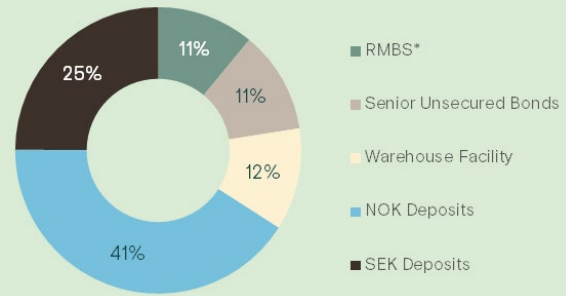
2. For definitions of alternate KPI's, see page 41

3. Figure related to H2 are recalculated to 12-month period

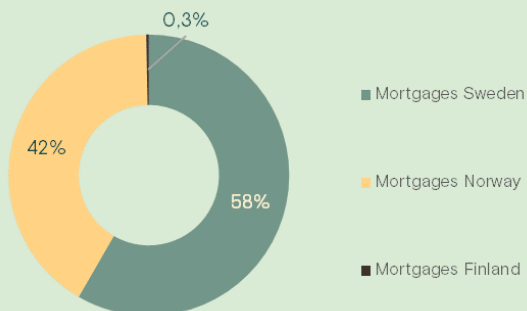
External funding sources 2020



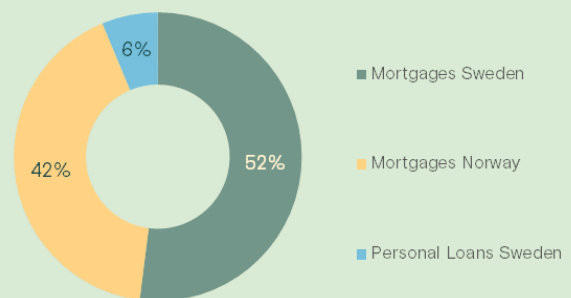
External funding sources 2019



Lending to the public 2020



Lending to the public 2019



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

This is Bluestep

Bluestep is a complement to the traditional banks in the mortgage market. Since the company was founded in 2005, we have made it possible for tens of thousands of customers in the Nordics to be able to finance their housing or have helped them improve their economic circumstances in a sustainable way.

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

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

Bluestep was established in Sweden in 2005, in Norway in 2010 and in Finland in 2020. Since the company was founded in 2005, we have gradually expanded our array of loan products, and we also offer savings accounts with attractive rates of interest. The 6Oplusbanken brand was launched in 2020 for the product equity release.

How does this work?

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

Bluestep's employees are very involved in the process, and every loan applicant receives their own mortgage specialist. We take great responsibility for understanding the customer's financial situation. We want to be able to judge fairly whether it is possible for Bluestep to approve the loan the customer is applying for. With a deeper relationship with our customers, when entering into an agreement, Bluestep

verifies the customer's ability to pay interest and instalments, while ensuring that the customer would remain solvent even if interest rates were to rise. During the application process, it is important for Bluestep to help the customer understand the implications that a loan would have on their household budget.

Our loans

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

In Sweden, a specialised mortgage product is offered to the elderly, known as equity release. This loan product is for customers over 60 who own their homes but whose disposable income or pension is insufficient to keep up with interest and principal payments. The loan enables these customers to remain in their homes. Interest and principal payments are not paid monthly; instead, they are added to the loan and not paid until the customer leaves the home. Bluestep guarantees that customers will be able to remain in their home and that their loan will never exceed the value of their property. Since 2020, this product has been offered under the brands 6Oplusbanken and Nya Seniorlånet™.

Our customers:

- People with a variable income or limited credit history
- People wanting to consolidate their debts
- People with one or more records of non-payment
- Self-employed persons
- Retirees



Comments from the CEO



Strategic transformation of the company

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

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

Full focus on mortgages

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

Further expansion in the Nordic region with new branch in Finland

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

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Launch of new brand: 60plusbanken

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

Diversification of our funding

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

Stronger focus on sustainability

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

Extensive work was carried out in 2020 to further clarify our Sustainability Strategy in three focus areas: Environmental, Social and Governance (ESG). Already this year, we have taken the next step in our sustainability reporting, which will be developed further with a full focus over the coming years.

Further rapid development in 2021

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

A word of thanks

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

Sincerely,
Björn Lander

Administration report

Bluestep Bank AB (publ) ("the Bank", also called "Parent"), org no 556717-5129 with registered office in Stockholm, Sweden, hereby presents the interim accounts and group accounts for the period 2020-01-01 – 2020-12-31. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB ("BFF1"), org no 556791-6928 with registered office in Stockholm, Sweden, Bluestep Mortgage Securities No 2 Designated Activity Company ("Step2"), org no 522186 with registered office in Dublin, Ireland, Bluestep Mortgage Securities No 3 Designated Activity Company ("Step3"), org no 550839 with registered office in Dublin, Ireland, Bluestep Mortgage Securities No 4 Designated Activity Company ("Step4"), org no 596111 with registered office in Dublin, Ireland, and Bluestep Servicing AB ("BSAB"), org no 556955-3927 with registered office in Stockholm, Sweden. All financial information is provided for the Group unless otherwise stated, while the regulatory information relates to the legal entity Bluestep Bank AB or the Consolidated situation that Bluestep reports to the Swedish Financial Supervisory Authority. The Consolidated situation consists of Bluestep Holding AB ("BHAB"), the Bank, BSAB, BFF1, Step 2, Step 3 and Step 4.

The Group's results

The period refers to 1 July – 31 December 2020 compared to the same period the previous year.

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

Operating profit

Operating profit for the period fell by 16% to SEK 115m (SEK 138m). For the full year, operating profit decreased by 21% and amounted to SEK 215m (SEK 275m). The decrease is attributable to one-off costs resulting from restructuring and streamlining of the Bank's processes, as well as depreciation and write-offs of fixed assets. Profit was also affected by the strategic initiatives relating to mortgages in Finland and the new 60plusbanken brand, as well as the weaker NOK compared to the previous year. For the full year, net interest income was relatively unchanged and loan losses decreased, despite larger loan loss provisions due to growing uncertainty caused by the pandemic.

Sale of the personal loan portfolio

At the start of the year, the Bank strengthened its strategic focus on mortgages and ceased to offer new unsecured personal loans. In November 2020, the Bank entered an agreement for the sale of the personal loan portfolio, with ownership transferring to the buyer on 1 January 2021. Bluestep has had a lower risk adjusted return on the personal loans than on its mortgage loans. The balance sheet for 2020 recognises the personal loan portfolio as *Assets held for sale* rather than *Loans to the public*.

Net interest income

Net interest income for the period fell by 7% to SEK 396m (SEK 424m). For the full year, net interest income decreased by 1% to SEK 809m (SEK 819m). The decrease is linked to the Bank's decision to withdraw from the higher risk unsecured personal loan market, which has reduced the gross margin as unsecured personal loans generate higher interest income than mortgages. The personal loan portfolio decreased and became a smaller proportion of total lending during the year. Interest income was also negatively affected by stronger growth in the mortgage segment with lower risk, which in turn affects credit losses favourably. Due to uncertainty caused by the pandemic, the Bank decided to hold a larger liquidity reserve, which has increased interest

expenses during the second half of the year. The successful covered bond issuances and strong inflows of deposits from the public contributed to the higher liquidity reserve at year-end. During the year, Bluestep took another step in the ongoing diversification of the Bank's funding. The issuance of covered bonds is a key part of this process, which will have a positive impact on funding costs.

Operating expenses

Operating expenses for the period increased 10% to SEK 295m (SEK 267m). For the full year, expenses increased 13% to SEK 581m (SEK 514m). The increase in administrative costs is attributable to the strategic initiatives relating to mortgages in Finland and the new 60plusbanken brand, as well as one-off costs resulting from restructuring and streamlining of the Bank's processes. Depreciation and write-off of fixed assets increased through further investments in process development and the write-down of IT systems which were discontinued. An example of process development which took place during the year is the possibility to digitally sign mortgage documents, which simplifies the process for our customers and reduces administration for the Bank. The Bank has had separate functions for the administration of lending and deposits for each country in which it operates. This will now be brought together in a single Nordic function with joint processes and systems. The C/I ratio before loan losses was 69% (61%) for the full year. Completed and current restructurings and streamlining are aimed at bringing about improvements for our customers and reducing the Bank's costs going forward.

Employees

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

Credit losses

Net credit losses for the period were a net release of SEK -4m (SEK 31m). For the full year, net credit losses fell to SEK 40m (SEK 60m). The decrease is attributable to the run-off of the personal loan portfolio. Provisions for future loan losses for mortgages increased as a result of the use of more conservative assumptions in the provisioning model for Norway. For the full year, the credit loss level was 0.25% (0.37%) and for the mortgage portfolio 0.17% (0.11%).

Group contribution and dividend

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

Tax

Tax expense amounted to SEK 61.1m (SEK 43.6m) for the full year, which corresponds to an effective tax rate of 28.4% (23.1). The deviation from the nominal tax rate of 21.4% is attributable to taxable temporary differences in Norway.

Net Income

Profit for the period amounted to SEK 81m (SEK 34m). Profit for the year amounted to SEK 154m (SEK 146m).

Financial position

As of 31 December 2020 compared to the same date the previous year, unless otherwise stated.

Lending

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

Capital base and capital adequacy

The common equity tier 1 capital (CET1) amounted to SEK 1 623m (SEK 1 475m) for the consolidated situation. This corresponded to a common equity tier 1 ratio of 19.7% (17.9%). The Bank's common equity tier 1 capital amounted to SEK 1 506m (SEK 1 494m), corresponding to a common equity tier 1 ratio of 19.0% (21.4%). No dividends have been distributed, contributing to the exceptionally high CET1 ratios. The capital situation has been strengthened by the sale of the personal loan portfolio. (For further information regarding capital base and capital adequacy, see Note 8).

Return on equity

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

Financing

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

Funding

In January, the Bank contracted a new credit facility of SEK 2

000m, primarily as a result of the license it had been granted to issue covered bonds. The facility was fully repaid at the end of the first half-year. The fully utilised credit facility of SEK 2 000m at the end of the previous year which belonged to the subsidiary BFF1 was repaid in February. An RMBS transaction (Step 3) was repaid in May. In combination with ongoing amortisations of outstanding transactions (Step 4), RMBS borrowing during the year fell to SEK 746m (SEK 1 901m). The outstanding volume of unsecured bonds, issued under the Bank's MTN programme, remained unchanged during the year and amounted to a total of SEK 2 000m (SEK 2 000m). In April, an inaugural issuance of covered bonds was carried out under the Bank's MTCN programme. The term of the bond was three years and the volume amounted to SEK 1 700 million, which was increased to SEK 1 900 million in September. In October, a second issuance of covered bonds was carried out, with a volume of SEK 1 000 million and a term of five years.

Deposits

Deposits from the public as of year-end amounted to SEK 12 613m (SEK 11 421m), an increase of 10%. Deposits in the Norwegian Branch amounted to SEK 8 024m (SEK 7 105m), which corresponds to an increase of 21%.

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

Credit rating

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

Liquidity

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

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

Key figures the Group	2020 H2	2019 H2	2020	2019	2018	2017	2016
Operating profit/loss (SEK m)	115.0	137.6	215.5	274.5	212.2	250.8	212.2
Gross Income / Lending to the public ^{1,2}	7.3%	7.6%	7.2%	7.5%	7.5%	7.4%	7.3%
Operating Income / Lending to the public ²	5.1%	5.7%	5.2%	5.5%	5.3%	5.3%	5.3%
Credit losses (%) ²	-0.04%	0.38%	0.25%	0.37%	0.35%	0.25%	0.23%
CET1	1 623.1	1 474.9	1 623.1	1 474.9	1 303.0	1 063.8	914.7
CET1 ratio	19.74%	17.87%	19.74%	17.87%	17.45%	15.02%	15.00%
Return on Equity ^{1,2,3}	10.6%	13.6%	10.1%	14.1%	13.0%	19.4%	19.8%
Return on Assets ¹	1.2%	1.5%	1.1%	1.5%	1.2%	1.6%	1.6%
Liquidity Reserve (SEK m)	3 000	2 674	3 000	2 674	2 556	3 030	2 077
Deposits from the public (SEK m)	12 612.9	11 421.4	12 612.9	11 421.4	10 416.6	10 418.6	9 504.4
External Funding (SEK m)	5 645.8	5 901.1	5 645.8	5 901.1	5 432.6	4 831.3	3 404.0
Lending to the public (SEK m)	16 115.5	16 150.0	16 115.5	16 150.0	14 521.7	12 366.0	9 918.0
Leverage Ratio ²	8.0%	7.7%	8.0%	7.7%	7.5%	6.4%	6.5%
Average number of employees	279	270	275	274	243	227	187

¹ Key figure related to H2 are recalculated to 12 month period

² For definitions of alternative performance measures, see page 41

³ During H1 2018, a shareholder contribution amounting to SEK 200m was made, which resulted in a negative effect on Return on Equity

Organisation and operations

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

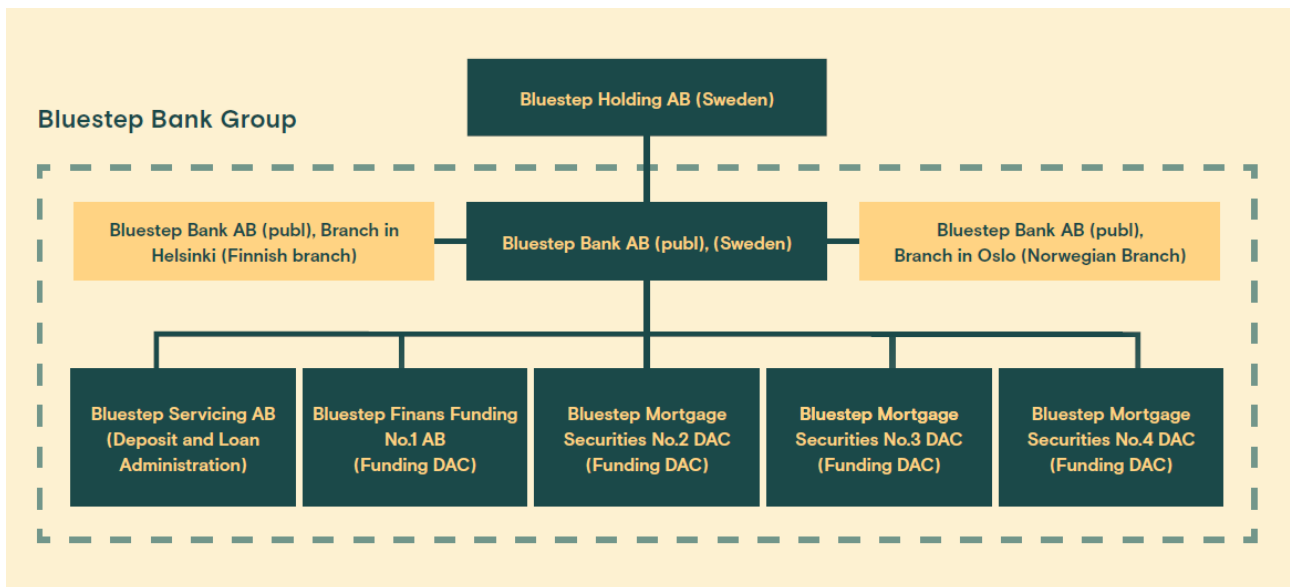
Ownership and definitions

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

- Bluestep Holding AB ("BHAB")
100% owner of Bluestep Bank AB
- Bluestep Bank AB (publ) ("The Bank", also called "Parent")
Parent company of the Bluestep Bank Group ("The Group")
- Bluestep Bank AB, branch in Oslo ("The Norwegian Branch")
Norwegian branch for the Norwegian deposit and mortgage operations
- Bluestep Bank AB, branch in Finland ("The Finnish Branch"), registered in January 2020
Finnish branch for the Finnish mortgage operations
- Bluestep Finans Funding No 1 AB ("BFF1")
Warehouse funding facility company and Funding DAC. Ownership 100%

- Bluestep Mortgage Securities No 2 Designated Activity Company ("Step 2")
Former Funding DAC under liquidation. Ownership 100%
- Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3")
Former Funding DAC under liquidation. Ownership 100%
- Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4")
Funding DAC. Ownership 100%
- Bluestep Servicing AB ("BSAB")
Deposit and Loan Administration. Ownership 100%

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



All financial information is provided for the Group unless stated otherwise, while regulatory information is stated for the legal entity Bluestep Bank AB (publ) or the Consolidated situation, which is reported to the Swedish FSA. The Consolidated situation consists of BHAB, The Bank, The Norwegian Branch, The Finnish Branch, BSAB, BFF1, Step 2, Step 3, and Step 4.

Foreign branches

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

Significant regulatory changes

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

Subsequent events

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

Financial calendar

The annual report will be published on the [website](#) calendar week 16, 2021.

Income Statement | Group

SEK m	Note	Jul-Dec 2020	Jul-Dec 2019	Annual 2020	Annual 2019
Operating income					
Interest income calculated using the effective interest method		568.7	591.3	1,162.6	1,153.4
Other interest income		5.3	5.7	5.6	9.8
Interest expense calculated using the effective interest method		-116.9	-123.5	-237.6	-249.1
Other interest expenses		-60.8	-49.3	-121.8	-95.1
Net interest income		396.2	424.2	808.9	819.0
Net result of financial transactions		4.9	5.8	16.4	17.9
Other operating income		5.4	5.5	11.1	11.5
Total operating income		406.5	435.5	836.3	848.5
Operating expense					
General administration expenses		-256.6	-245.5	-518.0	-476.7
Depreciation on fixed assets		-38.6	-21.6	-62.7	-37.6
Total expenses		-295.2	-267.1	-580.7	-514.3
Result pre credit losses		111.4	168.4	255.6	334.2
Credit losses, net	4	3.6	-30.8	-40.1	-59.7
Operating profit/loss		115.0	137.6	215.5	274.5
Group contributions		-	-85.3	-	-85.3
Tax		-33.7	-18.0	-61.1	-43.6
NET PROFIT/LOSS FOR THE PERIOD		81.3	34.2	154.4	145.6
Statement of Comprehensive Income					
Net income		81.3	34.2	154.4	145.6
Items that may be reclassified to the income statement					
Exchange differences, foreign operations		-1.7	-6.6	-27.6	3.5
Tax effect, exchange differences, foreign operations		0.4	1.4	5.9	-0.8
COMPREHENSIVE PROFIT/LOSS		80.0	29.1	132.7	148.3

Balance Sheet | Group

SEK m	Note	2020-12-31	2019-12-31
Assets			
Cash and balances with central banks		402.3	266.0
Lending to credit institutions		1,877.4	1,669.6
Lending to the public	5	16,115.5	16,150.0
Value change of interest-hedged items in portfolio hedges		47.1	-25.7
Derivatives		41.2	147.0
Bonds and other interest-bearing securities		720.6	738.1
Intangible assets		116.8	107.6
Tangible assets		52.9	60.8
Other assets		168.0	105.4
Prepaid expenses and accrued income		23.0	20.9
Assets held for sale	7	714.6	-
Tax assets		1.8	13.9
Total assets		20,281.1	19,253.5
Liabilities			
Liabilities to credit institutions		-	2,000.0
Issued bonds		5,645.8	3,901.1
Deposits from the public		12,612.9	11,421.4
Derivatives		55.8	17.1
Other liabilities		138.5	219.8
Accrued expenses and prepaid income		90.0	88.6
Total liabilities		18,543.0	17,648.0
Equity			
Share capital		100.0	100.0
Translation difference		-17.4	4.3
Other contributed capital		563.7	563.7
Retained earnings		937.5	791.9
Result for this year		154.4	145.6
Total equity		1,738.2	1,605.5
Total equity and liabilities		20,281.1	19,253.5

Changes in Equity | Group

SEK m	Shareholders' equity				Total equity
	Share capital	Translation difference	Other contributed capital	Retained earnings	
Opening balance 2019-07-01	100.0	9.5	563.7	903.2	1,576.4
Result for the period reported via income statement				34.2	34.2
Other comprehensive Income		-5.2			-5.2
Ending balance 2019-12-31	100.0	4.3	563.7	937.5	1,605.5
Opening balance 2019-01-01	100.0	4.3	563.7	937.5	1,605.5
Result for the period reported via income statement				154.4	154.4
Other comprehensive Income		-21.7			-21.7
Ending balance 2020-12-31	100.0	-17.4	563.7	1,091.8	1,738.2
Opening balance 2020-07-01	100.0	-16.1	563.7	1,010.5	1,658.2
Result for the period reported via income statement				81.3	81.3
Other comprehensive Income		-1.3			-1.3
Ending balance 2020-12-31	100.0	-17.4	563.7	1,091.8	1,738.2

Cash Flow Statement | Group

SEK m	Note	2020	2019
Operating activities			
Operating profit/loss		215.5	274.5
		215.5	274.5
Adjustments for items not included in cash flow			
Increase in tangible fixed assets due to IFRS 16			
Depreciation		62.7	37.6
Unrealised changes in value		0.5	-8.4
Credit losses excluding recoveries	4	80.8	105.0
Total – Items not included in cash flow		137.6	70.2
Taxes paid		-49.0	-54.5
Cash flow from current operations before changes to operating capital		304.1	290.3
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-833.6	-1,707.6
Increase (-)/decrease (+) of change in receivables		41.0	76.3
Increase (+)/decrease (-) of deposits from the public		1,191.5	1,004.8
Increase (+)/decrease (-) of change in short term liabilities		-41.3	50.2
Cash flow from operating activities		661.7	-286.1
Investing activities			
Increase (-) in intangible assets		-56.0	-72.9
Increase (-) of tangible fixed assets		-1.5	-2.9
Increase (-) of financial assets		17.0	-36.6
Cash flow from investing activities		-40.5	-112.4
Financing activities			
Liabilities to credit institutions		-2,000.0	1.1
Increase (+)/decrease (-) of Issued bonds		1,744.7	467.4
Cash flow from financing activities		-255.3	468.5
NET CASH FLOW FOR THIS PERIOD		365.9	70.0
Liquid funds at beginning of year		1,935.6	1,862.8
Currency difference in liquidity		-21.7	2.8
LIQUID FUNDS END OF PERIOD		2,279.7	1,935.6
Cash flow includes interest receipts of		1,164.7	1,168.6
Cash flow includes interest payments of		-355.1	-354.6

Income Statement | Parent

SEK m	Note	Jul-Dec 2020	Jul-Dec 2019	Annual 2020	Annual 2019
Operating income					
Interest income calculated using the effective interest method		568.8	518.5	1,150.8	1,000.6
Other interest income		13.7	30.2	31.3	59.8
Interest expense calculated using the effective interest method		-149.1	-193.3	-328.9	-402.5
Other interest expenses		-48.1	-16.8	-84.5	-28.0
Net interest income		385.4	338.6	768.8	629.9
Group contributions		-	115.2	-	115.2
Net result of financial transactions		6.7	-6.7	18.9	-10.7
Other operating income		12.7	79.7	37.4	85.0
Total operating income		404.8	526.8	825.2	819.4
Operating expense					
General administration expenses		-267.2	-293.2	-536.5	-484.8
Depreciation on fixed assets		-28.8	-12.2	-43.8	-21.5
Total expenses		-296.0	-305.4	-580.3	-506.3
Result pre credit losses		108.8	221.4	244.9	313.1
Credit losses, net	4	3.6	-29.6	-40.6	-57.4
Operating profit/loss		112.4	191.8	204.3	255.7
Group contributions		-	-85.3	-	-85.3
Tax		-33.0	-29.0	-58.0	-42.0
NET PROFIT/LOSS FOR THE PERIOD		79.5	77.5	146.3	128.4
Statement of Comprehensive Income					
Net income		79.5	77.5	146.3	128.4
Items that may be reclassified to the income statement					
Exchange differences, foreign operations		-0.8	-6.4	-26.3	3.7
Tax effect, exchange differences, foreign operations		0.2	1.4	5.6	-0.8
COMPREHENSIVE PROFIT/LOSS		78.8	72.4	125.6	131.3

Balance Sheet | Parent

SEK m	Note	2020-12-31	2019-12-31
Assets			
Cash and balances with central banks		402.3	266.0
Lending to credit institutions		1,716.4	1,067.3
Lending to the public	5	16,115.5	13,760.9
Value change of interest-hedged items in portfolio hedges		47.1	-25.7
Derivatives		16.7	34.4
Bonds and other interest-bearing securities		720.6	738.1
Shares and participations in associated companies		4.7	4.7
Intangible assets		107.1	94.2
Tangible assets		5.4	7.1
Other assets		170.0	780.1
Prepaid expenses and accrued income		22.4	20.2
Assets held for sale	7	714.6	-
Tax assets		2.7	13.0
Total assets		20,045.3	16,760.3
Liabilities			
Liabilities to credit institutions		582.2	1,487.8
Derivatives		4,900.0	2,000.0
Deposits from the public		12,612.9	11,421.4
Derivatives		55.8	17.1
Other liabilities		95.4	169.3
Accrued expenses and prepaid income		85.2	76.5
Total liabilities		18,331.5	15,172.0
Equity			
Share capital		100.0	100.0
Fund for development fees		19.1	10.8
Translation difference		-16.2	4.5
Other contributed capital		563.7	563.7
Retained earnings		900.9	780.9
Result for this year		146.3	128.4
Total equity		1,713.8	1,588.2
Total equity and liabilities		20,045.3	16,760.3

Changes in Equity | Parent

SEK m	Shareholders' equity					
	Restricted		Non restricted			
	Share capital	Fund for development fees	Translation difference	Other contributed capital	Retained earnings	Total equity
Opening balance 2019-07-01	100.0	5.8	9.5	563.7	836.7	1,515.8
Result for the period reported via income statement					77.5	77.5
The period's internally generated intangible assets		4.9			-4.9	-
Other comprehensive Income			-5.0			-5.0
Ending balance 2019-12-31	100.0	10.8	4.5	563.7	909.3	1,588.2
Opening balance 2019-01-01	100.0	10.8	4.5	563.7	909.3	1,588.2
Result for the period reported via income statement					146.3	146.3
The period's internally generated intangible assets		8.3			-8.3	-
Other comprehensive Income			-20.7			-20.7
Ending balance 2020-12-31	100.0	19.1	-16.2	563.7	1,047.2	1,713.8
Opening balance 2020-07-01	100.0	37.4	-15.6	563.7	949.4	1,635.0
Result for the period reported via income statement					79.5	79.5
The period's internally generated intangible assets		-18.3			18.3	-
Other comprehensive Income			-0.6			-0.6
Ending balance 2020-12-31	100.0	19.1	-16.2	563.7	1,047.2	1,713.8

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

Cash Flow Statement | Parent

SEK m	Note	2020	2019
Operating activities			
Operating profit/loss		204.3	255.7
		204.3	255.7
Adjustments for items not included in cash flow			
Depreciation		43.8	21.5
Unrealised changes in value		-2.4	19.4
Credit losses excluding recoveries	4	81.2	102.3
Total – Items not included in cash flow		122.7	143.1
Taxes paid		-47.6	-55.3
Cash flow from current operations before changes to operating capital		279.3	343.5
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-3,223.2	-1,860.6
Increase (-)/decrease (+) of change in receivables		625.6	42.7
Increase (+)/decrease (-) of deposits from the public		1,191.5	1,004.8
Increase (+)/decrease (-) of change in short term liabilities		-26.5	18.5
Cash flow from operating activities		-1,153.3	-451.2
Investing activities			
Increase (-) in intangible assets		-53.6	-69.1
Increase (-) of tangible fixed assets		-1.4	-2.8
Increase (-) of financial assets		19.9	-64.3
Cash flow from investing activities		-35.1	-136.2
Financing activities			
Liabilities to credit institutions		1,994.4	656.0
Cash flow from financing activities		1,994.4	656.0
NET CASH FLOW FOR THIS PERIOD		806.0	68.5
Liquid funds at beginning of year		1,333.4	1,261.9
Currency difference in liquidity		-20.7	2.9
LIQUID FUNDS END OF PERIOD		2,118.7	1,333.4
Cash flow includes interest receipts of		1,180.9	1,065.9
Cash flow includes interest payments of		-409.0	-440.9

Disclosures

All amounts in the notes are in millions of Swedish crowns (SEKm) and represent reported amounts unless indicated otherwise. Figures in brackets refer to the same period the previous year.

Note 1 | Accounting principles

This interim report is prepared according to IAS 34, Interim Financial Reporting. The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and interpretations of them and the regulations and general advice issued by the Swedish FSA, FFFS 2008:25. The consolidated financial statements also apply recommendation RFR 1 Complementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, and the law (1995:1559), Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). The accounting principles for the Parent company is prepared according to the law (1995:1559), Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and FSA regulations and general advice on the Annual Report of banks and securities companies (FFFS 2008:25) in accordance with all amended regulations, and the council of Financial Reporting Recommendation RFR 2, Accounting for Legal Entities.

Amendments in IAS 39 have been implemented which allows temporary exceptions from applying specific requirements on hedge-accounting for hedge-relations directly affected by insecurities due to a reform in the reference rate. A hedging relationship is directly affected by a reference interest rate reform only if the reform gives rise to uncertainty about the reference interest rate (contractually or non-contractually stated) that has been identified as a hedged risk, and / or the time or amount of the hedged item or hedging instrument's reference interest-based cash flows. The changes will be applied from the financial year beginning January 1, 2020. The change has not had any effect on the financial statements.

In the Year-End report, the accounting principles and calculation methods described in the annual report for 2019, Note 1, are otherwise applied.

Note 2 | Risk Management

Risk management

The Bank's risk management aims to ensure that the outcome of risk-taking activities are consistent with set risk management strategies and risk appetite, and that there is an appropriate balance between risk and reward. The risk management framework is integrated into the overall governance and internal control framework, and 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 defines risk as the possibility that an event will occur and adversely affect the achievement of an objective or process. The risk management covers both actual and forward-looking risks, on and off the balance sheet, to which the Bank is, or might be, exposed to in its operations and in its efforts to achieve set goals for growth, profitability, and financial stability.

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

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

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

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

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

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

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

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

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, risk management for the Bank, and thereby ensuring that the risks are identified, assessed, managed, monitored and reported correctly.

For further information about the Bank's risk management, see Note 2 "Risk Management" in the annual report for 2019.

Capital and liquidity management

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

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

The Bank allocates capital for its risks according to Pillar I capital requirement based on the standardised approach for credit risk, market risk and credit valuation adjustment risk, while the alternative standardised approach is used for operational risk.

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

The Bank has a capital plan for the size of the own funds based on the risk profile, sensitivity analyses, stress tests and scenario analyses, expected lending expansion and financing opportunities, and new or changed legislation, business and competition situation, and other external conditions. The Bank has also a recovery plan in accordance with external laws and regulations that establishes measures that can be taken to restore the risk, capital and liquidity position and profitability if necessary. The capital plan and recovery plan are reviewed at least once a year.

The ICLAAP is performed annually, or when necessary, and monitoring of key risk indicator outcomes and reporting of these is performed monthly. As part of the ICLAAP, the size and composition of the liquidity reserve is regularly analysed and assessed against estimated contingency needs which addresses liquidity shortfalls in emergency situations.

For further information about the Bank's capital and liquidity management, see Note 2 "Risk Management" in the annual report for 2019, and for information about capital adequacy, see Note 8 "Capital adequacy analysis – Parent company and Consolidated situation".

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

Note 3 | Operating segments

Income statement Jul-Dec 2020	Group					
	Mortgages			Other operations	Eliminations, other items	Total
	Sweden	Norway	Finland			
Interest income	277.0	267.8	0.6	37.5	-9.0	574.0
Interest expense	-71.6	-107.8	-0.0	-6.5	8.2	-177.8
Net interest income	205.4	159.9	0.6	31.0	-0.8	396.2
Total operating income	188.2	167.5	0.6	29.6	20.7	406.5
Total expenses	-116.8	-121.3	-20.5	-8.6	-27.9	-295.2
Result pre credit losses	71.3	46.1	-19.9	21.0	-7.2	111.4
Credit losses, net	-2.8	-9.0	-0.1	15.5	-	3.6
Operating profit/loss	68.5	37.1	-20.0	36.5	-7.2	115.0
Group contribution	-	-	-	-	-	-
Allocated tax*	-13.0	-10.8	-	-4.2	-5.7	-33.7
NET PROFIT/LOSS FOR THE PERIOD	55.5	26.4	-20.0	32.3	-12.9	81.3

Income statement Jul-Dec 2019	Group					
	Mortgages			Other operations	Eliminations, other items	Total
	Sweden	Norway	Finland			
Interest income	299.5	270.9	-	55.6	-29.0	596.9
Interest expense	-94.9	-83.6	-	-9.1	14.8	-172.8
Net interest income	204.6	187.2	-	46.5	-14.2	424.2
Total operating income	292.3	188.6	-	45.8	-91.2	435.5
Total expenses	-221.2	-107.2	-	-30.5	91.8	-267.1
Result pre credit losses	71.1	81.4	-	15.3	0.6	168.4
Credit losses, net	-6.4	-2.6	-	-21.8	-	-30.8
Operating profit/loss	64.8	78.8	-	-6.6	0.6	137.6
Group contribution	0	0	-	0	-85.3	-85.3
Allocated tax*	5.6	-22.9	-	-	1.4	-15.9
NET PROFIT/LOSS FOR THE PERIOD	70.3	55.9	-	-6.6	-83.3	36.4

Income statement Annual 2020	Group					
	Mortgages			Other operations	Eliminations, other items	Total
	Sweden	Norway	Finland			
Interest income	565.5	539.8	0.6	88.8	-26.3	1,168.3
Interest expense	-169.0	-195.4	-0.0	-15.4	20.4	-359.4
Net interest income	396.5	344.4	0.6	73.4	-6.0	808.9
Total operating income	413.1	357.5	0.5	71.1	-6.0	836.3
Total expenses	-290.7	-235.0	-31.9	-23.0	0	-580.7
Result pre credit losses	122.4	122.5	-31.4	48.0	-6.0	255.6
Credit losses, net	-10.6	-16.0	-0.1	-13.4	-	-40.1
Operating profit/loss	111.8	106.5	-31.5	34.6	-6.0	215.5
Group contribution	-	-	-	-	-	-
Allocated tax*	-18.9	-28.2	-	-8.1	-6.0	-61.1
NET PROFIT/LOSS FOR THE PERIOD	93.0	78.3	-31.5	26.6	-11.9	154.4

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

Mortgages Sweden does not include the Personal Loans portfolio.

Income statement Annual 2019	Group					Total
	Sweden	Mortgages Norway	Finland	Other operations	Eliminations, other items	
Interest income	593.6	519.0	-	111.6	-60.9	1,163.2
Interest expense	-185.2	-172.0	-	-17.6	30.6	-344.2
Net interest income	408.3	347.0	-	94.0	-30.2	819.0
Total operating income	513.4	350.3	-	92.4	-107.6	848.5
Total expenses	-355.3	-210.0	-	-58.5	109.6	-514.3
Result pre credit losses	158.1	140.3	-	33.9	1.9	334.2
Credit losses, net	-9.6	-7.0	-	-43.1	-	-59.7
Operating profit/loss	148.5	133.3	-	-9.3	1.9	274.5
Group contribution	0	0	-	0	-85.3	-85.3
Allocated tax*	-8.9	-36.6	-	-	1.8	-43.6
NET PROFIT/LOSS FOR THE PERIOD	139.6	96.8	-	-9.3	-81.5	145.6

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

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

Balance sheet 2019-12-31	Group					Total
	Sweden	Mortgages Norway	Finland	Other operations	Eliminations, other items	
Lending to credit institutions	1,743.7	191.9	-	-	-	1,669.6
Lending to the public	8,394.5	6,741.4	-	1,014.1	-	16,150.0
Deposits from the public	4,316.0	7,105.4	-	-	-	11,421.4

Mortgages Sweden does not include the Personal Loans portfolio.

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

The executive decision maker in the organisation is the CEO. The CCO in Sweden, CCO in Norway and the CCO in Finland all reports to the CEO. Their responsibilities include the respective mortgage segments.

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

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

Note 4 | Net credit impairments

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

- 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 maturity of the asset

	Group				Parent			
	July - Dec 2020	July - Dec 2019	Annual 2020	Annual 2019	July - Dec 2020	July - Dec 2019	Annual 2020	Annual 2019
Credit impairments								
Credit impairment provisions	28.5	-5.4	13.9	-6.7	28.5	-5.6	13.4	-7.0
of which Stage 1	11.2	-0.7	9.1	-1.4	11.2	0.0	9.0	-1.7
of which Stage 2	18.4	-1.9	10.1	-2.8	18.4	-3.1	10.1	-3.5
of which Stage 3	-1.1	-2.8	-5.4	-2.5	-1.1	-2.5	-5.7	-1.7
Credit impairments for off balance sheet exposures	-	-	-	-	-	-	-	-
Write-offs								
Actual losses during the period	-44.7	-45.9	-94.6	-98.3	-44.7	-44.3	-94.6	-95.3
Total	-44.7	-45.9	-94.6	-98.3	-44.7	-44.3	-94.6	-95.3
Recoveries	19.7	20.6	40.7	45.3	19.7	20.4	40.6	44.9
Credit losses, net	3.6	-30.8	-40.1	-59.7	3.6	-29.6	-40.6	-57.4

Note 5 | Lending to the public

	Group		Parent	
	Annual 2020	Annual 2019	Annual 2020	Annual 2019
Lending to the public				
Amortised cost	16,613.3	16,098.3	16,613.3	13,709.2
Assets held for sale	-714.6	-	-714.6	-
Valued at fair value through profit and loss	216.8	51.8	216.8	51.8
Total lending to the public	16,115.5	16,150.0	16,115.5	13,760.9

The tables below present the breakdown of loans valued at amortized cost and their write-downs with step allocation per asset class. The Bank has no material purchased or original loan losses (POCI) at the end of the year.

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

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

Mortgages Sweden

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

Mortgages Norway

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

Mortgages Finland

	Steg 1	Steg 2	Steg 3	Total
Reported value gross 1 January 2020	-	-	-	-
Reported value gross 31 December 2020	47.8	-	-	47.8
Provisions 1 January 2020	-	-	-	-
New financial assets	0.1	-	-	0.1
Change in PD/LGD/EAD	-	-	-	-
Management overlay	-	-	-	-
Transfers between stages	-	-	-	-
-Transfer from stage 1 to 2	-	-	-	-
-Transfer from stage 1 to 3	-	-	-	-
-Transfer from stage 2 to 1	-	-	-	-
-Transfer from stage 2 to 3	-	-	-	-
-Transfer from stage 3 to 1	-	-	-	-
-Transfer from stage 3 to 2	-	-	-	-
Exchange rate change	-	-	-	-
Removed financial assets	-	-	-	-
Provisions 31 December 2020	0.1	-	-	0.1
		0	0	0
Opening balance 1 January 2020	-	-	-	-
Closing balance 31 December 2020	47.7	-	-	47.7

Other operations

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

Group				
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	13,426.9	915.7	237.4	14,580.0
Reported value gross 31 December 2019	14,504.3	1,339.0	312.8	16,156.1
Provisions 1 January 2019	13.9	25.7	11.4	51.0
New financial assets	5.4	5.4	2.1	12.8
Change in PD/LGD/EAD	1.2	-0.5	-0.1	0.6
Management overlay	-0.2	-1.5	-	-1.7
Transfers between stages	-1.0	10.8	9.0	18.9
-Transfer from stage 1 to 2	-1.2	16.4	-	15.2
-Transfer from stage 1 to 3	-0.2	-	6.4	6.3
-Transfer from stage 2 to 1	0.4	-4.2	-	-3.7
-Transfer from stage 2 to 3	-	-1.7	3.4	1.7
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.3	-0.7	-0.4
Exchange rate change	0.0	0.1	0.1	0.2
Removed financial assets	-4.0	-11.4	-8.6	-24.1
Provisions 31 december 2019	15.3	28.6	14.0	57.8
Opening balance 1 January 2019	13,413.0	889.9	226.0	14,529.2
Closing balance 31 december 2019	14,489.0	1,310.5	298.8	16,098.3

Parent				
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	11,059.9	743.8	225.6	12,029.4
Reported value gross 31 December 2019	12,309.2	1,163.5	288.4	13,761.0
Provisions 1 January 2019	12.6	22.2	10.4	45.2
New financial assets	5.2	5.1	2.0	12.2
Change in PD/LGD/EAD	1.2	-0.4	-0.1	0.7
Management overlay	-0.1	-1.3	-	-1.4
Transfers between stages	-0.9	9.9	7.5	16.5
-Transfer from stage 1 to 2	-1.1	14.8	-	13.7
-Transfer from stage 1 to 3	-0.2	-	5.5	5.4
-Transfer from stage 2 to 1	0.4	-3.8	-	-3.4
-Transfer from stage 2 to 3	-	-1.4	2.7	1.3
-Transfer from stage 3 to 1	0.0	-	-0.1	-0.1
-Transfer from stage 3 to 2	-	0.2	-0.6	-0.4
Exchange rate change	0.0	0.1	0.1	0.2
Removed financial assets	-3.8	-10.2	-7.8	-21.7
Provisions 31 december 2019	14.3	25.4	12.1	51.9
Opening balance 1 January 2019	11,047.3	721.7	215.2	11,984.2
Closing balance 31 december 2019	12,294.8	1,138.1	276.3	13,709.1

Mortgages Sweden

	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2019	7,610.3	557.9	89.7	8,257.9
Reported value gross 31 December 2019	7,701.8	577.2	85.8	8,364.8
Provisions 1 January 2019	3.2	9.9	6.5	19.6
New financial assets	1.4	1.4	1.2	4.0
Change in PD/LGD/EAD	1.0	-0.3	-0.1	0.6
Management overlay	-0.2	-0.5	-	-0.8
Transfers between stages	-0.3	2.9	4.3	6.9
-Transfer from stage 1 to 2	-0.3	5.2	-	4.9
-Transfer from stage 1 to 3	-0.0	-	2.7	2.7
-Transfer from stage 2 to 1	0.1	-1.6	-	-1.5
-Transfer from stage 2 to 3	-	-0.9	2.2	1.3
-Transfer from stage 3 to 1	0.0	-	-0.0	-0.0
-Transfer from stage 3 to 2	-	0.2	-0.6	-0.4
Exchange rate change	-	-	-	-
Removed financial assets	-0.7	-3.0	-4.6	-8.3
Provisions 31 december 2019	4.4	10.4	7.2	22.0
Opening balance 1 January 2019	7,607.1	547.9	83.3	8,238.3
Closing balance 31 december 2019	7,697.4	566.8	78.6	8,342.8

Mortgages Norway

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

Other operations

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

Lending to the public – change in reserve for expected credit losses

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

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

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

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

Note 6 | Measurement of fair value

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 quoted prices representing actual and regularly occurring transactions or not. Transactions between different levels in the hierarchy may happen when there are indications that the market conditions, e.g. liquidity, have changed. No reclassifications have occurred during the second half of the year.

Level 1 uses quoted prices in an active market, i.e. easily accessible by different market makers and representing 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 include 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. A certain proportion of lending to the public is included in level 3 .

	Group							
	2020-12-31				2019-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	-	-	216.8	216.8	-	-	51.8	51.8
Derivatives	-	41.2	-	41.2	-	147.0	-	147.0
Bonds / other interest-bearing securities	720.6	-	-	720.6	738.1	-	-	738.1
Total	720.6	41.2	216.8	978.6	738.1	147.0	51.8	936.8
Liabilities								
Derivatives	-	55.8	-	55.8	-	17.1	-	17.1
	Parent							
	2020-12-31				2019-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	-	-	216.8	216.8	-	-	51.8	51.8
Derivatives	-	16.7	-	16.7	-	34.4	-	34.4
Bonds / other interest-bearing securities	720.6	-	-	720.6	738.1	-	-	738.1
Total	720.6	16.7	216.8	954.1	738.1	34.4	51.8	824.3
Liabilities								
Derivatives	-	55.8	-	55.8	-	17.1	-	17.1

12/31/2020	Group					Carrying value
	Valued at fair value through profit and loss	Amortised cost	Amortised cost	Non financial assets and liabilities		
Assets						
Cash and balances with central banks	-	402.3	-	-	-	402.3
Lending to credit institutions	-	1,877.4	-	-	-	1,877.4
Lending to the public	216.8	15,898.7	-	-	-	16,115.5
Value change of interest-hedged items in portfolio hedges	-	47.1	-	-	-	47.1
Derivatives	41.2	-	-	-	-	41.2
Bonds and other interest-bearing securities	720.6	-	-	-	-	720.6
Intangible assets	-	-	-	116.8	-	116.8
Tangible assets	-	-	-	52.9	-	52.9
Other assets	-	13.0	-	155.0	-	168.0
Prepaid expenses and accrued income	-	5.5	-	17.5	-	23.0
Assets held for sale	-	714.6	-	-	-	714.6
Tax assets	-	-	-	1.8	-	1.8
Total	978.6	18,958.7	-	343.9	-	20,281.1
Liabilities						
Liabilities to credit institutions	-	-	-	-	-	-
Issued bonds	-	-	5,645.8	-	-	5,645.8
Deposits from the public	-	-	12,612.9	-	-	12,612.9
Derivatives	55.8	-	-	-	-	55.8
Other liabilities	-	-	122.2	16.4	-	138.5
Accrued expenses and prepaid income	-	-	90.0	-	-	90.0
Total	55.8	-	18,470.8	16.4	-	18,543.0

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

12/31/2020	Parent					Carrying value
	Valued at fair value through profit and loss	Amortised cost	Amortised cost	Non financial assets and liabilities		
Assets						
Cash and balances with 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 hedges	-	47.1	-	-	-	47.1
Derivatives	16.7	-	-	-	-	16.7
Bonds and other interest-bearing securities	720.6	-	-	-	-	720.6
Shares and participations in associated companies	-	-	-	4.7	-	4.7
Intangible assets	-	-	-	107.1	-	107.1
Tangible assets	-	-	-	5.4	-	5.4
Other assets	-	18.0	-	152.0	-	170.0
Prepaid expenses and accrued income	-	5.5	-	16.9	-	22.4
Assets held for sale	-	714.6	-	-	-	714.6
Tax assets	-	-	-	2.7	-	2.7
Total	954.1	18,802.6	-	288.6	-	20,045.3
Liabilities						
Liabilities to credit institutions	-	-	582.2	-	-	582.2
Deposits from the public	-	-	12,612.9	-	-	12,612.9
Derivatives	55.8	-	-	-	-	55.8
Issued bonds	4,900.0	-	-	-	-	4,900.0
Other liabilities	-	-	79.7	15.7	-	95.4
Accrued expenses and prepaid income	-	-	85.2	-	-	85.2
Total	4,955.8	-	13,360.0	15.7	-	18,331.5

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

Financial assets and liabilities are valued to both fair value

through profit and loss as well as amortized cost. All

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

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value since the item is not subject to significant value changes. Any currency change is recorded in the income statement. There is no material difference in lending to the public if all loans were lent to the interest rates per December 31st compared to the

current interest rate of the loans. Method for determining the fair value of derivatives is described in the accounting principles. Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

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

Note 7 – Assets held for sale

Assets held for sale	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Lending to the public	714.6	-	714.6	-
Total	714.6	-	714.6	-

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

Note 8 | Capital adequacy analysis – Parent company and Consolidated situation

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

The regulations state that the Bank's own funds shall cover the Pillar I minimum capital requirements (for credit risk,

operational risk, market risk and credit valuation adjustment risk), Pillar II capital requirements for additional risks identified, and combined capital buffer in accordance with the Bank's ICLAAP.

The Bank has an established capital planning for the size of the own funds over the next three years based on;

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

The capital planning is an integrated part of the performance of the ICLAAP, and it is continuously monitored, at least annually or more often if deemed necessary, to ensure that the Bank's risks are correctly considered and reflect the risk profile and capital needs.

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

Capital Adequacy	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Total capital base	1,623.1	1,474.9	1,506.1	1,494.0
Common Equity Tier 1 (CET1) capital	1,623.1	1,474.9	1,506.1	1,494.0
Capital instruments and the related share premium accounts	4,451.4	4,451.4	663.7	663.7
Retained earnings	239.4	354.8	971.2	924.5
Accumulated other comprehensive income	-21.7	-	-20.7	-
Other reserves	26.0	26.0	-	-
Intangible assets (net of related tax liability)	-3,070.9	-3,357.4	-107.1	-94.2
Regulatory adjustment for prudent valuation	-1.1	-	-1.1	-
Additional Tier 1 capital	-	-	-	-
Tier 2 Capital	-	-	-	-
Risk Exposure Amount	8,223.0	8,252.3	7,944.0	6,995.8
Risk exposure amount credit risk	7,086.7	6,889.1	6,964.7	5,804.8
Risk exposure amount market risk	310.0	259.6	310.0	259.6
Risk exposure amount operational risk	774.6	1,036.1	669.0	931.4
Risk exposure amount credit valuation adjustment risk	51.7	67.4	0.2	-
CET 1 capital ratio, %	19.74%	17.87%	18.96%	21.36%
Tier 1 capital ratio, %	19.74%	17.87%	18.96%	21.36%
Total capital ratio, %	19.74%	17.87%	18.96%	21.36%

Capital Buffer Requirements %	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Institution specific buffert requirement	2.87%	5.00%	2.87%	5.00%
of w hich capital conservation buffer	2.50%	2.50%	2.50%	2.50%
of w hich countercyclical capital buffer	0.37%	2.50%	0.37%	2.50%
of w hich systemic risk buffer	-	-	-	-
of w hich: G-SII or O-SII buffer	-	-	-	-
CET1 available to meet buffers	11.74%	9.87%	10.96%	13.36%

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

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

Pillar I capital requirement

Minimum capital requirement for credit risk

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

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

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

Minimum capital requirement for operational risk

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

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Relevant indicator	516.4	690.8	446.0	620.9
of which 12%	62.0	82.9	53.5	74.5
Total capital requirement for operational risk	62.0	82.9	53.5	74.5

Minimum capital requirement for market risk

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

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

Minimum capital requirements for credit valuation adjustment risk

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

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

Total Pillar I minimum capital requirements

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

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Pillar 1 capital requirement	657,8	660,2	635,5	559,7
Total Pillar 1 capital requirement	657,8	660,2	635,5	559,7

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

Internal assessment of capital needs

The Bank's and the Consolidated situation's internal assessment of capital needs is shown below.

	Consolidated situation		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Total capital needs				
Credit risk and counterparty risk	644.4	629.3	628.5	521.9
of which concentration risk	73.4	72.7	71.3	57.6
of which risks associated with exposure to the Swedish mortgages	265.4	236.5	265.5	169.4
Market risk	31.8	41.4	31.4	33.5
of which interest rate risk arising from non-trading book	7.0	20.6	6.6	12.7
Operational risk	62.0	82.9	53.5	74.5
Other	236.8	412.6	229.0	349.8
Total capital needs	975.1	1,166.1	942.5	979.7

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

Note 9 | Related parties

Assets and liabilities	Group		Parent	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Intercompany receivables				
Parent	0.0	-	0.0	-
Subsidiary	0.0	-	541.5	1,143.1
Total	0.0	-	541.5	1,143.1
Intercompany payables				
Parent	-	85.3	-	85.3
Subsidiary	-	-	3.1	1.9
Total	-	85.3	3.1	87.3
Income and costs	Group		Parent	
	2020	2019	2020	2019
Interest income calculated using the effective interest method				
Parent	-	-	0.0	-
Subsidiary	-	-	54.1	130.3
General administration expenses				
Parent	-	-	-	-
Subsidiary	-	-	-27.7	-21.5
Total	-	-	26.4	108.7

Related parties

Related parties for the Group refer to:

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

- Bluestep Mortgage Securities No 4 Designated Activity Company, organizational number 596111, with domicile in Dublin
- Bluestep Servicing AB, organizational number 556955-3927, with domicile in Stockholm.

Related parties for the Bank refer to:

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

Senior officials

Information regarding salaries and remuneration will be disclosed in the annual report 2020. No remuneration with senior officials has occurred except these.

Interest income

The interest income relates to interest income on internal loans between the Bank and the subsidiaries in the Group.

Note 10 | Pledged assets, contingent liabilities and commitments

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

Note 11 | Parent company information

Bluestep Bank AB is a wholly owned subsidiary of Bluestep Holding AB, 556668-9575, with registered office in Stockholm, where consolidated group accounts are prepared.

Affirmation by the CEO

The Year-End Report has not been reviewed by the Bank's auditor.

The CEO affirms that the Year-End Report 2020 provides a

fair overview of the Parent company's and the Group's operations, financial position and results and describes material risks and uncertainties facing the Parent company and the Group.

Stockholm February 26, 2021

Björn Lander
CEO

Definitions of alternative performance measures

Return on Equity

Operating profit after tax of 21.4% as a percentage of average equity.

Gross income

Interest income excluding interest income from bond holdings and interest income from the bank.

Leverage Ratio

Capital base in relation to total assets excluding intangible assets.

C/I

Total expenses divided by total operating income.

Credit losses (%)

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

CET1 ratio

Common Equity Tier 1 in relation to risk-weighted exposure amount.

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