

Interim report January – June 2022

Bluestep Bank AB (publ)



Bluestep Bank.

A modern mortgage bank.

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

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The first half year in brief

The period extends from 1 January - 30 June 2022 (comparative figure for the corresponding period last year).

Performance and financial position

- Lending to the public increased by 11% to MSEK 18,981 (MSEK 17,071). Adjusted for currency effects the increase was 9%.
- New lending amounted to MSEK 3,351 (MSEK 3,380). Adjusted for currency effects the decrease was 3%, as both NOK and EUR strengthened against SEK compared to the same period last year.
- Net interest income amounted to MSEK 442 (MSEK 412), an increase of 7%.
- Operating profit decreased by 28% and amounted to MSEK 130 (MSEK 182). Non-recurring items associated with the strategic review initiated by the owners of the Group this year of MSEK 25, and income from the sale of the personal loan portfolio last year of MSEK 18, are the main reasons for the decrease. Operating income is also negatively affected by unrealised losses from financial instruments reported at fair value.
- Net credit losses amounted to MSEK 0 (MSEK 0), equivalent to a credit loss level of 0.00% (0.00%).
- The return on equity for the period was 12.1% (15.9%).
- The Common Equity Tier 1 ratio ("CET1") was 17.0% (21.9%). The CET1-target is 16%.

Financing

- The Group redeemed its final outstanding RMBS transaction (Step 4) in May. The Group has thereby taken another step towards its long-term funding structure, comprising of covered bonds, senior unsecured bonds and deposits from the public.
- Two tap issues of covered bonds, amounting to MSEK 300 each, were completed during the first half of 2022. At the end of the period, the Group had an outstanding volume of covered bonds amounting to MSEK 5,900 under Bluestep Bank's MTCN-programme.

- At the end of the period, the Group had an outstanding volume of MSEK 2,050 and MNOK 550 in senior unsecured bonds under Bluestep Bank's MTN-programme.
- Deposits from the public amounted to MSEK 10,919 (MSEK 11,074).

Strategic development and significant events

- Russia launched an invasion of Ukraine on 24 February. Bluestep Bank is continuously analysing the situation and have made the assessment that there is low risk of direct effects on its operations. Bluestep Bank does not have any customers in Russia or Ukraine and have implemented measures to mitigate the indirect macroeconomic impacts related to the war.
- The strategic review initiated by EQT VII, the indirect majority shareholder in Bluestep Bank, is ongoing as previously communicated. No decision has yet been made as to any strategic alternative, nor as to the timetable. Further updates to the market will be provided if and when appropriate.

- The common Nordic function for lending and deposit administration was established at the end of last year, thereby realising synergies and paving the way for future expansion. We have now taken the next steps and the migration to one common lending and deposit system for all segments has been implemented.
- The new onboarding system, SMART, was launched in Norway and Finland with Sweden to follow in the near future.
- The expansion of the equity-release product in Sweden and mortgages in Finland continues, and the combined loan balances per the end of June 2022 were MSEK 1,176 (MSEK 453). Operating profit was negatively impacted by MSEK 28 (MSEK 24).
- Jayne Almond was appointed as a new member of the Board of Directors at the Annual General Meeting on the 26 April 2022. As Lars Wollung and Sofia Arhall Bergendorff decided not to stand for re-election, the number of board members decreased from eight to seven.

Key Figures

MSEK	H1 2022	H1 2021	Δ	FY 2021
Lending to the public	18,981	17,071	11%	18,333
Deposits from the public	10,919	11,074	-1%	10,426
Net interest income	442	412	7%	833
Operating expenses	289	260	11%	533
Operating profit	130	182	-28%	325
C/I, % ^{1,2}	69%	59%	10	62%
Credit losses, % ^{1,2,3}	0.00%	0.00%	0.00	0.04%
Return on Equity, % ^{1,2,3}	12.1%	15.9%	-3.8	14.6%
CET1 ratio, % ¹	17.0%	21.9%	-4.9	16.4%

¹ The change is stated in percentage points

² See page 37 for definitions of alternative performance measures

³ Key figures related to H1 are annualised to full-year values



A solid performance in challenging times

A world facing continued challenges

The first half of 2022 has been characterised by challenges around the world. The continued war in Ukraine and persistent Covid-19 lockdowns in Asia are causing further supply chain disruption and production challenges leading to significant shortages of products and increasing prices. We see inflation rates that are higher than in decades, affecting both companies and people globally, causing many households to face reduced margins.

”During the first half year of 2022 we have continued to see a stable portfolio growth.”

A stable performance and increased profitability

Despite a worse macroeconomic climate, Bluestep Bank continues to deliver a stable result. The housing market is currently characterised by uncertainty leading to longer transaction lead times, increased distance in price expectations between buyers and sellers and hence fewer transactions. This has led to a slight decline in new lending, predominantly in Sweden. On the other hand, as margins are tighter for many households, we are also seeing an increased demand for our refinance offer – showcasing Bluestep Bank’s resilience in a tougher market. In times where more people will be excluded from the traditional banks due to tougher financial circumstances, we see potential to increase our customer base in both our purchase and refinancing offer.

”A diverse portfolio makes for opportunities even in a challenging market.”

A diverse, tailored product offering seizing opportunities in a dampened market

All parts of our Nordic businesses are stable and the potential for further growth remains intact. Bluestep Bank’s total lending portfolio grew by 9% year-on-year adjusted for currency effects. Both of our growth initiatives, the equity release product in Sweden and the purchase and refinancing offer in Finland, have continued their growth trajectories with a doubling in volume in terms of total lending compared to the same period last year. The equity release product through our brand 6Oplusbanken, is very well equipped to seize further market shares and potentially an increased customer base in the current financial climate.

During the first six months of 2022, we have continued to see efficiency gains from our digital transformation efforts, enabling improved margins. Our margins on lending remain stable and increased interest rates have had positive impact on net interest income. The year so far has shown large movements in the financial markets in terms of interest- and currency exchange rates which has led to unrealised losses on financial instruments during the second quarter. These are instruments we use to protect ourselves from interest rate- and currency risk and as such typically held to maturity. Our credit losses remain very low.

Earlier in the year, we successfully launched SMART in Norway, our new digital onboarding system which shortens lead times and increases efficiency. We have continued the roll out and have launched SMART in Finland and are now operational in the new system. In Sweden we have added a new type of web application as a step toward continuously optimizing our mortgage application process and improve the customer journey.

In conclusion we can say that the current macroeconomic climate bring forth both challenges and opportunities. In an economic climate, where more households will struggle financially, more people will find themselves excluded by the traditional banking sector, as well as in need of alternative financial solutions. Although a specialised mortgage bank, our diverse portfolio of product offerings makes us well equipped to seize opportunities for further growth even in a challenging market. In times like these, our services will become even more crucial to ensure that more people can partake in the housing market and find themselves financially prepared to handle a new macro-economic reality.

Björn Lander,
Chief Executive Officer



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

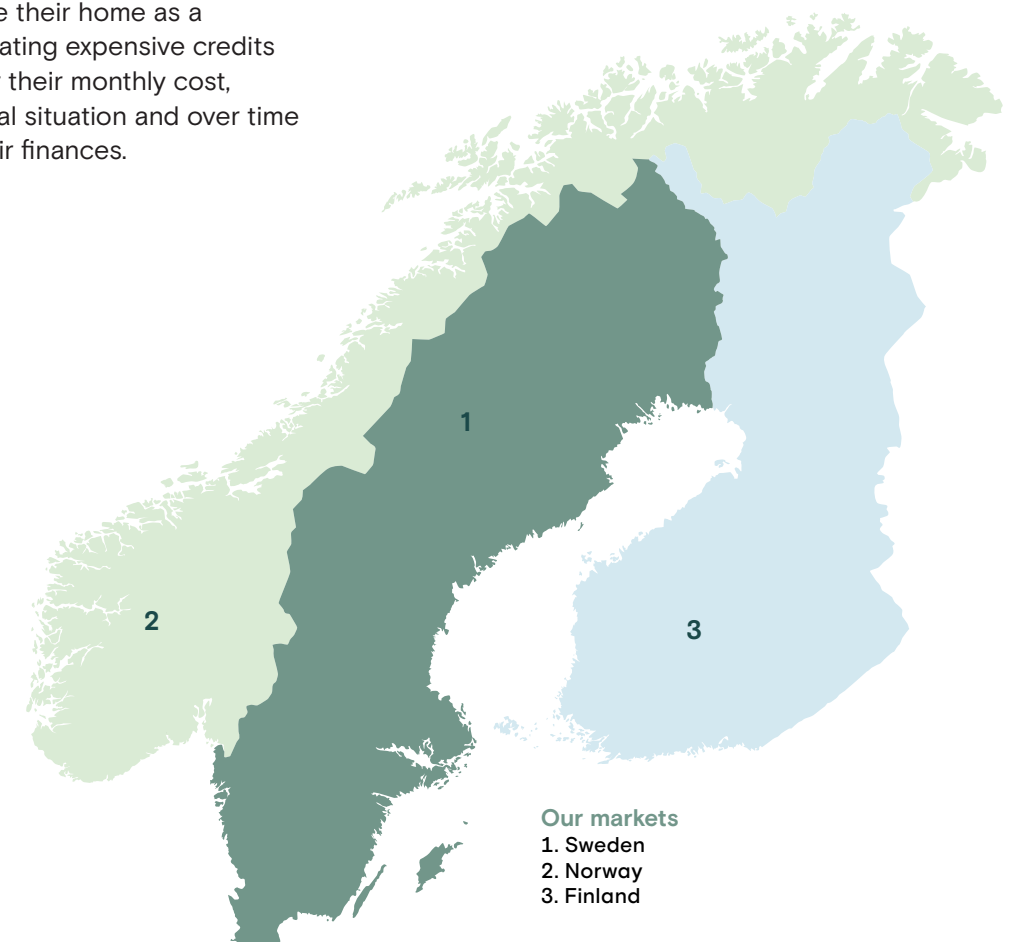
Our role in society

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 neither a possibility nor a desire for many in the younger generations entering today's job market. Freelancing, the growth of the gig economy and the shortage of housing in combination with the continued rise in house prices are all contributing to a generation facing difficulties in starting their adult lives in the most basic way – through leaving the parents' nest.

The modern financial market has also introduced new types of credits and loans, making it easier than ever to end up with expensive credits and thereby facing late payments and possibly payment remarks. Previous financial decisions can threaten financial security as well as the opportunity to purchase a home. We want to offer the possibility for people in difficult circumstances to use their home as a security for consolidating expensive credits and to thereby lower their monthly cost, improve their financial situation and over time regain control of their finances.

Our customers

Our customers are always at the core of everything we do. Our customer base consists of people wanting to purchase a home, but lack permanent employment, have historic payment remarks or have a limited credit history. Many also consolidate their debts into their mortgage, making it possible to significantly lower their monthly interest payments and capital repayments. 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 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 personalised application process. When welcoming a customer, we want to safeguard that each individual gets the opportunity to experience an improved financial situation in both the long-term and the short-term. That is our customer value proposition.



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 from 1 January 2022 – 30 June 2022. 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 period refers to 1 January – 30 June 2022 (compared to same period the previous year).

Operating profit

The Group's operating profit for the period amounted to MSEK 130 (MSEK 182). Despite higher net interest income, operating income decreased compared to previous year both due to unrealised losses from financial instruments reported at fair value, but also because last year's figure includes income from the sale of the personal loan portfolio. The decrease of operating profit is also due to increased operating expenses for the period, which are described below. The credit losses remain low.

Net interest income

The Group's net interest income increased by 7% to MSEK 442 (MSEK 412). The increase is partially due to currency effects, but increased lending volumes and rising interest rates have also affected the net interest income positively. Financing costs have decreased compared to the previous year, driven by the ongoing diversification of the Group's funding which is generating lower interest expenses. Net interest margin has decreased somewhat over the year driven by increased lending to customers with lower risk and therefore lower interest rates.

Operating expenses

The Group's expenses for the period increased by 11% to MSEK 289 (MSEK 260). Non-recurring items of MSEK 25 associated with the strategic review initiated by the owners of the Group, as well as increased costs for our growth initiatives, 60plusbanken and Finland, have increased

expenses. This also impacted C/I before credit losses which increased to 69% (59%). When adjusting for non-recurring items, the C/I ratio is in line with previous periods.

Employees

The average number of employees in the Group during the first half-year were 271 (279), of which 65 (68) were employed by the Norwegian branch and 20 (15) were employed by the Finnish branch.

Credit losses

Net credit losses for the period amounted to MSEK 0 (MSEK 0), where recoveries have exceeded actual losses. This corresponds to a credit loss level of 0.00% (0.00%). During the period the additional provision due to the long-term uncertainty of Covid-19 was released, but due to recent macro economic development following the conflict in Ukraine an overlay provision has been added for the uncertainty from sharp rises in inflation and interest rates, as well as the development of property prices. As of June 2022, the provision amounted to MSEK 4.9 (MSEK 4.9).

Tax

The tax expenses amounted to MSEK 30 (MSEK 42) for the period, which corresponds to an effective tax rate of 23.2% (23.2%). The deviation from the nominal tax rate of 20.6% is due to temporary non-taxable exchange rate effects.

Net profit

Net profit for the period amounted to MSEK 100 (MSEK 139).

Financial position

Per 30 June 2022 (compared to same date the previous year).

Lending

The Group's total lending to the public increased by 11% and amounted to MSEK 18,981 (MSEK 17,071). Adjusted for currency effects, the increase was 9%. The positive volume development is foremost driven by increased lending to customers 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 41% and the Finnish mortgages for 2%.

Capital adequacy

The common equity tier 1 capital ("CET1") amounted to MSEK 1,493 (MSEK 1,763) for the consolidated situation, and MSEK 1,516 (MSEK 1,749) for the Parent. This is equivalent to a CET1 capital ratio of 17.0% (21.9%) for the consolidated situation and 17.4% (22.3%) 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 Group.

The CET1 capital has been strengthened since year-end 2021 with the inclusion of verified net profit for the first quarter 2022 and with the implementation of prudential treatment of capitalised software assets. However, compared to the same period last year the CET1 capital is reduced by dividend distributions of MSEK 550 in total. The consolidated situation has a margin to the target CET1 ratio of 16%. For further information regarding capital adequacy, see Note 6 "Capital adequacy analysis".

Return on equity

Annualised return on equity amounted to 12.1% (15.9%) for the first half of 2022. The decrease is mainly due to the of previously mentioned effects from unrealised losses from financial instruments and costs associated with the strategic review by the owners.

Financing

At end of period, the Group's sources of financing consisted of equity, deposits from the public in Sweden and Norway, covered bonds and senior unsecured bonds.

Funding

The Group's outstanding nominal volume of senior unsecured bonds amounted to MSEK 2,050 (MSEK 2,620) and MNOK 550 (MNOK 550). The outstanding nominal volume of covered bonds amounted to MSEK 5,900 (MSEK 2,900). The RMBS-funding (Residential Mortgage Backed Securities, i.e. bonds with underlying Swedish mortgage assets as collateral) was redeemed in full in May 2022 (MSEK 617).

Deposits

Total deposits from the public amounted to MSEK 10,919 (MSEK 11,074). Deposits in the Norwegian Branch amounted to MSEK 5,817 (MSEK 6,901). The decrease is due to the continued diversification, mainly with further issuance of covered bonds.

The deposit products are covered by the Swedish government deposit guarantee, which 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

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

Liquidity reserve

At end of period, the Group's liquidity reserve amounted to MSEK 2,473 (MSEK 2,485), of which MSEK 1,167 (MSEK 1,439) was placed with credit institutions, MSEK 474 (MSEK 350) was placed with central banks, MSEK 205 (MSEK 253) was invested in Swedish and Norwegian covered bonds and MSEK 628 (MSEK 444) 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") in the consolidated situation amounted to 538% (463%) at the end of the period. The Net Stable Funding Ratio ("NSFR") was 124% (127%). Both the LCR and NSFR exceed the internally applied limits as well as regulatory requirements.

Key figures

Group	H1 2022	H2 2021	H1 2021	H2 2020	H1 2020
Operating profit, MSEK	130.3	143.7	181.5	115.0	100.5
Gross revenue / Lending portfolio, % ^{1,2}	6.0%	6.1%	6.5%	7.1%	7.4%
Net interest income / Lending portfolio, % ^{1,2}	4.7%	4.8%	5.0%	4.9%	5.1%
Credit losses, % ^{1,2}	0.00%	0.07%	0.00%	-0.04%	0.54%
CET1, MSEK	1,492.8	1,390.1	1,762.6	1,617.2	1 528.5
CET1 ratio, %	17.0%	16.4%	21.9%	19.7%	19.4%
Return on Equity, % ^{1,2}	12.1%	12.3%	15.9%	10.6%	9.7%
Return on Assets, % ²	1.2%	1.4%	1.8%	1.1%	1.0%
Liquidity reserve, MSEK	2,473.4	2,334.0	2,485.2	3,000.3	3,314.5
Deposits from the public, MSEK	10,919.2	10,426.0	11,073.6	12,612.9	13,339.6
External funding, MSEK	8,630.5	8,521.1	6,733.3	5,702.0	4,668.7
Lending portfolio, MSEK	18,980.7	18,333.1	17,071.0	16,115.5	16,140.2
Leverage ratio, %	6.9%	6.6%	8.8%	7.9%	7.7%
Average number of employees	271	271	279	279	276

¹ See page 37 for definitions of alternative performance measures

² Key figures are annualised to full-year values

Risk and capital management

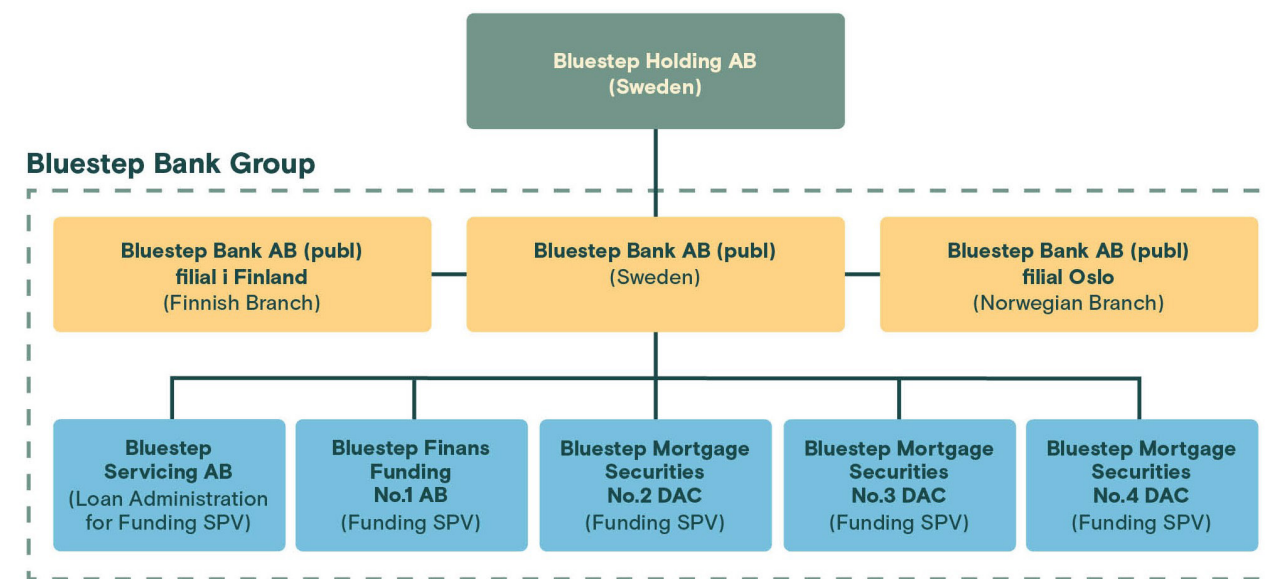
Risk Management

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

Capital Management

The capital management is integrated into the strategic planning, the risk management framework, and the performance of the Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP"). 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 of Directors.

For further information about the risk and capital management, see Note 2 "Risk Management" and Note 31 "Capital adequacy analysis" in the 2021 Annual Report, Note 6 "Capital adequacy analysis" in this report, and the periodic information on risk management, capital adequacy and liquidity published on www.bluestepbank.com.



The subsidiaries Step 2 and Step 3 are currently under liquidation.

Organisation and operations

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

The Bank operates in Sweden, Norway and Finland. The Group is the Nordics' largest specialist residential mortgage lender in its niche and the core business is to engage in mortgage lending activities which are mainly funded by equity, deposits from the public and issuance of covered bonds and senior unsecured bonds.

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 events and other information after the end of the period

- Anna Fogelström has been recruited as Bluestep Bank's new CIO and joined Bluestep Bank in July 2022.
- In July 2022, the final supervisory review and evaluation process ("SREP") decision from the SFSA was received. The decision imposes a risk-based Pillar II capital requirement ("P2R") of 1.20% and 1.10% of risk weighted assets ("RWAs") for the consolidated situation and the Bank, respectively. In addition, the consolidated situation should hold additional 0.15% of the leverage exposure amount as Pillar II Guidance ("P2G").

Income statement

Group

MSEK	Note	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Operating income				
Interest income calculated using the effective interest method		544.9	533.3	1,068.3
Other interest income		18.1	8.3	19.5
Interest expense		-121.1	-129.9	-255.2
Net interest income		441.9	411.7	832.7
Net gains/losses on financial transactions		-27.0	25.2	23.4
Other operating income		4.4	4.6	8.8
Total operating income		419.3	441.4	864.8
Operating expense				
General administration expenses		-262.3	-232.8	-467.9
Depreciation of tangible and intangible assets		-26.9	-27.0	-64.8
Total operating expenses		-289.2	-259.8	-532.8
Profit before credit losses		130.1	181.7	332.1
Credit losses, net	3	0.2	-0.1	-6.9
Operating profit		130.3	181.5	325.2
Tax expense		-30.2	-42.1	-68.9
NET PROFIT FOR THE PERIOD		100.1	139.4	256.3
Net profit for the period attributable to shareholders		100.1	139.4	256.3

Statement of comprehensive income

Group

MSEK	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Net profit for the period	100.1	139.4	256.3
Items that may be reclassified to the income statement			
Translation differences of foreign operations	-3.2	11.2	24.6
Tax due to translation differences of foreign operations	0.7	-2.4	-5.1
Total other comprehensive income	-2.5	8.8	19.5
COMPREHENSIVE PROFIT FOR THE PERIOD	97.6	148.2	275.8
Comprehensive profit for the period attributable to shareholders	97.6	148.2	275.8

Balance sheet

Group

MSEK	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
Assets				
Cash and balances at central banks		474.0	349.8	356.4
Lending to credit institutions		1,166.6	1,438.8	1,146.7
Lending to the public	4	18,980.7	17,071.0	18,333.1
Value change of interest-hedged items in portfolio hedging		-327.8	7.5	-46.6
Derivatives		348.9	54.3	76.0
Bonds and other interest-bearing securities		511.3	459.7	493.0
Government debt securities		321.5	237.0	337.9
Intangible assets		120.4	120.2	112.6
Tangible fixed assets		36.2	46.9	43.1
Other assets		55.9	81.0	62.1
Prepaid expenses and accrued income		26.4	17.1	23.0
Tax assets		70.7	60.2	65.0
TOTAL ASSETS		21,784.7	19,943.6	21,002.2
Liabilities and provisions				
Issued bonds		8,630.5	6,733.3	8,521.1
Deposits from the public		10,919.2	11,073.6	10,426.0
Derivatives		20.9	30.8	31.4
Tax liabilities		36.9	31.4	48.6
Deferred tax		0.6	0.5	0.7
Other liabilities		492.1	110.7	102.9
Accrued expenses and prepaid income		76.3	76.4	57.5
Provisions		1.7	0.5	5.0
Total liabilities and provisions		20,178.1	18,057.2	19,193.2
Equity				
Share capital		100.0	100.0	100.0
Translation reserve		-0.4	-8.6	2.1
Shareholders' contribution		563.7	563.7	563.7
Retained earnings		843.1	1,091.8	886.8
Profit for the period		100.1	139.4	256.3
Total equity		1,606.6	1,886.4	1,809.0
TOTAL EQUITY AND LIABILITIES		21,784.7	19,943.6	21,002.2

Changes in equity

Group

MSEK	Shareholders' equity				Total equity
	Share capital	Translation reserve	Shareholders' contribution	Retained earnings incl. profit for the period	
Opening balance 2021-01-01	100.0	-17.4	563.7	1,091.8	1,738.2
Profit for the period				139.4	139.4
Other comprehensive income					-
Translation differences of foreign operations		11.2			11.2
Tax due to translation differences of foreign operations		-2.4			-2.4
Closing balance 2021-06-30	100.0	-8.6	563.7	1,231.2	1,886.4
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
Opening balance 2022-01-01	100.0	2.1	563.7	1,143.1	1,809.0
Dividend to shareholders				-300.0	-300.0
Profit for the period				100.1	100.1
Other comprehensive income					
Translation differences of foreign operations		-3.2			-3.2
Tax due to translation differences of foreign operations		0.7			0.7
Closing balance 2022-06-30	100.0	-0.4	563.7	943.2	1,606.6

Cash flow statement

Group

MSEK	Note	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Operating activities				
Operating profit		130.3	181.5	325.2
Adjustments for items not included in cash flow		29.6	-33.4	35.7
Tax paid		-47.8	-29.2	-43.3
Cash flow from current operations before changes to operating capital		112.1	118.9	317.6
Cash flow from changes to operating capital				
Increase (-)/decrease (+) of lending to the public		-374.3	-921.1	-2,137.1
Increase (-)/decrease (+) of short term receivables		-292.1	101.5	20.6
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-23.7	20.6	-14.8
Increase (-)/decrease (+) government debt securities		11.0	1.1	-99.4
Increase (+)/decrease (-) of deposits from the public		529.5	-1,569.8	-2,174.0
Increase (+)/decrease (-) in issued bonds		116.7	1,038.4	2,840.0
Increase (+)/decrease (-) of short term liabilities		388.5	5.6	-22.4
Cash flow from operating activities		467.8	-1,204.8	-1,269.5
Cash flow from investing activities		-27.8	704.8	678.4
Cash flow from financing activities		-300.0	-	-205.0
NET CASH FLOW FOR THE PERIOD		140.0	-500.0	-796.1
Liquid funds beginning of period		1,503.1	2,279.7	2,279.7
Currency difference in liquidity		-2.5	8.8	19.5
LIQUID FUNDS END OF PERIOD		1,640.6	1,788.6	1,503.1
<i>of which cash and balances at central banks</i>		474.0	349.8	356.4
<i>of which lending to credit institutions</i>		1,166.6	1,438.8	1,146.7
Cash flow includes interest receipts of		563.7	539.4	1,072.4
Cash flow includes interest payments of		-84.7	-99.4	-268.1

Income statement

Parent

MSEK	Note	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Operating income				
Interest income calculated using the effective interest method		544.9	527.0	1,074.7
Other interest income		23.5	22.8	29.2
Interest expense		-130.4	-147.8	-287.7
Net interest income		438.0	402.0	816.2
Net gains/losses on financial transactions		-26.8	26.9	21.3
Other operating income		5.3	13.5	23.8
Total operating income		416.5	442.4	861.4
Operating expense				
General administration expenses		-269.6	-243.6	-486.8
Depreciation of tangible and intangible assets		-19.2	-18.0	-46.1
Total operating expenses		-288.8	-261.6	-533.0
Profit before credit losses		127.7	180.8	328.4
Credit losses, net	3	0.2	-0.1	-6.9
Operating profit		127.9	180.7	321.6
Tax expense		-30.0	-41.3	-68.1
NET PROFIT FOR THE PERIOD		97.9	139.3	253.5

Statement of comprehensive income

Parent

MSEK	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Net profit for the period	97.9	139.3	253.5
Items that may be reclassified to the income statement			
Translation differences of foreign operations	-1.9	12.3	25.6
Tax due to translation differences of foreign operations	0.4	-2.5	-5.3
Total other comprehensive income	-1.5	9.7	20.3
COMPREHENSIVE PROFIT FOR THE PERIOD	96.4	149.1	273.9

Balance sheet

Parent

MSEK	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
Assets				
Cash and balances at central banks		474.0	349.8	356.4
Lending to credit institutions		1,150.0	1,275.6	987.1
Lending to the public	4	18,980.7	17,071.0	18,333.1
Value change of interest-hedged items in portfolio hedging		-327.8	7.5	-46.6
Derivatives		348.9	32.4	57.7
Bonds and other interest-bearing securities		511.3	459.7	493.0
Government debt securities		321.5	237.0	337.9
Shares and participation in associated companies		0.2	0.2	0.2
Intangible assets		117.0	113.0	110.1
Tangible fixed assets		6.7	5.4	6.7
Other assets		56.4	79.6	61.0
Prepaid expenses and accrued income		26.3	15.6	22.4
Tax assets		63.3	55.3	58.8
TOTAL ASSETS		21,728.6	19,702.0	20,777.6
Liabilities				
Liabilities to credit institutions		1.1	443.5	329.4
Issued bonds		8,630.5	6,116.4	8,028.0
Deposits from the public		10,919.2	11,073.6	10,426.0
Derivatives		20.9	28.1	31.4
Tax liabilities		36.9	29.8	47.1
Other liabilities		466.3	72.9	75.6
Accrued expenses and prepaid income		74.5	74.7	57.4
Total liabilities		20,149.5	17,839.1	18,994.9
Equity				
Share capital		100.0	100.0	100.0
Fund for development expenses		35.2	26.2	29.2
Translation reserve		2.7	-6.4	4.2
Retained earnings		1,343.3	1,603.8	1,395.7
Profit for the period		97.9	139.3	253.5
Total equity		1,579.1	1,862.9	1,782.7
TOTAL EQUITY AND LIABILITIES		21,728.6	19,702.0	20,777.6

Changes in equity

Parent

MSEK	Restricted equity		Non-restricted equity		Total equity
	Share capital	Fund for development expenses	Translation reserve	Retained earnings incl. profit for the period	
Opening balance 2021-01-01	100.0	19.1	-16.2	1,610.9	1,713.8
Profit for the period				139.3	139.3
Other comprehensive income					
Translation differences of foreign operations			12.3		12.3
Tax due to translation differences of foreign operations			-2.5		-2.5
The period's own accumulated intangible assets		7.1		-7.1	-
Closing balance 2021-06-30	100.0	26.2	-6.4	1,743.1	1,862.9
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
Opening balance 2022-01-01	100.0	29.2	4.2	1,649.3	1,782.7
Dividend to shareholders				-300.0	-300.0
Profit for the period				97.9	97.9
Other comprehensive income					
Translation differences of foreign operations			-1.9		-1.9
Tax due to translation differences of foreign operations			0.4		0.4
The period's own accumulated intangible assets		5.9		-5.9	-
Closing balance 2022-06-30	100.0	35.2	2.7	1,441.3	1,579.1

The share capital consists of two common stock of the same kind with quotient value of MSEK 50. All shares have equal voting power. Dividend per share amounted to MSEK 150.

Cash flow statement

Parent

MSEK	Note	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Operating activities				
Operating profit		127.9	180.7	321.6
Adjustments for items not included in cash flow		22.8	17.0	18.5
Tax paid		-44.7	-27.8	-40.7
Cash flow from current operations before changes to operating capital		106.0	225.8	299.3
Cash flow from changes to operating capital				
Increase (-)/decrease (+) of lending to the public		-374.3	-921.1	-2,137.1
Increase (-)/decrease (+) of short term receivables		-311.2	39.3	20.5
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-23.7	20.6	-14.8
Increase (-)/decrease (+) government debt securities		11.0	1.1	-99.4
Increase (+)/decrease (-) of deposits from the public		529.5	-1,569.8	-2,174.0
Increase (+)/decrease (-) in issued bonds		608.7	1,168.7	3,093.8
Increase (+)/decrease (-) of short term liabilities		390.5	-38.8	-9.5
Cash flow from operating activities		936.5	-1,074.2	-1,021.1
Cash flow from investing activities		-26.2	709.8	683.3
Cash flow from financing activities		-628.2	-138.7	-457.8
NET CASH FLOW FOR THE PERIOD		282.1	-503.1	-795.6
Liquid funds beginning of period		1,343.5	2,118.7	2,118.7
Currency difference i liquidity		-1.5	9.7	20.3
LIQUID FUNDS END OF PERIOD		1,624.1	1,625.3	1,343.5
<i>of which cash and balances at central banks</i>		474.0	349.8	356.4
<i>of which lending to credit institutions</i>		1,150.0	1,275.6	987.1
Cash flow includes interest receipts of		569.1	547.6	1,088.5
Cash flow includes interest payments of		-94.0	-117.3	-300.6

Notes to the financial statements

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

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Note 1. Accounting policies

This Interim report is prepared according to IAS 34, Interim Financial Reporting. The accounting principles and calculation methods described in the Annual report for 2021, Note 1, are applied. This interim report has not been subject to review by Bluestep Bank's auditor.

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 SFSA, 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 Annual Accounts Act

for Credit Institutions and Securities Companies (ÅRKL 1995:1559).

The accounting principles for the Parent company are prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559), and SFSA 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.

Significant regulatory changes

There have been no significant regulatory changes or changed accounting principles affecting the Bank's financial statements during the period.

Note 2. Operating segments

The operating segment report is based on the Group's accounting principles, organisation and management accounts. OECD transfer pricing guidelines are applied for invoicing and allocation of cross-border services.

The executive decision maker in the organisation is the Chief Executive Officer. The 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. Other operations includes overall items for the Group, as well as the personal loan portfolio, which was sold on the 1st of January 2021. The income for other operations during 2021 is related to the sale of the portfolio.

Balance sheet 30 Jun 2022

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Lending to credit institutions	732.6	390.1	43.8	-	-	1,166.6
Lending to the public	10,771.6	7,849.9	359.2	-	-	18,980.7
Deposits from the public	5,101.8	5,817.4	-	-	-	10,919.2

Balance sheet 30 Jun 2021

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Lending to credit institutions	985.6	448.2	5.0	-	-	1,438.8
Lending to the public	9,832.3	7,113.5	125.2	-	-	17,071.0
Deposits from the public	4,172.2	6,901.4	-	-	-	11,073.6

Balance sheet 31 Dec 2021

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

Income statement H1 2022

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Interest income	285.9	279.9	9.0	-	-11.8	563.0
<i>of which interest income within group</i>	11.8	-	-	-	-	
Interest expense	-68.4	-63.2	-1.2	-	11.8	-121.1
<i>of which interest expense within group</i>	-	-10.7	-1.0	-	-	
Net interest income	217.4	216.7	7.8	-	-0.0	441.9
Total operating income	198.5	215.3	7.8	0	-2.3	419.3
Total operating expenses	-134.2	-106.0	-26.1	-25.2	2.3	-289.2
Profit before credit losses	64.3	109.2	-18.3	-25.2	0.0	130.1
Credit losses, net	-1.4	-2.4	-0.2	4.2	-	0.2
OPERATING PROFIT	63.0	106.9	-18.5	-21.0	0.0	130.3

Income statement H1 2021

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Interest income	272.7	266.7	2.6	-	-0.4	541.6
<i>of which interest income within group</i>	0.4	-	-	-	-	
Interest expense	-64.3	-65.4	-0.6	-	0.4	-129.9
<i>of which interest expense within group</i>	-	-	-0.4	-	-	
Net interest income	208.4	201.3	2.0	-	0.0	411.7
Total operating income	227.2	205.5	2.0	17.9	-11.1	441.4
Total operating expenses	-145.8	-105.0	-16.5	-3.6	11.1	-259.8
Profit before credit losses	81.4	100.4	-14.5	14.3	-0.0	181.7
Credit losses, net	2.4	-1.9	0.0	-0.7	-	-0.1
OPERATING PROFIT	83.9	98.6	-14.4	13.5	-0.0	181.5

Income statement FY 2021

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Interest income	550.0	534.0	7.9	-	-4.1	1,087.8
<i>of which interest income within group</i>	4.1	-	-	-	-	
Interest expense	-129.6	-128.3	-1.4	-	4.1	-255.2
<i>of which interest expense within group</i>	-	-3.0	-1.2	-	-	
Net interest income	420.5	405.7	6.5	0	0.0	832.7
Total operating income	450.3	410.1	6.5	17.9	-19.9	864.8
Total operating expenses	-293.5	-215.4	-40.1	-3.6	19.9	-532.8
Profit before credit losses	156.8	194.6	-33.6	14.3	-0.0	332.1
Credit losses, net	-0.6	-5.9	-0.3	-0.0	-	-6.9
OPERATING PROFIT	156.2	188.7	-33.9	14.3	-0.0	325.2

Note 3. Credit losses

Provisions are calculated using quantitative models based on inputs and assumptions made by management. The Bank does not calculate provisions for off balance items, i.e. loan commitments, as there is no irrevocable commitment in these contracts and therefore they have no impairment requirements.

The additional provision (Management Overlay in addition to calculated provisions) for higher expected credit losses due to Covid-19 was released during the period, but as the first half of 2022 has brought on increased risks, a new management overlay was added per June 2022. The increased uncertainty due to heightened

geopolitical tensions after Russia's invasion of Ukraine, the upward pressure on inflation and the increased interest rates could all affect the payment capacity of our customers. The closing balance per June 2022 was MSEK 4.9 (MSEK 4.9).

The following points could have a major impact on the level of provisions:

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

Credit impairments

MSEK	Group & Parent		
	Jan-Jun 2022	Jan-Jun 2021	FY 2021
Stage 1 - net impairment	0.5	0.3	0.3
Stage 2 - net impairment	0.2	1.9	-1.6
Stage 3 - impairment/recoveries for the period	-6.0	-4.2	-6.3
Write-offs			
Actual losses during the period	-6.4	-14.0	-21.5
Reversal of allowances in Stage 3	4.6	9.6	13.6
Recoveries from previous write-offs	7.4	6.2	8.6
Total write-offs	5.6	1.8	0.7
Total credit losses, net	0.2	-0.1	-6.9

Note 4. Lending to the public

MSEK	Group & Parent		
	30 Jun 2022	30 Jun 2021	31 Dec 2021
Valued at amortised cost			
Mortgages Sweden	9,955.1	9,504.6	9,941.6
Mortgages Norway	7,849.9	7,113.5	7,629.8
Mortgages Finland	359.2	125.2	219.4
Valued at fair value			
Mortgages Sweden	816.5	327.7	542.3
Total lending to the public	18,980.7	17,071.0	18,333.1

The tables below provide a breakdown of lending to the public at amortised cost and provisions per stage, and movements during the period.

MSEK	Group & Parent									
	Reported value gross				Provisions				Reported value net	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total	
Mortgages Sweden	9,074.4	779.2	126.3	9,979.9	-3.6	-12.7	-8.5	-24.7	9,955.1	
Mortgages Norway	6,979.8	709.3	174.6	7,863.6	-1.9	-7.2	-4.7	-13.8	7,849.9	
Mortgages Finland	344.2	12.0	3.7	359.9	-0.1	-0.2	-0.3	-0.7	359.2	
Total	16,398.4	1,500.5	304.5	18,203.4	-5.6	-20.1	-13.5	-39.2	18,164.2	

MSEK	Group & Parent									
	Reported value gross				Provisions				Reported value net	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total	
Mortgages Sweden	8,644.2	756.2	127.3	9,527.7	-4.5	-9.9	-8.7	-23.1	9,504.6	
Mortgages Norway	6,083.4	813.6	229.6	7,126.6	-1.4	-6.6	-5.2	-13.2	7,113.5	
Mortgages Finland	124.5	0.7	-	125.2	-0.0	-0.0	-	-0.1	125.2	
Total	14,852.0	1,570.6	356.9	16,779.5	-5.9	-16.5	-13.9	-36.3	16,743.2	

MSEK	Group & Parent									
	Reported value gross				Provisions				Reported value net	
	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	

MSEK	Group & Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 Jan 2022	15,705.2	1,824.3	299.6	17,829.1
Reported value gross 30 Jun 2022	16,398.4	1,500.5	304.5	18,203.4
Provisions 1 Jan 2022	-6.0	-20.3	-12.0	-38.3
New financial assets	-1.3	-1.5	-0.1	-3.0
Change in PD/LGD/EAD	1.2	0.6	0.1	1.9
Change due to expert credit judgement	-0.3	-3.7	-0.9	-5.0
Transfers between stages	0.1	1.3	-5.1	-3.6
-Transfer from stage 1 to 2	0.4	-5.1	-	-4.7
-Transfer from stage 1 to 3	0.0	-	-1.1	-1.1
-Transfer from stage 2 to 1	-0.3	4.2	-	3.9
-Transfer from stage 2 to 3	-	2.5	-5.2	-2.7
-Transfer from stage 3 to 1	-0.0	-	0.2	0.2
-Transfer from stage 3 to 2	-	-0.3	1.1	0.7
Changes in exchange rates	-0.0	-0.0	-0.0	-0.1
Removed financial assets	0.7	3.6	4.6	8.9
Provisions 30 Jun 2022	-5.6	-20.1	-13.5	-39.2
Opening balance 1 Jan 2022	15,699.2	1,804.0	287.6	17,790.8
Closing balance 30 Jun 2022	16,392.9	1,480.4	291.0	18,164.2

MSEK	Group & Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 Jan 2021	14,581.9	1,744.2	330.4	16,656.5
Reported value gross 30 Jun 2021	14,852.0	1,570.6	356.9	16,779.5
Provisions 1 Jan 2021	-6.1	-18.1	-19.0	-43.3
New financial assets	-1.4	-0.7	-0.1	-2.2
Change in PD/LGD/EAD	1.7	1.2	1.0	4.0
Change due to expert credit judgement	-1.0	-3.9	-	-4.8
Transfers between stages	0.0	2.2	-5.1	-2.9
-Transfer from stage 1 to 2	0.4	-3.5	-	-3.2
-Transfer from stage 1 to 3	0.0	-	-1.6	-1.6
-Transfer from stage 2 to 1	-0.4	4.2	-	3.9
-Transfer from stage 2 to 3	-	1.9	-4.6	-2.7
-Transfer from stage 3 to 1	-0.0	-	0.1	0.1
-Transfer from stage 3 to 2	-	-0.4	1.0	0.6
Changes in exchange rates	-0.1	-0.3	-0.2	-0.6
Removed financial assets	0.8	3.1	9.6	13.5
Provisions 30 Jun 2021	-5.9	-16.5	-13.9	-36.3
Opening balance 1 Jan 2021	14,575.8	1,726.1	311.4	16,613.3
Closing balance 30 Jun 2021	14,846.1	1,554.1	343.1	16,743.2

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

Note 5. Fair value measurements

Financial assets at fair value

The Group's financial assets and liabilities are valued both at fair value through profit or loss and at amortised cost. Method for determining the fair value of derivatives is described in the Annual Report for 2021, Note 1. All derivative contracts valued at fair value are entered into for the purpose to hedge interest rate- and currency risks in business and all interest-bearing securities are included in the liquidity portfolio.

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.

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 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 the equity release product is included, which is a part of lending to the public.

Valued at fair value through profit or loss per level

MSEK	Group											
	30 Jun 2022				30 Jun 2021				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Lending to the public	-	-	816.5	816.5	-	-	327.7	327.7	-	-	542.3	542.3
Derivatives	-	348.9	-	348.9	-	54.3	-	54.3	-	76.0	-	76.0
Bonds / other interest-bearing securities	832.8	-	-	832.8	696.7	-	-	696.7	830.9	-	-	830.9
Total assets	832.8	348.9	816.5	1,998.2	696.7	54.3	327.7	1,078.7	830.9	76.0	542.3	1,449.1
Liabilities												
Derivatives	-	20.9	-	20.9	-	30.8	-	30.8	-	31.4	-	31.4
Total liabilities	-	20.9	-	20.9	-	30.8	-	30.8	-	31.4	-	31.4

MSEK	Parent											
	30 Jun 2022				30 Jun 2021				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Lending to the public	-	-	816.5	816.5	-	-	327.7	327.7	-	-	542.3	542.3
Derivatives	-	348.9	-	348.9	-	32.4	-	32.4	-	57.7	-	57.7
Bonds / other interest-bearing securities	832.8	-	-	832.8	696.7	-	-	696.7	830.9	-	-	830.9
Total assets	832.8	348.9	816.5	1,998.2	696.7	32.4	327.7	1,056.8	830.9	57.7	542.3	1,430.8
Liabilities												
Derivatives	-	20.9	-	20.9	-	28.1	-	28.1	-	31.4	-	31.4
Total liabilities	-	20.9	-	20.9	-	28.1	-	28.1	-	31.4	-	31.4

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

MSEK	Group & Parent					
	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Gains/ losses on revaluation	Total
Jan - Jun 2022						
Lending to the public	542.3	278.8	-19.0	14.6	-0.2	816.5
FY 2021						
Lending to the public	216.8	325.7	-15.2	14.9	0.0	542.3

Sensitivity analysis of lending to the public valued at fair value in level 3

The Bank has performed a sensitivity analysis of lending to the public valued at fair value by altering assumptions of unobservable inputs in the valuation model. The sensitivity analysis is based on an instant decline in house prices of 10% and a parallel shift of the yield curve with 1%. This would result in an impairment of MSEK 9 (MSEK 0).

Note 6. Capital adequacy analysis – Parent company and consolidated situation

This capital adequacy information complies with the disclosure requirements for credit institutions set out in the SFSA Regulations and General Guidelines (FFFS 2008:25) regarding annual reports at credit institutions and securities companies, the SFSA Regulations (FFFS 2014:12) regarding prudential requirements and capital buffers, the SFSA Regulations (FFFS 2010:7) regarding management of liquidity risk in credit institutions and investment firms, the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the “CRR”), and the Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

In this note, information is disclosed regarding the Bank and the consolidated situation. For further information regarding the ownership structure, see the section “Administration report”.

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

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

Reports on risk management and capital adequacy in accordance with the Pillar III disclosure requirements are published on www.bluestepbank.com.

Risk-based capital requirement

The risk-based Pillar I capital requirement is calculated 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 are, as part of the ICLAAP, assessed for concentration risk, interest rate risk, credit spread risk, credit risk, foreign exchange rate risk, liquidity risk, operational risk, business risk, strategic risk environment, social and governance-related risk, and money laundering and terrorist financing risk. Methods from the SFSA are used for concentration risk, interest rate risk, and credit spread risk, and internal methods are used for the other risks. Combined buffer requirements are held to absorb losses in periods of financial stress, whereof the applicable countercyclical capital buffer (“CCyCB”) factors as of reporting period are 0% in Sweden and Finland and 1.5% in Norway.

The consolidated situation’s and the Bank’s total risk-based capital requirements are shown on the next page.

Capital requirements MSEK	Consolidated situation			Parent		
	30 Jun 2022	30 Jun 2021	31 Dec 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
Pillar I	703.5	644.2	677.7	696.5	626.0	660.6
of which credit risk	584.7	543.6	570.0	581.0	533.9	561.5
of which market risk	46.5	32.4	39.5	46.5	32.4	39.5
of which operational risk	71.0	66.4	66.4	67.7	59.6	59.6
of which CVA risk	1.3	1.7	1.7	1.3	0.1	-
Pillar II	99.6	87.4	101.6	98.8	83.9	91.0
of which concentration risk	81.6	72.6	78.9	80.7	70.1	77.4
of which interest rate risk arising from non-trading book	14.3	11.3	18.3	14.3	10.3	9.1
of which credit spread risk	3.7	3.5	4.4	3.7	3.5	4.4
Combined buffer	274.6	235.0	246.9	272.2	228.6	240.9
of which capital conservation buffer	219.9	201.3	211.8	217.6	195.6	206.4
of which countercyclical capital buffer	54.8	33.7	35.1	54.5	33.0	34.5
Total capital requirements	1,077.8	966.5	1,026.1	1,067.4	938.5	992.5

Capital requirements % RWA	Consolidated situation			Parent		
	30 Jun 2022	30 Jun 2021	31 Dec 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
Pillar I	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Pillar II	1.1%	1.1%	1.2%	1.1%	1.1%	1.1%
Combined buffer	3.1%	2.9%	2.9%	3.1%	2.9%	2.9%
Total capital requirements	12.3%	12.0%	12.1%	12.3%	12.0%	12.0%

Leverage ratio requirement

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.

Key metrics

Key metrics (EU KM1)		Consolidated situation				
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
MSEK						
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,493	1,515	1,390	1,766	1,763
2	Tier 1 capital	1,493	1,515	1,390	1,766	1,763
3	Total capital	1,493	1,515	1,390	1,766	1,763
Risk-weighted exposure amounts						
4	Total risk exposure amount	8,794	8,874	8,471	8,271	8,052
Capital ratios¹						
5	Common Equity Tier 1 ratio	16.97%	17.07%	16.41%	21.35%	21.89%
6	Tier 1 ratio	16.97%	17.07%	16.41%	21.35%	21.89%
7	Total capital ratio	16.97%	17.07%	16.41%	21.35%	21.89%
Additional own funds requirements to address risks other than the risk of excessive leverage¹						
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	8.00%	8.00%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement¹						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
9	Institution specific countercyclical capital buffer	0.62%	0.42%	0.41%	0.42%	0.42%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	3.12%	2.92%	2.91%	2.92%	2.92%
EU 11a	Overall capital requirements	11.12%	10.92%	10.91%	10.92%	10.92%
12	CET1 available after meeting the total SREP own funds requirements	8.97%	9.07%	8.41%	13.35%	13.89%
Leverage ratio						
13	Total exposure measure	21,776	21,900	21,107	20,631	20,095
14	Leverage ratio	6.86%	6.92%	6.59%	8.56%	8.77%
Additional own funds requirements to address the risk of excessive leverage²						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement²						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,261	1,196	1,140	1,046	1,002
EU 16a	Cash outflows - Total weighted value	937	949	919	941	866
EU 16b	Cash inflows - Total weighted value	1,390	1,355	1,206	1,474	1,396
16	Total net cash outflows (adjusted value)	234	237	230	235	216
17	Liquidity coverage ratio	538.42%	503.91%	496.28%	444.52%	462.65%
Net Stable Funding Ratio						
18	Total available stable funding	17,941	18,474	18,227	17,277	17,420
19	Total required stable funding	14,467	14,744	14,068	13,991	13,670
20	NSFR ratio	124.01%	125.29%	129.56%	123.49%	127.43%

¹ as a percentage of risk-weighted exposure amount

² as a percentage of total exposure measure

Key metrics (EU KM1)		Parent				
		30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
MSEK						
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,516	1,540	1,390	1,749	1,749
2	Tier 1 capital	1,516	1,540	1,390	1,749	1,749
3	Total capital	1,516	1,540	1,390	1,749	1,749
Risk-weighted exposure amounts						
4	Total risk exposure amount	8,706	8,713	8,471	8,055	7,824
Capital ratios¹						
5	Common Equity Tier 1 ratio	17.41%	17.67%	16.41%	21.71%	22.35%
6	Tier 1 ratio	17.41%	17.67%	16.41%	21.71%	22.35%
7	Total capital ratio	17.41%	17.67%	16.41%	21.71%	22.35%
Additional own funds requirements to address risks other than the risk of excessive leverage¹						
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	8.00%	8.00%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement¹						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
9	Institution specific countercyclical capital buffer	0.63%	0.43%	0.41%	0.42%	0.42%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	3.13%	2.93%	2.91%	2.92%	2.92%
EU 11a	Overall capital requirements	11.13%	10.93%	10.91%	10.92%	10.92%
12	CET1 available after meeting the total SREP own funds requirements	9.41%	9.67%	8.41%	13.71%	14.35%
Leverage ratio						
13	Total exposure measure	21,698	21,579	21,107	20,166	19,600
14	Leverage ratio	6.99%	7.13%	6.59%	8.67%	8.92%
Additional own funds requirements to address the risk of excessive leverage²						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement²						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,261	1,196	1,140	1,046	1,002
EU 16a	Cash outflows - Total weighted value	937	949	919	941	866
EU 16b	Cash inflows - Total weighted value	1,390	1,281	1,118	1,368	1,266
16	Total net cash outflows (adjusted value)	234	237	230	235	216
17	Liquidity coverage ratio	538.42%	503.91%	496.28%	444.52%	462.65%
Net Stable Funding Ratio						
18	Total available stable funding	17,941	18,499	18,246	16,986	17,097
19	Total required stable funding	14,467	14,128	13,400	13,266	13,459
20	NSFR ratio	124.01%	130.94%	136.16%	128.04%	127.03%

¹ as a percentage of risk-weighted exposure amount

² as a percentage of total exposure measure

Note 7. Related parties

Related parties

Related parties refer to:

- EQT VII (private equity fund), registered in Edinburgh (ultimate owner of Bluestep Holding AB),
- Bluestep Holding AB, org no 556668-9575, registered in Stockholm,
- Bluestep Finans Funding No 1 AB, org no 556791-6928, registered in Stockholm,
- Bluestep Mortgage Securities No 2 Designated Activity Company, org no 522186, registered in Dublin,

- 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	30 Jun 2022	30 Jun 2021	31 Dec 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
Other assets							
Parent	-	0.0	1.9	-	0.0	1.9	
Subsidiaries	-	0.0	1.9	0.5	535.9	533.4	
Total	-	0.0	3.9	0.5	535.9	535.4	
Other liabilities							
Parent	-	-	-	-	-	-	
Subsidiaries	-	-	-	3.3	3.0	7.2	
Associates	0.6	-	1.2	0.6	-	1.2	
Total	0.6	-	1.2	3.9	3.0	8.4	

Income and expenses	Group			Parent			
	MSEK	30 Jun 2022	30 Jun 2021	31 Dec 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
Interest income calculated using the effective interest method							
Parent	-	-	-	-	-	-	
Subsidiaries	-	-	-	6.6	17.4	32.4	
General administration expenses							
Parent	-	-	-	-	-	-	
Subsidiaries	-	-	-	-3.6	-12.1	-23.9	
Associates	5.7	4.3	9.6	5.7	4.3	9.6	
Total	5.7	4.3	9.6	8.7	9.6	18.1	

Interest income

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

Note 8. Pledged assets, contingent liabilities and commitments

MSEK	Group			Parent		
	30 Jun 2022	30 Jun 2021	31 Dec 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
Pledged assets and comparable securities for own liabilities						
Shares and participation in associated companies	-	10	0.0	-	-	-
Lending to credit institutions	3.1	148.5	144.9	3.1	0.4	1.2
Lending to the public	6,637.5	4,270.8	6,851.8	6,637.5	4,270.8	6,851.8
Government debt securities	20.3	18.6	18.3	20.3	18.6	18.3
Derivatives	-	22.0	18.3	-	-	-
Other assets	18.2	63.1	50.7	18.2	61.6	49.6
Prepaid expenses and accrued income	-	0.7	0.1	-	-	-

Lending to credit institutions

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

Lending to the public

Collateral registered for the benefit of holders of covered bonds issued by the Bank. The collateral comprise loans granted against mortgages in single-family homes, second homes and tenant-owners' rights with a 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. For previous periods, a smaller part also relates to mortgage loans 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.

Affirmation by the Chief Executive Officer

The Chief Executive Officer certifies that the Interim report for January - June 2022 provides a true and fair view of the Parent's and the Group's operations, their financial positions and earnings as well as describing significant risks and uncertainties facing the Parent and the Group.

Stockholm August 25, 2022

Björn Lander
Chief Executive Officer

Definitions of alternative performance measures

C/I ratio

Costs before credit losses in relation to operating income.

MSEK	H1 2022	H1 2021
Costs before credit losses	289.2	259.8
Operating income	419.3	441.4
C/I ratio	69%	59%

Credit losses (%)

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

MSEK	H1 2022	H1 2021
Credit losses	-0.2	0.1
Credit losses annualised	-0.4	0.3
Lending to the public	18,980.7	17,071.0
Credit losses (%)	0.00%	0.00%

Return on equity

Operating profit after tax in relation to average equity. The tax rate for 2022 in Sweden is 20.6% (20.6%).

MSEK	H1 2022	H1 2021
Operating profit	130.3	181.5
Operating profit annualised	260.6	363.0
Operating profit less tax	206.9	288.2
Total equity 2020-12-31		1,738.2
Total equity 2021-06-30		1,886.4
Total equity 2021-12-31	1,809.0	
Total equity 2022-06-30	1,606.6	
Average equity	1,707.8	1,812.3
Return on equity	12.1%	15.9%

Gross revenue / Lending to the public

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

MSEK	H1 2022	H1 2021
Total Interest Income	563.0	541.6
Interest income bonds	-2.4	-1.9
Interest income credit institutions	-1.5	-0.2
Gross revenue	559.1	539.5
Gross revenue annualised	1,118.3	1,079.0
Lending to the public 2020-12-31		16,115.5
Lending to the public 2021-06-30		17,071.0
Lending to the public 2021-12-31	18,333.1	
Lending to the public 2022-06-30	18,980.7	
Average lending to the public	18,656.9	16,593.3
Gross Revenue / Lending to the public	6.0%	6.5%

Net interest income / Lending to the public

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

MSEK	H1 2022	H1 2021
Net interest income	441.9	411.7
Net interest income annualised	883.8	823.3
Lending to the public 2020-12-31		16,115.5
Lending to the public 2021-06-30		17,071.0
Lending to the public 2021-12-31	18,333.1	
Lending to the public 2022-06-30	18,980.7	
Average lending to the public	18,656.9	16,593.3
Net interest income / Lending to the public	4.7%	5.0%

Financial Calendar

Year-end report 2022
week 8, 2023

Annual report 2022
week 17, 2023