February 2022

Year-end report Bluestep Bank AB (publ) 2021

Bluestep Bank.

A modern mortgage bank.

Content

”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

Performance and financial position

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

Financing

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

Strategic development and significant events

- As the Swedish Financial Supervisory Authority decided not to extend their dividend recommendation, the Board of Directors of Bluestep Holding AB (owning 100% of the Bank) held an extraordinary general meeting in October announcing a dividend distribution of SEK 250m.
- During 2021 the Bank signed the UN Principles for Responsible Banking, and launched green mortgages in Sweden.
- The common Nordic function for lending- and deposit administration was established, realising synergies and paving the way for future expansion.
- Expansion of equity-release product in Sweden and mortgages in Finland continue, and outstanding loan balances per end of year is approx. SEK 0.8bn. Operating result is still negatively impacted by approx. SEK 50m.
- Pontus Sardal joined as new Chief Financial Officer ("CFO") for the Bank in July.
- In October, Julia Ehrhardt was appointed to the Board of Directors, increasing the number of Board members from 7 to 8.
- The Covid-19 pandemic has had no material effects on neither profit- nor volume development during the year.

Key Figures

	H2 2021	H2 2020	Δ	FY 2021	FY 2020	Δ
Lending to the public (MSEK)	18 333	16 116	14%	18 333	16 116	14%
Deposits from the public (MSEK)	10 426	12 613	-17%	10 426	12 613	-17%
Net interest income (MSEK)	421	396	6%	833	809	3%
Operating expenses (MSEK)	273	295	-8%	533	581	-8%
Operating profit (MSEK)	144	115	25%	325	215	51%
C/I (%) [1,2]	64%	73%	-8	62%	69%	-8
Credit losses (%)[1,2,3]	0.07%	-0.04%	0.12	0.04%	0.25%	-0.21
Return on Equity (%)[1,2,3]	12.3%	10.6%	1.70	14.6%	10.1%	4.43
CET1 ratio (%)[1]	16.4%	19.7%	-3.26	16.4%	19.7%	-3.26

[1] The change is in percentage points
[2] Alternative performance measures, see page 44 for definitions
[3] Key figures related to H2 are annualised to full year values

Comments from the Chief Executive Officer

Successful strategic journey towards a specialised mortgage bank

In spite of 2021 still being impacted by Covid-19, Bluestep Bank delivered its best operating profit ever, became a specialised mortgage bank, and built a strategic platform for future growth. Even as we hoped to exit the pandemic in 2021, we saw continued human suffering and socioeconomic consequences.

Inside Bluestep Bank, we had to learn new ways of working as a team and have accelerated the transformation of the company through better digital customer journeys and synergies from a stronger central technical platform. Furthermore we safeguarded our unique market position, launched a new brand platform and divested our personal loan portfolio, establishing ourselves as a specialised mortgage bank.

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

Continued technological transformation and scalability

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

New brand strategy showcasing the real Bluestep Bank

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

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

Measurable sustainability agenda

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

Successful product expansion

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

Long term stable financing model

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

Continued focus on growth in 2022

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

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

Björn Lander,
Chief Executive Officer

This is Bluestep

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 either not a possibility or not a desire for many of the youths entering the job market today. Freelancing, the growth of the gig economy and the shortage of housing in combination with the 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 is easier than ever to end up with expensive credits and thereby facing late payments and possibly payment remarks. Previous financial decisions can threaten the financial security as well as the opportunity to purchase a house. We want to offer the possibility for people in a difficult situation to use their home as a security for consolidating expensive credits and loans and thereby lowering their monthly cost, allowing for financial planning and over time regaining 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 a permanent employment, have historic payment remarks or have limited credit history. Many also consolidate their debts into their mortgage, making it possible to significantly lower their monthly interest payments. 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 personal application process. When welcoming a customer, we want to safeguard that each individual gets the opportunity to experience an improved financial situation both long-term and short-term. That is our customer value proposition.

Our locations

1. Stockholm
2. Oslo
3. Helsinki

Administration report

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

The Group's results

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

Operating profit

The Group's operating profit for the period increased by 25% and amounted to SEK 144m (SEK 115m). For the full year the operating profit increased by 51% and amounted to SEK 325m (SEK 215m).

Net interest income

The Group's net interest income amounted to SEK 421m (SEK 396m). For the full year the net interest income increased by 3% to SEK 833m (SEK 809m). The net interest income has remained stable despite the sale of the personal loan portfolio, which last year showed a net interest income of SEK 73m, through increased volumes and the ongoing diversification of the Group's funding, which has contributed to lower interest expenses.

Operating expenses

The Group´s expenses for the period decreased by 8% to SEK 273m (SEK 295m). For the full year the expenses decreased by 8% to SEK 533m (SEK 581m). C/I before credit losses decreased to 62% (69%). The improvement of the Bank's C/I ratio is driven by more efficient processes, but also by the transformation to one common Nordic back-office for the Bank's deposit and lending administration.

Employees

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

Credit losses

Net credit losses for the period amounted to SEK 7m (SEK -4m). For the full year, the credit losses decreased to SEK 7m (SEK 40m), which corresponds to a credit loss level of 0.04% (0.25%). The decrease is mainly due to the divestment of the personal loan portfolio, but credit losses related to mortgages have also decreased compared to previous year. Due to the long-term uncertainty of Covid-19, an additional provision was established during 2020. The provision has not yet been dissolved and the year end balance for 2021 was SEK 5.4m.

Tax

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

Net income

Profit for the period amounted to SEK 117m (SEK 81m). Profit for the year amounted to SEK 256m (SEK 154m).

Financial position

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

Lending

The Group's total loan portfolio increased by 14% and amounted to SEK 18 333m (SEK 16 116m). Adjusted for currency effects, the increase was 10%. The positive volume development is foremost driven by increased lending in customer segments with lower risk. The Swedish mortgage portfolio, including the equity release product, accounts for 59% of the total lending to the public, the Norwegian mortgages for 40% and the Finnish mortgages for 1%.

Capital base and capital adequacy

The common equity tier 1 capital ("CET1") amounted to SEK 1 390m (SEK 1 617m) for the consolidated situation, and SEK 1 410m (SEK 1 606m) for the Parent. This is equivalent to a CET1 capital ratio of 16.4% (19.7%) for the consolidated situation, and 17.1% (20.2%) for the Parent. The CET1 capital ratio is the same as the total capital ratio, as both the consolidated situation and the Parent only have CET1 capital.

The decrease of the CET1 capital is related to the extra dividend distribution in October 2021 and also includes a deduction for the dividend of SEK 300m proposed by the Board to the annual general meeting for the Bank and BHAB, thereby affecting the capital for both the Parent and the consolidated situation.

In August the SFSA announced they would not extend their limitations on dividend distributions after the third quarter of the year. In October, the Board of BHAB (owns 100% of the Bank) held an extraordinary general meeting deciding on a dividend distribution from the Bank to BHAB of SEK 205m to be able to pay a dividend of SEK 250m to the owners of BHAB. The Bank's target is a CET1 ratio of 16%. For further information regarding capital base and capital adequacy, see Note 7.

Return on equity

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

Financing

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

Funding

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

Deposits

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

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

Credit rating

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

Liquidity

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

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

Five year overview

Key figures | Group	H2 2021	H2 2020	2021	2020	2019	2018	2017
Operating profit (MSEK)	143.7	115.0	325.2	215.5	274.5	212.2	250.8
Gross revenue / Lending portfolio[1,2]	6.1%	7.1%	6.3%	7.2%	7.5%	7.5%	7.4%
Operating income / Lending portfolio[1,2]	4.8%	5.0%	5.0%	5.2%	5.5%	5.3%	5.3%
Credit losses (%)[1,2]	0.07%	-0.04%	0.04%	0.25%	0.37%	0.35%	0.25%
CET1 (MSEK)	1 390.1	1 617.2	1 390.1	1 617.2	1 474.9	1 303.0	1 063.8
CET1 ratio (%)	16.4%	19.7%	16.4%	19.7%	17.9%	17.5%	15.0%
Return on Equity[1,2]	12.3%	10.6%	14.6%	10.1%	14.1%	13.0%	19.4%
Return on Assets[2]	1.4%	1.1%	1.6%	1.1%	1.5%	1.2%	1.6%
Liquidity reserve (MSEK)	2 334.0	3 000.3	2 334.0	3 000.3	2 673.7	2 555.9	3 029.7
Deposits from the public (MSEK)	10 426.0	12 612.9	10 426.0	12 612.9	11 421.4	10 416.6	10 418.6
External funding (MSEK)	8 521.1	5 702.0	8 521.1	5 702.0	5 901.1	5 432.6	4 831.3
Lending portfolio (MSEK)	18 333.1	16 115.5	18 333.1	16 115.5	16 150.0	14 521.7	12 366.0
Leverage ratio	6.6%	7.9%	6.6%	7.9%	7.7%	7.5%	6.4%
Average number of employees	271	279	272	275	274	243	227

[1] *Alternative performance measures, see page 44 for definitions*

[2] *Key figures related to H2 are annualised to full year values*

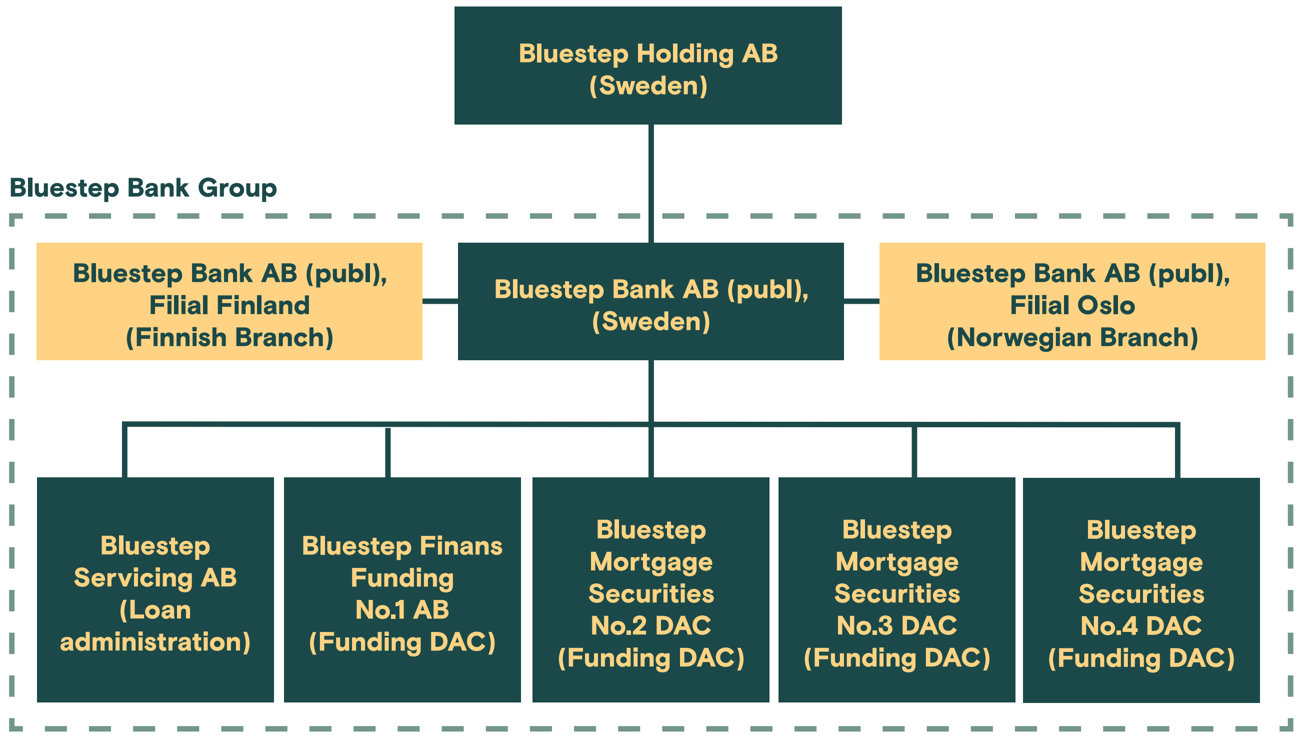
Organisation and operations

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

Ownership and definitions

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

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



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

Foreign branches

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

Significant regulatory changes

For 2021, there has been no significant regulatory changes. For further information regarding accounting principles, see Note 1. The Year-end report is prepared in accordance with the same accounting principles and calculation methods as the Annual report for 2020.

Significant events and other information after the end of the period

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

Financial Calendar

The Annual and Sustainability report for 2021 will be published on the 26th of April, 2022.

Income statement

Group

MSEK	Note	Jul-Dec 2021	Jul-Dec 2020	FY 2021	FY 2020
Operating income					
Interest income calculated using the effective interest method		535.0	568.7	1 068.3	1 162.6
Other interesst income		11.2	5.3	19.5	5.6
Interest expense		-125.2	-177.8	-255.2	-359.4
Net interest income		**421.0**	**396.2**	**832.7**	**808.9**
Net gains/losses on financial transactions		-1.8	4.9	23.4	16.4
Other operating income		4.2	5.4	8.8	11.1
Total operating income		**423.4**	**406.5**	**864.8**	**836.3**
Operating expense					
General administration expenses		-235.1	-256.6	-467.9	-518.0
Depreciation of tangible and intangible assets		-37.9	-38.6	-64.8	-62.7
Total operating expenses		**-273.0**	**-295.2**	**-532.8**	**-580.7**
Profit before credit losses		**150.4**	**111.4**	**332.1**	**255.6**
Credit losses, net	4	-6.7	3.6	-6.9	-40.1
Operating profit		**143.7**	**115.0**	**325.2**	**215.5**
Tax expense		-26.8	-33.7	-68.9	-61.1
NET PROFIT FOR THE PERIOD		**116.9**	**81.3**	**256.3**	**154.4**
Net profit for the period attributable to shareholders		116.9	81.3	256.3	154.4

Statement of comprehensive income

Group

MSEK	Jul-Dec 2021	Jul-Dec 2020	FY 2021	FY 2020
Net profit for the period	**116.9**	**81.3**	**256.3**	**154.4**
Items that may be reclassified to the income statement				
Translation differences of foreign operations	13.4	-1.7	24.6	-27.6
Tax due to translation differences of foreign operations	-2.8	0.4	-5.1	5.9
Total other comprehensive income	**10.6**	**-1.3**	**19.5**	**-21.7**
COMPREHENSIVE PROFIT FOR THE PERIOD	**127.5**	**80.0**	**275.8**	**132.7**
Comprehensive profit for the period attributable to shareholders	127.5	80.0	275.8	132.7

Balance sheet

Group

MSEK	Note	2021-12-31	2020-12-31
Assets			
Cash and balances at central banks		356.4	402.3
Lending to credit institutions		1 146.7	1 877.4
Lending to the public	5	18 333.1	16 115.5
Value change of interest-hedged items in portfolio hedging		-46.6	47.1
Derivatives		76.0	41.2
Bonds and other interest-bearing securities		493.0	482.4
Government debt securities		337.9	238.2
Intangible assets		112.6	116.8
Tangible fixed assets		43.1	52.9
Other assets		62.1	168.0
Prepaid expenses and accrued income		23.0	23.0
Assets held for sale		-	714.6
Tax assets		65.0	2.2
Total assets		**21 002.2**	**20 281.6**
Liabilities and provisions			
Issued bonds		8 521.1	5 702.0
Deposits from the public		10 426.0	12 612.9
Derivatives		31.4	55.8
Tax liabilities		48.6	-
Deferred tax		0.7	0.5
Other liabilities		102.9	90.7
Accrued expenses and prepaid income		59.6	80.9
Provisions		2.8	0.7
Total liabilities and provisions		**19 193.2**	**18 543.4**
Equity			
Share capital		100.0	100.00
Translation reserve		2.1	-17.4
Shareholders' contribution		563.7	563.7
Retained earnings		886.8	937.4
Profit for the year		256.3	154.4
Total equity		**1 809.0**	**1 738.2**
Total equity and liabilities		**21 002.2**	**20 281.6**

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

Changes in equity

Group

MSEK	Share capital	Translation reserve	Shareholders' contribution	Retained earnings incl. profit for the year	Total equity
	Shareholders' equity				
Opening balance 2020-01-01	**100.0**	**4.3**	**563.7**	**937.4**	**1 605.5**
Profit for the year				154.4	**154.4**
Other comprehensive income					
Translation differences of foreign operations		-27.6			**-27.6**
Tax due to translation differences of foreign operations		5.9			**5.9**
Closing balance 2020-12-31	**100.0**	**-17.4**	**563.7**	**1 091.8**	**1 738.2**
Opening balance 2021-01-01	**100.0**	**-17.4**	**563.7**	**1 091.8**	**1 738.2**
Dividend to shareholders				-205.0	**-205.0**
Profit for the year				256.3	**256.3**
Other comprehensive income					
Translation differences of foreign operations		24.6			**24.6**
Tax due to translation differences of foreign operations		-5.1			**-5.1**
Closing balance 2021-12-31	**100.0**	**2.1**	**563.7**	**1 143.1**	**1 809.0**

Cash flow statement

Group

MSEK	Note	FY 2021	FY 2020
Operating activities			
Operating profit		325.2	215.5
Adjustments for items not included in cash flow			
Depreciation/impairments, tangible and intangible assets		64.8	62.7
Unrealised changes in value		5.3	0.5
Credit losses excluding recoveries		15.5	80.8
Interest accruals		-28.8	7.0
Other		-21.1	-14.3
Total – Items not included in cash flow		**35.7**	**136.8**
Tax paid		-43.3	-49.0
Cash flow from current operations before changes to operating capital		**317.6**	**303.2**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-2 137.1	-838.5
Increase (-)/decrease (+) of short term receivables		20.6	33.1
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-14.8	163.0
Increase (-)/decrease (+) government debt securities		-99.4	-137.5
Increase (+)/decrease (-) of deposits from the public		-2 174.0	1 187.2
Increase (+)/decrease (-) in issued bonds		2 840.0	1 793.2
Increase (+)/decrease (-) of short term liabilities		-22.4	-73.9
Cash flow from operating activities		**-1 269.5**	**2 429.8**
Investing activities			
Investments in intangible assets		-44.3	-56.0
Investments in tangible fixed assets		-6.6	-7.9
Sale of the personal loan portfolio		729.3	-
Cash flow from investing activities		**678.4**	**-63.9**
Financing activities			
Repayment of liabilities to credit institutions		-	-2 000.0
Dividend paid to shareholders		-205.0	-
Cash flow from financing activities		**-205.0**	**-2 000.0**
NET CASH FLOW FOR THE YEAR		**-796.1**	**365.9**
Liquid funds at beginning of year		**2 279.7**	**1 935.6**
Currency difference in liquidity		**19.5**	**-21.7**
LIQUID FUNDS END OF YEAR		**1 503.1**	**2 279.7**
of which cash and balances at central banks		*356.4*	*402.3*
of which lending to credit institutions		*1 146.7*	*1 877.4*
Cash flow includes interest receipts of		**1 088.4**	**1 158.4**
Cash flow includes interest payments of		**-268.1**	**-355.1**

Income statement

Parent

MSEK	Note	Jul-Dec 2021	Jul-Dec 2020	FY 2021	FY 2020
Operating income					
Interest income calculated using the effective interest method		534.7	568.8	1 068.0	1 150.8
Other interest income		19.4	13.7	35.9	31.3
Interest expense		-139.9	-197.2	-287.7	-413.3
Net interest income		**414.3**	**385.4**	**816.2**	**768.8**
Net gains/losses on financial transactions		-5.6	6.7	21.3	18.9
Other operating income		10.3	12.7	23.8	37.4
Total operating income		**419.0**	**404.8**	**861.4**	**825.2**
Operating expense					
General administration expenses		-243.3	-267.2	-486.8	-536.5
Depreciation of tangible and intangible assets		-28.1	-28.8	-46.1	-43.8
Total operating expenses		**-271.4**	**-296.0**	**-533.0**	**-580.3**
Profit before credit losses		**147.6**	**108.8**	**328.4**	**244.9**
Credit losses, net	4	-6.7	3.6	-6.9	-40.6
Operating profit		**140.9**	**112.4**	**321.6**	**204.3**
Tax expense		-26.8	-33.0	-68.1	-58.0
NET PROFIT FOR THE PERIOD		**114.1**	**79.5**	**253.5**	**146.3**

Statement of comprehensive income

Parent

MSEK	Jul-Dec 2021	Jul-Dec 2020	FY 2021	FY 2020
Net profit for the period	**114.1**	**79.5**	**253.5**	**146.3**
Items that may be reclassified to the income statement				
Translation differences of foreign operations	13.4	-0.8	25.6	-26.3
Tax due to translation differences of foreign operations	-2.7	0.2	-5.3	5.6
Total other comprehensive income	**10.7**	**-0.6**	**20.3**	**-20.7**
COMPREHENSIVE PROFIT FOR THE PERIOD	**124.8**	**78.8**	**273.9**	**125.6**

Balance sheet

Parent

MSEK	Note	2021-12-31	2020-12-31
Assets			
Cash and balances at central banks		356.4	402.3
Lending to credit institutions		987.1	1 716.4
Lending to the public	5	18 333.1	16 115.5
Value change of interest-hedged items in portfolio hedging		-46.6	47.1
Derivatives		57.7	16.7
Bonds and other interest-bearing securities		493.0	482.4
Government debt securities		337.9	238.2
Shares and participations in associated companies		0.2	4.7
Intangible assets		110.1	107.1
Tangible fixed assets		6.7	5.4
Other assets		61.0	170.0
Prepaid expenses and accrued income		22.4	22.4
Assets held for sale		-	714.6
Tax assets		58.8	2.7
Total assets		**20 777.6**	**20 045.3**
Liabilities			
Liabilities to credit institutions		329.4	582.2
Issued bonds		8 028.0	4 954.5
Deposits from the public		10 426.0	12 612.9
Derivatives		31.4	55.8
Tax liabilities		47.1	-
Other liabilities		75.6	47.6
Accrued expenses and prepaid income		57.4	78.5
Total liabilities		**18 994.9**	**18 331.5**
Equity			
Share capital		100.0	100.0
Fund for development expenses		29.2	19.1
Translation reserve		4.2	-16.2
Retained earnings		1 395.7	1 464.6
Profit for the year		253.5	146.3
Total equity		**1 782.7**	**1 713.8**
Total equity and liabilities		**20 777.6**	**20 045.3**

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

Changes in equity

Parent

MSEK	Restricted equity: Share capital	Restricted equity: Fund for development expenses	Non-restricted equity: Translation reserve	Non-restricted equity: Retained earnings incl. profit for the year	Total equity
Opening balance 2020-01-01	**100.0**	**10.8**	**4.5**	**1 473.0**	**1 588.2**
Profit for the year				146.3	**146.3**
Other comprehensive income					
Translation differences of foreign operations			-26.3		**-26.3**
Tax due to translation differences of foreign operations			5.6		**5.6**
The year's own accumulated intangible assets		8.3		-8.3	-
Closing balance 2020-12-31	**100.0**	**19.1**	**-16.2**	**1 610.9**	**1 713.8**
Opening balance 2021-01-01	**100.0**	**19.1**	**-16.2**	**1 610.9**	**1 713.8**
Dividend to shareholders				-205.0	**-205.0**
Profit for the year				253.5	**253.5**
Other comprehensive income					
Translation differences of foreign operations			25.6		**25.6**
Tax due to translation differences of foreign operations			-5.3		**-5.3**
The year's own accumulated intangible assets		10.2		-10.2	-
Closing balance 2021-12-31	**100.0**	**29.2**	**4.2**	**1 649.3**	**1 782.7**

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

Cash flow statement

Parent

MSEK	Note	FY 2021	FY 2020
Operating activities			
Operating profit		321.6	204.3
Adjustments for items not included in cash flow			
Depreciation/impairments, tangible and intangible assets		46.1	43.8
Unrealised changes in value		7.0	-2.4
Credit losses excluding recoveries		15.5	81.2
Interest accruals		-28.3	16.1
Other		-21.7	-17.8
Total – Items not included in cash flow		**18.5**	**120.9**
Tax paid		-40.7	-47.6
Cash flow from current operations before changes to operating capital		**299.3**	**277.6**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-2 137.1	-3 225.7
Increase (-)/decrease (+) of short term receivables		20.5	623.7
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-14.8	163.0
Increase (-)/decrease (+) government debt securities		-99.4	-137.5
Increase (+)/decrease (-) of deposits from the public		-2 174.0	1 187.2
Increase (+)/decrease (-) in issued bonds		3 093.8	2 949.8
Increase (+)/decrease (-) of short term liabilities		-9.5	-71.4
Cash flow from operating activities		**-1 021.1**	**1 766.6**
Investing activities			
Investments in intangible assets		-46.4	-53.6
Investments in tangible fixed assets		-4.0	-1.4
Increase in shares and participations in associated companies		4.5	-
Sale of the personal loan portfolio		729.3	-
Cash flow from investing activities		**683.3**	**-55.0**
Financing activities			
Repayment of liabilities to credit institutions		-252.8	-905.6
Dividend paid to shareholders		-205.0	-
Cash flow from financing activities		**-457.8**	**-905.6**
NET CASH FLOW FOR THE YEAR		**-795.6**	**806.0**
Liquid funds at beginning of year		**2 118.7**	**1 333.4**
Currency difference i liquidity		**20.3**	**-20.7**
LIQUID FUNDS END OF YEAR		**1 343.5**	**2 118.7**
of which cash and balances at central banks		*356.4*	*402.3*
of which lending to credit institutions		*987.1*	*1,716.4*
Cash flow includes interest receipts of		**1 104.5**	**1 174.6**
Cash flow includes interest payments of		**-300.6**	**-409.0**

Disclosures

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.

Content

Note 1. Accounting principles

This Year-end report is prepared according to IAS 34, Interim Financial Reporting. The accounting principles and calculation methods described in the Annual report for 2020, Note 1, are applied with the exception of accrued interest expenses on issued bonds. As of the Interim report 2021, the Bank presents accrued interest expenses on issued bonds as part of the debt value to harmonise with the lending and deposit items. Accrued interest expenses were earlier classified as accrued expenses and prepaid income.

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 Financial Supervisory Authority, 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 Swedish Financial Supervisory Authority 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.

Benchmark reform phase 2

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

Note 2. Risk management

Risk management in general

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

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

The Bank's main activity is to provide mortgage 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, credit facilities, issuance of RMBS, covered bonds, and senior unsecured bonds. The Bank has no trading book.

The Bank is exposed to a number of risks, such as strategic risk, business risk, operational risk (covering information security risk), credit risk, market risk, liquidity risk, financing risk, ESG (sustaibability) risk, and reputational risk. Identified risks are assessed qualitatively based on probability and impact of economic loss, negative change in earnings or material change in risk profile, and quantitatively by calculating capital requirements where relevant. For further information about capital requirement and capital adequacy, see Note 7 "Capital adequacy analysis - Parent company and Consolidated situation".

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

Risk governance

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

The organisational perspective consists of the Board, the Chief Executive Officer, 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 – The 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 Chief Executive Officer.
- Second line of defence - The risk management function and the compliance function are responsible for the risk management, compliance and internal control frameworks, and perform support and independent monitoring and control of these areas. The Chief Risk Officer ("CRO") and the Head of Compliance report directly to the Chief Executive Officer, 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 establishes financial and business goals and strategies, ensures that there are effective operating structures and systems in place, and ensures compliance with laws, regulations and internal policies. The Board has the ultimate responsibility for risk management, capital management, compliance, and internal control. The responsibility includes deciding on the Bank's risk management strategies and risk appetite, ensuring that the risk, capital and liquidity situation is within set framework, and that the risk management, compliance and internal control is effective and appropriate. The Board has established the following committees:

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

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

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

The Board has appointed a CRO who is directly subordinate to the Chief Executive Officer. The CRO leads the Risk Management function, which is responsible for supporting and independently monitoring and controlling, risk management for the Bank, 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 2020 Annual report.

Capital and liquidity management

The capital and liquidity management are integrated into the strategic planning, the risk management framework, and the performance of the ICLAAP. The capital and liquidity management are based on internal conditions, organisational structure, business model, and the risk, capital and liquidity situation. Through the capital management, sufficient capitalisation, appropriate composition of the own funds from a loss absorption and cost perspective, efficient use of capital, and efficient capital planning, is ensured. This provides support for achieving set goals, target results, maintaining financial strength and continuity, maintaining sufficient liquidity to meet commitments, and to protect the Bank's brand and reputation. In addition, the operations can continue to generate returns and benefits for owners and other stakeholders.

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

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

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

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

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

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

For further information about the Bank's capital and liquidity management, see Note 2 "Risk Management" in the 2020 annual report, Note 7 "Capital adequacy analysis – Parent company and consolidated situation" in this report, and the Bank's report on capital and risk management in accordance with the Pillar III disclosure requirements published quarterly on http://www.bluestepbank.com.

Note 3. Operating segments

The operating segment report is based on the Group's accounting principles, organisation and management accounts. Market-based transfer prices are applied between operating segments, while all expenses for IT, other Group functions and Group staff are transfer priced at cost to the operating segments. Cross-border transfer pricing is applied according to OECD transfer pricing guidelines.

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. The personal loan portfolio, which was sold on the 1st of January 2021, is reported under Other operations. The income during 2021 is related to the sale of the portfolio.

	Group					
	Mortgages			Other		
Balance sheet 2021-12-31 (MSEK)	**Sweden**	**Norway**	**Finland**	**operations**	**Eliminations**	**Total**
Lending to credit institutions	696.3	426.9	23.6	-	-	**1 146.7**
Lending to the public	10 483.8	7 629.8	219.4	-	-	**18 333.1**
Deposits from the public	4 091.4	6 334.6	-	-	-	**10 426.0**

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

	Group					
	Mortgages			Other		
Income statement H2 2021 (MSEK)	**Sweden**	**Norway**	**Finland**	**operations**	**Eliminations**	**Total**
Interest income	285.5	267.3	5.4	-	-11.9	**546.2**
of which interest income within group	*11.9*	*-*	*-*	*-*	*-11.9*	*-*
Interest expense	-73.4	-62.9	-0.9	-	11.9	**-125.2**
of which interest expense within group	*-7.9*	*-3.3*	*-0.8*	*-*	*11.9*	*-*
Net interest income	**212.1**	**204.4**	**4.5**	**-**	**-0.0**	**421.0**
Total operating income	**230.7**	**204.6**	**4.5**	**-7.6**	**-8.8**	**423.4**
Total expenses	**-151.4**	**-110.4**	**-23.6**	**3.6**	**8.8**	**-273.0**
Result pre credit losses	**79.3**	**94.2**	**-19.1**	**-4.0**	**-0.0**	**150.4**
Credit losses, net	-3.0	-4.1	-0.4	0.7	-	**-6.7**
Operating profit/loss	**76.3**	**90.2**	**-19.5**	**-3.3**	**-0.0**	**143.7**
Allocated tax*	-5.6	-21.1	-0.1	-	-0.0	**-26.8**
NET PROFIT/LOSS FOR THE PERIOD	**70.7**	**69.1**	**-19.6**	**-3.3**	**-0.0**	**116.9**

** Allocated tax is used for the allocation of tax to the various operating segments and is not a measure that is directly regulated in IFRS.*

	Group					
	Mortgages			Other		
Income statement H2 2020 (MSEK)	**Sweden**	**Norway**	**Finland**	**operations**	**Eliminations**	**Total**
Interest income	277.0	267.8	0.6	37.5	-9.0	**574.0**
of which interest income within group	*8.8*	*0.2*	*-*	*-*	*-9.0*	*-*
Interest expense	-72.0	-108.1	-0.1	-6.5	9.0	**-177.8**
of which interest expense within group	*-8.6*	*-0.2*	*-0.1*	*-*	*9.0*	*-*
Net interest income	**205.0**	**159.7**	**0.5**	**31.0**	**0.0**	**396.2**
Total operating income	**218.9**	**167.2**	**0.5**	**29.6**	**-9.7**	**406.5**
Total expenses	**-154.5**	**-121.1**	**-20.6**	**-8.6**	**9.7**	**-295.2**
Result pre credit losses	**64.4**	**46.1**	**-20.2**	**21.0**	**-0.0**	**111.4**
Credit losses, net	-2.8	-9.0	-0.1	15.5	-	**3.6**
Operating profit/loss	**61.6**	**37.1**	**-20.3**	**36.5**	**-0.0**	**115.0**
Allocated tax*	-16.8	-14.0	1.4	-4.2	0.0	**-33.7**
NET PROFIT/LOSS FOR THE PERIOD	**44.8**	**23.1**	**-18.9**	**32.3**	**-0.0**	**81.3**

	Group					
	Mortgages			Other		
Income statement 2021 (MSEK)	**Sweden**	**Norway**	**Finland**	**operations**	**Eliminations**	**Total**
Interest income	566.4	534.0	7.9	-	-20.5	**1 087.8**
of which interest income within group	*20.5*	*-*	*-*	*-*	*-20.5*	*-*
Interest expense	-145.9	-128.3	-1.4	-	20.5	**-255.2**
of which interest expense within group	*-15.9*	*-3.4*	*-1.2*	*-*	*20.5*	*-*
Net interest income	**420.5**	**405.7**	**6.5**	**-**	**0.0**	**832.7**
Total operating income	**457.9**	**410.1**	**6.5**	**10.3**	**-19.9**	**864.8**
Total expenses	**-297.1**	**-215.4**	**-40.1**	**0.0**	**19.9**	**-532.8**
Result pre credit losses	**160.8**	**194.6**	**-33.6**	**10.3**	**-0.0**	**332.1**
Credit losses, net	-0.6	-5.9	-0.3	-0.0	-	**-6.9**
Operating profit/loss	**160.2**	**188.7**	**-33.9**	**10.2**	**-0.0**	**325.2**
Allocated tax*	-19.7	-45.8	-0.0	-3.3	-	**-68.9**
NET PROFIT/LOSS FOR THE YEAR	**140.4**	**143.0**	**-34.0**	**6.9**	**-0.0**	**256.3**

	Group					
	Mortgages			Other		
Income statement 2020 (MSEK)	**Sweden**	**Norway**	**Finland**	**operations**	**Eliminations**	**Total**
Interest income	565.5	539.8	0.6	88.8	-26.3	**1 168.3**
of which interest income within group	*26.1*	*0.3*	*-*	*-*	*-26.3*	*-*
Interest expense	-169.8	-196.5	-0.2	-15.4	22.6	**-359.4**
of which interest expense within group	*-21.2*	*-1.1*	*-0.2*	*-*	*22.6*	*-*
Net interest income	**395.7**	**343.2**	**0.3**	**73.4**	**-3.8**	**808.9**
Total operating income	**443.5**	**356.4**	**0.3**	**71.1**	**-35.0**	**836.3**
Total expenses	**-326.7**	**-233.9**	**-32.0**	**-23.0**	**34.9**	**-580.7**
Result pre credit losses	**116.8**	**122.5**	**-31.7**	**48.0**	**-0.0**	**255.6**
Credit losses, net	-10.6	-16.0	-0.1	-13.4	-	**-40.1**
Operating profit/loss	**106.2**	**106.5**	**-31.8**	**34.6**	**-0.0**	**215.5**
Allocated tax*	-23.0	-31.5	1.4	-8.1	0.0	**-61.1**
NET PROFIT/LOSS FOR THE YEAR	**83.2**	**75.0**	**-30.4**	**26.6**	**-0.0**	**154.4**

** Allocated tax is used for the allocation of tax to the various operating segments and is not a measure that is directly regulated in IFRS.*

Note 4. Credit losses

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

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

- 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

	Group				Parent			
Credit impairments (MSEK)	**Jul-Dec 2021**	**Jul-Dec 2020**	**FY 2021**	**FY 2020**	**Jul-Dec 2021**	**Jul-Dec 2020**	**FY 2021**	**FY 2020**
Stage 1 – net impairment	-0.1	11.2	0.3	9.1	-0.1	11.2	0.3	9.0
Stage 2 – net impairment	-3.5	18.5	-1.6	10.1	-3.5	18.5	-1.6	10.1
Stage 3 – impairment/recovories for the year	-3.6	-11,3	-6.3	-15.3	-3.6	-11.3	-6.3	-14.3
Credit impairments for off balance sheet exposures	–	–	–	–	–	–	–	–
Write-offs								
Actual losses during the period	-7.5	-44.7	-21.5	-94.6	-7.5	-44.7	-21.5	-94.6
Reversal of allowances in Stage 3	5.5	10,1	13.6	9.9	5.5	10,1	13.6	8.5
Recoveries from previous write-offs	2.4	19.7	8.6	40.7	2.4	19.7	8.6	40.6
Total write-offs	0.4	-14.9	0.7	-44.0	0.4	-14.9	0.7	-45.5
Credit losses, net	-6.7	3.6	-6.9	-40.1	-6.7	3.6	-6.9	-40.6

Note 5. Lending to the public

	Group		Parent	
Lending to the public (MSEK)	**2021-12-31**	**2020-12-31**	**2021-12-31**	**2020-12-31**
Valued at amortised cost				
Mortgages Sweden	9 941.6	9 199.3	9 941.6	9 199.3
Mortgages Norway	7 629.8	6 651.8	7 629.8	6 651.8
Mortgages Finland	219.4	47.7	219.4	47.7
Valued at fair value				
Mortgages Sweden	542.3	216.8	542.3	216.8
Total lending to the public	18 333.1	16 115.5	18 333.1	16 115.5

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

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

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

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

(MSEK)	Group				Parent			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 January 2020	**14 504.3**	**1,339.0**	**312.8**	**16 156.1**	**12 309.2**	**1 163.5**	**288.4**	**13 761.0**
Reported value gross 31 December 2020	**14 581.9**	**1 744.2**	**330.4**	**16 656.5**	**14 581.9**	**1 744.2**	**330.4**	**16 656.5**
Provisions 1 January 2020	**-15.3**	**-28.6**	**-14.0**	**-57.8**	**-14.3**	**-25.4**	**-12.1**	**-51.9**
New financial assets	-2.3	-1.8	-1.6	**-5.6**	-2.8	-3.5	-3.4	**-9.7**
Change in PD/LGD/EAD	0.9	0.3	0.2	**1.4**	0.8	0.1	0.2	**1.1**
Change due to expert credit judgement	4.8	8.9	-2.8	**10.9**	4.8	8.9	-2.8	**10.9**
Transfers between stages	**0.9**	**-9.6**	**-11.1**	**-19.7**	**0.9**	**-9.7**	**-9.8**	**-18.6**
-Transfer from stage 1 to 2	1.2	-16.0	-	**-14.7**	1.2	-15.3	-	**-14.1**
-Transfer from stage 1 to 3	0.2	-	-8.5	**-8.3**	0.2	-	-7.5	**-7.4**
-Transfer from stage 2 to 1	-0.5	5.3	-	**4.7**	-0.5	4.6	-	**4.1**
-Transfer from stage 2 to 3	-	1.6	-3.7	**-2.1**	-	1.3	-3.0	**-1.7**
-Transfer from stage 3 to 1	-0.0	-	0.1	**0.1**	-0.0	-	0.1	**0.1**
-Transfer from stage 3 to 2	-	-0.4	1.0	**0.6**	-	-0.3	0.7	**0.4**
Changes in exchange rates	0.1	0.3	0.3	**0.7**	0.1	0.3	0.3	**0.7**
Removed financial assets	4.8	12.3	9.9	**27.0**	4.5	11.2	8.5	**24.3**
Provisions 31 December 2020	**-6.1**	**-18.1**	**-19.0**	**-43.3**	**-6.1**	**-18.1**	**-19.0**	**-43.3**
Opening balance 1 January 2020	**14 489.0**	**1 310.5**	**298.8**	**16 098.3**	**12 294.8**	**1 138.1**	**276.3**	**13 709.2**
Closing balance 31 December 2020	**14 575.8**	**1 726.1**	**311.4**	**16 613.3**	**14 575.8**	**1 726.1**	**311.4**	**16 613.3**

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

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

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

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

The table below shows the presented values of the assets:

Transferred assets Step 4	2017-03-09	2020-12-31	2021-12-31
Lending to the public (MSEK)	2 986.1	1 118.7	862.8

Note 6. Calculation 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. Transfers between different levels in the hierarchy may occur when there are indications that the market conditions, e.g. liquidity, have changed. No reclassifications have taken place during the first half of the year.

Level 1 uses valuation of quoted prices in an active market, i.e. easily accessible by different market makers and represent actual and frequent transactions. Level 2 uses calculated values that are based on observable market quotations for similar instruments, or instruments on a less active market. This level includes interest bearing instruments, interest rate swaps, and cross-currency swaps. Level 3 refers to financial instruments that are not actively traded in a market and where valuation models are used where significant input data is based on unobservable data. At this level there is a certain proportion of lending to the public.

2021-12-31 (MSEK)	Group			
	Valued at fair value through profit or loss[1]	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets				
Cash and balances at central banks	-	356.4	-	**356.4**
Lending to credit institutions	-	1 146.7	-	**1 146.7**
Lending to the public	542.3	17 790.8	-	**18 333.1**
Value change of interest-hedged items in portfolio hedging	-	-46.6	-	**-46.6**
Derivatives	76.0	-	-	**76.0**
Bonds and other interest-bearing securities	493.0	-	-	**493.0**
Government debt instruments	337.9	-	-	**337.9**
Other assets	-	11.6	50.5	**62.1**
Prepaid expenses and accrued income	-	5.0	17.9	**23.0**
Total non-financial assets	-	-	220.7	**220.7**
Total assets	**1 449.1**	**19 263.9**	**289.1**	**21 002.2**
Liabilities and provisions				
Issued bonds	-	8 521.1	-	**8 521.1**
Deposits from the public	-	10 426.0	-	**10 426.0**
Derivatives	31.4	-	-	**31.4**
Deferred tax	-	-	-	**-**
Other liabilities	-	88.6	14.3	**102.9**
Accrued expenses and prepaid income	-	59.6	-	**59.6**
Provisions	-	2.8	-	**2.8**
Total non-financial liabilities	-	-	49.3	**49.3**
Total liabilities and provisions	**31.4**	**19 098.2**	**63.6**	**19 193.2**

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

2020-12-31 (MSEK)	Group			
	Valued at fair value through profit or loss[1]	Amortised cost	Non-financial assets and liabilities	**Sum Carrying value**
Assets				
Cash and balances at central banks	-	402.3	-	**402.3**
Lending to credit institutions	-	1 877.4	-	**1 877.4**
Lending to the public	216.8	15 898.7	-	**16 115.5**
Value change of interest-hedged items in portfolio hedging	-	47.1	-	**47.1**
Derivatives	41.2	-	-	**41.2**
Bonds and other interest-bearing securities	482.4	-	-	**482.4**
Government debt instruments	238.2	-	-	**238.2**
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**
Total non-financial assets	-	-	171.9	**171.9**
Total assets	**978.6**	**18 958.7**	**344.4**	**20 281.6**
Liabilities and provisions				
Issued bonds	-	5 702.0	-	**5 702.0**
Deposits from the public	-	12 612.9	-	**12 612.9**
Derivatives	55.8	-	-	**55.8**
Deferred tax	-	-	0.5	**0.5**
Other liabilities	-	74.3	16.4	**90.7**
Accrued expenses and prepaid income	-	80.9	-	**80.9**
Provisions	-	0.7	-	**0.7**
Total liabilities and provisions	**55.8**	**18 470.8**	**16.8**	**18 543.4**

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

2021-12-31 (MSEK)	Parent			
	Valued at fair value through profit or loss[1]	Amortised cost	Non-financial assets and liabilities	**Sum Carrying value**
Assets				
Cash and balances at central banks	-	356.4	-	**356.4**
Lending to credit institutions	-	987.1	-	**987.1**
Lending to the public	542.3	17 790.8	-	**18 333.1**
Value change of interest-hedged items in portfolio hedging	-	-46.6	-	**-46.6**
Derivatives	57.7	-	-	**57.7**
Bonds and other interest-bearing securities	493.0	-	-	**493.0**
Government debt instruments	337.9	-	-	**337.9**
Shares and participations in associated companies	-	-	0.2	**0.2**
Other assets	-	10.5	50.5	**61.0**
Prepaid expenses and accrued income	-	5.0	17.4	**22.4**
Total non-financial assets	-	-	175.6	**175.6**
Total assets	**1 430.8**	**19 103.2**	**243.6**	**20 777.6**
Liabilities				
Liabilities to credit institutions	-	329.4	-	**329.4**
Issued bonds	-	8 028.0	-	**8 028.0**
Deposits from the public	-	10 426.0	-	**10 426.0**
Derivatives	31.4	-	-	**31.4**
Tax liabilities	-	-	47.1	**47.1**
Other liabilities	-	61.9	13.7	**75.6**
Accrued expenses and prepaid income	-	57.4	-	**57.4**
Total liabilities	**31.4**	**18 902.8**	**60.7**	**18 994.9**

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

2020-12-31 (MSEK)	Parent: Valued at fair value through profit or loss[1]	Amortised cost	Non-financial assets and liabilities	Sum Carrying value
Assets				
Cash and balances at central banks	-	402.3	-	**402.3**
Lending to credit institutions	-	1 716.4	-	**1 716.4**
Lending to the public	216.8	15 898.7	-	**16 115.5**
Value change of interest-hedged items in portfolio hedging	-	47.1	-	**47.1**
Derivatives	16.7	-	-	**16.7**
Bonds and other interest-bearing securities	482.4	-	-	**482.4**
Government debt instruments	238.2	-	-	**238.2**
Shares and participations in associated companies	-	-	4.7	**4.7**
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**
Total non-financial assets	-	-	115.1	**115.1**
Total assets	**954.1**	**18 802.6**	**288.6**	**20 045.3**
Liabilities				
Liabilities to credit institutions	-	582.2	-	**582.2**
Issued bonds	-	4 954.5	-	**4 954.5**
Deposits from the public	-	12 612.9	-	**12 612.9**
Derivatives	55.8	-	-	**55.8**
Other liabilities	-	31.9	15.7	**47.6**
Accrued expenses and prepaid income	-	78.5	-	**78.5**
Total liabilities	**55.8**	**18 260.0**	**15.7**	**18 331.5**

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

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

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value since the post is not subject to significant value changes. Any currency effects are recorded in the income statement. There is no material difference in lending to the public if all loans were lent to the interest rates per December 31st compared to the current interest rate of the loans. Method for determining the fair value of derivatives is described in the Annual report for 2020, Note 1. Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

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

Valued at fair value through profit or loss per level

	Group							
	2021-12-31				2020-12-31			
(MSEK)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	-	-	542.3	**542.3**	-	-	216.8	**216.8**
Derivatives	-	76.0	-	**76.0**	-	41.2	-	**41.2**
Bonds / other interest-bearing securities	493.0	-	-	**493.0**	720.6	-	-	**720.6**
Total assets	**493.0**	**76.0**	**542.3**	**1 111.2**	**720.6**	**41.2**	**216.8**	**978.6**
Liabilities								
Derivatives	-	31.4	-	**31.4**	-	55.8	-	**55.8**
Total liabilities	**-**	**31.4**	**-**	**31.4**	**-**	**55.8**	**-**	**55.8**

	Parent							
	2021-12-31				2020-12-31			
(MSEK)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	-	-	542.3	**542.3**	-	-	216.8	**216.8**
Derivatives	-	57.7	-	**57.7**	-	16.7	-	**16.7**
Bonds / other interest-bearing securities	493.0	-	-	**493.0**	720.6	-	-	**720.6**
Total assets	**493.0**	**57.7**	**542.3**	**1 093.0**	**720.6**	**16.7**	**216.8**	**954.1**
Liabilities								
Derivatives	-	31.4	-	**31.4**	-	55.8	-	**55.8**
Total liabilities	**-**	**31.4**	**-**	**31.4**	**-**	**55.8**	**-**	**55.8**

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

2021-12-31 (MSEK)	Group & Parent: Carrying balance	New loans	Redeemed loans	Unrealised interest income	Realised interest and operating income	Gains/ losses on revaluation	Total
Lending to the public	216.8	325.7	-15.2	14.8	1.0	-0.9	**542.3**

2020-12-31 (MSEK)	Group & Parent: Carrying balance	New loans	Redeemed loans	Unrealised interest income	Realised interest and operating income	Gains/ losses on revaluation	Total
Lending to the public	51.8	164.1	-4.6	5.3	1.1	-0.8	**216.8**

Sensitivity analysis 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 a decrease in house price index of 10% and an increased intrest rate stress of 1%. The results have shown no impact on the portfolio's fair value.

Note 7. 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 apply; the Swedish banking and finance business Act (2004:297), the Act (2014:968) regarding special supervision of credit institutions and securities companies, the Act (2014:966) regarding capital buffers, the Act (1995:1559) regarding annual reports at credit institutions and securities companies, the Regulation (2014:993) regarding special supervision and capital buffers, the Swedish FSA's regulations (FFFS 2014:12) regarding prudential requirements and capital buffers, the Swedish FSA's regulations and general guidelines (FFFS 2008:25) regarding annual reports at credit institutions and securities companies, and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 ("CRR").

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

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

Risk-based capital requirement

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

The Bank allocates capital for its risks according to the risk-based Pillar I capital requirement based on the standardised approach for credit risk, market risk and credit valuation adjustment risk, while the alternative standardised approach is used for operational risk. The risk-based Pillar II capital requirements have, as part of the Bank's ICLAAP, been calculated for concentration risk, interest rate risk, credit spread risk, credit risk, foreign exchange rate risk, liquidity risk, operational risk, business risk, and strategic risk. Methods from the Swedish FSA are used for concentration risk, interest rate risk, and credit spread risk, and internal methods are used for the other risks.

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

Risk-based capital requirements		Method
Pillar I Capital Requirement		
Minimum Capital Requirement	Credit risk	Standardised Approach
	CVA risk	Standardised Approach
	Market risk	Standardised Approach
	Operational risk	Alternative Standardised Approach
Pillar II Capital Requirement		
Pillar II Requirement ("P2R")	Concentration risk	SFSA Method
	Interest Rate risk	SFSA Method
	Credit spread risk	SFSA Method
	Credit risk	Internal Method
	Foreign Exchange Rate risk	Internal Method
	Liquidity risk	Internal Method
	Operational risk	Internal Method
	Business risk	Internal Method
	Strategic risk	Internal Method
Pillar II Guidance ("P2G")	-	-
Combined Buffer Requirement		
Countercyclical Capital Buffer ("CCyCB")	-	-
Capital Conservation Buffer ("CCB")	-	-

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

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

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

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

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

Own funds

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

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

	Consolidated situation		Parent	
Capital Adequacy (MSEK)	**2021-12-31**	**2020-12-31**	**2021-12-31**	**2020-12-31**
Own funds	1 390.1	1 617.2	1 409.7	1 605.6
Common Equity Tier 1 (CET1) capital	1 390.1	1 617.2	1 409.7	1 605.6
Capital instruments and the related share premium accounts	4 451.4	4 451.4	663.7	663.7
Retained earnings	231.0	229.1	1 114.8	1 066.2
Accumulated other comprehensive income	1.7	-17.4	4.2	-16.2
Other reserves	26.0	26.0	-	-
Intangible assets (net of related tax liability)	-3 018.5	-3 070.9	-71.5	-107.1
Regulatory adjustment for prudent valuation	-1.5	-1.1	-1.5	-1.1
Independently reviewed interim profits net of any foreseeable charge or dividend	-300.0	-	-300.0	-
Additional Tier 1 capital	-	-	-	-
Tier 2 Capital	-	-	-	-
Risk Exposure Amount	8 470.7	8 223.0	8 257.5	7 944.0
Risk exposure amount credit risk	7 124.9	7 086.7	7 018.9	6 964.7
Risk exposure amount market risk	494.1	310.0	494.1	310.0
Risk exposure amount operational risk	830.6	774.6	744.5	669.0
Risk exposure amount credit valuation adjustment risk (CVA)	21.1	51.7	-	0.2
CET 1 capital ratio, %	16.4%	19.7%	17.1%	20.2%
Tier 1 capital ratio, %	16.4%	19.7%	17.1%	20.2%
Total capital ratio, %	16.4%	19.7%	17.1%	20.2%
Institution specific buffer requirement, %	2.9%	2.9%	2.9%	2.9%
of which capital conservation buffer requirement	2.5%	2.5%	2.5%	2.5%
of which countercyclical buffer requirement	0.4%	0.4%	0.4%	0.4%
CET1 available to meet buffers	8.4%	11.7%	9.1%	12.0%

Pillar I minimum capital requirement for credit risk

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

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

	Consolidated situation				
	2021-12-31				2020-12-31
Exposure class (MSEK)	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement
Governments or central banks	978.7	0%	-	-	-
Exposures to institutions	1 382.1	20%	276.4	22.1	35.5
Exposures to corporates	-	0%	-	-	-
Retail exposures	43.2	75%	32.4	2.6	44.6
Exposures to mortgages	17 953.4	36%	6 413.5	513.1	451.0
Exposures in default	289.8	100%	290.1	23.2	25.9
Exposures in the form of covered bonds	283.5	10%	28.4	2.3	2.3
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-
Equity exposures	12.4	100%	12.4	1.0	0.9
Other exposures	71.7	100%	71.7	5.7	6.7
Securitisations	-	-	-	-	-
Total capital requirement for credit risk	**21 014.8**		**7 124.9**	**570.0**	**566.9**

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

Pillar I minimum capital requirement for operational risk

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

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

Pillar I minimum capital requirement for market risk

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

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

Pillar I minimum capital requirement for credit valuation adjustment risk

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

	Consolidated situation		Parent	
(MSEK)	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Capital requirements for credit valuation adjustment risk	1.7	4.1	-	0.0
Total capital requirement for credit valuation adjustment risk	**1.7**	**4.1**	**-**	**0.0**

Total Pillar I minimum capital requirement

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

	Consolidated situation		Parent	
Pillar I (MSEK)	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Pillar I capital requirement	677.7	657.8	660.6	635.5
Total Pillar I capital requirement	**677.7**	**657.8**	**660.6**	**635.5**

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

Total risk-based capital requirements

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

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

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

Leverage ratio

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

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

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

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

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

The Bank is fulfilling the minimum leverage ratio requirement of 3%.

The leverage ratio decreased compared to 2020 as a result of reduced Tier1 capital due to deduction of foreseeable dividend payment.

Note 8. Related parties

Related parties

Related parties refer to:

- EQT VII (private equity fund), registrered in Edinburgh (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 registrered in Oslo (broker agency which is an associated company to Bluestep Holding AB).

	Group		Parent	
Assets and liabilities (MSEK)	**2021-12-31**	**2020-12-31**	**2021-12-31**	**2020-12-31**
Intercompany receivables				
Parent	1.9	0.0	1.9	0.0
Group	1.9	0.0	533.5	541.5
Total	**3.9**	**0.0**	**535.4**	**541.5**
Intercompany payables				
Parent	-	-	-	-
Group	-	-	7,2	3.1
Total	**-**	**-**	**7,2**	**3.1**

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

Interest income

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

Note 9. Pledged assets, contingent liabilities and commitments

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

Lending to credit institutions

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

Lending to the public

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

This Year-end report has not been subject to review by the Bank's auditor.

The Chief Executive Officer certifies that the Year-end report for 2021 provides a true and fair view of the Parent's and the Group's operations, their financial positions and earnings as well as describes significant risks and uncertainties facing the Parent and the Group.

Stockholm February 24, 2022

Björn Lander
Chief Executive Officer

Definition of alternative performance measures

C/I

Costs before credit losses in relation to operating income.

	H2 2021	FY 2021
Costs before credit losses (MSEK)	273.0	532.8
Operating income (MSEK)	423.4	864.8
C/I	**64%**	**62%**

Credit losses (%)

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

	H2 2021	FY 2021
Credit losses (MSEK)	6.7	6.9
Credit losses annualised (MSEK)	13.5	6.9
Lending to the public (MSEK)	18 333.1	18 333.1
Credit losses (%)	**0.07%**	**0.04%**

Return on equity

Operating profit after tax in relation to average equity.

	H2 2021	FY 2021
Operating profit (MSEK)	143.7	325.2
Operating profit annualised (MSEK)	287.3	325.2
Operating profit less 20.6% tax (MSEK)	**228.2**	**258.2**
Total equity 2020-12-31 (MSEK)	E/T	1 738.2
Total equity 2021-06-30 (MSEK)	1 886.4	E/T
Total equity 2021-12-31 (MSEK)	1 809.0	1 809.0
Average equity (MSEK)	**1 847.7**	**1 773.6**
Return on equity	**12.3%**	**14.6%**

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.

	H2 2021	FY 2021
Total Interest Income (MSEK)	546.2	1 087.8
Interest income bonds (MSEK)	-1.4	-3.2
Interest income credit institutions (MSEK)	-1.0	-1.2
Gross revenue (MSEK)	**543.9**	**1 083.4**
Gross revenue annualised (MSEK)	1 087.8	1 083.4
Lending to the public 2020-12-31 (MSEK)	N/A	16 115.5
Lending to the public 2021-06-30 (MSEK)	17 071.0	N/A
Lending to the public 2021-12-31 (MSEK)	18 333.1	18 333.1
Average lending to the public (MSEK)	**17 702.0**	**17 224.3**
Gross Revenue / Lending to the public	**6.1%**	**6.3%**

Operating income / Lending to the public

Operating income in relation to average lending to the public.

	H2 2021	FY 2021
Operating income (MSEK)	423.4	864.8
Operating income annualised (MSEK)	846.7	864.8
Lending to the public 2020-12-31 (MSEK)	N/A	16 115.5
Lending to the public 2021-06-30 (MSEK)	17 071.0	N/A
Lending to the public 2021-12-31 (MSEK)	18 333.1	18 333.1
Average lending to the public (MSEK)	**17 702.0**	**17 224.3**
Operating income / Lending to the public	**4.8%**	**5.0%**

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