

Year end report January – December 2022

Bluestep Bank AB (publ)



Bluestep Bank.

A modern mortgage bank.

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

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The year in brief

The period extends from 1 January – 31 December 2022 (comparative figure for the corresponding period last year).

Performance and financial position

- Lending to the public increased by 11% to MSEK 20,346 (MSEK 18,333). Adjusted for currency effects the increase was 9%.
- New lending amounted to MSEK 6,903 (MSEK 7,169). Adjusted for currency effects the decrease was 6%, as both NOK and EUR strengthened against SEK compared to the previous year.
- Net interest income amounted to MSEK 921 (MSEK 833), an increase of 11%.
- Operating profit amounted to MSEK 310 (MSEK 325). Operating income increased during the year, but non-recurring items associated with the strategic review initiated by the owners of the Group (amounting to MSEK 36) and increased credit loss provisions led to a decrease in operating profit by 5%.
- Net credit losses amounted to MSEK 28 (MSEK 7), equivalent to a credit loss level of 0.14% (0.04%).
- The return on equity for the year was 13.9% (14.6%).
- The Common Equity Tier 1 ratio ("CET1") was 17.2% (16.4%), which is with a good margin to the targeted level at 16%.

Financing

- The Group redeemed its final outstanding RMBS transaction (Step 4) in May. The Group has thereby taken another step towards its long-term funding structure, comprising of covered bonds, senior unsecured bonds and deposits from the public.
- Two tap issues of covered bonds, amounting to MSEK 300 each, were completed during the first half of 2022. At the end of the period, the Group had an outstanding volume of covered bonds amounting to MSEK 5,900 under Bluestep Bank's MTCN-programme.
- At the end of the period, the Group had an outstanding volume of MSEK 1,550 and MNOK

550 in senior unsecured bonds under Bluestep Bank's MTN-programme.

- Deposits from the public amounted to MSEK 13,239 (MSEK 10,426).

Strategic development and significant events

- The year 2022 has been characterised by a swift change in macro coupled with geopolitical uncertainty due to the conflict in Ukraine. This is resulted in sharply rising interest rates, high energy prices and elevated inflation. The outlook is still filled with uncertainty and Bluestep Bank is closely monitoring the situation and implements measures as needed.
- The strategic review initiated by EQT VII, the indirect majority shareholder in Bluestep Bank, concluded with EQT VII deciding to remain committed to Bluestep Bank.
- Both Bluestep Bank's growth initiatives, focusing on the equity release product in Sweden and mortgages in Finland doubled in volume during the year and reached MSEK 1,011 (MSEK 542), and MSEK 511 (MSEK 219) respectively.
- Bluestep Bank notified the Swedish Financial Services Authority of the intention to provide cross-border services by offering deposit products to customers residing in Germany. The notification was acknowledged by the Swedish Financial Services Authority and thereafter also by the German Federal Financial Supervisory Authority ("BaFin"). This will enable Bluestep Bank to further diversify the Group's funding.
- A common Nordic function for loan and deposit administration was established at the end of 2021. During 2022, the next step was finalised with the migration to one common IT system for loan-and deposit administration.
- Jayne Almond was appointed new chairman of the Board of Directors as Per-Arne Blomquist decided to step down. His departure and the decision from Lars Wollung and Sofia Arhall Bergendorff not to stand for re-election, decreased the number of Board members from eight to six during the year.

Key Figures

MSEK	H2 2022	H2 2021	Δ	FY 2022	FY 2021	Δ
Lending to the public	20,346	18,333	11%	20,346	18,333	11%
Deposits from the public	13,239	10,426	27%	13,239	10,426	27%
Net interest income	479	421	14%	921	833	11%
Operating expenses	279	273	2%	568	533	7%
Operating profit	180	144	25%	310	325	-5%
C/I, % ^{1,2}	57%	64%	-7	63%	62%	1
Credit losses, % ^{1,2,3}	0.28%	0.07%	0.20	0.14%	0.04%	0.10
Return on Equity, % ^{1,2,3}	17.0%	12.3%	4.7	13.9%	14.6%	-0.7
CET1 ratio, % ¹	17.2%	16.4%	0.7	17.2%	16.4%	0.7

¹ The change is stated in percentage points

² See page 39 for definitions of alternative performance measures

³ Key figures related to H2 are annualised to full-year values



Strong growth despite a challenging macro climate

A continued troubled world

2022 continued to pose massive challenges for individuals, companies, and societies globally. The covid-19 pandemic still caused lockdowns in Asia and consequent supply chain disruptions, and the Russian invasion of Ukraine has caused unimaginable suffering for millions of people, which has also had severe implications for the macroeconomic climate globally, but first and foremost in Europe.

For years the Nordic region has been characterised by low interest rates, a stable labour market and high growth. In 2022 most of these features have taken a turn for the worse. Rising inflation and rising interest rates, together with sharply increasing energy

prices have led to a perfect storm in people's personal finances, causing everyday life to be much more expensive than only a year ago.

At the same time, the Swedish housing market has seen double digit price decreases, something not experienced in decades.

"In times of hardship, Bluestep Bank can help more people."

"2022 was a year of continued solid performance."

In these very troubled times Bluestep Bank is more relevant than ever before – exclusion from both the housing market and from traditional banks has left room for a financially inclusive modern mortgage bank with the aim to improve financial inclusion through home ownership.

A strong and resilient business despite a challenging market

Even though surrounding circumstances and the macro climate is not favourable, Bluestep Bank has continued to perform well, showcasing a resilient company fit to seize the opportunities that this type of market can lead to. In 2022 Bluestep Bank exhibited both strong growth in lending to the public and continued solid profitability.

We have continued to take further steps to build market share in Finland and in the equity release product through 6Oplusbanken in Sweden. These two areas remain a strong focus as they present a vast underlying market potential that we will continue to penetrate during 2023.

A well carried out strategy means improved growth opportunities

In 2018 Bluestep Bank set out on a strategic transformational journey. As we now sum up 2022 we can see that the main objectives in that strategy have been delivered upon. By divesting our personal loan portfolio, we effectively created a pure mortgage bank, we have increased our product range by offering equity release through 6Oplusbanken in Sweden and we have launched and established our mortgage business in Finland. Furthermore, we have streamlined

operations with the transformation to one core banking platform and one centralised back office organisation.

The strategy has helped us establish a more effective, lean, and productive organisation, ensuring increased customer benefits while also making us well prepared for further expansion. During 2022 a strategic overview was conducted by our owners, EQT VII, to oversee potential options for Bluestep Bank going forward. After having carried out a thorough analysis, EQT VII has decided to remain committed to Bluestep Bank.

Increased efforts on leadership and employees

The last few years have taught us that leadership and team building are crucial to maintain business as usual even in the face of constantly changing circumstances. This becomes increasingly important as we all are beginning to understand that the world moves much faster than ever before, and that constant change is the new reality. To equip our leaders for the future, Bluestep Bank has decided to invest in a tailored leadership programme, that will be running for all of 2023. The programme includes all managers in all our markets.

Lastly, I would also like to thank our fantastic employees, who have faced many challenges in their everyday life and at work during the past two years. Without them, our stable and growing performance would not have been possible.

Björn Lander,
Chief Executive Officer



This is Bluestep Bank

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

Our business

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

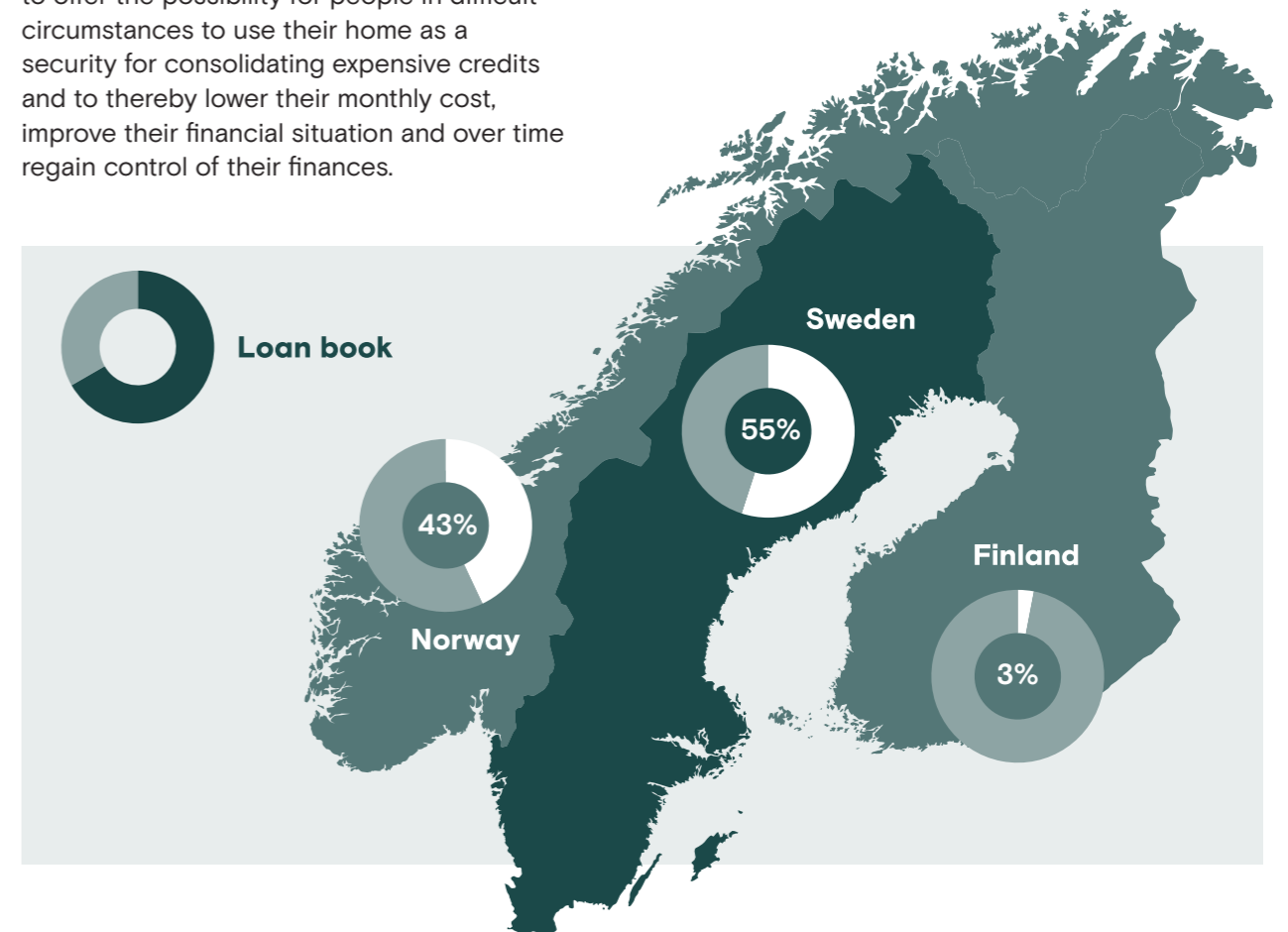
Our role in society

In today's financial market Bluestep Bank is more relevant than perhaps ever before. All of our customers have different needs and circumstances, all united by the exclusion they experience from traditional banks. Much is different today compared to only a decade ago. Forms of employment have evolved, and permanent employment is neither a possibility nor a desire for many in the younger generations entering today's job market. Freelancing, the growth of the gig economy and the shortage of housing in combination with the continued rise in house prices are all contributing to a generation facing difficulties in starting their adult lives in the most basic way – through leaving the parents' nest.

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

Our customers

Our customers are always at the core of everything we do. Our customer base consists of people wanting to purchase a home, but lack permanent employment, have historic payment remarks or have a limited credit history. Many also consolidate their debts into their mortgage, making it possible to significantly lower their monthly interest payments and capital repayments. Bluestep Bank is subject to the same rules and regulations as the traditional banks, and although we have the objective to support as many people as we can, we have to carry out a thorough, fair and individual assessment of each applicant. We will always be in the forefront of responsible and fair lending and take pride in our extensive and personalised application process. When welcoming a customer, we want to safeguard that each individual gets the opportunity to experience an improved financial situation in both the short-term and the long-term. That is our customer value proposition.



Administration report

Bluestep Bank AB (publ) (the "Bank", also called "Parent"), org no 556717-5129 with registered offices in Stockholm, Sweden, hereby presents the interim accounts and group accounts for the period from 1 January 2022 – 31 December 2022. The Group is comprised of the Bank and the wholly-owned subsidiaries: Bluestep Finans Funding No 1 AB ("BFF1"), org no 556791-6928 with registered offices in Stockholm, Sweden, Bluestep Mortgage Securities No 2 Designated Activity Company ("Step 2"), org no 522186 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3"), org no 550839 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4"), org no 596111 with registered offices in Dublin, Ireland, and Bluestep Servicing AB ("BSAB"), org no 556955-3927 with registered offices in Stockholm, Sweden. All financial information is provided for the Group if not otherwise stated, while the regulatory information refers to the legal entity Bluestep Bank AB (publ) or the consolidated situation which Bluestep reports to the Swedish Financial Supervisory Authority ("SFS"). 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 2022 and the full year refers to 1 January - 31 December 2022 (compared to same period the previous year).

Operating profit

The Group's operating profit for the period amounted to MSEK 180 (MSEK 144). For the full year, operating profit amounted to MSEK 310 (MSEK 325). Operating income rose for the full year, but increased costs attributable to the strategic review, increased credit loss provisions and unrealised losses of financial instruments held at fair value resulted in a somewhat lower operating profit for the year.

Net interest income

The Group's net interest income for the period increased by 14% to MSEK 479 (MSEK 421). For the full year, the net interest income increased by 11% to MSEK 921 (MSEK 833). Increased lending volumes and currency effects have contributed to the increase, as have rising interest rates which have driven both interest income and interest expenses to higher levels than previous year.

Operating expenses

The Group's expenses for the period amounted to MSEK 279 (MSEK 273). For the full year expenses increased by 7% to MSEK 568 (MSEK 533). The increase is due to non-recurring items of MSEK 36 associated with the strategic review initiated by the owners of the Group, as well as increased costs for our growth initiatives, 60plusbanken and Finland. C/I before credit losses has been impacted by these costs, but remained stable at 63% (62%).

Employees

The average number of employees in the Group during the year were 264 (272), of which 61 (66) were employed by the Norwegian branch and 22 (15) were employed by the Finnish branch.

Credit losses

Net credit losses for the period amounted to MSEK 28 (MSEK 7) and also amounted to MSEK 28 (MSEK 7) for the full year. For the full year, this corresponds to a credit loss level of 0.14% (0.04%). Actual losses were lower than previous year, but provisions increased during the year. The overlay stemming from the uncertainty of the Covid-19 pandemic and shifting macro environment is now to a large extent reflected in the ECL model. A small overlay provision is nonetheless maintained due to the current strained situation with increased energy cost and elevated inflation. As of December 2022, the overlay amounted to MSEK 1.2 (MSEK 5.4). For more information on credit losses, see Note 3 "Credit losses".

Tax

Tax expenses amounted to MSEK 56 (MSEK 69) for the year, which corresponds to an effective tax rate of 18.8% (21.2%). The deviation from the nominal tax rate of 20.6% is due to temporary non-taxable exchange rate effects.

Net profit

Net profit for the period amounted to MSEK 142 (MSEK 117). Net profit for the year amounted to MSEK 242 (MSEK 256).

Financial position

Per 31 December 2022 (compared to same date the previous year).

Lending

The Group's total lending to the public increased by 11% and amounted to MSEK 20,346 (MSEK 18,333). Adjusted for currency effects, the increase was 9%. The Swedish mortgage portfolio, including the equity release product, accounts for 55% of the total lending to the public, the Norwegian mortgages for 43% and the Finnish mortgages for 3%.

Capital adequacy

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

The common equity tier 1 capital ("CET1") amounted to MSEK 1,642 (MSEK 1,390) for the consolidated situation, and MSEK 1,625 (MSEK 1,410) for the Parent. This is equivalent to a CET1 capital ratio of 17.2% (16.4%) for the consolidated situation and 17.1% (17.1%) for the Parent. The CET1 capital ratio is the same as the total capital ratio, as no additional Tier1 capital (AT1) or subordinated debt (T2) has been issued by the Group.

The consolidated situation has a buffer to the target CET1 ratio of 16%.

For further information on capital adequacy, see Note 6 "Capital adequacy analysis".

Return on equity

Return on equity amounted to 13.9% (14.6%) for the full year. The decrease is mainly due to the of previously mentioned effects from unrealised losses from financial instruments and costs associated with the strategic review by the owners.

Financing

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

Funding

The Group's outstanding nominal volume of senior unsecured bonds amounted to MSEK 1,550 (MSEK 2,050) and MNOK 550 (MNOK 550). The outstanding nominal volume of covered bonds amounted to MSEK 5,900 (MSEK 5,300). The RMBS-funding (Residential Mortgage Backed Securities, i.e. bonds with underlying Swedish mortgage assets as collateral) was redeemed in full in May 2022 (MSEK 492).

Deposits

Total deposits from the public amounted to MSEK 13,239 (MSEK 10,426). Deposits in the Norwegian Branch amounted to MSEK 6,671 (MSEK 6,335). The increase is mainly due to higher lending to the public.

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

Credit rating

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

Liquidity reserve

At end of year, the Group's liquidity reserve amounted to MSEK 3,041 (MSEK 2,334), consisting of MSEK 1,697 (MSEK 1,147) placed with credit institutions, MSEK 502 (MSEK 356) placed with central banks, MSEK 207 (MSEK 283) invested in Swedish and Norwegian covered bonds and MSEK 635 (MSEK 548) invested in bonds issued by the Swedish and Norwegian governments or municipalities. All bond investments had credit ratings of AAA / Aaa.

The Liquidity Coverage Ratio ("LCR") for the consolidated situation amounted to 472% (496%) at the end of the year. The Net Stable Funding Ratio ("NSFR") was 132% (130%). Both the LCR and NSFR exceed internally applied limits as well as regulatory requirements.

Key figures

Group	H2 2022	H1 2022	H2 2021	H1 2021	H2 2020
Operating profit, MSEK	179.6	130.3	143.7	181.5	115.0
Gross revenue / Lending portfolio, % ^{1,2}	6.8%	6.0%	6.1%	6.5%	7.1%
Net interest income / Lending portfolio, % ^{1,2}	4.9%	4.7%	4.8%	5.0%	4.9%
Credit losses, % ^{1,2}	0.28%	0.00%	0.07%	0.00%	-0.04%
CET1, MSEK	1,642.1	1,492.8	1,390.1	1,762.6	1,617.2
CET1 ratio, %	17.2%	17.0%	16.4%	21.9%	19.7%
Return on Equity, % ^{1,2}	17.0%	12.1%	12.3%	15.9%	10.6%
Return on Assets, % ²	1.5%	1.2%	1.4%	1.8%	1.1%
Liquidity reserve, MSEK	3,041.0	2,473.4	2,334.0	2,485.2	3,000.3
Deposits from the public, MSEK	13,239.1	10,919.2	10,426.0	11,073.6	12,612.9
External funding, MSEK	8,158.9	8,630.5	8,521.1	6,733.3	5,702.0
Lending portfolio, MSEK	20,346.3	18,980.7	18,333.1	17,071.0	16,115.5
Leverage ratio, %	6.9%	6.9%	6.6%	8.8%	7.9%
Average number of employees	269	271	271	279	279

¹ See page 39 for definitions of alternative performance measures

² Key figures are annualised to full-year values

Risk and capital management

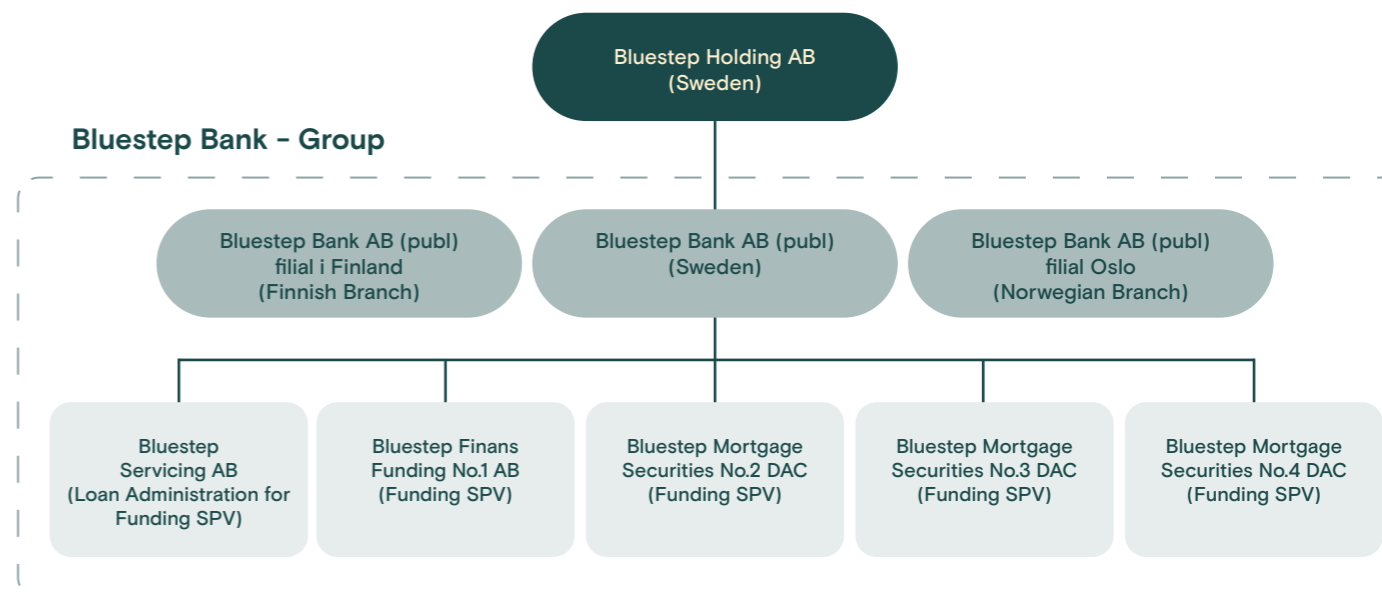
Risk Management

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 is exposed to a number of risks, such as strategic risk, business risk, operational risk (covering information security risk), credit risk, market risks, liquidity risk, financing risk, environmental, social and governance-related risk, regulatory risk and reputational risk. Identified risks are assessed qualitatively based on probability and impact of economic loss, negative change in earnings or material change in risk profile, and quantitatively by calculating capital requirements where relevant. The risks are limited and mitigated through set risk appetite and risk tolerances, approved policies and instructions, implemented procedures and routines, as well as mitigating measures, which makes it possible to make well-informed decisions for risk-taking and to ensure awareness and understanding of risk management within the Bank. The risk governance is performed from an organisational perspective as well as from a perspective with three lines of defence, and the risk management framework is governed by the Risk Management Policy and Instruction approved by the Board of Directors.

Capital Management

The capital management is integrated into the strategic planning, the risk management framework, and the performance of the Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP"). Through the capital management, sufficient capitalisation, appropriate composition of 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. The Bank's capital management framework is governed by the Capital Management Policy approved by the Board of Directors.

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



The subsidiaries Step 2, Step 3 and Step 4 are currently under liquidation.

Organisation and operations

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

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

Foreign branches

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

Significant events and other information after the end of the period

- As a consequence of the build-up of the common Nordic Back Office, Bluestep Bank has made the decision to dissolve the subsidiary Bluestep Servicing AB.
- In February 2023, the Board of Directors of Bluestep Bank held an Extraordinary General Meeting and decided on a distribution of profits to Bluestep Holding AB (100% owner of Bluestep Bank). The dividend distribution amounted to MSEK 37 and has been taken into account in the capital adequacy figures.

Income statement

Group

MSEK	Note	Jul-Dec 2022	Jul-Dec 2021	FY 2022	FY 2021
Operating income					
Interest income calculated using the effective interest method		654.7	535.0	1,199.5	1,068.3
Other interest income		32.4	11.2	50.5	19.5
Interest expense		-207.8	-125.2	-328.9	-255.2
Net interest income		479.3	421.0	921.2	832.7
Net gains/losses on financial transactions		3.3	-1.8	-23.6	23.4
Other operating income		4.2	4.2	8.6	8.8
Total operating income		486.9	423.4	906.2	864.8
Operating expense					
General administration expenses		-247.8	-235.1	-510.1	-467.9
Depreciation of tangible and intangible assets		-31.1	-37.9	-58.1	-64.8
Total operating expenses		-279.0	-273.0	-568.2	-532.8
Profit before credit losses		207.9	150.4	338.0	332.1
Credit losses, net	3	-28.2	-6.7	-28.1	-6.9
Operating profit		179.6	143.7	309.9	325.2
Paid group contributions		-12.0	-	-12.0	-
Tax expense		-26.0	-26.8	-56.1	-68.9
NET PROFIT FOR THE PERIOD		141.7	116.9	241.8	256.3
Net profit for the period attributable to shareholders		141.7	116.9	241.8	256.3

Statement of comprehensive income

Group

MSEK	Jul-Dec 2022	Jul-Dec 2021	FY 2022	FY 2021
Net profit for the period	141.7	116.9	241.8	256.3
Items that may be reclassified to the income statement				
Translation differences of foreign operations	11.6	13.4	8.4	24.6
Tax due to translation differences of foreign operations	-18.1	-2.8	-17.4	-5.1
Total other comprehensive income	-6.5	10.6	-9.0	19.5
COMPREHENSIVE PROFIT FOR THE PERIOD	135.2	127.5	232.8	275.8
Comprehensive profit for the period attributable to shareholders	135.2	127.5	232.8	275.8

Balance sheet

Group

MSEK	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances at central banks		501.7	356.4
Lending to credit institutions		1,697.0	1,146.7
Lending to the public	4	20,346.3	18,333.1
Value change of interest-hedged items in portfolio hedging		-334.9	-46.6
Derivatives		337.8	76.0
Bonds and other interest-bearing securities		521.0	493.0
Government debt securities		321.3	337.9
Intangible assets		126.7	112.6
Tangible fixed assets		42.3	43.1
Other assets		49.2	62.1
Prepaid expenses and accrued income		54.1	23.0
Tax assets		87.9	65.0
TOTAL ASSETS		23,750.6	21,002.2
Liabilities and provisions			
Issued bonds		8,158.9	8,521.1
Deposits from the public		13,239.1	10,426.0
Derivatives		44.6	31.4
Tax liabilities		56.9	48.6
Deferred tax		1.3	0.7
Other liabilities		455.6	102.9
Accrued expenses and prepaid income		52.5	57.5
Provisions		-	5.0
Total liabilities and provisions		22,008.8	19,193.2
Equity			
Share capital		100.0	100.0
Translation reserve		-6.8	2.1
Shareholders' contribution		563.7	563.7
Retained earnings		843.1	886.8
Profit for the year		241.8	256.3
Total equity		1,741.8	1,809.0
TOTAL EQUITY AND LIABILITIES		23,750.6	21,002.2

Changes in equity

Group

MSEK	Shareholders' equity				Total equity
	Share capital	Translation reserve	Shareholders' contribution	Retained earnings incl. profit for the year	
Opening balance 1 Jan 2021	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 31 Dec 2021	100.0	2.1	563.7	1,143.1	1,809.0
Opening balance 1 Jan 2022	100.0	2.1	563.7	1,143.1	1,809.0
Dividend to shareholders				-300.0	-300.0
Profit for the year				241.8	241.8
Other comprehensive income					
Translation differences of foreign operations		8.4			8.4
Tax due to translation differences of foreign operations		-17.4			-17.4
Closing balance 31 Dec 2022	100.0	-6.8	563.7	1,084.9	1,741.8

Cash flow statement

Group

MSEK	Note	FY 2022	FY 2021
Operating activities			
Operating profit		309.9	325.2
Adjustments for items not included in cash flow		138.0	35.7
Tax paid		-70.3	-43.3
Cash flow from current operations before changes to operating capital		377.7	317.6
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-1,783.9	-2,137.1
Increase (-)/decrease (+) of short term receivables		-295.4	20.6
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-31.6	-14.8
Increase (-)/decrease (+) government debt securities		12.2	-99.4
Increase (+)/decrease (-) of deposits from the public		2,826.6	-2,174.0
Increase (+)/decrease (-) in issued bonds		-384.0	2,840.0
Increase (+)/decrease (-) of short term liabilities		354.4	-22.4
Cash flow from operating activities		1,075.9	-1,269.5
Cash flow from investing activities		-71.3	678.4
Cash flow from financing activities		-300.0	-205.0
NET CASH FLOW FOR THE YEAR		704.5	-796.1
Liquid funds beginning of year		1,503.1	2,279.7
Currency difference in liquidity		-9.0	19.5
LIQUID FUNDS END OF YEAR		2,198.7	1,503.1
<i>of which cash and balances at central banks</i>		501.7	356.4
<i>of which lending to credit institutions</i>		1,697.0	1,146.7
Cash flow includes interest receipts of		1,312.9	1,072.4
Cash flow includes interest payments of		-315.4	-268.1

Income statement

Parent

MSEK	Note	Jul-Dec 2022	Jul-Dec 2021	FY 2022	FY 2021
Operating income					
Interest income calculated using the effective interest method		654.6	534.7	1,199.4	1,074.7
Other interest income		32.4	19.4	55.9	29.2
Interest expense		-207.4	-139.9	-337.8	-287.7
Net interest income		479.5	414.3	917.6	816.2
Received group contributions		1.4	-	1.4	-
Net gains/losses on financial transactions		3.3	-5.6	-23.4	21.3
Other operating income		4.2	10.3	9.5	23.8
Total operating income		488.5	419.0	905.1	861.4
Operating expense					
General administration expenses		-259.8	-243.3	-529.3	-486.8
Depreciation of tangible and intangible assets		-22.2	-28.1	-41.4	-46.1
Total operating expenses		-281.9	-271.4	-570.7	-533.0
Profit before credit losses		206.6	147.6	334.3	328.4
Credit losses, net	3	-28.2	-6.7	-28.1	-6.9
Operating profit		178.4	140.9	306.3	321.6
Paid group contributions		-12.0	-	-12.0	-
Tax expense		-26.1	-26.7	-56.1	-68.1
NET PROFIT FOR THE PERIOD		140.3	114.2	238.2	253.5

Statement of comprehensive income

Parent

MSEK	Jul-Dec 2022	Jul-Dec 2021	FY 2022	FY 2021
Net profit for the period	140.3	114.2	238.2	253.5
Items that may be reclassified to the income statement				
Translation differences of foreign operations	9.9	13.4	8.0	25.6
Tax due to translation differences of foreign operations	-17.7	-2.8	-17.3	-5.3
Total other comprehensive income	-7.8	10.6	-9.3	20.3
COMPREHENSIVE PROFIT FOR THE PERIOD	132.5	124.8	229.0	273.9

Balance sheet

Parent

MSEK	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and balances at central banks		501.7	356.4
Lending to credit institutions		1,684.4	987.1
Lending to the public	4	20,346.3	18,333.1
Value change of interest-hedged items in portfolio hedging		-334.9	-46.6
Derivatives		337.8	57.7
Bonds and other interest-bearing securities		521.0	493.0
Government debt securities		321.3	337.9
Shares and participation in associated companies		0.2	0.2
Intangible assets		122.7	110.1
Tangible fixed assets		14.7	6.7
Other assets		50.7	61.0
Prepaid expenses and accrued income		54.1	22.4
Tax assets		79.6	58.8
TOTAL ASSETS		23,699.7	20,777.6
Liabilities			
Liabilities to credit institutions		0.9	329.4
Issued bonds		8,158.9	8,028.0
Deposits from the public		13,239.1	10,426.0
Derivatives		44.6	31.4
Tax liabilities		56.9	47.1
Other liabilities		436.5	75.6
Accrued expenses and prepaid income		51.2	57.4
Total liabilities		21,988.1	18,994.9
Equity			
Share capital		100.0	100.0
Fund for development expenses		39.8	29.2
Translation reserve		-5.1	4.2
Retained earnings		1,338.7	1,395.7
Profit for the year		238.2	253.5
Total equity		1,711.6	1,782.7
TOTAL EQUITY AND LIABILITIES		23,699.7	20,777.6

Changes in equity

Parent

MSEK	Restricted equity		Non-restricted equity		Total equity
	Share capital	Fund for development expenses	Translation reserve	Retained earnings incl. profit for the year	
Opening balance 1 Jan 2021	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 31 Dec 2021	100.0	29.2	4.2	1,649.3	1,782.7
Opening balance 1 Jan 2022	100.0	29.2	4.2	1,649.3	1,782.7
Dividend to shareholders				-300.0	-300.0
Profit for the year				238.2	238.2
Other comprehensive income					
Translation differences of foreign operations			8.0		8.0
Tax due to translation differences of foreign operations			-17.3		-17.3
The year's own accumulated intangible assets		10.5		-10.5	-
Closing balance 31 Dec 2022	100.0	39.8	-5.1	1,576.9	1,711.6

The share capital consists of two common stock of the same kind with quotient value of MSEK 50. All shares have equal voting power. Dividend per share amounted to MSEK 150 (MSEK 102.5).

Cash flow statement

Parent

MSEK	Note	FY 2022	FY 2021
Operating activities			
Operating profit		306.3	321.6
Adjustments for items not included in cash flow		124.1	18.5
Tax paid		-67.1	-40.7
Cash flow from current operations before changes to operating capital		363.3	299.3
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-1,783.9	-2,137.1
Increase (-)/decrease (+) of short term receivables		-315.5	20.5
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-31.6	-14.8
Increase (-)/decrease (+) government debt securities		12.2	-99.4
Increase (+)/decrease (-) of deposits from the public		2,826.6	-2,174.0
Increase (+)/decrease (-) in issued bonds		107.9	3,093.8
Increase (+)/decrease (-) of short term liabilities		363.4	-9.5
Cash flow from operating activities		1,542.4	-1,021.1
Cash flow from investing activities		-62.0	683.3
Cash flow from financing activities		-628.5	-457.8
NET CASH FLOW FOR THE YEAR		851.9	-795.6
Liquid funds beginning of period		1,343.5	2,118.7
Currency difference in liquidity		-9.3	20.3
LIQUID FUNDS END OF YEAR		2,186.1	1,343.5
<i>of which cash and balances at central banks</i>		501.7	356.4
<i>of which lending to credit institutions</i>		1,684.4	987.1
Cash flow includes interest receipts of		1,318.2	1,088.5
Cash flow includes interest payments of		-324.3	-300.6

Notes to the financial statements

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

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Note 1. Accounting policies

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

The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations of them and the regulations and general advice issued by the SFSA, FFFS 2008:25. The consolidated financial statements also apply recommendation RFR 1 Complementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, and the Annual Accounts Act

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

The accounting principles for the Parent company are prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559), and SFSA regulations and general advice on the Annual Report of banks and securities companies (FFFS 2008:25) in accordance with all amended regulations, and the council of Financial Reporting Recommendation RFR 2, Accounting for Legal Entities.

Significant regulatory changes

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

Note 2. Operating segments

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

The executive decision maker in the organisation is the Chief Executive Officer. The Chief Commercial Officers ("CCO") in Sweden, Norway and Finland all report to the Chief Executive Officer.

They are responsible for their respective mortgage segment. Each CCO governs their operations based on clearly stated objectives regarding development of new lending, loan portfolio, income and expenses, and their respective

KPIs. Furthermore, the operations strive towards improved quality and cost-effectiveness by increasing process efficiency.

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

Balance sheet 31 Dec 2022

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Lending to credit institutions	1,063.0	600.3	33.7	-	-	1,697.0
Lending to the public	11,118.7	8,716.5	511.1	-	-	20,346.3
Deposits from the public	6,568.0	6,671.1	-	-	-	13,239.1



Balance sheet 31 Dec 2021

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

Income statement H2 2022

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Interest income	372.9	319.7	14.5	-	-20.0	687.1
<i>of which interest income within group</i>	20.0	-	-	-	-	
Interest expense	-125.8	-98.5	-3.5	-	20.0	-207.8
<i>of which interest expense within group</i>	-	-16.9	-3.2	-	-	
Net interest income	247.1	221.2	11.0	-	0.0	479.3
Total operating income	251.1	224.8	11.1	0	-0.1	486.9
Total operating expenses	-129.8	-102.3	-36.2	-10.8	0.1	-279.0
Profit before credit losses	121.3	122.5	-25.2	-10.8	-0.0	207.9
Credit losses, net	-18.4	-8.5	-1.4	0.0	-	-28.2
OPERATING PROFIT	102.9	114.1	-26.6	-10.8	-0.0	179.6

Income statement H2 2021

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Interest income	277.3	267.3	5.4	-	-3.7	546.2
<i>of which interest income within group</i>	3.7	-	-	-	-	
Interest expense	-65.2	-62.9	-0.9	-	3.7	-125.2
<i>of which interest expense within group</i>	-	-3.0	-0.7	-	-	
Net interest income	212.1	204.4	4.5	-	-0.0	421.0
Total operating income	223.1	204.6	4.5	0	-8.8	423.4
Total operating expenses	-147.8	-110.4	-23.6	0	8.8	-273.0
Profit before credit losses	75.3	94.2	-19.1	0	-0.0	150.4
Credit losses, net	-3.0	-4.1	-0.4	0.7	-	-6.7
OPERATING PROFIT	72.3	90.2	-19.5	0.7	-0.0	143.7

Income statement FY 2022

MSEK	Group					Total
	Mortgages Sweden	Mortgages Norway	Mortgages Finland	Other operations	Eliminations	
Interest income	658.7	599.6	23.5	-	-31.8	1,250.1
<i>of which interest income within group</i>	31.8	-	-	-	-	
Interest expense	-194.2	-161.7	-4.8	-	31.8	-328.9
<i>of which interest expense within group</i>	-	-27.6	-4.2	-	-	
Net interest income	464.5	438.0	18.8	-	-0.0	921.2
Total operating income	449.6	440.1	18.9	0	-2.4	906.2
Total operating expenses	-264.0	-208.3	-62.3	-35.9	2.4	-568.2
Profit before credit losses	185.6	231.8	-43.5	-35.9	-0.0	338.0
Credit losses, net	-17.7	-10.8	-1.6	2.1	-	-28.1
OPERATING PROFIT	167.9	220.9	-45.1	-33.8	-0.0	309.9

Income statement FY 2021

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

Note 3. Credit losses

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

The additional provision (Management Overlay in addition to calculated provisions) for higher expected credit losses due to Covid-19 was per June 2022 modified and rolled over to cover for the swift shift in underlying macro with sharply rising interest rates and elevated inflation. Per year end models are updated to reflect current macro outlook. Though, a smaller overlay provision is still

maintained due to current strained situation on customers personal finances due to high energy prices and elevated inflation. The closing overlay balance per December 2022 was MSEK 1.2 (MSEK 5.4).

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

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

Credit impairments

MSEK	Group & Parent			
	Jul-Dec 2022	Jul-Dec 2021	FY 2022	FY 2021
Stage 1 - net impairment	-1.6	-0.1	-1.2	0.3
Stage 2 - net impairment	-11.3	-3.4	-11.1	-1.6
Stage 3 - impairment/recoveries for the period	-11.9	-3.6	-16.0	-6.3
Write-offs				
Actual losses during the period	-9.5	-7.5	-15.9	-21.5
Release of allowances in Stage 3	4.5	5.5	7.2	13.6
Recoveries from previous write-offs	1.6	2.4	8.9	8.6
Total write-offs	-3.4	0.4	0.3	0.7
Total credit losses, net	-28.2	-6.7	-28.1	-6.9

Note 4. Lending to the public

MSEK	Group & Parent	
	31 Dec 2022	31 Dec 2021
Valued at amortised cost		
Mortgages Sweden	10,107.4	9,941.6
Mortgages Norway	8,716.5	7,629.8
Mortgages Finland	511.1	219.4
Valued at fair value		
Mortgages Sweden	1,011.4	542.3
Total lending to the public	20,346.3	18,333.1

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

MSEK	31 Dec 2022								
	Group & Parent								
	Reported value gross				Provisions				Reported value net
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	9,059.8	933.9	152.7	10,146.4	-5.0	-19.9	-14.1	-39.1	10,107.4
Mortgages Norway	7,553.0	976.7	205.6	8,735.3	-1.9	-11.2	-5.7	-18.8	8,716.5
Mortgages Finland	472.4	26.3	14.5	513.2	-0.2	-0.6	-1.3	-2.2	511.1
Total	17,085.3	1,936.9	372.8	19,394.9	-7.2	-31.7	-21.1	-60.0	19,334.9

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

MSEK	Group & Parent			
	Stage 1	Stage 2	Stage 3	Total
Reported value gross 1 Jan 2022	15,705.2	1,824.3	299.6	17,829.1
Reported value gross 31 Dec 2022	17,085.3	1,936.9	372.8	19,394.9
Provisions 1 Jan 2022	-6.0	-20.3	-12.0	-38.3
New financial assets	-2.9	-8.6	-3.7	-15.1
Change in PD/LGD/EAD	0.4	-1.9	-0.5	-1.9
Change due to expert credit judgement	-0.2	-1.0	-	-1.2
Transfers between stages	0.3	-5.5	-11.9	-17.1
-Transfer from stage 1 to 2	0.6	-12.4	-	-11.8
-Transfer from stage 1 to 3	0.1	-	-5.3	-5.2
-Transfer from stage 2 to 1	-0.4	4.3	-	3.9
-Transfer from stage 2 to 3	-	3.1	-7.9	-4.8
-Transfer from stage 3 to 1	-0.0	-	0.2	0.2
-Transfer from stage 3 to 2	-	-0.5	1.2	0.7
Changes in exchange rates	-0.1	-0.4	-0.3	-0.7
Removed financial assets	1.3	5.9	7.2	14.4
Provisions 31 Dec 2022	-7.2	-31.7	-21.1	-60.0
Opening balance 1 Jan 2022	15,699.2	1,804.0	287.6	17,790.8
Closing balance 31 Dec 2022	17,078.1	1,905.2	351.7	19,334.9

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

Note 5. Fair value measurements

Financial assets at fair value

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

The methods for determining the value of all financial assets and liabilities within the Group adhere to a hierarchy. This hierarchy reflects observable prices or other information used in the valuation-methods. A judgment is made each quarter to determine if the valuations refer to noted prices representing actual and regularly

occurring transactions or not. Transfers between different levels in the hierarchy may occur when there are indications that the market conditions, e.g. liquidity, have changed.

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

Valued at fair value through profit or loss per level

MSEK	Group							
	31 Dec 2022				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	-	-	1,011.4	1,011.4	-	-	542.3	542.3
Derivatives	-	337.8	-	337.8	-	76.0	-	76.0
Bonds / other interest-bearing securities	842.3	-	-	842.3	830.9	-	-	830.9
Total assets	842.3	337.8	1,011.4	2,191.5	830.9	76.0	542.3	1,449.1
Liabilities								
Derivatives	-	44.6	-	44.6	-	31.4	-	31.4
Total liabilities	-	44.6	-	44.6	-	31.4	-	31.4

MSEK	Parent							
	31 Dec 2022				31 Dec 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Lending to the public	-	-	1,011.4	1,011.4	-	-	542.3	542.3
Derivatives	-	337.8	-	337.8	-	57.7	-	57.7
Bonds / other interest-bearing securities	842.3	-	-	842.3	830.9	-	-	830.9
Total assets	842.3	337.8	1,011.4	2,191.5	830.9	57.7	542.3	1,430.8
Liabilities								
Derivatives	-	44.6	-	44.6	-	31.4	-	31.4
Total liabilities	-	44.6	-	44.6	-	31.4	-	31.4

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

MSEK	Group & Parent					
	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Gains/ losses on revaluation	Total
Lending to the public	542.3	498.2	-68.8	40.8	-1.1	1,011.4

MSEK	Group & Parent					
	Carrying balance	New loans	Redeemed loans	Unrealised interest income	Gains/ losses on revaluation	Total
Lending to the public	216.8	325.7	-15.2	14.9	0.0	542.3

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

The Bank has performed a sensitivity analysis of lending to the public valued at fair value by altering assumptions of unobservable inputs in the valuation model. The sensitivity analysis is done in two parts, the first one being based on a parallel shift of the yield curve with 1% and the second is based on an instant movement in house prices of 10%.

MSEK 11 (MSEK 0) and a downward parallel shift with 1% would result in a positive change in fair value of MSEK 1 (MSEK 0). An instant decline in house prices of 10% would result in a negative change in fair value of MSEK 7 (MSEK 0) and an instant increase in house prices of 10% would result in a positive change i fair value of MSEK 1 (MSEK 0).

An upward parallel shift of the yield curve with 1% would result in a negative change in fair value of

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

This capital adequacy information complies with the disclosure requirements for credit institutions set out in the Act (1995:1559) regarding annual reports at credit institutions and securities companies, the SFSA Regulations and General Guidelines (FFFS 2008:25) regarding annual reports at credit institutions and securities companies, the SFSA Regulations (FFFS 2014:12) regarding prudential requirements and capital buffers, the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (“CRR”), and the Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

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

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

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

Risk-based capital requirement

The risk-based capital requirement is calculated in accordance with the CRR, the Swedish Acts, and the SFSA Regulations and General Guidelines. The risk-based capital requirement consists of the Pillar I capital requirement, the Pillar II capital requirement (“P2R”), the combined buffer requirement, and the Pillar II guidance (“P2G”).

The Pillar I capital requirement is calculated based on the standardised approach for credit risk, market risk and credit valuation adjustment

risk, while the alternative standardised approach is used for operational risk. The minimum capital requirement amounts to 8% of the risk weighted assets (“RWAs”).

The Pillar II requirement is based on qualitatively and quantitatively assessment of material risks to determine whether additional capital is needed for risks not covered, or not sufficient covered, by the Pillar I minimum capital requirement. The Pillar II capital requirement for material risks is assessed using internal methodologies, as well as methods from the SFSA for concentration risk, interest rate risk, and credit spread risk. The SFSA performs a supervisory review and evaluation process (“SREP”) and formally decides on P2R. In accordance with the latest SFSA’s SREP decision, a risk-based P2R of 1.20% of the RWAs for the consolidated situation and 1.10% of the RWAs for the Bank shall be met.

The combined capital buffers are regulatory buffers held to absorb losses in periods of financial stress. The applicable countercyclical capital buffer (“CCyCB”) factors as of the reporting period are 1% in Sweden, 2% in Norway, and 0% in Finland.

The Pillar II guidance level is notified by the SFSA as part of the SREP in addition to the other main capital components to cover risks and manage future financial stresses. The P2G applies if the SFSA considers the capital conservation buffer to be insufficient for covering risks the Bank might be exposed to. The SFSA has decided not to notify any P2G for the Consolidated Situation or the Bank.

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

Overview of risk weighted exposure amounts (EU OV1) is shown in the table on the next two pages.

		Consolidated situation		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
MSEK		31 Dec 2022	31 Dec 2021	31 Dec 2022
1	Credit risk (excluding CCR)	7,863	6,957	629
2	Of which the standardised approach	7,863	6,957	629
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR	118	189	9
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA	29	21	2
9	Of which other CCR	89	168	7
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%			
20	Position, foreign exchange and commodities risks (Market risk)	702	494	56
21	Of which the standardised approach	702	494	56
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	888	831	71
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	888	831	71
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	9,571	8,471	766

MSEK		Parent		
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31 Dec 2022	31 Dec 2021	31 Dec 2022
1	Credit risk (excluding CCR)	7,819	7,007	626
2	Of which the standardised approach	7,819	7,007	626
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which: slotting approach			
EU 4a	Of which: equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR	118	11	9
7	Of which the standardised approach			
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA	29		2
9	Of which other CCR	89	11	7
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250%			
20	Position, foreign exchange and commodities risks (Market risk)	702	494	56
21	Of which the standardised approach	702	494	56
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	846	744	68
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	846	744	68
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	9,485	8,257	759

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

MSEK	Consolidated situation		Parent	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pillar I	765.7	677.7	758.8	660.6
Pillar II	114.8	-	104.3	-
Combined buffer	373.9	246.9	370.7	240.9
Pillar II Guidance	-	-	-	-
Total capital requirements	1,254.4	924.5	1,233.9	901.5

% RWA	Consolidated situation		Parent	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pillar I	8.00%	8.00%	8.00%	8.00%
Pillar II	1.20%	-	1.10%	-
Combined buffer	3.91%	2.91%	3.91%	2.92%
Pillar II Guidance	-	-	-	-
Total capital requirements	13.11%	10.91%	13.01%	10.92%

Pillar II capital requirement decided by the SFSA in July 2022. The own funds capital requirement is met for both the consolidated situation and the Bank.

Leverage ratio requirement

The leverage ratio is calculated in accordance with the CRR, the Swedish Acts, and the SFSA's Regulations and General Guidelines. 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.

ratio is 3% of the leverage exposure amount, and additional 0.15% should be met for the consolidated situation as P2G in accordance with the latest SFSA's SREP decision.

The minimum and Pillar II leverage ratio requirements shall be met with Tier 1 capital, while P2G shall be met with CET1 capital.

The minimum capital requirement for the leverage

The leverage ratio requirement is shown below.

MSEK	Consolidated situation		Parent	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Minimum	714.2	633.2	712.0	620.0
Pillar II Capital requirements	-	-	-	-
Pillar II Guidance	35.7	-	-	-
Total leverage ratio and Pillar II Guidance	749.9	633.2	712.0	620.0

%	Consolidated situation		Parent	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Minimum	3.00%	3.00%	3.00%	3.00%
Pillar II Capital requirements	-	-	-	-
Pillar II Guidance	0.15%	-	-	-
Total leverage ratio and Pillar II Guidance	3.15%	3.00%	3.00%	3.00%

The consolidated situation and Bank are fulfilling the total leverage ratio requirement of 3.15% of the leverage exposure amount.

Key metrics

Key metrics (EU KM1) for the consolidated situation and the Bank are shown below.

Key metrics (EU KM1)		Consolidated situation				
		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
MSEK						
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,642	1,616	1,493	1,515	1,390
2	Tier 1 capital	1,642	1,616	1,493	1,515	1,390
3	Total capital	1,642	1,616	1,493	1,515	1,390
Risk-weighted exposure amounts						
4	Total risk exposure amount	9,571	9,000	8,794	8,874	8,471
Capital ratios¹						
5	Common Equity Tier 1 ratio	17.16%	17.95%	16.97%	17.07%	16.41%
6	Tier 1 ratio	17.16%	17.95%	16.97%	17.07%	16.41%
7	Total capital ratio	17.16%	17.95%	16.97%	17.07%	16.41%
Additional own funds requirements to address risks other than the risk of excessive leverage¹						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	1.20%	1.20%			
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.68%	0.68%			
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.90%	0.90%			
EU 7d	Total SREP own funds requirements	9.20%	9.20%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement¹						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
9	Institution specific countercyclical capital buffer	1.41%	1.19%	0.62%	0.42%	0.41%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	3.91%	3.69%	3.12%	2.92%	2.91%
EU 11a	Overall capital requirements	13.11%	12.89%	11.12%	10.92%	10.91%
12	CET1 available after meeting the total SREP own funds requirements	9.16%	9.95%	8.97%	9.07%	8.41%
Leverage ratio						
13	Total exposure measure	23,805	21,540	21,776	21,900	21,107
14	Leverage ratio	6.90%	7.50%	6.86%	6.92%	6.59%
Additional own funds requirements to address the risk of excessive leverage²						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement²						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,297	949	1,261	1,196	1,140
EU 16a	Cash outflows - Total weighted value	1,098	1,127	937	949	919
EU 16b	Cash inflows - Total weighted value	2,033	1,055	1,390	1,355	1,206
16	Total net cash outflows (adjusted value)	275	282	234	237	230
17	Liquidity coverage ratio	472.43%	336.83%	538.42%	503.91%	496.28%
Net Stable Funding Ratio						
18	Total available stable funding	19,745	18,566	17,941	18,474	18,227
19	Total required stable funding	14,936	14,612	14,467	14,744	14,068
20	NSFR ratio	132.19%	127.06%	124.01%	125.29%	129.56%

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

Key metrics (EU KM1)		Parent				
		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
MSEK						
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	1,625	1,641	1,516	1,540	1,410
2	Tier 1 capital	1,625	1,641	1,516	1,540	1,410
3	Total capital	1,625	1,641	1,516	1,540	1,410
Risk-weighted exposure amounts						
4	Total risk exposure amount	9,485	8,913	8,706	8,713	8,257
Capital ratios¹						
5	Common Equity Tier 1 ratio	17.13%	18.41%	17.41%	17.67%	17.07%
6	Tier 1 ratio	17.13%	18.41%	17.41%	17.67%	17.07%
7	Total capital ratio	17.13%	18.41%	17.41%	17.67%	17.07%
Additional own funds requirements to address risks other than the risk of excessive leverage¹						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	1.10%	1.10%			
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.62%	0.62%			
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.83%	0.83%			
EU 7d	Total SREP own funds requirements	9.10%	9.10%	8.00%	8.00%	8.00%
Combined buffer and overall capital requirement¹						
8	Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State					
9	Institution specific countercyclical capital buffer	1.41%	1.19%	0.63%	0.43%	0.42%
EU 9a	Systemic risk buffer					
10	Global Systemically Important Institution buffer					
EU 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement	3.91%	3.69%	3.13%	2.93%	2.92%
EU 11a	Overall capital requirements	13.01%	12.79%	11.13%	10.93%	10.92%
12	CET1 available after meeting the total SREP own funds requirements	9.13%	10.41%	9.41%	9.67%	9.07%
Leverage ratio						
13	Total exposure measure	23,732	21,466	21,698	21,579	20,668
14	Leverage ratio	6.85%	7.64%	6.99%	7.13%	6.82%
Additional own funds requirements to address the risk of excessive leverage²						
EU 14a	Additional own funds requirements to address the risk of excessive leverage					
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement²						
EU 14d	Leverage ratio buffer requirement					
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,297	949	1,261	1,196	1,140
EU 16a	Cash outflows - Total weighted value	1,098	1,127	937	949	919
EU 16b	Cash inflows - Total weighted value	2,028	1,055	1,390	1,281	1,118
16	Total net cash outflows (adjusted value)	275	282	234	237	230
17	Liquidity coverage ratio	472.43%	336.83%	538.42%	503.91%	496.28%
Net Stable Funding Ratio						
18	Total available stable funding	19,728	18,592	17,941	18,499	18,246
19	Total required stable funding	14,928	14,603	14,467	14,128	13,400
20	NSFR ratio	132.15%	127.31%	124.01%	130.94%	136.16%

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

Note 7. Related parties

Related parties

Related parties refer to:

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

- Bluestep Mortgage Securities No 3 Designated Activity Company, org no 550839, registered in Dublin,
- Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111, registered in Dublin
- Bluestep Servicing AB, org no 556955-3927, registered in Stockholm,
- Uno Finans AS, org no 921320639 registered in Oslo (broker agency which is an associated company to Bluestep Holding AB).

Assets and liabilities	Group		Parent	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
MSEK				
Other assets				
Parent	0.0	1.9	0.0	1.9
Subsidiaries	-	1.9	1.4	533.4
Total	0.0	3.9	1.5	535.4
Other liabilities				
Parent	12.0	-	12.0	-
Subsidiaries	-	-	4.0	7.2
Associates	1.8	1.2	1.8	1.2
Total	13.8	1.2	17.8	8.4

Income and expenses	Group		Parent	
	FY 2022	FY 2021	FY 2022	FY 2021
MSEK				
Interest income calculated using the effective interest method				
Parent	-	-	-	-
Subsidiaries	-	-	6.6	32.4
General administration expenses				
Parent	-	-	-	-
Subsidiaries	-	-	-7.2	-23.9
Associates	12.5	9.6	12.5	9.6
Total	12.5	9.6	11.9	18.1

Interest income

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

Note 8. Pledged assets, contingent liabilities and commitments

MSEK	Group		Parent	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Pledged assets and comparable securities for own liabilities				
Shares and participation in associated companies	-	0.0	-	-
Lending to credit institutions	4.7	144.9	4.7	1.2
Lending to the public	6,608.0	6,851.8	6,608.0	6,851.8
Government debt securities	19.9	18.3	19.9	18.3
Derivatives	-	18.3	-	-
Other assets	18.2	50.7	18.2	49.6
Prepaid expenses and accrued income	-	0.1	-	-
Commitments				
Granted loans but not paid out	49.3	32.8	49.3	32.8

Lending to credit institutions

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

Lending to the public

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

Government debt securities

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

Derivatives

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

Affirmation by the Chief Executive Officer

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

Stockholm February 23, 2023

Björn Lander
Chief Executive Officer

Definitions of alternative performance measures

C/I ratio

Costs before credit losses in relation to operating income.

MSEK	H2 2022	FY 2022
Costs before credit losses	279.0	568.2
Operating income	486.9	906.2
C/I ratio	57%	63%

Credit losses (%)

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

MSEK	H2 2022	FY 2022
Credit losses	28.2	28.1
Credit losses annualised	56.5	28.1
Lending to the public	20,346.3	20,346.3
Credit losses (%)	0.28%	0.14%

Return on equity

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

MSEK	H2 2022	FY 2022
Operating profit	179.6	309.9
Operating profit annualised	359.3	309.9
Operating profit less tax	285.3	246.1
Total equity 2021-12-31		1,809.0
Total equity 2022-06-30	1,606.6	
Total equity 2022-12-31	1,741.8	1,741.8
Average equity	1,674.2	1,775.4
Return on equity	17.0%	13.9%

Gross revenue / Lending to the public

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

MSEK	H2 2022	FY 2022
Total Interest Income	687.1	1,250.1
Interest income bonds	-5.7	-8.1
Interest income credit institutions	-8.4	-9.9
Gross revenue	673.0	1,232.1
Gross revenue annualised	1,345.9	1,232.1
Lending to the public 2021-12-31		18,333.1
Lending to the public 2022-06-30	18,980.7	
Lending to the public 2022-12-31	20,346.3	20,346.3
Average lending to the public	19,663.5	19,339.7
Gross Revenue / Lending to the public	6.8%	6.4%

Net interest income / Lending to the public

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

MSEK	H2 2022	FY 2022
Net interest income	479.3	921.2
Net interest income annualised	958.6	921.2
Lending to the public 2021-12-31		18,333.1
Lending to the public 2022-06-30	18,980.7	
Lending to the public 2022-12-31	20,346.3	20,346.3
Average lending to the public	19,663.5	19,339.7
Net interest income / Lending to the public	4.9%	4.8%

Financial Calendar

Annual report 2022
week 17, 2023

Interim report 2023
week 34, 2023