Year-end report
January - December 2023

Bluestep Bank AB (publ)

> "Recognizing the complexities of these macroeconomic shifts, Bluestep Bank Group embraced flexibility and responsiveness"

Content

The year in brief

The period extends from 1 January - 31 December 2023 (comparative figures for the corresponding period last year).

Strategic development and significant events

Against the prevailing backdrop of weak macroeconomic growth, given the Group's size, any aspiration to outperform requires strategic distinction combined with sound execution. The key growth imperative in the three countries is to grow customer numbers, do more business with customers, and do this more efficiently.

During the period under review, the macroeconomic environment was characterised by a significant increase in global inflation as supply-chain constraints and pent-up demand drove up global prices, followed by rising interest rates. Given this backdrop, all the geographies where the Group operates grappled with higher inflation and rising interest rates.

Such an environment poses both challenges and possibilities. Tougher economic times are naturally challenging for a bank and its mortgage customers. At the same time, such an environment is exactly where the Group is needed even more, focusing on financial inclusion and helping people during times of difficulty. Bluestep is continuing to closely monitor the development, to manage both challenges and possibilities in a successful and sustainable way going forward.

An important milestone in the Group's history was the acquisition of Bank2 ASA ('Bank2') on the 31st of October 2023. This strategic move aims to tap into the identified synergies by expanding the current operations of the Group in Norway and thereby strengthening the Group's position as a specialist mortgage provider in the Nordics. By combining Bank2's deep market understanding and distribution capabilities in the Norwegian market with Bluestep Bank's efficient operating platform and best-in-class funding, the combination will create a bank that is well positioned to capture the full potential of the demand for specialist mortgages in the Nordics and help even more customers to obtain innovative mortgage products. The Group's lending portfolio grew by approximately MNOK 4,887 through the acquisition.

Following the notification to the Swedish Financial Supervisory Authority ("SFSA") and the German Federal Financial Supervisory Authority ("BaFin") in 2022,the Group began offering deposit products in EUR to customers residing in Germany during the second half of 2023. This additional source of funding is a valuable addition for the Group's Finnish mortgage business. Deposit funding in an additional currency is also improving asset/liability-matching as well as diversification of the Group's funding.

Performance and financial position

The financial performance and financial position is impacted by the acquisition of Bank2, which is fully consolidated from the 31st of October. Refer to Note 9 where further disclosure is made regarding the acquisition.

- Lending to the public increased by 29% to MSEK 26, 205 (MSEK 20,346). Adjusted for currency effects the increase was 6% excluding Bank2.
- New lending amounted to MSEK 7,009 (MSEK 6.903). Adjusted for currency effects the increase was 4%.
- Net interest income amounted to MSEK 959 (MSEK 921), an increase of 4%.
- Operating profit amounted to MSEK 298 (MSEK 310). Bank2 contributed with MSEK 16.2 to operating profit since the acquisition date. Operating profit was impacted by a continued build-up of net credit loss provisions, amounting to MSEK 26 for the Bluestep Bank portfolio excluding Bank2. The operating profit was marginally impacted by gains on financial transactions.
- Impairment and phasing out of legacy systems amounted to MSEK 6.6 that is in line with the one Nordic approach and the new customer onboarding system. The comparative period was impacted by non-recurring items (MSEK 36) related to the strategic review initiated by the owners of the Group. The current year include restructuring costs following the acquisition of Bank2 amounting to MSEK 22. Directly attributable transaction costs for the acquisition of Bank2 amounted to approximately MSEK 45 on Group level.
- Net credit losses amounted to MSEK 48 (MSEK 28), equivalent to a credit loss level of 0.18% (0.14%).
- The return on equity for the period was 11.7% (13.9%).
- The Common Equity Tier 1 ("CET1") ratio was 16.9% (17.0%) for the Consolidated situation, which is well above the targeted level of 16%. The total capital ratio was 17.4%.

Financing and funding

The Group's long-term strategy is to have a well-diversified funding structure, mainly comprising of retail deposits from the public and the issuance of covered and senior unsecured bonds.

- During the first half of 2023, one of Bluestep Bank's outstanding covered bonds, amounting to MSEK 1,900 was repaid. During the second half of the year a new covered bond, amounting to MSEK 1,000 was issued. At the end of the period, the Group had an outstanding volume of covered bonds amounting to MSEK 5,000 under Bluestep Bank's MTCN-programme.
- At the end of the period, the Group had an outstanding volume of MSEK 1,850 and MNOK 550 in senior unsecured bonds under Bluestep Bank's MTN-programme.
- Furthermore, the Group had an outstanding volume of MNOK 60 in AT1-instruments and MNOK 60 in T2-instruments, issued by Bank2.
- Deposits from the public amounted to MSEK 20,513 (MSEK 13,239). Deposit funding in EUR, via a German deposit platform provided by Raisin GmbH ("Raisin") was launched during the second half of the year, furthering the diversification of the Group's funding. The acquisition of Bank2 also entailed an increase in deposits from the general public in Norway.

Key figures for the second half-year

All figures presented as part of the financial performance and financial position are impacted by the acquisition of Bank2. Details regarding the assets and liabilities acquired are presented in Note 9. Increases are due to both organic growth in the lending portfolio but mainly due to the consolidation of Bank2. All figures are impacted by currency effects where the NOK weakened against the SEK and the EUR weakened slightly against the SEK. The financial statements are presented in Swedish kronor and all figures are rounded to millions of kronor (SEKm) unless otherwise indicated. No adjustments for rounding are made, therefore summation differences may occur.

MSEK	H2 2023	H2 2022	FY 2023	FY 2022
Lending to the public	26,205	20,346	26,205	20,346
Deposits from the public	20,513	13,239	20,513	13,239
Net interest income	498	479	959	921
Operating expenses	374	279	649	568
Operating profit	99	180	298	310
Cost/Income, % [1,2]	74%	57%	65%	63%
Credit losses, %[1,2,3]	0.21%	0.28%	0.18%	0.14%
Return on equity, %[1,2,3]	12.4%	17.0%	11.2%	13.9%
CET1 ratio, %[1]	16.9%	17.0%	16.9%	17.0%

[1] The change is stated in percentage points.[2] See page 42 for definitions of alternative performance measures.[3] Key figures related to H2 are annualised to full-year values.

One Team, One Journey, One Bank

Amidst the persistent macroeconomic challenges of 2023, the Group demonstrated resilience, skillfully navigating dynamic market changes. The convergence of rising interest rates, heightened inflation, and housing market pressures underscored the need for agility. This year stands as a testament to the Group's unwavering commitment to transforming operations and adapting to the evolving landscape, navigating not only macroeconomic challenges but also the impact of global conflicts like the ongoing war in Ukraine.

Flexibility and responsiveness

Recognizing the complexities of these macroeconomic shifts, the Group embraced flexibility and responsiveness. The evolving market dynamics spurred a transformative process, marking a strategic shift towards a new era characterized by digitalization and automation. Aligned with an overarching theme of "One Team, One Journey, One Bank," this strategic evolution emphasized the seamless integration of operations and people across markets, ultimately enhancing the customer experience. Looking forward, the Group remains optimistic, unveiling new opportunities to leverage strengths and accelerate growth across unified operations in Sweden, Norway, and Finland

As part of this transformative journey, the introduction of Euro Deposits fortified operations, emphasizing a diversified funding strategy. This strategic move aimed to strengthen financial foundations, enabling competitive financing of operations and products

> **“Looking ahead, our optimism remains resolute. The focus on ONE bank, streamlined operations and an improved customer journey, positions the Bluestep Bank Group for continued success, even in the face of uncertainty.”**

across borders.

Market dynamics and a strategic milestone

Significant performance objectives were achieved in key markets, such as Finland and the equity release product through 60plusbanken in Sweden, emphasizing the Group’s commitment to market expansion. Establishing market shares and advancing products in these areas remained key priorities, reflecting the bank's strategic response to the ever-evolving market landscape.

A milestone achievement in 2023 was the successful acquisition of Bank2, aligning with the Group’s growth strategy and mission of promoting financial inclusion. This strategic move solidified the Group’s position in Norway, presenting exciting opportunities for continued success and mission advancement.

Inclusive mortgages & streamlined financial empowerment

The Group's commitment to inclusivity shone through innovative offerings like Kompisavtalet – a unique contract facilitating home purchases among friends. This initiative opened the housing market and mortgage opportunities to a broader demographic, including friends, siblings, and non-traditional families, showcasing the bank's adaptability to evolving market needs.

The launch of a new customer login portal across all sites marked a pivotal step in the Group's dedication to providing an elevated customer experience. The user-friendly interface was designed to streamline logins and empower the Group's customers with enhanced control over their financial situations, perfectly aligning with the Bank's commitment to a cohesive customer journey, also evidence by low credit losses over time.

Resolute optimism for the future

Looking ahead, our optimism remains resolute. The focus on one bank, streamlines operations, and an improved customer journey positions the Group for continued success, even in the face of uncertainty, where we see opportunities for further growth.

In conclusion, I want to express my gratitude to our fantastic colleagues and acknowledge their contributions amid ongoing challenges over the year. The stable and growing performance of the Group would not have been possible without their invaluable efforts.

Björn Lander,
Chief Executive Officer

This is the Bluestep Bank Group

The Group 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

The Group is specialised in mortgage lending and aims 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 evaluate everyone's potential and choose to see possibilities instead of obstacles.

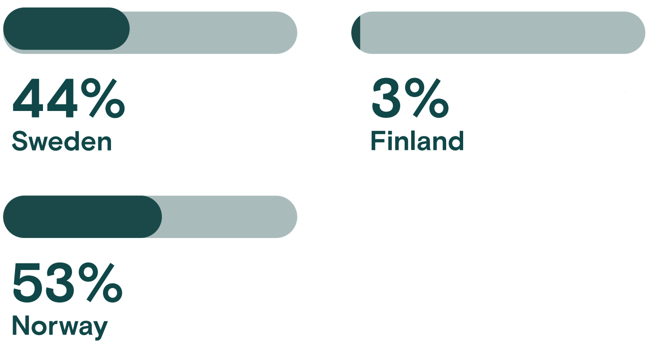
Bluestep Bank was established as a challenger in the Swedish market in 2005, and today we are the leading specialist mortgage lender in the Nordics, offering our services in Sweden, Norway, and Finland. Bluestep Bank Sweden also offers an equity release product for those over 60 years of age who own their home, enabling more people to maintain a desired living standard.

Our role in society

In today's financial market, the Group is more relevant than perhaps ever before. All our customers have different needs and preconditions, what unites them is the exclusion they experience from traditional banks. A lot of things are 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 interest rates are all contributing to a generation facing difficulties in starting their adult lives in the most basic way – through leaving the parent's 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

Lending to the public



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. With the recent shrinking financial margins for many households, we see increased demand for our refinancing offering – demonstrating the Group's resilience in a more difficult market.

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. The Group is subject to the same rules and regulations as 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 personalized 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

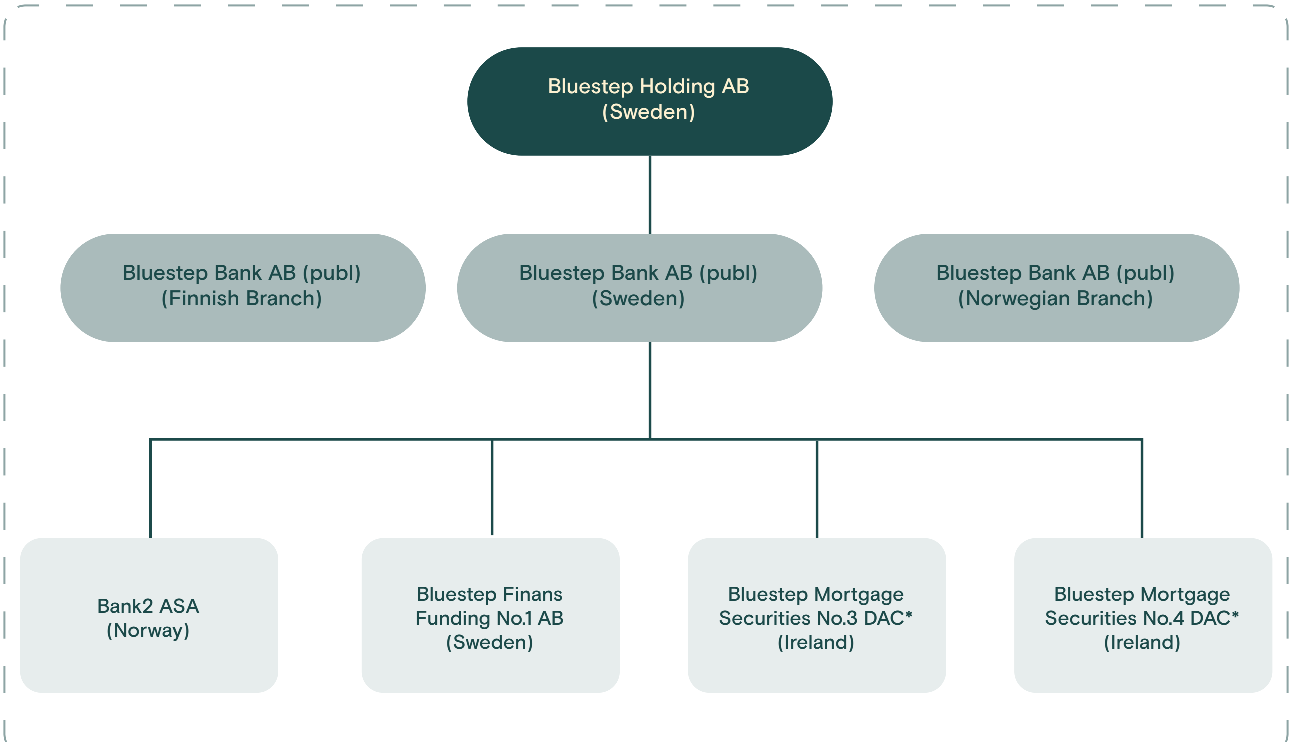
Bluestep Bank AB (publ) (the "Bank", also referred to as the "Parent"), org no 556717-5129 is a public limited liability bank company under the supervision of the Swedish Financial Supervisory Authority ('SFSA') and categorised as a small and non-complex institution in accordance with point 145 of Article 4(1) of the CRR. The Bank is placed in category four by the SFSA under its categorisation of Swedish credit institutions.

The Bank's head office is located at 163 Sveavägen, SE-104 35, Stockholm, Sweden. The Group comprises the Bank and the wholly-owned subsidiaries, as depicted in the figure below. 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. The Group operates in Sweden, Norway and Finland, of which the latter two are operated through branches in the respective countries. Bank2 is operated as a separate entity.

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 the Bank reports to the SFSA. The Consolidated situation include all the entities as depicted in the figure below. Bluestep Holding AB is owned by EQT VII.

The Bank hereby presents the year-end report and group accounts for the financial year 1 January 2023 to 31 December 2023.

Bluestep Bank - Group



**These subsidiaries are currently under liquidation.*

All entities are included in the Consolidated situation.

Additional information regarding the companies in the Group is available in Note 7.

The Group's performance

The year refers to 1 January - 31 December 2023 and the period to 1 July - 31 December 2023 (compared to same period the previous year). Financial performance and financial position is impacted by the acquisition of Bank2, which is fully consolidated and the financial performance included as from the 31st of October. Refer to Note 9 where further disclosure is made regarding the acquisition.

Financial perfomance

Net interest income

The Group’s net interest income for the period increased by 4% to MSEK 959 (MSEK 921). New lending volumes, increased interest rates and the consolidation of Bank2 for the period since acquisition, contributed to the increased interest income. Higher market interest rates have led to increased interest expenses compared to the comparative period.

Inflation and interest rates weighed on household disposable income overall. Identifying and originating quality new business continued to require a fine balancing act given competitive actions in the market. It has been even more evident in a higher-rate environment. Origination therefore remains tilted towards low- to medium-risk customers that have the most capacity for credit and this mix of lending has resulted in some margin compression, but the Group believes it continues to capture a higher share of low- and medium-risk business, in line with its strategy.

Operating expenses

The Group's expenses for the year amounted to MSEK 649 (MSEK 568) and the period MSEK 374 (MSEK 279). Above inflation operating expenses’ growth resulted mainly from (1) staff costs which comprise mainly headcount and salary increases, (2) professional fees for the acquisition and integration of Bank2 and (3) IT costs still growing in support of the Nordic and customer platform journey. Amortisation and depreciation of capitalised technology continues to increase as the Group prioritse to invest in technology to be able to deliver on customer needs and expectations.

Moreover, operating expenses are impacted by costs for the growth initiatives for the equity release product in Sweden and the expansion of the operations in Finland.

The comparative period was impacted by non-recurring items (MSEK 36) related to the strategic review initiated by the owners of the Group. The current year include restructuring costs following the acquisition of Bank2 amounting to MSEK 22. Directly attributable transaction costs for the acquisition of Bank2 amounted to approximately MSEK 45 on Group level. The cost income ratio before credit losses amounted to 65% (63%).

Employees

The average number of employees in the Group were 299 (264), with the increase mostly due to the employees included from Bank2.

Credit losses

The Group’s credit performance was stable, despite the prevailing macroeconomic environment. The overall credit loss ratio increased to 18 bps (14 bps), driven largely by the Swedish operations. This underlying performance reflects the Group’s origination approach and was achieved despite inflation and interest rate pressures.

The net credit losses increased to MSEK 48(MSEK 28).

The Group incorporates forward-looking information into the determination of expected credit losses to ensure a comprehensive and well-informed assessment is made. In the judgment of management, inflation has come closer to target levels and interest rates are expected to adjust downwards. This in combination with stabilized property prices and higher transaction volumes should be supportive for customers to recover. No overlay was however considered necessary.

Operating profit

The Group’s operating profit for the year amounted to MSEK 298 (MSEK 310) and the period MSEK 99 (MSEK 180). The movement is mainly due to the reasons as described under operating expenses and credit losses.

Tax

Tax expenses amounted to MSEK 74 (MSEK 56) for the year, which corresponds to and effective tax rate of 27.7% (18.8%). The deviation from the nominal tax rate of 20.6% is amongst other due to the acquisition of Bank2 and the strong growth in the Norwegian market, where the Norwegian tax result is subject to higher corporate income tax rates compared to the Bank.

Net profit

Net profit for the year amounted to MSEK 192 (MSEK 242) and for the period to MSEK 72 (MSEK 142).

Financial position

Per 31 December 2023 (compared to same date the previous year).

Lending

The Group's total lending to the public increased by 29% and amounted in total to MSEK 26,205 (MSEK 20,346) of which Bank2 contributed MSEK 5,062 to the current year.

The Swedish mortgage portfolio, including the equity release product, accounts for 44% of the total lending to the public, the Norwegian mortgages for 53% and the Finnish mortgages for 3%.

Liquidity reserve

At the end of the year, the Group's liquidity reserve amounted to MSEK 4,254 (MSEK 3,041) and was placed as follows:

• Central banks MSEK 1,045 (MSEK 502).

• Credit institutions MSEK 1,504 (MSEK 1,697).

• Swedish, Norwegian and German bonds and government debt securities MSEK 1,705 (MSEK 842).

The liquidity coverage ratio ("LCR") in the consolidated situation amounted to 697% (472%) at the end of the period. The Net Stable Funding Ratio ("NSFR") was 134% (132%). Both the LCR and NSFR exceed the internally applied limits as well as regulatory requirements.

Financing, funding and deposits

The Group's long-term strategy of a well-diversified funding structure, focused on deposits from the public, covered- and senior unsecured bonds remained unchanged.

At the end of the year, the Group's sources of financing consisted of equity, deposits from the public in Sweden, Norway and Germany, covered bonds, senior unsecured bonds and AT1- and T2 instruments issued by Bank2.

Retail deposits from the public have increased during the period, in part due to favourable financing conditions, while some bond financing has been redeemed.

The outstanding nominal volume of covered bonds amounted to MSEK 5,000 (MSEK 5,900) and senior unsecured bonds amounted to MSEK 1,850 (MSEK 1,550) and MNOK 550 (MNOK 550). AT1-instruments amounted to MNOK 60 and T2-instruments amounted to MNOK 60.

Of the total deposits from the public, 62% are based in NOK, 32% in SEK and the remaining portion in EUR.

Deposits in SEK and EUR are covered by the Swedish government deposit guarantee, which amounts to SEK 1,050,000. Deposits in NOK amounted to MSEK 12,817 (MSEK 6,671), of which deposits relating to Bank2 amounted to MSEK 5,009. In Norway, the deposit products of the Norwegian branch are covered by the Swedish government deposit guarantee, but also by the Norwegian deposit guarantee, which amounts to NOK 2,000,000 via the Norwegian Banks' Guarantee Fund. The NOK deposits related to Bank2 are solely covered by the Norwegian deposit guarantee.

Capital adequacy

For the Consolidated situation, the Common Equity Tier 1 capital ("CET1") ratio was 16.9% (17.0%), and the total capital ratio 17.4% (17.0%).

For the Parent, the CET1 ratio was 22.2% (17.1%), and the total capital ratio 22.2% (17.1%).

During the year, the CET1 capital has increased to MSEK 2,194(MSEK 1,624) for the Consolidated situation, and to 2,248 MSEK (MSEK 1,625) for the Parent. The increase is primarily attributed to positive net profit and as a result of capital contribution in connection with the acquisition of Bank2. The Pillar I capital requirement has increased as a result of increased lending, and for the Consolidated situation also as a result of the acquisition of Bank2.

The countercyclical capital buffer in Sweden has increased from 1% to 2% as of 22nd of June 2023, and in Norway from 2% to 2.5% as of 31st of March 2023. The combined buffer requirement also increased attributed to the application of systemic risk buffer for exposures in Norway as a result of acquisition of Bank2, as well as changes in the Norwegian systemic risk buffer design as such.

The leverage ratio for the Consolidated situation was 7.0% (6.8%), and for the Parent 9.1% (6.8%).

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

Return on equity

Return on equity amounted to 11.2% (13.9%) for the full year.

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, also from Moody's.

Key figures

Group	H2 2023	H1 2023	H2 2022	H1 2022	H2 2021
Operating profit, MSEK	99.4	198.4	179.6	130.3	143.7
Gross revenue / Lending portfolio, %[1,2]	9.0%	8.0%	6.8%	6.0%	6.1%
Net interest income / Lending portfolio, %[1,2]	4.9%	5.0%	4.9%	4.7%	4.8%
Credit losses, %[1,2]	0.21%	0.15%	0.28%	0.00%	0.07%
CET1, MSEK	2,193.8	1,730.8	1,624.0	1,492.8	1,390.1
CET1 ratio, %	16.9%	17.7%	17.0%	17.0%	16.4%
Return on Equity, %[1,2]	12.4%	17.8%	17.0%	12.1%	12.3%
Return on Assets, %[2]	1.06%	1.8%	1.5%	1.2%	1.4%
Liquidity reserve, MSEK	4,254.0	1,797.4	3,041.0	2,473.4	2,334.0
Deposits from the public, MSEK	20,513.1	14,081.8	13,239.1	10,919.2	10,426.0
External funding, MSEK	7,583.0	6,233.1	8,158.9	8,630.5	8,521.1
Lending portfolio, MSEK	26,205.1	20,457.7	20,346.3	18,980.7	18,333.1
Leverage ratio, %	7.0%	7.6%	6.8%	6.9%	6.6%
Average number of employees	299	268	269	271	271

[1] See page 42 for definitions of alternative performance measures

[2] Key figures are annualised to full-year values

Risk and capital management

Risk management

The year has been characterized by the uncertain macroeconomic situation and geopolitical tension with rising interest rates and elevated inflation, leading to increased stress for households, decreased property prices and thereby affecting the asset quality of the Bank. Additionally, bank failures in the US and Europe have caused volatility in the financial market, even though the spillover effects have been limited for Nordic banks and the Nordic financial market in general.

The Bank has no trading book, hedges its interest rate risks, and has a liquidity reserve placed with stable counterparties with good credit ratings. Furthermore, cyber security remains an area of increased risk from a global perspective.

The risk management aims to ensure that risk-taking is aligned with established risk management strategies and risk appetite, as well as achieving 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, credit-related concentration risk, market risk, 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 changes in earnings or material changes in risk profile, and quantitatively by calculating capital requirements where relevant. The risks are mitigated and limited through established 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.

The risk management framework is governed by the Risk Management Policy, approved by the Board of Directors.

Capital management

The capital management is integrated in the strategic planning, risk management framework, and 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 brands 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 Note 6 “Capital adequacy analysis” in this report, the 2022 Annual Report and the periodic information on risk management, capital adequacy and liquidity published on www.bluestepbank.com.

Significant events during 2023

Subsequent to the acquisition of Bank2, the board of the Bank approved the merger plan for the merger of Bank2 with the Norwegian branch of the Bank. The merger will be implemented with the Bank as the surviving company and Bank2 as the transferring company. The operations of Bank2 will continue through the Norwegian branch of Bluestep Bank. This strategic merger will ensure the realisation of identified synergies.

The Merger will be carried out pursuant to section 13-36 of the Norwegian Public Limited Liability Companies Act ("NPLLCA"), Chapter 23 of the Swedish Companies Act (2005:551) and Chapter 10 Section 18-22 and 25 of the Swedish Banking and Financing Business Act (2004:297) (“BFBA”). Both Merger Parties are licensed as credit institutions. The Merger is consequently subject to approval from the Financial Supervisory Authority of Norway ("Norwegian FSA"), cf. Section 12-1 of the Norwegian Act on Financial Undertakings ("NAFU") (nw. finansforetaksloven) and subject to approval from the SFSA pursuant to Chapter 10 Section 25 of the BFBA. The merger is estimated to occur during the second quarter of 2024.

Significant events and other information after the end of the period

No significant events have occurred after the 31st of December 2023 that would impact the financial result or financial performance of the Group.

Income statement

Group

MSEK	Note	Jul-Dec 2023	Jul-Dec 2022	FY 2023	FY 2022
Operating income					
Interest income calculated using the effective interest method		921.2	654.7	1,686.9	1,199.5
Other interest income		72.0	32.4	121.3	50.5
Interest expense		-495.6	-207.8	-849.3	-328.9
Net interest income		**497.6**	**479.3**	**958.9**	**921.2**
Net gains/losses on financial transactions		4.8	3.3	27.4	-23.6
Other operating income		3.7	4.2	8.2	8.6
Total operating income		**506.0**	**486.9**	**994.6**	**906.2**
Operating expense					
General administration expenses		-333.0	-247.8	-572.8	-510.1
Depreciation of tangible and intangible assets		-41.1	-31.1	-76.1	-58.1
Total operating expenses		**-374.2**	**-279.0**	**-648.9**	**-568.2**
Profit before credit losses		**131.9**	**207.9**	**345.6**	**338.0**
Credit losses, net	3	-32.5	-28.2	-48.0	-28.1
Operating profit		**99.4**	**179.6**	**297.7**	**309.9**
Paid group contributions		-	-12.0	-32.0	-12.0
Tax expense		-28.0	-26.0	-73.7	-56.1
NET PROFIT FOR THE PERIOD		**71.5**	**141.7**	**192.0**	**241.8**
Net profit for the period attributable to shareholders		71.5	141.7	192.0	241.8

Statement of comprehensive income

Group

MSEK	Jul-Dec 2023	Jul-Dec 2022	FY 2023	FY 2022
Net profit for the period	**71.5**	**141.7**	**192.0**	**241.8**
Items that may be reclassified to the income statement, net after tax	**8.5**	**-6.5**	**-21.0**	**-9.0**
COMPREHENSIVE PROFIT FOR THE PERIOD	**80.0**	**135.2**	**170.9**	**232.8**
Comprehensive profit for the period attributable to shareholders	80.0	135.2	170.9	232.8

Balance sheet

Group

MSEK	Note	31 Dec 2023	31 Dec 2022
Assets			
Cash and balances at central banks		1,044.7	501.7
Lending to credit institutions		1,504.3	1,697.0
Lending to the public	4	26,205.1	20,346.3
Value change of interest-hedged items in portfolio hedging		-82.6	-334.9
Derivatives		186.4	337.8
Shares and participations		59.3	-
Investments in associates		96.2	-
Bonds and other interest-bearing securities		664.5	521.0
Government debt securities		1,040.4	321.3
Intangible assets		173.9	126.7
Goodwill		77.4	-
Tangible fixed assets		46.4	42.3
Deferred tax assets		33.8	-
Other assets		24.5	49.2
Prepaid expenses and accrued income		73.3	54.1
Tax assets		88.7	87.9
TOTAL ASSETS		**31,236.5**	**23,750.6**
Liabilities and provisions			
Issued bonds		7,583.0	8,158.9
Deposits from the public		20,513.1	13,239.1
Derivatives		83.6	44.6
Tax liabilities		56.6	56.9
Deferred tax		5.8	1.3
Other liabilities		444.5	455.6
Accrued expenses and prepaid income		87.1	52.5
Provisions		-	-
Total liabilities and provisions		**28,773.6**	**22,008.8**
Equity			
Share capital		100.0	100.0
Translation reserve		-27.9	-6.8
Shareholder's contribution		1,151.1	563.7
Additional Tier 1 capital		60.4	-
Retained earnings		987.5	843.1
Profit for the year		192.0	241.8
Total equity		**2,463.1**	**1,741.8**
TOTAL EQUITY AND LIABILITIES		**31,236.5**	**23,750.6**

Changes in equity

Group

MSEK	Share capital	Translation reserve	Primary capital instrument	Shareholders' contribution	Retained earnings incl. profit for the year	Total equity
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 period					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**
Opening balance 1 Jan 2023	**100.0**	**-6.8**		**563.7**	**1,084.9**	**1,741.8**
Shareholder contributions				587.4		587.4
Dividend to shareholders					-37	-37
Profit for the period					192.0	174.7
Acquired primary capital instrument			60.4		-60.4	-
Other comprehensive income						
Translation differences of foreign operations		-49.2				-49.2
Tax due to translation differences of foreign operations		28.1				28.1
Closing balance 31 Dec 2023	**100.0**	**-27.9**	**60.4**	**1,151.1**	**1,179.5**	**2,463.1**

Cash flow statement

Group

MSEK	Note	FY 2023	FY 2022
Operating activities			
Operating profit		297.7	309.9
Adjustments for items not included in cash flow		290.4	138.0
Tax paid		-70.5	-70.3
Cash flow from current operations before changes to operating capital		**517.6**	**377.7**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-1,408.4	-1,783.9
Increase (-)/decrease (+) of short term receivables		127.6	-295.4
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-187.3	-31.6
Increase (-)/decrease (+) government debt securities		110.3	12.2
Increase (+)/decrease (-) of deposits from the public		2,471.0	2,826.6
Increase (+)/decrease (-) in issued bonds		-882.8	-384.0
Increase (+)/decrease (-) of short term liabilities		-64.7	354.4
Cash flow from operating activities		**683.3**	**1,075.9**
New cash flow from investing and financing activities		**-311.9**	**-371.3**
NET CASH FLOW FOR THE YEAR		**371.4**	**704.5**
Liquid funds beginning of year		**2,198.7**	**1,503.1**
Currency difference in liquidity		**-21.0**	**-9.0**
LIQUID FUNDS END OF YEAR		**2,549.0**	**2,198.7**
of which cash and balances at central banks		*1,044.7*	*501.7*
of which lending to credit institutions		*1,504.3*	*1,697.0*
Cash flow includes interest receipts of		**1,979.5**	**1,312.9**
Cash flow includes interest payments of		**-809.5**	**-315.4**

Income statement

Parent

MSEK	Note	Jul-Dec 2023	Jul-Dec 2022	FY 2023	FY 2022
Operating income					
Interest income calculated using the effective interest method		853.6	654.6	1,619.2	1,199.4
Other interest income		65.8	32.4	115.1	55.9
Interest expense		-458.1	-207.4	-811.5	-337.8
Net interest income		**461.3**	**479.5**	**922.9**	**917.6**
Dividends from subsidiaries		-	-	-	-
Received group contributions		0.3	1.4	20.2	1.4
Dividends from subsidiaries		-	-	-	-
Net gains/losses on financial transactions		1.2	3.3	25.5	-23.4
Other operating income		4.4	4.2	9.0	9.5
Total operating income		**467.2**	**488.5**	**977.5**	**905.1**
Operating expense					
General administration expenses		-259.0	-259.8	-504.7	-529.3
Depreciation of tangible and intangible assets		-34.1	-22.2	-61.0	-41.4
Total operating expenses		**-293.1**	**-281.9**	**-565.8**	**-570.7**
Profit before credit losses		**174.2**	**206.6**	**411.7**	**334.3**
Credit losses, net	3	-32.0	-28.2	-47.5	-28.1
Operating profit		**142.1**	**178.4**	**364.2**	**306.3**
Paid group contributions		-	-12.0	-32	-12.0
Tax expense		-31.1	-26.1	-77.2	-56.1
NET PROFIT FOR THE PERIOD		**111.1**	**140.3**	**255.0**	**238.2**

Statement of comprehensive income

Parent

MSEK	Jul-Dec 2023	Jul-Dec 2022	FY 2023	FY 2022
Net profit for the period	**111.1**	**140.3**	**255.0**	**238.2**
Items that may be reclassified to the income statement, net after tax	**17.8**	**-7.8**	**-11.7**	**-9.3**
COMPREHENSIVE PROFIT FOR THE PERIOD	**128.9**	**132.5**	**243.3**	**229.0**

Balance sheet

Parent

MSEK	Note	31 Dec 2023	31 Dec 2022
Assets			
Cash and balances at central banks		972.6	501.7
Lending to credit institutions		1,366.4	1,684.4
Lending to the public	4	21,204.4	20,346.3
Value change of interest-hedged items in portfolio hedging		-82.6	-334.9
Value change of currency hedged shares in foreign subsidiaries		-4.7	-
Derivatives		186.4	337.8
Bonds and other interest-bearing securities		199.5	521.0
Government debt securities		837.4	321.3
Shares and participation in associated companies		1,054.7	0.2
Intangible assets		141.9	122.7
Tangible fixed assets		15.3	14.7
Deffered tax assets		29.5	-
Other assets		25.0	50.7
Prepaid expenses and accrued income		65.9	54.1
Tax assets		88.6	79.6
TOTAL ASSETS		**26,100.5**	**23,699.7**
Liabilities			
Liabilities to credit institutions		-	0.9
Issued bonds		7,523.3	8,158.9
Deposits from the public		15,504.3	13,239.1
Derivatives		78.9	44.6
Tax liabilities		37.7	56.9
Other liabilities		386.3	436.5
Accrued expenses and prepaid income		64.7	51.2
Total liabilities		**23,595.4**	**21,988.1**
Equity			
Share capital		100.0	100.0
Fund for development expenses		54.6	39.8
Translation reserve		-16.8	-5.1
Retained earnings		2,112.5	1,338.7
Profit for the period		237.7	238.2
Total equity		**2,505.3**	**1,711.6**
TOTAL EQUITY AND LIABILITIES		**26,100.5**	**23,699.7**

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 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 period				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 period'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**
Opening balance 1 Jan 2023	**100.0**	**39.8**	**-5.1**	**1,576.9**	**1,711.6**
Shareholder contributions				587.4	587.4
Dividend to shareholders				-37.0	-37.0
Profit for the period				255.0	255.0
Other comprehensive income					
Translation differences of foreign operations			-39.8		-39.8
Tax due to translation differences of foreign operations			28.1		28.1
The period's own accumulated intangible assets		14.8		-14.8	-
Closing balance 31 Dec 2023	**100.0**	**54.6**	**-16.8**	**2,367.5**	**2,505.3**

The share capital consists of two common stock of the same kind with quotient value of MSEK 50.0.
All shares have equal voting power. Dividend per share amounted to MSEK 18.5 (MSEK 150.0).

Cash flow statement

Parent

MSEK	Note	FY 2023	FY 2022
Operating activities			
Operating profit		364.2	306.3
Adjustments for items not included in cash flow		252.5	124.1
Tax paid		-105.3	-67.1
Cash flow from current operations before changes to operating capital		**511.4**	**363.3**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-1,194.5	-1,783.9
Increase (-)/decrease (+) of short term receivables		107.7	-315.5
Increase (-)/decrease (+) in bonds and other interest-bearing securities		-298.6	-31.6
Increase (-)/decrease (+) government debt securities		110.3	12.2
Increase (+)/decrease (-) of deposits from the public		2,304.7	2,826.6
Increase (+)/decrease (-) in issued bonds		-882.8	107.9
Increase (+)/decrease (-) of short term liabilities		-15.8	363.4
Cash flow from operating activities		**642.4**	**1,542.4**
Net cash flow from investing and financing activities		**-477.8**	**-690.5**
NET CASH FLOW FOR THE YEAR		**164.6**	**851.9**
Liquid funds beginning of period		**2,186.1**	**1,343.5**
Currency difference in liquidity		**-11.7**	**-9.3**
LIQUID FUNDS END OF YEAR		**2,339.3**	**2,186.1**
of which cash and balances at central banks		*972.6*	*501.7*
of which lending to credit institutions		*1,366.4*	*1,684.4*
Cash flow includes interest receipts of		**1,856.3**	**1,318.2**
Cash flow includes interest payments of		**-771.9**	**-324.3**

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 for the prior year.

Content

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 2022, Note 1, are applied. This report is prepared based on the going concern assumption. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Bluestep's annual consolidated financial statements as at 31 December 2022. This year-end report has not been subject to review by the 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.

Changes in accounting policies due to new or amended IFRS

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

Amendments to IAS 1

The previous requirement for disclosures of significant accounting policies has been replaced with information of material accounting policies. The amendments to IAS 1 are applicable for annual reports starting on or after January 1, 2023.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements. The Group has updated the accounting policies by removing generic wordings and by adding company specific information regarding material accounting policies.

Amendments to IAS 12

The IAS 12 amendments refer to deferred tax for assets and liabilities that arise in a single transaction and a temporary exemption regarding deferred tax attributable to the OECD Pillar II regulatory framework.

The first amendment means that a company should not apply the exemption from reporting deferred tax that is attributable to a transaction where equal amounts of deductible and taxable temporary differences arise, but instead report both the deferred tax asset and tax liability. The Group presents these tax assets and liabilities separately in the tax note in this year's financial reports.

The change in the Pillar II framework does not affect the Group since the consolidated revenues fall below the threshold of 750 MEUR.

Application of accounting policies due to the acquisition of Bank2

Fund shares

The Group has made the assessment that the fund shares do not fulfill the criteria for the definition of a financial liability according to IAS 32. The cash flows (payments of principal and interest) are deemed to be under the Group's control and therefore the instrument is classified as equity.

Subordinated loans

Subordinated loans are measured at amortised cost and are subordinated to other liabilities.

Hedging of net investments in foreign operations (IAS 39)

Hedging of net investments in foreign operations is applied to protect the Group from translation differences that arise from the translation of operations in a functional currency other than the presentation currency. The part of the exchange rate result from hedging instruments that are effective is recognised in other comprehensive income. Any ineffectiveness is recognised in the profit or loss within Net gains/losses on financial transactions.

If a foreign operation is divested, the gain or loss from the hedging instrument is reclassified from other comprehensive income and recognized in the profit or loss.

Acquisitions and goodwill

Business combinations are consolidated using the acquisition method.

The cost of an acquisition is calculated as the sum of the transferred consideration measured at fair value at the acquisition date and the amount of any non-controlling interests in the acquiree. For each acquisition, the Group determines whether all non-controlling interests in the acquired company should be recognised at fair value or at the non-controlling interest's proportionate share of the acquired subsidiary's net assets.

Goodwill represents the difference between the cost of business combinations and the fair value of acquired assets, liabilities assumed and contingent liabilities. Goodwill is measured at cost less any accumulated impairment losses. To test impairment needs, the goodwill is allocated to reporting segments. A reporting segment is the lowest level at which goodwill is followed-up in the Group's internal governance.

Trademarks

Trademarks acquired in a business combination are initially recognised at fair value less any accumulated impairment losses. The Group's assessment is that trademarks useful life is indefinite. Any costs for internally developed trademarks are recognised in the profit or loss in the period in which they arise.

Customer relashionships

Customer relationships acquired in a business combination are initially recognised at fair value less accumulated depreciation and impairment losses.

Depreciation and impairment

Depreciation is recognised in the profit or loss on a linear basis over the estimated useful lives of intangible assets unless the useful lives are indefinite. Depreciable intangible assets are amortised from the date on which they are available for use.

At each closing date, an assessment is made of whether there is any indication of a decrease in the value of the Group's assets. For goodwill, trademarks and banking licenses that are not amortised on an ongoing basis, impairment tests are carried out at least once a year and/or in the event of an indication of impairment of the asset.

If this is the case, an assessment of the recoverable amount of the asset is made. The recoverable amount is the higher of the asset's fair value, less costs to sell, and its value in use. Value in use refers to the present value of future cash flows attributable to the asset and the present value of net realisable value at the end of its useful life.

If the estimated recoverable amount is less than the carrying amount, an impairment loss is recognised. A previous impairment loss is reversed when there has been a change in the assumptions on the basis of which the recoverable amount of the asset was determined at the time of impairment and which means that the impairment loss is no longer deemed necessary. Reversals of previously made write-downs are tested individually and reported in the profit or loss. Impairment of goodwill is not reversed in a subsequent period.

Parent company

Acquisitions and goodwill

The cost of a business combination is calculated as the sum of the fair value of the assets, liabilities and equity instruments paid at the date of the transaction. All expenses that are directly attributable to the business combination are also recognised as part of the cost.

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 Head of Operations in Sweden, Norway and Finland all report to the Nordic Chief Commercial Officer, who reports to Chief Executive Officer.

Each Head of Operations is responsible for their respective segment and govern 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 business is divided into three segments: Sweden, Norway and Finland. Norway and Finland are operated through each branch. The operations of Bank2 are included in the Norwegian segment, although it is a separate legal entity. Included in other operations are products in run-off that was acquired through the acquisition of Bank2.

Balance sheet 31 Dec 2023	Group					
MSEK	Sweden	Norway	Finland	Other operations	Eliminations	Total
Lending to credit institutions	228.4	877.6	398.3	-	-	**1,504.3**
Lending to the public	11,478.7	13,788.3	738.3	199.9	-	**26,205.1**
Deposits from the public	6,571.9	12,369.4	1,123.5	448.4	-	**20,513.1**

Balance sheet 31 Dec 2022	Group					
MSEK	Sweden	Norway	Finland	Other operations	Eliminations	Total
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**

Income statement H2 2023

	Group					
MSEK	Sweden	Norway	Finland	Other operations	Eliminations	Total
Interest income	534.1	451.6	42.5	3.0	-38.0	993.2
of which interest income within group	*38.0*	*-*	*-*	*-*	-38.0	-
Interest expense	-271.4	-231.8	-28.8	-1.7	38.0	-495.6
of which interest expense within group	*-0.0*	*-23.5*	*-14.5*	*-*	-118.1	-
Net interest income	**262.7**	**219.8**	**13.7**	**1.3**	**-0.0**	**497.6**
Total operating income	**312.7**	**223.7**	**-4.1**	**-40.6**	**14.4**	**506.0**
Total operating expenses	**-144.8**	**-125.7**	**-33.7**	**-55.5**	**-14.4**	**-374.2**
Profit before credit losses	**167.9**	**97.9**	**-37.8**	**-96.1**	**-0.0**	**131.9**
Credit losses, net	-22.8	-9.1	-1.5	0.9	-	-32.5
OPERATING PROFIT	**145.1**	**88.8**	**-39.3**	**-95.2**	**-0.0**	**99.4**

Income statement H2 2022

	Group					
MSEK	Sweden	Norway	Finland	Other operations	Eliminations	Total
Interest income	372.9	319.7	14.5	-	-20.0	687.1
of which interest income within group	*20.0*	*-*	*-*	*-*		
Interest expense	-125.8	-98.5	-3.5	-	20.0	-207.8
of which interest expense within group	*-*	*-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 FY 2023

	Group					
MSEK	Sweden	Norway	Finland	Other operations	Eliminations	Total
Interest income	1,028.4	785.6	69.3	3.0	-78.1	1,808.2
of which interest income within group	*78.1*	*-*	*-*	*-*	-78.1	-
Interest expense	-501.8	-380.4	-43.5	-1.7	78.1	-849.3
of which interest expense within group	*-0.0*	*-49.8*	*-28.3*	*-*	-78.1	-
Net interest income	**526.5**	**405.3**	**25.8**	**1.3**	**-0.0**	**958.9**
Total operating income	**583.9**	**409.1**	**27.9**	**-20.8**	**-5.5**	**994.6**
Total operating expenses	**-280.9**	**-226.2**	**-71.9**	**-75.4**	**5.5**	**-648.9**
Profit before credit losses	**303.0**	**182.9**	**-44.1**	**96.1**	**-0.0**	**345.7**
Credit losses, net	-34.1	-11.8	-3.0	0.9	-	-48.0
OPERATING PROFIT	**268.9**	**171.1**	**-47.1**	**-95.2**	**-0.0**	**297.7**

Income statement FY 2022

MSEK	Group: Sweden	Norway	Finland	Other operations	Eliminations	Total
Interest income	658.7	599.6	23.5	-	-31.8	1,250.1
of which interest income within group	*31.8*	*-*	*-*	*-*		
Interest expense	-194.2	-161.7	-4.8	-	31.8	-328.9
of which interest expense within group	*-*	*-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**

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.

Provisions in stage 2 increased mainly due to increases in interest rates. The decline in housing prices affected the LGD and therefore lead to an increase in provisions in general. An additional driver for the increase in provisions during the period is an increased number of loans in arrears, which increases the average PD and stage migration resulting in increased provisions.

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 twelve months and expected credit losses during the remaining maturity of the asset.

Credit impairments

MSEK	Group FY 2023	Group FY 2022	Parent FY 2023	Parent FY 2022
Stage 1 - net impairment	**-0.7**	**-1.2**	**-0.4**	**-1.2**
Stage 2 - net impairment	**-12.9**	**-11.1**	**11.5**	**-11.1**
Stage 3 - impairment / recoveries for the year	**-23.6**	**-16.0**	**-24.9**	**-16.0**
Write-offs				
Actual losses during the year	-25.3	-15.9	-25.3	-15.9
Release of allowances in Stage 3	9.3	7.2	9.6	7.2
Recoveries from previous write-offs	5.2	8.9	5.0	8.9
Total write-offs	**-10.8**	**0.3**	**-10.7**	**0.3**
Total credit losses, net	**-47.9**	**-28.1**	**-47.5**	**-28.1**

Note 4. Lending to the public

	Group		Parent	
MSEK	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Valued at amortised cost				
Sweden	10,165.9	10,107.4	10,165.9	10,107.4
Norway	13,803.7	8,716.5	8,987.4	8,716.5
Finland	738.3	511.1	738.3	511.1
Corporate/ factoring/ unsecured loans	184.4	-	-	-
Measured at fair value				
Sweden	1,312.8	1,011.4	1,312.8	1,011.4
Total lending to the public	**26,205.1**	**20,346.3**	**21,204.4**	**20,346.3**

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

31 Dec 2023	Group								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	8,764.3	1,198.3	261.6	**10,224.2**	5.7	26.5	26.0	**58.2**	**10,165.9**
Mortgages Norway	11,020.5	2,147.0	698.6	**13,866.1**	3.4	34.6	24.4	**62.4**	**13,803.7**
Mortgages Finland	638.0	76.7	28.3	**743.1**	0.3	2.0	2.6	**4.8**	**738.3**
Coporate loans	–	199.0	7.2	**206.2**	–	29.8	–	**29.8**	**176.5**
Unsecured loans	0.2	3.3	15.2	**18.6**	–	0.3	11.0	**11.4**	**7.3**
Factoring	–	–	8.8	**8.8**	–	–	8.1	**8.1**	**0.7**
Total	**20,423.0**	**3,624.3**	**1,019.7**	**25,067.0**	**9.4**	**93.2**	**72.1**	**174.7**	**24,892.3**

31 Dec 2023	Parent								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	8,764.3	1,198.3	261.6	**10,224.2**	-5.7	-26.5	-26.1	**58.2**	**10,165.9**
Mortgages Norway	7,195.3	1,527.1	287.9	**9,010.2**	-1.5	-13.8	-7.5	**22.8**	**8,987.4**
Mortgages Finland	638.0	76.7	28.3	**743.1**	-0.3	-2.0	-2.6	**4.8**	**738.3**
Total	**16,597.6**	**2,802.1**	**577.8**	**19,977.5**	**-7.5**	**-42.2**	**-36.1**	**-85.9**	**19,891.6**

31 Dec 2022	Group & Parent								
	Reported value gross				Provisions				Reported value net
MSEK	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages Sweden	9,059.8	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**

	Group			
MSEK	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Reported value gross 1 Jan 2023	**17,085.3**	**1,936.9**	**372.8**	**19,394.9**
Reported value gross 31 Dec 2023	**20,423.0**	**3,624.3**	**1,019.7**	**25,067.0**
Provisions 1 Jan 2023	**-7.2**	**-31.7**	**-21.1**	**-60.0**
Additional provision through the acquisition of Bank2	-1.7	-50.0	-37.5	**-89.3**
Adjusted provision	-8.9	-81.8	-58.6	**-149.3**
New financial assets	-3.1	-7.6	-1.9	**-12.7**
Change in PD/LGD/EAD	-0.0	-4.0	-2.1	**-6.0**
Change due to expert credit judgement	–	–	–	**–**
Transfers between stages	**1.2**	**-8.2**	**-20.0**	**-27.0**
-Transfer from stage 1 to 2	1.2	-18.7	–	**-17.5**
-Transfer from stage 1 to 3	0.3	–	-11.1	**-10.7**
-Transfer from stage 2 to 1	-0.4	5.9	–	**5.5**
-Transfer from stage 2 to 3	–	5.9	-14.8	**-8.9**
-Transfer from stage 3 to 1	–	–	0.8	**0.8**
-Transfer from stage 3 to 2	–	-1.3	5.1	**3.8**
Changes in exchange rates	-0.1	-1.5	-1.1	**-2.7**
Removed financial assets	1.3	6.9	9.3	**17.5**
Provisions 31 Dec 2023	**-9.4**	**-93.2**	**-72.2**	**174.7**
Opening balance 1 Jan 2023	**17,078.1**	**1,905.2**	**351.7**	**19,334.9**
Closing balance 31 Dec 2023	**20,413.6**	**3,531.2**	**947.5**	**24,892.3**

	Parent			
MSEK	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Reported value gross 1 Jan 2023	**17,085.3**	**1,936.9**	**372.8**	**19,394.9**
Reported value gross 31 Dec 2023	**16,597.6**	**3,624.3**	**1,019.7**	**25,067.0**
Provisions 1 Jan 2023	**-7.2**	**-31.7**	**-21.1**	**-60.0**
New financial assets	3.1	7.6	1.9	**12.7**
Change in PD/LGD/EAD	-0.2	0.2	0.3	**0.3**
Change due to expert credit judgement	–	–	–	**–**
Transfers between stages	**-1.2**	**10.4**	**23.0**	**32.2**
-Transfer from stage 1 to 2	-1.2	20.8	–	**19.6**
-Transfer from stage 1 to 3	-0.2	–	12.6	**12.3**
-Transfer from stage 2 to 1	0.3	-5.4	–	**-5.1**
-Transfer from stage 2 to 3	–	-6.3	14.8	**8.5**
-Transfer from stage 3 to 1	–	–	-0.8	**-0.8**
-Transfer from stage 3 to 2	–	1.3	-3.6	**-2.3**
Changes in exchange rates	-0.1	-1.0	-0.5	**-1.6**
Removed financial assets	-1.3	-6.9	-9.6	**-17.9**
Provisions 31 Dec 2023	**7.5**	**42.1**	**36.1**	**85.7**
Opening balance 1 Jan 2023	**17,078.1**	**1,905.2**	**351.7**	**19,334.9**
Closing balance 31 Dec 2023	**16,590.1**	**2,760.0**	**541.7**	**19,891.8**

	Group & Parent			
MSEK	**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**

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. The method for determining the fair value of derivatives is described in the Annual Report for 2022, Note 1. All derivative contracts measured at fair value are entered into for the purpose to hedge interest rate- and currency risks that arise in the normal course of 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. An assessment 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.

Measured at fair value through profit or loss per level

	Group							
	31 Dec 2023				31 Dec 2022			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Lending to the public	–	–	1,312.8	**1,312.8**	–	–	1,011.4	**1,011.4**
Derivatives	–	186.4	–	**186.4**	–	337.8	–	**337.8**
Bonds / other interest-bearing securities	1,704.9	–	–	**1,704.9**	842.3	–	–	**842.3**
Total assets	**1,704.9**	**186.4**	**1,312.8**	**3,204.2**	**842.3**	**337.8**	**1,011.4**	**2,191.5**
Liabilities								
Derivatives	–	**83.6**	–	**83.6**	–	44.6	–	**44.6**
Total liabilities	–	83.6		**83.6**	–	**44.6**	–	**44.6**

	Parent							
	31 Dec 2023				31 Dec 2022			
MSEK	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Lending to the public	–	–	1,312.8	**1,312.8**	–	–	1,011.4	**1,011.4**
Derivatives	–	186.4	–	**186.4**	–	337.8	–	**337.8**
Bonds / other interest-bearing securities	1,036.9	–	–	**1,036.9**	842.3	–	–	**842.3**
Total assets	**1,036.9**	**186.4**	**1,312.8**	**2,536.1**	**842.3**	**337.8**	**1,011.4**	**2,191.5**
Liabilities								
Derivatives	–	78.9	–	**78.9**	–	44.6	–	**44.6**
Total liabilities	–	**78.9**	–	**78.9**	–	**44.6**	–	**44.6**

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

FY 2023

	Group & Parent					
MSEK	**Carrying balance**	**New loans**	**Redeemed loans**	**Unrealised interest income**	**Gains/ losses on revaluation**	**Total**
Lending to the public	1,011.4	182.3	-59.9	33.0	-3.6	**1,163.1**

FY 2022

	Group & Parent					
MSEK	**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**

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

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

An upward parallel shift of the yield curve with 1% would result in a negative change in fair value of MSEK 22 (MSEK 11) and a downward parallel shift with 1% would result in a positive change in fair value of MSEK 3 (MSEK 1). An instant decline in house prices of 10% would result in a negative change in fair value of MSEK 15 (MSEK 7) and an instant increase of 10% would result in a positive change in fair value of MSEK 3 (MSEK 1).

Fair value

The carrying amount for lending to credit institutions is a reasonable approximation of fair value since the item is not subject to significant value changes. Currency changes are recorded in the income statement.

Fair value for the lending to the public amounts to MSEK 26,768.

The value of lending to the public has been measured based on observable market data by discounting the expected future cash flows of the assets to present value using a discount factor. The expected future cash flows have been based on the size of the portfolio at the end of the balance sheet date and an expected future cash flow take into account historical cash flows, type and nominal amount of receivables and experience with similar assets.

For all other financial assets and liabilities with a short tenor the carrying amount is a reasonable approximation of fair value since the discounted amount does not result in any material effects.

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

The capital adequacy information complies with the disclosure requirements for credit institutions set out in the Act (1995:1559) regarding annual reports for 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 and legal structure, see the section "Administration report".

The Bank and the Consolidated situation have prior permission from the SFSA to include interim and year-end profits in CET1 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, Swedish Acts, and SFSA Regulations and General Guidelines. The risk-based capital requirement includes Pillar I capital requirement, Pillar II capital requirement, combined buffer requirement, and Pillar II guidance.

The Pillar I capital requirement is calculated based on the standardised approach for credit risk, credit valuation adjustment risk, and market risk, the original exposure method is used for counterparty risk, and the alternative standardised approach is used for operational risk. The Pillar I capital requirement amounts to 8% of the risk weighted assets ("RWAs"), of which at least 4.5% shall be met by CET1 capital.

The Pillar II requirement is based on qualitative and quantitative assessment of material risks to determine whether additional capital is needed for risks not covered, or not sufficiently covered, by the Pillar I 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 supervisory review and evaluation process ("SREP") and formally decides on Pillar 2 requirement. The risk-based Pillar II requirement is, in accordance with the latest SFSA SREP decision, 1.20% of the RWAs for the Consolidated situation. In accordance with the latest SFSA SREP decision, the Pillar II requirement is 1.10% of the RWAs for the Parent.

The combined buffer requirement absorbs losses in periods of financial stress, and consist of capital conservation buffer of 2.5%, contracyclical buffer, and for credit risk exposures in Norway a systemic risk buffer of 4.5%. The applicable countercyclical capital buffer rates as of the reporting date are 2% in Sweden, 2.5% in Norway, and 0% in Finland. The combined buffer requirement shall bet met by CET1 capital.

The Pillar II guidance level is notified by the SFSA as part of the SREP in addition to other main capital components to cover risks and manage future financial stresses. The Pillar II guidance 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 Pillar II guidance for the Consolidated situation or the Bank.

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

Capital requirements and Pillar II guidance	Consolidated situation		Parent	
MSEK	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Pillar I capital requirement	1,038	766	873	759
Pillar II capital requirement	156	115	120	104
Combined buffer	886	374	505	371
Pillar II guidance	–	–	–	–
Total capital requirements	**2,080**	**1,254**	**1,498**	**1,234**

Capital requirements and Pillar II guidance	Consolidated situation		Parent	
% RWA	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Pillar I capital requirement	8.00%	8.00%	8.00%	8.00%
Pillar II capital requirement	1.20%	1.20%	1.10%	1.10%
Combined buffer	6.83%	3.91%	4.62%	3.91%
Pillar II guidance	–	–	–	–
Total capital requirements	**16.03%**	**13.11%**	**13.72%**	**13.01%**

The own funds exceed the total capital requirements for the Consolidated situation and the Bank.

Leverage ratio requirement

The leverage ratio requirement is calculated in accordance with CRR, Swedish Acts, and SFSA's Regulations and General Guidelines. The leverage ratio requirement 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 minimum capital requirement for the leverage ratio is 3% of the leverage exposure amount, and additional 0.15% should be met for the Consolidated situation as Pillar II Guidance ('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 leverage ratio requirement is shown below.

Leverage ratio and Pillar II guidance	Consolidated situation		Parent	
MSEK	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Minimum capital requirement	951	714	796	712
Pillar II capital requirement	–	–	–	–
Pillar II guidance	48	36	–	–
Total leverage ratio and Pillar II guidance	**999**	**750**	**796**	**712**

Leverage ratio and Pillar II guidance	Consolidated situation		Parent	
%	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Minimum capital requirement	3.00%	3.00%	3.00%	3.00%
Pillar II capital requirement	–	–	–	–
Pillar II guidance	0.15%	0.15%	–	–
Total leverage ratio and Pillar II Guidance	**3.15%**	**3.15%**	**3.00%**	**3.00%**

The Tier 1 capital exceeds the total leverage ration requirement for the Consolidated situation and the Bank.

Key metrics

Key metrics (EU KM1) for the Consolidated situation are shown below:

Key metrics (EU KM1)		Consolidated situation		
MSEK		31 Dec 2023	30 Jun 2023	31 Dec 2022
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	2,194	1,731	1,624
2	Tier 1 capital	2,224	1,731	1,624
3	Total capital	2,259	1,731	1,624
Risk-weighted exposure amounts				
4	Total risk exposure amount	12,977	9,788	9,570
Capital ratios[1]				
5	Common Equity Tier 1 ratio	16.91%	17.68%	16.97%
6	Tier 1 ratio	17.14%	17.68%	16.97%
7	Total capital ratio	17.41%	17.68%	16.97%
Additional own funds requirements to address risks other than the risk of excessive leverage[1]				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	1.20%	1.20%	1.20%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.68%	0.68%	0.68%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.90%	0.90%	0.90%
EU 7d	Total SREP own funds requirements	9.20%	9.20%	9.20%
Combined buffer and overall capital requirement[1]				
8	Capital conservation buffer	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	2.22%	2.15%	1.41%
EU 9a	Systemic risk buffer	2.10%	0.00%	0.00%
10	Global Systemically Important Institution buffer			
EU 10a	Other Systemically Important Institution buffer			
11	Combined buffer requirement	6.83%	4.65%	3.91%
EU 11a	Overall capital requirements	16.03%	13.85%	13.11%
12	CET1 available after meeting the total SREP own funds requirements	8.21%	8.48%	7.77%
Leverage ratio				
13	Total exposure measure	31,703	22,830	23,805
14	Leverage ratio	7.02%	7.58%	6.82%
Additional own funds requirements to address the risk of excessive leverage[2]				
EU 14a	Additional own funds requirements to address the risk of excessive leverage			
EU 14b	of which: to be made up of CET1 capital (percentage points)			
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement[2]				
EU 14d	Leverage ratio buffer requirement			
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2,554	955	1,297
EU 16a	Cash outflows - Total weighted value	1,466	1,146	1,098
EU 16b	Cash inflows - Total weighted value	1,904	1,222	2,033
16	Total net cash outflows (adjusted value)	367	286	275
17	Liquidity coverage ratio	696.89%	333.18%	472.43%
Net Stable Funding Ratio				
18	Total available stable funding	26,434	19,751	19,726
19	Total required stable funding	19,732	14,474	14,936
20	NSFR ratio	133.97%	136.57%	132.07%

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

Key metrics

Key metrics (EU KM1) for the Bank are shown below:

Key metrics (EU KM1)		Parent		
MSEK		**31 Dec 2023**	**30 Jun 2023**	**31 Dec 2022**
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	2,428	1,738	1,625
2	Tier 1 capital	2,428	1,738	1,625
3	Total capital	2,428	1,738	1,625
Risk-weighted exposure amounts				
4	Total risk exposure amount	10,916	9,703	9,485
Capital ratios[1]				
5	Common Equity Tier 1 ratio	22.25%	17.90%	17.13%
6	Tier 1 ratio	22.25%	17.90%	17.13%
7	Total capital ratio	22.25%	17.90%	17.13%
Additional own funds requirements to address risks other than the risk of excessive leverage[1]				
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage	1.10%	1.10%	1.10%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.62%	0.62%	0.62%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.83%	0.83%	0.83%
EU 7d	Total SREP own funds requirements	9.10%	9.10%	9.10%
Combined buffer and overall capital requirement[1]				
8	Capital conservation buffer	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	2.12%	2.15%	1.41%
EU 9a	Systemic risk buffer			
10	Global Systemically Important Institution buffer			
EU 10a	Other Systemically Important Institution buffer			
11	Combined buffer requirement	4.62%	4.65%	3.91%
EU 11a	Overall capital requirements	13.72%	13.75%	13.01%
12	CET1 available after meeting the total SREP own funds requirements	13.15%	8.82%	8.03%
Leverage ratio				
13	Total exposure measure	26,540	22,738	23,732
14	Leverage ratio	9.15%	7.65%	6.85%
Additional own funds requirements to address the risk of excessive leverage[2]				
EU 14a	Additional own funds requirements to address the risk of excessive leverage			
EU 14b	of which: to be made up of CET1 capital (percentage points)			
EU 14c	Total SREP leverage ratio requirements	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement[2]				
EU 14d	Leverage ratio buffer requirement			
EU 14e	Overall leverage ratio requirement	3.00%	3.00%	3.00%
Liquidity Coverage Ratio				
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,954	955	1,297
EU 16a	Cash outflows - Total weighted value	1,157	1,146	1,098
EU 16b	Cash inflows - Total weighted value	1,674	1,217	2,028
16	Total net cash outflows (adjusted value)	289	286	275
17	Liquidity coverage ratio	675.27%	333.18%	472.43%
Net Stable Funding Ratio				
18	Total available stable funding	21,917	19,759	19,728
19	Total required stable funding	16,051	14,468	14,928
20	NSFR ratio	136.54%	136.46%	132.15%

[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 3 Designated Activity Company, org no 550839, registered in Dublin.
- Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111, registered in Dublin.
- Uno Finans AS, org no 921320639 registered in Oslo (broker agency which is an associated company to Bluestep Holding AB).
- Uno Finans Oy, org no 33098331, registered in Helsinki, a wholly-owned subsidiary of Uno Finans AS.
- Bank2 ASA, org no 988257133, registered in Oslo.
- Eiendomsfinans AS, org no 967692301, registered in Drammen (broker agency which is an associated company to Bluestep Bank AB).

Assets and liabilities	Group		Parent	
MSEK	31 Dec 2023	31 Dec 2022*	31 Dec 2023	31 Dec 2022
Other assets				
Parent	–	–	–	–
Subsidiaries	–	–	–	1.4
Total	**–**	**–**	**–**	**1.5**
Other liabilities				
Parent	–	12.0	–	12.0
Subsidiaries	–	–	0.1	4.0
Associates	0.1	1.8	0.1	1.8
Total	**0.1**	**13.8**	**0.2**	**17.8**

Income and expenses	Group		Parent	
MSEK	31 Dec 2023	31 Dec 2022*	31 Dec 2023	31 Dec 2022
Interest income calculated using the effective interest method				
Parent	–	–	–	–
Subsidiaries	–	–	–	6.6
General administration expenses				
Parent	–	–	–	–
Subsidiaries	–	–	–	-7.2
Associates	11.2	12.5	11.2	12.5
Total	**11.2**	**12.5**	**11.2**	**11.9**

** Bluestep Bank divested the subsidiary Bluestep Servicing AB, org no 556955-3927, registered in Stockholm, as of June 30, 2023. The company is included in the comparative figures, but not in the current period. During the last quarter of 2023, Bluestep Mortgage Securities No 2 Designated Activity Company, org no 5222186, registered in Dublin was liquidated.*

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

	Group		Parent	
MSEK	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Pledged assets and comparable securities for own liabilities				
Shares and participation in associated companies	-	-	-	-
Lending to credit institutions	14.1	4.7	14.1	4.7
Lending to the public	5,550.0	6,608.0	5,550.0	6,608.0
Government debt securities	19.9	19.9	19.9	19.9
Derivatives				
Other assets	-	18.2	-	18.2
Prepaid expenses and accrued income	-	-	-	-
Commitments				
Granted loans but not paid out	54.5	49.3	54.5	49.3

Lending to credit institutions

Reserved funds related to the Bank of Finland reserve requirement.

Lending to the public

Collateral registered for the benefit of holders of covered bonds issued by the Group. 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 Group's insolvency, the holders of the covered bonds have prior rights to the pledged assets.

Government debt securities

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

Derivatives

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

Note 9. Acquisition of Bank2

The Bluestep Bank AB acquired 95,8% of the shares in Bank2 as of 31 October 2023. The background of the transaction and the operations of Bank2 are described in the administration report. During November 2023, the remaining minority shares were acquired, and the Bank owns 100% of the shares as at 31 December 2023. The consolidated net result includes acquisition costs related to the acquisition amounting to approximately MSEK 45.

The Bank2 loan portfolio has been subjected to the Bluestep Bank model for the calculation of the expected credit loss provision for the Group and the adjustment for the purchase price allocation. In aligning the collection process of the two banks and building a deeper understanding of the customer behaviour, an adjustment of MNOK 10 was included in the adjustment of the provision for the purposes of the purchase price allocation. The adjustment accounts for uncertainties in key assumptions and parameters, providing a more thorough understanding of the potential variability in the credit loss estimates for Bank2.

Full disclousure will be included in the Annual Report.

Purchase price allocation	
MSEK	**31 Oct 2023**
Assets	
Bank2 trade name	18.4
Bank2 customer relationships	13.9
Loans to and receivables from credit instituations	41.6
Loans to and receivables from customers	4,822.7
Cash and receivables from central banks	72.4
Interest bearing securities(bonds)	779.5
Shares and other equity instruments	57.7
Participations in associated companies	97.3
Other assets	17.6
Lease rights and right of use	16.8
Deposits and other customer borrowings	-4,868
Subordinated debt	-60.6
Deferred Tax	-5.0
Leasing	-18.3
Other liabilities	-53.2
Total net assets acquired	**932.8**
Total consideration	**1,010.2**
Goodwill	**77.4**
Deferred consideration	**138.5**

Purchase price allocation	
MSEK	**31 Oct 2023**
Payment of cash in the offer	**475.4**
Deferred payment	**138.5**
Total purchase consideration paid	**613.9**
Reinvestment	**396.4**
Total consideration	**1,010.2**

Signature of the Chief Executive Officer

The Chief Executive Officer certifies that the Year-End report for January to December 2023 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 22, 2024

Björn Lander
Chief Executive Officer

Definitions of alternative performance measures

C/I ratio

Costs before credit losses in relation to operating income.

MSEK	H2 2023	FY 2023
Costs before credit losses	374.2	648.9
Operating income	506.0	994.6
C/I ratio	**74%**	**65%**

Credit losses (%)

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

MSEK	H2 2023	FY 2023
Credit losses	54.0	48.0
Credit losses annualised, incl Bank2	58.0	48.0
Lending to the public	26,205.1	26,205.1
Credit losses (%)	**0.21%**	**0.18%**

Return on equity

Operating profit after tax in relation to average equity. The tax rate for 2023 in Sweden is 20.6% (20.6%).

MSEK	H2 2023	FY 2023
Operating profit	99.4	297.7
Operating profit annualised, incl Bank2	330.4	297.7
Operating profit less tax	**262.4**	**236.4**
Total equity 2022-12-31		1,741.8
Total equity 2023-06-30	1,795.7	
Total equity 2023-12-31	2,463.1	2,463.1
Average equity	**2,129.4**	**2,102.5**
Return on equity	**12.4%**	**11.2%**

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 2023	FY 2023
Total Interest Income	993.2	1,808.2
Interest income bonds	-21.4	-30.8
Interest income credit institutions	-35.7	-64.3
Gross revenue	936.1	1,713.2
Gross revenue annualised, incl Bank2	**2,108.5**	1,713.2
Lending to the public 2022-12-31		20,346.3
Lending to the public 2023-06-30	20,457.7	
Lending to the public 2023-12-31	26,205.1	26,205.1
Average lending to the public	**23,331.4**	**23,275.7**
Gross Revenue / Lending to the public	**9.0%**	**7.4%**

Net interest income / Lending to the public

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

MSEK	H2 2023	FY 2023
Net interest income	497.6	958.9
Net interest income annualised, incl Bank2	**1 139.0**	**958.9**
Lending to the public 2022-12-31		20,346.3
Lending to the public 2023-06-30	20,457.7	
Lending to the public 2023-12-31	26,205.1	26,205.1
Average lending to the public	**23,331.4**	**23,275.7**
Net interest income / Lending to the public	**4.9%**	**4.1%**

Financial Calendar

Annual report 2023
week 17, 2024

Interim report 2024
week 35, 2024

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