

# INTERIM REPORT **2014**

## The interim report includes:

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Bluestep Finans AB, org no 556717-5129 with registered offices in Stockholm, Sweden hereby presents the interim accounts and group accounts for the period 2014-01-01--2014-06-30. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB, org no 556791-6928 with registered offices in Stockholm, Sweden, and Bluestep Mortgage Securities No 2 Limited, org no 522186 with registered offices in Dublin, Ireland.

## ADMINISTRATION REPORT

### Organisation and operations

Bluestep Finans AB, ("the Company") is a credit market company under the supervision of the Swedish Financial Supervisory Authority. The Company have its principal office at Sveavägen 163, 104 35 Stockholm.

The Company is Sweden's largest non-conforming residential mortgage lender and its core business is to engage in lending activities, which are funded by deposits from the public, equity and issuance of asset backed securities within its wholly owned subsidiary Bluestep Mortgage Securities No 2 Limited. The Company also operates in Norway through its branch, Bluestep Finans AB, filial Oslo.

The Company's operations include the design of lending and deposit products, marketing, loan processing and approval of loans and related services.

The day to day administration of the loan portfolios and deposit accounts in Sweden are outsourced to third parties, while administration of both loan and deposit products in Norway are handled in-house.

### Ownership

The Company is a wholly owned subsidiary of Bluestep Bostadslån AB, organizational number 556668-9575 with registered offices in Stockholm, Sweden. Bluestep Bostadslån AB, Bluestep Finans AB, Bluestep Finans AB, filial Oslo ("the Branch"), Bluestep Finans Funding No 1 AB and Bluestep Mortgage Securities No 2 Limited are all part of a Group where Bluestep Capital Holdings Limited is the ultimate parent, and prepares the consolidated Annual Group accounts for the entire Group.

### Events during the financial period

#### Lending

The Company's total lending portfolio continues to grow and totaled SEK 7 634.2m as of period end (SEK 6 882.7m as of

2013-12-31). The outstanding balance of lending in Norway as of period end amounted to SEK 1 415.7m (SEK 1 095.1m as of 2013-12-31).

The Company's unsecured lending business has continued to grow during the year, and the portfolio balance as of period end amounted to SEK 451.4m (SEK 331.0m as of 2013-12-31).

#### Deposits

The deposit taking business focuses on providing customers with competitive interest rates on both short and long-term savings through a number of deposit products with different features and maturities. The balance as of the period end amounted to SEK 7 006.2m (SEK 6 601.3m as of 2013-12-31), of which the deposit business in Norway amounted to SEK 1 450.3m (SEK 1 066.9m as of 2013-12-31).

All deposit products are covered by the government deposit guarantee scheme, which amounts to EUR 100 000 in Sweden and NOK 2 000 000 in Norway through Bankenes Sikringsfond.

#### Liquidity reserve

As of period end, the Group's excess liquidity placed with credit institutions amounted to SEK 1 123.8m (SEK 1 512.7m as of 2013-12-31) and Swedish issued covered bonds amounted to SEK 444.8m (SEK 437.0m as of 2013-12-31).

#### Staff

The average number of employees in the company during the period totaled 147 (134 as of 2013-12-31), of which 26 (23 as of 2013-12-31) are employed by the Company's Norwegian branch. The increase in number of employees is mainly related to the Company's operational growth in mortgage and unsecured lending during the year.

**Operating income and profit**

The Group's net interest income increased to SEK 190.0m (SEK 163.5m), and the operating income amounted to SEK 181.4m (SEK 227.4m). Comprehensive profit for the period was SEK 17.2m (SEK 83.6m). This period's result was impacted by the following material events:

- General administration expenses increased to SEK 135.3m (SEK 116.3m) which is related to the increase of staff, marketing, external expenses and operational growth.
- Financial transactions during the period resulted in a loss of SEK 13.7m (SEK 60.5m) which is largely linked to the revaluation of interest rate and currency derivatives. Furthermore, part of the deviation is explained by the one off sale of the Company's portfolio in Residential Mortgage Backed Securities ("RMBS") during 2013, which resulted in a profit of SEK 60.1m.

- The profit in the Norwegian branch, Bluestep Finans AB, filial Oslo ("the Branch") amounts to SEK 3.5m (SEK -6.2m).

The increase in the Group's net interest income and operating income is driven by the increased lending to the public.

In total, the changes in provisions for bad debts had a impact of SEK -13.6m on this period's result (SEK -4.1m). Actual losses have had an impact on the result by SEK -4.3m (SEK -10.4m).

**Key figures - the Group**

|                             | 2014-01-01<br>2014-06-30 | 2013-01-01<br>2013-12-31 | 2013-01-01<br>2013-06-30 |
|-----------------------------|--------------------------|--------------------------|--------------------------|
| Result for the period       | 19 689 832               | 88 151 009               | 81 023 709               |
| Lending to the public       | 7 634 215 078            | 6 882 651 486            | 6 257 728 598            |
| Deposits from the public    | 7 006 225 150            | 6 601 263 001            | 6 639 570 087            |
| Average number of employees | 147                      | 134                      | 127                      |

**Key figures - Parent company**

|                             | 2014-01-01<br>2014-06-30 | 2013-01-01<br>2013-12-31 | 2013-01-01<br>2013-06-30 |
|-----------------------------|--------------------------|--------------------------|--------------------------|
| Result for the period       | -11 543 869              | 122 367 515              | 83 271 930               |
| Lending to the public       | 7 634 215 078            | 6 882 651 486            | 5 189 420 216            |
| Deposits from the public    | 7 006 225 150            | 6 601 263 001            | 6 639 570 087            |
| Average number of employees | 147                      | 134                      | 127                      |

**Capital adequacy - Consolidated situation**

|                        | 2014-06-30    | 2013-12-31    | 2013-06-30    |
|------------------------|---------------|---------------|---------------|
| Capital base           | 564 159 040   | 453 917 145   | 447 890 286   |
| Capital requirement    | 322 244 083   | 248 064 856   | 269 438 023   |
| Risk weighted assets   | 3 438 163 399 | 2 763 119 763 | 3 030 284 371 |
| Capital adequacy ratio | 1,75          | 1,83          | 1,66          |
| Capital adequacy %     | 16,4%         | 16,4%         | 14,8%         |

**Capital adequacy - Parent company**

|                        | 2014-06-30    | 2013-12-31    | 2013-06-30    |
|------------------------|---------------|---------------|---------------|
| Capital base           | 493 676 347   | 508 269 222   | 447 890 286   |
| Capital requirement    | 325 790 118   | 296 920 754   | 269 438 023   |
| Risk weighted assets   | 3 505 471 239 | 3 275 714 752 | 3 030 284 371 |
| Capital adequacy ratio | 1,52          | 1,71          | 1,66          |
| Capital adequacy %     | 14,1%         | 15,5%         | 14,8%         |



#### Subsidiaries

Bluestep Mortgage Securities No 2 Limited and Bluestep Finans Funding No 1 Limited are wholly owned subsidiaries of the Company. Bluestep Mortgage Securities No 2 Limited holds a mortgage portfolio totaling SEK 2 217.5m as at 2014-06-30 (SEK 2 395.8m as at 2013-12-31).

#### Branches

The Company operates in Norway through its' Norwegian branch. The mortgage lending portfolio in the Branch continues

to grow and totalled SEK 1 415.7m as of period end (SEK 1 095.1m as of 2013-12-31). Deposits from the public have decreased during the period to SEK 1 450.3m (SEK 1 066.9m as of 2013-12-31).

The Company aims to be a leading lender in the specialist residential mortgage market in Norway and funds the business principally via retail deposits raised in Norway.

| INCOME STATEMENT - THE GROUP             | 2014-01-01<br>2014-06-30 | 2013-01-01<br>2013-12-31 | 2013-01-01<br>2013-06-30 |
|--|--------------------------|--------------------------|--------------------------|
| <b>Operating income</b>                  |                          |                          |                          |
| Interest income                          | 356 069 971              | 592 461 594              | 279 626 804              |
| Interest expense                         | -166 052 564             | -231 185 325             | -116 156 857             |
| <b>Net interest income</b>               | <b>190 017 407</b>       | <b>361 276 269</b>       | <b>163 469 947</b>       |
| Commission income                        | -                        | 273 000                  | 131 000                  |
| Net result of financial transactions     | -13 735 132              | 26 437 733               | 60 474 179               |
| Other operating income                   | 5 080 373                | 7 068 721                | 3 324 062                |
| <b>Total operating income</b>            | <b>181 362 684</b>       | <b>395 055 723</b>       | <b>227 399 188</b>       |
| <b>Operating expense</b>                 |                          |                          |                          |
| General administration expenses          | -135 265 279             | -240 427 224             | -116 304 085             |
| Depreciation on fixed assets             | -7 056 488               | -9 908 478               | -5 217 461               |
| <b>Total expenses</b>                    | <b>-142 321 767</b>      | <b>-250 335 702</b>      | <b>-121 521 546</b>      |
| <b>Operating profit/loss</b>             | <b>39 040 881</b>        | <b>144 720 021</b>       | <b>105 877 642</b>       |
| Credit losses, net                       | -17 902 429              | -32 044 796              | -14 515 834              |
| <b>Operating profit/loss</b>             | <b>21 138 452</b>        | <b>112 675 225</b>       | <b>91 361 808</b>        |
| Tax                                      | -1 448 620               | -24 524 216              | -10 338 099              |
| <b>Net profit/loss for the period</b>    | <b>19 689 832</b>        | <b>88 151 009</b>        | <b>81 023 709</b>        |
| <b>Statement of comprehensive income</b> |                          |                          |                          |
| Net income                               | 19 689 832               | 88 151 009               | 81 023 709               |
| Exchange differences, foreign operations | -2 537 239               | 6 482 214                | 2 603 800                |
| <b>Comprehensive profit/loss</b>         | <b>17 152 593</b>        | <b>94 633 223</b>        | <b>83 627 509</b>        |

| BALANCE SHEET - THE GROUP                   | 2014-06-30           | 2013-12-31           | 2013-06-30           |
|---|----------------------|----------------------|----------------------|
| <b>Assets</b>                               |                      |                      |                      |
| Lending to credit institutions              | 1 123 840 941        | 1 512 656 099        | 822 938 193          |
| Lending to the public                       | 7 634 215 078        | 6 882 651 486        | 6 257 728 598        |
| Derivatives                                 | 14 780 786           | 38 945 423           | 721 354              |
| Bonds and other interest-bearing securities | 499 647 620          | 489 849 720          | 491 884 800          |
| Intangible assets                           | 45 162 033           | 46 297 006           | 19 014 776           |
| Tangible assets                             | 4 972 701            | 4 770 475            | 5 655 090            |
| Other assets                                | 183 659 511          | 69 090 923           | 54 537 069           |
| Prepaid expenses and accrued income         | 11 884 558           | 20 950 585           | 5 710 734            |
| <b>Total assets</b>                         | <b>9 518 163 228</b> | <b>9 065 211 717</b> | <b>7 658 190 614</b> |
| <b>Liabilities</b>                          |                      |                      |                      |
| Liabilities to credit institutions          | 1 804 485 134        | 1 763 339 767        | 397 100 000          |
| Deposits from the public                    | 7 006 225 150        | 6 601 263 001        | 6 639 570 087        |
| Derivatives                                 | 27 205 665           | 51 171 437           | 6 753 674            |
| Current tax liability                       | 21 907 591           | 26 342 027           | 14 882 893           |
| Deferred tax liabilities                    | 1 268 227            | -                    | 1 268 227            |
| Accrued expenses and prepaid income         | 87 046 643           | 72 841 062           | 63 144 765           |
| Other liabilities                           | 47 493 420           | 44 875 618           | 32 167 488           |
| <b>Total liabilities</b>                    | <b>8 995 631 830</b> | <b>8 559 832 912</b> | <b>7 154 887 134</b> |
| <b>Equity</b>                               |                      |                      |                      |
| Shareholders' equity                        | 522 531 398          | 505 378 805          | 503 303 480          |
| <b>Total equity</b>                         | <b>522 531 398</b>   | <b>505 378 805</b>   | <b>503 303 480</b>   |
| <b>Total equity and liabilities</b>         | <b>9 518 163 228</b> | <b>9 065 211 717</b> | <b>7 658 190 614</b> |

## CHANGES IN EQUITY - THE GROUP

|   | Share capital      | Shareholder contributions* | Retained earnings  | Total equity       |
|---|--------------------|----------------------------|--------------------|--------------------|
| <b>Opening balance 2013-01-01</b>                   | <b>100 000 000</b> | <b>332 408 655</b>         | <b>-13 262 906</b> | <b>419 145 749</b> |
| Transactions with shareholders                      |                    |                            |                    |                    |
| Result for the period reported via income statement | -                  | -                          | 88 151 009         | 88 151 009         |
| Group contribution                                  | -                  | -12 395 373                | -                  | -12 395 373        |
| Tax Group contribution                              | -                  | -                          | 2 726 982          | 2 726 982          |
| Untaxed reserves                                    | -                  | -                          | 1 268 224          | 1 268 224          |
| Exchange differences, foreign operations            | -                  | -                          | 6 482 214          | 6 482 214          |
| <b>Ending balance 2013-12-31</b>                    | <b>100 000 000</b> | <b>320 013 282</b>         | <b>85 365 523</b>  | <b>505 378 805</b> |
| <b>Opening balance 2014-01-01</b>                   | <b>100 000 000</b> | <b>320 013 282</b>         | <b>85 365 523</b>  | <b>505 378 805</b> |
| Result for the period reported via income statement | -                  | -                          | 19 689 832         | 19 689 832         |
| Exchange differences, foreign operations            | -                  | -                          | -2 537 239         | -2 537 239         |
| <b>Ending balance 2014-06-30</b>                    | <b>100 000 000</b> | <b>320 013 282</b>         | <b>102 518 116</b> | <b>522 531 398</b> |

\* All Shareholder contributions are conditional shareholders contributions.

| CASH FLOW STATEMENT - THE GROUP  | 2014-01-01           | 2013-01-01            | 2013-01-01          |
|--|----------------------|-----------------------|---------------------|
|  | 2014-06-30           | 2013-12-31            | 2013-06-30          |
| <b>Operating activities</b>  |                      |                       |                     |
| Pre tax income   | 21 138 452           | 112 675 225           | 91 361 808          |
|  | <b>21 138 452</b>    | <b>112 675 225</b>    | <b>91 361 808</b>   |
| <b>Adjustments for items not included in cash flow</b>                       |                      |                       |                     |
| Depreciation   | 7 056 488            | 9 908 478             | 5 217 461           |
| Credit losses  | 17 902 429           | 32 044 796            | 14 515 834          |
| Taxes paid   | -4 434 436           | 21 793 703            | 10 334 569          |
| Untaxed reserves   | -                    | 1 268 227             | -                   |
| Group contribution   | -                    | 2 726 982             | -                   |
| Other adjustment items   | 276 728              | -                     | -                   |
| <b>Total – Items not included in cash flow</b>                               |                      |                       |                     |
|  | <b>20 801 209</b>    | <b>67 742 186</b>     | <b>30 067 864</b>   |
| <b>Cash flow from current operations before changes to operating capital</b> | <b>41 939 661</b>    | <b>180 417 411</b>    | <b>121 429 672</b>  |
| <b>Cash flow from changes to operating capital</b>                           |                      |                       |                     |
| Increase (-)/decrease (+) of lending to the public                           | -769 466 021         | -1 234 637 440        | -592 185 590        |
| Increase (-)/decrease (+) of change in receivables                           | -81 337 924          | -83 810 908           | -15 793 134         |
| Increase (+)/decrease (-) of deposits from the public                        | 404 962 149          | -427 751 092          | -389 444 006        |
| Increase (+)/decrease (-) of change in short term liabilities                | -7 322 782           | 27 287 217            | -11 685 254         |
| <b>Cash flow from operating activities</b>                                   | <b>-411 224 917</b>  | <b>-1 538 494 812</b> | <b>-887 678 312</b> |
| <b>Investing activities</b>  |                      |                       |                     |
| Investments in intangible assets   | -5 583 342           | -40 325 638           | -8 318 528          |
| Acquisition of fixed assets  | -817 127             | -1 469 385            | -1 857 640          |
| Increase (-)/decrease (+) of financial assets                                | -9 797 900           | 151 053 464           | 149 018 384         |
| <b>Cash flow from investing activities</b>                                   | <b>-16 198 369</b>   | <b>109 258 441</b>    | <b>138 842 216</b>  |
| <b>Financing activities</b>  |                      |                       |                     |
| Liabilities to credit institutions   | 41 145 367           | 1 473 339 767         | 107 100 000         |
| <b>Cash flow from financing activities</b>                                   | <b>41 145 367</b>    | <b>1 473 339 767</b>  | <b>107 100 000</b>  |
| <b>Net cash flow for the period</b>  | <b>-386 277 919</b>  | <b>44 103 396</b>     | <b>-641 736 096</b> |
| Liquid funds at beginning of year  | 1 512 656 099        | 1 462 070 489         | 1 462 070 489       |
| Currency difference i liquidity  | -2 537 239           | 6 482 214             | 2 603 800           |
| <b>Liquid funds end of period</b>  | <b>1 123 840 941</b> | <b>1 512 656 099</b>  | <b>822 938 193</b>  |
| <b>Cash flow includes interest receipts of</b>                               | <b>352 642 704</b>   | <b>590 709 760</b>    | <b>297 162 320</b>  |
| <b>Cash flow includes interest payments of</b>                               | <b>-163 320 335</b>  | <b>-214 733 469</b>   | <b>-63 968 886</b>  |



| INCOME STATEMENT - PARENT COMPANY        | 2014-01-01<br>2014-06-30 | 2013-01-01<br>2013-12-31 | 2013-01-01<br>2013-06-30 |
|--|--------------------------|--------------------------|--------------------------|
| <b>Operating income</b>                  |                          |                          |                          |
| Interest income                          | 354 073 638              | 557 907 954              | 257 915 515              |
| Interest expense                         | -168 421 231             | -237 661 218             | -106 475 716             |
| <b>Net interest income</b>               | <b>185 652 407</b>       | <b>320 246 736</b>       | <b>151 439 799</b>       |
| Group contributions                      | -                        | 29 090 462               | 19 479 718               |
| Commission income                        | -                        | 273 000                  | 131 000                  |
| Net result of financial transactions     | -63 975 323              | 68 016 877               | 54 564 784               |
| Other operating income                   | 5 080 372                | 5 834 799                | 2 613 333                |
| <b>Total operating income</b>            | <b>126 757 456</b>       | <b>423 461 874</b>       | <b>228 228 634</b>       |
| <b>Operating expense</b>                 |                          |                          |                          |
| General administration expenses          | -120 485 072             | -237 004 969             | -114 350 688             |
| Depreciation on fixed assets             | -4 878 710               | -9 210 758               | -5 217 461               |
| <b>Total expenses</b>                    | <b>-125 363 782</b>      | <b>-246 215 727</b>      | <b>-119 568 149</b>      |
| <b>Result pre credit losses</b>          | <b>1 393 674</b>         | <b>177 246 147</b>       | <b>108 660 485</b>       |
| Credit losses, net                       | -17 902 429              | -30 424 452              | -14 416 342              |
| <b>Operating profit/loss</b>             | <b>-16 508 755</b>       | <b>146 821 695</b>       | <b>94 244 143</b>        |
| Tax                                      | 4 964 886                | -24 454 180              | -10 972 213              |
| <b>Net profit/loss for the period</b>    | <b>-11 543 869</b>       | <b>122 367 515</b>       | <b>83 271 930</b>        |
| <b>Statement of comprehensive income</b> |                          |                          |                          |
| Net income                               | -11 543 869              | 122 367 515              | 83 271 930               |
| Exchange differences, foreign operations | -2 549 996               | 6 482 214                | 2 603 800                |
| <b>Comprehensive profit/loss</b>         | <b>-14 093 865</b>       | <b>128 849 729</b>       | <b>85 875 730</b>        |

| BALANCE SHEET - PARENT COMPANY                    | 2014-06-30           | 2013-12-31           | 2013-06-30           |
|---|----------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |                      |
| Lending to credit institutions                    | 948 325 355          | 1 280 442 394        | 798 174 022          |
| Lending to the public                             | 7 634 215 078        | 6 882 651 486        | 5 189 420 216        |
| Derivatives                                       | 851 881              | 23 409 336           | 721 354              |
| Bonds and other interest-bearing securities       | 499 647 620          | 489 849 720          | 491 884 800          |
| Shares and participations in associated companies | 3 100 000            | 3 100 000            | 3 100 000            |
| Intangible assets                                 | 26 073 175           | 25 561 424           | 19 014 776           |
| Tangible assets                                   | 4 972 701            | 4 770 475            | 5 655 090            |
| Other assets                                      | 287 215 959          | 174 776 473          | 725 326 948          |
| Prepaid expenses and accrued income               | 15 044 859           | 21 523 801           | 5 710 734            |
| <b>Total assets</b>                               | <b>9 419 446 628</b> | <b>8 906 085 109</b> | <b>7 239 007 940</b> |
| <b>Liabilities</b>                                |                      |                      |                      |
| Liabilities to credit institutions                | 1 709 610 999        | 1 650 318 545        | -                    |
| Deposits from the public                          | 7 006 225 150        | 6 601 263 001        | 6 639 570 087        |
| Derivatives                                       | 73 717 503           | 14 181 482           | 1 131 624            |
| Current tax liability                             | 16 762 312           | 21 727 198           | 10 972 213           |
| Accrued expenses and prepaid income               | 53 360 318           | 48 102 795           | 61 078 928           |
| Other liabilities                                 | 40 033 571           | 36 661 448           | 25 199 827           |
| <b>Total liabilities</b>                          | <b>8 899 709 853</b> | <b>8 372 254 469</b> | <b>6 737 952 679</b> |
| <b>Equity</b>                                     |                      |                      |                      |
| Share capital                                     | 100 000 000          | 100 000 000          | 100 000 000          |
| Profit and loss account reserve brought forward   | 431 280 644          | 311 463 125          | 317 783 331          |
| Result for this period                            | -11 543 869          | 122 367 515          | 83 271 930           |
| <b>Total equity</b>                               | <b>519 736 775</b>   | <b>533 830 640</b>   | <b>501 055 261</b>   |
| <b>Total equity and liabilities</b>               | <b>9 419 446 628</b> | <b>8 906 085 109</b> | <b>7 239 007 940</b> |

## CHANGES IN EQUITY - PARENT COMPANY

|   | Share capital      | Restricted equity  | Shareholder contributions* | Retained earnings  | Non-restricted equity | Total equity       |
|---|--------------------|--------------------|----------------------------|--------------------|-----------------------|--------------------|
| <b>Opening balance 2013-01-01</b>                   | <b>100 000 000</b> | <b>100 000 000</b> | <b>339 739 060</b>         | <b>-25 089 752</b> | <b>314 649 308</b>    | <b>414 649 308</b> |
| Result for the period reported via income statement | -                  | -                  | -                          | 122 367 515        | 122 367 515           | 122 367 515        |
| Group contribution                                  | -                  | -                  | -12 395 373                | -                  | -12 395 373           | -12 395 373        |
| Tax effect on group contribution                    | -                  | -                  | -                          | 2 726 982          | 2 726 982             | 2 726 982          |
| Exchange differences, foreign operations            | -                  | -                  | -                          | 6 482 208          | 6 482 208             | 6 482 208          |
| <b>Ending balance 2013-12-31</b>                    | <b>100 000 000</b> | <b>100 000 000</b> | <b>327 343 687</b>         | <b>106 486 953</b> | <b>433 830 640</b>    | <b>533 830 640</b> |
| <b>Opening balance 2014-01-01</b>                   | <b>100 000 000</b> | <b>100 000 000</b> | <b>327 343 687</b>         | <b>106 486 953</b> | <b>433 830 640</b>    | <b>533 830 640</b> |
| Result for the period reported via income statement | -                  | -                  | -                          | -11 543 869        | -11 543 869           | -11 543 869        |
| Exchange differences, foreign operations            | -                  | -                  | -                          | -2 549 996         | -2 549 996            | -2 549 996         |
| <b>Ending balance 2014-06-30</b>                    | <b>100 000 000</b> | <b>100 000 000</b> | <b>327 343 687</b>         | <b>89 666 106</b>  | <b>419 736 775</b>    | <b>519 736 775</b> |

\* All Shareholder contributions are conditional shareholders contributions.

| CASH FLOW STATEMENT - PARENT COMPANY   | 2014-01-01<br>2014-06-30 | 2013-01-01<br>2013-12-31 | 2013-01-01<br>2013-06-30 |
|--|--------------------------|--------------------------|--------------------------|
| <b>Operating activities</b>  |                          |                          |                          |
| Pre tax income   | -16 508 755              | 146 821 695              | 94 244 143               |
|  | <b>-16 508 755</b>       | <b>146 821 695</b>       | <b>94 244 143</b>        |
| <b>Adjustments for items not included in cash flow</b>                       |                          |                          |                          |
| Depreciation   | 4 878 710                | 9 210 758                | 5 217 461                |
| Credit losses  | 17 902 429               | 30 424 452               | 14 416 342               |
| Other adjustment items   | 276 728                  | -                        | -                        |
| <b>Total – Items not included in cash flow</b>                               | <b>23 057 867</b>        | <b>39 635 210</b>        | <b>19 633 803</b>        |
| <b>Cash flow from current operations before changes to operating capital</b> | <b>6 549 112</b>         | <b>186 456 905</b>       | <b>113 877 946</b>       |
| <b>Cash flow from changes to operating capital</b>                           |                          |                          |                          |
| Increase (-)/decrease (+) of lending to the public                           | -769 466 021             | -2 381 526 367           | -672 286 987             |
| Increase (-)/decrease (+) of change in receivables                           | -83 403 089              | 676 664 493              | 164 615 067              |
| Increase (+)/decrease (-) of deposits from the public                        | 404 962 149              | -427 751 092             | -389 444 006             |
| Increase (+)/decrease (-) of change in short term liabilities                | 68 165 667               | 4 814 962                | 5 674 994                |
| <b>Cash flow from operating activities</b>                                   | <b>-373 192 182</b>      | <b>-1 941 341 099</b>    | <b>-777 562 986</b>      |
| <b>Investing activities</b>  |                          |                          |                          |
| Investments in intangible assets   | -5 052 288               | -18 892 336              | -8 318 527               |
| Acquisition of fixed assets  | -817 127                 | -1 469 385               | -1 857 640               |
| Acquisition of financial assets  | -9 797 900               | 151 053 464              | 149 018 384              |
| <b>Cash flow from investing activities</b>                                   | <b>-15 667 315</b>       | <b>130 691 743</b>       | <b>138 842 217</b>       |
| <b>Financing activities</b>  |                          |                          |                          |
| Loans  | 59 292 454               | 1 650 318 545            | -                        |
| Shareholders' contribution   | -                        | -                        | -                        |
| Subordinated liabilities   | -                        | -                        | -                        |
| <b>Cash flow from financing activities</b>                                   | <b>59 292 454</b>        | <b>1 650 318 545</b>     | <b>0</b>                 |
| <b>Net cash flow for the period</b>  | <b>-329 567 043</b>      | <b>-160 330 811</b>      | <b>-638 720 769</b>      |
| Liquid funds at beginning of period  | 1 280 442 394            | 1 434 290 991            | 1 434 290 991            |
| Currency difference i liquidity  | -2 549 996               | 6 482 214                | 2 603 800                |
| <b>Liquid funds end of period</b>  | <b>948 325 355</b>       | <b>1 280 442 394</b>     | <b>798 174 022</b>       |
| <b>Cash flow includes interest receipts of</b>                               | <b>348 674 524</b>       | <b>553 818 059</b>       | <b>275 084 817</b>       |
| <b>Cash flow includes interest payments of</b>                               | <b>-165 689 002</b>      | <b>-221 209 362</b>      | <b>-54 287 745</b>       |



### Note 1 Accounting principles

#### Compliance with standards and regulations

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. 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, certain complementary rules in the Annual Accounts Act for

Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25.

The interim report is prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ARKL) and FSA regulations and general advice on the Annual Report of banks and securities companies (FFFS 2008:25) in accordance with amended regulations in FFFS 2009:11, FFFS 2014:18 and the Council of Financial Reporting Recommendation RFR 2 Accounting for legal entities.

**Note 2 Risk management**

The nature of the business requires the Company to identify, to measure, to aggregate and to manage its risks effectively, and allocate its capital appropriately. Risk and capital are managed via a framework of principles, organizational structures, and measurement and monitoring processes that are closely aligned with the activities of the business: (i) The Board and the Managing Director provide overall risk and capital management supervision; (ii) BFAB operates a three line of defence risk management model whereby risk management oversight and assurance roles are played by functions independent of one another; (iii) Risk strategy and risk appetite are defined based on strategic plans in order to align risk, capital, and performance targets; (iv) All major risks are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, and interest rate risk; (v) Where applicable, modelling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes; and, (vi) Effective processes and policies are a critical component of our risk management capability.

The Board of Directors has the ultimate responsibility for the Company's level of risk and determination of its capital requirement. The Board stipulates guidelines for the Managing Director with respect to risk governance and risk management, risk control, reporting and issuing policies and instructions. The Board is the

ultimate owner of the Company's risk management system and is responsible for ensuring that the Company has good internal control.

The Board has appointed the Risk Manager as the responsible for identification, assessment, management, and reporting of risks of operations arising within operations across all businesses and risk types within the organization. The Risk Manager reports directly to the Managing Director and the Board.

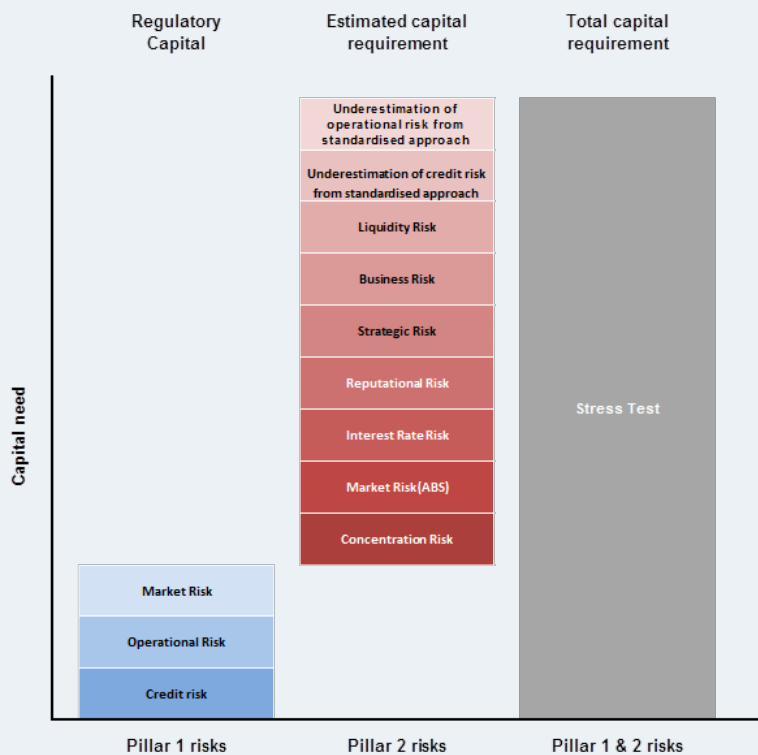
A large part of the Board's work regarding Risk Management is conducted in the two internal committees, which are established in order to examine certain areas, such as risk management (RMC) and new product and process (NPPC), and for conducting preparatory work in these areas ahead of board meetings. These two committees are chaired by the Risk Manager. The Risk Manager is responsible for identification, assessment, management and reporting of risks of operations arising within operations across all business areas and risk types within the organisation.

The Compliance Manager is responsible to report all market, legal and compliance risks to the Managing Director and the Board on an aggregated level. The management of ethical risks is divided between the Risk Manager and the Compliance Manager. The Board is responsible for the planning of internal audits. Internal audit assignments are outsourced to a third party auditor.

**Material risks in the Business**

The Company has identified the following risks to be managed:

- Credit risk,
- Market risk,
- Operational risk,
- Concentration risk
- Interest rate risk
- Reputational risk,
- Strategic risk,
- Business risk,
- Liquidity risk,
- Underestimation of credit risk from standardised approach, and
- Underestimation of operational risk from standardised approach.



### Note 3 Capital adequacy analysis - Parent company and Consolidated situation

For the establishment of statutory capital requirements, the Capital Adequacy and Large Exposures Act (2006:1371) applies, along with Swedish Financial Supervisory Authority Regulations and general guidelines regarding capital adequacy and large exposures (FFFS 2007:1) in accordance with amended regulations.

The rules state that the Company's own funds (equity, debentures loans, etc.) with margin shall cover both the statutory minimum capital requirements, including capital requirements for credit risk, market risk and operational risk and also should include the estimated capital requirements for additional risks identified in the activity in accordance with company capital adequacy policy.

The Company has an established plan for the amount of funds in a few years (capital plan) based on

- the Company's risk profile,
- identified risks in terms of probability and financial impact,
- so-called stress tests and scenario analysis,
- the expected expansion of lending and financing opportunities, and
- new legislation, actions of competitors and other external changes.

The review of capital plan is an integral part of the work on the Company's annual business plan (the internal capital adequacy assessment). The plan is monitored on a continuous basis and an annual review is done to ensure that risks are properly taken into account and reflect the true risk profile and capital needs.

The Company has chosen to disclose the information required on the capital base and capital according to Chapter 3. § 1-2 and Chapter 4. FSA regulations and guidelines on disclosure of information concerning capital adequacy and risk management FFFS 2007:5.

Supplementary capital refers to subordinated liabilities without maturity, which is eligible for the funds as additional capital in accordance with Chapter 3. § 4 of the Act on Capital Adequacy and Large Exposures.

| Capital base                                   | Consolidated situation |                    |                    | Parent             |                    |                    |
|--|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | 2014-06-30             | 2013-12-31         | 2013-06-30         | 2014-06-30         | 2013-12-31         | 2013-06-30         |
| Share capital                                  | 130 826                | 130 826            | 246 819            | 100 000 000        | 100 000 000        | 100 000 000        |
| Shareholder contributions                      | 521 929 525            | 521 929 525        | 609 829 518        | 327 343 687        | 330 070 669        | 305 588 860        |
| Minority interest                              | 115 021 323            | 122 120 478        | 105 253 534        | -                  | -                  | -                  |
| Retained earnings                              | 137 013 949            | 2 215 423          | -148 705 658       | 106 499 700        | -25 089 752        | -24 559 528        |
| Comprehensive profit/loss                      | -                      | 91 471 628         | 82 138 414         | -14 093 865        | 128 849 729        | 85 875 730         |
| <i>Deductions from primary capital</i>         |                        |                    |                    |                    |                    |                    |
| Intangible assets                              | -209 936 583           | -211 071 556       | -194 845 482       | -26 073 175        | -25 561 424        | -19 014 776        |
| <b>Primary capital</b>                         | <b>564 159 040</b>     | <b>526 796 324</b> | <b>453 917 145</b> | <b>493 676 347</b> | <b>508 269 222</b> | <b>447 890 286</b> |
| <b>Supplementary capital</b>                   | -                      | -                  | -                  | -                  | -                  | -                  |
| <b>Total primary and supplementary capital</b> | <b>564 159 040</b>     | <b>526 796 324</b> | <b>453 917 145</b> | <b>493 676 347</b> | <b>508 269 222</b> | <b>447 890 286</b> |
| <b>Total capital base</b>                      | <b>564 159 040</b>     | <b>526 796 324</b> | <b>453 917 145</b> | <b>493 676 347</b> | <b>508 269 222</b> | <b>447 890 286</b> |

**Capital requirement for credit risk**

Calculation of the capital requirement for credit risk using the standardised method.

| Balance sheet items                                 | Parent               |             |                      |                     |                     |                     |
|---|----------------------|-------------|----------------------|---------------------|---------------------|---------------------|
|   | 2014-06-30           |             |                      | 2013-12-31          | 2013-06-30          |                     |
|   | Exposed amount       | Risk weight | Risk weighted amount | Capital requirement | Capital requirement | Capital requirement |
| Long-term exposures to institutions (banks)         | 111 531 582          | 20%         | 22 306 316           | 1 784 505           | 21 116 678          | 13 018 784          |
| Short-term exposures to institutions (banks)        | 948 325 354          | 20%         | 189 665 071          | 15 173 206          | 0                   | 0                   |
| Exposures to companies                              | 124 079 990          | 100%        | 124 079 990          | 9 926 399           | 8 602 328           | 54 688 409          |
| Retail exposures                                    | 447 129 087          | 75%         | 335 346 815          | 26 827 745          | 19 686 709          | 11 072 886          |
| Exposures to mortgages with loan to value below 80% | 6 927 955 580        | 35%         | 2 424 784 453        | 193 982 756         | 171 490 692         | 129 996 509         |
| Exposures to mortgages with loan to value above 80% | 102 671 476          | 100%        | 102 671 476          | 8 213 718           | 16 284 239          | 13 086 498          |
| Exposures in default                                | 156 458 936          | 101%        | 158 770 403          | 12 701 632          | 12 792 727          | 11 557 252          |
| Exposures in the form of covered bonds              | 444 790 570          | 10%         | 44 479 057           | 3 558 325           | 3 495 604           | 3 490 189           |
| Securitisations                                     | 54 857 050           | 50%         | 27 428 525           | 2 194 282           | 2 115 970           | 2 224 446           |
| Other exposures                                     | 76 014 810           | 100%        | 76 027 329           | 6 082 186           | 6 472 233           | 3 287 775           |
| <b>Total capital requirement for credit risk</b>    | <b>9 393 814 435</b> |             | <b>3 505 559 435</b> | <b>280 444 754</b>  | <b>262 057 180</b>  | <b>242 422 748</b>  |

**Capital requirement for operational risk**

Calculation of the capital requirement for operational risk using the basic indicator approach.

|  | Parent             |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | 2014-06-30         | 2013-12-31         | 2013-06-30         |
| Income indicator   | 269 499 707        | 152 540 815        | 152 540 815        |
| Of which 15%   | 40 424 956         | 22 881 122         | 22 881 122         |
| <b>Total capital requirement for operational risk</b>            | <b>40 424 956</b>  | <b>22 881 122</b>  | <b>22 881 122</b>  |
| <b>Capital requirement for market risk</b>                       |                    |                    |                    |
| Capital requirement for currency risks                           | 2 578 496          | 11 982 452         | 4 134 153          |
| <b>Total capital requirement for market risk</b>                 | <b>2 578 496</b>   | <b>11 982 452</b>  | <b>4 134 153</b>   |
| <b>Capital requirement for credit valuation adjustment</b>       |                    |                    |                    |
| Risk exposure amount for credit valuation adjustment             | 29 273 903         | -                  | -                  |
| <b>Total capital requirement for credit valuation adjustment</b> | <b>2 341 912</b>   | <b>-</b>           | <b>-</b>           |
| <b>Total Pillar 1 capital requirement</b>                        | <b>325 790 118</b> | <b>296 920 754</b> | <b>269 438 023</b> |
| <b>Capital adequacy ratio</b>                                    | <b>1,52</b>        | <b>1,71</b>        | <b>1,66</b>        |

The Company meets the minimal capital ratio which at its lowest level equals the total minimum value.



**Balance sheet items**

The capital requirement for credit risk is calculated in accordance with the standardised method.

| Balance sheet items   | Consolidated situation |      |                      |                      | 2013-12-31<br>Capital requirement | 2013-06-30<br>Capital requirement |
|---|------------------------|------|----------------------|----------------------|-----------------------------------|-----------------------------------|
|   | 2014-06-30             |      | Risk weight          | Risk weighted amount |                                   |                                   |
| Long-term exposures to institutions (banks)                     | 232 693 280            | 20%  |                      |                      | 46 538 657                        | 3 723 093                         |
| Short-term exposures to institutions (banks)                    | 1 163 609 868          | 20%  | 232 721 974          | 18 617 758           | 0                                 | 0                                 |
| Exposures to companies  | 4 539 615              | 100% | 4 539 615            | 363 169              | 317 599                           | 365 657                           |
| Retail exposures  | 447 129 087            | 75%  | 335 346 815          | 26 827 745           | 19 686 709                        | 11 072 886                        |
| Exposures to mortgages with loan to value below 80%             | 6 905 080 643          | 35%  | 2 416 778 225        | 193 342 258          | 170 753 718                       | 157 295 549                       |
| Exposures to mortgages with loan to value above 80%             | 102 295 789            | 100% | 102 295 789          | 8 183 663            | 16 210 317                        | 14 740 370                        |
| Exposures to non-performing loans with loan to value below 80 % | 155 860 152            | 101% | 158 166 447          | 12 653 316           | 12 727 338                        | 14 072 415                        |
| Exposures in the form of covered bonds                          | 444 790 570            | 10%  | 44 479 057           | 3 558 325            | 3 495 604                         | 3 490 189                         |
| Securitisations   | 54 857 050             | 50%  | 27 428 525           | 2 194 282            | 2 115 970                         | 2 224 446                         |
| Other exposures   | 69 877 039             | 100% | 69 868 295           | 5 589 464            | 7 129 487                         | 2 972 257                         |
| <b>Total capital requirement for credit risk</b>                | <b>9 580 733 093</b>   |      | <b>3 438 163 399</b> | <b>275 053 073</b>   | <b>258 807 188</b>                | <b>221 049 581</b>                |

**Capital requirement for operational risk**

Calculation of the capital requirement for operational risk using the basic indicator approach.

|  | Consolidated situation |                    |                    |
|--|------------------------|--------------------|--------------------|
|  | 2014-06-30             | 2013-12-31         | 2013-06-30         |
| Income indicator   | 284 729 907            | 152 540 815        | 152 540 815        |
| Of which 15%   | 42 709 486             | 22 881 122         | 22 881 122         |
| <b>Total capital requirement for operational risk</b>            | <b>42 709 486</b>      | <b>22 881 122</b>  | <b>22 881 122</b>  |
| <b>Capital requirement for market risk</b>                       |                        |                    |                    |
| Capital requirement for currency risks                           | 4 481 524              | 11 982 452         | 4 134 153          |
| <b>Total capital requirement for market risk</b>                 | <b>4 481 524</b>       | <b>11 982 452</b>  | <b>4 134 153</b>   |
| <b>Capital requirement for credit valuation adjustment</b>       |                        |                    |                    |
| Risk exposure amount for credit valuation adjustment             | 278 732 968            | -                  | -                  |
| <b>Total capital requirement for credit valuation adjustment</b> | <b>22 298 637</b>      | <b>-</b>           | <b>-</b>           |
| <b>Total Pillar 1 capital requirement</b>                        | <b>322 244 083</b>     | <b>293 670 762</b> | <b>248 064 856</b> |
| <b>Capital adequacy ratio</b>                                    | <b>1,75</b>            | <b>1,71</b>        | <b>1,66</b>        |

The Company meets the minimal capital ratio which at its lowest level equals the total minimum value.

## Note 4 Related parties

| <i>Assets and liabilities</i> | Group          |                |                | Parent            |                   |                   |
|-------------------------------|----------------|----------------|----------------|-------------------|-------------------|-------------------|
|                               | 2014-06-30     | 2013-12-31     | 2013-06-30     | 2014-06-30        | 2013-12-31        | 2013-06-30        |
| Intercompany receivables      | 12 492 728     | 319 041 069    | 48 677         | 39 422 872        | 318 933 715       | 672 861 105       |
| Other liabilities             | -7 326 129     | -7 326 129     | -7 326 129     | -                 | -                 | -584 471          |
|                               |                |                |                |                   |                   |                   |
|                               | 2014-01-01     | 2013-01-01     | 2013-01-01     | 2014-01-01        | 2013-01-01        | 2013-01-01        |
|                               | 2014-06-30     | 2013-12-31     | 2013-06-30     | 2014-06-30        | 2013-12-31        | 2013-06-30        |
| Interest income               | -              | -              | -              | -                 | 21 094 701        | 11 007 867        |
| Commission income             | 430 063        | 584 124        | 308 432        | 14 497 212        | 2 097 043         | 1 170 036         |
| Financial expense             | -              | 1 445          | -              | -                 | 1 445             | -                 |
| <b>Total</b>                  | <b>430 063</b> | <b>585 569</b> | <b>308 432</b> | <b>14 497 212</b> | <b>23 193 189</b> | <b>12 177 903</b> |

**Related parties**

Related parties for the group refers to:

- Bluestep Capital Holdings Limited, organisational number 89093, with domicile in Jersey, and
- Bluestep Bostadslån AB, organisational number 55666817-9575, with domicile in Stockholm.

Related parties for the Company refers to:

- Bluestep Capital Holdings Limited, organisational number 89093, with domicile in Jersey,
- Bluestep Bostadslån AB, organisational number 556668-9575, with domicile in Stockholm,
- Bluestep Finans Funding No 1 AB, organisational number 556791-6928, with domicile in Stockholm, and
- Bluestep Mortgage Securities No 2 Limited, organisational number 522186, with domicile in Dublin.

**Senior officials**

See Note 9 Salaries and remuneration in the annual report for 2013 for details. No other transactions with senior officials has occurred during the fiscal year.

**Commission income**

Commission income concerns revenues from the Group company Bluestep Capital Holdings Limited.

## Note 5 Memorandum items

|   | Group      |            |               | Parent     |            |            |
|---|------------|------------|---------------|------------|------------|------------|
|   | 2014-06-30 | 2013-12-31 | 2013-06-30    | 2014-06-30 | 2013-12-31 | 2013-06-30 |
| Pledged assets                                    |            |            |               |            |            |            |
| Shares and participations in associated companies | None       | None       | None          | None       | None       | 3 100 000  |
| Assets in subsidiary                              | None       | None       | 1 095 095 105 | None       | None       | None       |
| Contingent liabilities                            | None       | None       | None          | None       | None       | None       |
| Commitments                                       | None       | None       | None          | None       | None       | None       |

## Note 6 Parent company information

Bluestep Finans AB is a wholly owned subsidiary of Bluestep Bostadslån AB, 556668-9575, Stockholm where consolidated group accounts are prepared. The group consists of Bluestep Capital Holdings Ltd, Bluestep Bostadslån AB, Bluestep Finans AB, Bluestep Finans AB, filial Oslo and Bluestep Finans Funding No. 1 AB. The ultimate parent in the group is Bluestep Capital Holdings Ltd.

Stockholm 29 August 2014



David Torpey  
Managing Director



BLUESTEP FINANS AB | SVEAVÄGEN 163 | SE-104 35 STOCKHOLM  
ORG.NR. 556717-5129 | DOMICILE: STOCKHOLM