Annual Report

2015

BlueStep


2015
BlueStep 10 years!
2014
Cerdo/Cerlha acquisition
2012
Spring Finance launched in Sweden
2011
Personal loans launched in Sweden
2010
BlueStep launched in Norway
2008
BlueStep begins retail deposit operations
2005
Operations started in Sweden

Content

The year in brief

Strong growth

- New lending increased by 24% to SEK 3,925m
- Swedish mortgage portfolios increased by 12%
- Norwegian mortgage portfolio increased by 30%
- Unsecured lending portfolio increased by 30%

Profitable business with strong capital position

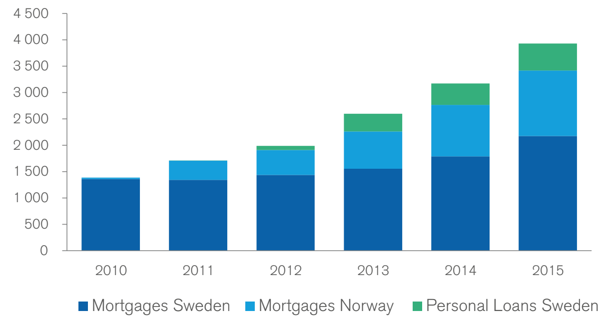
- Gross income stable at 9% of total loan book
- Total credit losses* 0.38% of total loan book
- Return on Equity at 17%
- Core Equity Tier 1 capital ratio at 15%
- Liquidity Coverage Ratio (LCR) 206%

Developing business

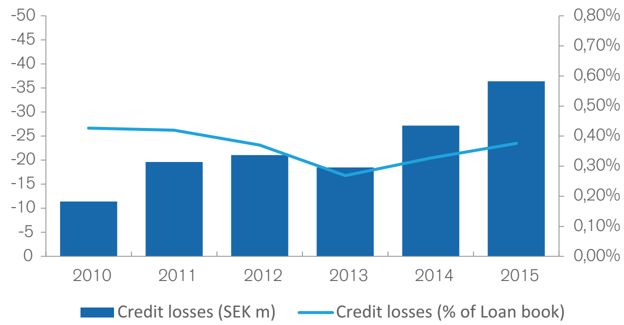
- Successful RMBS issuance of SEK 3.3bn
- Completed integration of loan and deposit operations
- Successful sale of non-performing loans in Sweden
- Approved as a direct member to the RIX and Dataclearing systems

** Excluding provisions*

New Lending (SEK m)



Credit Losses (SEK m)



This is BlueStep

BlueStep is a focused, solution-oriented lender offering residential mortgages and personal loans in Sweden and residential mortgages in Norway. BlueStep also offers retail deposits at highly competitive rates in both Sweden and Norway.

Below, a brief description of our products and some key figures that describe the business and customers.

Mortgage lending

17,700
Total number of customers

9,007 MSEK
Total lending portfolio

Purpose

32%
Of the mortgage customers are taking a mortgage to buy a new home

68%
Of the mortgage customers use their property as collateral to refinance loans and credit cards

Average loan size

727,377 SEK
Sweden

1,287,184 NOK
Norway

Payment remark

Share of our mortgage customers who have payment remark

64% Sweden

69% Norway

Retail deposits

40,891
Total number of customers

7,187 MSEK
Total deposits portfolio

Product

62%
Of our customers have chosen variable savings accounts

38%
Of our customers have chosen a fixed interest account (from 3 months to 7 years)

Average deposit size

116,999 SEK
Sweden

287,256 NOK
Norway

Personal loans

7,942
Total number of customers

685 MSEK
Total lending portfolio

Purpose

33%
Loan for consumption

67%
Loan for consolidate other loans and credits

Average loan size

90,125 SEK
Sweden

Payment remark

Share of our personal loan customers who have payment remark

9%
Sweden

Building for the future

In 2015 BlueStep initiated a collaboration with Mentor Sweden, a non-profit organisation working to strengthen young people's self-esteem. The first mutual project was a Professionals Mentoring program at Västerholms Friskola, a secondary school in Skärholmen outside of Stockholm.

- We have had a desire to reach out to schools to share our experience for a long time, and together with Mentor we started up two mentoring programs, says Karin Gustafsson, HR Manager.

BlueStep works with two different programs, the first one is Professionals Mentoring Program, where the BlueStep employees meet 100 eighth-graders in Västerholms Friskola and talk about personal finance and share their personal experiences from working life. The second is a personal mentoring, where the BlueStep employees get involved as an extra adult to a youth and contribute positively outside school.

- I was nervous to come out and meet the students. But all the employees who got the chance to attend were very positively surprised. Partly by the students' knowledge and willingness to learn more about households' finance and professional life and partly by the energy created and that we noticed everyone could contribute something to the students.

Besides discussing in groups about how household finance works, we focused was on how to get into professional life. We discussed how to apply for a job, how to behave in the workplace, how to write a resume when you do not have very much work experience, etc.

What do the students think of professional life?
- One of the reasons that we were matched with this particular school was that the school has removed work experience from the schedule and they do not have equal opportunity to get out and test a workplace. We therefore chose to talk and discuss careers very thorough.

In the classes, subdivided into smaller groups, BlueStep employees shared their own history, how they got to where they are today. Many of the BlueStep employees have a similar background to the students and have grown up with parents who migrated to Sweden, in some cases with an academic background but in Sweden they did not have the opportunity to get the same job as they originally had.

- We have talked about how important it is to work, no matter what it is. It is important to learn how to behave in a workplace, to be on time and to take responsibility for, and carry out their tasks. We have talked a lot about how to behave in a job interview or when an employer calls.

How do you reach out with questions like this? Finance and work may well be perceived as rather boring things to talk about when you are in the eighth grade?
- Actually, no. Even if we did not reach all pupils, many became very interested in how to make their way in life to get a good job. Several students have told us that no one has talked to them about this kind of thing before. We have tried to be very personal with our own stories which are not always straight but also include school fatigue and uncertainty over what to work with.

How would you describe a dream scenario for you and BlueStep in this project?
- That several colleagues here at BlueStep have the opportunity to get out and meet the students. We have the opportunity to continue working with Mentor in 2016 so we can reach more students. I believe that we can contribute even more. This creates both commitment from us and the students. Finally, that more of our employees have the opportunity to become personal mentors. It is important in these times, being an additional adult role model in these students' lives.

Facts Mentor Sweden

Mentor Sweden is a non-profit organisation working to give young people self-esteem and power to grow through mentoring. The purpose is to strengthen them in making positive decisions and refraining from violence and drugs. 86 percent of youths who participated in the Senior Mentor says that the program helped them feel safer facing their future working life

Our customers

BlueStep specialises in offering loans to individuals who cannot access traditional bank loans as a result of the rigid policies and automated credit scoring systems used by these banks. At BlueStep we focus on the individual and assess their actual current income and future potential by having a detailed process in place whereby we can fully understand the financial situation of a customer or potential customer.

Approximately 7% of the population in Sweden and 5% of the population in Norway have one or more payment remarks. A payment remark is a record kept by credit bureaus, noting if you have not kept up with your payments in the past. Most of these people will be systematically declined when applying for a mortgage or other types of loans and credits from traditional banks, purely based on this historic information. In addition to this group, which also includes people with debts remaining at the state controlled enforcement agencies (Kronofogdemyndigheten/ Namnsman), BlueStep also provide products for people whose source of income is different than a traditional full-time employment.

At BlueStep we take pride in understanding a potential customer's past, but more importantly, their current and expected future financial capabilities. The most common causes for payment remarks for our customers are unforeseen events such as divorce, illness, unemployment, failed business venture or loss of income.

BlueStep believes that by taking more time to understand the customer's historic and current situation, we are also able to accept that many people do not have an income situation that the traditional banks want to see in their customers. There are many people that today do not have a fixed monthly income, but rather work on an hourly contract, rely on regular overtime, work on a consultancy contract, earn commission, have investment income, are self-employed or have a limited and/or changing income history. The fact that these customers do not have the exact same income every month does not mean that they are not able to afford and service a loan.

A detailed application and assessment process ensures that all customers and potential customers can afford to service both our loan and all other financial obligations that they have.

Customer development

In assessing 2015 we asked the following questions to the Head of Customer Service at BlueStep:

How would you summarise 2015?
Over the past year, we have noticed an increased inflow of customers who want to buy a property. We also see that more and more of the customers who contact us to apply for a loan commitment have a different kind of employment than a traditional permanent employment. Instead, these customers have a modern form of employment such as project based contracts, temporary employment, hourly contract etc. There are also more self-employed people who turn to us now than before. As we now handle more customers who want to buy a property we notice that the majority of our customers are situated in larger cities, about 50% of our customers live in the greater Stockholm area. In addition, we also see an increased number of customers with unsecured loans who turn to BlueStep. Usually we help these customers consolidate their loans in one place and thus improve their personal finances.

What do the customers think of the service you provide at BlueStep?
We measure the customer satisfaction continously and ask how many customers are willing to recommend us to a friend or colleague. The results of these measurements have shown that BlueStep stands up well in comparison to the industry as a whole. 90% of our customers perceive our mortgage loan officer as committed and competent in their field. Many customers are willing to recommend us to a colleague or friend. These figures are proof that we live up to our mission to give everyone a fair chance.

Sarmad Jawady
Head of BlueStep Customer Service

Determined to be different

2015 was another strong year for BlueStep with its three lending businesses performing strongly by staying true to its core mission of providing a clear alternative to the traditional banks.

Mortgages

During 2015 we celebrated our 10th anniversary in Sweden and 5th anniversary in Norway and we are delighted with the progress that we have made and continue to make. BlueStep provides individuals in Sweden and Norway with a different solution to enable them to purchase a property or refinance debt, in most cases reducing the monthly payments significantly, when the traditional banks cannot assist them. The core of our business is to understand our existing and potential customers' financial situation in detail to allow us to make a well informed decision regarding their ability and desire to service all their debts going forward. To do this we do not rely upon automated credit decisions as we use a team of highly experienced case handlers and credit underwriters to individually assess each application in detail.

Many individuals in Sweden and Norway face increasingly changing and challenging times today and in the future and frequently have to deal with the results of a more flexible labour market, increasing amounts of consumer debt, marriage breakdown, unemployment and illness. As the traditional banks try to automate and standardise products and services more and more, we aim to be different in having an individual approach to our customers. We strive to always listen to them, understand their situation, look to find a solution and not be driven by historic credit events or binary indicators to determine whether we can or cannot help them.

Like all mortgage lenders we must follow strict regulations regarding maximum loan to value caps, affordability calculations, and amortization requirements. These regulatory requirements combined with internal risk driven guidelines and rules are the main reasons that we cannot assist all potential customers who approach us for help. When we cannot help we always treat them with respect and empathy and try to explain how we could help them in the future. 2016 will bring many challenges as new regulation comes in to force, we have to tackle unprecedented economic conditions with zero and negative interest rates in many parts of Europe, slowing global economic growth, the ongoing humanitarian crisis in Europe and political uncertainty in many parts of the world which will continue to have a profound impact on all countries in Europe. We are never complacent that our customers and BlueStep will not be impacted negatively by these changes but remain confident that in totality these represent a great opportunity for BlueStep. We will continue to take a different and individual approach to the changing circumstances that new and existing customers face.

Personal Loans

BlueStep entered this market in Sweden in late 2011 and at the end of 2015 it represents 7% of our lending book. This product is offered in the BlueStep and Spring Finance brands and we believe we have the most extensive personal loan product range in Sweden. We plan to further expand the product range in 2016 to provide potential solutions to more customers. This business tries to blend the best of automated decisioning and detailed manual credit underwriting to assist more customers by understanding and verifying their financial situation to assist when others cannot.

Having strengths in distribution, the operating platform, customer service, risk management, funding and compliance is key to developing a sustainable specialist lending business for the long term. Over the past 10 years BlueStep has been fully focused on these aspects of our business. As the external and internal environment changes with new and increasing regulation, a changing macro-economic landscape, technological advances, increasing scale, complexity and ambitions, these remain our core priorities. In 2015 and going into 2016 we are investing heavily in ensuring that all of these areas remain in focus as the business develops. We reflect on 2015 with a great deal of pride and satisfaction in the results produced but more importantly the many long term positive developments for the business including:

- Completing the acquisition of our Swedish loan and deposit administration system and recruiting the key staff who have managed these activities for our customers on an outsourced basis for the last 10 years
- Increased investment in training for our staff
- Further diversified our distribution channels for all three lending products
- Sold our Non-Performing Loans in Sweden
- Applied for a Banking license
- Accepted to be a direct member of the RIX and Dataclearing system
- Completed a SEK 3.3bn Residential Mortgage Backed Securities transaction issuing AAA and AA- rated notes to a broad international investor base
- Launched a new website in Sweden and invested heavily in a number of new and existing IT systems
- Developed our Corporate and Social Responsibility program

All of the above investments have been done to ensure that we continuously improve the products we offer and service we provide to our new and existing customers.

In the middle of 2015 we started to measure customer satisfaction in more detail than ever before in our Swedish Customer Service Department and are pleased that the satisfaction levels are well above industry standards. This program will be rolled out across the rest of the business in 2016 and will give us further insight in to what our customers and potential customers think we do well and not so well and we will do everything possible to act on this feedback.

Understanding how to assess and price credit risk in the specialist lending market is at the core of what we do in BlueStep and we are pleased with the performance of all three lending businesses in terms of new lending growth (increased by 24% compared with 2015), loan book growth (16% year on year growth) and

> The current favorable environment will not last forever and inevitably the wider economy will sooner or later face new or old challenges again but we are confident that BlueStep have the people, products and systems to be one of the real winners in a more challenging environment

underlying credit performance. Our arrears levels in the mortgage business continue to fall to all-time lows driven by a desire to have a constructive and individual dialogue with customers who struggle to make their monthly payments, the benign economic environment in Sweden and Norway but also the changing risk profile in our loan book as the traditional banks struggle to understand the position of more and more customers who have never had payment difficulties in the past. The current favorable environment will not last forever and inevitably the wider economy will sooner or later face new or old challenges again but we are confident that BlueStep has the people, products and systems to be one of the real winners in a more challenging environment.

Many parts of financial services markets across the region and further afield are serviced poorly by the traditional providers and we continue to see new opportunities for BlueStep. We are determined to be different, and are convinced that not being afraid of challenging common beliefs and set market standards will continue to be the winning formula for BlueStep.

Finally, I want to thank all of my colleagues who work long and hard every day to make sure we truly are different and understand our customers and to the many partners we work with who are engaged and committed to supporting the growth plans we have.

David Torpey
CEO, Bluestep Finans AB (publ)

Administration report

The Board of Directors and the CEO of Bluestep Finans AB, org no 556717-5129 with registered offices in Stockholm, Sweden, hereby present the Annual accounts and Group accounts for the financial year 2015-01-01--2015-12-31. The Group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB, org no 556791-6928 with registered offices in Stockholm, Sweden, Bluestep Mortgage Securities No 2 Limited, org no 522186 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 3 Limited, org no 550839 with registered offices in Dublin, Ireland and Bluestep Servicing AB, org no 556955-3927 with registered offices in Stockholm.

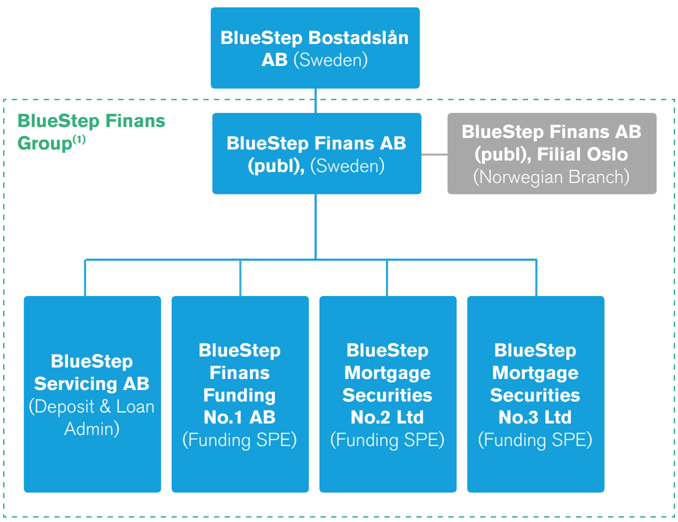
Organisation and operations

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

Ownership and definitions

The ownership structure and its definitions used is detailed below:

- BlueStep Bostadslån AB ("BBAB")
  –100% owner of BlueStep Finans AB
- BlueStep Finans AB (publ) (the "Company")
  – Parent company of the BlueStep Finans Group (the "Group")
- BlueStep Finans AB, filial Oslo ("the Branch")
  – Norwegian branch
- BlueStep Finans Funding No 1 AB ("BFF1")
  – Warehouse Company (currently dormant). Ownership 100%
- BlueStep Mortgage Securities No 2 Limited ("Step 2")
  – Special Purpose Entity. Ownership 100%
- BlueStep Mortgage Securities No 3 Limited ("Step 3")
  – Special Purpose Entity. Ownership 100%
- BlueStep Servicing AB ("BSAB")
  – Deposit and Loan Administration. Ownership 100%



(1) All financial information is provided for the Group unless stated otherwise, while regulatory information are for the legal entity BlueStep Finans AB or the Financial Group of which BlueStep reports to the Swedish FSA. The Financial Group consists of Luxblue Holdings I Sàrl, Luxblue Holdings II Sàrl, Engblue Holdings Ltd, BlueStep Capital Holdings Ltd, BBAB, BFAB, BSAB, BFF1, Step 2 and Step 3.

BlueStep operates in Sweden and Norway, where the Norwegian operation is run through the Branch. The Company is Sweden's and Norway's largest non-conforming residential mortgage lender and its core business is to engage in lending activities. The business is funded by deposits from the public, equity and issuance of asset backed securities within the wholly owned subsidiaries Step 2 and Step 3.

Significant events during the year

Application of banking license to Swedish FSA
In January 2015, the Company applied for a Banking license with the Swedish FSA. The Banking license and the related access to the Swedish clearing system will support product development and provide improved products and services to customers.

Completed acquisition of Cerdo Bankpartner's loan administration division
Cerdo Bankpartner has administered the Swedish Mortgage Loan portfolio since inception of BlueStep in 2005 and Deposits in Sweden since 2008. In March 2015, the Company completed the acquisition of the core system and related services and hired 17 key employees from Cerdo Bankpartner through the incorporated subsidiary BSAB. The purchase supports the strategy to manage and develop key processes in-house to ensure low risk and efficient processes within the business

Successful RMBS issuance of SEK 3.3b
In May 2015, the Company successfully closed another securitisation attracting several new European investors into the Company's Residential Mortgage Backed Security ("RMBS") program. The issuance enables the Company to continue to meet the strong demand for its products and services and further diversifies the financing of the business with committed term funding.

A direct member of the clearing system
In September 2015 the Company was accepted as a direct member of the Swedish payment systems RIX and Dataclearing. Membership will enable the Company to perform payments via the clearing system in Sweden, enable product development and support the strategy to manage key processes in-house.

Capital contributions
In September 2015, BBAB provided the Company with additional capital by way of a Conditional Shareholder Contribution amounting to SEK 24m.

Financial review

Profit for 2015 compared with 2014
The Group's profit is derived mainly from net interest income, where mortgage lending is by far the largest source of revenue. Operating profit before tax amounted to SEK 151m (SEK 142m) in 2015. The result in the Branch increased to SEK 45m (SEK 19m).

Net interest income
The Group's net interest income increased by 17% compared with the preceding year, to SEK 489m (SEK 417m). The increase is attributable to strong volume growth in lending to the general

public, with stable margins in both Sweden and Norway and the changing mix of business with the contribution from Norway and the unsecured business increasing.

The lending growth in 2015 was initially financed by retail deposits then refinanced post the completion of the Step 3 Securitisation in May 2015, amounting to SEK 3,340m. The cost of debt was 9m higher in 2015 due to re-classification of capitalised transaction costs from depreciation to interest expense.

Operating expenses
The acquisition of the loan administration from Cerdo Bankpartner, the strong growth in lending and the focus on developing the business resulted in increased expenses of 15% compared with the preceding year. The increase was mainly driven high higher staff costs and IT investments.

Staff costs increased by SEK 32m, of which 8m was attributable to the acquired entity for loan administration. In addition, an adjustment (reduction) was included in last year's figures related to social security contributions for employees living abroad amounting to SEK 5m. The remaining increase is attributable to increases in personnel in 2015 and due to the fact that the increase in staff in 2014 took place during the second half of 2014.

Administrative costs increased by SEK15m, which is in line with the overall growth of the business.

Depreciation decreased by SEK 2m, and was impacted by a positive impact of SEK 9m due to re-classification of capitalised transaction costs from depreciation to interest expense

The average number of employees in the Group during the year amounts to 176 (153), of which 32 (27) are employed by the Branch.

Credit losses
Total credit losses during the year amounted to SEK -31m (SEK +25m) of which actual losses amounted to SEK -36m (SEK -27m).

The net loss recorded in 2014 was positively impacted by non-recurring items of SEK 31m which related to defaulted loans from earlier years, and were sold to unrelated third parties, and SEK 15m net change in provisions which was due to stronger performance of the loan book and higher recoveries than expected.

Balance sheet, liquidity and managed assets, 2015 compared with 2014
The balance sheet total increased by SEK 1,970m to SEK 11,882m (9,977m). The balance sheet includes the Group's operations in Norway.

Operating income

SEK m	2015	2014	Change %
Net interest income	489,825	417,433	18%
Net result of financial transactions	11,649	-21,568	120%
Other operating income	12,514	9,476	32%
TOTAL OPERATING INCOME	**513,988**	**405,341**	**27%**

Operating expenses

SEK m	2015	2014	Change %
Staff costs	-147,282	-115,353	28%
Administration costs	-173,840	-159,072	9%
Depreciation	-11,623	-13,887	-16%
TOTAL OPERATING EXPENSES	**-332,745**	**-288,312**	**15%**

Credit losses

SEK m	2015	2014	Change %
Actual losses	-36,428	-27,209	34%
One-off sale non performing loan assets	-	31,382	-100%
Net change in provisions	5,781	20,782	-72%
TOTAL CREDIT LOSSES	**-30,648**	**24,955**	**-223%**

Lending
New lending continued to grow and totalled SEK 3,925 m (SEK 3,097m) for the year, resulting in a lending portfolio growth of SEK 1,384 m to SEK 9,692 m (SEK 8,308m) net of provisions. The outstanding balance of lending in the Branch at year-end amounted to SEK 2,147m (SEK 1,663m). The unsecured loan portfolio balance as of year-end amounted to SEK 685m (SEK 526m).

Warehouse funding and Deposits
In May, the Company successfully issued SEK 3,340m of RMBS through its subsidiary Step 3. The transaction was targeted at international institutional investors and backed by a portfolio of Swedish secured mortgage loans originated by the Group. The RMBS transaction provides the Group with matched term funding with a refinancing option after 5 years.

Due to the RMBS transaction completed in May 2015, the demand for deposit funding was lower in the second half of 2015. As a result the deposit volume decreased slightly year-on-year. The balance of deposits as at year end amounted to SEK 7,187m (SEK 7,201m), of which deposits held by the Branch amounted to SEK 2,093m (SEK 1,590m).

Liquidity
At the year end, the Group's excess liquidity totalled SEK 1,803 m (SEK 1,699 m) and was placed with credit institutions totalling SEK 1,085m (SEK 847m), covered bonds issued by Swedish and Norwegian credit institutions totalling SEK 627m (SEK 437m), bonds issued by the Swedish and Norwegian government totalling SEK 90m (SEK 31m), and bonds issued by other European governments totalling SEK 1m (SEK 0m).

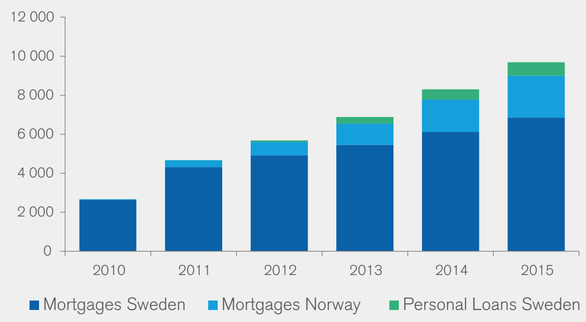
The Liquidity Coverage Ratio ("LCR") for all currencies combined was 206% (115%) for the Group at year-end.

Capital base and capital adequacy
For the Financial Group, the year-end Common Equity Tier 1 ("CET1") capital amounted SEK 746m resulting in a CET1 capital ratio of 14.5% (12.3%). In March 2015, minority interests were rolled up to the Topco company qualifying them as CET1.
For the Company, the year-end CET1 capital amounted SEK 732m resulting in a CET1 capital ratio of 15.1% (16.0%), as shown in the graph. This decrease in the CET1 capital ratio from 2014 to 2015 was due to a higher growth of the Risk Weighted Assets ("RWA") than CET1. The total Pillar 1 capital requirements amounted to SEK 412m and SEK 388m for the Financial Group and for the Company, respectively.

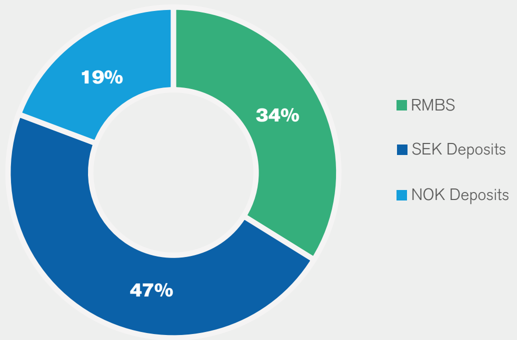
More detailed information regarding capital resources as of year-end is provided in Note 27.

Risk Management
The Company identifies, measures, aggregates and manages its risks effectively and, consequently, allocates its capital appropriately. The Company has set up a risk and capital management framework through principles, organisational structures, and measurement and monitoring processes that are closely aligned with the activities of the business. The framework is based on the following: (i) The Board of Directors (the "Board") provide the overall risk and capital management supervision; (ii) The Company operates a three lines of defence risk management model; (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 the Company's risk management capability.

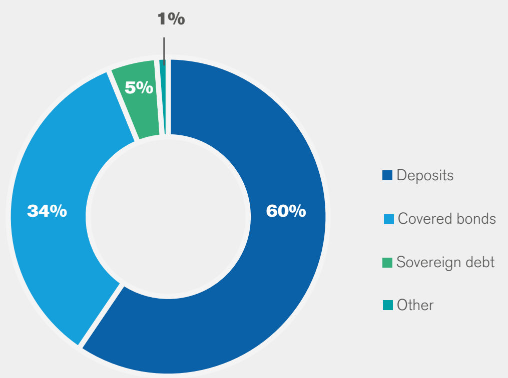
Lending Portfolio (SEK m)



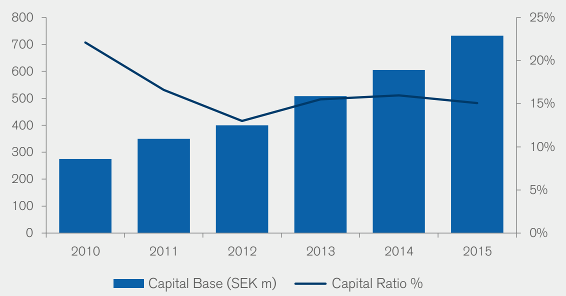
Funding sources



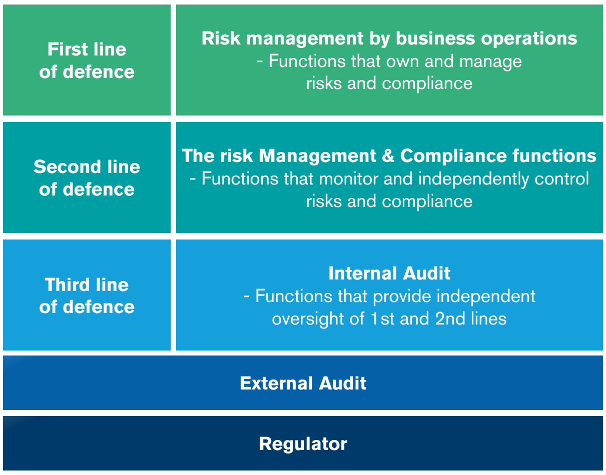
Liquidity reserve



Capital Base & Capital Ratio (Parent Company)



Delegation of risk and control responsibility
- the three lines of defence model
The three lines of defense is the foundation for the Company's model for risk management, risk control and compliance. Under this model, the first line of defense relies on the business units, responsible for owning and managing risks and compliance with internal policies; the second line of defense is constituted by the risk management and compliance functions, independent from the business units, and which monitor and independently control risks and compliance within the Company; finally, the third line of defense is the function for independent review and oversight ensuring quality in the process, the third line of defense is performed through the internal auditors on a regular basis.



The ultimate responsibility for the Company's level of risk and determination of its capital requirement lies on the Board. The Board stipulates guidelines for the CEO 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 appropriate internal controls in place.

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

The risk management function is complemented with two committees, namely the Risk Management Committee and the New Products and Processes Committee which are established in order to provide a detailed discussion of the Company's risks and strategies and a forum where new products and their risks are presented and analysed.

Capital management

The Board has set the Company's capital target based on regulatory requirements and internal assessments of capital needs. The capital goal is set through the Capital Policy.

At all times, the Company shall maintain a minimum capital level of 8% of its RWAs, to meet Pillar 1 capital requirements. In addition to that, the Company shall maintain enough capital to meet the Pillar 2 capital requirements and the combined capital buffers (conservation capital buffer and countercyclical capital buffer). Finally, even under normal economic conditions, an extra amount of capital shall be maintained to reduce the risk of breaching the requirements due to unexpected earnings volatility. The Board has set this extra capital to be at least 1% of RWAs.

The Company allocates capital for its Pillar 1 and Pillar 2 risks. Pillar 2 risks are assessed in the Company's internal capital and liquidity adequacy assessment process ("ICLAAP"). The Company's ICLAAP takes into consideration the capital limits and targets set out in the Company's capital policy, allowing the Company to assess the need for capital that adequately supports all relevant current and future risks in the business for an upcoming period of five years. It is based upon the Company's strategy and business plans and is being reviewed, at least, on a yearly basis.

As part of the capital planning, the Company has also established a Recovery Plan according to the Bank Recovery and Resolution Directive ("BRRD") and the Swedish FSA's Regulation and General Guidelines on recovery plans, consolidated recovery plans and agreements on financial support within groups (FFFS 2016:6). The Recovery Plan describes and defines the Company's strategy to prevent any capital crises that the Company might face. The plan is reviewed at least annually.

Liquidity management

The operational day to day handling of liquidity risk is managed through the Company's Treasury function. The Company measures liquidity reserves in expected and stressed scenarios in order to verify that the minimum required liquidity is maintained. The minimum liquidity reserve is set by the Board, and it is set out in the Liquidity Risk Policy.

Measurement and reporting of liquidity risk is performed on a daily basis and reported to senior management. Liquidity risk is also reported monthly to the Board. The Company's Risk Manager acts as the central function for independent control of liquidity and reports to the Board and the CEO. The reports show key figures on liquidity risk as liquidity reserve, liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") among others.

The size and composition of the liquidity reserve is regularly analysed and assessed against estimated contingency needs in the Company's contingency plan which addresses liquidity shortfalls in emergency situations.

The LCR measures to what extent the Company has enough high quality assets to meet its liquidity needs in stressed situations in the next 30 days. The Company complies with the LCR in all currencies combined and separately for the currencies SEK, NOK and EUR. The Company also complies with the requirements for the NSFR, which ensures that the institution's long-term assets are funded with a minimum level of stable long-term funding.

The Company has established a funding strategy plan that provides effective diversification in the sources and tenor of funding as access to retail deposits and wholesale funding.

Key figures - the Group	2015	2014	2013	2012	2011
Net Profit after Tax (SEK m)	115.6	113.0	88.2	28.8	-15.9
Gross Income / ANR	8.5%	8.7%	8.8%	8.7%	9.6%
Cost of Funds / Funding balance	-2.3%	-2.5%	-2.5%	-3.2%	-3.5%
Operating Income / ANR	5.7%	5.3%	6.3%	5.1%	5.0%
Net Income Pre BDC / ANR	2.0%	1.5%	2.3%	1.1%	0.3%
Net Income Post BDC / ANR	1.7%	1.9%	1.8%	0.7%	-0.4%
ROE	16,8%	20,1%	19,1%	7,6%	-9,5%
Liquidity Reserve (SEK m)*	1,803.3	1,699.5	1,512.7	1,462.1	762.7
Deposits from the public (SEK m)	7,186.8	7,201.0	6,601.3	7,029,0	4,762.0
External Funding (SEK m)	3,675.6	1,971.7	1,763.3	290,0	800.5
Leverage Ratio	6.3%	6.1%	5.6%	5.1%	5.6%
Average number of employees	176	153	134	111	75

* The 2014 amount includes undrawn short term Warehouse Facility amounting to SEK 375m.

Proposal for the appropriation of profits

The following profits are available for appropriation at the annual general meeting	
Non-restricted equity from previous years	530,950,021
Result of the year	115,843,213
Exchange differences, foreign operations	764,742
	671,557,976
The Board propose that	
the following be carried forward	671,557,976
	671,557,976

The Board of Directors assessment is that the Company's equity as stated in the annual report is sufficient in relation to the Company's size and risk. Please refer to the following income statement, balance sheet, cash flow statement and additional information regarding the Company's profits and financial position in general. All amounts are in Swedish kronor unless otherwise indicated.

Future development

Going in to 2016 the business is confident that growth will continue in its three lending businesses with lending margins and credit quality maintained.

Subsequent events

None

Income Statement

	Not	Group		Parent	
		2015-01-01	2014-01-01	2015-01-01	2014-01-01
		2015-12-31	2014-12-31	2015-12-31	2014-12-31
OPERATING INCOME					
Interest income		783,614,477	686,307,791	779,277,995	688,322,657
Interest expense		-293,789,262	-268,874,371	-426,408,076	-332,128,123
Net interest income	**3**	**489,825,215**	**417,433,420**	**352,869,919**	**356,194,534**
Group contributions		-	-	24,000,000	5,884,437
Commission income	4	284,000	284,000	284,000	284,000
Net result of financial transactions	5	11,648,658	-21,568,437	10,589,953	-20,077,245
Other operating income	6	12,229,792	9,192,225	9,618,104	9,107,380
TOTAL OPERATING INCOME		**513,987,665**	**405,341,208**	**397,361,976**	**351,393,106**
OPERATING EXPENSE					
General administration expenses	7,8,9	-321,122,150	-274,424,817	-208,101,926	-248,234,137
Depreciation on fixed assets	10,11	-11,622,875	-13,886,786	-11,231,043	-9,512,572
Total expenses		**-332,745,025**	**-288,311,603**	**-219,332,969**	**-257,746,709**
Result pre credit losses		**181,242,640**	**117,029,605**	**178,029,007**	**93,646,397**
Credit losses, net	12	-30,647,540	24,955,443	-29,334,861	24,955,443
OPERATING PROFIT/LOSS		**150,595,100**	**141,985,048**	**148,694,146**	**118,601,840**
Tax	13	-34,978,013	-28,983,144	-32,850,933	-21,152,727
NET PROFIT/LOSS FOR THE YEAR		**115,617,087**	**113,001,904**	**115,843,213**	**97,449,113**

Statement of Comprehensive Income

Net income		115,617,087	113,001,904	115,843,213	97,449,113
Exchange differences, foreign operations		764,742	-342,795	764,742	-342,795
Comprehensive profit/loss		**116,381,829**	**112,659,109**	**116,607,955**	**97,106,318**

Balance Sheet

		Group		Parent	
		2015-01-01	2014-01-01	2015-01-01	2014-01-01
	Not	2015-12-31	2014-12-31	2015-12-31	2014-12-31
ASSETS					
Lending to credit institutions	14	1,084,957,248	847,361,326	714,424,095	629,316,257
Lending to the public	15	9,692,109,927	8,307,878,041	9,692,109,927	6,906,286,492
Derivatives	16	104,172,355	62,914,689	61,875,835	7,939,696
Bonds and other interest-bearing securities	17	739,719,317	529,703,580	739,719,317	529,703,580
Shares and participations in associated companies	18	-	-	11,150,000	8,650,000
Intangible assets	10	41,725,066	41,980,983	39,148,941	25,088,561
Tangible assets	11	4,872,762	4,539,902	4,811,381	4,539,902
Other assets	19	195,077,183	164,338,518	166,579,057	1,343,924,260
Prepaid expenses and accrued income	20	22,016,968	18,010,587	33,221,831	23,037,693
TOTAL ASSETS		**11,884,650,826**	**9,976,727,626**	**11,463,040,384**	**9,478,486,441**
LIABILITIES					
Issued bonds	21	3,675,575,988	1,971,706,082	3,305,836,483	1,479,563,932
Deposits from the public	22	7,186,758,694	7,201,005,653	7,186,758,694	7,201,005,653
Derivatives	16	86,971,343	45,233,753	42,897,373	45,233,753
Accrued expenses and prepaid income	23	92,574,317	72,140,496	72,242,215	54,810,519
Other liabilities	24	44,440,083	41,015,779	45,738,209	40,764,596
Tax liabilities	13	39,897,740	27,574,878	38,009,572	26,157,967
TOTAL LIABILITIES		**11,126,218,165**	**9,358,676,641**	**10,691,482,546**	**8,847,536,420**
EQUITY					
Shareholders' equity		758,432,661	618,050,985	-	-
Share capital		-	-	100,000,000	100,000,000
Shareholder contributions received		-	-	24,000,000	-
Profit and loss account reserve brought forward		-	-	531,714,625	433,500,908
Result for this year		-	-	115,843,213	97,449,113
TOTAL EQUITY		**758,432,661**	**618,050,985**	**771,557,838**	**630,950,021**
TOTAL EQUITY AND LIABILITIES		**11,884,650,826**	**9,976,727,626**	**11,463,040,384**	**9,478,486,441**
Pledged assets		**130,890,400**	**1,539,198,528**	**130,890,400**	**90,540,200**
Contingent liabilities		**None**	**None**	**None**	**None**

Changes in Equity

Group

		Shareholders' equity		
	Share capital	Shareholder contributions*	Retained earnings	Total equity
Opening balance 2014-01-01	**100,000,000**	**322,740,264**	**82,638,541**	**505,378,805**
Result for the year reported via income statement	-	-	113,001,904	113,001,904
Exchange differences, foreign operations	-	-	-329,724	-329,724
Ending balance 2014-12-31	**100,000,000**	**322,740,264**	**195,310,721**	**618,050,985**
Opening balance 2015-01-01	**100,000,000**	**322,740,264**	**195,310,721**	**618,050,985**
Transactions with shareholders	-	-	-	-
Shareholder contributions*	-	24,000,000	-	24,000,000
Result for the year reported via income statement	-	-	115,617,087	115,617,087
Exchange differences, foreign operations	-	-	764,589	764,589
Ending balance 2015-12-31	**100,000,000**	**346,740,264**	**311,692,397**	**758,432,661**

* Conditional shareholder contributions. Repayment of the conditional shareholder contributions is subject to a decision made by the annual shareholders' meeting of the Company.

Parent

	Share capital	Restricted equity	Shareholder contributions*	Retained earnings	Non-restricted equity	Total equity
Opening balance 2014-01-01	**100,000,000**	**100,000,000**	**330,070,669**	**103,759,971**	**433,830,640**	**533,830,640**
Result for the year reported via income statement	-	-	-	97,449,113	97,449,113	97,449,113
Exchange differences, foreign operations	-	-	-	-329,732	-329,732	-329,732
Ending balance 2014-12-31	**100,000,000**	**100,000,000**	**330,070,669**	**200,879,352**	**530,950,021**	**630,950,021**
Opening balance 2015-01-01	**100,000,000**	**100,000,000**	**330,070,669**	**200,879,352**	**530,950,021**	**630,950,021**
Transactions with shareholders						
Shareholder contributions*	-	-	24,000,000	-	24,000,000	24,000,000
Result for the year reported via income statement	-	-	-	115,843,213	115,843,213	115,843,213
Exchange differences, foreign operations	-	-	-	764,604	764,604	764,604
Ending balance 2015-12-31	**100,000,000**	**100,000,000**	**354,070,669**	**317,487,169**	**671,557,838**	**771,557,838**

* Conditional shareholder contributions. Repayment of the conditional shareholder contributions is subject to a decision made by the annual shareholders' meeting of the Company.

Cash Flow Statement

	Not	Group		Parent	
		2015-01-01	2014-01-01	2015-01-01	2014-01-01
	Not	2015-12-31	2014-12-31	2015-12-31	2014-12-31
OPERATING ACTIVITIES					
Pre tax income		150,595,100	141,985,048	148,694,146	118,601,840
		150,595,100	**141,985,048**	**148,694,146**	**118,601,840**
Adjustments for items not included in cash flow					
Depreciation	10,11	11,622,875	13,886,786	11,231,043	9,512,572
Credit losses	12	30,647,540	-24,955,443	29,334,861	-24,955,443
Taxes paid		45,854,707	1,232,851	-	-
Total – Items not included in cash flow		**88,125,122**	**-9,835,806**	**40,565,904**	**-15,442,871**
Cash flow from current operations before changes to operating capital		**238,720,222**	**132,149,242**	**189,260,050**	**103,158,969**
Cash flow from changes,to operating capital					
Increase (-)/decrease (+) of lending to the public		-1,414,879,426	-1,400,271,112	-2,815,158,296	1,320,437
Increase (-)/decrease (+) of change in receivables		-93,468,713	-116,263,792	1,088,868,251	-1,154,959,785
Increase (+)/decrease (-) of deposits from the public		-14,246,959	599,742,652	-14,246,959	599,742,652
Increase (+)/decrease (-) of change in short term liabilities		29,927,988	-39,481,233	20,068,929	41,863,143
CASH FLOW FROM OPERATING ACTIVITIES		**-1,253,946,888**	**-824,124,243**	**-1,531,208,025**	**-408,874,584**
INVESTING ACTIVITIES					
Investments in intangible assets	10	-25,502,254	-8,408,233	-23,204,556	-7,877,179
Acquisition of fixed assets	11	-1,573,847	-931,957	-1,501,137	-931,957
Acquisition of financial assets	17	-210,015,737	-39,853,860	-210,015,737	-39,853,860
CASH FLOW FROM INVESTING ACTIVITIES		**-237,091,838**	**-49,194,050**	**-234,721,430**	**-48,662,996**
FINANCING,ACTIVITES					
Liabilities to credit institutions	21	1,703,869,906	208,366,315	1,826,272,551	-170,754,613
Shareholders' contribution		24,000,000	-	24,000,000	-5,550,000
Group contribution		-	-	-	-16,941,149
CASH FLOW FROM FINANCING ACTIVITIES		**1,727,869,906**	**208,366,315**	**1,850,272,551**	**-193,245,762**
NET CASH FLOW FOR THIS YEAR		**236,831,180**	**-664,951,978**	**84,343,096**	**-650,783,342**
Liquid funds at beginning of year		**847,361,326**	**1,512,656,099**	**629,316,257**	**1,280,442,394**
Currency difference i liquidity		**764,742**	**-342,795**	**764,742**	**-342,795**
LIQUID FUNDS END OF YEAR		**1,084,957,248**	**847,361,326**	**714,424,095**	**629,316,257**
Cash flow includes interest receipts of		**804,997,002**	**720,375,431**	**799,570,016**	**700,393,804**
Cash flow includes interest payments of		**-307,651,480**	**-319,649,486**	**-440,270,294**	**-322,015,720**

Disclosures

Notes to the financial statements

Note 1 | Accounting principles

General information

The consolidated financial statements and the annual report for Bluestep Finans for the financial year 2015 were approved by the Board of Directors and the CEO for publication on 27 April 2016. The consolidated financial statements and the annual report will ultimately be adopted by Bluestep Finans' Annual General Meeting on 27 April 2016. The Company is a wholly owned subsidiary of Bluestep Bostadslån AB. The Company's operations are described in the administration report.

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 Company applies the so-called "limited IFRS" which means that the Company has adopted IFRS issued by the International Accounting Standards Board (IASB) and interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU Commission for application in the EU under the restrictions imposed by RFR 2 and FFFS 2008:25. This means that IFRS is applied to the extent possible within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation. The parent company's financial statements are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and Swedish FSA regulations and general advice on the Annual Report of banks and securities companies (FFFS 2008:25) in accordance with amended regulations and the Council of Financial Reporting Recommendation RFR 2 Accounting for legal entities.

The below mentioned accounting principles have been consequently applied on all periods presented in the financial report, unless otherwise stated.

Changes in accounting principles

The new standard defines when a reporting company should consolidate another company. Consolidation will be required when the reporting company has control over the other company. Control means that the reporting company is capable of managing the company, is exposed and entitled to a variable return, and is able to use its power over the company to affect the return. The basic principle to determine whether control exists or not remains the same, but the new standard provides additional guidance in cases that are difficult to assess. The standard replaces the rules on consolidation in IAS 27 Consolidated and separate financial statements and SIC 12 Consolidation - Special Purposes Entities. The new standard does not affect the Company, since all subsidiaries in the Group are wholly owned.

Other IFRS changes New and amended standards and interpretations that are not yet in force"A number of new or amended standards published by IASB will be effective from financial year 2016 and has not been applied in the preparation of these financial statements, and are not planned to be applied in advance. The following describes the expected effects on the financial statements that the application of the new or amended standards are expected to have on the Company's financial statements. In addition to those, no other news are deemed to have any effect on the Company's financial statements.

Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014, and establishes principles for reporting useful information on the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The standard introduces a five-step model to determine how and when accounting for revenue is to happen, but it does not affect the accounting for financial instruments under IAS 39. The standard establishes new disclosure requirements and to provide more relevant information. The standard is effective from January 1, 2018 and not yet endorsed by the EU. How standards affect the BlueStep's financial statements is currently being assessed."

Financial instruments (IFRS 9)

IFRS 9 Financial Instruments includes requirements for recognition and measurement, derecognition and hedge accounting. The standard was issued in phases and the 2014 version replaces all previous versions . The standard will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments is mandatorily effective from 1 January 2018. The standard has not yet been approved by the EU and there is no current timetable on when endorsement is expected. Management will undertake a detailed analysis of the effects of application of IFRS 9 during next year.

Other changes in IFRS standards and interpretations are not expected to have any material impact on the Company's financial statements.

Significant judgments and estimates

Presentation of Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, costs and revenues.

Management makes certain judgments and estimates to determine the value of certain financial assets and liabilities. These are linked to the lending to the public and Asset Backed Securities. Estimates and assumptions are based on historical experience and a number of other factors that appear reasonable in the circumstances in question.

When BlueStep determines fair values of financial instruments, different methods are used depending on the degree of observability of market data in the valuation along with market activity. Primarily, quoted prices in active markets are used. When quoted prices in active markets are not available, valuation models are used instead. BlueStep determines when the markets are considered inactive and when quoted prices no longer correspond to fair value valuation models to be used.

For Loans to the public estimates are driven by the estimated average life, average yield and expected credit losses. Historic performance is continuously reviewed and anticipated market conditions assessed to ensure that the estimates are up to date. When estimating these cash flows, an assessment is carried out of the customer's financial situation and the value of the underlying security. For the Asset Backed Securities estimates are driven by the estimated average life and average yields which are based on historic performance, anticipated prepayment cash flows and interest rates.

Significant accounting principles

Presentation of Financial Statements

Financial statements provide a structured representation of the financial position and financial performance. The purpose is to provide information about the company's financial position, financial performance and cash flows, which is useful in making economic decisions.

Foreign currency
The Company's functional currency is Swedish Krona. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Exchange differences arising on translation are recognised in the income statement as net income from financial transactions. Non-monetary assets and liabilities accounted for at fair value are translated into the functional currency at the exchange rate on the date of valuation.

Accounting for revenue
Revenues are recognised when the income can be calculated reliably and it is probable that the economic benefits will flow to the Company.

Net interest income
Interest income and expenses (including interest income on impaired assets) are accounted for using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected term of the financial instrument, or where appropriate, a shorter period, to the financial asset or financial liability's net worth.

The calculation of the effective interest includes all fees paid or received, including transaction costs. At early redemption of a loan the customer may pay an interest-rate compensation which is intended to cover the cost incurred for the Company. The compensation is accounted for under interest income.

Commission income and commission expenses
Commission income and commission expenses are accounted for in the income statement on an on-going basis in accordance with set terms.

Net income from financial transactions
Net income from financial transactions includes the realised and unrealised changes in value arising on account of financial transactions classified as held for trading and foreign currency gains and losses on financial assets and financial liabilities.

Financial instruments
A significant part of the Company's balance sheet items refers to financial instruments. Financial instruments include assets such as loans to the public and to credit institutions, bonds and other interest-bearing securities and derivatives. Among the liabilities are, as for example, deposits and borrowing from the public, subordinated liabilities, liabilities to credit institutions and accounts payable. Financial instruments are recognised and measured in accordance with IAS 32 and 39. A financial instrument is any contract that gives rise to a financial asset in a company and a financial liability or equity instrument in another.

Financial instruments are recognised on the balance sheet on the transaction date when an acquisition agreement has been entered into, with the exception of loan receivables and liabilities to credit institutions, which are recognised on the settlement date. Accounts receivable are recognised in the balance sheet when an invoice is issued. Liabilities are recognised when the counterparty has performed and a contractual obligation to pay exists, even if no invoice has yet been received. Accounts payable are recognised when an invoice is received. A financial asset is derecognised when the contractual rights of the agreement are realised, expired or the company loses control over them. A financial liability is derecognised when the contractual obligation is discharged or otherwise extinguished.

Financial assets and liabilities are offset and reported on a net basis in the balance sheet only when there is a legal right to offset and when the intention is to settle with a net amount or to simultaneously realise the asset and settle the liability.

Financial instruments are initially recognised at cost, which is the instrument's fair value plus transaction costs, for all financial instruments except those belonging to the category of financial assets and liabilities carried at fair value through profit or loss. Subsequent measurement depends on how the financial instruments are classified according to the categories specified in IAS 39, as follows:

- Financial assets and liabilities at fair value through profit or loss
- Loans and receivables
- Financial assets available for sale
- Financial assets held-to-maturity
- Other financial liabilities

Note 26 shows how the carrying amount is divided between different valuation categories.

The company has not classified any bonds or other debt securities as ”Financial assets held to maturity”, but holds bonds intended to be held to maturity.

Financial assets and liabilities at fair value through the income statement

The category of Financial assets and liabilities at fair value through profit or loss is divided in two sub-categories:

- Financial assets or financial liabilities held for trading . All of the Company's assets in this sub-category refer to derivative instruments which automatically are classified as held for trading.

- Designated as at financial assets or financial liabilities at fair value through profit or loss on initial recognition. Assets in this sub-category relate to Sovereign debt, Swedish and Norwegian covered bonds.

Assets and liabilities in this category are initially recognised at fair value, while transaction costs are recognised in the income statement. Changes in fair value and realised gains or losses of these assets is recognised directly in profit or loss, under the heading ”Net income from financial transactions”, while accrued interest and received interest is recorded as interest income or expense.

Fair value is the amount at which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are independent of each other and who have an interest in the transaction. Fair value of financial instruments, which is traded in an active market are based on quoted prices. For financial instruments not traded in an active market, such as interest rate and foreign exchange derivatives the fair value is determined based on generally accepted valuation techniques. The valuation techniques are based on independent third party valuations.

The Company's financial assets and liabilities measured at fair value consist of derivatives and bonds and other interest bearing securities. All bonds are listed, and therefore valuated in accordance with level 1 in IFRS 13. The Company has one bond that is listed, but not traded on an active market. The bond is therefore valuated in accordance with level 2 in IFRS 13 and classified as loans and receivables. The derivatives are not listed, and therefore valued using mark to model valuations in accordance with level 2 in IFRS 13. No changes between the levels have occurred.

Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2: Valuation model based on other observable data for the asset or liability than the prices included in level 1, either direct (prices) or indirect (derivatives) prices

Level 3: Valuation model where essential data is based on non-observable data.

Derivatives
Derivatives are used to eliminate or reduce the interest rate and currency risks in the Company's assets and liabilities. The Company does not apply hedge accounting under IAS 39. Derivatives are carried at fair value through profit or loss.

Bonds and other interest bearing securities
The company has invested some of its excess liquidity in bonds and other debt securities. These assets have determinable payments. Changes in value due to changes in exchange rates are recognized as net income from financial transactions. Interest income is recognized using the effective interest method. Impairment losses and reversals of impairment losses are recognized as an impairment of financial assets.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, have fixed or determinable payments and that are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is calculated using the effective interest method, which means that any premiums or discounts and directly attributable costs or benefits are accrued over the expected term using the estimated effective rate. The effective interest rate is the rate that gives the instrument's cost as a result of discounted future cash flows.

Loans and receivables are carried at the amounts expected to be received, i.e. after deduction of bad debts. The Company's lending and accounts receivable consists of loans to credit institutions and to the public, bonds and other interest-bearing securities and other financial assets as accounts receivable, in the balance sheet.

Loans to credit institutions
Lending to credit institutions consist of cash deposits with banks.

Lending to the public
Lending to the public consists of loans to individuals secured on residential property and unsecured personal loans. Impairment losses and reversals of impairment losses are expensed as loan losses; net interest income is recognized using the effective interest method.

Bonds and other interest-bearing securities
The Company has invested part of the surplus funds in securities. These assets have determinable payments. Gains or losses and changes in value due to changes in exchange rates are recognized as net income from financial transactions. Interest income is recognized using the effective interest method. Impairment losses and reversals of impairment losses are expensed as impairment of financial assets.

Accounts receivable
The expected duration of accounts receivables is short, and therefore the carrying amount is at the nominal amount without discounting. Doubtful receivables are assessed individually and impairment losses are recognized as operating expenses.

Impairment of financial assets carried at amortised cost
On the balance sheet date an assessment of whether there is objective evidence of impairment of an individual claim or group of claims is carried out. This occurs as a result of events occurring after the asset was recorded for the first time and has affected the estimated future cash flows of the relevant claim or group of claims. Events that may affect the need for impairment are for example suspension of payments, agreements and injunction to pay.

The impairment is calculated as the difference between the loans booked value and the loans estimated present value. Cash flows attributable to the borrower or issuer, and the possible utilization of collateral is considered when assessing impairment. Any costs associated with the realization of collateral are included in cash flow projections. Calculation of probable loan losses, or impairment of other financial assets are gross and in cases where there is a guarantee equivalent it is reported as a claim on the counterparty. If the present value of future cash flows exceeds the asset's carrying value, no impairment loss is recorded and the claim is deemed not to be doubtful. Impairment is recognized in the income statement as ”Loan losses, net” or ”Impairment of financial assets,” according to the type of loan receivable.

An impairment loss is reversed if there is evidence that the impairment no longer exists and there has been a change in the assumptions underlying the calculation of the impairment.

Other financial liabilities
Financial liabilities which are not derivatives and classified as ”Liabilities at fair value through profit or loss” are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

Shareholders' contribution and group contribution
Group contributions and shareholder contributions are reported in accordance with RFR 2. Group contributions received from subsidiaries are recognised through profit and loss.

Group contributions are recorded in relation to substance. This means that group contributions from parent company to a subsidiary, shall in the parent company accounted for as an investment or, depending on the relationship between accounting and taxation, the income statement. Group contributions from subsidiaries to the parent company, shall follow the same principles as ordinary dividends from subsidiaries, that is, as a financial income. Group contributions from subsidiaries to parent companies that are not paid by the reporting date can be accounted for as a liability, even if the decision was made after the reporting period.

Intangible assets
Intangible assets are reported as an asset on the balance sheet if it is probable that future economic benefits will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are carried at cost less accumulated depreciation.

The carrying value of an intangible asset is derecognised upon disposal, scrapping or when no future economic benefits expected from the use or disposal of the asset.

Gains or losses arising on the disposal of an asset is the difference between the sale price and the asset's carrying value, net of direct selling costs. Profit/loss is recorded as other operating income/ expense

Depreciation is made on a straight-line basis over the asset's estimated useful life. The amortisation period for intangible assets is 5 years.

On a yearly basis, the Company performs an impairment test on the intangible assets to ensure that the value has not decreased.

Tangible assets
Tangible assets are carried at cost less depreciation according to plan. Depreciation is reported in the income statement on a linear basis over the anticipated useful life. The profit or loss that arises upon disposal or retirement of an asset is calculated as the difference between the sales revenue and the asset's carrying amount, and is reported in the income statement. The amortisation period for intangible assets is 5 years.

Leasing
All lease agreements are operational. Lease payments are reported as other operating costs.

Pensions
All pension plans are defined benefit plans and premiums are expensed throughout the year. The Company has no further obligations once the premiums are paid.

Taxes
Income tax comprises current and deferred tax. Current tax assets and tax liabilities for current and prior periods are measured at the amount expected to be obtained from or paid to tax authorities. Income tax is recognized in profit or loss unless the underlying transaction is recognized in other comprehensive income or in

equity, whereby the associated tax effect is recognized in other comprehensive income or equity.

Deferred taxes refer to tax on differences between the carrying value and tax base, which in the future form the basis for current tax. Deferred tax is tax attributable to taxable temporary differences and projected paid in the future. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets represent a reduction of future tax attributable to deductible temporary differences, tax loss carryforwards or other future tax deductions. Deferred tax assets are reviewed at each balance sheet date and are recognized to the extent that the respective balance is likely they can be utilized. This means that a previously unrecognized deferred tax asset is recognized when it is considered probable that sufficient taxable profit will be available in the future. On the closing day statutory tax rates are used in the calculations.

Current tax is tax to be paid or received for the current year, using tax rates enacted or substantially enacted at the balance sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Cash flow statement and cash equivalents

The cash flow statement has been prepared in accordance with IAS 7, using the indirect method in accounting for cash flows from operating activities. The indirect method means that the operating profit is adjusted for transactions that do not involve receipts and disbursements, such as depreciation and loan losses.

Cash and cash equivalents

Cash and cash equivalents consists of cash from credit institutions and short-term liquidity investments with a maturity from the date of acquisition of less than three months, which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at their nominal amounts.

Securitisations

When a financial asset is transferred, the Company needs to evaluate to what extent the risks and advantages that comes with the transfer are tied to the financial asset. If the Company still accounts for risks and advantages that are tied to the financial asset, the Company continues to account for the financial asset in the financial reports. In 2013 and 2015, the Company completed a securitisation transaction that is accounted for in accordance with the above.

BlueStep | Annual Report 2015 22

Note 2 | Risk management

Credit rating agencies

The Swedish FSA has approved the following companies to provide the external rating according to the Act (2006:1371) on Capital Adequacy and Large Exposures Act: Moody's Investors Services; DBRS; Fitch Ratings; and, Standard and Poor's (see http://www.fi.se/Regler/Kapitaltackning/Grundlaggande-kapitalkrav-pelare-1/Godkanda-kreditvarderingsforetag/).

The relation between the credit quality steps and the rating provided by those companies are displayed below:

Credit Quality Step	Moody's	Fitch	S&P's
1	Aaa - Aa3	AAA - AA-	AAA - AA-
2	A1 - A3	A+ - A-	A+ - A-
3	Baa1 - Baa3	BBB+ - BBB-	BBB+ - BBB-
4	Ba1 - Ba3	BB+ - BB-	BB+ - BB-
5	B1 - B3	B+ - B-	B+ - B-
6	worse than B3	worse than B-	CCC+ and worse

Capital requirements according to pillar 1

The minimum capital requirements are calculated for the following risks: credit risk, market risk, operational risk, and credit valuation adjustment risk. The valuation methods used are: standardised approach for credit risk and market risk; the basic indicator approach for operational risk; and, the standardised method for credit valuation adjustment risk.

Credit risk

Credit risk is the risk of an obligor failing to meet its obligations. Credit risk is the main risk that the Company faces. Credit risk is mainly managed through the Credit Instructions in which risk appetite is defined.

Prudent client selection is achieved through the Company's Credit department, who acts as a first line of defence. Active management is also achieved through the Collections department. The performance of the loan books is continuously monitored, and risk drivers analysed, allowing for a better understanding of the underlying risk.

The mortgage portfolio consists of Swedish and Norwegian household mortgages which are considered to be low risk and Swedish personal loans, deemed as medium risk.

Concentration risk

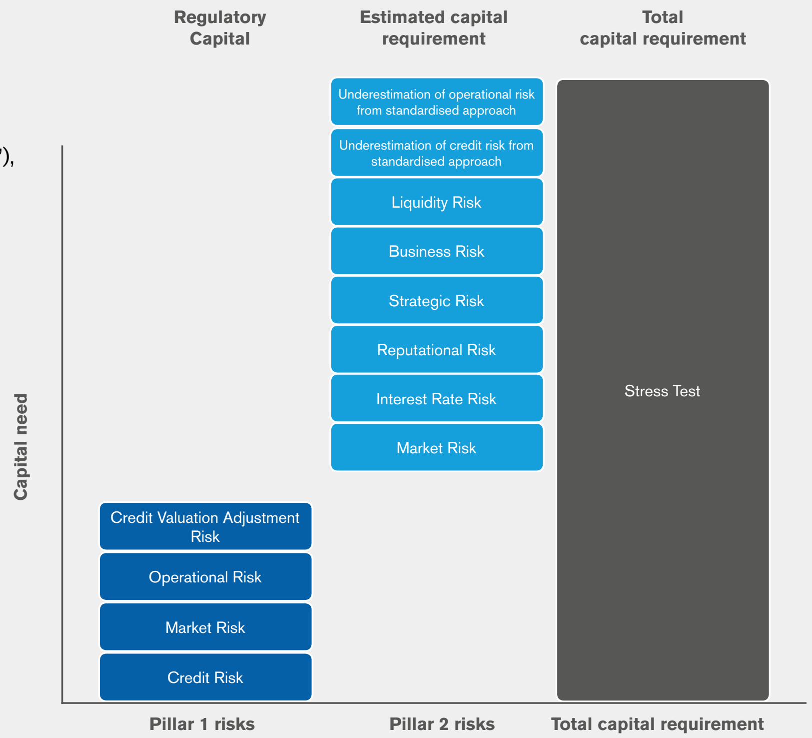
Concentration risk is defined as the risk of suffering losses from lack of diversification, investing too heavily in one industry, one geographic area or one type of security.

Following the Swedish FSA's guidelines, concentration risk and its capital demands have been assessed under three different categories: individual concentration, industry concentration and geographical concentration. Total capital demands for concentration risk are the sum of the three different types of concentration risk capital demands.

The Company's risk profile

The Company has identified the following material risks to be managed:

- Credit risk (incl. Concentration risk),
- Market risk,
- Operational risk,
- Credit valuation adjustment risk ("CVA 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 basic indicator approach.



For further information on capital adequacy and pillar 1 and 2, see Note 27.

Maximum Credit Risk Exposure	Financial Group 2015-12-31	Financial Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
Governments or central banks				
- Credit Quality Step 1	91,347,008	30,783,900	91,347,008	30,783,900
Total Governments or central banks	**91,347,008**	**30,783,900**	**91,347,008**	**30,783,900**
Lending to credit institutions				
- Credit Quality Step 1	1,090,145,375	1,000,308,052	715,885,618	719,856,459
- Credit Quality Step 2	40,715,908	-	-	-
- No rating	-	-	-	-
Total lending to credit institutions	**1,130,861,283**	**1,000,308,052**	**715,885,618**	**719,856,459**
Corporates				
- No rating	8,245,633	4,248,126	11,412,780	132,178,943
- Internal exposure	-	-	-	1,060,177,294
Total corporates	**8,245,633**	**4,248,126**	**11,412,780**	**1,192,356,237**
Lending to the general public				
- Unsecured loans	691,537,173	517,848,791	691,537,173	517,848,791
- Loans secured by residential property	8,999,378,227	7,769,778,786	9,014,320,871	6,388,437,701
Total lending to the general public	**9,690,915,400**	**8,287,627,577**	**9,705,858,044**	**6,906,286,492**
Bonds and other interest-bearing securities				
- Credit Quality Step 1	636,341,393	446,338,830	636,341,393	446,338,830
- Credit Quality Step 2	21,346,691	52,580,850	21,346,691	52,580,850
Total bonds and other interest-bearing securities	**657,688,084**	**498,919,680**	**657,688,084**	**498,919,680**
Derivatives				
- Credit Quality Step 2	173,219,918	85,154,355	160,575,288	7,939,696
- Credit Quality Step 2	75,874,505	85,154,355	37,067,930	7,939,696
- No rating	143,191	-	167,742	-
Total derivatives	**249,237,614**	**85,154,355**	**197,810,960**	**7,939,696**
Other assets				
- No rating	88,467,906	89,859,561	48,435,380	97,255,416
Total other assets	**88,467,906**	**89,859,561**	**48,435,380**	**97,255,416**
Total	**11,916,762,928**	**9,996,901,251**	**11,428,437,874**	**9,453,397,880**

Credit risk Receivables from private individuals	Financial Group 2015-12-31	Financial Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
Performing	9,266,101,060	7,778,741,525	9,280,388,673	6,397,400,440
Due 30-60 days	196,554,506	188,489,425	196,857,578	188,489,425
Due 60-90 days	70,649,454	78,984,024	70,758,390	78,984,024
Due over 90 days	157,610,380	241,412,603	157,853,403	241,412,603
Total	**9,690,915,400**	**8,287,627,577**	**9,705,858,044**	**6,906,286,492**
Provisions	**26,941,517**	**32,722,442**	**26,941,517**	**32,722,442**

Other financial assets	Financial Group 2015-12-31	Financial Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
Performing	2,225,847,528	1,709,273,674	1,722,579,830	2,547,111,388
- Credit Quality Step 1	1,991,053,694	1,477,430,782	1,604,149,307	1,196,979,189
- Credit Quality Step 2	137,937,104	137,735,205	58,414,621	60,520,546
- No rating	96,856,730	94,107,687	60,015,902	1,289,611,653
Non performing	-	-	-	-
Total	**2,225,847,528**	**1,709,273,674**	**1,722,579,830**	**2,547,111,388**
Provisions	-	-	-	-

Financial instruments that have been offset in the balance sheet or are subject to netting agreement

In order to mitigate the interest rate risk for the banking book, the Company enters into derivative contracts, all under the International Swaps and Derivatives Association's (ISDA) master netting agreement, which means that when a counterparty cannot settle their obligations, the agreement is cancelled and all outstanding dealings between the parties shall be regulated by a net amount. ISDA agreements do not meet the criteria for offsetting in the balance sheet since offsetting is only permitted due to a party's inability to regulate, and also that the intention to reach a net settlement exists.

	Financial Group 2015-12-31		
Amounts that have not been offset in the balance sheet	**Gross value**	**Netting in the Balance sheet**	**Net amount Balance sheet**
Derivative	104,172,355	-	-
Sum financial assets	**104,172,355**	**-**	**-**
Derivative	86,971,343	-	-
Sum financial liabilities	**86,971,343**	**-**	**-**

Market risk

Market risk is defined as the risk of financial losses arising from adverse movements in the market.

The Company's market risk exposures are mainly related to foreign exchange rates and are hedged with derivatives to ensure that investments generate the expected level of income over the life of the assets.

Sensitivity analysis with an instantaneous decrease in currency with 10%

The table below shows the Company's net position in foreign currencies as at the balance sheet date.

	Total position 2015-12-31	Value change -100 bps	Value change +100 bps
EUR position	1,056,019	-105,602	105,602
GBP position	205,801	-20,580	20,580
NOK position	1,644,149	-164,415	164,415
Impact on earnings		**-290,597**	**290,597**

A change in relevant exchange rates in relation to the Swedish krona of -10% would at the balance sheet date show an instantaneous net impact on earnings of SEK -0.3m (SEK -4.2m). A change in relevant exchange rates in relation to the Swedish krona of +10% would at the balance sheet date show an instantaneous net impact on earnings of SEK 0.3m (SEK 4.2m).

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate internal processes, people, systems or external events.

Operational risks are managed through well exercised internal controls, routines and instructions for all transactions. The Company's policies ensure that staff has the proper competence, training and work experience to prevent the occurrence of operational risks.

IT related risks are mitigated through the deployment of reliable IT-systems with built-in controls, reconciliations, backup procedures and business continuity plans (BCP).

The day to day administration of the mortgage portfolio in Sweden and the management of deposit accounts for Sweden is outsourced to the Company's subsidiary BSAB while the administration of the mortgage portfolio and the management of deposit accounts for Norway is provided in-house by the Norwegian Loan Administration department (Norla). The administration for personal loans in Sweden is outsourced to a third party. In order to manage operational risk, the Company performs regular audits of outsourced business operations and internal controls, as well as their business continuity plans.

The calculation of operational risk capital is based on the Basic Indicator Approach whereby the capital requirement is 15% of the average net operating income for the last 3 fiscal years.

Capital requirements according to pillar 2

Similar to pillar 1 risks, and as part of its ICLAAP, the Company identifies, monitors and quantifies pillar 2 risks and their capital demands. Active management of pillar 2 risks is achieved through internal policies and periodical assessment of the risks.

Interest rate risk from the banking book

Interest rate risk is the exposure of an institution's financial condition to adverse movements in interest rates. Changes in interest rates affect a company's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the company's assets and liabilities because the economic value of future cash flows change when interest rates change.

A number of stress scenarios are run and the interest rate risk exposure calculated. If the exposures breach the limits imposed in the policy or they are close to breach them, new hedging instruments are entered into. Interest rate risk is measured both under the economic value analysis and the net interest income analysis.

Sensitivity analysis in case of market rate increase with 200bps

The Company calculates interest risk exposures based on the Swedish FSA guidance on methods to assess individual risk types under Pillar 2. The table below show the exposure when a positive shock of 200 bps impact interest rates.

Liquidity risk

Liquidity risk is the risk of not being able to meet payment obligations on their due dates without the cost of obtaining the funds increasing considerably.

The liquidity risk appetite of the Company shall be low and the Liquidity Policy states that the Company shall retain enough excess liquidity in a liquidity reserve in order to meet any unforeseen deposit outflows. The liquidity reserve will only be invested in highly rated securities and liquid investments according to the Company's Liquidity Policy.

The Group is mainly exposed to liquidity risk related to the funds it raises from retail deposits and the refinancing of the Residential Mortgage Backed Securities ("RMBS") at the call dates. As the the Group diversifies its funding sources, deposit product features and pricing are designed in order to maximize their cost/risk efficiency. All Swedish and Norwegian deposit products are covered by the government deposit guarantee scheme and the Company strategically offers different deposit products depending on the needs of the Company and market prices.

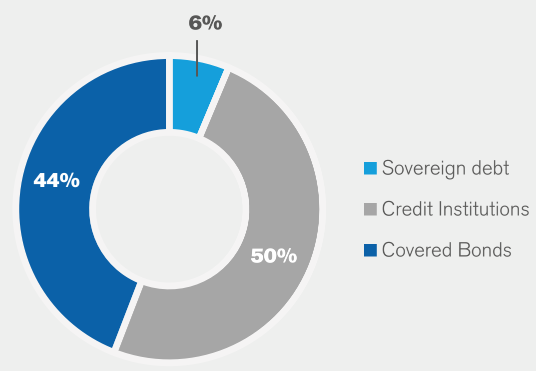
The Company's liquidity reserve consists of deposits at other institutions, sovereign debt and covered bonds. The distribution between institutions, sovereign debt and covered bonds is shown below.

Pension risk

The Company does not bear any pension risk as the contributions to pensions are managed by an independent third party.

	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+200bp	-8,166,283	-1.11%
Decreased interest rates	-200bp	1,004,648	0.14%

The calculation assumes that market rates increase/decrease by 200 bps and states the instantaneous change in the economic value of the Company.



	Financial Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Liquidity Reserve				
Cash and balances with central banks	8,435	7,760	8,435	7,760
Deposits in other banks	1,129,399,761	909,428,296	714,424,097	629,076,143
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	91,347,008	30,783,900	91,347,008	30,783,900
Covered bonds issued by other institutions	636,341,393	454,629,449	636,341,393	454,629,449
Total	**1,857,096,597**	**1,394,849,405**	**1,442,120,933**	**1,114,497,252**

The LCR and the NSFR are calculated and monitored every month. The purpose of the LCR is to ensure that the Company has enough high quality assets to meet its liquidity needs in stressed situations in the next 30 days. NSFR ensures that the institution's long-term assets are funded with a minimum level of stable long-term funding.

Financial Group	2015-12-31	2014-12-31
Liquidity Coverage Ratio	**206**	**115**
Liquid Assets Level 1	308,652,332	102,638,867
Liquidity Reserve	**308,652,332**	**102,638,867**
Customer deposits	593,870,622	353,310,981
Other outflows	4,454,245	3,621,959
Cash Outflows	**598,324,867**	**356,932,940**
Inflows from retail customers, lending activities	131,729,893	94,941,898
Other inflows	550,456,346	909,836,014
Cash Inflows (cap)	**448,743,650**	**267,699,705**
Net Stable Funding Ratio	**151**	**198**
Available Stable Funding (thousands SEK)	10,496,940	7,667,417
Required Stable Funding (thousands SEK)	6,956,644	3,871,361

Other risks

As part of the ICLAAP, the Company carries out a thorough assessment of other risks faced as business risk, strategic risk and reputational risk among others. As part of these assessments, main drivers of these risks are identified and analysed. The Company allocates capital to these risks based on the impact they might have on its profitability.

Note 3 | Net interest income

	Group		Parent	
	2015	2014	2015	2014
Interest income				
Lending to credit institutions	2,106,373	9,396,358	2,123,510	8,708,381
Lending to the public	736,509,436	620,475,225	691,510,096	595,204,689
Derivatives	27,284,731	40,685,935	27,284,731	40,685,935
Covered bonds	17,707,768	11,963,683	44,798,111	35,235,182
Other interest-bearing securities	-	3,662,809	-	3,662,809
Intercompany loans	-	12,720	13,555,378	4,714,600
Other	6,169	111,061	6,169	111,061
Total interest income	**783,614,477**	**686,307,791**	**779,277,995**	**688,322,657**
Of which:				
Interest income from financial items not measured at fair value through profit or loss	738,621,978	633,645,453	693,639,775	607,686,940
Interest expense				
Liabilities to credit institutions	-4,230,777	-362,664	-	-
Deposits from the public	-108,843,650	-105,444,890	-373,233,269	-313,162,028
Derivatives	-82,281,147	-82,768,392	-41,521,640	-16,792,066
Bonds	-77,248,222	-72,283,313	-	-
Other	-21,185,466	-8,015,112	-11,653,167	-2,174,029
Total interest expense	**-300,122,679**	**-273,645,714**	**-432,741,493**	**-336,899,466**
Of which:				
Interest expense from financial items not measured at fair value through profit or loss	-134,259,893	-113,822,666	-384,886,436	-315,336,057
Total net interest income	**-293,789,262**	**-268,874,371**	**-426,408,076**	**-332,128,123**

	Group			
	2015-12-31		2014-12-31	
Geographical distribution	Sweden	Norway	Sweden	Norway
Interest income	591,946,567	198,001,327	542,803,645	148,275,489
Commission income	284,000	-	284,000	-
Net result of financial transactions	5,585,323	-270,082	-45,807,872	-7,717,576
Other operating income	6,992,531	5,237,261	7,501,204	1,691,021
Total	**604,808,421**	**202,968,506**	**504,780,977**	**142,248,934**

	Parent			
	2015-12-31		2014-12-31	
Geographical distribution	Sweden	Norway	Sweden	Norway
Interest income	587,610,085	198,001,327	521,547,012	148,275,489
Commission income	284,000	-	284,000	-
Net result of financial transactions	4,526,618	-270,082	1,456,461	-7,717,576
Other operating income	4,380,843	5,237,261	7,416,359	1,691,021
Total	**596,801,546**	**202,968,506**	**530,703,832**	**142,248,934**

Note 4 | Commission income

	Group		Parent	
	2015	**2014**	**2015**	**2014**
Other commission income	284 000	284 000	284 000	284 000
Total	**284 000**	**284 000**	**284 000**	**284 000**

The commission income relates to administration services rendered to Bluestep Capital Holdings Limited.

Note 5 | Net result of financial transactions

	Group		Parent	
	2015	**2014**	**2015**	**2014**
Covered bonds - unrealised changes	-12,831,579	-470,001	-12,831,579	-470,001
Other interest-bearing securities and related derivatives - realised changes	-	-3,996,250	-	-3,996,250
Other interest-bearing securities and related derivatives - unrealised changes	-	-254,335	-	-254,335
Mortgage book derivates - unrealised changes	18,638,875	-12,948,846	23,446,064	-18,696,946
Unrealised exchange rate changes: loans and receivables and other debts and related derivatives - unrealised changes	6,100,101	-26,284,008	191,824	3,456,926
Exchange rate changes other receivables and liabilities - unrealized changes	-258,739	-116,639	-216,356	-116,639
Relocation of interest payments on derivatives to net interest income	-	22,501,642	-	-
Total	**11,648,658**	**-21,568,437**	**10,589,953**	**-20,077,245**

All derivative contracts in the Group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio. Due to that the Group does not apply hedge accounting, all derivative contracts are therefore categorised as Held for trading under IAS 39. All instruments in the liquidity portfolio are also categorised as Held for trading under IAS 39. The above changes in fair values for derivatives and bonds are therefore related to the category Held for trading. Currency impact related to issued instrument relates to the category Loans and receivables.

Note 6 | Other operating income

	Group		Parent	
	2015	**2014**	**2015**	**2014**
Billing fees	8,071,002	7,182,933	7,832,915	7,098,083
Valuation fees	1,784,210	1,983,341	1,784,210	1,983,341
Other operating income	2,374,580	25,951	979	25,956
Total	**12,229,792**	**9,192,225**	**9,618,104**	**9,107,380**

The increase in other operating income is due to the acquisition of Bluestep Servicing AB The administration of deposit and lending from Cerdo Bankpartners.

Note 7 | General administration expenses

	Group		Parent	
	2015	2014	2015	2014
Personnel costs				
Salaries and emoluments	-94,899,882	-78,890,632	-89,735,013	-78,890,632
Variable performance benefit	-14,217,315	-10,969,058	-13,820,208	-10,969,058
Social security charges	-27,885,734	-16,885,973	-26,166,756	-16,885,973
Pension expenses	-3,505,733	-2,571,184	-3,367,845	-2,571,184
Other personnel costs	-6,773,415	-6,036,110	-6,031,851	-6,036,110
Total	**-147,282,079**	**-115,352,957**	**-139,121,673**	**-115,352,957**
Other administration expenses				
Administration expenses deposits from the public	-3,156,940	-6,962,881	-10,671,390	-6,962,881
Administration expenses lending to the public	-45,424,553	-46,047,949	-59,651,195	-46,047,949
Professional fees	-18,603,382	-16,133,215	-15,830,929	-14,591,837
Other administration expenses	-106,655,196	-89,927,815	17,173,261	-65,278,513
Total	**-173,840,071**	**-159,071,860**	**-68,980,253**	**-132,881,180**
Totala General administration expenses	**-321,122,150**	**-274,424,817**	**-208,101,926**	**-248,234,137**

Note 8 | Auditors remuneration and expenses

	Group		Parent	
	2015	2014	2015	2014
Deloitte AB				
Audit assignment	1,775,000	1,385,547	1,162,500	1,081,250
Audit activities in addition to audit assignment	872,469	544,625	872,469	544,625
Tax advice	-	-	-	-
Other assignments	-	-	-	-
PwC				
Audit assignment	-	-	-	-
Audit activities in addition to audit assignment	-	-	-	-
Tax advice	-	-	-	-
Other assignments	154,908	163,839	154,908	136,839
Total	**2,802,377**	**2,094,011**	**2,189,877**	**1,762,714**

Audit assignments refer to audit of the annual report and accounts and other tasks that are incumbent on the Company's auditors to perform as well as counseling or other assistance as a result of observations during the audit or implementation of other tasks. Everything else relates to audit activities in addition of audit assignment, tax advice or other assignments.

Note 9 | Salaries and remuneration

The Board

The Board's fees are determined by the Company's annual general meeting. At the end of the year the Board consisted of seven members.

The Board has compensated three of the members for their Board work between the Annual General Meeting on 23 May 2014 up until the Annual General Meeting on 3 June 2015 with a total of SEK 990.000. Three board members are employed by the Company and have received salary during the year. No other compensation has been made for the remaining Board members.

Senior officials

Compensation to the CEO and other individuals identified as Remuneration Code Staff is proposed by the Company's Remuneration committee and determined by the Board. Compensation to other senior officials is determined by the CEO, and in some cases in consultation with members of the Board.

Compensation to the CEO and senior officials consists of a basic salary, variable pay in the form of bonus and pension contributions. The period of notice for the CEO is twelve months. Agreements on severance pay with the CEO or any other Senior Executives are determined by individual contracts. Information on compensation according to the Financial Supervisory Authority's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on the Company's website.

Pension commitments

In Sweden, the Company has a pension plan implemented for all employees whereby 2.5 % of the employee's gross monthly wage is invested in to an eligible plan. Additionally, an optional plan is in place whereby the employee contributes 2 % of their gross monthly wage and receive an additional 1 % from the Company. In the Branch, 3.5 % of the employee's gross monthly wage is invested in to an eligible plan unconditionally.

	Salary		Bonus*	
Salaries and remuneration - Members of the Board and CEO	**2015**	**2014**	**2015**	**2014**
CEO/Board member (David Torpey)	5,163,166	5,034,438	1,500,000	1,293,000
Chairman of the Board (Per Otto Hyland) (resigned June 2015)	330,000	320,000	-	-
Chairman of the Board - Carl Sundvik (appointed June 2015)	330,000	320,000	-	-
Board member - Rolf Stub	4,116,860	4,011,596	1,500,000	1,443,000
Board member - Peter Gertman	1,830,000	1,757,000	725,000	639,000
Board member - Toby Franklin	330,000	-	-	-
Total saleries and remuneration	**12,100,026**	**11,443,034**	**3,725,000**	**3,375,000**

	Pension		Total	
	2015	**2014**	**2015**	**2014**
CEO/Board member (David Torpey)	155,487	151,610	6,818,653	6,479,048
Chairman of the Board (Per Otto Hyland) (resigned June 2015)	-	-	330,000	320,000
Chairman of the Board - Carl Sundvik (appointed June 2015)	-	-	330,000	320,000
Board member - Rolf Stub	56,780	55,328	5,673,640	5,509,924
Board member - Peter Gertman	52,874	50,477	2,607,874	2,446,477
Board member - Toby Franklin	-	-	330,000	-
Total costs related to pensions	**265,141**	**257,415**	**16,090,167**	**15,075,449**

* 60% of that amount is deferred and payable in equal amount over five years under the Company's remuneration policy.

	Group		Parent	
Salaries and remuneration - Other employees	**2015**	**2014**	**2015**	**2014**
Salaries and remuneration	93,292,171	75,041,656	87,730,195	75,041,656
Social security contributions	22,913,511	12,230,147	21,194,533	12,230,147
Pension costs	3,240,592	2,313,769	3,102,704	2,313,769
Total salaries, remuneration, social security contributions and pensions	**119,446,274**	**89,585,572**	**112,027,432**	**89,585,572**

Distribution by gender in board and management	Parent 2015	Parent 2014
The Board		
Women	-	-
Men	7	8
Management team including CEO		
Women	2	1
Men	8	6

Average number of employees	Group 2015	Group 2014	Parent 2015	Parent 2014
Sweden				
Women	79	73	68	73
Men	65	53	54	53
Norway				
Women	12	10	12	10
Men	20	17	20	17
Total	**176**	**153**	**154**	**153**

Note 10 | Intangible assets

	Group 2015-12-31	Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
Acquisition value brought forward	79,420,480	71,012,247	57,456,124	49,578,945
Investments for the year	25,502,254	8,408,233	23,204,556	7,877,179
Reclassification	-21,305,425	-	-	-
Acquisition value carried forward	**83,617,309**	**79,420,480**	**80,660,680**	**57,456,124**
Depreciation brought forward	-37,439,497	-24,715,241	-32,367,563	-24,017,521
Reclassification	5,071,934	-	-	-
Depreciation for the year	-9,524,680	-12,724,256	-9,144,176	-8,350,042
Depreciation carried forward	**-41,892,243**	**-37,439,497**	**-41,511,739**	**-32,367,563**
Residual value at the end of the accounting period	**41,725,066**	**41,980,983**	**39,148,941**	**25,088,561**

FX revaluation of foreign operations result in an exchange difference amounting to SEK 703 027 as at balance sheet date. Exchange difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement. The decrease in depreciation compared with previous year is due to a reclassification of fixed assets related to transaction costs for the securitisation transactions of Bluestep Mortgage Securities No 2 and Bluestep Mortgage Securities No 3.

Note 11 | Tangible assets

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Acquisition value brought forward	9 481 388	8 549 431	9 481 388	8 549 431
Investments for the year	1 573 847	931 957	1 501 137	931 957
Acquisition value carried forward	**11 055 235**	**9 481 388**	**10 982 525**	**9 481 388**
Depreciation brought forward	-4 941 486	-3 778 956	-4 941 486	-3 778 956
Depreciation for the year	-1 240 987	-1 162 530	-1 229 658	-1 162 530
Depreciation carried forward	**-6 182 473**	**-4 941 486**	**-6 171 144**	**-4 941 486**
Residual value at the end of the accounting period	**4 872 762**	**4 539 902**	**4 811 381**	**4 539 902**

FX revaluation of foreign operations result in an exchange difference amounting to SEK 154 181 as at balance sheet date. Exchange difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement.

Note 12 | Credit losses

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Actual losses	-62,244,428	-37,782,247	-60,931,749	-34,776,965
Recoveries previous losses	25,815,963	10,573,263	25,815,963	7,567,981
Sale of non performing loan assets	-	31,382,441	-	31,382,441
Net change in provisions	5,780,925	20,781,986	5,780,925	20,781,986
Total	**-30,647,540**	**24,955,443**	**-29,334,861**	**24,955,443**

Group level net losses during the year amounted to SEK -30 647 540 (24 955 443) of which actual losses amounted to SEK -62 244 428 (SEK -37 782 247). The net loss recorded in 2014 was impacted by a one-off gain of SEK 31m which related to past due receivables from earlier years, and were sold to an external party. Recoveries related to previous losses amounted to SEK 25 815 963 (SEK 10 573 263). The net change in provisions amounted to SEK 5 780 925 (SEK 20 781 986) due to better performance of the loan book.

Note 13 | Tax on net result

The current tax rate is the tax rate for income tax of the Company. The tax rate for 2015 in Sweden is 22.0% (22.0%). The tax rate for 2015 in Norway is 27.0% (28.0%).

	Group		Parent	
	2015	2014	2015	2014
Current tax	-34,978,013	-27,688,568	-32,850,933	-21,152,727
Tax Group contribution	-	-1,294,576	-	-
Total tax cost	**-34,978,013**	**-28,983,144**	**-32,850,933**	**-21,152,727**

	Group		Parent	
	2015	2014	2015	2014
Net profit before tax	158,223,594	141,642,253	148,694,147	118,259,045
Tax based on current tax rate	-34,837,262	-27,427,962	-32,716,143	-26,016,990
Tax effect of:				
Non taxable income	1,357	24,433	1,357	24,433
Non deductible items	-142,108	-130,995	-136,147	-125,056
Utilization of previously cumulative losses	-	-	-	-
Deferred tax	-	-1,448,620	-	4,964,886
Total tax cost	**-34,978,013**	**-28,983,144**	**-32,850,933**	**-21,152,727**

Note 14 | Lending to credit institutions

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Swedish banks	1,084,871,405	847,351,898	714,338,252	629,306,829
Foreign banks	85,843	9,428	85,843	9,428
Total	**1,084,957,248**	**847,361,326**	**714,424,095**	**629,316,257**

Note 15 | Lending to the public

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Loan assets	9,719,051,444	8,340,600,483	9,719,051,444	6,939,008,934
Provisions for losses	-26,941,517	-32,722,442	-26,941,517	-32,722,442
Total	**9,692,109,927**	**8,307,878,041**	**9,692,109,927**	**6,906,286,492**

	Group		Parent	
Specification provision for losses	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Provisions for losses at beginning of year	-32,722,442	-53,504,428	-32,722,442	-53,504,428
Net movement during the year	5,780,925	20,781,986	5,780,925	20,781,986
Provisions for losses at end of year	**-26,941,517**	**-32,722,442**	**-26,941,517**	**-32,722,442**

Note 16 | Derivatives

The derivative instruments consist of hedging instruments covering lending to the public, bonds and other interest bearing securities.
A breakdown of the instruments is specified below:

	Group					
	2015-12-31			2014-12-31		
Assets	Notional amount	Purchase value	Recognised value	Notional amount	Purchase value	Recognised value
Swedish financial institutes	1,428,429,565	-	41,594,136	954,155,845	-	7,939,696
Foreign financial institutes	4,441,236,135	-	62,578,219	2,479,943,766	4,695,951	54,974,993
Total	**5,869,665,700**	**-**	**104,172,355**	**3,434,099,611**	**4,695,951**	**62,914,689**

	Parent					
	2015-12-31			2014-12-31		
Assets	Notional amount	Purchase value	Recognised value	Notional amount	Purchase value	Recognised value
Swedish financial institutes	1,428,429,565	-	41,594,136	954,155,845	-	7,939,696
Foreign financial institutes	3,656,125,284	-	20,281,699	-	-	-
Total	**5,084,554,849**	**-**	**61,875,835**	**954,155,845**	**-**	**7,939,696**

	Group					
	2015-12-31			2014-12-31		
Liabilities	Notional amount	Purchase value	Recognised value	Notional amount	Purchase value	Recognised value
Swedish financial institutes	6,005,186,535	-	38,994,976	2,600,112,283	-	29,690,219
Foreign financial institutes	6,262,246,492	-	47,976,367	3,338,515,275	-	15,543,534
Total	**12,267,433,027**	**-**	**86,971,343**	**5,938,627,558**	**-**	**45,233,753**

	Parent					
	2015-12-31			2014-12-31		
Liabilities	Notional amount	Purchase value	Recognised value	Notional amount	Purchase value	Recognised value
Swedish financial institutes	6,005,186,535	-	38,994,976	2,600,112,283	-	29,690,219
Foreign financial institutes	1,534,033,708	-	3,902,397	3,338,515,275	-	15,543,534
Total	**7,539,220,243**	**-**	**42,897,373**	**5,938,627,558**	**-**	**45,233,753**

Note 17 | Bonds and other interest-bearing securities

	Group and Parent			
	2015-12-31		2014-12-31	
	Purchase value	Recognised value	Purchase value	Recognised value
Swedish issuers - Bonds issued by the Swedish government	77,166,533	73,744,800	30,819,900	30,783,900
Foreign issuers - Bonds issued by the German government	1,036,200	1,017,077	-	-
Foreign issuers - Bonds issued by the Norwegian government	17,247,493	16,147,295	-	-
Swedish issuers - Covered bonds (listed) issued by Swedish credit institutions	587,407,431	583,205,623	437,713,850	446,338,830
Foreign issuers - Covered bonds (listed) issued by Norwegian credit institutions	47,326,356	44,257,831	-	-
Swedish issuers - Other listed interest-bearing securities issued by Swedish credit institutions	52,580,850	21,346,691	52,580,850	52,580,850
Total	**782,764,863**	**739,719,317**	**521,114,600**	**529,703,580**

Note 18 | Shares in associated companies

Company name	Number of shares	Share %	Recognised value
Bluestep Finans Funding No 1 AB	100,000	100%	8,600,000
Bluestep Mortgage Securities No 2 Ltd	1	100%	-
Bluestep Mortgage Securities No 3 Ltd	1	100%	-
Bluestep Servicing AB	50,000	100%	2,550,000
Total			**11,150,000**

Company name	Reg. No.	Domicile	Equity	Net profit
Bluestep Finans Funding No 1 AB	556791-6928	Stockholm	7,102,678	139,001
Bluestep Mortgage Securities No 2 Ltd	522186	Dublin	-	4,856,585
Bluestep Mortgage Securities No 3 Ltd	550839	Dublin	-	-12,485,079
Bluestep Servicing AB	556955-3927	Stockholm	2,550,000	7,263,366

Note 19 | Other assets

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Accounts receivable	30,442,148	24,694,302	16,021,063	17,431,552
Intercompany receivables	468,066	97,354	-13,624,425	1,186,934,592
Securities financial instruments	130,890,400	90,540,200	130,890,400	90,540,200
Tax receivables	33,014,464	4,610,752	33,014,464	4,610,752
Other assets	262,105	44,395,910	277,555	44,407,164
Total	**195,077,183**	**164,338,518**	**166,579,057**	**1,343,924,260**

Note 20 | Prepaid expenses and accrued income

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Prepaid expenses	1,123,868	987,092	931,244	987,092
Accrued interest	15,654,278	11,177,658	27,750,667	16,588,053
Other prepaid expenses and accrued income	5,238,822	5,845,837	4,539,920	5,462,548
Total	**22,016,968**	**18,010,587**	**33,221,831**	**23,037,693**

Note 21 | Issued securities

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Foreign banks	-	375,000,000	-	-
Bond investors	3,675,575,988	1,596,706,082	3,305,836,483	1,479,563,932
Total	**3,675,575,988**	**1,971,706,082**	**3,305,836,483**	**1,479,563,932**

The credit facility of SEK 375 000 000 was repaid in full with the securitization transaction in May 2015.

Note 22 | Deposits from the public

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Deposits from the public	7,186,758,694	7,201,005,653	7,186,758,694	7,201,005,653
Total	**7,186,758,694**	**7,201,005,653**	**7,186,758,694**	**7,201,005,653**

Note 23 | Accrued expenses and prepaid income

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Accrued salaries and remunerations	25,416,978	20,821,611	24,764,272	20,821,611
Accrued social costs	5,312,222	4,841,995	5,133,979	4,841,995
Accrued interest	57,287,003	42,240,931	38,300,187	25,320,581
Other accrued expenses and prepaid income	4,558,114	4,235,959	4,043,777	3,826,332
Total	**92,574,317**	**72,140,496**	**72,242,215**	**54,810,519**

Note 24 | Other liabilities

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Trade creditors	9,579,436	16,700,005	9,395,864	16,462,385
Intercompany liabilities	10,833	-	1,824,619	-
Social costs	10,516,173	6,273,102	10,197,119	6,273,102
Other liabilities	24,333,641	18,042,672	24,320,607	18,029,109
Total	**44,440,083**	**41,015,779**	**45,738,209**	**40,764,596**

Other liabilities includes group contribution from BlueStep Finans AB to BlueStep Bostadslån AB.

Note 25 | Asset duration information

	Group						
	Non discounted contractual cash flows						
Remaining duration 2015-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1-5 yr**	**>5 yr**	**No duration /cash flow**	**Total**
Assets							
Lending to credit institutions	1,084,957,248	-	-	-	-	-	1,084,957,248
Lending to the public	-	63,597,631	179,982,672	964,841,172	8,486,277,519	-	9,694,698,994
Derivatives	-	9,245,505	20,343,920	24,572,195	50,010,735	-	104,172,355
Interest bearing securities	-	-	70,397,940	603,716,855	65,604,522	-	739,719,317
Intangible assets	-	-	-	-	-	41,725,066	41,725,066
Tangible assets	-	-	-	-	-	4,872,762	4,872,762
Other financial assets	-	207,801,514	-	-	-	-	207,801,514
Other non financial assets	-	6,703,570	-	-	-	-	6,703,570
Total	**1,084,957,248**	**287,348,220**	**270,724,532**	**1,593,130,222**	**8,601,892,776**	**46,597,828**	**11,884,650,826**
Liabilities							
Liabilities to credit institutions	-	-	-	-	3,675,575,988	-	3,675,575,988
Deposits from the public	3,946,326,797	1,033,388,557	1,241,067,831	902,815,727	63,159,782	-	7,186,758,694
Derivatives	-	1,635,836	15,590,275	58,068,101	11,677,131	-	86,971,343
Tax liability	-	-	-	39,897,740	-	-	39,897,740
Other financial liabilities	-	67,531,218	46,906,107	-	-	-	114,437,325
Other non financial liabilities	-	10,181,702	12,395,373	-	-	-	22,577,075
Total	**3,946,326,797**	**1,112,737,318**	**1,315,959,586**	**1,000,781,568**	**3,750,412,901**	**-**	**11,126,218,165**

	Group						
	Non discounted contractual cash flows						
Remaining duration 2014-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1-5 yr**	**>5 yr**	**No duration /cash flow**	**Total**
Assets							
Lending to credit institutions	847,361,326	-	-	-	-	-	847,361,326
Lending to the public	-	56,761,036	115,371,847	633,161,509	7,502,583,649	-	8,307,878,041
Derivatives	-	7,575,441	6,982,106	12,321,724	36,035,418	-	62,914,689
Interest bearing securities	-	-	30,783,900	446,338,830	52,580,850	-	529,703,580
Intangible assets	-	-	-	-	-	41,980,983	41,980,983
Tangible assets	-	-	-	-	-	4,539,902	4,539,902
Other financial assets	-	163,837,095	-	-	-	-	163,837,095
Other non financial assets	-	18,512,010	-	-	-	-	18,512,010
Total	**847,361,326**	**246,685,582**	**153,137,853**	**1,091,822,063**	**7,591,199,917**	**46,520,885**	**9,976,727,626**
Liabilities							
Liabilities to credit institutions	-	-	375,000,000	-	1,596,706,082	-	1,971,706,082
Deposits from the public	2,899,130,730	1,478,617,618	1,521,510,692	1,243,927,618	57,818,994	-	7,201,005,652
Derivatives	-	10,255,795	6,530,744	50,899,523	-22,452,309	-	45,233,753
Tax liability	-	-	-	27,574,878	-	-	27,574,878
Deferred tax liabilities	-	-	-	-	-	-	-
Other financial liabilities	-	35,798,338	44,722,527	-	-	-	80,520,865
Other non financial liabilities	-	32,635,411	-	-	-	-	32,635,411
Total	**2,899,130,730**	**1,557,307,162**	**1,947,763,963**	**1,322,402,019**	**1,632,072,767**	**-**	**9,358,676,641**

Remaining duration 2015-12-31	Payable on demand	< 3 mth	3 mth - 1 yr	1-5 yr	>5 yr	No duration /cash flow	Total
	Parent						
	Non discounted contractual cash flows						
Assets							
Lending to credit institutions	714,424,095	-	-	-	-	-	714,424,095
Lending to the public	-	63,597,631	179,982,672	964,841,172	8,486,277,520	-	9,694,698,995
Derivatives	-	9,562,030	21,040,406	14,340,232	16,933,166	-	61,875,834
Interest bearing securities	-	-	70,397,940	603,716,855	65,604,522	-	739,719,317
Shares and participations in associated companies	-	-	-	-	-	11,150,000	11,150,000
Intangible assets	-	-	-	-	-	39,148,941	39,148,941
Tangible assets	-	-	-	-	-	4,811,381	4,811,381
Other financial assets	-	195,746,919	-	-	-	-	195,746,919
Other non financial assets	-	1,464,902	-	-	-	-	1,464,902
Total	**714,424,095**	**270,371,482**	**271,421,018**	**1,582,898,259**	**8,568,815,208**	**55,110,322**	**11,463,040,384**
Liabilities							
Liabilities to credit institutions	-	-	-	-	3,305,836,483	-	3,305,836,483
Deposits from the public	3,946,326,797	1,033,388,557	1,241,067,831	902,815,727	63,159,782	-	7,186,758,694
Derivatives	-	1,740,566	16,588,403	24,568,404	-	-	42,897,373
Tax liability	-	-	-	38,009,572	-	-	38,009,572
Other financial liabilities	-	49,381,355	46,509,895	-	-	-	95,891,250
Other non financial liabilities	-	9,693,801	12,395,373	-	-	-	22,089,174
Total	**3,946,326,797**	**1,094,204,283**	**1,316,561,502**	**4,271,230,186**	**63,159,782**	**-**	**10,691,482,546**

Remaining duration 2014-12-31	Parent Non discounted contractual cash flows Payable on demand	< 3 mth	3 mth - 1 yr	1-5 yr	>5 yr	No duration /cash flow	Total
Assets							
Lending to credit institutions	629,316,257	-	-	-	-	-	629,316,257
Lending to the public	-	53,825,393	105,910,011	567,707,156	6,178,843,932	-	6,906,286,492
Derivatives	-	957,590	6,982,106	-	-	-	7,939,696
Interest bearing securities	-	-	30,783,900	446,338,830	52,580,850	-	529,703,580
Shares and participations in associated companies	-	-	-	-	-	8,650,000	8,650,000
Intangible assets	-	-	-	-	-	25,088,561	25,088,561
Tangible assets	-	-	-	-	-	4,539,902	4,539,902
Other financial assets	-	156,574,349	-	-	-	-	156,574,349
Other non financial assets	-	1,210,387,604	-	-	-	-	1,210,387,604
Total	**629,316,257**	**1,421,744,936**	**143,676,017**	**1,014,045,986**	**6,231,424,782**	**38,278,463**	**9,478,486,441**
Liabilities							
Deposits from the public	-	-	-	-	1,479,563,932	-	1,479,563,932
Derivatives	2,899,130,730	1,478,617,618	1,521,510,692	1,243,927,618	57,818,994	-	7,201,005,652
Other financial liabilities	-	10,255,795	6,530,744	50,899,523	-22,452,309	-	45,233,753
Other non financial liabilities	-	-	-	26,157,967	-	-	26,157,967
	-	28,409,013	44,722,527	-	-	-	73,131,540
Debenture loan	-	22,443,576	-	-	-	-	22,443,576
Total	**2,899,130,730**	**1,539,726,002**	**1,572,763,963**	**2,800,549,040**	**35,366,685**	**-**	**8,847,536,420**

Note 26 | Financial assets and liabilities

2015-12-31	Group Financial assets/ liabilities valued at fair value through profit or loss*	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
	Fair value	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	1,084,957,248	-	-	1,084,957,248
Lending to the public	-	9,692,109,927	-	-	9,692,109,927
Derivatives	104,172,355	-	-	-	104,172,355
Interest bearing securities	718,372,626	21,346,691	-	-	739,719,317
Intangible assets	-	-	-	41,725,066	41,725,066
Tangible assets	-	-	-	4,872,762	4,872,762
Other assets	-	30,910,214	-	164,166,969	195,077,183
Prepaid expenses and accrued income	-	15,654,278	-	6,362,690	22,016,968
Total	**822,544,981**	**10,844,978,358**	**-**	**217,127,487**	**11,884,650,826**
Liabilities					
Liabilities to credit institutions	-	-	3,675,575,988	-	3,675,575,988
Deposits from the public	-	-	7,186,758,694	-	7,186,758,694
Derivatives	86,971,343	-	-	-	86,971,343
Current tax liability	-	-	-	39,897,740	39,897,740
Accrued expenses and prepaid income	-	-	92,574,317	-	92,574,317
Other liabilities	-	-	33,923,910	10,516,173	44,440,083
Total	**86,971,343**	**-**	**10,988,832,909**	**50,413,913**	**11,126,218,165**

* All derivative contracts in this group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio. When categorizing under IAS 39, these instruments end up in the subcategory Held for trading.

2014-12-31	Financial assets/ liabilities valued at fair value through profit or loss*	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
	Group				
	Fair value	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	847,361,326	-	-	847,361,326
Lending to the public	-	8,307,878,041	-	-	8,307,878,041
Derivatives	62,914,689	-	-	-	62,914,689
Interest bearing securities	477,122,730	52,580,850	-	-	529,703,580
Intangible assets	-	-	-	41,980,983	41,980,983
Tangible assets	-	-	-	4,539,902	4,539,902
Other assets	-	26,414,850	-	137,923,668	164,338,518
Prepaid expenses and accrued income	-	11,177,658	-	6,832,929	18,010,587
Total	**540,037,419**	**9,245,412,725**	**-**	**191,277,482**	**9,976,727,626**
Liabilities					
Liabilities to credit institutions	-	-	1,971,706,082	-	1,971,706,082
Deposits from the public	-	-	7,201,005,653	-	7,201,005,653
Derivatives	45,233,753	-	-	-	45,233,753
Current tax liability	-	-	-	27,574,878	27,574,878
Accrued expenses and prepaid income	-	-	72,140,496	-	72,140,496
Other liabilities	-	-	38,056,816	2,958,963	41,015,779
Total	**45,233,753**	**-**	**9,282,909,047**	**30,533,841**	**9,358,676,641**

* All derivative contracts in this group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio. When categorizing under IAS 39, these instruments end up in the subcategory Held for trading.

2015-12-31	Parent				
	Financial assets/ liabilities valued at fair value through profit or loss*	**Loans and receivables**	**Other financial liabilities**	**Non financial assets and liabilities**	**Carrying value**
	Fair value	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	714,424,095	-	-	714,424,095
Lending to the public	-	9,692,109,927	-	-	9,692,109,927
Derivatives	6,187,835	-	-	-	6,187,835
Interest bearing securities	718,372,626	21,346,691	-	-	739,719,317
Shares and participation in associated companies	-	-	-	11,150,000	11,150,000
Intangible assets	-	-	-	39,148,941	39,148,941
Tangible assets	-	-	-	4,811,381	4,811,381
Other assets	-	2,396,638	-	164,158,089	1,166,579,057
Prepaid expenses and accrued income	-	27,551,802	-	5,471,164	33,022,966
Total	**780,248,461**	**10,458,028,018**	**-**	**224,739,575**	**11,463,040,384**
Liabilities					
Liabilities to credit institutions	-	-	3,305,836,483	-	3,305,836,483
Deposits from the public	-	-	7,186,758,694	-	7,186,758,694
Derivatives	42,897,373	-	-	-	38,085,776
Accrued expenses and prepaid income	-	-	72,242,215	-	72,242,215
Other liabilities	-	-	35,541,090	10,197,119	45,738,209
Current tax liability	-	-		38,009,572	38,009,572
Total	**42,897,373**	**-**	**10,600,378,482**	**48,206,691**	**10,691,482,546**

* All derivative contracts in this group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio. When categorizing under IAS 39, these instruments end up in the subcategory Held for trading.

	Parent				
2014-12-31	**Financial assets/ liabilities valued at fair value through profit or loss***	**Loans and receivables**	**Other financial liabilities**	**Non financial assets and liabilities**	**Carrying value**
	Fair value	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	629,316,257	-	-	629,316,257
Lending to the public	-	6,906,286,492	-	-	6,906,286,492
Derivatives	7,939,696	-	-	-	7,939,696
Interest bearing securities	477,122,730	52,580,850	-	-	529,703,580
Shares and participation in associated companies	-	-	-	8,650,000	8,650,000
Intangible assets	-	-	-	25,088,561	25,088,561
Tangible assets	-	-	-	4,539,902	4,539,902
Other assets	-	1,182,417,130	-	161,507,130	1,343,924,260
Prepaid expenses and accrued income	-	16,588,053	-	6,449,640	23,037,693
Total	**485,062,426**	**8,787,188,782**	**-**	**206,235,233**	**9,478,486,441**
Liabilities					
Lending to credit institutions	-	-	1,479,563,932	-	1,479,563,932
Deposits from the public	-	-	7,201,005,653	-	7,201,005,653
Derivatives	45,233,753	-	-	-	45,233,753
Accrued expenses and prepaid income	-	-	54,810,519	-	54,810,519
Other liabilities	-	-	37,805,633	2,958,963	40,764,596
Tax liabilities	-	-	-	26,157,967	26,157,967
Total	**45,233,753**	**-**	**8,773,185,737**	**29,116,930**	**8,847,536,420**

* All derivative contracts in this group are entered into for the purpose to hedge interest rate- and currency risks in the Group's business and all interest-bearing securities are included in the Group's liquidity portfolio. When categorizing under IAS 39, these instruments end up in the subcategory Held for trading.

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value. The same is applied on short-term financial receivables and liabilities. Lending to the public is showed as amortised cost using the effective interest method. The Bonds and other interest bearing securities that are quoted on an active market are considered consitent with fair value. The Bonds that are not quoted on an active market are valued with the effective interest method. Method for determining the fair value of derivatives is described in the accounting principles.

Financial assets at fair value

2015-12-31	Group Level 1	Level 2	Level 3	Total
Assets				
Derivatives	-	104,172,355	-	104,172,355
Bonds and other interest-bearing securities	718,372,626	-	-	718,372,626
Total	**718,372,626**	104,172,355	**-**	**822,544,981**
Liabilities				
Derivatives	-	86,971,343	-	86,971,343
Total	**-**	**86,971,343**	**-**	**86,971,343**

2014-12-31	Group Level 1	Level 2	Level 3	Total
Assets				
Derivatives	-	62,914,689	-	62,914,689
Bonds and other interest-bearing securities	477,122,730	-	-	477,122,730
Total	**477,122,730**	**62,914,689**	**-**	**540,037,419**
Liabilities				
Derivatives	-	45,233,753	-	45,233,753
Total	**-**	**45,233,753**	**-**	**45,233,753**

2015-12-31	Parent Level 1	Level 2	Level 3	Total
Assets				
Derivatives	-	61,875,835	-	61,875,835
Bonds and other interest-bearing securities	718,372,626	-	-	718,372,626
Total	**718,372,626**	**61,875,835**	**-**	**775,436,864**
Liabilities	-	-	-	-
Derivatives	-	42,897,373	-	42,897,373
Total	**-**	**42,897,373**	**-**	**42,897,373**

2014-12-31	Parent Level 1	Level 2	Level 3	Total
Assets				
Derivatives	-	7,939,696	-	7,939,696
Bonds and other interest-bearing securities	477,122,730	-	-	477,122,730
Total	**477,122,730**	**7,939,696**	**-**	**485,062,426**
Liabilities				
Derivatives	-	45,233,753	-	45,233,753
Total	**-**	**45,233,753**	**-**	**45,233,753**

Note 27 | Capital adequacy analysis - Parent company and Financial Group

For the establishment of statutory capital requirements, the European Regulation 575/2013 (CRR) on prudential requirements for credit institutions and investment firms applies; and, European Directive (2013/36/EU) on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms transposed into Act (2014:966) on capital buffers and Act (2014:968) on special supervision of credit institutions and securities companies.

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.

In this note, the Company discloses information regarding the parent company and the Financial Group. The Financial Group consists of the Parent Company including the Branch, BFF1, Step 2, Step 3, BSAB, BBAB, Bluestep Capital Holdings Limited, Luxblue Holding I S.à.r.l., Luxblue Holding II S.à.r.l. and Engblue Holdings Limited.

The Company has an established capital planning for the next five years based on

- the Company's risk profile,
- identified risks in terms of probability and financial impact,
- 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 the capital plan is an integral part of the work on the Company's annual business plan (ICLAAP). 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.

In this annual report, the Company has chosen to disclose the information required on the capital base and capital adequacy according to Part Eight of the European Regulation 573/2013 on prudential requirements for credit institutions and investment firms and according to the Supervisory, the Swedish FSA's Regulations on prudential requirements and capital buffers (FFFS 2014:12) and the Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions.

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 (2006:1371) on Capital Adequacy and Large Exposures.

	Parent	
Capital base	**2015-12-31**	**2014-12-31**
Share capital	100,000,000	100,000,000
Shareholder contributions	354,070,669	330,070,669
Retained earnings	200,879,220	103,773,028
Verified comprehensive profit/loss	116,607,955	97,106,318
Deductions from primary capital		
Intangible assets	-39,148,941	-25,088,561
CET1	**732,408,903**	**605,861,454**
Tier 1	**732,408,903**	**605,861,454**
Tier 2	**-**	**-**
Total own funds	**732,408,903**	**605,861,454**

Capital base	Financial Group 2015-12-31	2014-12-31
Share capital	130,924	130,826
Shareholder contributions	601,682,359	521,929,525
Minority interest	-	-
Retained earnings	209,405,925	119,134,557
Verified comprehensive profit/loss*	141,595,373	112,539,877
Deductions from primary capital		
Intangible assets	-206,499,614	-206,755,527
CET1	**746,314,967**	**546,979,258**
Tier 1	**746,314,967**	**546,979,258**
Tier 2	**-**	**-**
Total own funds	**746,314,967**	**546,979,258**

Capital requirement for credit risk

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

	Parent					
	2015-12-31					2014-12-31
Balance sheet items	**Exposure amount before mitigation**	**Exposure amount after mitigation**	**Risk weight**	**Risk weighted amount**	**Capital require-ment**	**Capital require-ment**
Governments or central banks	91,347,008	91,347,008	0%	-	-	-
Exposures to institutions	197,810,960	197,810,960	20%	39,696,386	3,175,711	1,575,678
Exposures to corporates	11,412,780	11,412,780	100%	11,412,780	913,022	10,574,315
Retail exposures	691,537,173	691,537,173	75%	518,652,880	41,492,230	30,845,449
Exposures to mortgages	8,887,539,793	8,887,539,793	36%	3,196,738,153	255,739,052	179,224,791
Exposures in default	126,781,077	126,781,077	100%	127,375,014	10,190,001	13,927,358
Exposures in the form of covered bonds	636,341,393	636,341,393	10%	63,634,139	5,090,731	3,570,711
Claims on institutions and corporates with a short-term credit assessment	715,885,618	715,885,618	20%	143,177,124	11,454,170	10,069,060
Other exposures	48,435,380	48,435,380	100%	48,426,945	3,874,156	7,779,812
Securitisations	21,346,691	21,346,691	50%	10,673,346	853,868	2,103,234
Total capital requirement for credit risk	**11,428,437,873**	**11,428,437,873**		**4,159,786,767**	**332,782,941**	**259,670,408**

	Financial Group					
	2015-12-31					2014-12-31
Balance sheet items	**Exposure amount before mitigation**	**Exposure amount after mitigation**	**Risk weight**	**Risk weighted amount**	**Capital require-ment**	**Capital require-ment**
Governments or central banks	91,347,008	91,347,008	0%	-	-	-
Exposures to institutions	249,237,614	249,237,614	20%	49,962,076	3,996,966	2,811,113
Exposures to corporates	8,245,633	8,245,633	100%	8,245,633	659,651	339,850
Retail exposures	691,537,173	691,537,173	75%	518,652,880	41,492,230	30,845,449
Exposures to mortgages	8,872,778,695	8,872,778,695	36%	3,191,388,881	255,311,110	218,269,065
Exposures in default	126,599,531	126,599,531	100%	127,191,277	10,175,302	14,815,297
Exposures in the form of covered bonds	636,341,393	636,341,393	10%	63,634,139	5,090,731	3,570,711
Claims on institutions and corporates with a short-term credit assessment	1,130,861,283	1,130,861,283	21%	238,387,029	19,070,962	14,556,286
Other exposures	88,467,906	88,467,906	100%	88,459,471	7,076,758	7,188,144
Securitisations	21,346,691	21,346,691	50%	10,673,346	853,868	2,103,234
Total capital requirement for credit risk	**11,916,762,927**	**11,916,762,927**		**4,296,594,732**	**343,727,578**	**294,499,149**

Capital requirement for operational risk

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

	Financial Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Income indicator	343,694,174	284,729,907	333,043,990	269,499,708
Of which 15%	51,554,126	42,709,486	49,956,599	40,424,956
Total capital requirement for operational risk	**51,554,126**	**42,709,486**	**49,956,599**	**40,424,956**

Capital requirement for market risk

Calculation of the capital requirement for market risk is performed using the standardised approach.

	Financial Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Capital requirement for currency risks	135,093	232,029	131,532	1,704,335
Total capital requirement for market risk	**135,093**	**232,029**	**131,532**	**1,704,335**

Capital requirements for credit valuation adjustment risk

Calculation of capital requirement for credit valuation adjustment risk using the standardised method

	Financial Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Capital requirements for credit valuation adjustment risk	13,947,191	19,221,729	3,343,185	1,880,030
Total capital requirements for credit valuation adjustment risk	**13,947,191**	**19,221,729**	**3,343,185**	**1,880,030**
Total Pillar 1 capital requirement	**409,363,988**	**356,662,393**	**386,214,257**	**303,679,729**
Capital adequacy ratio (capital base/capital requirement)	**1,82**	**1,53**	**1,90**	**2,00**

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

Capital Adequacy Analysis

This section presents the capital requirements based on current regulations and laws. Capital requirements are based on the size of the risk the institution faces. The table below shows the information to be published according to the Swedish FSA's regulations regarding prudential requirements and capital buffers (FFFS 2014:12), the European Regulation 573/2013 on prudential requirements for credit institutions and investment firms and the Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions.

	Financial Group		Parent	
Capital Ratios	2015-12-31	2014-12-31	2015-12-31	2014-12-31
CET1 Capital Ratio	**14,58**	**12,27**	**15,17**	**15,96**
Surplus(+)/Deficit(-) of CET1 capital	515,798,626	346,408,348	515,163,384	435,041,606
T1 Capital ratio	**14,58**	**12,27**	**15,17**	**15,96**
Surplus(+)/Deficit(-) of T1 capital	439,042,878	279,534,150	442,748,210	378,101,657
Total capital ratio	**14,58**	**12,27**	**15,17**	**15,96**
Surplus(+)/Deficit(-) of total capital	336,701,881	190,368,552	346,194,646	302,181,725

Capital Adequacy	Financial Group 2015-12-31	Financial Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
Total capital base	**746,314,967**	**546,979,258**	**732,408,903**	**605,861,454**
Common Equity Tier 1 (CET1) capital	746,314,967	546,979,258	732,408,903	605,861,454
Capital instruments and the related share premium accounts	601,813,283	522,060,351	463,739,060	439,739,060
Retained earnings	350,988,215	231,661,351	307,818,781	191,210,952
Accumulated other comprenhensive income (and other reserves)	13,083	13,083	-	-
Intangible assets (net of related tax liability) (negative amount)	-206,499,614	-206,755,527	-39,148,938	-25,088,558
Additional Tier 1 capital				
Tier 2 Capital				
Risk Exposure Amount	**5,117,049,857**	**4,458,279,901**	**4,827,678,211**	**3,795,996,615**
Risk exposure amount credit risk	4,296,594,732	3,681,239,354	4,159,786,767	3,245,880,101
Risk exposure amount market risk	1,688,658	2,900,364	1,644,149	21,304,191
Risk exposure amount operational risk	644,426,575	533,868,576	624,457,482	505,311,951
Risk exposure amount credit valuation adjustment risk	174,339,892	240,271,607	41,789,814	23,500,372
Common Equity Tier 1 capital ratio, %	**14,58**	**12,27**	**15,17**	**15,96**
Tier 1 capital ratio, %	**14,58**	**12,27**	**15,17**	**15,96**
Total capital ratio, %	**14,58**	**12,27**	**15,17**	**15,96**

Capital Buffer Requirements	Financial Group 2015-12-31	Financial Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
CET1 capital requirement including buffer requirements	8.5	7.0	8.5	7.0
of which capital conservation buffer	2.5	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	-	1.5	-
of which systemic risk buffer	-	-	-	-
CET1 capital available to meet buffer requirement	6.5	4.3	7.2	8.0

Note 28 | Related parties

Assets and liabilities	Group 2015-12-31	Group 2014-12-31	Parent 2015-12-31	Parent 2014-12-31
Intercompany receivables	-	1,486,020,320	377,883,450	1,509,485,174
Intercompany payables	-12,151,989	-	-12,395,374	-
Other liabilities	-	-60,879	-	-60,879

Incomes and expenses	2015	2014	2015	2014
Interest income	-	-	156,889,727	4,714,600
Commission income	680,124	584,124	3,339,937	24,882,727
Financial expense	-	-	-17,816,950	-
Total	**680,124**	**584,124**	**142,412,714**	**29,597,327**

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 556668-9575, 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,
- Bluestep Mortgage Securities No 2 Limited, organisational number 522186, with domicile in Dublin,
- Bluestep Mortgage Securities No 3 Limited, organisational number 550839, with domicile in Dublin and
- Bluestep Servicing AB, organisational number 556955-3927, with domicile in Stockholm.

Senior officials

See Note 9 Salaries and remuneration for details. No other transactions with senior officials have occurred during the fiscal year.

Interest income

The interest income relate to interest income on an internal loan between the Company and the subsidiary Bluestep Finans Funding No 1 AB.

Commission income

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

Note 29 | Memorandum items

	Group		Parent	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Pledged assets				
Shares and participations in associated companies	None	None	None	None
Assets in Bluestep Finans Funding No 1 AB	None	1,448,658,328	None	None
Assets pledged for financial instruments	130,890,400	90,540,200	130,890,400	90,540,200
Contingent liabilities	None	None	None	None
Commitments	None	None	None	None

Board of Directors

The Board of Directors is appointed by the shareholders at the Annual General Meeting. The Board currently consists of seven members, including three Full Time Executive Directors.

Carl Sundvik

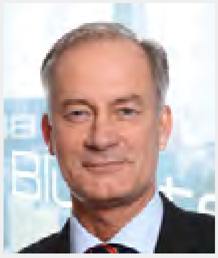
Acting chairman of the Board and member of the Audit Committee

Adam Frahm

Member of the Board

Toby Franklin

Member of the Board and Remuneration Committee

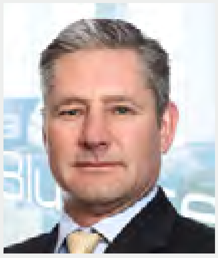


Peter Gertman

Member of the Board and Chief Operating Officer

Patrik Johnson

Member of the Board, Chairman of the Remuneration Committee and the Audit Committee



Rolf Stub

Member of the Board and Branch Manager for the Norwegian branch since 2012

David Torpey

Member of the Board and Chief Executive Officer

Senior Management

The Senior Management are responsible for the operative, day-to-day, executive decision-making within BlueStep.

David Torpey

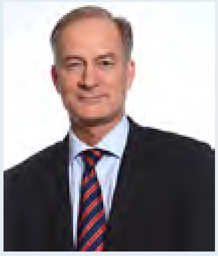
Chief Executive Officer

Annika Dolve

Head of Personal Loans

Daniel Garcia

Risk Manager



Peter Gertman

Chief Operating Officer

Karin Gustafsson

HR Manager

Jan Ilseth

Head of Sales Personal Loans/Affinity Manager

Christian Jonsson

Chief Legal Officer

Erik Lind

Head of Business Systems & IT

Stefan Nilsson

Chief Financial Officer

Rolf Stub

Branch Manager for the Norwegian branch

www.bluestep.se
BLUESTEP FINANS AB (PUBL) | SVEAVÄGEN 163 | SE-104 35 STOCKHOLM
ORG.NR. 556717-5129 | DOMICILE: STOCKHOLM