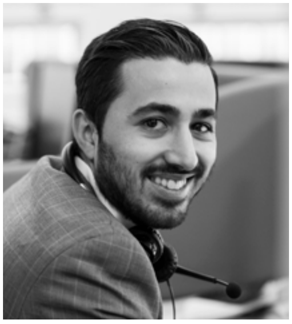
BlueStep Bank

Annual report

BlueStep Bank 2016

Content

CEO COMMENTS **P.4-5**



"We cannot help everyone who has been refused by traditional banks. When the calculation doesn't add up, we have to say no. We should never risk placing the customer in a worse financial situation"

BLUESTEP WANTS TO BE PART OF THE SOLUTION **P.6**

The year in brief

Strong growth

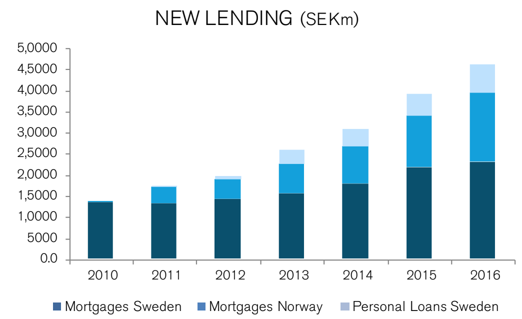
- New lending increased by 18% to SEK 4,635m
- Swedish mortgage portfolios increased by 14%
- Norwegian mortgage portfolio increased by 56%
- Unsecured lending portfolio increased by 36%

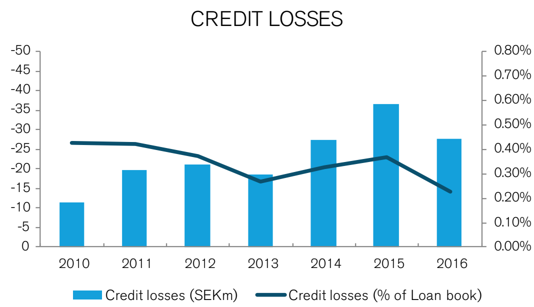
Profitable business with strong capital position

- Gross income stable at 7% of total loan book
- Total credit losses 0.22% of total loan book
- Return on Equity at 19%
- Core Equity Tier 1 capital ratio at 15%
- Liquidity Coverage Ratio (LCR) 263%

Developing business

- In October the Company received its Banking license and therefore changed its name from Bluestep Finans AB (publ) to Bluestep Bank AB (publ). In connection with this, the Company activated its participation in the RIX and Dataclearing systems.
- Öyvind Thomassen was appointed CEO in June 2016, and John Maltby new Company Chairman in May 2016.
- The Subsidiary Bluestep Finans Funding No 1 AB received a credit facility of SEK 1Bn from an external party.





The year in numbers

This is Bluestep

Bluestep is a focused, solution-oriented lender offering residential mortgages to customers in Sweden and Norway who have trouble getting a loan from a traditional bank; and offer personal loans as well in Sweden. Bluestep also offer 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

18,908
Total number of customers[1]

11,135
Total lending portfolio (SEKm)[4]

PURPOSE[6]

31%
Of the mortgage customers are taking a mortgage to buy a new home

69%
Of the mortgage customers use their property as collateral to refinance loans and credit cards

AVERAGE LOAN SIZE[7]

788,720
Sweden (SEK)

1,406,885
Norway (NOK)

PAYMENT REMARK

64%
Share of our mortgage customers who have payment remark in Sweden

58%
Share of our mortgage customers who have payment remark in Norway

PERSONAL LOANS

9,732
Total number of customers[2]

934
Total lending portfolio (SEKm)[5]

PURPOSE[6]

66%
Loan for consolidate other loans and credits

34%
Loan for other purposes

AVERAGE LOAN SIZE[8]

101,581
Sweden (SEK)

PAYMENT REMARK

10%
Share of our personal loan customers who have payment remark in Sweden

RETAIL DEPOSITS

53,956
Total number of accounts[3]

9,504
Total deposits portfolio (SEKm)[4]

PRODUCT

68%
Of our customers have chosen variable savings accounts

32%
Of our customers have chosen a fixed interest account (from 3 months to 7 years)

AVERAGE DEPOSIT SIZE

116,139
Sweden (SEK)

410,226
Norway (NOK)

[1] Number of individuals with a mortgage loan in Sweden and Norway (one loan can include several individuals)
[2] Number of individuals with a personal loan in Sweden (one loan can include several individuals)
[3] Number of active accounts in Sweden and Norway
[4] Total portfolio in Sweden and Norway including provisions and adjustments according to IFRS
[5] Total portfolio in Sweden including provisions and adjustments according to IFRS
[6] The purpose of the loans is requested in the loan application
[7] Lending portfolio[4] per property
[8] Lending portfolio[5] per loan

CEO Comments

By being the bank that understands, we help more

2016 has been an eventful year for Bluestep. Growth was good and we were able to help more customers than ever before. We introduced a new chairman, and I took over in June as CEO of Bluestep. On October 7, we were granted a license to conduct banking operations and during the year we also given access to the RIX and Dataclearing systems.

We are The bank that understands and our goal is to help our customers get a handle on their financial situation. We can often reduce the customer's monthly payments by rearranging expensive loans and credits. Society is changing all the time and we see that more and more are refused the loans they need at their usual bank. Many have varying incomes from their employment as project employees, freelancers, temps or their own businesses. Others have a weak or insufficient credit history because they have recently arrived in the country or just finished their studies. Our goal is to complement the regular banks and ensure that our customers succeed in creating a more stable financial situation, thereby becoming independent of us. Many of Bluestep's previous customers have succeeded in this, and are thus accepted by traditional banks again.

With a customer satisfaction level of 88% at the end of 2016, plus the fact that 9 out of 10 of our customers recommend Bluestep to a friend or colleague (Bright Relation, Sweden), our conviction that we are The Bank that understands, is strengthened even further. An important explanation for our customers' level of satisfaction is Bluestep's extremely knowledgeable and impressive staff who also offer a rich mixture of origins and backgrounds. We can advise our clients in more than 10 different languages and are well placed to understand their unique situations and find the ideal solution for their exact needs.

Our ability to understand each customer's credit risk and to price this at the right level ensures that all customers get a fair price. Low risk customers do not pay for customers with a high risk level. At the same time this knowledge helps to keep loan losses to a minimum.

Our work processes focus on personal conversations with customers, but we still have to improve our customer interface and streamline these processes. During the year we implemented several improvements and will continue to invest in the customer experience, turnaround time and increased capacity.

Bluestep offers savings accounts at competitive interest rates. The number of customers with savings accounts grew during the year to 53,956. Deposits from the public contribute, together with the securitisation of the Swedish mortgage portfolio, to the company's diversified and balanced funding. Bluestep operates in a strictly regulated industry, but regulation is on the increase and becoming more detailed in order to protect consumers and ensure financial stability. We believe it is important to comply with the prevailing regulations.

"We can advise our clients in more than 10 different languages and are well placed to understand their unique situations and find the ideal solution for their exact needs"

After 30 years in banking and finance, I am convinced that Bluestep's diversity and pride in helping people and families daily, are our greatest competitive advantages. Digital development increases exclusion and means that we can help many more clients in Sweden and Norway, at the same time as there could also be other countries in the Nordic Region and Europe where Bluestep could be a complement to the regular banks. In the longer term, I am convinced that we are well positioned to be able to continue our strong growth and help even more individuals and families in our current and potential new markets.

Sweden and Norway are both small, open economies that are stable, with a neutral to positive outlook, while at the same time we are dependent on international political and economic developments. There is reason to believe that 2017 will be a positive year, but with the risk of fluctuations that can even have an effect on people who live in Sweden and Norway.

Finally, I would like to thank all our customers, partners and our staff for a fantastic 2016 and it is with confidence I look forward to Bluestep's continued development through 2017.

Öyvind Thomassen
CEO, Bluestep Bank AB (publ)

New customer group is increasing rapidly

Bluestep wants to be part of the solution

At Bluestep Bank's mortgage department, we quickly notice changes in the labour market. For a long time now, people with modern forms of employment and their own businesses have turned to us for help to buy a home when their regular bank has turned them down. Customers who are perfectly able to repay their loans, but do not meet the traditional banks' requirement of permanent employment.


AMIR TADJERBASHI, TEAM LEADER OF BLUESTEP BANK MORTGAGE DEPARTMENT.

"Many of these people are successful in their field, with better than average earnings. But this does not help when they approach the traditional banks for a mortgage"

Today Bluestep Bank has about 19,000 mortgage customers in Sweden and Norway. When Bluestep Bank was founded 12 years ago, customers with poor credit ratings who dominated our customer base. Today, however, customers with modern forms of employment show the biggest increase.

In recent years the Swedish and Norwegian labour market has undergone a major transformation and fewer and fewer traditional permanent employment opportunities are being created. Today this labour market is described instead in terms such as a Gig-economy (e.g. consultants and freelancers), precariats (temporary positions

FIVE QUESTIONS TO **ERIK WALBERG OLSTAD**
HEAD OF CUSTOMER CENTER, BLUESTEP NORWAY:

You have extensive experience in customer service in the banking sector. How do people feel when you first come into contact?
- It varies a great deal, depending on why they have contacted us. Some want to buy a new home, while others are in financial difficulty and need help. This means that we need to be good at listening, to understand the challenges they face and, if possible, find a solution to their situation. Many of those we are in contact with have more or less normal and healthy finances, but need a service that is not offered by traditional banks. Others can be in extremely difficult situations - in arrears, excessive spending relative to their income and other challenges that can be stressful, both physically and mentally.

How do you approach these people in a positive way?
- We do our utmost to treat them with a great deal of respect and humility. Economic problems are, after all, still taboo. It is our responsibility to meet those who contact us in a good way, so that they feel secure that we will listen to them and that we understand their situation. This is where we can make a difference

What is the typical customer situation?
- We have customers from all walks of life and with varied backgrounds. The common denominator is that they need help to solve their financial situation, where traditional banks are unable to help

How do you set about improving a customer's finances?
- The most important thing to do is to consider the full picture. Our strength is that we carefully put ourselves into each customer's financial situation, so that we understand the opportunities that exist and how best to help the customer solve the problem. In cases where we grant a loan to help customers solve the expensive loans and credits, we can reduce the monthly expenditure for 9 out of 10 of our customers. If we cannot improve the customer's finances, or meet the required need, we will not grant a loan. This is important for us to remember.

Why can you not help everyone?
- Many customers have other financial needs besides reducing their monthly costs. There are many reasons why one would fall outside the scope of traditional banks and have to seek other options. Here Bluestep can in many cases offer a solution.

for independent individuals) and sole proprietors. Three concepts that describe the various modern forms of employment and where you do not have a permanent position. What people with modern careers have in common is that they might not fulfil traditional banks' requirements to qualify for mortgage loans.

– Traditional banks often require permanent employment for granting mortgage loans. Customers who do not meet this requirement are considered to be too big a risk, even though many with modern jobs have a lot of work and a high likelihood of reliable repayment, says Amir Tadjerbashi, Team Leader of Bluestep Bank mortgage department.

Among modern employment we find those who work in the Gig-economy. An American term that initially described people who worked in the new sharing economy - such as Uber and Airbnb. People with an irregular but good income but without steady employment. Today more jobs can be classified as being in the Gig-economy, such as consultants and freelancers. In many cases, highly educated people forced into running their own businesses by an industry fundamentally changed, such as for photographers and journalists

– Many of these people are successful in their field, with better than average earnings. But this does not help when they approach the traditional banks for a mortgage, continues Amir.

Precariats are another customer group that approaches Bluestep Bank. These are people with temporary jobs and positions. Many of these jobs are in health care - a major industry where there are plenty of jobs in which the proportion of temporary employees is on the increase. One of the most common employment forms of the precariat is generally temporary. A form of employment formalised in Sweden in 2008 (LAS 2008) and which means that you can substitute a position for up to four years. In this type of employment the employer does not need to justify the fact that the service is a temporary position. Neither do they need to offer notice of termination.

– Some jobs do not offer permanent positions, says Amir. These include, for example, the Personal Carer, which – in Sweden alone – accounts for over 80,000 people whose job it is to assist people with serious disabilities. Another group where there are a lot of employment opportunities and steady demand, but this does not help if they are applying for a mortgage with a traditional bank. We have many personal carers among our mortgage customers.

The reason that Bluestep Bank can grant these people a mortgage is because we do not only assess our clients on the basis of a statement from a credit agency. Instead, we also look at their current income and evaluate how this could develop in the future, and how solid their repayment capacity is. This process also means that we get to know customers and better understand their financial situation.

Ordinary banks consider even business owners, sole proprietors and micro entrepreneurs with up to nine employees as high risks.

– We have become very good at helping this group of customers with mortgages. We have sound processes to understand how the company works and we also have first-hand knowledge of how different industries operate and their levels of demand. But we cannot help everyone who has been refused by traditional banks. When the calculation doesn't add up, we have to say no. We should never risk placing the customer in a worse financial situation. Our objective is to always create an improved economic situation for the customer.

FIVE QUESTIONS TO **FANNY ENGSTRÖMER**
MORTGAGE ADMINISTRATOR, CUSTOMER SERVICE, BLUESTEP SWEDEN:

What would you say is the major difference in Bluestep today compared to when you started?
-The big difference is that we are much more experienced today compared to then. We have more experience of the financial status of our customers - which means that we are quicker at understanding and making the right decision.

How well versed in mortgages are customers when they first approach us?
-Many of our customers have had mortgages in the past, so they know the essentials. What is often new to them is our way of working, and how to move their mortgage from one bank to another. This is where we need to explain a little when talking to customers. At the same time, we have a growing number of customers who are first-time buyers. This group consists of young people in the early stages of their home ownership career, or individuals and families who previously haven't owned their home. In this case, our task is often to educate our customers with regard to the process of buying a home so that they feel comfortable making what could be the largest purchase of their lives.

What is it that enables Bluestep to grant loans when traditional banks refuse?
-There are a number of deciding factors. We follow the same regulations as the traditional banks do, but we are also interested in listening to customers and not just focusing on their credit history. We do a thorough assessment of each individual and take several different types of income into account. The fact that we also consider the outlook for future earnings means that even individuals with start-up companies can apply for a mortgage with us.

How many do you turn down?
-We say no to a number of people. The objective of our mortgages is to improve our customers' financial position. But if our calculation does not provide the required result we decline the application. Instead, we then try to provide the customer with thoughts on how they can improve their situation.

Why do you enjoy working with mortgages at Bluestep?
-We work with a unique product, for which we are experiencing a growing demand. No two situations are ever the same and I constantly learn something new. To be able to contribute to finding a financial solution for the customer is both rewarding and motivating, and it feels special when you hear how much individual customers appreciate the help they received

Administration report

The Board of Directors and the CEO of Bluestep Bank AB (publ), org no 556717-5129 with registered offices in Stockholm, Sweden, hereby present the Annual accounts and Group accounts for the financial year 2016-01-01--2016-12-31. 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 Designated Activity Company, org no 522186 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 3 Designated Activity Company, org no 550839 with registered offices in Dublin, Ireland, Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111 with registered offices in Dublin, Ireland, Bluestep Servicing AB, org no 556955-3927 with registered offices in Stockholm.

Organisation and operations

Bluestep Bank AB (publ) is a banking 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, Sweden.

Ownership and definitions

The ownership structure and its definitions used is detailed below:

- Bluestep Bostadslån AB ("BBAB")
  – 100% owner of Bluestep Bank AB
- Bluestep Bank AB (publ) (the "Company")
  – Parent company of the Bluestep Bank Group (the "Group")
- Bluestep Bank 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 Designated Activity Company ("Step 2")
  – Special Purpose Entity. Ownership 100%
- Bluestep Mortgage Securities No 3 Designated Activity Company ("Step 3")
  - Special Purpose Entity. Ownership 100%
- Bluestep Mortgage Securities No 4 Designated Activity Company ("Step 4")
  - Special Purpose Entity. Ownership 100%
- Bluestep Servicing AB ("BSAB")
  – Deposit and Loan Administration. Ownership 100%

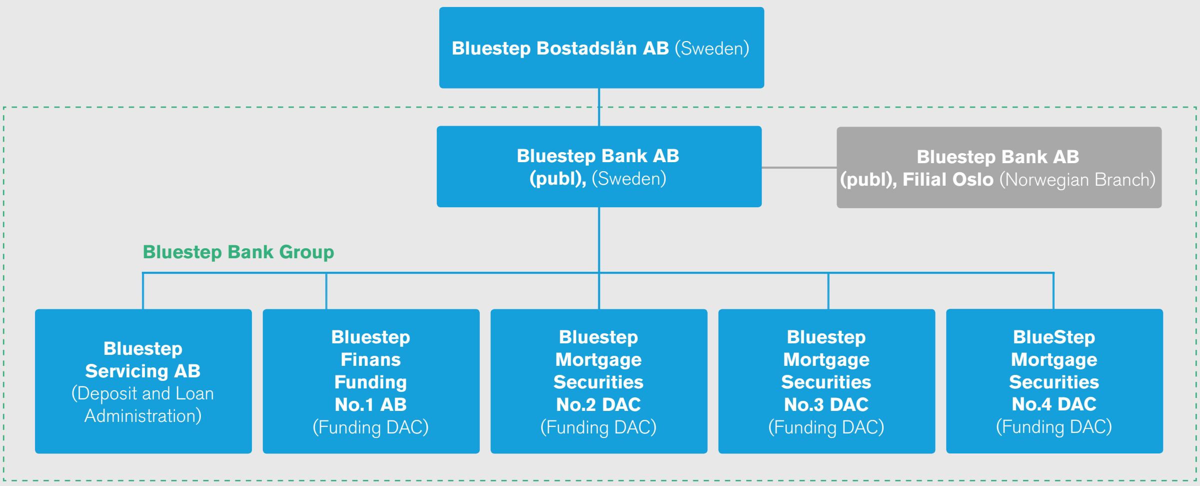
Bluestep operates in Sweden and Norway, where the Norwegian operation is run through the Branch. The Company is Sweden's and Norway's largest non-conforming residential mortgage lender and its core business is to engage in lending activities. The business is funded by deposits from the public, equity and issuance of asset backed securities within the wholly owned subsidiaries Step 2, Step 3 and Step 4.

All financial information is provided for the Group unless stated otherwise, while regulatory information are for the legal entity Bluestep Bank 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, Step 3 and Step 4.

Significant events during the year

Banking license granted by Swedish FSA

The company received its Banking license in October 2016. The Banking license and access to the Swedish clearing system will enhance the continued development of products and services to our customers. With the banking authorisation, the company also changed its name from Bluestep Finans AB (publ) to Bluestep Bank AB (publ).



Acquisition of loan portfolio
In December 2016, the Company acquired loans from external parties to the value of SEK 267m, which was funded with a revolving credit facility. The loans were originally funded by Bluestep Bostadslån.

Sale of loan portfolio
In December 2016, the Company sold loans to a value of SEK 1,958m to Bluestep Finans Funding No 1 AB, which was financed by a combination of an external credit facility and internal loan from Bluestep Bank AB (publ).

Credit facility
During the year Bluestep Finans Funding No 1 AB signed a revolving credit facility of SEK 1,000m, of which the company had used SEK 600m by the end of the year. Bluestep Finans Funding No 1 AB is also financed by a loan from the Company.

Management and Board changes
During the year Öyvind Thomassen assumed the role of CEO and John Maltby became the new Chairman of the Board.

Financial review

Profit for 2016 compared with 2015
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 212m (SEK 151m). The result in the Branch increased to SEK 64m (SEK 45m).

Net interest income
The Group's net interest income increased by 21% compared with the preceding year, to SEK 548m (SEK 454m). The increase is attributable to strong volume growth in lending to the general public, combined with stable margins in both Sweden and Norway.

Operating expenses
Staff costs increased by SEK 33m. This corresponds to 22%, and is attributable to increased demand for Bluestep's products and reinforcements in the System/IT area.

Administrative costs increased by SEK 9m which is in line with the overall growth of the business.

Depreciation and impairment increased by SEK 9m, an increase of 76% from the previous year. Of these, SEK 2,9m is impairment. This increase is attributable to the Company's planned investments in the systems/IT area.

The average number of employees in the Group during the year amounts to 187 (176), of which 39 (32) are employed by the Branch.

Credit losses
Total credit losses during the year amounted to SEK -24m (SEK -31m) of which actual losses amounted to SEK -28m (SEK -36m).

The net loss recorded in 2016 was positively impacted by lower actual losses, higher recoveries of earlier losses, and a lower provision of expected credit losses due to stronger performance of the loan book.

Balance sheet
The Group's balance sheet increased by SEK 2,221m to SEK 14,117m (SEK 11,896m).

Lending
New lending continued to grow and amounted to SEK 4,635m (SEK 3,925m) for the year, resulting in a lending portfolio growth of SEK 2,377m during the year and a total portfolio of SEK 12,069m

Operating income

SEKm	2016	2015	Change %
Net interest income	547.8	453.6	21%
Commission income	0.3	0.3	0%
Net result of financial transactions	21.6	11.6	86%
Other operating income	13.7	12.2	12%
Total operating income	**583.4**	**477.7**	**22%**

Operating expenses

SEKm	2016	2015	Change %
Staff costs	-180.2	-147.3	22%
Administration costs	-146.6	-137.7	6%
Depreciation and impairments	-20.4	-11.6	76%
Total operating expenses	**-347.2**	**-296.6**	**17%**

Credit losses

SEKm	2016	2015	Change %
Actual losses	-27.6	-36.4	-24%
Net change in provisions	3.6	5.8	-38%
Total credit losses	**-24.0**	**-30.6**	**-22%**

(SEK 9,692m). The outstanding balance of lending in the Branch at year-end amounted to SEK 3,347m (SEK 2,147m). The unsecured loan portfolio balance as of year-end amounted to SEK 934m (SEK 685m).

Warehouse funding and Deposits

The Company's funding sources have been redistributed during the year, resulting in a larger proportion of deposits from Norway and a new source of financing through a credit facility in the subsidiary BFF1.

The balance of deposits as at year end amounted to SEK 9,504m (SEK 7,187m), of which deposits held by the Branch amounted to SEK 4,425m (SEK 2,093m).

Liquidity

At the year end, the Financial Group's liquidity reserve totalled SEK 1,677m (SEK 1,803m) of which SEK 835m (SEK 1,085m) was placed with credit institutions, SEK 703m (SEK 627m) was placed in covered bonds issued by Swedish and Norwegian credit institutions, SEK 138m (SEK 90m) was placed in bonds issued by the Swedish and Norwegian government and SEK 1m (SEK 1m) was placed in bonds issued by other European governments.

The Liquidity Coverage Ratio ("LCR") for all currencies combined was 263% (206%) for the Company at year-end.

Capital base and capital adequacy

For the Financial Group, the year-end Common Equity Tier 1 ("CET1") capital amounted to SEK 915m (SEK 746m) resulting in a CET1 capital ratio of 15.0% (14.6%). For the Company, the year-end CET1 capital amounted to SEK 887m (SEK 732m) resulting in a CET1 capital ratio of 17.6% (15.2%). The total Pillar 1 capital requirements amounted to SEK 488m (SEK 409m) for the Financial Group and SEK 402m (SEK 386m) for the Company. More detailed information regarding capital resources as of year-end is provided in Note 29.

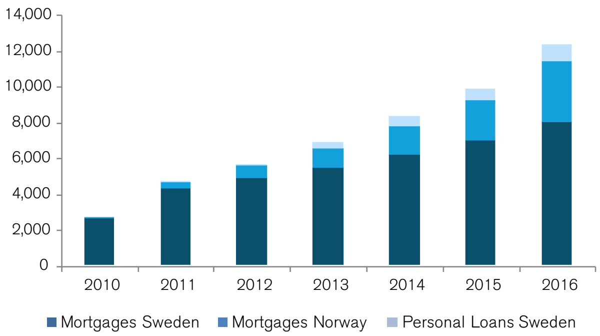
Risk Management

The Company strives to identify, measure, aggregate and manage its risks effectively and, consequently, allocate 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 defense 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) modelling and measurement approaches for quantifying risk and capital needs are implemented across the major risk classes; (vi) other risks as business risk, strategic risk and reputational risk are assessed and quantified during the internal capital and liquidity adequacy assessment process ("ICLAAP"); and, (vii) effective processes and policies are a critical component of the Company's risk management capability.

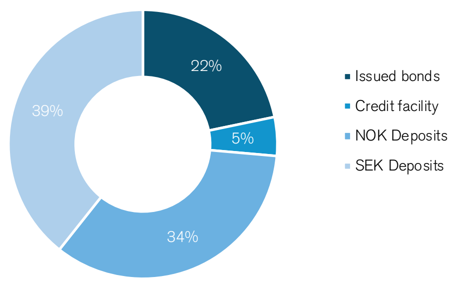
Delegation of risk and control responsibility - the three lines of defense model

The Company's risk management is based on the three lines of defense approach. This approach aims at achieving a satisfactory risk management with an effective risk control and compliance. Under this organisational structure roles and the division of responsibility regarding risk and compliance are clarified.

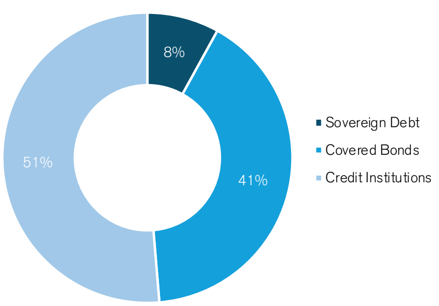
LENDING PORTFOLIO (SEKm)



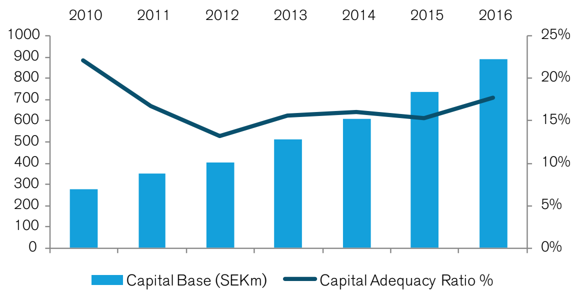
FUNDING SOURCES



LIQUIDITY RESERVE



CAPITAL BASE & CAPITALRATIO (PARENT)



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 laws and regulations and 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. The third line of defense constitutes the function for independent review and oversight to ensure 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 lies on the Board. The Board provides instructions for the CEO with respect to risk appetite, risk governance, 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 across all businesses and risk types within the Company. As part of the second line of defense 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 ("NPPC") 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.

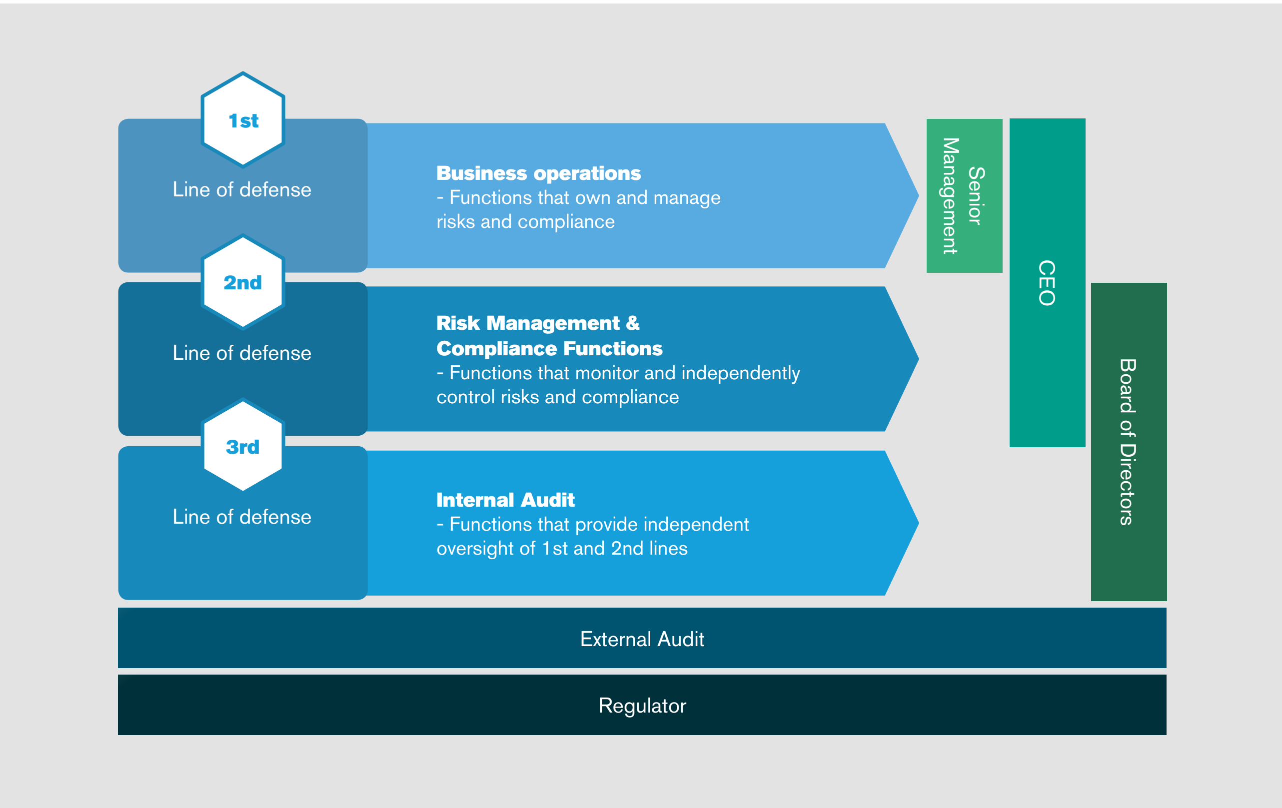
Capital management

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 1% of RWAs.

The Company allocates capital for its Pillar 1 and Pillar 2 risks. Pillar 2 risks are assessed in the Company's 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 three 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.

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, 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 that provides effective diversification in the sources and tenor of funding through retail deposits and securitisations.

Key figures | the Group	**2016**	**2015**	**2014**	**2013**	**2012**
Net Profit after Tax (SEKm)	163.2	115.6	113.0	88.2	28.8
Gross Income / ANR	7.4%	7.8%	7.8%	8.3%	8.4%
Cost of Funds / Funding balance	-2.1%	-2.5%	-2.3%	-2.5%	-3.3%
Operating Income / ANR	5.4%	5.3%	5.3%	6.3%	5.1%
Net Income Pre BDC / ANR	2.2%	2.0%	1.5%	2.3%	1.1%
Net Income Post BDC / ANR	2.0%	1.7%	1.9%	1.8%	0.7%
Return on Equity	19.4%	16.8%	20.1%	19.1%	7.6%
Return on Assets	1.6%	1.4%	1.5%	1.3%	0.5%
Liquidity Reserve (SEKm)*	2,076.7	1,803.4	1,699.5	2,002.5	2,103.0
Deposits from the public (SEKm)	9,504.4	7,186.8	7,201.0	6,601.3	7,029.0
External Funding (SEKm)	3,404.0	3,675.6	1,971.7	1,763.3	290.0
Lending portfolio (SEKm)	12,366.0	9,918.0	8,344.0	6,883.0	5,680.1
Credit losses (SEKm)	-27.6	-36.4	-27.2	-18.5	-21.0
Leverage Ratio	6.5%	6.3%	6.1%	5.6%	5.1%
Average number of employees	187	176	153	134	111

* The amount for 2014 includes an unutilized credit facility for Bluestep Finans Funding No 1 AB, amounting to SEK 375m. The amount for 2016 includes an unutilized credit facility of SEK 400m.

Proposal for the appropriation of profits	
The following profits are available for appropriation at the annual general meeting	
Non-restricted equity from previous years	671,557,838
Result of the year	158,637,293
Exchange differences, foreign operations	660,168
	830,855,299
The Board propose that	
the following be carried forward	830,855,299
	830,855,299

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.

Future development

Going in to 2017 the business is confident that growth will continue in its three lending businesses with lending margins and credit quality maintained.

Income Statement

SEKm	Note	Group 2016-01-01 2016-12-31	Group 2015-01-01 2015-12-31	Parent 2016-01-01 2016-12-31	Parent 2015-01-01 2015-12-31
Operating income					
Interest income		819.3	720.1	873.8	743.1
Interest expense		-271.5	-266.5	-442.3	-426.4
Net interest income	**4**	**547.8**	**453.6**	**431.5**	**316.7**
Group contributions		-	-	8.0	24.0
Commission income	5	0.3	0.3	0.3	0.3
Net result of financial transactions	6	21.6	11.6	14.8	10.6
Other operating income	7	13.7	12.2	10.3	9.6
Total operating income		**583.4**	**477.7**	**464.9**	**361.2**
Operating expense					
General administration expenses	8,9,10	-326.8	-284.9	-215.2	-172.0
Depreciation on fixed assets	11,12	-20.4	-11.6	-19.1	-11.2
Total expenses		**-347.2**	**-296.5**	**-234.3**	**-183.2**
Result pre credit losses		**236.2**	**181.2**	**230.6**	**178.0**
Credit losses, net	13	-24.0	-30.6	-24.4	-29.3
Operating profit/loss		**212.2**	**150.6**	**206.2**	**148.7**
Tax	14	-49.0	-35.0	-47.6	-32.9
NET PROFIT/LOSS FOR THE YEAR		**163.2**	**115.6**	**158.6**	**115.8**

Statement of Comprehensive Income

		Group 2016	Group 2015	Parent 2016	Parent 2015
Net income		**163.2**	**115.6**	**158.6**	**115.8**
Exchange differences, foreign operations		0.7	0.8	0.7	0.8
COMPREHENSIVE PROFIT/LOSS		**163.9**	**116.4**	**159.3**	**116.6**

Balance Sheet

SEKm	Note	Group 2016-01-01 2016-12-31	Group 2015-01-01 2015-12-31	Parent 2016-01-01 2016-12-31	Parent 2015-01-01 2015-12-31
Assets					
Lending to credit institutions	15	835.4	1,085.0	479.3	714.4
Lending to the public	16	12,068.6	9,692.1	10,145.5	9,692.1
Derivatives	17	107.8	104.2	38.8	61.9
Bonds and other interest-bearing securities	18	841.3	739.7	841.3	739.7
Shares and participations in associated companies	19	-	-	8.6	11.2
Intangible assets	11	53.9	41.7	43.9	39.1
Tangible assets	12	11.6	4.9	10.1	4.8
Other assets	20	170.0	206.5	1,532.7	177.9
Prepaid expenses and accrued income	21	28.4	22.0	27.2	21.1
Total assets		**14,117.0**	**11,896.1**	**13,127.4**	**11,462.2**
Liabilities					
Liabilities to credit institutions	22	600.0	-	2,440.2	3,293.7
Issued bonds	23	2,804.0	3,675.6	-	-
Deposits from the public	24	9,504.4	7,186.8	9,504.4	7,186.8
Derivatives	17	78.9	87.0	58.5	42.9
Tax liabilities	14	31.4	39.9	29.5	38.0
Other liabilities	26	86.4	55.8	89.4	57.1
Accrued expenses and prepaid income	25	89.6	92.6	74.5	72.2
Total liabilities		**13,194.7**	**11,137.7**	**12,196.5**	**10,690.7**
Equity					
Shareholders' equity		922.3	758.4	-	-
Share capital		-	-	100.0	100.0
Shareholder contributions received		-	-	363.7	363.7
Profit and loss account reserve brought forward		-	-	308.5	192.0
Result for this year		-	-	158.7	115.8
Total equity		**922.3**	**758.4**	**930.9**	**771.5**
Total equity and liabilities		**14,117.0**	**11,896.1**	**13,127.4**	**11,462.2**

Changes in Equity

Group		Shareholders' equity		
SEKm	Share capital	Shareholder contributions*	Retained earnings	Total equity
Opening balance 2015-01-01	**100.0**	**339.7**	**178.3**	**618.0**
Transactions with shareholders:				
Shareholder contributions*		24.0		24.0
Result for the year reported via income statement			115.6	115.6
Exchange differences, foreign operations			0.8	0.8
Ending balance 2015-12-31	**100.0**	**363.7**	**294.7**	**758.4**
Opening balance 2016-01-01	**100.0**	**363.7**	**294.7**	**758.4**
Transactions with shareholders:				-
Result for the year reported via income statement			163.2	163.2
Exchange differences, foreign operations			0.7	0.7
Ending balance 2016-12-31	**100.0**	**363.7**	**458.6**	**922.3**

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

Parent				
SEKm	Share capital	Shareholder contributions*	Retained earnings	Total equity
Opening balance 2015-01-01	**100.0**	**339.7**	**191.2**	**630.9**
Transactions with shareholders:				
Shareholder contributions*		24.0		24.0
Result for the year reported via income statement			115.8	115.8
Exchange differences, foreign operations			0.8	0.8
Ending balance 2015-12-31	**100.0**	**363.7**	**307.8**	**771.5**
Opening balance 2016-01-01	**100.0**	**363.7**	**307.8**	**771.5**
Transactions with shareholders:				
Result for the year reported via income statement			158.7	158.7
Exchange differences, foreign operations			0.7	0.7
Ending balance 2016-12-31	**100.0**	**363.7**	**467.2**	**930.9**

*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

SEKm	Note	Group 2016-01-01 2016-12-31	Group 2015-01-01 2015-12-31	Parent 2016-01-01 2016-12-31	Parent 2015-01-01 2015-12-31
Operating activities					
Pre tax income		212.2	150.6	206.3	148.7
		212.2	**150.6**	**206.3**	**148.7**
Adjustments for items not included in cash flow					
Depreciation	11,12	20.4	11.6	19.1	11.2
Unrealised changes in value	6	-21.6	-11.6	-14.8	-10.6
Credit losses excluding recoveries	13	57.0	56.4	57.4	55.1
Total – Items not included in cash flow		**55.8**	**56.4**	**61.7**	**55.7**
Taxes paid		-57.5	45.9	-56.1	-20.6
Cash flow from current operations before changes to operating capital		**210.5**	**252.9**	**211.9**	**183.8**
Cash flow from changes to operating capital					
Increase (-)/decrease (+) of lending to the public		-2,433.5	-1,440.7	-510.8	-2,841.0
Increase (-)/decrease (+) of change in receivables		26.4	-93.5	-1,337.8	1,088.9
Increase (+)/decrease (-) of deposits from the public		2,317.6	-14.2	2,317.6	-14.2
Increase (+)/decrease (-) of change in short term liabilities		19.5	29.9	50.2	40.6
Cash flow from operating activities		**140.5**	**-1,265.6**	**731.1**	**-1,541.9**
Investing activities					
Investments in intangible assets	11	-30.2	-25.5	-21.7	-23.2
Acquisition of fixed assets	12	-9.0	-1.6	-7.5	-1.5
Increase (-)/decrease (+) of financial assets	18,19	-80.0	-198.4	-84.2	-199.4
Cash flow from investing activities		**-119.2**	**-225.5**	**-113.4**	**-224.1**
Investing activities					
Liabilities to credit institutions	22	600.0	-	-853.5	1 826,3
Issued bonds	23	-871.6	1,703.9	-	-
Shareholders' contribution		-	24.0	-	24.0
Cash flow from financing activities		**-271.6**	**1,727.9**	**-853.5**	**1,850.3**
NET CASH FLOW FOR THIS YEAR		**-250.3**	**236.8**	**-235.8**	**84.3**
Liquid funds at beginning of year		**1,085.0**	**847.4**	**714.4**	**629.3**
Currency difference i liquidity		**0.7**	**0.8**	**0.7**	**0.8**
LIQUID FUNDS END OF YEAR		**835.4**	**1,085.0**	**479.3**	**714.4**
Cash flow includes interest receipts of		**815.3**	**798.7**	**874.0**	**793.2**
Cash flow includes interest receipts of		**-296.2**	**-307.7**	**-467.0**	**-440.3**

Disclosures

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

Note 1 | Accounting principles

General information

The annual accounts were approved for issue by the Board on April 20, 2017. The income statement and balance sheet are subject to approval at the Annual General Meeting April 20, 2017. 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 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and the Swedish Financial Supervisory Authority's regulations and general advice, FFFS 2008:25. The Group also apply RFR 1 Complementary accounting rules for groups, related interpretations issued by the Swedish Financial Reporting, and the Annual Accounts Act for Credit Institutions and Securities Companies.

The Company applies statutory IFRS, and, as a rule follows IFRS and the accounting principles applied in the consolidated financial statements. The Parent company needs, in addition, to consider and prepare financial statements in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25, as well as recommendation RFR 2 Accounting for Legal Entities - issued by the Swedish Financial Reporting Board.

The accounting policies below have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

Changes in accounting policies due to new or amended IFRS

New or revised standards and interpretations adopted by the EU with effect from January 1, 2016 have had no material effect on the consolidated financial statements. The accounting policies and methods used in the preparation of the consolidated financial statements are essentially unchanged since the previous year.

New and amended standards and interpretations that have not yet come into force

A number of new or amended IFRS rules come into effect during the coming financial year and have not been applied in the preparation of this year's financial statements. The comments below outline the expected impact on the financial statements of the application of the mentioned new or amended IFRS rules on the Company's financial statements. Apart from these no other news is expected to affect the Company's financial statements.

IFRS 15 Revenue from customer contracts

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 shall occur, but it does not affect the accounting for financial instruments under IAS 39. The standard establishes new disclosure requirements to provide more relevant information. The standard is effective from January 1, 2018 and not yet been endorsed by the EU. How the standard will affect the Company's financial statements is currently being assessed.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments contains rules for the recognition and measurement, derecognition and hedge accounting. The standard will replace IAS 39 in its entirety when it becomes effective. IFRS 9 is effective January 1, 2018.

Classification and valuation

Financial assets are initially measured at fair value and subsequently according to one of the following principles: fair value via profit and loss, fair value through other comprehensive income or amortised cost. Appreciation principle for debt instruments is controlled by a combination of the business model for management of the access that has been chosen for the unit, and the degree to which revenue from the asset is the contractual payment of the loan and interest (flow characteristics). For financial liabilities remaining requirements are largely unchanged from IAS 39.

Impairment

IFRS 9 introduces a principle of expected losses rather than demands for a loss event for the impairment of assets not carried at fair value through profit or loss. The new model is based on a three-step principle in which the first step means that all assets are recorded at an initial impairment corresponding to expected credit losses over 12 months. If the assessed credit risk is considered to have increased significantly since the asset was booked in, the asset is moved to step 2 and the write-down should now instead be based on expected losses over its entire remaining term. The expected credit losses should take into account both access specific and macroeconomic factors, and reflect the unit's expectations of them. Step 3 means that access is insecure and largely based on the loss events involving any impairment under IAS 39. The purpose of the new model is that the report should reflect the unit's expectations about the factors affecting impairments and that these will affect the accounting earlier than in IAS 39.

Hedge accounting

IFRS 9 retains the three basic hedging relationship as IAS 39 but entails greater flexibility in the transactions where hedge accounting can be applied. The efficiency is defined by the claims of a financial relationship between the instruments in the hedge relationship. This means that the focus will be on the forward-looking efficiency measurement and remove the retrospective requirement for hedge accounting. Efficiency must still apply as rules in IAS 39. IFRS 9 also includes an option to continue using hedge accounting under IAS 39.

The Company has initiated a project to introduce IFRS 9 and analyse all three aspects and their impact. The analysis is not complete and it is therefore too early to clearly indicate the effects compared to IAS 39. The biggest impact will preliminarily come from the new principles for impairment while the effects of the classification and hedge accounting is considered limited.

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

The presentation of financial statements that conform to IFRS requires management to make judgments and estimates that affect reported values for assets, liabilities and disclosures of contingent assets and liabilities as on the balance sheet date, and the reported revenues and expenses relating to the reporting period.

The company's management make certain judgments and estimates to determine the value of certain financial assets and liabilities. These are attributable to financial instruments, retail loans and asset-backed bonds. Judgments and estimates are based on historical experience and a number of other factors that deemed reasonable under current conditions.

Assessments
Different methods are used to determine the fair value of financial instruments, depending on the quality of market data on valuation and market activity. Primarily, quoted prices in active markets are used. When these 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, and uses a valuation model.

Estimates
Lending to the public is based on the loan's life expectancy, average yield and anticipated losses. Past performance is continuously reviewed and expected market conditions evaluated to ensure that the estimates are updated. Receivables are tested in case a loss has occurred. A loss refers to an event which occurred after the claim, and that has a negative impact on anticipated future cash flows, such as late- or non-payments, concessions granted due to the borrower's financial difficulties, bankruptcy or other financial reconstruction, local economic developments as a result of defaults such as a reduction in property prices. Individual receivables with a loss are classified as bad debts. Provisions for loan losses are made based on the difference between the estimated value, i.e. the estimated future cash flow discounted by the loan's original effective interest rate and amortised cost. Amortised cost is the contractual cash flow discounted by the loan's original effective interest rate. When estimating cash flows, an evaluation of the client's financial situation and the value of the underlying security is made.

Assessments and estimates for asset-backed bonds are based on life expectancy and average return, considering historical trends and expected cash flows and interest rates.

Foreign currency

The Company's functional currency is the Swedish krona (Plural kronor). Monetary assets and liabilities in foreign currencies are converted to the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences due to conversion are identified in the income statement as net income from financial transactions. Non-monetary assets and liabilities at historical cost are converted at the exchange rate on the date of the transaction. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the exchange rate prevailing at the date of the fair value.

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.

Where appropriate, interest income and interest expense include the accrued amounts of paid fees included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the original value of the asset/liability and the amount settled at maturity.

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. Allocation is made to the period in which the revenue/cost occurs.

Commissions received which are mainly related to administrative services provided to the Group company BlueStep Capital Holdings Limited, are reported when the service is performed and provided.

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, instruments included in fair value hedges, any ineffectiveness in hedging relationships, as well as any 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, for example, deposits and borrowing from the public, subordinated liabilities, liabilities to credit institutions and accounts payable.

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, has 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, and
- Other financial liabilities.

The company has not classified any bonds or other debt securities as "Financial assets held to maturity".

Financial assets and liabilities at fair value through the income statement

This category consists of financial assets classified as held for trading. The company's assets in this subgroup are made up of derivative financial instruments with a positive fair value which are automatically classified as held for trading unless they are included in an effective hedging relationship (see the section Hedge accounting), derivatives that are effective hedging instruments, as well as bonds and other fixed-income securities held as part of the liquidity risk management.

Assets and liabilities in this category are initially recognised at fair value, while related transaction costs are recognised in the income statement. Changes in fair value and unrealised losses for these assets are recognised directly in the income statement under "Net financial income", while interest accrued and interest received are reported as interest income or expense.

Fair value is the price at the valuation date that would be realised by selling an asset or paid to the transfer of a liability by an orderly transaction between knowledgeable, willing parties who are independent of each other and who have an interest in the transaction. Fair value of financial instruments measured at fair value and traded in an active market - such as Swedish covered bonds - is based on quoted prices. For financial instruments not traded in an active market, fair value is determined on the basis of generally accepted valuation techniques.

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
The Company's derivative instruments have been acquired to hedge the risk of the Company's interest rate and currency exposure. The Company applies hedge accounting in accordance with IAS 39 for hedging relationships that meet the requirements. Derivatives that are not part of a hedging relationship under IAS 39 are recognised at fair value through profit or loss. Derivatives included in an effective hedging relationship are recognised as described below.

Hedge accounting
The Group includes derivatives such as interest rate swaps and currency swaps to hedge interest rate risks in the business. The derivatives are recognised at fair value in the balance sheet with the rest of management in line with the respective hedging relationship. The Group applies both fair value hedges and cash flow hedges. IAS 39 contains extensive requirements to apply hedge accounting. The requirements mean that the hedge must be documented, there is a valid expectation that the hedging instrument is highly effective in offsetting the hedged risk's impact on the hedged item and that this efficiency can be measured and evaluated in a reliable way. Efficiency is measured by both a forward looking (prospective) and by a backward-looking (retrospective) monitoring. Ineffectiveness is recognised in the income statement. If the criteria for hedge accounting are no longer met, derivatives are recognised according to the basic rules of fair value through profit.

Fair value hedges
The Group hedges the fair value in accordance with the so-called carve-out method of IAS 39. The hedged items consist of portfolios of borrowing, deposits and loans which have fixed rates and hedging instruments are derivatives where BlueStep receives a fixed rate and pays a variable rate. Fair value hedging means that the hedged item is re-evaluated to fair value for the hedged risk. The changes in value arising are recognised in profit and counteract the changes in value arising on the hedging instrument which are also recognised in the income statement. The coupon rates on the hedging instruments are recognised in net interest income as interest income if the hedged item is a portfolio of assets and as an interest expense on the hedged item portfolio of liabilities.

Bonds and other interest-bearing securities
The Company has invested some of its excess liquidity in bonds and other debt securities. These assets have fixed or determinable payments. Capital gains and changes in value are recognised as net income from financial transactions. Interest income is recognised using the effective interest method.

Loans and receivables

Loans and receivables are financial assets that are not derivatives, with fixed or determinable payments that are not quoted in an active market. In the balance sheet, these are represented by the items Loans to credit institutions, Loans to customers and Other assets, depending on their nature. These assets are recognised at amortised cost. Loans are initially at cost, which consists of the loan amount less fees received and plus costs that constitute an integral part of the return. The interest rate that produces the loan's cost when calculating the present value of future payments is considered the effective interest rate. Amortised cost is derived by discounting the remaining future payments by the effective interest. Loans than interest-bearing loans, have a short expected maturity which is why the accounting is done at nominal value without discounting. Bad debts are assessed individually and any impairment losses recognised in operating expenses.

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 reflected as loan losses; net interest income is recognised using the effective interest method.

Loan losses and impairment of financial assets reported at amortised cost
On the balance sheet date, an assessment of whether there is objective evidence of impairment of an individual receivable or group of receivables is made. This occurs as a result of events that occurred after the recognition of the asset, and that will have an impact on the estimated future cash flows for the loan or group of loans. Events that may affect impairment are e.g. suspension of payments, settlement and payment.

The amount of the loss is calculated as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Cash flows attributable to the borrower or issuer and any use of the collateral are taken into account in the assessment of impairment. Any costs associated with the realisation of the pledge are included in the cash flow calculations. Calculation of probable loan losses or impairment of other financial assets is taken as gross and in cases where there is a guarantee equivalent is recognised as a receivable from the counterparty. If the present value of future cash flows exceeds the carrying value, no impairment occurs and neither is the claim regarded as uncertain. The impairment loss is recognised in the income statement under "Net loan losses" or "Impairment of financial assets" depending on the type of claim.

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 impaired amount.

Other financial liabilities
Borrowings, deposits and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost.

Financial liabilities at fair value in Income statement
The company's liabilities in this category are derivatives with negative market values which are automatically classified as held for trading because they are not part of an effective hedging relationship (see the section Hedge accounting), Even derivatives that are effective hedges are reported at fair value. Initially liabilities in this category are reported at fair value, while related transaction costs are recognised in the income statement. Changes in fair value and realised losses for these assets are recognised directly in the income statement under "Net financial income", while the accrued and paid interest is reported in net interest income.

Shareholder and Group contributions
The company reports Group and shareholder contributions in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 - Accounting for Legal Entities. Group contributions are reported in accordance with the general rule. Group contributions received from subsidiaries are recognised as financial income and Group contributions to subsidiaries are reported as an increase of shares in Group companies. Group contributions paid to the parent are recognised in equity.

Group contributions that are decided but not paid by the reporting date must be expensed, even if the decision was taken after the reporting period.

Intangible assets
Intangible assets are recognised in the balance sheet when the asset is identifiable, it is probable that the asset will generate future economic benefits, and BlueStep has control of the asset.

Intangible assets are reported at cost less accumulated depreciation and any impairment.

The carrying value of an intangible asset is derecognised upon its disposal or when no future economic benefits are expected from the use of the asset. The loss or gain arising from the disposal or retirement of an asset is the difference between the sale price and the asset's carrying amount, less the direct selling expenses. Gains and losses are recognised as other operating income / expenses.

Amortisation is recognised in the income statement over the asset's estimated useful life. Useful lives are reviewed at least annually. Intangible assets are amortised from the date they are available for use. The estimated useful life is 5 years.

An impairment testing takes place at least annually, or upon indication of decreased value.

Material assets
Assets are reported at cost less planned depreciation based on the asset's useful life. The estimated useful life is 5 years.

Leasing
All leases are accounted for as operating leases and the lease payment is allocated over the leasing period.

Pensions
Pensions are accounted for as defined contribution plans and are expensed in the year. Some pension provisions are not present when the Group, with regard to payment of premiums, have fulfilled their obligations.

Taxes
Income tax comprises current and deferred tax. 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. Current tax assets and liabilities are valued at the amount expected to be recovered or settled. Income taxes are recorded in the income statement unless the transaction is recognised in other comprehensive results or equity when it will be recognised in other comprehensive results or equity.

Deferred taxes refer to tax on differences between the carrying value and the tax base. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets represent a reduction in future tax attributable to deductible temporary differences, tax loss carry-forwards or other future tax deductions. Deferred tax is assessed at each closing and recognised to the extent that by the respective balance date it is likely to be utilised. On the closing day statutory tax rates are used in the calculations.

Cash flow analysis

A Cash flow analysis is drawn up using the indirect method in accordance with IAS 7. The reported cash flow only reports transactions that involve payment.

Cash and cash equivalents

Cash and cash equivalents consist of cash at credit institutions and short-term investments with original maturities of three months or less, which are only subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at their nominal value.

Securitisation

When a financial asset is transferred, the Company shall evaluate the extent to which it retains the risks and benefits associated with ownership of the financial asset. If the Company substantially retains all the risks and benefits associated with ownership of the financial asset, the Company continues to recognise the financial asset in the financial position statement. The company carried out securitisation transactions in 2013 and 2015 and reported accordingly.

Note 2 | Risk management

Risk profile

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company' strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder returns. The Company's risk management framework provides the foundation for achieving these goals.

Risk is defined as a potentially negative impact on the Company that could occur due to current internal processes or future internal or external events. The concept of risks includes both the probability that an event will occur and the impact it would have on the Company. In order to achieve the Company's business goals for growth, profitability and financial stability, the Company's targets must be assessed against its risks that might arise in the Company's operations.

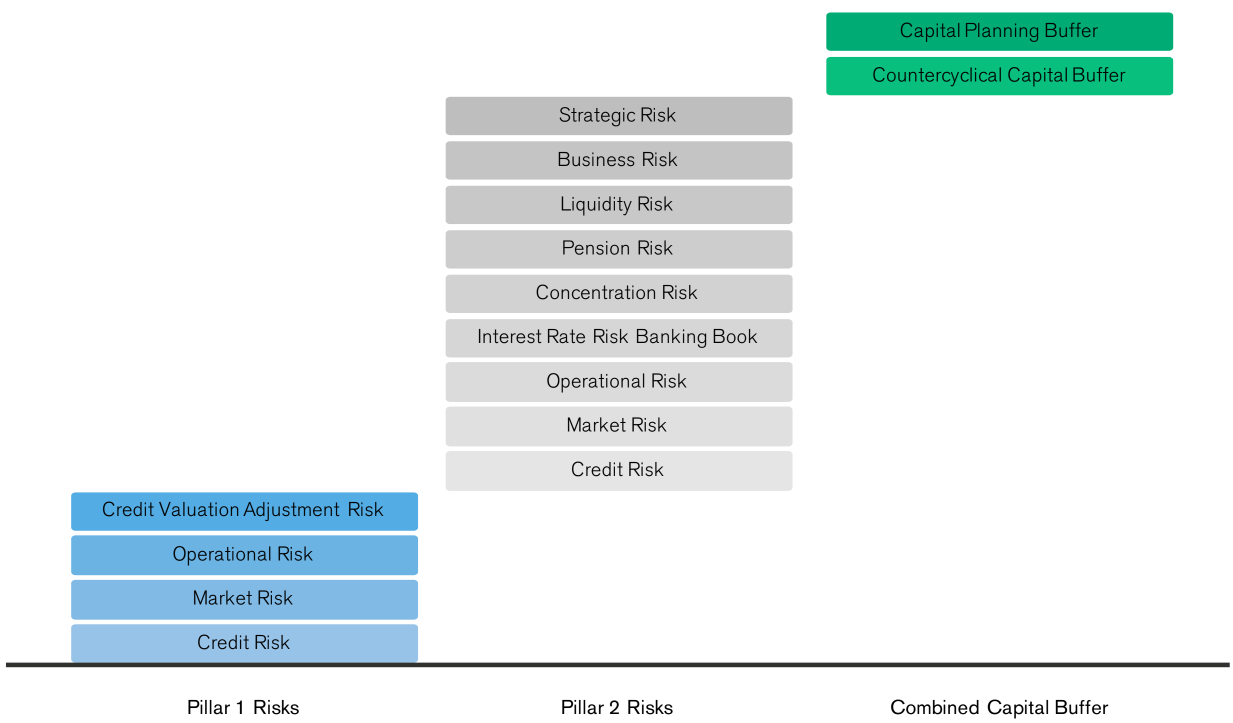
The Company's main activity is to provide loans to the public both in Sweden and Norway and fund them through a combination of retail deposits, wholesale funding (issuing secured debt) and credit facilities. Consequently, the Company is exposed to different risks, such as credit risk, liquidity risk, operational risks and other financial risks. The Company has identified the following primary risk categories with details of how management measures those risks and what controls and mitigants are in place to limit those risks.

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 losses arise as a consequence of, firstly, defaults due to inability or unwillingness of a customer or counterparty, in the case of financial securities, to meet their commitments in relation to lending (probability of default) and, secondly, the recoveries from defaulted assets being insufficient to cover their principal or notional and associated costs and interests (loss given default). In addition, losses can also result from reduction in portfolio value arising from actual or perceived deterioration in credit quality via provisions.

Credit risk is mainly managed through the Company's credit instructions in which risk appetite is defined. Prudent client selection is achieved through the Company's Credit departments, which act as first line of defense functions within the business by being responsible for the credit decision process and for adhering to the credit policies and instructions established by the Board. Active management is also achieved through the Collection departments. The performance of the loan books is continuously monitored, and risk drivers analysed, allowing for a better understanding of the underlying risk.

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



For further information on capital adequacy and pillar 1 and 2, see note 29.

	Financial Group				Parent			
	Sweden		Norway		Sweden		Norway	
Maximum Credit Risk Exposure	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Governments or central banks								
- Credit Quality Step 1	160.1	75.0	42.9	16.3	160.1	75.0	42.9	16.3
Total Governments or central banks	**160.1**	**75.0**	**42.9**	**16.3**	**160.1**	**75.0**	**42.9**	**16.3**
Lending to credit institutions								
- Credit Quality Step 1	663.6	888.8	201.6	201.3	663.6	888.8	201.6	201.3
- Credit Quality Step 2	-	40.7	-	-	-	40.7	-	-
- No rating	0.0	-	-	-	0.0	-	-	-
Total lending to credit institutions	**663.6**	**929.5**	**201.6**	**201.3**	**663.6**	**929.5**	**201.6**	**201.3**
Corporates								
- No rating	0.0	8.2	-	-	0.0	8.2	-	-
Total corporates	**0.0**	**8.2**	**-**	**-**	**0.0**	**8.2**	**-**	**-**
Lending to the general public								
- Unsecured loans	940.6	691.5	-	-	940.6	691.5	-	-
- Loans secured by residential property	7,777.2	6,845.6	3,358.5	2,153.7	7,777.2	6,860.6	3,358.5	2,153.7
Total lending to the general public	**8,717.8**	**7,537.1**	**3,358.5**	**2,153.7**	**8,717.8**	**7,552.1**	**3,358.5**	**2,153.7**
Bonds and other interest-bearing securities								
- Credit Quality Step 1	509.3	591.5	201.4	44.8	509.3	591.5	201.4	44.8
- Credit Quality Step 2	-	-	-	21.3	-	-	-	21.3
Total bonds and other interest-bearing securities	**509.3**	**591.5**	**201.4**	**66.1**	**509.3**	**591.5**	**201.4**	**66.1**
Derivatives								
- Credit Quality Step 2	199.5	147.6	8.4	25.6	130.5	135.0	8.4	25.6
- Credit Quality Step 2	-	75.9	-	-	-	37.1	-	-
- No rating	0.0	0.1	0.0	-	0.0	0.2	0.0	-
Total derivatives	**199.5**	**223.6**	**8.4**	**25.6**	**130.5**	**172.3**	**8.4**	**25.6**
Other assets								
- No rating	45.7	80.8	5.7	7.7	48.5	40.8	5.7	7.7
Total other assets	**45.7**	**80.8**	**5.7**	**7.7**	**48.5**	**40.8**	**5.7**	**7.7**
Total	**10,296.0**	**9,445.7**	**3,818.5**	**2,470.7**	**10,229.8**	**9,369.4**	**3,818.5**	**2,470.7**

Credit risk	Financial Group				Parent			
	Sweden		Norway		Sweden		Norway	
Receivables from private individuals	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Performing	8,475.1	7,229.5	3,192.9	2,036.4	8,475.1	7,243.9	3,192.9	2,036.4
Due 30-60 days	140.3	160.7	58.3	35.8	140.3	161.0	58.3	35.8
Due 60-90 days	24.1	48.6	27.7	22.1	24.1	48.7	27.7	22.1
Due over 90 days	78.3	98.2	79.6	59.4	78.3	98.5	79.6	59.4
Total	**8,717.8**	**7,537.1**	**3,358.5**	**2,153.7**	**8,717.8**	**7,552.1**	**3,358.5**	**2,153.7**
Provisions	**20.9**	**24.4**	**2.7**	**2.6**	**20.9**	**24.4**	**2.7**	**2.6**

	Financial Group				Parent			
	Sweden		Norway		Sweden		Norway	
Other financial assets	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Performing	**1,578.2**	**1,908.6**	**460.0**	**317.0**	**2,461.6**	**1,405.4**	**460.1**	**317.2**
- Credit Quality Step 1	1,532.5	1,702.9	454.3	288.0	1,044.6	1,316.0	454.4	288.1
- Credit Quality Step 2	-	116.6	-	21.3	-	37.1	-	21.3
- No rating	45.7	89.1	5.7	7.7	1,417.0	52.3	5.7	7.7
Non performing	-	-	-	-	-	-	-	-
Total	**1,578.2**	**1,908.6**	**460.0**	**317.0**	**2,461.6**	**1,405.4**	**460.1**	**317.2**
Provisions	-	-	-	-	-	-	-	-

Credit rating agencies

The relation between the credit quality steps and the rating provided by those companies are displayed in table 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

Concentration risk

Concentration risk is defined as the risk of suffering losses from lack of diversification, lending too heavily in one industry, one geographic area or one type of security. Since the Company operates only in Sweden and Norway, and the risk is very concentrated in mainly secured lending, the Company is prepared to accept a medium level of exposure in concentration risk. Being one of the core areas within credit risk, the concentration risk is monitored and assessed continuously by the Company's Risk Manager to ensure that the risk profile is in line with expectations and managed in the best way possible and reports it further to the Board on a monthly basis.

Following the SFSA's methodology for assessing individual types of risks within pillar 2, 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.

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

	Financial Group 2016-12-31			
Amounts that have not been offset in the balance sheet	Gross value	Netting in Balance sheet	Netting ISDA agreement	Net amount
Derivative	107.8	-	-41.8	66.0
Total financial assets	**107.8**	**-**	**-41.8**	**66.0**
Derivative	78.9	-	-41.8	37.1
Total financial liabilities	**78.9**	**-**	**-41.8**	**37.1**

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.

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. The Company has documented its process for managing its market risk exposures in established policies.

Sensitivity analysis with an instantaneous change in currency with 10%

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

	Total position 2016-12-31	Value change -100 bps	Value change +100 bps
EUR position	1,125	-113	113
GBP position	186	-19	19
NOK position	34,082	-3,408	3,408
Impact on earnings		**-3,539**	**3,539**

A change in relevant exchange rates in relation to the Swedish krona of -10% would at the balance sheet date show an instantaneous net negative impact on earnings SEK 3.5m (SEK 0.3m). A change in relevant exchange rates in relation to the Swedish krona of +10% would at the balance sheet date show an instantaneous net positive impact on earnings of SEK 3.5m (SEK 0.3m).

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.

The Company actively manages interest rate risk in its banking book and reports it to the Board on a monthly basis. Finance and Treasury are responsible for monitoring and reporting all aspects of interest rate risk within the Company.

Hedging strategy for interest rate risks

The Company hedges fixed rate lending using interest rate swaps. Such hedging is done using the 3-month Stibor rate as the adjustable rate, which provides sufficient protection for the fixed interest periods that are usually referred to as the "general level of interest rates". The Company began to apply hedge accounting during 2016 on new swap transactions.

The change in value of hedged items amounted to SEK -11m (-) as per 31 December, and the corresponding change in value of hedge instruments was SEK 10.9m (-). The unrealized market valuation of hedge accounting is reported under "Net result of financial transactions" and amounted to SEK -0.1m (-). The hedge accounting is effective and thereby meets the conditions for when hedge accounting may be applied.

Sensitivity analysis in case of market rate change 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.

	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+200bp	3.8	0.43%
Decreased interest rates	-200bp	-3.4	-0.39%

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

Operational risk

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

The Company has measures/tools in place for identifying, evaluating, documenting, controlling and reporting of operational risks within its products, services, functions, processes, and IT-systems. During the years, the Company has, among other things, established a solid set of policies, routines and procedures to ensure staff has the proper competence, training and work experience to maintain the operational risk on an acceptable low level in its operations.

IT related risks are mitigated through the deployment of reliable IT-systems with built-in controls, reconciliations, backup procedures and business continuity, contingency and disaster recovery plans tests.

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, based in Sweden). The administration for personal loans in Sweden is outsourced to a third party (Emric). 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 capital requirements for operational risk is based on the standardised approach. Under the standardised approach, all business lines within the Company have been allocated under retail banking whereby the capital requirement is 12% of the average net operating income for the last three fiscal years.

Liquidity risk

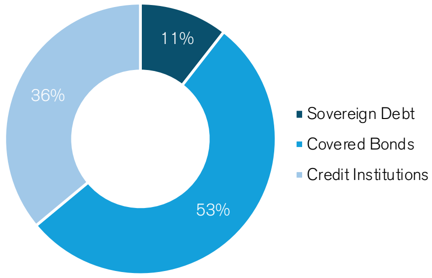
Liquidity risk is the risk of not being able to meet payment obligations on their due dates without the cost of obtaining the funds increasing considerably.

The liquidity risk appetite of the Company shall be low and its policy managing liquidity risk 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 minimum liquidity reserve is set by the Board.

The Company 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 Company 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.

LIQUIDITY RESERVE (PARENT)



	Financial Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Liquidity Reserve				
Cash and balances with central banks	0.0	0.0	0.0	0.0
Deposits in other banks	897.2	1,129.4	479.3	714.4
Securities issued or guaranteed by sovereigns, central banks or multinational development banks	140.3	91.3	140.3	91.3
Covered bonds issued by other institutions	710.7	636.3	710.7	636.3
Total	**1,748.2**	**1,857.0**	**1,330.3**	**1,442.0**

Above numbers include accrued interest. 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. Below numbers show LCR and NSFR for the Financial Group.

	Financial Group	
	2016-12-31	2015-12-31
Liquidity Coverage Ratio (LCR) %	**263**	**206**
Liquid Assets Level 1	569.0	308.7
Liquidity Reserve	**569.0**	**308.7**
Customer deposits	647.1	593.9
Other outflows	217.6	4.5
Cash Outflows	**864.7**	**598.4**
Inflows from retail customers, lending activities	168.1	131.7
Other inflows	919.9	550.5
Cash Inflows (cap)	**648.5**	**448.8**
Net Stable Funding Ratio (NSFR) %	**143**	**151**
Available Stable Funding	12.4	10.5
Required Stable Funding	8.7	7.0

Pension risk

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

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 are identified and analysed and the Company allocates capital based on the impact they might have on its profitability.

Note 3 | Segment reporting

Income statement 2016	Group Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Interest income	518.7	246.3	98.1	-43.8	819.3
Interest expense	-203.8	-87.7	-8.9	28.9	-271.5
Net interest income	**314.9**	**158.6**	**89.2**	**-14.9**	**547.8**
Total operating income	**344.5**	**166.3**	**89.2**	**-16.6**	**583.4**
Total expenses	**-218.3**	**-99.2**	**-46.3**	**16.6**	**-347.2**
Result pre credit losses	**126.2**	**67.1**	**42.9**	**0.0**	**236.2**
Credit losses, net	-2.6	-3.1	-18.3	-	-24.0
Operating profit/loss	**123.6**	**64.0**	**24.6**	**0.0**	**212.2**
Allocated tax*	-30.0	-16.2	-2.8	-	-49.0
Net profit/loss for the year	**93.6**	**47.8**	**21.8**	**0.0**	**163.2**

Balance sheet 2016	Group Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Lending to the public	7,787.9	3,346.9	933.8	-	12,068.6
Deposits from the public	5,079.1	4,425.3	-	-	9,504.4

Income statement 2015	Group Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Interest income	487.5	199.7	73.5	-40.6	720.1
Interest expense	-212.4	-63.0	-8.7	17.6	-266.5
Net interest income	275.1	136.7	64.8	-23.0	453.6
Total operating income	**297.7**	**138.2**	**64.8**	**-23.0**	**477.7**
Total expenses	**-193.8**	**-92.5**	**-33.3**	**23.1**	**-296.5**
Result pre credit losses	**103.9**	**45.7**	**31.5**	**0.1**	**181.2**
Credit losses, net	-15.8	-0.6	-14.2	-	-30.6
Operating profit/loss	**88.1**	**45.1**	**17.3**	**0.1**	**150.6**
Allocated tax*	-31.3	-3.7	-	-	-35.0
Net profit/loss for the year	**56.8**	**41.4**	**17.3**	**0.1**	**115.6**

Balance sheet 2015	Group Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	Total
Lending to the public	6,860.4	2,146.5	685.2	-	9,692.1
Deposits from the public	5,093.7	2,093.1	-	-	7,186.8

*Allocated tax is used to allocate taxes to the different segments and is not a measure required by IFRS.

The operating segment report is based on the Group's accounting policies, organisation and management accounts. Market–based transfer prices are applied between operating segments, while all expenses for IT, other Group functions and Group staffs are transfer priced at cost to the operating segments. Executive management expenses are not distributed. Cross–border transfer pricing is applied according to OECD transfer pricing guidelines.

Mortgages is the dominant operating segment, which is split into Mortgages Sweden and Mortgages Norway. All mortgage companies (the Company, Step 2, Step 3, and BFF1) and companies performing support functions (BSAB) within the group is included in Mortgages Sweden. Mortgages Norway consists of the Branch. Other operations contain private loans operating from the Company.

There are 134 (130) full-time employees in Mortgages Sweden, 39 (32) in Mortgages Norway, and 14 (14) in Other operations.

Note 4 | Net interest income

	Group		Parent	
	2016	2015	2016	2015
Interest income				
Lending to credit institutions	5.2	2.1	5.3	2.1
Lending to the public	800.6	700.3	784.0	655.3
Derivates	-	-	34.5	27.3
Covered bonds	13.4	17.7	42.3	44.8
Intercompany loans	-	-	7.7	13.6
Other	0.1	0.0	0.0	0.0
Total interest income	**819.3**	**720.1**	**873.8**	**743.1**
Of which:				
Interest income from financial items not measured at fair value through profit or loss	805.9	702.4	789.4	657.4
Interest expense				
Liabilities to credit institutions	-0.7	-4.2	-	-
Deposits from the public	-142.3	-135.9	-373.5	-373.2
Derivates	-62.4	-55.0	-53.1	-41.5
Bonds	-40.5	-50.2	-	-
Other	-25.6	-21.2	-15.7	-11.7
Total interest expense	**-271.5**	**-266.5**	**-442.3**	**-426.4**
Of which:				
Interest expense from financial items not measured at fair value through profit or loss	-168.6	-161.3	-389.2	-384.9
Total net interest income	**547.8**	**453.6**	**431.5**	**316.7**

Note 5 | Commission income

	Group		Parent	
	2016	2015	2016	2015
Other commission income	0.3	0.3	0.3	0.3
Total	**0.3**	**0.3**	**0.3**	**0.3**
Of which:				
Interest income from financial items not measured at fair value through profit or loss	0.3	0.3	0.3	0.3

Note 6 | Net result of financial transactions

	Group		Parent	
	2016	2015	2016	2015
Covered bonds - unrealised changes	-3.7	-12.8	-3.7	-12.8
Mortgage book derivates - unrealised changes	15.0	18.6	17.3	23.4
Exchange rate changes: loans and receivables and other debts and related derivatives - unrealised changes	10.4	6.1	1.3	0.2
Exchange rate changes other receivables and liabilities - unrealised changes	-0.0	-0.3	-0.0	-0.2
Hedge accounting - fair value hedged item*	-11.0	-	-11.0	-
Hedge accounting - fair value hedge instrument*	10.9	-	10.9	-
Total	**21.6**	**11.6**	**14.8**	**10.6**

*Hedging portfolio in regards to interest rate risk.

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.

Note 7 | Other operating income

	Group		Parent	
	2016	2015	2016	2015
Billing fees	8.6	8.1	8.6	7.8
Valuation fees	1.7	1.8	1.7	1.8
Other operating income	3.4	2.4	-0.0	0.0
Total	**13.7**	**12.3**	**10.3**	**9.6**

Note 8 | General administration expenses

	Group		Parent	
	2016	2015	2016	2015
Personnel costs				
Salaries and emoluments	-111.9	-94.9	-104.3	-89.7
Variable performance benefit	-14.5	-14.2	-14.1	-13.8
Social security charges	-32.8	-27.9	-30.2	-26.2
Pension expenses	-7.2	-3.5	-6.0	-3.4
Other personnel costs	-13.8	-6.8	-13.1	-6.0
Total	**-180.2**	**-147.3**	**-167.7**	**-139.1**
Other administration expenses				
Administration expenses deposits from the public	-2.1	-3.2	-11.2	-10.7
Administration expenses lending to the public	-11.5	-10.0	-28.1	-24.2
Professional fees	-16.3	-18.6	-10.3	-15.8
Other administration expenses	-116.7	-105.8	2.1	17.8
Total	**-146.6**	**-137.6**	**-47.5**	**-32.9**
Total General administration expenses	**-326.8**	**-284.9**	**-215.2**	**-172.0**

*The Company have during the year changed policy in regards to pension expenses, from a monthly provision of 2.5% to 4.5%.

Note 9 | Auditors remuneration and expenses

SEK Thousands	Group 2016	Group 2015	Parent 2016	Parent 2015
Deloitte AB				
Audit assignment	1,812	1,775	1,269	1,162
Audit activities in addition to audit assignment	919	872	906	872
PwC				
Other assignments	277	155	277	155
Total	**3,008**	**2,802**	**2,452**	**2,189**

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 10 | 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 nine members.

The Board has compensated three of the members for their Board work between the Annual General Meeting on April 20, 2017 up until the Annual General Meeting on April 20, 2017 with a total of SEK 1,727 thousands. Four 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 4.5 % of the employee's gross monthly wage is invested in to an eligible plan. In Bluestep Servicing AB there is an additional 30% on income above 7.5 income base amounts. The Company have during the year changed policy in regards to pension expenses, from a monthly provision of 2.5% to 4.5%. In the Branch, 3.5 % of the employee's gross monthly wage is invested in to an eligible plan unconditionally.

Salaries and remuneration - Members of the Board and CEO SEK Thousands 2015	Salary	Bonus*	Pension	Total
CEO/Board member - David Torpey	5,163	1,500	155	6,818
Chairman of the Board - Per Otto Hyland (resigned June 2015)	330	-	-	330
Chairman of the Board - Carl Sundvik (appointed June 2015)	330	-	-	330
Board member - Rolf Stub	4,117	1,500	57	5,674
Board member - Peter Gertman	1,830	725	53	2,608
Board member - Toby Franklin	330	-	-	330
Total costs related to pensions 2015	**12,100**	**3,725**	**265**	**16,090**

SEK Thousands 2016	Salary	Bonus*	Pension	Total
CEO/Board member - Öyvind Thomassen (appointed June 2016)	2,333	-	646	2,979
Board member - David Torpey (resigned as CEO June 2016)	5,100	1,275	200	6,575
Chariman of the Board - John Neil Maltby (appointed May 2016)	682	-	-	682
Board member - Carl Sundvik (resigned as Chairman May 2016)	340	-	-	340
Board member - Rolf Stub	4,134	1,749	73	5,956
Board member - Peter Gertman	1,906	645	68	2,619
Board member - Toby Franklin	340	-	-	340
Total costs related to pensions 2016	**14,835**	**3,669**	**987**	**19,491**

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

Salaries and remuneration - Other employees	Group		Parent	
SEK Thousands	**2016**	**2015**	**2016**	**2015**
Salaries and remuneration	107,926	93,292	99,895	87,730
Pension costs	6,181	3,241	4,977	3,103
Total salaries, remuneration, social security contributions, and pensions	**114,107**	**96,533**	**104,872**	**90,833**

	Parent	
Distribution by gender in board and management	**2016**	**2015**
The Board		
Women	-	-
Men	9	7
Management team including CEO		
Women	1	2
Men	9	8

	Group		Parent	
Average number of employees	**2016**	**2015**	**2016**	**2015**
Sweden				
Women	75	79	65	68
Men	73	65	64	54
Norway				
Women	17	12	17	12
Men	22	20	22	20
Total	**187**	**176**	**168**	**154**

Note 11 | Intangible assets

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Acquisition value brought forward	83.6	79.4	80.7	57.5
Investments for the year	31.0	25.5	22.5	23.2
Reclassification	-	-21.3	-	-
Acquisition value carried forward	**114.6**	**83.6**	**103.2**	**80.7**
Depreciation brought forward	-41.9	-37.4	-41.6	-32.4
Reclassification	-	5.1	-	-
Depreciation for the year	-15.9	-9.6	-14.8	-9.2
Impairments	-2.9	-	-2.9	-
Depreciation carried forward	**-60.7**	**-41.9**	**-59.3**	**-41.6**
Residual value at the end of the accounting period	**53.9**	**41.7**	**43.9**	**39.1**

FX revaluation of foreign operations result in an exchange difference amounting to SEK 0.8m 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 | Tangible assets

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Acquisition value brought forward	11.1	9.5	11.0	9.5
Investments for the year	9.2	1.6	7.6	1.5
Acquisition value carried forward	**20.3**	**11.1**	**18.6**	**11.0**
Depreciation brought forward	-6.1	-4.9	-6.1	-4.9
Depreciation for the year	-2.5	-1.2	-2.3	-1.2
Depreciation carried forward	**-8.6**	**-6.1**	**-8.4**	**-6.1**
Residual value at the end of the accounting period	**11.6**	**4.9**	**10.1**	**4.8**

FX revaluation of foreign operations result in an exchange difference amounting to SEK 0.2m 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 13 | Credit losses

	Group		Parent	
	2016	2015	2016	2015
Actual losses	-60.5	-62.2	-60.5	-60.9
Recoveries previous losses	32.9	25.8	33.0	25.8
Net change in provisions	3.6	5.8	3.1	5.8
Total	**-24.0**	**-30.6**	**-24.4**	**-29.3**

Group level net losses during the year amounted to SEK -24.0m (SEK -30.6m) of which actual losses amounted to SEK -60.5m (SEK -62.2m). Recoveries related to previous losses amounted to SEK 32.9m (SEK 25.8m). The net change in provisions amounted to SEK 3.6m (SEK 5.8m) due to better performance of the loan book.

Note 14 | Tax on net result

The current tax rate is the tax rate for income tax of the Company. The tax rate for 2016 in Sweden is 22.0% (22.0%). The tax rate for 2016 in Norway is 25.0% (27.0%).

	Group		Parent	
	2016	2015	2016	2015
Current tax	-49.0	-35.0	-47.6	-32.9
Total tax cost	**-49.0**	**-35.0**	**-47.6**	**-32.9**

	Group		Parent	
	2016	2015	2016	2015
Net profit before tax	212.2	158.2	206.3	148.7
Tax based on current tax rate	-48.8	-34.8	-47.4	-32.7
Tax effect of:				
Non taxable income	0.0	0.0	0.0	0.0
Non deductible items	-0.2	-0.1	-0.2	-0.1
Total tax cost	**-49.0**	**-35.0**	**-47.6**	**-32.9**

Note 15 | Lending to credit institutions

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Swedish banks	835.3	1,084.9	479.2	714.3
Foreign banks	0.1	0.1	0.1	0.1
Total	**835.4**	**1,085.0**	**479.3**	**714.4**

Note 16 | Lending to the public

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Loan assets	12,092.2	9,719.0	10,169.1	9,719.0
Provisions for losses	-23.6	-26.9	-23.6	-26.9
Total	**12,068.6**	**9,692.1**	**10,145.5**	**9,692.1**

	Group		Parent	
Specification provision for losses	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Provisions for losses at beginning of year	-26.9	-32.7	-26.9	-32.7
Net movement during the year	3.3	5.8	3.3	5.8
Provisions for losses at end of year	**-23.6**	**-26.9**	**-23.6**	**-26.9**

Note 17 | 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					
	2016-12-31			2015-12-31		
Assets	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	2,385.0	-	11.9	1,428.4	-	41.6
Foreign financial institutes	5,284.0	-	95.9	4,441.2	-	62.6
Total	**7,669.0**	**-**	**107.8**	**5,869.6**	**-**	**104.2**

	Parent					
	2016-12-31			2015-12-31		
Assets	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	2,385.0	-	11.9	1,428.4	-	41.6
Foreign financial institutes	3,533.5	-	26.9	3,656.1	-	20.3
Total	**5,918.5**	**-**	**38.8**	**5,084.5**	**-**	**61.9**

	Group					
	2016-12-31			2015-12-31		
Liabilities	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	6,102.0	-	49.2	6,005.2	-	39.0
Foreign financial institutes	4,855.9	-	29.7	6,262.2	-	48.0
Total	**10,957.9**	**-**	**78.9**	**12,267.4**	**-**	**87.0**

	Parent					
	2016-12-31			2015-12-31		
Liabilities	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	6,102.0	-	49.2	6,005.2	-	39.0
Foreign financial institutes	1,322.4	-	9.3	1,534.0	-	3.9
Total	**7,424.4**	**-**	**58.5**	**7,539.2**	**-**	**42.9**

Note 18 | Bonds and other interest-bearing securities

	Group and Parent			
	2016-12-31		2015-12-31	
	Purchase value	Recoqnised value	Purchase value	Recoqnised value
Swedish issuers				
Bonds issued by the Swedish government	111.9	108.7	77.2	73.7
Covered bonds (listed) issued by Swedish credit institutions	514.2	502.7	587.4	583.3
Other listed interest-bearing securities issued by Swedish credit institutions	-	-	52.6	21.3
Foreign issuers				
Bonds issued by the German government	1.0	1.1	1.0	1.0
Bonds issued by the Norwegian government	29.3	28.9	17.2	16.1
Covered bonds (listed) issued by Norwegian credit institutions	193.9	199.9	47.3	44.3
Total	**850.3**	**841.3**	**782.7**	**739.7**

Note 19 | Shares in associated companies

Company name	Number of shares	Share %	Recognised value
Bluestep Finans Funding No 1 AB	100,000	100%	8.6
Bluestep Mortgage Securities No 2 Designated Activity Company	1	100%	-
Bluestep Mortgage Securities No 3 Designated Activity Company	1	100%	-
Bluestep Mortgage Securities No 4 Designated Activity Company	1	100%	-
Bluestep Servicing AB	50,000	100%	0.0
Total			**8.6**

Company name	Reg. No.	Domicile	Equity	Net profit
Bluestep Finans Funding No 1 AB	556791-6928	Stockholm	7.2	0.0
Bluestep Mortgage Securities No 2 Designated Activity Company	522186	Dublin	-	4.0
Bluestep Mortgage Securities No 3 Designated Activity Company	550839	Dublin	-	-4.5
Bluestep Mortgage Securities No 4 Designated Activity Company	596111	Dublin	-	-
Bluestep Servicing AB	556955-3927	Stockholm	7.3	5.1

Note 20 | Other assets

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accounts receivable	42.7	41.8	38.2	27.4
Intercompany receivables	0.5	0.5	1,368.5	-13.6
Securities financial instruments	93.5	130.9	93.5	130.9
Tax receivables	30.7	33.0	29.8	33.0
Other assets	2.5	-	2.5	-
Total	0.1	0.3	0.2	0.2
Total	**170.0**	**206.5**	**1,532.7**	**177.9**

The change in intercompany receivables in the Parent is due to an internal loan between the Parent and BFF1 of SEK 1,358m as of the balance sheet date.

Note 21 | Prepaid expenses and accrued income

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Prepaid expenses	2.5	1.1	2.2	0.9
Accrued interest	16.4	15.7	16.4	15.7
Other prepaid expenses and accrued income	9.5	5.2	8.6	4.5
Total	**28.4**	**22.0**	**27.2**	**21.1**

Note 22 | Liabilities to credit institutions

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Foreign banks*	600.0	-	-	-
Bluestep Mortgage Securities No 2 and No 3	-	-	2,440.2	3,293.7
Total	**600.0**	**-**	**2,440.2**	**3,293.7**

* SEK 600m consists of a committed credit line in BFF1.

Note 23 | Issued bonds

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Bond investors	2,804.0	3,675.6	-	-
Total	**2,804.0**	**3,675.6**	**-**	**-**

Note 24 | Deposits from the public

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Deposits from the public	9,504.4	7,186.8	9,504.4	7,186.8
Total	**9,504.4**	**7,186.8**	**9,504.4**	**7,186.8**

Note 25 | Accrued expenses and prepaid income

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accrued salaries and remunerations	35.2	25.4	34.2	24.8
Accrued social costs	7.6	5.3	7.3	5.1
Accrued interest	36.9	57.3	24.1	38.3
Other accrued expenses and prepaid income	9.9	4.6	8.9	4.0
Total	**89.6**	**92.6**	**74.5**	**72.2**

Note 26 | Other liabilities

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Trade creditors	9.6	9.6	7.3	9.4
Intercompany liabilities	0.1	0.0	5.8	1.8
Social costs	22.2	10.5	21.8	10.2
Other liabilities	54.5	35.7	54.5	35.7
Total	**86.4**	**55.8**	**89.4**	**57.1**

Other liabilities include group contribution from Bluestep Bank AB to Bluestep Bostadslån AB.

Note 27 | Assets and liabilities duration information

	Group Non discounted contractual cash flows						
Remaining duration 2016-12-31	Payable on demand	< 3 mth	3 mth - 1 yr	1 - 5 yr	>5 yr	No duration/ cash flow	Total
Assets							
Lending to credit institutions	835.4	-	-	-	-	-	835.4
Lending to the public	-	86.1	267.2	1,013.9	10,701.4	-	12,068.6
Derivatives	-	0.1	1.8	42.7	63.2	-	107.8
Interest bearing securities	-	70.6	204.3	530.5	35.9	-	841.3
Intangible assets	-	-	-	-	-	53.9	53.9
Tangible assets	-	-	-	-	-	11.6	11.6
Other financial assets	-	183.2	-	-	0.6	-	183.8
Other non financial assets	-	14.6	-	-	-	-	14.6
Total	**835.4**	**354.6**	**473.3**	**1,587.1**	**10,801.1**	**65.5**	**14,117.0**
Liabilities							
Liabilities to credit institutions	-	-	600.0	-	-	-	600.0
Issued bonds	-	-	-	-	2,804.0	-	2,804.0
Deposits from the public	6,363.0	573.8	1,186.9	1,354.2	26.5	-	9,504.4
Derivatives	-	18.4	5.0	36.6	18.9	-	78.9
Tax liability	-	-	-	31.4	-	-	31.4
Other financial liabilities	-	120.1	33.6	-	-	-	153.7
Other non financial liabilities	-	8.1	14.2	-	-	-	22.3
Total	**6,363.0**	**720.4**	**1,839.7**	**1,422.2**	**2,849.4**	**-**	**13,194.7**

Remaining duration 2015-12-31	Group 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	1,085.0		-	-	-	-	1,085.0
Lending to the public	-	63.6	180.0	964.8	8,483.7	-	9,692.1
Derivatives	-	9.2	20.3	24.7	50.0	-	104.2
Interest bearing securities	-	-	70.4	603.7	65.6	-	739.7
Intangible assets	-	-	-	-	-	41.7	41.7
Tangible assets	-	-	-	-	-	4.9	4.9
Other financial assets	-	221.8	-	-	-	-	221.8
Other non financial assets	-	6.7	-	-	-	-	6.7
Total	**1,085.0**	**301.3**	**270.7**	**1,593.2**	**8,599.3**	**46.6**	**11,896.1**
Liabilities							
Liabilities to credit institutions	-	-	-	-	-	-	-
Issued bonds	-	-	-	-	3,675.6	-	3,675.6
Deposits from the public	3,946.3	1,033.4	1,241.1	902.8	63.2	-	7,186.8
Derivatives	-	1.6	15.6	58.1	11.7	-	87.0
Tax liability	-	-	-	39.9	-	-	39.9
Other financial liabilities	-	78.9	46.9	-	-	-	125.8
Other non financial liabilities	-	10.2	12.4	-	-	-	22.6
Total	**3,946.3**	**1,124.1**	**1,316.0**	**1,000.8**	**3,750.5**	**-**	**11,137.7**

	Parent						
	Non discounted contractual cash flows						
Remaining duration 2016-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1 - 5 yr**	**>5 yr**	**No duration/ cash flow**	**Total**
Assets							
Lending to credit institutions	479.3	-	-	-	-	-	479.3
Lending to the public	-	81.8	256.8	937.8	8,869.1	-	10,145.5
Derivatives	-	0.1	1.8	25.8	11.1	-	38.8
Interest bearing securities	-	70.6	204.3	530.5	35.9	-	841.3
Shares and participations in associated companies	-	-	-	-	-	8.6	8.6
Intangible assets	-	-	-	-	-	43.9	43.9
Tangible assets	-	-	-	-	-	10.1	10.1
Other financial assets	-	178.0	1,324.5	-	0.6	-	1,503.1
Other non financial assets	-	56.8	-	-	-	-	56.8
Total	**479.3**	**387.3**	**1,787.4**	**1,494.1**	**8,916.7**	**62.6**	**13,127.4**
Liabilities							
Liabilities to credit institutions	-	-	-	-	2,440.2	-	2,440.2
Deposits from the public	6,363.0	573.8	1,186.9	1,354.2	26.5	-	9,504.4
Derivatives	-	18.4	5.0	23.0	12.1	-	58.5
Tax liability	-	-	-	29.5	-	-	29.5
Other financial liabilities	-	105.8	32.9	-	-	-	138.7
Other non financial liabilities	-	7.2	18.0	-	-	-	25.2
Total	**6,363.0**	**705.2**	**1,242.8**	**1,406.7**	**2,478.8**	**-**	**12,196.5**

	Parent						
	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	714.4	-	-	-	-	-	714.4
Lending to the public	-	63.6	180.0	964.8	8,483.7	-	9,692.1
Derivatives	-	9.6	21.0	14.3	17.0	-	61.9
Interest bearing securities	-	-	70.4	603.7	65.6	-	739.7
Shares and participations in associated companies	-	-	-	-	-	11.2	11.2
Intangible assets	-	-	-	-	-	39.1	39.1
Tangible assets	-	-	-	-	-	4.8	4.8
Other financial assets	-	197.5	-	-	-	-	197.5
Other non financial assets	-	1.5	-	-	-	-	1.5
Total	**714.4**	**272.2**	**271.4**	**1,582.8**	**8,566.3**	**55.1**	**11,462.2**
Liabilities							
Liabilities to credit institutions	-	-	-	-	3,293.7	-	3,293.7
Deposits from the public	3,946.3	1,033.4	1,241.1	902.8	63.2	-	7,186.8
Derivatives	-	1.7	16.6	24.6	-	-	42.9
Tax liability	-	-	-	38.0	-	-	38.0
Other financial liabilities	-	60.7	46.5	-	-	-	107.2
Other non financial liabilities	-	9.7	12.4	-	-	-	22.1
Total	**3,946.3**	**1,105.5**	**1,316.6**	**965.4**	**3,356.9**	**-**	**10,690.7**

Note 28 | Financial assets and liabilities

	Group				
	Financial assets and liabilities	Loans and receivables	Other financial liabilities	Non financial assets and liabilities	Carrying value
2016-12-31	*Fair value*	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	835.4	-	-	835.4
Lending to the public	-	12,068.6	-	-	12,068.6
Derivatives	107.8	-	-	-	107.8
Bonds and other interest-bearing securities	841.3	-	-	-	841.3
Intangible assets	-	-	-	53.9	53.9
Tangible assets	-	-	-	11.6	11.6
Other assets	-	43.2	-	126.8	170.0
Prepaid expenses and accrued income	-	16.4	-	12.0	28.4
Total	**949.1**	**12,963.6**	**-**	**204.3**	**14,117.0**
Liabilities					
Liabilities to credit institutions	-	-	600.0	-	600.0
Issued bonds	-	-	2,804.0	-	2,804.0
Deposits from the public	-	-	9,504.4	-	9,504.4
Derivatives	78.9	-	-	-	78.9
Tax liabilities	-	-	-	31.4	31.4
Other liabilities	-	-	64.2	22.2	86.4
Accrued expenses and prepaid income	-	-	89.6	-	89.6
Total	**78.9**	**-**	**13,062.2**	**53.6**	**13,194.7**

	Group				
	Financial assets and liabilities	**Loans and receivables**	**Other financial liabilities**	**Non financial assets and liabilities**	**Carrying value**
2015-12-31	*Fair value*	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	1,085.0	-	-	1,085.0
Lending to the public	-	9,692.1	-	-	9,692.1
Derivatives	104.2	-	-	-	104.2
Bonds and other interest-bearing securities	718.4	21.3	-	-	739.7
Intangible assets	-	-	-	41.7	41.7
Tangible assets	-	-	-	4.9	4.9
Other assets	-	42.3	-	164.2	206.5
Prepaid expenses and accrued income	-	15.6	-	6.4	22.0
Total	**822.6**	**10,856.3**	**-**	**217.2**	**11,896.1**
Liabilities					
Issued bonds	-	-	3,675.6	-	3,675.6
Deposits from the public	-	-	7,186.8	-	7,186.8
Derivatives	87.0	-	-	-	87.0
Tax liabilities	-	-	-	39.9	39.9
Other liabilities	-	-	45.3	10.5	55.8
Accrued expenses and prepaid income	-	-	92.6	-	92.6
Total	**87.0**	**-**	**11,000.3**	**50.4**	**11,137.7**

	Parent				
	Financial assets and liabilities	**Loans and receivables**	**Other financial liabilities**	**Non financial assets and liabilities**	**Carrying value**
2016-12-31	*Fair value*	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	479.3	-	-	479.3
Lending to the public	-	10,145.5	-	-	10,145.5
Derivatives	38.8	-	-	-	38.8
Bonds and other interest-bearing securities	841.3	-	-	-	841.3
Shares and participations in associated companie	-	-	-	8.6	8.6
Intangible assets	-	-	-	43.9	43.9
Tangible assets	-	-	-	10.1	10.1
Other assets	-	1,406.7	-	126.0	1,532.7
Prepaid expenses and accrued income	-	16.4	-	10.8	27.2
Total	**880.1**	**12,047.9**	**-**	**199.4**	**13,127.4**
Liabilities					
Liabilities to credit institutions	-	-	2,440.2	-	2,440.2
Deposits from the public	-	-	9,504.4	-	9,504.4
Derivatives	58.5	-	-	-	58.5
Tax liabilities	-	-	-	29.5	29.5
Other liabilities	-	-	67.6	21.8	89.4
Accrued expenses and prepaid income	-	-	74.5	-	74.5
Total	**58.5**	**-**	**12,086.7**	**51.3**	**12,196.5**

	Parent				
	Financial assets and liabilities	**Loans and receivables**	**Other financial liabilities**	**Non financial assets and liabilities**	**Carrying value**
2015-12-31	*Fair value*	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*
Assets					
Lending to credit institutions	-	714.4	-	-	714.4
Lending to the public	-	9,692.1	-	-	9,692.1
Derivatives	61.9	-	-	-	61.9
Bonds and other interest-bearing securities	718.4	21.3	-	-	739.7
Shares and participations in associated companies	-	-	-	11.2	11.2
Intangible assets	-	-	-	39.1	39.1
Tangible assets	-	-	-	4.8	4.8
Other assets	-	13.7	-	164.2	177.9
Prepaid expenses and accrued income	-	15.6	-	5.5	21.1
Total	**780.3**	**10,457.1**	**-**	**224.8**	**11,462.2**
Liabilities					
Liabilities to credit institutions	-	-	3,293.7	-	3,293.7
Deposits from the public	-	-	7,186.8	-	7,186.8
Derivatives	42.9	-	-	-	42.9
Tax liabilities	-	-	-	38.0	38.0
Other liabilities	-	-	46.9	10.2	57.1
Accrued expenses and prepaid income	-	-	72.2	-	72.2
Total	**42.9**	**-**	**10,599.6**	**48.2**	**10,690.7**

Financial assets and liabilities are valued at fair value through profit or loss. 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.

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value since the post is not subject to significant value changes. Any currency change is recorded in the income statement. There is no material difference in lending to the public if all loans were lent to the interest rates per December 31st.

Method for determining the fair value of derivatives is described in the accounting principles. Bonds and other interest-bearing securities quoted in an active market are valued at fair value.

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

Financial assets at fair value

	Group							
	2016-12-31				2015-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives	-	107.8	-	107.8	-	104.2	-	104.2
Bonds / other interest-bearing securities	841.3	-	-	841.3	718.4	-	-	718.4
Total	**841.3**	**107.8**	**-**	**949.1**	**718.4**	**104.2**	**-**	**822.6**
Liabilities								
Derivatives	-	78.9	-	78.9	-	87.0	-	87.0
Total	**-**	**78.9**	**-**	**78.9**	**-**	**87.0**	**-**	**87.0**

	Parent							
	2016-12-31				2015-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivatives	-	38.8	-	38.8	-	61.9	-	61.9
Bonds / other interest-bearing securities	841.3	-	-	841.3	718.4	-	-	718.4
Total	**841.3**	**38.8**	**-**	**880.1**	**718.4**	**61.9**	**-**	**780.3**
Liabilities								
Derivatives	-	58.5	-	58.5	-	42.9	-	42.9
Total	**-**	**58.5**	**-**	**58.5**	**-**	**42.9**	**-**	**42.9**

Note 29 | Capital adequacy analysis - Parent company and Financial Group

For the establishment of statutory capital requirements, the Regulation (EU) 575/2013 (CRR) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms applies; and, European Directive (2013/36/EU) on access to the activity of credit institutions, 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.) 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 Bluestep Bank AB (publ), and the Financial Group. The Financial Group consists of the Company including the Branch, Bluestep Finans Funding No 1 AB, Bluestep Mortgage Securities No 2 DAC, Bluestep Mortgage Securities No 3 DAC, Bluestep Mortgage Securities No 4 DAC, Bluestep Servicing AB, Bluestep Bostadslån AB, Bluestep Capital Holdings Limited, Luxblue Holding I S.à.r.l., Luxblue Holding II S.à.r.l. och Engblue Holdings Limited.

The Company has an established capital planning for the next three 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 ICLAAP 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 the European Regulation 573/2013 on prudential requirements for credit institutions and investment firms (Supervisory), the SFSA's Regulations (FFFS 2014:12) regarding prudential requirements and capital buffers and the Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions.

Capital Adequacy	Financial Group 2016-12-31	Financial Group 2015-12-31	Parent 2016-12-31	Parent 2015-12-31
Total capital base	**914.7**	**746.3**	**886.9**	**732.4**
Common Equity Tier 1 (CET1) capital	**914.7**	**746.3**	**886.9**	**732.4**
Capital instruments and the related share premium accounts	601.8	601.8	463.7	463.7
Retained earnings	531.6	351.0	467.1	307.8
Accumulated other comprenhensive income	0.0	0.0	-	-
Intangible assets (net of related tax liability)	-218.7	-206.5	-43.9	-39.1
Additional Tier 1 capital	**-**	**-**	**-**	**-**
Tier 2 Capital	**-**	**-**	**-**	**-**
Risk Exposure Amount	**6,098.6**	**5,117.0**	**5,030.4**	**4,827.7**
Risk exposure amount credit risk	5,122.6	4,296.6	4,331.2	4,159.8
Risk exposure amount market risk	34.6	1.7	35.4	1.6
Risk exposure amount operational risk	661.0	644.4	634.3	624.5
Risk exposure amount credit valuation adjustment risk	280.3	174.3	29.5	41.8
Common Equity Tier 1 capital ratio, %	**15.00**	**14.58**	**17.63**	**15.17**
Tier 1 capital ratio, %	**15.00**	**14.58**	**17.63**	**15.17**
Total capital ratio, %	**15.00**	**14.58**	**17.63**	**15.17**

Capital Buffer Requirements %	Financial Group 2016-12-31	Financial Group 2015-12-31	Parent 2016-12-31	Parent 2015-12-31
CET1 capital requirement including buffer requirements	8.5	8.5	8.5	8.5
of which capital conservation buffer	2.5	2.5	2.5	2.5
of which countercyclical capital buffer	1.5	1.5	1.5	1.5
of which systemic risk buffer	-	-	-	-
CET1 capital available to meet buffer requirement	7.0	6.5	9.6	7.2

Capital requirement for credit risk

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

	Parent				
	2016-12-31				2015-12-31
Balance sheet items	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement
Governments or central banks	202.0	0%	-	-	-
Exposures to institutions	586.3	20%	117.3	9.4	3.2
Exposures to corporates	1,368.5	0%	0.6	0.0	0.9
Retail exposures	940.6	75%	705.4	56.4	41.5
Exposures to mortgages	9,082.8	36%	3,244.2	259.5	255.7
Exposures in default	138.3	100%	138.5	11.1	10.2
Exposures in the form of covered bonds	710.8	10%	71.1	5.7	5.1
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	11.5
Equity exposures	8.6	100%	8.6	0.7	-
Other exposures	45.5	100%	45.5	3.6	3.9
Securitisations	-	-	-	-	0.9
Total capital requirement for credit risk	**13,083.4**		**4,331.2**	**346.4**	**332.9**

Balance sheet items	Financial Group 2016-12-31 Exposed amount	Risk weight	Risk weighted amount	Capital requirement	2015-12-31 Capital requirement
Governments or central banks	203.0	0%	-	-	-
Exposures to institutions	1,073.2	20%	214.7	17.2	4.0
Exposures to corporates	0.0	100%	0.0	0.0	0.7
Retail exposures	940.6	75%	705.4	56.4	41.5
Exposures to mortgages	10,998.3	36%	3,942.3	315.4	255.3
Exposures in default	137.5	100%	137.7	11.0	10.2
Exposures in the form of covered bonds	710.8	10%	71.1	5.7	5.1
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	19.1
Equity exposures	-	-	-	-	-
Other exposures	51.4	100%	51.4	4.1	7.1
Securitisations	-	-	-	-	0.9
Total capital requirement for credit risk	**14,114.8**		**5,122.6**	**409.8**	**343.9**

Capital requirement for operational risk

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

	Financial Group 2016-12-31	Financial Group 2015-12-31	Parent 2016-12-31	Parent 2015-12-31
Relevant indicator	440.7	343.7	422.9	333.0
Of which 12% (prior to April 2016 it was 15% in accordance with the Basic Indicator Approach)	52.9	51.6	50.7	50.0
Total capital requirement for operational risk	**52.9**	**51.6**	**50.7**	**50.0**

Capital requirement for market risk

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

	Financial Group 2016-12-31	Financial Group 2015-12-31	Parent 2016-12-31	Parent 2015-12-31
Capital requirement for currency risks	2.8	0.1	2.8	0.1
Total capital requirement for market risk	**2.8**	**0.1**	**2.8**	**0.1**

Capital requirements for credit valuation adjustment risk

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

	Financial Group 2016-12-31	Financial Group 2015-12-31	Parent 2016-12-31	Parent 2015-12-31
Capital requirements for credit valuation adjustment risk	22.4	13.9	2.4	3.3
Total capital requirement for credit valuation adjustment risk	**22.4**	**13.9**	**2.4**	**3.3**
Total Pillar 1 capital requirement	**487.9**	**409.4**	**402.3**	**386.2**
Capital adequacy ratio (capital base/capital requirement)	**1.87**	**1.82**	**2.20**	**1.90**

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

Note 30 | Related parties

Assets and liabilities	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Intercompany receivables	0.4	-	1,368.5	377.9
Intercompany payables	12.4	12.2	16.2	12.4

Incomes and expenses	Group		Parent	
	2016	2015	2016	2015
Interest and Commission income	0.7	0.7	149.3	160.2
Financial expense	-	-	-26.2	-17.8
Total	**0.7**	**0.7**	**123.1**	**142.4**

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 Designated Activity Company, organisational number 522186, with domicile in Dublin,
- Bluestep Mortgage Securities No 3 Designated Activity Company, organisational number 550839, with domicile in Dublin,
- Bluestep Mortgage Securities No 4 Designated Activity Company, organisational number 596111, with domicile in Dublin
- Bluestep Servicing AB, organisational number 556955-3927, with domicile in Stockholm.

Senior officials

See Note 10 Salaries and remuneration. 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 other companies within the group.

Commission income

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

Note 31 | Pledged assets, contingent liabilities and commitments

	Group		Parent	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Pledged assets for own liabilities				
Shares and participations in associated companies	None	None	None	None
Assets in Bluestep Finans Funding No 1 AB	1,967.6	None	None	None
Other assets pledged and pledged collateral				
Assets pledged for financial instruments	93.5	130.9	93.5	130.9
Contingent liabilities				
Contingent liabilities	None	None	None	None
Commitments	None	None	None	None

Note 32 | Subsequent events

In March 2017, the Company completed a 2 986,1m securitisation transaction through the wholly owned subsidiary Bluestep Mortgage Securities No 4 DAC. Mortgage loans to a corresponding value were sold partly from the Company and partly from Bluestep Finans Funding No 1 Limited to Bluestep Mortgage Securities No 4 DAC. The purchase of loans was funded by issuance of notes which comprise of Class A, Class B and Class Z notes, denominated in both EUR and SEK. The Company holds 436.2m of Class Z notes. The Group's credit facility was repaid and cancelled when the securitisation transaction was completed.

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 four Full Time Executive Directors.

John Maltby

Chairman of the Board

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 Sweden since 2008

Patrik Johnson

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

Rolf Stub

Member of the Board and Chief operating officer for the Norwegian branch since 2012

David Torpey

Member of the Board

Öyvind Thomassen

Member of the Board and Chief Executive Officer since 2016

Carl Sundvik

Member of the Board and member of the Audit Committee

Senior Management

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

Anna Bofeldt

Chief Marketing Officer, Marketing & BDM

Christian Jonsson

Chief Legal Officer

Daniel Garcia

Risk Manager

Erik Lind

Chief Information Officer, Systems & IT

Jan Ilseth

Head of Sales Unsecured Lending/Affinity Manager, Personal Loan

Jonas Brenner

Head of Strategy and Business Control

Karin Gustafsson

Human Resource Manager

Nicolas Adlercreutz

Chief Financial Officer

Peter Gertman

Chief Operating Officer Sweden

Rolf Stub

Branch Manager Norway

Öyvind Thomassen

Chief Executive Officer

BlueStep Bank

www.bluestep.se

BLUESTEP BANK AB (PUBL) | SVEAVÄGEN 163 | SE-104 35 STOCKHOLM

ORG.NR. 556717-5129 | DOMICILE: STOCKHOLM