

Interim Report

January-June 2017



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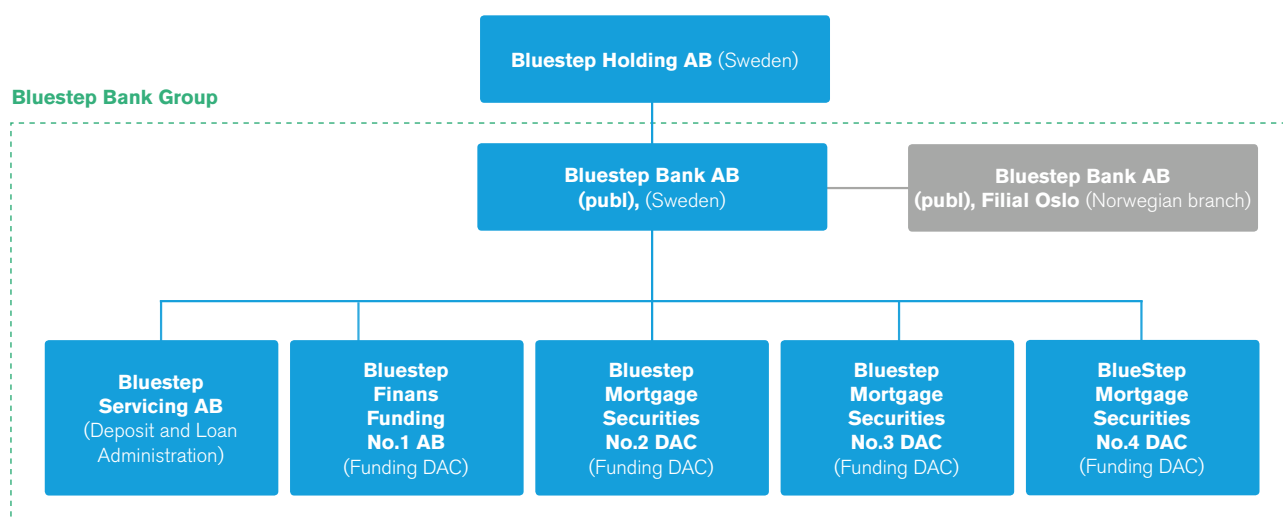


Bluestep Bank AB (publ), is a banking company under the supervision of the Swedish Financial Supervisory Authority (the "Swedish FSA"). The company's head office is located at Sveavägen 163, 104 35 Stockholm, Sweden.

DISCLOSURES **P.9**

Administration report

Bluestep Bank AB (publ), org no 556717-5129 with registered offices in Stockholm, Sweden, hereby presents the interim accounts and group accounts for the period 2017 01 01—2017 06 30. The group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB, org no 556791-6928 with registered offices in Stockholm, Sweden, 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, and Bluestep Servicing AB, org no 556955-3927 with registered offices in Stockholm, Sweden.



Ownership and definitions

The ownership structure and its definitions used is detailed below:

- Bluestep Holding AB ("BHAB") (name changed from Bluestep Bostadslån AB in 2017)
 - 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 is stated for the legal entity Bluestep Bank AB or the Financial Group, which is reported to the Swedish FSA. The Financial Group consists of Luxblue Holdings I Sàrl, Luxblue Holdings II Sàrl, Engblue Holdings Ltd, Bluestep Capital Holdings Ltd, BHAB, the Company, the Branch, BSAB, BFF1, Step 2, Step 3, and Step 4.

Significant events during the year

In March 2017, the Company completed a SEK 2,986m securitisation transaction through the wholly owned subsidiary Step 4. The Group's credit facility was repaid and cancelled when the securitisation transaction was completed.

Financial review

Operating income, and profit and loss

The Group's net interest income amounted to SEK 310m (SEK 270m), and the operating income during the financial period increased by 13.1% to SEK 319m (SEK 282m). The comprehensive profit for the period increased by 7.2% to SEK 79m (SEK 74m). The main events affecting the profit and loss for the period was:

- The increase in the Group's net interest income and operating income is due to the increased lending to the public.
- General administration expenses increased to SEK 178m (SEK 162m), which is due to organic growth in the business..
- Net credit losses for the period amounted to SEK 21m (SEK 15m).

Provisions for bad debt had a net effect of SEK -5m (SEK -1m) on the net earnings during the period; and actual losses had a negative effect of SEK 36m (SEK 28m).

Lending

The Group's total loan portfolio increased by 6.5% during the first six months and amounted as of period end to SEK 12,854m (SEK 12,069m as of 2016-12-31). The loan portfolio, as of period end, amounted to SEK 8,032m (SEK 7,788m as of 2016-12-31) in Sweden Mortgages, SEK 3,800m (SEK 3,347m as of 2016-12-31) in Norway Mortgages, and SEK 1,022m (SEK 934m as of 2016-12-31) in private loans.

Deposits

The deposit operations are focused on offering customers competitive return on long and short term savings through a number of deposit products with different maturities. Deposits to the public as end of period amounted to SEK 9,253m (SEK 9,504m as of 2016-12-31), a decrease of 2.7%, of which the balance in Norway amounted to SEK 5,020m (SEK 4,425m as of 2016-12-31).

All deposit products are covered and approved by Riksgälden (The Swedish National Debt Office) and are therefore covered by the Swedish government deposit guarantee scheme, which amounts to SEK 950,000. The Norwegian Branch is in addition a member of Bankenes Sikringsfond (The Norwegian Banks' Guarantee Fund) as well, meaning that deposits in Norway is guaranteed up to NOK 2,000,000.

Financing

In March 2017, the Company completed a cirka SEK 3bn securitisation transaction through the wholly owned subsidiary Step 4. Mortgage loans to a corresponding value were sold partly from the Company and partly from BFF1 to Step 4. 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 Group's credit facility was repaid and cancelled when the securitisation transaction was completed.

Liquidity

As of period end, the Group's excess liquidity amounted to SEK 2,286m (SEK 2,077m as of 2016-12-31). The amount consists of placements at credit institutions of SEK 1,577m (SEK 835m as of 2016-12-31), placements in Swedish and Norwegian covered bonds of SEK 564m (SEK 703m as of 2016-12-31), bonds issued by the Swedish and Norwegian government of SEK 144m (SEK 138m as of 2016-12-31), and bonds issued by other European governments of SEK 1m (SEK 1m as of 2016-12-31).

The Liquidity Coverage Ratio ("LCR") for all currencies combined was at period end 315% (263% as of 2016-12-31) for the Company.

Staff

The average number of employees in the Group during the period amounted to 194 (187 for 2016) of which 45 (39 for 2016) were employed by the Norwegian Branch. The increase in number of employees is mainly related to organic growth in the business.

Multi-year summary

Key figures the Group	2017 H1	2016	2015	2014	2013	2012
Net Profit after Tax (SEK m)	82.0	163.2	115.6	113.0	88.2	28.8
Gross Income / Lending to the public*	7.4%	7.4%	7.8%	7.8%	8.3%	8.4%
Cost of Funds / Funding balance*	-2.3%	-2.1%	-2.5%	-2.3%	-2.5%	-3.3%
Operating Income / Lending to the Public*	5.1%	5.4%	5.3%	5.3%	6.3%	5.1%
Net Income Pre Credit Losses / Lending to the Public *	2.1%	2.2%	2.0%	1.5%	2.3%	1.1%
Net Income Post Credit Losses / Lending to the public*	1.7%	2.0%	1.7%	1.9%	1.8%	0.7%
Return on Equity*	17.0%	19.4%	16.8%	20.1%	19.1%	7.6%
Return on Assets*	1.5%	1.6%	1.4%	1.5%	1.3%	0.5%
Liquidity Reserve (SEK m)**	2,285.5	2,076.7	1,803.3	1,699.5	2,002.5	2,103.0
Deposits from the public (SEK m)	9,252.5	9,504.4	7,186.8	7,201.0	6,601.3	7,029.0
External Funding (SEK m)	4,998.2	3,404.0	3,675.6	1,971.7	1,763.3	290.0
Lending portfolio (SEK m)	13,162.5	12,366.0	9,918.0	8,344.0	6,883.0	5,680.1
Credit losses (SEK m)	-15.7	-27.6	-36.4	-27.2	-18.5	-21.0
Leverage Ratio	6.3%	6.5%	6.3%	6.1%	5.6%	5.1%
Average number of employees	194	187	176	153	134	111

*Key figures related to 2017 H1 are recalculated to full year numbers.

** 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.

Income statement

SEK Millions	Group			Parent		
	Jan-Jun 2017	Jan-Jun 2016	Full year 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Operating income						
Interest income	467.8	395.2	819.3	462.8	413.4	873.8
Interest expense	-157.7	-125.5	-271.5	-251.4	-200.1	-442.3
Net interest income	310.1	269.7	547.8	211.4	213.3	431.5
Group contributions	-	-	-	13.8	-	8.0
Commission income	0.1	0.1	0.3	0.1	0.1	0.3
Net result of financial transactions	1.3	5.6	21.6	1.4	4.8	14.8
Other operating income	7.1	6.2	13.7	5.2	4.7	10.3
Total operating income	318.6	281.6	583.4	231.9	222.9	464.9
Operating expense						
General administration expenses	-178.0	-161.7	-326.8	-89.2	-103.0	-215.1
Depreciation on fixed assets	-10.9	-7.8	-20.4	-9.0	-7.5	-19.1
Total expenses	-188.9	-169.5	-347.2	-98.2	-110.5	-234.2
Result pre credit losses	129.7	112.1	236.2	133.7	112.4	230.7
Credit losses, net	-21.0	-14.5	-24.0	-19.8	-14.5	-24.4
Operating profit/loss	108.7	97.6	212.2	113.9	97.9	206.3
Tax	-26.7	-23.5	-49.0	-26.4	-22.7	-47.6
NET PROFIT/LOSS FOR THE PERIOD	82.0	74.1	163.2	87.5	75.2	158.7
Statement of Comprehensive Income						
Net income	82.0	74.1	163.2	87.5	75.2	158.7
Items that may be reclassified to the income statement	-	-	-	-	-	-
Exchange differences, foreign operations	-2.6	-0.0	0.7	-2.6	-0.0	0.7
COMPREHENSIVE PROFIT/LOSS	79.4	74.1	163.9	84.9	75.2	159.4

Balance sheet

SEK Millions	Group			Parent		
	2017-06-30	2016-06-30	2016-12-31	2017-06-30	2016-06-30	2016-12-31
Assets						
Lending to credit institutions	1,576.6	1,304.1	835.4	887.9	979.2	479.3
Lending to the public	12,854.2	10,731.9	12,068.6	12,854.2	10,731.9	10,145.5
Derivatives	112.5	97.7	107.8	31.4	47.2	38.8
Bonds and other interest-bearing securities	708.9	836.7	841.3	708.8	836.7	841.3
Shares and participations in associated companies	-	-	-	8.6	8.6	8.6
Intangible assets	57.6	46.2	53.9	42.2	44.1	43.9
Tangible assets	10.2	8.4	11.6	8.5	7.8	10.1
Other assets	164.8	184.4	170.0	177.0	164.9	1,532.7
Prepaid expenses and accrued income	39.8	32.0	28.4	37.8	30.9	27.2
Total assets	15,524.6	13,241.4	14,117.0	14,756.4	12,851.3	13,127.4
Liabilities						
Liabilities to credit institutions	-	-	600.0	4,266.0	2,842.7	2,440.2
Issued bonds	4,998.2	3,214.3	2,804.0	-	-	-
Deposits from the public	9,252.5	8,896.1	9,504.4	9,252.5	8,896.1	9,504.4
Derivatives	62.5	87.5	78.9	43.9	63.7	58.5
Tax liabilities	25.5	35.8	31.4	26.8	35.5	29.5
Other liabilities	88.3	82.7	86.4	89.2	87.1	89.4
Accrued expenses and prepaid income	96.0	92.5	89.6	62.3	79.5	74.5
Total liabilities	14,523.0	12,408.9	13,194.7	13,740.7	12,004.6	12,196.5
Equity						
Share capital	-	-	-	100.0	100.0	100.0
Shareholder contributions received	-	-	-	363.7	363.7	363.7
Profit and loss account reserve brought forward	-	-	-	464.5	307.8	308.5
Result for this period	-	-	-	87.5	75.2	158.7
Shareholders' equity	1,001.6	832.5	922.3	-	-	-
Total equity	1,001.6	832.5	922.3	1,015.7	846.7	930.9
Total equity and liabilities	15,524.6	13,241.4	14,117.0	14,756.4	12,851.3	13,127.4

Changes in equity

Group

SEK Millions	Shareholders' equity			
	Share capital	Shareholder contributions*	Retained earnings	Total equity
Opening balance 2016-01-01	100.0	363.7	294.7	758.4
Result for the period reported via income statement			74.1	74.1
Exchange differences, foreign operations			-0.0	-0.0
Ending balance 2016-06-30	100.0	363.7	368.8	832.5
Opening balance 2016-01-01	100.0	363.7	294.7	758.4
Result for the period 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
Opening balance 2017-01-01	100.0	363.7	458.6	922.3
Result for the period reported via income statement			82.0	82.0
Exchange differences, foreign operations			-2.7	-2.7
Ending balance 2017-06-30	100.0	363.7	537.9	1,001.6

* All shareholder contributions are conditional shareholders' contributions.

Parent

SEK Millions	Shareholders' equity			
	Share capital	Shareholder contributions*	Retained earnings	Total equity
Opening balance 2016-01-01	100.0	363.7	307.8	771.5
Result for the period reported via income statement			75.2	75.2
Tax Group contribution			-0.0	-0.0
Ending balance 2016-06-30	100.0	363.7	383.0	846.7
Opening balance 2016-01-01	100.0	363.7	307.8	771.5
Result for the period reported via income statement			158.6	158.6
Exchange differences, foreign operations			0.8	0.8
Ending balance 2016-12-31	100.0	363.7	467.2	930.9
Opening balance 2017-01-01	100.0	363.7	467.2	930.9
Result for the period reported via income statement			87.5	87.5
Exchange differences, foreign operations			-2.7	-2.7
Ending balance 2017-06-30	100.0	363.7	552.0	1,015.7

* All shareholder contributions are conditional shareholders' contributions.

Cash flow statement

SEK Millions	Group			Parent		
	Jan-Jun 2017	Jan-Jun 2016	Full year 2016	Jan-Jun 2017	Jan-Jun 2016	Full year 2016
Operating activities						
Pre tax income	108.7	97.6	212.2	113.9	97.9	206.3
	108.7	97.6	212.2	113.9	97.9	206.3
Adjustments for items not included in cash flow						
Depreciation	10.9	7.8	20.4	9.0	7.5	19.1
Unrealised changes in value	-1.3	-5.6	-21.6	-1.4	-4.8	-14.8
Credit losses excluding recoveries	41.3	29.5	56.9	40.1	29.5	57.4
Total – Items not included in cash flow	50.9	31.7	55.7	47.7	32.2	61.7
Taxes paid	-32.6	-27.5	-57.6	-29.1	-25.2	-56.1
Cash flow from current operations before changes to operating capital	127.0	101.8	210.3	132.5	104.9	211.9
Cash flow from changes to operating capital						
Increase (-)/decrease (+) of lending to the public	-826.9	-1,083.8	-2,433.4	-2,748.8	-1,069.3	-510.8
Increase (-)/decrease (+) of change in receivables	-10.9	6.2	26.5	1,352.4	18.7	-1,337.7
Increase (+)/decrease (-) of deposits from the public	-251.9	1,709.3	2,317.6	-251.9	1,709.3	2,317.6
Increase (+)/decrease(-) of change in short term liabilities	-8.1	54.1	19.5	-27.0	72.4	50.1
Cash flow from operating activities	-970.8	787.6	140.5	-1,542.8	836.0	731.1
Investing activities						
Investments in intangible assets	-13.0	-11.9	-30.2	-6.0	-11.9	-21.7
Acquisition of fixed assets	-0.3	-4.0	-9.0	0.3	-4.0	-7.5
Increase (-)/decrease (+) of financial assets	133.7	-91.4	-80.0	133.9	-92.2	-84.2
Cash flow from investing activities	120.4	-107.3	-119.2	128.2	-108.1	-113.4
Financing activities						
Liabilities to credit institutions	-600.0	-	600.0	1,825.8	-463.1	-853.6
Issued bonds	2,194.2	-461.2	-871.6	-	-	-
Cash flow from financing activities	1,594.2	-461.2	-271.6	1,825.8	-463.1	-853.6
NET CASH FLOW FOR THIS PERIOD	743.8	219.1	-250.3	411.2	264.8	-235.9
Liquid funds at beginning of year	835.4	1,085.0	1,085.0	479.3	714.4	714.4
Currency difference i liquidity	-2.6	-0.0	0.7	-2.6	-0.0	0.7
LIQUID FUNDS END OF PERIOD	1,576.6	1,304.1	835.4	887.9	979.2	479.2
Cash flow includes interest receipts of	468.0	417.4	815.3	464.5	435.6	874.0
Cash flow includes interest payments of	-117.7	-104.0	-296.2	-211.4	-178.6	-467.0



Disclosures

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

Note 1 | Accounting principles

This interim report is prepared according to IAS 34, Interim Financial Reporting. The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and interpretations of them and the regulations and general advice issued by the Swedish FSA, FFFS 2008:25. The consolidated financial statements also apply recommendation RFR 1 Complementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, and the law (1995:1559), Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL).

The accounting principles for the Parent Company is prepared according to the law (1995:1559), Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and FSA

regulations and general advice on the Annual Report of banks and securities companies (FFFS 2008:25) in accordance with all amended regulations, and the council of Financial Reporting Recommendation RFR 2, Accounting for Legal Entities.

The interim report applies the accounting principles and method of calculation as stated in the annual report of 2016, note 1. There have been no material changes in accounting principles and methods of calculations since the annual report of 2016 was published.

New or updated IFRS standards are expected during coming financial year, but have not been applied prematurely in this year's financial reports. For more information regarding this, please see the annual report of 2016.

Note 2 | Risk management

Risk profile

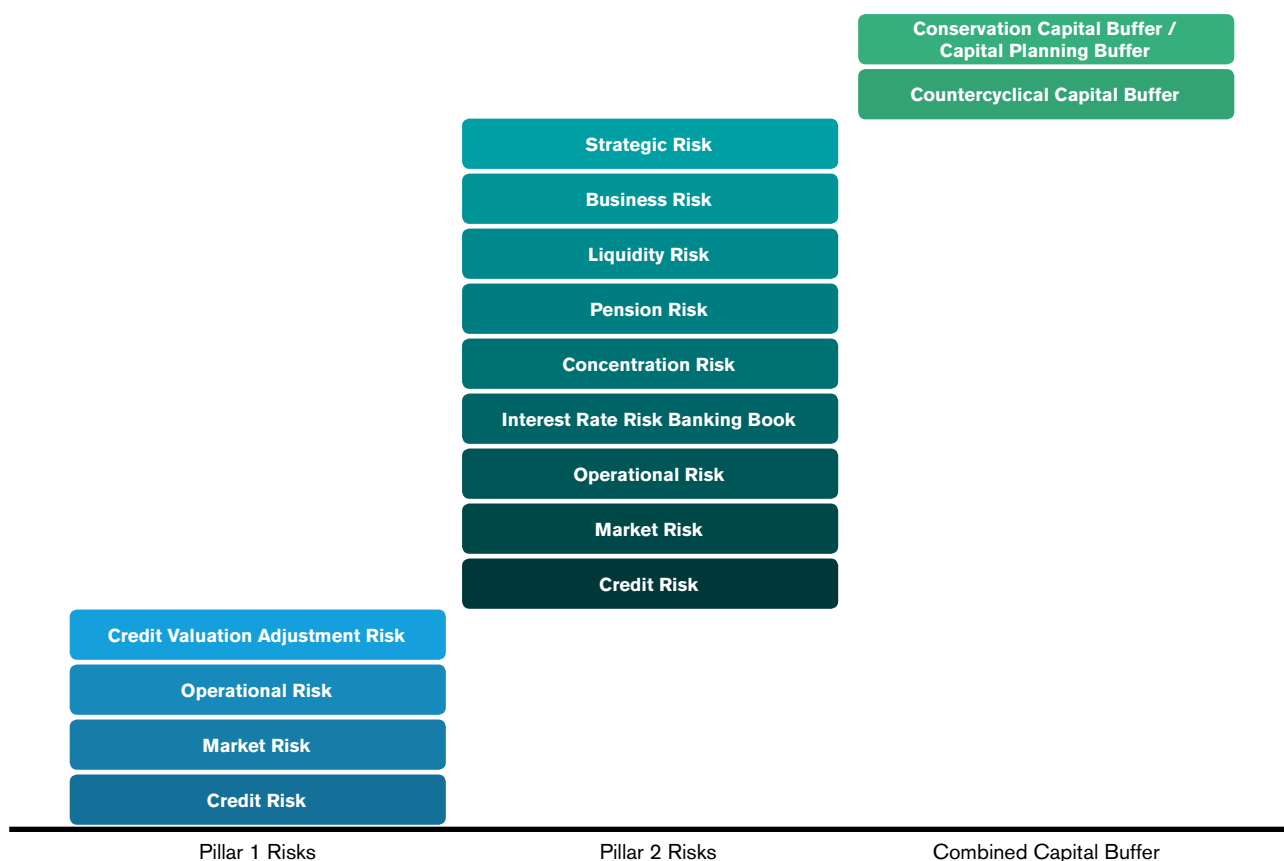
The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder returns. The Company's risk management framework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

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;
- (i) 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,
- (ii) effective processes and policies are a critical component of the Company's risk management capability.



An overview of the most important identified risks and their capital requirements.

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 supplemented by two management committees, namely the Risk and Compliance Committee ("RiCO") and the Asset and Liability Management Committee ("ALCO"). The RiCO aims to improve and promote a strong risk management culture, processes and controls within the Company by assisting the business in the management of operational and compliance risks. The work conducted by the RiCO is also complemented with the New Product and Approval Process ("NPAP") where risks related to new or changed products, processes or systems are presented, analysed and assessed. The ALCO assists the business in the management of balance-sheet related risks. These risks are mainly interest rate risk, liquidity risk, foreign exchange risk and credit risk.

For further information about the Company's risk management, see Note 2 "Risk management" in the annual report for 2016.

Internal Capital and Liquidity Adequacy Assessment Process

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

Note 3 | 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 the Company's capital adequacy policy.

In this note, the Company discloses information regarding Bluestep Bank AB (publ), and the Financial Group. For further information about ownership structure, see section "Administration report".

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 interim 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			Parent		
	2017-06-30	2016-06-30	2016-12-31	2017-06-30	2016-06-30	2016-12-31
Total capital base	967.3	819.7	914.7	973.6	802.7	886.9
Common Equity Tier 1 (CET1) capital	967.3	819.7	914.7	973.6	802.7	886.9
Capital instruments and the related share premium accounts	601.8	601.8	601.8	463.7	463.7	463.7
Retained earnings	588.0	429.0	531.6	552.1	383.1	467.1
Accumulated other comprehensive income	0.0	0.0	0.0	-	-	-
Intangible assets (net of related tax liability)	-222.5	-211.1	-218.7	-42.2	-44.1	-43.9
Additional Tier 1 capital	-	-	-	-	-	-
Tier 2 Capital	-	-	-	-	-	-
Risk Exposure Amount	6,668.3	5,685.0	6,098.6	6,228.7	5,266.7	5,030.4
Risk exposure amount credit risk	5,579.5	4,808.6	5,122.6	5,420.7	4,613.1	4,331.2
Risk exposure amount market risk	66.0	15.9	34.6	67.1	17.0	35.4
Risk exposure amount operational risk	773.9	661.0	661.0	719.2	634.3	634.3
Risk exposure amount credit valuation adjustment risk	248.8	199.5	280.3	21.6	2.4	29.5
CET 1 capital ratio, %	14.51%	14.42%	15.00%	15.63%	15.24%	17.63%
Tier 1 capital ratio, %	14.51%	14.42%	15.00%	15.63%	15.24%	17.63%
Total capital ratio, %	14.51%	14.42%	15.00%	15.63%	15.24%	17.63%

Capital Buffer Requirements %	Financial Group			Parent		
	2017-06-30	2016-06-30	2016-12-31	2017-06-30	2016-06-30	2016-12-31
Institution specific buffert requirement	4.36%	4.00%	4.00%	4.36%	4.00%	4.00%
of which capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
of which countercyclical capital buffer	1.86%	1.50%	1.50%	1.86%	1.50%	1.50%
of which systemic risk buffer	-	-	-	-	-	-
of which: G-SII or O-SII buffer	-	-	-	-	-	-
CET1 available to meet buffers	6.51%	6.42%	7.00%	7.63%	7.24%	9.63%

Capital requirement for credit risk

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

	Parent					
	2017-06-30				2016-06-30	2016-12-31
Balance sheet items	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement	Capital requirement
Governments or central banks	239.4	0%	-	-	-	-
Exposures to institutions	962.9	20%	194.5	15.6	19.0	9.4
Exposures to corporates	18.7	26%	4.9	0.4	0.0	0.0
Retail exposures	1,029.7	75%	772.3	61.8	48.7	56.4
Exposures to mortgages	11,686.4	36%	4,180.5	334.4	281.9	259.5
Exposures in default	156.1	100%	156.6	12.5	10.1	11.1
Exposures in the form of covered bonds	565.9	10%	56.6	4.5	5.6	5.7
Claims on institutions and corporates with a short-term credit assessment	-	0%	-	-	-	-
Equity exposures	8.6	100%	8.6	0.7	0.7	0.7
Other exposures	46.7	100%	46.7	3.7	3.0	3.6
Securitisations	-	0%	-	-	-	-
Total capital requirement for credit risk	14,714.4		5,420.7	433.6	369.0	346.4

	Financial Group					
	2017-06-30				2016-06-30	2016-12-31
Balance sheet items	Exposed amount	Risk weight	Risk weighted amount	Capital requirement	Capital requirement	Capital requirement
Governments or central banks	242.6	0%	-	-	-	-
Exposures to institutions	1,785.7	20%	359.1	28.7	33.6	17.2
Exposures to corporates	0.0	100%	0.0	0.0	0.5	0.0
Retail exposures	1,029.7	75%	772.3	61.8	48.7	56.4
Exposures to mortgages	11,677.4	36%	4,177.3	334.2	281.5	315.4
Exposures in default	156.0	100%	156.6	12.5	10.1	11.0
Exposures in the form of covered bonds	565.9	10%	56.6	4.5	5.6	5.7
Claims on institutions and corporates with a short-term credit assessment	-	0%	-	-	-	-
Equity exposures	-	0%	-	-	-	-
Other exposures	57.7	100%	57.7	4.6	4.7	4.1
Securitisations	-	0%	-	-	-	-
Total capital requirement for credit risk	15,515.0		5,579.6	446.3	384.7	409.8

Capital requirement for operational risk

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

	Financial Group				Parent	
	2017-06-30	2016-06-30	2016-12-31		2016-06-30	2016-12-31
Relevant indicator	516.0	440.7	440.7	479.5	422.9	422.9
of which 12%	61.9	52.9	52.9	57.5	50.7	50.7
Total capital requirement for operational risk	61.9	52.9	52.9	57.5	50.7	50.7

Capital requirement for market risk

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

	Financial Group				Parent	
	2017-06-30	2016-06-30	2016-12-31		2016-06-30	2016-12-31
Capital requirement for currency risks	5.3	1.3	2.8	5.4	1.4	2.8
Total capital requirement for market risk	5.3	1.3	2.8	5.4	1.4	2.8

Capital requirements for credit valuation adjustment risk

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

	Financial Group				Parent	
	2017-06-30	2016-06-30	2016-12-31		2016-06-30	2016-12-31
Capital requirements for credit valuation adjustment risk	19.9	16.0	22.4	1.7	0.2	2.4
Total capital requirement for credit valuation adjustment risk	19.9	16.0	22.4	1.7	0.2	2.4
Total Pillar 1 capital requirement	533.4	454.9	487.9	498.2	421.3	402.3

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

Note 4 | Operating segments

Income statement 2017 Jan-Jun	Group				Total
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	
Interest income	286.2	155.9	56.8	-31.1	467.8
Interest expense	-115.1	-55.6	-6.0	19.0	-157.7
Net interest income	171.1	100.3	50.8	-12.1	310.1
Total operating income	178.3	102.6	50.8	-13.1	318.6
Total expenses	-113.7	-61.5	-26.8	13.1	-188.9
Result pre credit losses	64.6	41.1	24.0	0	129.7
Credit losses, net	-2.1	-3.0	-15.9	-	-21.0
Operating profit/loss	62.5	38.1	8.1	0	108.7
Allocated tax	-15.3	-9.5	-1.9	-	-26.7
Net profit/loss for the period	47.2	28.6	6.2	0	82.0

Income statement 2016 Jan-Jun	Group				Total
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	
Interest income	253.9	116.5	46.1	-21.3	395.2
Interest expense	-99.6	-36.4	-4.3	14.8	-125.5
Net interest income	154.3	80.1	41.8	-6.5	269.7
Total operating income	162.4	84.0	41.8	-6.6	281.6
Total expenses	-101.5	-53.3	-21.3	6.6	-169.5
Result pre credit losses	60.9	30.7	20.5	0	112.1
Credit losses, net	-2.7	-2.4	-9.4	-	-14.5
Operating profit/loss	58.2	28.3	11.1	0	97.6
Allocated tax	-16.2	-7.3	-	-	-23.5
Net profit/loss for the period	42.0	21.0	11.1	0	74.1

Income statement 2016 full year	Group				Total
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	
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	236.2
Credit losses, net	-2.6	-3.1	-18.3	-	-24.0
Operating profit/loss	123.6	64.0	24.6	0	212.2
Allocated tax	-30.0	-16.2	-2.8	-	-49.0
Net profit/loss for the period	93.6	47.8	21.8	0	163.2

	Group				Total
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	
Balance sheet 2017-06-30					
Lending to credit institutions	984.1	592.5	-	-	1,576.6
Lending to the public	8,032.2	3,800.5	1,021.5	-	12,854.2
Deposits from the public	4,232.9	5,019.6	-	-	9,252.5

	Group				Total
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	
Balance sheet 2016-06-30					
Lending to credit institutions	588.6	715.5	-	-	1,304.1
Lending to the public	7,277.5	2,649.3	805.1	-	10,731.9
Deposits from the public	5,254.7	3,641.4	-	-	8,896.1

	Group				Total
	Mortgages Sweden	Mortgages Norway	Other operations	Eliminations, reclassifications	
Balance sheet 2016-12-31					
Lending to credit institutions	633.8	201.6	-	-	835.4
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

The operating segment report is based on the Group's accounting policies, organisation and management accounting. Income that is not directly attributable to an operating segment is allocated to the segments using metrics deemed by the management to give a fair distribution. Cross border transfer pricing is applied in accordance with OECD transfer pricing guidelines.

The chief decision maker in the organisation is the CEO. COO Sweden and COO Norway report to the CEO. COO Sweden's responsibilities include mortgages and private loans in Sweden. The prior is its own operating segment, and the latter is included under Other operations. COO Norway's responsibilities include mortgages in Norway, which is one operating segment.

Each COO control their operations from clearly stated objectives regarding their development of new lending, loan portfolio, income and expenses, and their respective KPI's. Furthermore, the operations strive towards improved quality and cost-effectiveness by increasing process efficiency.

The mortgage business is the main operation, and is divided into Mortgages Sweden and Mortgages Norway. All companies within the group managing mortgages in Sweden (the Company, BFF1, Step 2, Step 3, Step 4) and providing support functions (BSAB) are included in Mortgages Sweden. Mortgages Norway are operated through the Branch. Other operations include private loans, which are managed within the Company in Sweden.

Note 5 | Calculation of fair value

Financial assets at fair value

The methods for determining the value of all financial assets and liability within the Group adhere to a hierarchy. This hierarchy reflect observable prices or other information used in the valuation methods. A judgment is made each quarter to determine if valuations refer to noted prices representing actual and regularly occurring transactions or not. Transactions between different levels in the hierarchy may happen when there are indications that the market conditions, e.g. liquidity, have changed. No reclassifications have occurred during the first half year of 2017.

Level 1 use valuation of quoted prices in an active market, i.e. easily accessible by different market makers and represent actual and frequent transactions. Level 2 use calculated values that are based on observable market quotations for similar instruments, or instruments on a less active market. This level include interest bearing instruments, interest rate swaps, and cross-currency swaps. No financial assets or liabilities are included in level 3.

	Group											
	2017-06-30				2016-06-30				2016-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Derivatives	-	112.5	-	112.5	-	97.7	-	97.7	-	107,8	-	107,8
Bonds / other interest-bearing securities	708.9	-	-	708.9	836.7	-	-	836.7	841,3	-	-	841,3
Total	708.9	112.5	-	821.4	836.7	97.7	-	934.4	841,3	107,8	-	949,1
Liabilities												
Derivatives	-	62.5	-	62.5	-	87.5	-	87.5	-	78,9	-	78,9
Total	-	62.5	-	62.5	-	87.5	-	87.5	-	78,9	-	78,9

	Parent											
	2017-06-30				2016-06-30				2016-12-31			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets												
Derivatives	-	31.4	-	31.4	-	47.2	-	47.2	-	38.8	-	38.8
Bonds / other interest-bearing securities	708.8	-	-	708.8	836.7	-	-	836.7	841.3	-	-	841.3
Total	708.8	31.4	-	740.2	836.7	47.2	-	883.9	841.3	38.8	-	880.1
Liabilities												
Derivatives	-	43.9	-	43.9	-	63.7	-	63.7	-	58.5	-	58.5
Total	-	43.9	-	43.9	-	63.7	-	63.7	-	58.5	-	58.5

Note 6 | Related parties

Assets and liabilities	Group			Parent		
	2017-06-30	2016-12-31	2017-06-30	2017-06-30	2016-12-31	2017-06-30
Intercompany receivables	0.2	0.3	0.4	18.7	0.3	1,368.5
Intercompany payables	12.4	12.4	12.4	14.8	18.1	16.2

Income and expenses	Group			Parent		
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2016
Interest and Commission income	0.4	0.3	0.7	109.9	77.5	149.3
Financial expense	-	-	-	-9.6	-10.5	-26.2
Total	0.4	0.3	0.7	100.3	67.0	123.1

Related parties

Related parties for the group refers to:

- Bluestep Capital Holdings Limited, org no 89093, with domicile in Jersey, and
- Bluestep Holding AB, org no 556668-9575, with domicile in Stockholm.

Related parties for the Company refers to:

- Bluestep Capital Holdings Limited, org no 89093, with domicile in Jersey,
- Bluestep Holding AB, org no 556668-9575, with domicile in Stockholm,
- Bluestep Finans Funding No 1 AB, org no 556791-6928, with domicile in Stockholm,
- Bluestep Mortgage Securities No 2 Designated Activity Company, org no 522186, with domicile in Dublin,
- Bluestep Mortgage Securities No 3 Designated Activity Company, org no 550839, with domicile in Dublin,
- Bluestep Mortgage Securities No 4 Designated Activity Company, org no 596111, with domicile in Dublin,
- Bluestep Servicing AB, org no 556955-3927 with domicile in Stockholm.

Senior officials

See Note 10 "Salaries and remuneration" in the annual report for 2016 for details. No other transactions with senior officials has occurred during the period.

Interest income

The interest income relates 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 7 | Pledged assets, contingent liabilities and commitments

	Group			Parent		
	2017-06-30	2016-06-30	2016-12-31	2017-06-30	2016-06-30	2016-12-31
Pledged assets for own liabilities						
Shares and participations in associated companies	None	None	None	None	None	None
Assets in Bluestep Finans Funding No 1 AB	14.6	7.4	1,967.6	None	None	None
Other assets pledged and pledged collateral						
Assets pledged for financial instruments	88.0	95.0	93.5	88.0	95.0	93.5
Contingent liabilities						
Contingent liabilities	None	None	None	None	None	None
Commitments	None	None	None	None	None	None

Note 8 | Parent company information

Bluestep Bank AB is a wholly owned subsidiary of Bluestep Holding AB, 556668-9575, Stockholm where consolidated group accounts are prepared. Bluestep Holding AB is part of a group where Bluestep Capital Holdings Limited, 89093, with registered office

in Jersey, is the parent company and prepares consolidated group accounts for the largest group of which the Bluestep Bank AB is a subsidiary.

Note 9 | Subsequent events

EQT, a leading private equity group in Northern Europe, entered into an agreement via their EQT VII fund in July 2017 to acquire Bluestep Holding AB. The transaction is subject to ownership approval from

the Swedish Financial Supervisory Authority and from the Swedish Competition Authority, and is expected to close during fourth quarter of 2017.



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