ANNUAL REPORT 2009

BlueStep
FINANS

Annual Report

Bluestep Finans AB
(556717-5129)

2009-01-01 – 2009-12-31

The Board of Directors and the Managing Director of Bluestep Finans AB hereby present the annual accounts for the financial year 2009.

ADMINISTRATION REPORT

Organisation and operation
Bluestep Finans AB (”BFAB”) is a wholly owned subsidiary of Bluestep Bostadslån AB (”BBAB”) and operates as a credit markets business which receives deposits from the general public and provides loan products to private borrowers. The company is mainly financed by retail deposits and equity. BFAB is a registered credit market company holding a license from the Swedish Financial Services Authority.

BFAB's operations include product design of deposit and lending products, marketing of retail deposits, credit processing and approval of all loans/bond investments and treasury functions while the parent company Bluestep Bostadslån AB assists BFAB with loan origination, administration of new lending, IT and other services. The day to day administration of existing loans and deposit accounts are outsourced to a third party administrator.

Events during the year

Lending
During the year, BFAB has continued to focus on its core business of granting residential mortgages in Sweden.

The mortgage lending book grew from 3 MSEK in the end of 2008 to 1194 MSEK by the end of 2009. The organic growth in the lending book was supplemented by an acquisition of 461 MSEK of residential mortgages originated by BBAB. The volume of residential mortgage lending in Sweden grew throughout the year but a conservative lending policy remained in place which resulted in a strong performance. The weighted average loan to values and margins on new business remained in line with expectations. The early stage arrears remain low and below expectations. The performance of the acquired portfolio has exceeded expectations to date.

BFAB made investments in a 267 MSEK portfolio of highly rated (AAA and AA) Residential Mortgage Backed Securities (“RMBS”) towards the end of 2009.

New mortgage originations are expected to increase in 2010 in Sweden and BFAB plans to commence lending in Norway during the year.

Deposits
BFAB has successfully attracted a large inflow of new funds from retail deposit customers during the year. The deposits at the year end amounted to 2 748 MSEK.

The deposit business has successfully grown through BFAB's competitive offers to the public with fixed term accounts (12 to 60 months) and notice accounts (7 to 90 days) added to the product range in 2009. All deposit products are covered by the government deposit guarantee scheme.

The growth in the deposit business was greater than originally planned and this impacted the result for the year. The business elected to build its deposit funding book at a higher level in order to maintain a large liquidity buffer and provide additional flexibility to the business going forward.

Financing
BFAB is mainly funded through retail deposits from the Swedish public and shareholders' funds. BFAB received conditional shareholders contributions and a subordinated loan totaling to 121 MSEK from BBAB during the year.

Loan book performance and credit losses
The loans originated in 2009 have performed in line with expectations and the acquired book performance has exceeded expectations. Upon acquisition a bad debt provision of 21.5 MSEK was raised against the loan portfolio of 461 MSEK in March 2009, of which the bad debt provisions were a reduction in purchase price. As the loans have performed better than expected during the year a portion of the provision has been written back and this has resulted in a positive bad debts charge for 2009 of 2.2 MSEK.

Liquidity
Considerable amounts of excess liquidity has been retained since the business commenced and this is expected to continue going forward.

As of December 31, 2009, excess liquidity placed with credit institutions amounted to 1 433 MSEK.

Staff
During the year, 8 persons have been employed. They have all previously worked for BBAB and have extensive experience and competence within BFAB's field of operations. At the beginning of 2009, the number of employees in BFAB totaled 4 persons. This had increased as at December 31, 2009 to 12 people. The average number of employees for 2009 was 4.7 persons.

The composition of the Board changed during the year, where Adam Barron was elected to the Board in October, 2009.

Operating income and profit
Net interest amounted to 15 MSEK and operating revenues for the fiscal year amounted to -0.4 MSEK, whilst the loss for the year amounted to 22.6 MSEK. The loss was caused by the fixed cost base of the business as it grew in 2009, which has been proportionally larger than is expected for the future, and costs related to retaining a large liquidity reserve.

Capital adequacy
The company's capital adequacy ratio was 18.5% as at December 31, 2009. For more information about risk and capital management, refer to Note 25.

VAT group
In August 2009, BFAB formed a VAT group together with its parent company BBAB.

Risk for the business
Through its business activities, the Company is exposed to various risks such as credit, market, liquidity, operational, business and strategic risks. Processes and routines have been established in order to identify, control and monitor the risk areas. A closer description of these risks can be found in Note 2.

Key figures	2009	2008
Capital Base	150 593 292	52 653 550
Capital requirement	77 141 958	6 965 640
Risk weighted assets	815 797 606	87 070 493
Capital adequacy %	18,5%	60,5%
Profit for the year	-22 618 446	-8 198 120
Lending to the public	1 194 437 240	3 022 595
Deposits from the public	2 748 384 826	375 958 013

Events post year end

In January 2010, the company received a conditional shareholders contribution of 65 MSEK and a further 10MSEK in March from BBAB to support the planned growth in Sweden and Norway in 2010 and beyond.

In response to the Finansinspektionen's Regulations and General Guidelines governing remuneration policies in credit institutions (FFFS 2009:6) the Board has in March 2010 agreed upon a new remuneration policy. Through this remuneration policy, a number of staff in BFAB have been classified as risk takers. Regarding bonuses based on the result of 2009, which were to be paid during 2010, 60% of the 2009 bonuses will be deferred for a period of at least three years and will only be released if certain performance targets are met. The full BFAB remuneration policy and additional required information according to FFFS 2009:6 will be published on the company's website.

In February 2010, the Finansinspektion was informed by BFAB of its intentions to open a branch in Norway, and in March 2010, BFAB filed an application for registration to the General Office in Norway. The registration was completed in April 2010.

Bluestep Finans Funding No 1 AB (BFF1) was established as a wholly owned subsidiary of BFAB in late 2009 and incorporated into the same financial group as BFAB in March 2010. On April 9, 2010 BFF1 acquired a 510 MSEK portfolio of residential mortgage loans originated by BBAB post approval from the Finansinspektion.

Future development

Sweden

The company expects continued growth in deposit and lending activities during the fiscal year 2010.

Norway

BFAB plans to commence operations in the branch in Norway in 2010. A branch manager was appointed in March 2010 and an office has been secured. BFAB aims to be a leading originator in the specialist residential mortgage market in Norway and fund the business principally via retail deposits raised in Norway.

Proposed appropriation of the company's profit

The board proposes that:

Retained earnings and shareholder contributions	135 325 425
Result for the year	-22 618 446
Total	**112 706 979**
be appropriated as follows:	
- balance carried forward	112 706 979
Total	**112 706 979**

With regards to the company's profit and position in other respects, please see the following income statement and balance sheet with associated notes.

INCOME STATEMENT

	Note	2009-01-01 2009-12-31	2008-01-01 2008-12-31
OPERATING INCOME			
Interest income		69 693 470	1 001 960
Interest expense		-54 792 150	-1 900 570
Net interest income	**3**	**14 901 320**	**-898 610**
Commission income	4	585 000	0
Commission expense	5	-12 489 058	-4 687
Net result of financial transactions	6	-3 942 361	0
Other operating income	7	504 439	18 547
TOTAL OPERATING INCOME		**-440 660**	**-884 750**
OPERATING EXPENSE			
General administration expenses	8,9,10	-23 687 099	-7 172 745
Depreciation on intangible fixed assets	13	-714 188	-140 625
Total expenses		**-24 401 287**	**-7 313 370**
Result pre credit losses		**-24 841 947**	**-8 198 120**
Credit losses, net	11	2 223 501	0
OPERATING LOSS		**-22 618 446**	**-8 198 120**
Tax on profit for the year	12	0	0
LOSS FOR THE YEAR		**-22 618 446**	**-8 198 120**

BALANCE SHEET

	Note	2009-12-31	2008-12-31
ASSETS			
Lending to credit institutions	14	1 433 378 467	427 956 078
Lending to the public	15	1 194 437 240	3 022 595
Bonds and other interest-bearing securities	16	267 433 456	0
Shares and participations in associated companies	17	100 000	0
Intangible assets	13	3 172 687	2 671 875
Other assets	18	31 636 137	0
Prepaid expenses and accrued income		120 718	396 569
TOTAL ASSETS		**2 930 278 705**	**434 047 117**
LIABILITIES AND EQUITY			
Deposits from the public		2 748 384 826	375 958 013
Accrued expenses and prepaid income	19	18 578 387	1 139 756
Other liabilities	20	9 549 513	1 623 924
Debenture loan	21	31 059 000	0
TOTAL LIABILITIES		**2 807 571 726**	**378 721 693**
EQUITY			
Share capital		10 000 000	10 000 000
Profit and loss account reserve brought forward		135 325 425	53 523 545
Loss for this year		-22 618 446	-8 198 120
TOTAL EQUITY		**122 706 979**	**55 325 425**
TOTAL EQUITY AND LIABILITIES		**2 930 278 705**	**434 047 117**
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities		None	None

Changes in Equity

	Share capital	Shareholder contributions	Retained earnings	Total equity
Opening balance 2008-01-01	**100 000**		**-365 715**	**-265 715**
New share issue	9 900 000			9 900 000
*Shareholder contributions		53 889 260		53 889 260
Result for the year			-8 198 120	-8 198 120
Ending balance 2008-12-31	**10 000 000**	**53 889 260**	**-8 563 835**	**55 325 425**
Opening balance 2009-01-01	**10 000 000**	**53 889 260**	**-8 563 835**	**55 325 425**
*Shareholder contributions		90 000 000		90 000 000
Result for the year			-22 618 446	-22 618 446
Ending balance 2009-12-31	**10 000 000**	**143 889 260**	**-31 182 281**	**122 706 979**

Value per share	**5 000 000**
No. of shares	**2**
Recognised value	**10 000 000**

* 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

	2009-12-31	2008-12-31
OPERATING ACTIVITIES		
Pre tax income	-22 618 446	-8 198 120
Adjustments for items not included in cash flow		
Depreciation/write-down	714 188	140 625
Credit losses	-2 223 501	0
Income tax paid	0	0
Total – Items not included in cash flow	**-1 509 313**	**140 625**
Cash flow from current operations before changes to operating capital	**-24 127 759**	**-8 057 495**
Cash flow from changes to operating capital		
increase (-)/decrease (+) of change in prepayments	-31 360 285	-396 569
increase (+)/decrease (-) of deposits from the public	2 372 426 813	375 958 013
increase (-)/decrease (+) of lending to the public	-1 189 191 144	-3 022 595
increase (+)/decrease (-) of change in short term liabilities	25 364 220	2 421 715
CASH FLOW FROM OPERATING ACTIVITIES	**1 153 111 845**	**366 903 069**
INVESTING ACTIVITIES		
Acquisistion of subsidary company	-100 000	0
Investments in intangible assets	-1 215 000	-2 812 500
Acquisistion of financial assets	-267 433 456	0
CASH FLOW FROM INVESTING ACTIVITIES	**-268 748 456**	**-2 812 500**
FINANCING ACTIVITES		
New share issue	0	9 900 000
Shareholders' contribution	90 000 000	53 889 260
Subordinated debts	31 059 000	0
CASH FLOW FROM FINANCING ACTIVITIES	**121 059 000**	**63 789 260**
NET CASH FLOW FOR THIS PERIOD	**1 005 422 389**	**427 879 829**
Liquid funds at beginning of period	427 956 078	76 249
LIQUID FUNDS END OF PERIOD	**1 433 378 467**	**427 956 078**

The cash flow statement has been prepared in accordance with IAS 7, in which an indirect method for reporting cash flows from operating activities has been used. In this case using an indirect method means adjusting the result after transactions that have not resulted in provisions or payments, such as depreciations or credit loss. Cash flows are categorised as operating activities, investing activities and financing activities.

DISCLOSURES

Notes to the financial statements

Note 1 Accounting principles

Compliance with standards and legislation

The company's financial statements are prepared in accordance with the 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) and the Council of Financial Reporting Recommendation RFR 2:2 Accounting for legal entities. The Company applies the so-called "limited IFRS" which means that the company has adopted the International Financial Reportin g Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU Commission for application in the EU under the restrictions imposed by RFR 2:2 and FFFS 2008:25.

New and amended standards and interpretations in force and applicable to fiscal year 2009:

Amendment to IAS 1 Presentation of Financial Statements (other layouts)

IAS 1 has been revised with changes in the financial statements to be made. Revenues and costs previously recognised in equity and not related to transactions with owners will be presented in the statement of comprehensive income. Items in the statement of comprehensive income are presented separate from the transactions with owners in the statement of changes in equity. For annual periods beginning January 1, 2010, it is mandatory to apply the above change in IAS 1for legal entities applying RFR 2 when presenting the financial statements, with earlier adoption possible. BFAB has chosen not to adopt the changes early.

Amendments to IFRS 7 Financial Instruments: Disclosure (Enhanced disclosures about fair value and liquidity risk)

Improved disclosures have been included in IFRS 7 allocating financial instruments at fair value at three different levels depending on whether the assessment is made based on quoted prices, models based on observable market data or models based on significant own assumptions. Improved disclosure for liquidity risk has also been introduced.

Other new and revised standards and interpretations

• amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements (Cost of an investment in subsidiaries, joint ventures and associates on first-time adoption);
• amendment to IFRS 2 Share-based Payment (Vesting conditions and cancellations);
• IFRS 8 Operating Segments (new standard);
• amendment to IAS 23 Borrowing costs (Requirements for capitalisation of borrowing costs);
• amendments to IAS 32 Financial Instruments: Classification and IAS 1 Presentation of Financial Statements (puttable instruments and obligations arising on liquidation);
• amendment to IAS 39 Financial Instruments: Recognition and Measurement (Embedded derivatives when reclassify ing financial instruments)
• modification of IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for construction of Real Estate, IFRIC 16 Hedge of a net investment in a foreign operation, IFRIC 18 Transfers of assets from customers (applicable to transfers made July 1, 2009 or later).

Other new and revised standards and interpretations have not had an impact on BFAB's financial statements.

New and amended standards and interpretations not yet entered into force

IIn November 2009, the Board of the International Accounting Standards Board (IASB) published a new standard for financial instruments; IFRS 9, Financial Instruments. The standard is part of the replacement of IAS 39 Financial Instruments: Recognition and Measurement. The new standard specifies financial assets that should or can be measured at fair value and those that will be valued at amortised cost. The standard does not specify impairment testing of financial assets recorded at amortised cost, financial liabilities and hedge accounting. Amendments for the excluded areas are expected to be issued in 2010. The new standard will be applied later for the financial year beginning January 1, 2013 or later. The standard is not yet approved for application within the EU. BFAB is currently analysing and assess its impact.

In addition to IFRS 9, the following standards and interpretations apply (from the financial year in brackets):
• amendment to IFRS 1 First-time Adoption of IFRS * (July 1, 2009 or later);
• amendment to IFRS 3 Business Combinations (July 1, 2009 or later);
• amendment to IAS 27 Consolidated and Separate Finacial Statements (July 1, 2009 or later);
• amendment to IAS 39 Financial Instruments (July 1, 2009 or later);
• amendment to IFRS 2 Share-based compensation * (January 1, 2010 or later);
• amendment to IAS 32 Financial Instruments: Classification (February 1, 2010 or later);
• amendment to IAS 24 Related Party Disclosures * (January 1, 2011 or later);
• IFRIC 17 Value Transfer of non-cash assets by distributions to shareholders (July 1, 2009 or later);
• IFRIC 19 Extinguishing Financial liabilities with equity instruments* (July 1, 2010 or later);
• change in IFRIC 14 The limit of a defined benefit asset, minimum funding requirements and the interaction bet ween them* (January 1, 2011 or later).

* Changes in whole or in part, not yet approved for implementation by the EU.

The amendments and interpretations are not expected to have any effect on BFAB's financial statements.

Significant judgments and estimates

Presentation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and revenues.

Management must make certain judgments and estimates to determine the value of certain financial assets and liabilities. Receivables are reviewed if loss events have occurred. When a loss event has occurred an estimation of the future cash flow for the receivable is made.

When financial instruments are measured at fair value and in the absence of quoted prices in an active market different valuation models are used instead. Management assesses the valuation and the price of the parameters that are most relevant to the individual instrument. All valuation models used by BFAB are generally accepted in the market.

Functional currency and reporting currency

The company's functional currency is the Swedish krona and the financial statements are presented in Swedish krona.

Foreign exchange
Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Exchange differences arising on translation are recognised in the income statement as net income from financial transactions.

Accounting for cost and revenue
Revenues are not recognised if it is not 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 calculation of the effective interest includes all fees paid or received by contractors, including transaction costs.

At early redemption of a loan the customer pay an interest-rate compensation which is intended to cover the cost incurred for BFAB. The compensation is accounted for under the interest income.

Commission income and commission expenses
Commission income and commission expenses are accounted for to the income statement on an ongoing basis in accordance with its terms.

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

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

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

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

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

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

BFAB has not classified any financial assets as "Financial assets held-to-maturity" or "Financial assets available for sale".

Financial assets and liabilites at fair value through profit or loss
The category of "Financial assets and liabilities at fair value through profit or loss" is divided in two sub-categories, financial instruments held for trading and financial instruments that management at initial recognition, have chosen to classify in this category. All of BFAB's assets in this category refer to derivative financial instruments which automatically are classified as held for trading. Assets in this category are initially recognised at fair value, while attributable transaction costs are recognised in the income statement. Changes in fair value and realised gains or losses of these assets is recognised directly in profit or loss, under the heading "Net income from financial transactions", while accrued interest and received interest is recorded as interest income or expense.

Fair value is the amount at which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are independent of each other and who have an interest in the transaction. Fair value of financial instruments, which is traded in an active market, such as financial assets and financial liabilities and derivatives listed on stock/securities exchange, are based on quoted prices. For financial instruments not traded in an active market, fair value is determined based on generally accepted valuation techniques. The valuation techniques are based as far as possible on market data. In the event that credit spreads are not available for the held financial instrument, a credit spread of a similar instrument with the same credit rating and maturity is used.

Derivatives
Derivatives are used mainly to eliminate or reduce the interest rate and currency risks in BFAB's assets and liabilities. BFAB does not apply hedge accounting under IAS 39. Derivatives are carried at fair value through profit or loss. Derivatives with positive market value are classified as "Other assets" in the balance sheet and derivatives with negative market values as "Other liabilities".

For more information about the derivative instruments held by BFAB and determination of fair value, see Note 24.

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

Loans and receivables are carried at the amounts expected to be received, i.e. after deduction of bad debts.

BFAB's lending and accounts receivable consists of loans to credit institutions and to the public, bonds and other interest-bearing securities and other financial assets as accounts receivable, in the balance sheet.

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

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

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

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

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

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

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

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

This category includes mainly deposits and borrowing from the public, subordinated liabilities and accounts payable.

The expected duration of accounts payable are short term and therefore the carrying amount is at nominal amount without discounting.

Investments in group entities
Shares in subsidiaries are recorded, in the parent company, by using the cost method.

Dividends received from subsidiaries are accounted for in the income statement, provided that they come from profits earned after the acquisition. However, if dividends refer to repayment of capital it reduces the carrying value (cost of acquisition). Anticipated dividends from subsidiaries are recorded in cases of formal decisions taken in the subsidiary or the parent company otherwise has full control over decision-making process before the parent company publishes its financial statements.

Shareholders' contribution and group contribution
BFAB records shareholders' contributions and group contributions in accordance with the Swedish Financial Reporting Board (UFR 7). Shareholders' contribution are credited directly to equity in the recipient and capitalised as shares in subsidiary in the donor, to the extent that impairment is not required.

Group contributions are recorded in relation to substance. This means that Group contributions paid and received in order to minimise the Group's total tax charge, are recognised directly in retained earnings after deductions for the current tax effect. Group contributions corresponding to dividends are recorded as a dividend. This means that group contributions received and the current tax effect are recorded in the income statement. Paid group contributions and the current tax effect are recognised directly in retained earnings. Group contributions corresponding to shareholders' contributions are recognised by the receiver, with regard to the current tax effect, directly in retained earnings. The donor records the contribution and the current tax effect as an investment in shares in Group companies, to the extent that impairment is not required.

Intangible assets
Intangible assets are reported as an asset on the balance sheet if it is probable that future economic benefits will flow to BFAB and the cost of the asset can be measured reliably. Intangible assets are carried at cost less accumulated depreciation. The carrying value of an intangible asset is derecognised upon disposal, scrapping or when no future economic benefits expected from the use or disposal of the asset. Gains or losses arising on the disposal of an asset is the difference between the sale price and the asset's carrying value, net of direct selling costs. Profit/loss are recorded as other operating income/expense.

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

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

Pensions
All pension plans are defined benefit plans. Premiums are expensed in line with that pensions are earned. The company has no further obligations once the premiums are paid.

Taxes
The company's total tax comprises current and deferred tax. Current tax is the tax to be received or paid for the current year. This also includes adjustments to previous years of assessment. Deferred tax is calculated on temporary differences, i.e., differences between tax base and the carrying amount of assets and liabilities. Deferred tax liabilities are provisioned for in full, while deferred tax assets are only recognised to the extent that they are probably expected to be used.

Deferred tax assets relating to loss carry forwards are recognised to the extent that at the respective balance sheet date is likely to be exploited.

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

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

Note 2 Risk management

The rules and processes of BFAB have been designed to ensure a systematic and safe risk management culture. The board decides the level of risk in the business and also defines the responsibilities in the organisation through various risk, credit, and operating policies.

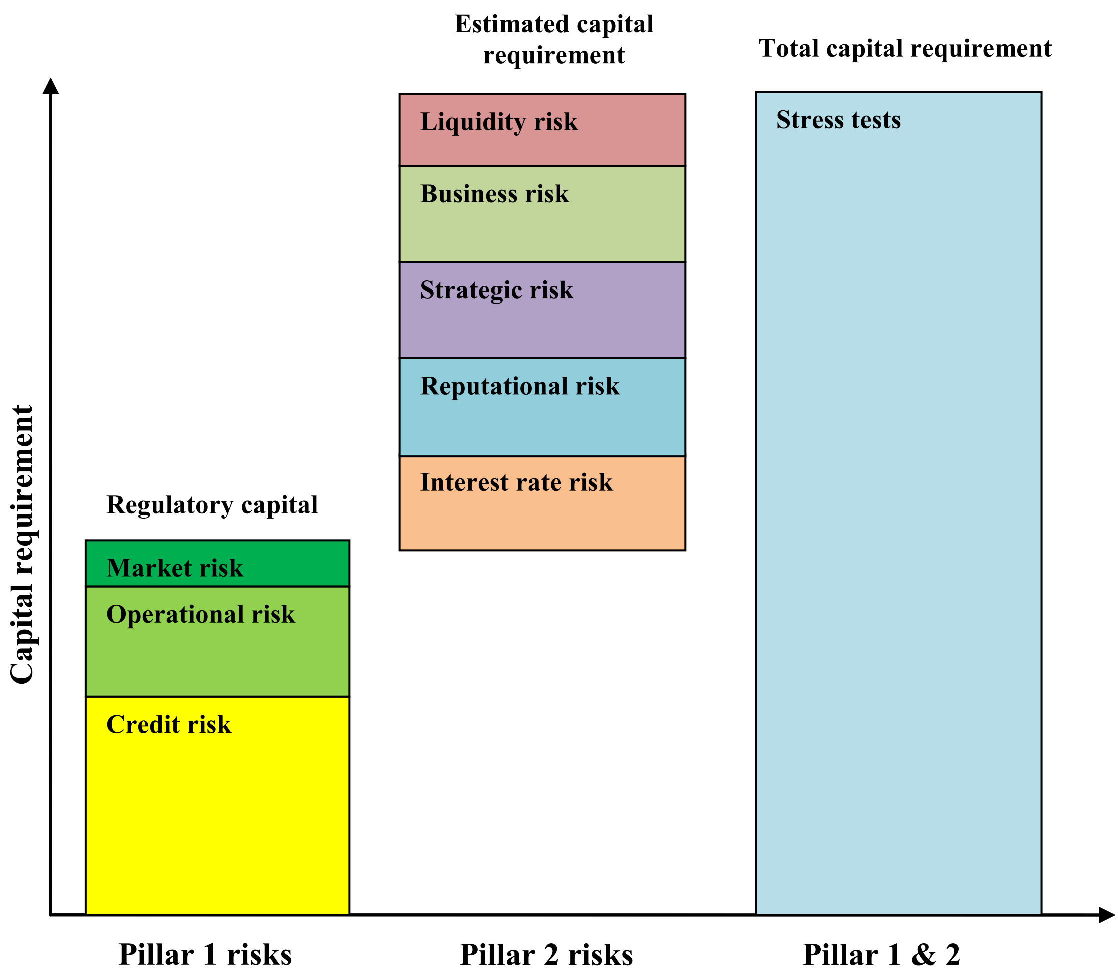
By this distribution and delegation of responsibilities a structured approach to decision making is created regarding risk issues. Main decision makers are the board, the MD and the risk manager who are directly involved in the preparation and structure of risk management. The policies are stipulated by the board and are continuously reviewed and amended if needed. The risk manager is independent from the operations and reports directly to the MD and the board.

The compliance manager is responsible for on an aggregated level to follow up and report to the MD and the board all risks regarding market, legal/compliance, credit/counterpart and operational issues. The responsibilities of ethical risks are divided between the risk manager and the compliance manager. The board is responsible for the ongoing planning of internal audits. Internal audit assignments are outsourced to a third party auditor.

Material risks in the Business

The risks identified by BFAB in its business, besides market, credit and operational risks, are:

- Liquidity risk
- Business risk
- Strategic risk
- Reputational risk
- Interest rate risk related to non-trading activities
- Underestimation of credit risks by using the standardised approach for credit risk
- Underestimation of operational risk by using the basic indicator approach for operational risk



For further information on capital adequacy and pillars 1 and 2, see Note 25.

Capital requirements according to Pillar 1

Calculation of capital requirements are done for Basel II rules for Operational risk and for Credit risk. BFAB forecasts these capital requirements for three years.

Operational risk

Operational risk is the risk caused by faults or deficiencies in administrative routines, which lead to unexpected financial or trust related losses. These may be caused due to deficiency within internal control, systems or technological equipment, as well as internal and external irregularities. Operational risks are best counteracted through well exercised internal control, and BFAB is continuously managing these risks through:

- Well defined routines and instructions for all transactions.
- The duality principle – material business transactions and any cash or payment transactions involve at least 2 people.
- Personnel with proper competence, training and work experience prevent the occurrence of unplanned risks.
- Reliable IT-systems for finance, credit, loan administration and deposit functions with built-in controls and reconciliations. Robust back up procedures and business continuity plans are in place.

The calculation is based on the Basic Indicator Approach whereby the capital requirement should be 15% on the average operating income for the last 3 fiscal years. As BFAB only commenced operations in October 2008 the calculation is based on the income generated in 2009.

Credit risk

Credit risk is defined as the risk of loss due to the counterparty's inability to make interest payments and amortisation or otherwise fulfil the loan agreement. Lending to credit institutes represents cash deposits with other Financial Institutions.

Credits given to the general public are assessed by looking at the borrower's financial position, their ability to fulfil payment obligations and the security of the residential property pledged, The customers' credit history is an important factor in determining the product and price available to the customer. BFAB's credit instruction outlines the company's approach, organisation and the full credit process in detail.

All RMBS investments are analysed and approved by the BFAB Investment Committee and all investments have at least two independent credit ratings from Standard & Poors, Moody's or Fitch.

Maximum Credit Risk Exposure	**2009-12-31**	**2008-12-31**
Lending to Credit institutions	1 433 378 467	427 956 078
Lending to the public	1 194 437 240	3 022 595
-Loans secured by residential property	*1 194 437 240*	*3 022 595*
-Other loans	*0*	*0*
Bonds and other interest-bearing securities	267 433 456	0
Derivatives	27 911 178	0
Accounts receivable	3 671 253	324 569
Other assets	274 424	72 000
Total	**2 927 106 018**	**431 375 242**

Credit rating on financial assets which are not due or impaired.

Credit rating on classes of financial assets (S&P)	**AAA**	**AA**	**A**	**No rating**	**Total**
Bonds and other interest-bearing securities	153 621 038	113 812 418	0	0	267 433 456
Other foreign issuers	*153 621 038*	*113 812 418*	*0*	*0*	*267 433 456*
Lending to the public	0	0	0	1 194 437 240	1 194 437 240
Lending to credit institutions		101 298 438	1 332 080 029		1 433 378 466
Derivatives		243 088	27 668 090		27 911 177
Accounts receivable	0	0	0	3 671 253	3 671 253
Other assets	0	0	0	274 424	274 424
Total	**153 621 038**	**215 353 944**	**1 359 748 119**	**1 198 382 917**	**2 927 1 06 018**

BFAB has no financial assets that would otherwise be reported as outstanding or impaired and the terms of which have been renegotiated as at the balance sheet date.

The calculation of capital required for credit risk is based on the Standardised Approach. In this approach the credit exposures are divided into 15 exposure classes and the categories that BFAB is exposed to are listed in the table below.

CREDIT RISK (in TSEK)

Exposure Class	Class	Exposure at 31/12	Risk Weightening
Institutions	6	1 433 378 467	286 675 693
Secured on residential property LTV<75%	9	1 150 491 142	402 671 900
Secured on residential property LTV>75%	9	17 046 110	12 784 583
Past due items	10	26 899 988	26 921 325
Securitisation positions	13	267 433 456	53 486 691
Other items	15	31 856 855	33 257 414
Total		**2 927 106 018**	**815 797 606**

Market risk
Market risk is defined as the risk of losses incurred on current or future cash flows due to changes in interest rates or currency rates. The only market risk that BFAB is exposed to is currency risk. The vast majority of the net currency exposure is hedged with derivatives to ensure that the expected cash flows from EUR and GBP investments generate the expected level of SEK over the life of the assets.

The value of the EUR and GBP investments are solely based on the currency spot values whereas the currency options are driven by the delta values of the derivatives, which means that the balance sheet position is not fully hedged but the long term cash flows are.

Sensitivity analysis with an instantaneous decrease in currency with 100 bps
The table below shows Group assets and liabilities in foreign currencies as at the balance sheet date.

	Total position 2009-12-31	Value change
Assets/liability EUR	37 292 862	-3 665 691
Asset/liability GBP	111 184 014	-10 653 813

A change in relevant exchange rates in relation to the Swedish krona of -10% would at the balance sheet date show an instantaneous net impact on earnings of -14.3 MSEK.

Capital requirements according to Pillar 2
Capital need for Pillar 2 risks are calculated from expected losses caused by various risk scenarios. The calculated values are added to the capital requirements calculated for Pillar 1.

Liquidity risk
BFAB is exposed to liquidity risk in regard to funds it raises from the retail deposits. It is the company's policy to retain material amounts of excess funds as a liquidity reserve and the capital requirement in regard to liquidity risk is the cost of having the necessary reserves to cover the liquidity risk. BFAB raises funding/capital from its owner in the form of share capital and conditional shareholder contributions and retail deposits.

Repayment of the conditional shareholder contributions shall only be made out of distributable earnings of BFAB, pursuant to an adopted balance sheet, in accordance with the rules on distribution of dividends in the Swedish Companies Act, and subject to a decision to make such repayment by the annual shareholders' meeting of the Company.

BFAB is exposed to liquidity risk in regard to funds it raises from the second funding category, i.e. funding from retail deposits. For a number of reasons BFAB could be exposed to a substantial outflow of deposits. The product features are designed to reduce this risk and to encourage longer term savers.

It is the company's current policy to retain at all times a substantial amount of the retail deposits as a liquidity reserve. For further information on asset duration, see Note 22.

Business risk
BFAB has identified a number of business risks that may cause its financial projections not to be delivered. Each risk is analysed with a qualitative approach and the expected loss for each such risk is calculated. The probability of each risk actually happening is also determined in workshops. The "net expected loss" is a function of the "expected loss" multiplied by the "probability percentage". The "net expected loss" for all the identified risks are added up and deducted from the expected net profit for the year if positive.

Strategic risk
Strategic risks are analysed and evaluated by the business where each risk impact on the business is assessed. The expected loss caused by the risk is calculated and compared to the estimated profit for that time period.

Reputational risk
Reputational risks are quantified using a qualitative method where all material reputational risks are evaluated from the perspectives of the probability that the risk will occur and the impact to the business if the risk should occur.

Interest rate risk from non trading activities
The Interest rate risk in the loan book is evaluated and the risk that BFAB may suffer losses as interest rates move over time if its assets and liabilities are of different maturities and priced off different benchmark interest rates is calculated and compared to the estimated profit for that period.

Assets - BFAB acquires interest rate and foreign exchange rate derivatives to ensure that a certain minimum level of cash flow is delivered in the future on the vast majority of the assets exposed to interest rate and currency movements. The business may suffer losses or reduced profits in relation to change in interest over time if assets and liabilities differ in life expectancy and are based on different interest rates.

Liabilities – the vast majority of the fixed rate retail deposits are offset by assets with a matched duration or are short term (one year or less) in nature.

Sensitivity analysis in case of market rate increase with 100bps
BFAB has no financial instruments valued to fair value apart from the derivatives. From a valuation perspective, these are the only instruments which directly affect the income statement as a value change (price risk) if there is a change in the market interest rate. Additionally, BFAB is exposed to risk in the net interest income.

The calculation assumes that market rates increase/decrease by 100 bps and states the instantaneous change in the economic value of the company.

	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+100bp	-2 479 247	-1,65%
Decreased interest rates	-100bp	14 023 553	9,31%

Note 3 Net interest income

	2009	2008
Interest income		
Lending to the public	57 046 189	28 256
Lending to credit institutions	9 224 848	973 702
Interest-bearing securities	3 422 433	0
Other	0	0
Total	**69 693 470**	**1 001 958**
Of which:		
Interest income from financial items not measured at fair value through profit or loss	69 693 470	1 001 958
Interest expense		
Liabilities to credit institutions	-139	-1 884
Deposits fom the public	-53 457 521	-1 801 538
Other	-1 334 490	-97 147
Total	**-54 792 150**	**-1 900 570**
Of which:		
Interest expense from financial items not measured at fair value through profit or loss	-54 792 150	-1 900 570
Total net interest income	**14 901 320**	**-898 612**

Note 4 Commission income

	2009	2008
Other commission income	585 000	0
Total	**585 000**	**0**

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

Note 5 Commission expense

	2009	2008
Other commission expense	-12 489 058	-4 687
Total	**-12 489 058**	**-4 687**

The commission expense relates to the loan origination services performed by BBAB, on behalf of BFAB.

Note 6 Net result of financial transactions

	2009	2008
Realised changes in market value of derivatives	-107 820	0
Unrealised changes in market value of derivatives	-7 943 060	0
Exchange rate changes: loans and receivables	4 342 019	0
Exchange rate changes: other debts	184 500	0
Total	**-3 942 361**	**0**

BFAB's financial assets and liabilities measured at fair value consist only of derivative instruments. For further information, see Note 24.

Unrealised changes in market value relate to changes in the fair value of derivative instruments. Revaluation takes place on a monthly basis. Exchange rate changes relate to currency adjustments of assets (bank and RMBS) and liabilities (subordinated debt to BBAB) in foreign currency. At the end of the month, the adjusment is made using 'spot rates'.

Note 7 Other operating income

	2009	2008
Other operating income	504 439	18 547
Total	**504 439**	**18 547**

Other operating income relates to invoicing fees paid by customers

Note 8 General administration expenses

Personnel costs	**2009**	**2008**
Salaries and emoluments	-5 394 079	-2 869 792
Variable performance benefit	-3 781 132	-595 000
Social security charges	-2 854 273	-1 374 235
Pension expenses	-149 689	0
Other personnel costs	-47 629	-32 690
Total Personnel costs	**-12 226 801**	**-4 871 717**

Other general administration expenses	**2009**	**2008**
Total personnel costs	-12 226 801	-4 871 717
Other administration expenses	-11 460 298	-2 301 028
Total general administration expenses	**-23 687 099**	**-7 172 745**

Included in other external expenses are auditor costs of 460 113 SEK.
The lease between BBAB and BFAB has a one year notice. There are no other leasing commitments.

Note 9 Auditors remuneration and expenses

	2009	2008
Deloitte AB		
Audit assignments	348 849	100 475
Other assignments	111 264	0
Total	**460 113**	**100 475**

Audit assignments refer to audit the annual report and accounts and other tasks that are incumbent on the company's auditors to perform as well as counselling or other assistance as a result of observations during the audit or implementation of other tasks. Everything else relates to 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 6 members. The board has compensated one of the members for his board work in 2008 with a total of 80 000 SEK. No other compensation has been made for the remaining board members. Compensation for the board's work during 2009 will be made during 2010 after determining the amount in the annual general meeting

Pension commitments
During 2009, the company has implemented a pension plan for all employees whereby 2.5 % of the employee's gross monthly wage is invested in to an eligible plan. Additionally, an optional plan has been implemented whereby the employee contributes 2 % of their gross monthly wage, they receive an additional 1 % from the company.

Senior officials
Compensation to the Managing Director and other individuals identified as risk takers is proposed by the BFAB Remuneration committee and determined by the Board. Compensation to other senior officials is determined by the Managing Director, and in some cases in consultation with the Chairman of the Board. Compensation to the Managing Director and senior officials consists of a basic salary, variable pay in the form of bonus and pension contributions. The period of notice for the Managing Director is 6 months. There are no agreements on severance pay with the Managing Director or any other Senior Executives.

	Salary		Bonus		Pension		Total	
(Amount awarded)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Managing Director								
(David Torpey)	3 474 640	1 912 939	*1 820 838	1 987 632	99 514	0	**5 394 992**	**3 900 571**
Chairman of the Board								
(Per Otto Hyland)	0	**80 000	0	0	0	0	**0**	**80 000**
Total	**3 474 640**	**1 992 939**	**1 820 838**	**1 987 632**	**99 514**	**0**	**5 394 992**	**3 980 571**

*Of which 60% deferred for 3 years according to the BFAB remuneration policy
**Board remuneration

Average no of employees	**2009**	**2008**
Men	3,4	2,2
Women	1,3	0,3
Total	**4,7**	**2,5**

Information on sick leave and gender balance among staff are not provided due to the fact that average number of employee has been less than 10 for the past two years.

Note 11 Credit losses

	2009	**2008**
Actual losses	-2 502 967	0
Net change in provisions	4 726 468	0
Total	**2 223 501**	**0**

Note 12 Tax on net result

The current tax rate is the tax rate for income tax of the company. The tax rate for 2009 is 26.3% (28% for 2008).

	2009	**2008**
Net profit before tax	-22 618 446	-8 198 120
Tax based on current tax rate	5 948 651	2 295 474
Tax effect of:		
- non deductible items	-3 398	-5 450
- increase in cumulative losses without activation of deferred tax	-5 945 253	-2 290 024
Total tax cost	**0**	**0**

Cumulative losses carried forward amounts to SEK -31 141 743 as at 2009-12-31.

Note 13 Intangible assets

Depreciation relates to the deposit management system, developed by the company for the deposit business. Depreciation began according to plan when the system became operational (October 2008), based on an assessment of the assets' economic life (5 years). As at December 2009, the company has invested 4 MSEK in the system.

	2009	2008
Acquisition value brought forward	**2 812 500**	**0**
Investments for the year	1 215 000	2 812 500
Acquisition value carried forward	**4 027 500**	**2 812 500**
Depreciation brought forward	-140 625	0
Depreciation for the year	-714 188	-140 625
Depreciation carried forward	**-854 813**	**-140 625**
Residual value at the end of the accounting period	**3 172 687**	**2 671 875**

Note 14 Lending to credit institutions

	2009-12-31	2008-12-31
Swedish banks	1 422 583 359	427 956 078
Foreign banks	10 795 108	0
Total	**1 433 378 467**	**427 956 078**

Note 15 Lending to the public

	2009-12-31	2008-12-31
Loan assets	1 209 229 681	3 022 595
Provisions for losses	-14 792 441	0
Total	**1 194 437 240**	**3 022 595**

Specification, provisions for losses	2009	2008
Provisions for losses at beginning of year	**0**	**0**
Provisions raised related to acquired loan assets	-19 518 909	0
Net movement in provisions during the year	4 726 468	0
Provisions for losses at end of year	**-14 792 441**	**0**

All overdue loans are covered by the provisions.

Note 16 Bonds and other interest-bearing securities

	2009-12-31		2008-12-31	
	Purchase value	Recognised value	Purchase value	Recognised value
Foreign issuers*	268 508 359	267 433 456	0	0
Total	**268 508 359**	**267 433 456**		

*Relates to listed RMBS in a non-active market

Carried value relates to amortised cost.

Note 17 Shares in associated companies

	Share %	No of shares	Recognised value	Domicile
Bluestep Finans Funding No. 1 AB	100%	100 000	100 000	Stockholm

BFAB acquired the company in November 2009, which however has been dormant to date.

Note 18 Other assets

	2009	2008
Derivative instruments	27 911 178	0
Accounts receivable	3 651 253	0
Inter-company receivables	20 000	0
Other assets	53 706	0
Total	**31 636 137**	**0**

The derivative instruments consist of hedging instruments covering the mortgage lending, currency and RMBS assets. A breakdown of the instruments is specified below:

	Purchase value	Recognised value
Swedish Financial Institutes	8 942 622	6 916 473
Foreign Financial Institutes	27 502 687	20 994 705
Total	**36 445 309**	**27 911 178**

Carried amount relates to fair value

Note 19 Accrued expenses and prepaid income

	2009-12-31	2008-12-31
Accrued salaries	2 271 560	860 712
Accrued social costs	716 548	279 043
Accrued interest	15 543 973	0
Other accrued expenses and prepaid income	46 306	0
Total	**18 578 387**	**1 139 755**

Note 20 Other liabilities

	2009-12-31	2008-12-31
Trade creditors	292 949	1 000 137
Inter-company liabilities	6 840 736	119 375
Social costs	515 504	308 610
Other liabilities	1 900 324	195 802
Total	**9 549 513**	**1 623 924**

The inter-company liability relates to loan origination fees and interest on the debenture loan to the parent company BBAB.

Note 21 Debenture loan

	2009-12-31	2008-12-31
Debenture loan from BBAB	31 059 000	0
Total	**31 059 000**	**0**

The debt concerns a loan given by the parent company. The loan is denominated in EUR (3 MEUR) and is adjusted for exchange rate differences on a monthly basis. Interest is charged at 15% per annum fixed and is payable quarterly. The loan has no fixed maturity date.

Note 22 Asset duration information

Asset duration 2009	Payable on demand	< 3 mth	3 mth - 1yr	1-5 year	> 5 year	Total
Assets						
Lending to credit institions	1 433 378 467					1 433 378 467
Lending to the public		9 329 431	73 261 981	38 089 040	1 073 756 788	1 194 437 240
Interest bearing securities					267 433 456	267 433 456
Derivatives		39 949	449 322	13 991 058	13 430 849	27 911 178
Other financial assets		3 686 412				3 686 412
Other non financial assets		159 265				159 265
Total	**1 433 378 467**	**13 215 057**	**73 711 303**	**52 080 098**	**1 354 621 093**	**2 927 006 018**
Liabilities						
Deposits from the public	2 304 861 082	5 277 643	16 760 484	421 485 617		2 748 384 826
Other financial liabilities		10 789 693	16 106 155			26 895 848
Other non financial liabilities		1 232 052				1 232 052
Debenture loan					31 059 000	31 059 000
Total	**2 304 861 082**	**17 299 388**	**32 866 639**	**421 485 617**	**31 059 000**	**2 807 571 726**

Asset duration 2008	Payable on demand	< 3 mth	3 mth - 1yr	1-5 year	> 5 year	Total
Assets						
Lending to credit institutions	427 956 078					427 956 078
Lending to the public			915 308	1 691 554	415 733	3 022 595
Other assets		396 569				396 569
Total	**427 956 078**	**396 569**	**915 308**	**1 691 554**	**415 733**	**431 375 242**
Liabilities						
Deposits from the public	375 872 778					375 872 778
Other liabilities		1 617 924	1 139 755			2 757 679
Total	**375 872 778**	**1 617 924**	**1 139 755**	**0**	**0**	**378 630 457**

Note 23 Categories of financial instruments and fair value

SEK (000's)	Financial assets/liabilities valued at fair value through profit or loss *Fair value*	Loans and receivables *Amortised cost*	Other financial liabilities *Amortised cost*	Non financial assets *Carrying value*	Carrying value *Carrying value*
Assets					
Lending to credit institutes		1 433 378			1 433 378
Lending to the public		1 194 437			1 194 437
Bonds and other interest-bearing securities		267 433			267 433
Shares and participation in associated companies				100	100
Intangible assets				3173	3173
Derivatives	27 911				27 911
Other assets		3 686		39	3 725
Prepaid expences and accrued income				121	121
Total assets	**27 911**	**2 898 934**	**0**	**3 433**	**2 930 278**
Liabilities					
Deposits from the public			2 748 385		2 748 385
Accrued expenses and prepaid income			18 578		18 578
Other liabilities			9 034	516	9 550
Debenture loan			31 059		31 059
Total liabilities	**0**	**0**	**2 807 056**	**516**	**2 807 572**

Regarding lending to credit institutions, the carrying value is considered consistent with the fair value. The same is applied on short-term financial receivables and liabilities. Lending to the public is showed as amortised cost using the effective interest method. Bonds and other interest-bearing securities are showed using the effective interest method since they aren't quoted on the active market. Method for determining the fair value of derivatives is described below.

Note 24 Financial assets/liabilities valued at fair value

BFAB's financial assets and liabilities measured at fair value consist only of derivatives. These derivatives consist of currency options and interest rate caps and floors, all of which are valued using mark to model valuations in accordance with level 2 in IFRS 7

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.

This valuation is made on a monthly basis by the issuer of the derivatives.

Note 25 Capital adequacy analysis

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

Bluestep's Board of Directors has ultimate responsibility for the company's risk profile and capital requirements. The business continuously reviews and considers the capital requirements of the business via the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is based upon the institution's current strategy and business plans.

The ICAAP calculates the capital requirements for BFAB and at the group level, based on the combined risks of BFAB and its parent company BBAB.

The aim of the board and senior management is to ensure an acceptable return on equity for current and future activities, and that the level of capital is appropriate in size and compilation and never falls below the legal minimum requirement.

The pillar 1 capital adequacy calculations detailed below are based on the year end financial statements.

Pillar 2 risks (see Note 2) are also calculated as part of the ICAAP process and together with various stress tests (from a mild possible scenario for the next year to an extremely unlikely catastrophic scenario) form the total capital requirement. For further information on material risks in the business, see Note 2.

According to a note from the Finansinspektion, the company was in breach of the large exposure regulations. The breach was remedied on January 26, 2010 by a conditional shareholders' contribution.

Capital base

	2009	2008
Share capital	10 000 000	10 000 000
Shareholder contributions	135 325 425	53 523 545
Deductions from primary capital		
Profit for the year	-22 618 446	-8 198 120
Intangible assets	-3 172 687	-2 671 875
Primary capital	**119 534 292**	**52 653 550**
Supplementary capital	**31 059 000**	**0**
Total primary and supplementary capital	**150 593 292**	**52 653 550**
Total capital base	**150 593 292**	**52 653 550**

Capital requirement
Calculation of the capital requirement for Credit risk using the standardised method as per December 31, 2009:

	2009				2008
Balance sheet items	**Exposed amount**	**Risk weight**	**Risk weighted amount**	**Capital requirement**	**Capital requirement**
Exposures to institutions (banks)	1 433 378 466	20%	286 675 693	22 934 055	6 847 297
Exposures to mortgages with loan to value below 75%	1 150 491 142	35%	402 341 900	32 213 752	82 477
Exposures to mortgages with loan to value above 75%.	17 046 110	75%	12 784 583	1 022 767	4 620
Exposures to non-performing loans with loan to value below 75 %	26 857 314	100%	26 857 314	2 148 585	
Exposures to non-performing loans with loan to value above 75 %	42 674	150%	64 011	5 121	
Securitisations	267 433 456	20%	53 486 691	4 278 935	
Other exposures	31 856 855	100%	33 257 414	2 660 593	31 246
Total capital requirement for credit risks	**2 927 106 017**		**815 797 606**	**65 263 808**	**6 965 640**

Capital requirement for operational risks, based on operating income	2009	2008
*Income indicator	0	0
Of which 15%	0	0
Total capital requirement for Operational risk	**0**	**0**
Capital requirement for Market risk		
Capital requirement for positions in stock related financial instruments	0	0
Capital requirement for currency risks	11 878 150	0
Total capital requirement for Market risk	**11 878 150**	**0**
Total Pillar 1 capital requirement	**77 141 958**	**6 965 640**
Capital adequacy ratio	**1.95**	**7.56**

*The income indicator is nil due to a loss during 2008 and 2009.

BFAB meets the minimal capital ratio which at its lowest level equals the total minimum value. The capital ratio exceeds the initial capital of 46 MSEK (the capital required when the company was authorised to operate as a credit company).

Note 26 Transactions with related parties

(Invoiced amount)	2009-12-31	2008-12-31
Paid to entities within group		
Financial expense	-756 985	-96 432
Commission expense	-30 831 865	-4 687
Commission income	585 000	0
Office rent	-201 874	-42 500
Total	**-31 205 724**	**-143 619**

Financial expenses
The financial costs relate to expensed interest on an internal loan between BFAB and the parent company BBAB. See Note 21

Commission expenses
Commission expenses relate to loan origination services for lending activities in BFAB performed by BBAB.

Commission income
Commission income concerns revenues from the Group company BCHL.

Rent
Rent concerns stipulated payments to BBAB for used office space. Payment are made three months in advance.

Compensations to board/senior executive
See Note 9 for further information.

Balance sheet items	2009	2008
Accounts receivable	20 000	4 687
Accounts payable	-6 840 735	-109 375
Intercompany liability	0	-10 000
Debenture loan from BBAB	-31 059 000	0
Total	**-37 879 735**	**-114 688**

Accounts payable to Group companies
The accounts payable relate to debts to BBAB.

Accounts receivable from Group companies
The accounts receivable relates to amounts due from BCHL.

Note 27 Parent company information

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

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