

BLUESTEP FINANS AB (publ)

STATEMENT OF REMUNERATION

ACCOUNTING YEAR 2014

Statement of Remuneration in Bluestep Finans AB

This Statement of Remuneration in Bluestep Finans AB (publ) (“BFAB”) is designed in accordance with the Swedish Financial Supervisory Authority Regulations and General Guidelines regarding prudential requirements and capital buffers (FFFS 2014:12) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

1. Remuneration Policy

BFAB has a Remuneration Policy (the “Policy”) which secures sound remuneration structures within the business. The Policy is in agreement with and promotes an effective risk management, thus preventing excessive risk taking and takes into account the size and nature, scope and complexity of BFAB’s operation in accordance with the proportionality principle stated FFFS 2011:1 (the Swedish Financial Supervisory Authority (“SFSA”) Regulations and General Guidelines governing remuneration policies in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio administration)¹ and the fact that BFAB is not considered to be a Significant Company (Sw: *Betydande företag*).

Furthermore, the Policy, which is based on BFAB’s risk analysis, is designed so that remuneration to individual employees does not counteract BFAB’s long-term interest. BFAB believes in, and promotes, a sound and dynamic performance culture as a means for achieving long-term success and encourage performance, the right behaviour, and balanced risk taking in line with shareholders’ expectations. In addition, the Policy supports BFAB’s ability to attract, develop, and retain highly motivated, skilled and performance-oriented employees.

When adopting the Policy, the SFSA Regulations and General Guidelines (FFFS 2014:1) regarding Governance, Risk Management and Control in Credit institutions and the Commission’s delegated regulation (EU) No 604/2014 of 4 March 2014 has also been considered.

The Board of Directors resolves the Policy and sees to that it is applied and followed. The Board of Directors have elected a Remuneration Committee (the “Committee”) to oversee the Policy and that it is implemented, followed-up and that it is based on an analysis of the risks facing the company. The Committee consists of two non-executive directors. The Committee have held three meetings during 2014.

¹ Including amendments made through FFFS 2014:22, hereinafter jointly referred to as FFFS 2011:1

To avoid any conflict of interest, the Committee will recommend compensation levels for all identified Remuneration Code Staff (“RCS”)(Sw: “*Anställda vars arbetsuppgifter har en väsentlig inverkan på företagets riskprofil*”) in the business and the Chief Executive Officer (the “CEO”), or his assignee, will set compensation levels for all non-RCS.

A control function shall when appropriate, and at least annually, review and see to that remuneration within BFAB complies with the Policy. The control function shall immediately report the result of its review to the Board of Directors at least annually and no later than in conjunction with the adoption of the annual accounts. To avoid any conflict of interest, the control function will consist of BFAB’s external auditors. The control function performed its latest review in May 2015 and presented its statement to the Board of Directors on the 3rd of June 2015.

2. Risk analysis

As set out in FFFS 2011:1, financial institutions shall, when it establishes a remuneration policy, conduct a risk analysis with respect to this policy. Before taking any decision relating to the remuneration system, or significant changes to this, a risk analysis shall be conducted with respect to how the remuneration system affects the risks the company is exposed to and how these risks are managed.

BFAB has activities in Sweden and Norway. The company offers, in both countries, predominately two lines of business to the market, one being mortgage lending to private individuals and the other is to take deposits from the general public. Furthermore, the company also offers unsecured loans to private individuals in Sweden.

As laid out and analysed in the company’s Internal Capital Adequacy Assessment (the “ICAAP”), BFAB’s activities give rise to various risks that, if not controlled and handled correctly, could influence the company’s financial position and result. Credit risk, meaning that wrong credit decisions are taken, causing future losses, is together with Liquidity risk seen as the main and most severe risk for the company. In addition to Credit Risk and Liquidity Risk the business faces other material risks which are listed below:

1. Product documentation
2. Reputational (including miss-selling) risk
3. Product design and pricing
4. Market risk

5. Interest Rate and Currency Risk
6. Concentration risk
7. Regulatory compliance

In BFAB, risk control is handled both internally as well as from an external perspective;

- The Board of Directors sets and monitors the company's strategies and risk levels.
- The CEO ensures that the strategies and risk levels are implemented in the business, through clear communication of risk policies and instructions, and ensures that the company's management understands and follows the risk levels set by the Board of Directors.
- The Compliance Manager and Risk Manager follows up on policies, regulations and the strategies, and independently report their findings to the Board of Directors on a monthly basis.
- An independent 3rd party Internal Audit function is established where work schedules and reports on findings are reported directly to the Board of Directors, at least, quarterly.
- The External auditors follow the company's development and audit the books of the company as well as IT systems, work processes, and other controls. The external auditors have also been appointed as the control function, as set out in chapter 3 section 6 of FFFS 2011:1. The external auditors report to Executive Management, the Audit Committee and the Board of Directors.
- The Audit Committee is responsible for setting and agreeing the audit work to be done by the external auditors, monitor and report audit related issues to the Board of Directors, as well as proposing the annual report to the Board of Directors for approval.
- The Committee is responsible for proposing all remuneration issues to the Board of Directors for their approval, including the Policy and all regulatory requirements.

Based on the remuneration structure, the control mechanisms in the company, the Remuneration Policy in itself, and the definition of RCS including the claw-back structure enabling BFAB to reduce previously granted bonuses in case risk taking in previous years do not fulfil the long term goals or desired sustainability of the company's financial position, it is not believed that the company's variable remuneration, nor the Policy, in any way will encourage risk taking beyond what is stipulated through the business strategies set by the Board of Directors, but rather should encourage increasing long term shareholder value.

3. Remuneration structure

BFAB's remuneration structure is based upon four major components:

- Fixed Salary
- Bonus
- Commission
- Pension and Insurance schemes
- Long Term Incentive Programme

The components are used to achieve an adequate total remuneration with a sound balance between fixed and variable remuneration and short- and long-term remuneration. BFAB has analysed and acknowledges the importance of paying the required compensation, as defined in the Policy, in order to get the appropriately qualified, experienced, capable, and motivated staff. It has also acknowledged the importance to assess the value of the individual to the business based on previous performance within the business or externally and the availability of similarly calibre staff within, or outside, the group. The total remuneration shall reflect the complexity, responsibility, and leadership skills required in the position as well as the performance of the employee.

In order to ensure that BFAB can gain and retain appropriate skills and knowledge to ensure good and adequate level of staff and management, the Board of Directors have decided that part of the company's remuneration structure shall be variable (Bonus). This is seen to encourage employees to participate in reaching the company's strategies, goals and objectives, and at the same time be able to reward employees that show good or exceptional performance in their work.

The balance between fixed and variable remuneration is heavily weighted in favor of fixed remuneration and the variable component does not encourage nor reward excessive risk taking. Furthermore, bonuses may never exceed 100 per cent of any employee's annual fixed compensation.

Bonuses are assessed based on what the individual achieves and contributes in addition to what is generally expected from the position. Bonus rewards are based on the individual's contribution, the contribution of the business unit the individual work in, and the overall performance of the company. At the start of each year performance targets (sales, credit and risk profile, costs, compliance, customer

service, and other, from time to time, relevant measures) are agreed with each member of staff and these are assessed throughout the year and adjusted if necessary to reflect changes in the business outlook (e.g. changes in credit risk profile, volume targets, service level, and other, from time to time, relevant measures). The overriding core driver behind all targets is to get the desired long term credit and liquidity risk profile within the business and having this at an acceptable level is the key priority.

In regards of the relation between result and paid remuneration, the remuneration reflects sustained business performance in combination with sound risk management by taking into account the availability and cost of funds, liquidity, desired credit risk profile, capital position and levels of credit losses.

4. Remuneration Code Staff and deferred variable remuneration

The general guidelines (FFFS 2011:1) on how financial institutions shall measure, govern, report and exercise control over the risks that may arise from a remuneration system came into force on the 1st of March 2011.

The definition of RCS in BFAB is based on Chapter 2, section 3 of FFFS 2011:1 and in accordance with Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council, and is in general defined as employees, or other persons part of BFAB, that can significantly influence the risk or risk level of BFAB.

To define the RCS in BFAB, the company has interpreted the regulations in view of BFAB's business nature, size and complexity. The interpretations have then been used to recognise RCS based on risk areas and risk levels. This analysis has then been discussed internally, in the Committee and the Board of Directors has finally decided on who are to be included as RCS. The Board of Directors, through recommendations from the Committee, will continuously evaluate the RCS structure and who are included in this group. As of the 31st of December 2014, twelve positions in BFAB are identified as RCS for 2014, an increase of two positions compared to 31st December 2013.

For these employees, at least 40 per cent of the variable remuneration should be deferred for at least three years. The Board of Directors have resolved that the RCS for 2014 shall have their variable remuneration deferred as follows:

Terms of deferral for RCS 2014			
Deferral Period	3 years	5 years	Total
Employees	5	7	12
Per cent of Deferral	40 %	60 %	Total
Employees	5	7	12

The deferred variable remuneration may be paid out *pro rata* during the deferral period, commencing one year after the deferral. The deferred variable remuneration may be cancelled in part or in whole if at a later date it is demonstrated that the employee, department or the company did not fulfil the performance measures. Employees that leave BFAB during the deferral period do not lose their deferred variable remuneration, other than as required by potential risk adjustments.

To ensure that the material risks recognised and used in setting the deferred remuneration pay-out do not materially impact BFAB, a separate study has been done to stress test the triggers for a payment of the deferred remuneration. The study shows that the deferred remuneration pay-out triggers, based on the company's ICAAP calculation, do not cause the ICAAP Capital Requirements, the Retained Earnings, the Liquidity position, or the need of emergency equity support to be affected in such a way that material risk triggers would cause BFAB a long term issue.

5. Remuneration in BFAB for accounting year 2014 (all amounts are in SEK)

5.1 Expensed remuneration 2014

Total remuneration to employees in BFAB				
	Total remuneration excluding variable pay ¹⁾	Total number of employees *	Short- and long term variable pay ¹⁾	Number of employees with variable pay **
Sweden	58 176 269	154	8 086 888	132
Norway	15 996 923	30	2 648 332	30
Total	74 173 192	184	10 735 220	162
	Total remuneration excluding variable pay ¹⁾	Total number of employees	Short- and long term variable pay ¹⁾	Number of employees with variable pay
RCS²⁾	19 635 873	12	4 986 504	12
Total	19 635 873	12	4 986 504	12

* Total number of individuals that have received fixed remuneration during the year

** Total number of individuals that have received variable remuneration during the year

- 1) Variable pay is defined as short-term cash based Bonus (including the deferred part of the Bonus) and Long Term Incentive Programme. All other remunerations reported as fixed remuneration and include Fixed Salary and Pension and Insurance schemes. The reported remuneration does not include social charges.
- 2) As stated in the regulations, information should be published in such a manner that the economic conditions for individuals are not revealed. Due to the fact that only three out of the identified RCS are Executives, BFAB has chosen to publish the information for all RCS in totality instead of separating Executives and other RCS. This with the exception for the information published in the annual account in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

5.2 Specification of remuneration 2014

Variable pay to all employees in BFAB 2014 (as a percentage of total variable pay)	
Short-term cash based bonus	100 %
Long-term incentive programme	0 %

5.3 Vested, deferred and paid out remuneration

Vested 2014 (total remuneration)				
	Total remuneration excluding variable pay ¹⁾	Total number of employees	Short- and long term variable pay	Number of employees with variable pay
RCS ²⁾	19 635 873	12	5 070 300	12
Non-RCS	54 537 319	104	1 723 390	104
Total	74 173 192	116	6 793 690	116
Deferred variable remuneration for 2014				
	Total deferred amount	Total number of employees		
RCS ²⁾	2 862 040	12		
Total	2 821 000	12		
Paid out deferred variable remuneration total				
	Total deferred amount paid out	Total number of employees		
RCS ²⁾	2 005 357	12		
Total	2 005 357	12		
Accumulated deferred variable remuneration				
	Total deferred amount	Total number of employees		
RCS ²⁾	7 282 646	13		
Total	7 282 646 ³⁾	13		

- 1) Variable pay is defined as short-term cash based Bonus (including the deferred part of the Bonus) and Long Term Incentive Programme. All other remunerations reported as

fixed remuneration and include Fixed Salary and Pension and Insurance schemes. The reported remuneration does not include social charges.

- 2) As stated in the regulations, information should be published in such a manner that the economic conditions for individuals are not revealed. Due to the fact that only three out of the identified RCS are Executives, BFAB has chosen to publish the information for all RCS in totality instead of separating Executives and other RCS. This with the exception for the information published in the annual account in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.
- 3) The deferred variable remuneration may be paid out pro rata during the deferral period, commencing one year after the deferral. The deferred variable remuneration may be cancelled in part or in whole if at a later date it is demonstrated that the employee, department or the company did not fulfil the performance measures.

Number of employees in BFAB being remunerated EUR 1,000,000 or more in 2014	
Total number of employees	0

5.4 Severance pay and guaranteed bonus

Paid out severance pay and guaranteed bonus 2014		
	Total paid out amount	Total number of employees
Severance pay	326 032	2
Guaranteed bonus	0	0
Total	326 037	2