ANNUAL REPORT 2013

BlueStep

ANNUAL REPORT
2013

Managing Directors comments

When traditional banks say – No!

BlueStep is a dedicated, solution-oriented challenger offering mortgages and personal loans in Sweden and mortgages in Norway. We focus on providing mortgages to people with the capabilities to improve and change their life situation and thereby successfully manage their economy in the future in a better way. BlueStep focuses on people's future economical capabilities rather than the historic challenges they may have faced. With BlueStep people feel respected, trusted and in capable hands to find a solution to an often challenging financial situation.

BlueStep

BlueStep was established in 2005 to provide loans to Swedish homeowners and those who would like to borrow money to buy a new home. What is so special about BlueStep? We offer financing to people who are denied a mortgage loan from one of the traditional banks but where we see strong capabilities going forward.

Traditional mortgage lenders base their decisions on historic credit information and have streamlined and strict processes to sort out anyone that does not match their credit scoring criteria. This model has proved to be very efficient and lucrative for traditional banks over recent years but automatically rejects a large group of people from the possibility to finance the purchase of real estate or an apartment. This includes a large part of the population who has the financial capabilities today and going forward, but where decisions are made based on historical events in people's lives.

BlueStep does not compete directly with these lenders for business. Like many other financial institutions it is not possible for us to compete with the dominant banks due to their market position, branch networks, brand recognition, overall banking offering and access to cheap funding via the deposit and wholesale funding programs market, such as covered bonds.

Who are our customers?

There are approximately 650 000 individuals in Sweden and 230 000 people in Norway who have one or more payment remarks. These people are systematically declined when applying for a mortgage with traditional banks and other types of loans based purely on historic facts. In addition to this group which includes people with debts at KFM/Namsman with mismanaged credit engagements we also lend to people earning their income in other ways than being employed in the typical way.

Traditional banks rarely take the time to understand how and why people ended up in a financial predicament in the past or why their income varies from year to year. The most common reasons for payment remarks for our customers are due to unfortunate event such as unemployment, loss of income, sickness and divorce.

We take pride in trying to really understand a potential customer's past, but more importantly, their current and expected financial capabilities going forward.

These banks also have narrow view regarding people

>>

with a less typical employment situation. We believe that by taking more time to understand our customer's situation it enables us to accept many more customers who may be working on an hourly contract, rely on regular overtime, work on a consultancy contract, earn commission, have investment income, are self-employed or have a short income history.

Our detailed application and assessment process ensures that all customers can afford both our loan and all other financial obligations that they might have. All the standard mortgage loan we grant amortize over a maximum term of 40 years and BlueStep do not provide interest-only loans, irrespective of what the loan to value is.

BlueStep believes it's important to encourage and support an amortisation culture, especially among customers who have had financial uncertainty in the past.

Loan demographics

Compared with the traditional banks our average loans sizes are small with less than SEK 600 000 in Sweden and NOK 1,1 million in Norway. BlueStep typically refinances large amounts of more expensive unsecured loans, credit cards and overdue debts people have with the enforcement agency. These commitments tend to be shorter term and we look to refinance both these loans and other financial commitments into one loan with an amortization period of up to 40 years with property as collateral.

We charge higher interest rates than comparable loans provided by the traditional banks for a good reason. Firstly, we take a higher risk helping people with a volatile credit score and for this we charge a premium. But for the absolute majority of our customers the actual interest rate on the mortgage is not the most essential part of their financial recovery. Our mortgages allows them to reduce their monthly outgoing, as we charge materially less than the average credit cards and unsecured loans that we typically refinance, and have just one fixed amount to pay monthly.

Furthermore, large traditional banks in Sweden and Norway have a cost of funds considerably lower than BlueStep, smaller banks and credit institutions. They have access to billions of krona of deposits costing little or nothing and funding through covered bonds, a market closed to everyone except the larger traditional banks. BlueStep does not use automated credit scoring to approve or decline mortgage applications and each application receives careful individual assessment by our Customer Service staff and Credit Underwriters. BlueStep finances itself via a combination of retail deposits in Sweden and Norway and institutional funding via BlueStep's Securitisation Program. We have one of the widest ranges of deposit products in Sweden and Norway and consistently pay our customers a considerably higher interest rate than what they would get from the traditional banks.

Our team of professionals

We serve our customers with a team of dedicated and professional staff who work hard every day to understand customers and potential customers situations and thereby help them plan ahead, resulting in a situation with a better financial position. We always complete a detailed assessment based on people's life situation and only approve a loan where we are confident that the customer has the ability to meet their financial commitments with others and us.

As with any lending organization, unfortunately circumstances sometimes change after we pay out of the loan and a number of customers might end up in a situation where they are not able to service their homeloan and/or other loans they might have. BlueStep will try to do everything possible to find a solution that works for the customer to allow them to get back on track.

BlueStep do not have one or a few prices for all as we have a detailed risk driven pricing model that over the past 9 years has proven to work well. By historic and international standards the Swedish and Norwegian mortgage markets has been through a benign period since BlueStep launched in 2005. They main reason can be found in low interest rates, high house price inflation and generally robust economic conditions and we think it is unlikely that these conditions will prevail going forward. BlueStep is cautious about the future based on the strong performance of the mortgage and consumer finance markets generally to date and markets are undoubtedly exposed to downside risks.

2013 in brief

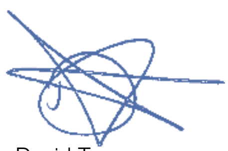
BlueStep had a strong year in 2013 with the Swedish mortgage business performing well and where we also saw considerable growth in the Norwegian mortgage business. At the same time we also saw healthy growth in our unsecured lending business. The loan book grew by SEK 1.2 billion to SEK 6.9 billion; interest income grew from SEK 483 million to SEK 592 million; profit before tax increased from SEK 34.6 million to SEK112.7 million and profit after tax increased from SEK 28.7 million to SEK 81.7 million.

The 2013 result was positively impacted by the one-off sale of the remaining portfolio of UK Mortgage Backed Bonds that were acquired in 2009 which contributed SEK 60.1 million (SEK 22.1 million) of profit before tax.

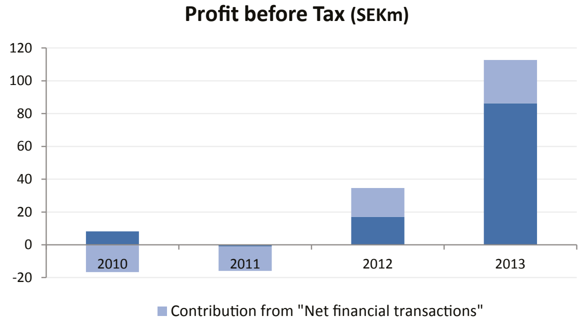
Outlook 2014

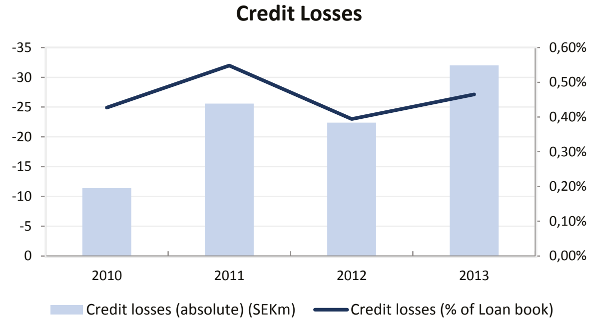
BlueStep expects to see continued business growth in 2014 driven mainly by increased growth in Norway and in our unsecured lending business.

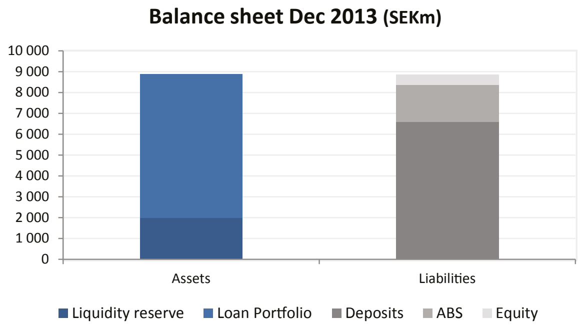
Stockholm May 23, 2014

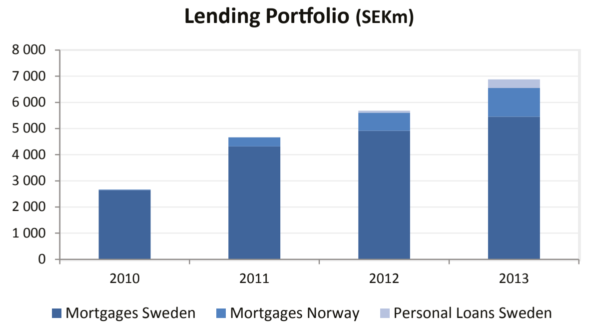


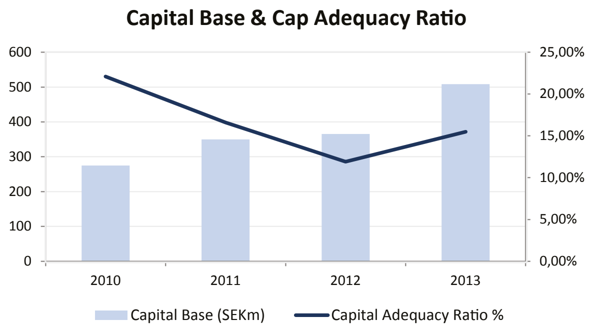
David Torpey
Managing Director
BlueStep Finans AB


Profit before Tax (SEKm)
120
100
80
60
40
20
0
-20
2010
2011
2012
2013
Contribution from "Net financial transactions"


Credit Losses
-35
-30
-25
-20
-15
-10
-5
0
0,60%
0,50%
0,40%
0,30%
0,20%
0,10%
0,00%
2010
2011
2012
2013
Credit losses (absolute) (SEKm)
Credit losses (% of Loan book)


Balance sheet Dec 2013 (SEKm)
10 000
9 000
8 000
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
Assets
Liabilities
Liquidity reserve
Loan Portfolio
Deposits
ABS
Equity


Lending Portfolio (SEKm)
8 000
7 000
6 000
5 000
4 000
3 000
2 000
1 000
0
2010
2011
2012
2013
Mortgages Sweden
Mortgages Norway
Personal Loans Sweden


Capital Base & Cap Adequacy Ratio
600
500
400
300
200
100
0
25,00%
20,00%
15,00%
10,00%
5,00%
0,00%
2010
2011
2012
2013
Capital Base (SEKm)
Capital Adequacy Ratio %

The annual report includes:

Foton: Pixhill.com

The Board of Directors and the Managing Director of Bluestep Finans AB, org no 556717-5129 with registered offices in Stockholm, Sweden, hereby present the Annual accounts and Group accounts for the financial year 2013-01-01--2013-12-31. The Group accounts include the wholly owned subsidiaries Bluestep Finans Funding No 1 AB, org no 556791-6928 with registered offices in Stockholm, Sweden and Bluestep Mortgage Securities No 2 Limited, org no 522186 with registered offices in Dublin, Ireland.

ADMINISTRATION REPORT

Organisation and operations

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

The Company is Sweden's largest non-conforming residential mortgage lenders and its core business is to engage in lending activities, which are funded by deposits from the public, equity and issuance of asset backed securities within its wholly owned subsidiary Bluestep Mortgage Securities No 2 Limited. The Company also operates in Norway through its branch, Bluestep Finans AB, filial Oslo.

The Company's operations include the design of lending and deposit products, marketing, loan processing and approval of all loans, bond investments and related services.

The day to day administration of the loan portfolios and deposit accounts in Sweden are outsourced to third parties, while administration of both loan and deposit products in Norway are handled in-house.
The administration of the loan portfolio was brought in-house in 2013.

Ownership

The Company is a wholly owned subsidiary of Bluestep Bostadslån AB, organizational number 556668-9575 with registered offices in Stockholm, Sweden. Bluestep Bostadslån AB, Bluestep Finans AB, Bluestep Finans AB, filial Oslo ("the Branch"), Bluestep Finans Funding No 1 AB and Bluestep Mortgage Securities No 2 Limited are all part of a Group where Bluestep Capital Holdings Limited is the ultimate parent, and prepares the consolidated Annual Group accounts for the entire Group.

Events during the financial year

Lending

The mortgage lending portfolio continues to grow and amounted to SEK 6 882.7m as of year-end (SEK 5 680.1m). The outstanding balance of lending in Norway at year-end amounted to SEK 1 095.1m (SEK 689.1m). The unsecured loan portfolio balance as of year-end amounted to SEK 331.0m (SEK 76.0m).

In November 2013, the Company completed a SEK 2 500.0 m securitisation transaction through the subsidiary Bluestep Mortgage Securities No 2 Limited. Mortgage loans totaling a value of SEK 2 478.7m were sold from the Company and Bluestep Finans Funding No 1 Limited to Bluestep Mortgage Securities No 2 Limited. The purchase of loans was funded by issuance of notes by Bluestep Mortgage Securities No 2 Limited, which comprise of Class A and Class Z notes, denominated in both EUR and SEK, totaling an equivalent of SEK 2 500.0m. The Company holds SEK 500.0m of Class Z notes and SEK 236.8m of retained Class A notes. The retained Class A notes were sold to an external investor in February 2014.

Deposits

The deposits business focuses on providing customers with competitive interest rates on both short and long-term savings through a number of deposit products with different features and maturities. The balance of deposits as at year end amounted to SEK 6 601.3m (SEK 7 029.0m), of which the deposit business in Norway amounted to SEK 1 066.9m (SEK 922.4m).

All deposit products are covered by the government deposit guarantee scheme, which amounts to EUR 100 000 in Sweden and NOK 2 000 000 in Norway through Bankenes Sikringsfond.

Liquidity reserve

As at year end, the Group's excess liquidity placed with credit institutions amounted to SEK 1 512.7m (SEK 1 462.1m) and Swedish issued covered bonds amounted to SEK 437.0m (SEK 447.5m).

Staff

The average number of employees in the Company during the year amounts to 134 (111), of which 23 (19) are employed by

>>

the Company's Norwegian branch. The increase in number of employees is mainly related to the Company's operational growth in mortgage and unsecured lending during the year.

Operating income and profit
The Group's net interest income increased to SEK 361.3m (SEK 241.7m), and the operating income amounted to SEK 395.1m (SEK 264.8m). The comprehensive profit for the year was SEK 97.4m (SEK 24.3m). The 2013 result was impacted by the following material events:

- General administration expenses increased to SEK 240.4m from SEK 199.1m which is related to the increase of staff and operational growth.

- Financial transactions during the year resulted in a profit of SEK 26.4m (SEK 17.6m). The transactions were negatively impacted by a SEK -12.7m (SEK -1.8m) loss linked to the reduced mark to market values of various short and medium term interest rate caps and swaps due to the reduced interest rate outlook in Sweden and Norway. The Company sold its portfolio in Residential Mortgage Backed Securities ("RMBS") during the year, which resulted in a profit of SEK 58.4m (SEK 22.1m).

- Losses in the Norwegian branch, Bluestep Finans AB, filial Oslo decreased to SEK -8.1m (SEK -16.4m)

The increase in the Group's net interest income and operating income is driven by the increased lending to the public.

The Company has received a group contribution from its' subsidiary Bluestep Finans Funding No 1 AB of SEK 29.1m (SEK 12.7m), which is accounted for in the Company's income statement. The amount of the group contribution is equivalent to the profit of the year in Bluestep Finans Funding No 1 AB. Furthermore, a group contribution has been given to the parent company Bluestep Bostadslån AB amounting to SEK 12.4m (SEK 0m).

In total, the changes in provisions for bad debts had an impact of SEK -13.5m (SEK -4,9m) on earnings for 2013. Actual losses have had an impact on the result by SEK -18.5m (SEK -17.5m).

Key figures - the Group

	2013	2012	2011	2010	2009
Result of the year	88 151 009	28 762 464	-15 887 137	5 574 264	-22 618 446
Lending to the public	6 882 651 486	5 680 058 842	4 669 758 143	2 670 044 002	1 194 437 240
Deposits from the public	6 601 263 001	7 029 014 093	4 761 985 381	3 374 886 692	2 748 384 826
Average number of employees	134	111	75	19	5

Key figures - Parent company

	2013	2012	2011	2010	2009
Result of the year	122 367 515	24 266 021	-15 887 137	-1 756 139	-22 618 446
Lending to the public	6 882 651 486	4 531 549 571	3 339 758 567	2 242 030 923	1 194 437 240
Deposits from the public	6 601 263 001	7 029 014 093	4 761 985 381	3 374 886 692	2 748 384 826
Average number of employees	134	111	75	19	5

Capital adequacy - Parent company

	2013-12-31	2012-12-31	2011-12-31	2010-12-31	2009-12-31
Capital base	508 269 222	399 860 979	349 534 872	275 048 907	150 593 292
Capital requirement	296 920 754	274 568 083	194 344 814	115 716 742	77 141 958
Risk weighted assets	3 275 714 752	3 077 354 966	2 105 243 479	1 247 205 625	815 797 606
Capital adequacy ratio	1,71	1,46	1,80	2,38	1,95
Capital adequacy %	15,5%	13,0%	16,6%	22,1%	18,5%

Risks and uncertainties
The Company actively takes risks related to its lending and borrowing business and, as such, the following principles underpin risk management within the institution: risk is taken with a defined risk appetite; taken risks are approved within the risk management framework; risks are continuously monitored; and, a strong risk management culture helps reinforcing the institution's resilience.

The nature of the business requires the Company to identify, measure and manage risk effectively, and allocate capital appropriately. Risk policies and risk management systems are reviewed regularly to ensure that these are closely aligned with the activities of the business.

The Company's risks are further detailed in Note 2 Risk management.



Subsidiaries
Bluestep Mortgage Securities No 2 Limited and Bluestep Finans Funding No 1 Limited are wholly owned subsidiaries of the Company. As part of the securitisation transaction, mortgage assets of SEK 1 019.5m in Bluestep Finans Funding No 1 Limited were sold to the Company. The Company consequently sold mortgage assets of SEK 2 478.7m to Bluestep Mortgage Securities No 2 Limited. Bluestep Mortgage Securities No 2 Limited held a mortgage portfolio totaling SEK 2395.8m as at year-end.

Branches
The Company operates in Norway through its' Norwegian branch. The mortgage lending portfolio in the Branch continues to grow and totaled SEK 1 095.1m as at the year-end (SEK 689.1m).

Deposits from the public have increased during the year to SEK 1 066.9m (SEK 922.4m).

The Company aims to be a leading lender in the specialist residential mortgage market in Norway and will fund the business principally via retail deposits raised in Norway. "

Future development
Going in to 2014 the business is confident that strong growth will continue in its three lending businesses with lending margins and credit quality maintained.

Subsequent events
The Company sold the Class A Retained notes to external party in February 2014.

Proposal for the appropriation of profits

The following profits are available for appropriation at the annual general meeting

Non-restricted equity from previous years	314 649 308
Result of the year	122 367 515
	437 016 823

The Board propose that

the following be carried forward	437 016 823
	437 016 823

The Company's capital base at the end of year end exceeded the capital requirement by SEK 211 348 449 (SEK 155 190 058). Unrestricted equity which is not distributable with respect to the rules on capital protection amounts at year end to SEK 232 150 582 (SEK 169 912 401).

The Board and Managing Director's assessment is that the Company's equity as stated in the annual report is sufficient in relation to the Company's size and risk.

Please refer to the following income statement, balance sheet, cash flow statement and additional information regarding the Company's profits and financial position in general. All amounts are in Swedish kronor unless otherwise indicated.

OPERATING INCOME	Not	2013-12-31	2012-12-31
Operating income			
Interest income		592 461 594	483 762 674
Interest expense		-231 185 325	-242 104 338
Net interest income	3	**361 276 269**	**241 658 336**
Commission income	4	273 000	286 750
Net result of financial transactions	5	26 437 733	17 556 741
Other operating income	6	7 068 721	5 308 332
Total operating income		**395 055 723**	**264 810 159**
Operating expense			
General administration expenses	7,8,9	-240 427 224	-199 081 759
Depreciation on fixed assets	10,11	-9 908 478	-8 765 833
Total expenses		**-250 335 702**	**-207 847 592**
Result pre credit losses		**144 720 021**	**56 962 567**
Credit losses, net	12	-32 044 796	-22 383 552
Operating profit/loss		**112 675 225**	**34 579 015**
Tax	13	-24 524 216	-5 816 551
Net profit/Loss for the year		**88 151 009**	**28 762 464**

Statement of comprehensive income		
Net income	88 151 009	28 762 464
Exchange differences, foreign operations	6 482 214	-568 972
Comprehensive profit/loss	**94 633 223**	**28 193 492**

BALANCE SHEET - THE GROUP	Not	2013-12-31	2012-12-31
Assets			
Lending to credit institutions	14	1 512 656 099	1 462 070 489
Lending to the public	15	6 882 651 486	5 680 058 842
Derivatives	16	38 945 423	1 437 274
Bonds and other interest-bearing securities	17	489 849 720	640 903 184
Intangible assets	10	46 297 006	14 749 573
Tangible assets	11	4 770 475	4 431 364
Other assets	19	69 090 923	32 522 108
Prepaid expenses and accrued income	20	20 950 585	11 216 641
Total assets		**9 065 211 717**	**7 847 389 475**
Liabilities			
Liabilities to credit institutions/bond investors	21	1 763 339 767	290 000 000
Deposits from the public	22	6 601 263 001	7 029 014 093
Derivatives	16	51 171 437	23 026 706
Current tax liability	13	26 342 027	4 548 324
Deferred tax liabilities	13	-	1 268 227
Accrued expenses and prepaid income	23	72 841 062	47 833 455
Other liabilities	24	44 875 618	32 552 921
Total liabilities		**8 559 832 912**	**7 428 243 726**
Equity			
Shareholders' equity		505 378 805	419 145 749
Total equity		**505 378 805**	**419 145 749**
Total equity and liabilities		**9 065 211 717**	**7 847 389 475**

CHANGES IN EQUITY - THE GROUP

	Shareholders' equity			
	Share capital	**Shareholder contributions****	**Retained earnings**	**Total equity**
Opening balance 2012-01-01	**10 000 000**	**366 558 855**	**-41 456 398**	**335 102 457**
Transactions with shareholders				
Shareholder contributions*		55 849 800		55 849 800
Stock dividend	90 000 000	-90 000 000		-
Result for the year reported via income statement			28 762 464	28 762 464
Exchange differences, foreign operations			-568 972	-568 972
Ending balance 2012-12-31	**100 000 000**	**332 408 655**	**-13 262 906**	**419 145 749**
Opening balance 2013-01-01	**100 000 000**	**332 408 655**	**-13 262 906**	419 145 749
Result for the year reported via income statement			88 151 009	88 151 009
Group Contribution		-12 395 373		-12 395 373
Tax Group Contribution		2 726 982		2 726 982
Exchange differences, foreign operations			6 482 214	6 482 214
Untaxed reserves			1 268 224	1 268 224
Ending balance 2013-12-31	**100 000 000**	**322 740 264**	**82 638 541**	**505 378 805**

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

** All Shareholder contributions are conditional shareholders contributions.

OPERATING ACTIVITIES	Not	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Den löpande verksamheten			
Pre tax income		112 675 225	34 579 015
		112 675 225	**34 579 015**
Adjustments for items not included in cash flow			
Depreciation	10,11	9 908 478	8 765 833
Credit losses	12	32 044 796	22 383 552
Taxes paid		21 793 703	1 932 453
Untaxed reserves		2 726 982	-
Group contribution		1 268 227	-
Total – Items not included in cash flow		**67 742 186**	**33 081 838**
Cash flow from current operations before changes to operating capital		**180 417 411**	**67 660 853**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-1 234 637 440	-1 032 684 251
Increase (-)/decrease (+) of change in receivables		-83 810 908	9 402 082
Increase (+)/decrease (-) of deposits from the public		-427 751 092	2 267 028 712
Increase (+)/decrease (-) of change in short term liabilities		27 287 217	15 135 288
Cash flow from operating activities		**-1 538 494 812**	**1 326 542 684**
Investing activities			
Investments in intangible assets	10	-40 325 638	-9 864 542
Acquisition of fixed assets	11	-1 469 385	-3 017 539
Increase (-)/decrease (+) of financial assets	17	151 053 464	-132 459 981
Cash flow from investing activities		**109 258 441**	**-145 342 062**
Financing activities			
Liabilities to credit institutions	21	1 473 339 767	-510 450 000
Shareholders' contribution		-	55 849 800
Subordinated liabilities		-	-26 748 900
Cash flow from financing activities		**1 473 339 767**	**-481 349 100**
Net cash flow for this year		**44 103 396**	**699 851 522**
Liquid funds at beginning of year		**1 462 070 489**	**762 749 183**
Currency difference i liquidity		6 482 214	-530 216
Liquid funds end of year		**1 512 656 099**	**1 462 070 489**

Cash flow includes interest receipts of SEK 590 709 760 (SEK 483 508 749) and interest payments of SEK 214 733 469 (SEK 194 849 323). Capitalised interest is included.

INCOME STATEMENT - PARENT COMPANY	Not	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Operating income			
Interest income		557 907 954	423 927 891
Interest expense		-237 661 218	-209 600 709
Net interest income	3	**320 246 736**	**214 327 182**
Group contributions		29 090 462	12 745 685
Commission income	4	273 000	286 750
Net result of financial transactions	5	68 016 877	13 439 591
Other operating income	6	5 834 799	4 226 570
Total operating income		**423 461 874**	**245 025 778**
Operating expense			
General administration expenses	7,8,9	-237 004 969	-194 594 731
Depreciation on tangible and intangible fixed assets	10,11	-9 210 758	-8 765 833
Total expenses		**-246 215 727**	**-203 360 564**
Result pre credit losses		**177 246 147**	**41 665 214**
Credit losses, net	12	-30 424 452	-17 399 193
Operating profit/Loss		**146 821 695**	**24 266 021**
Tax	13	-24 454 180	-
Net profit/loss for the year		**122 367 515**	**24 266 021**
Statement of comprehensive income			
Net income		122 367 515	24 266 021
Exchange differences, foreign operations		6 482 214	-568 972
Comprehensive profit/loss		**128 849 729**	**23 697 049**

BALANCE SHEET - PARENT COMPANY	Not	2013-12-31	2012-12-31
Assets			
Lending to credit institutions	14	1 280 442 394	1 434 290 991
Lending to the public	15	6 882 651 486	4 531 549 571
Derivatives	16	23 409 336	1 437 274
Bonds and other interest-bearing securities	17	489 849 720	640 903 184
Shares and participations in associated companies	18	3 100 000	3 100 000
Intangible assets	10	25 561 424	14 749 573
Tangible assets	11	4 770 475	4 431 364
Other assets	19	174 776 473	883 720 188
Prepaid expenses and accrued income	20	21 523 801	11 216 641
Total assets		**8 906 085 109**	**7 525 398 786**
Liabilities			
Liabilities to credit institutions	21	1 650 318 545	-
Deposits from the public	22	6 601 263 001	7 029 014 093
Derivatives	16	14 181 482	11 495 261
Accrued expenses and prepaid income	23	48 102 795	45 706 716
Other liabilities	24	36 661 448	24 533 408
Tax liabilities	13	21 727 198	-
Total liabilities		**8 372 254 469**	**7 110 749 478**
Equity			
Share capital		100 000 000	100 000 000
Profit and loss account reserve brought forward		311 463 125	290 383 287
Result for this year		122 367 515	24 266 021
Total equity		**533 830 640**	**414 649 308**
Total equity and liabilities		**8 906 085 109**	**7 525 398 786**

CHANGES IN EQUITY - PARENT COMPANY

	Share capital	Restricted equity	Shareholder contri-butions**	Retained earnings	Non-restricted equity	Total equity
Opening balance 2012-01-01	**10 000 000**	**10 000 000**	**373 889 260**	**-48 786 801**	**325 102 459**	**335 102 459**
Transactions with shareholders						
Shareholder contributions*	-	-	55 849 800	-	55 849 800	55 849 800
Stock dividend	90 000 000	90 000 000	-90 000 000	-	-90 000 000	-
Result for the year reported via income statement	-	-	-	24 266 021	24 266 021	24 266 021
Exchange differences, foreign operations	-	-	-	-568 972	-568 972	-568 972
Ending balance 2012-12-31	**100 000 000**	**100 000 000**	**339 739 060**	**-25 089 752**	**314 649 308**	**414 649 308**
Opening balance 2013-01-01	**100 000 000**	**100 000 000**	**339 739 060**	**-25 089 752**	**314 649 308**	**414 649 308**
Result for the year reported via income statement	-	-	-	122 367 515	122 367 515	122 367 515
Group contribution	-	-	-12 395 373	-	-12 395 373	-12 395 373
Tax Group contribution	-	-	2 726 982	-	2 726 982	2 726 982
Exchange differences, foreign operations	-	-	-	6 482 208	6 482 208	6 482 208
Ending balance 2013-12-31	**100 000 000**	**100 000 000**	**330 070 669**	**103 759 971**	**443 830 640**	**533 830 640**

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

** All Shareholder contributions are conditional shareholders contributions.

CASH FLOW STATEMENT - PARENT COMPANY	Not	2013-01-01 2013-12-31	2012-01-01 2012-12-31
Operating activities			
Pre tax income		146 821 695	24 266 021
		146 821 695	**24 266 021**
Adjustments for items not included in cash flow			
Depreciation	10,11	9 210 758	8 765 833
Credit losses	12	30 424 452	17 399 193
Total – Items not included in cash flow		**39 635 210**	**26 165 026**
Cash flow from current operations before changes to operating capital		**186 456 905**	**50 431 047**
Cash flow from changes to operating capital			
Increase (-)/decrease (+) of lending to the public		-2 381 526 367	-1 209 190 197
Increase (-)/decrease (+) of change in receivables		676 664 493	-319 552 473
Increase (+)/decrease (-) of deposits from the public		-427 751 092	2 267 028 712
Increase (+)/decrease (-) of change in short term liabilities		4 814 962	26 022 151
Cash flow from operating activities		**-1 941 341 099**	**814 739 240**
Investing activities			
Investments in intangible assets	10	-18 892 336	-9 864 542
Acquisition of fixed assets	11	-1 469 385	-3 017 539
Acquisition of financial assets	17	151 053 464	-132 459 981
Cash flow from investing activities		**130 691 743**	**-145 342 062**
Financing activites			
Liabilities to credit institutions		1 650 318 545	-
Shareholders' contribution		-	55 849 800
Subordinated liabilities		-	-26 748 900
Cash flow from financing activities		**1 650 318 545**	**29 100 900**
Net cash flow for this year		**-160 330 811**	**698 498 078**
Liquid funds at beginning of year		**1 434 290 991**	**736 323 129**
Currency difference in liquidity		6 482 214	-530 216
Liquid funds end of year		**1 280 442 394**	**1 434 290 991**

Cash flow includes interest receipts of SEK 553 818 059 (SEK 423 188 786) and interest payments of SEK 221 209 362 (SEK 162 345 694). Capitalised interest is included.

Contents disclosures

Note 1 Accounting principles

Compliance with standards and regulations

The financial reports and the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and interpretations of them. The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups, issued by the Swedish Financial Reporting Board, the pronouncements of the Swedish Financial Reporting Board, certain complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies and the regulations and general advice of the Swedish Financial Supervisory Authority, FFFS 2008:25.

The parent 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) in accordance with amended regulations and the Council of Financial Reporting Recommendation RFR 2 Accounting for legal entities. The Company applies the so-called "limited IFRS" which means that the Company has adopted the International Financial Reporting 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 and FFFS 2008:25. This means that IFRS is applied to the extent possible within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation.

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

The consolidated financial statements and the annual report for Bluestep Finans AB for the financial year 2013 were approved by the Board of Directors and the CEO for publication on 23 May 2014. The consolidated financial statements and the annual report will ultimately be adopted by the parent company's Annual General Meeting on 23 May 2014.

The Company applies full IFRS in the consolidated financial statements in accordance with the revised accounting regulations from the Swedish Financial Agency and the Council for financial report.

Changes in accounting principles

Presentation of financial statements (amendment to IAS 1)
As of 2013 the statement of comprehensive income is divided into two parts: components that will not be reclassified to profit or loss and components that have been or will be reclassified to profit or loss.

Financial instruments: disclosures (amendment to IFRS 7)
As of 2013 disclosures are required about financial assets and financial liabilities which are offset in the balance sheet or are subject to various legally binding netting arrangements or the similar risk-reducing agreements. The Company does not have any financial assets or liabilities that are offset, why this amendment does not affect the Company.

Fair value measurement (IFRS 13)
The new IFRS 13 standard replaces the guidance on fair value measurement which was previously found in each IFRS standard. The standard defines how fair value is determined but not when (this is regulated in other standards). Fair value is defined as the price that would be received at the measurement date on the sale of an asset or paid to transfer a liability in a transaction between market participants under orderly transaction, a so-called "exit-price". The standard also contains disclosure requirements. Introduction of the standard has not had a significant effect on the Company.

New and amended standards and interpretations that are not yet in force

A number of new or amended standards published by the International Accounting Standards Board (IASB) will be effective from financial year 2014 and has not been applied in the preparation of these financial statements. New standards or modifications that will be applicable from the fiscal year of 2014 or beyond are not planned to be applied in advance. The following describes the expected effects on the financial statements that the application of the new or amended standards are expected to have on the Company's financial statements. In addition to those, no other news are deemed to have any effect on the Company's financial statements.

IFRS 9 Financial Instruments includes requirements for recognition and measurement, derecognition and hedge accounting. The standard is being issued in phases and will eventually result in full replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was first published in November 2009 and contains the requirements for the classification and measurement of financial assets, which reduces the number of valuation categories. Requirements for financial liabilities were added in October 2010, which remain largely unchanged from IAS 39. The primary change permits the presentation of fair value movements due to own credit risk on financial liabilities designated as at fair value through profit or loss in other comprehensive income, rather than in profit or loss. In November 2013, the IASB published the general hedge accounting rules, which will allow entities to better reflect their risk management activities in the financial statements.

IFRS 9 does not currently include a mandatory effective date. This will be added when all phases of the project are complete, including the new requirements for impairment of financial assets at amortised cost and limited amendments to the classification and measurement requirements. The standard has not yet been approved by the EU, and the effective date has been deferred to 1 January 2017 the earliest. The management's assessment is that the application of IFRS 9 may affect the reported amounts in the financial statements for the Group's financial assets and liabilities. Management has not yet undertaken a detailed analysis of the effects of application of IFRS 9 and therefore cannot yet quantify the impact.

The new standard defines when a reporting Company should consolidate another Company. Consolidation will be required when the reporting Company has control over the other Company. Control means that the reporting Company is capable of managing the Company, is exposed and entitled to a variable return, and is able to use its power over the Company to affect the return. The basic principle to determine whether control exists or not remains the same, but the new standard provides additional guidance in cases that are difficult to assess. The standard replaces the rules on consolidation in IAS 27 Consolidated and separate financial statements and SIC 12 Consolidation - Special Purposes Entities. The new standard will be effective from 1 January 2014. The changes will also affect RFR 1 and 2 and there will be consequential amendments in those standards.

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

Significant judgments and estimates

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

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

>>

>>

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

Foreign currency

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

Accounting for revenue

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

Net interest income

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

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

Commission income and commission expenses

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

Net income from financial transactions

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

Financial instruments

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

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

Financial assets and liabilities are offset and reported on a net basis in the balance sheet only when there is a legal right to offset and when the intention is to settle with a net amount or to simultaneously realise the asset and settle the liability. The Company does not have any offset assets and liabilities as of year-end 2013.

Financial instruments are initially recognised at cost, which is the instrument's fair value plus transaction costs, for all financial i nstruments 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

The Company has not classified any assets as ”Financial assets held-to-maturity”.

Financial assets and liabilities at fair value through the income statement

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

- Financial assets or financial liabilities held for trading . All of the Company's assets in this sub-category refer to derivative instruments which automatically are classified as held for trading.
- Designated as at financial assets or financial liabilities at fair value through profit or loss on initial recognition. Assets in this sub-category relate to Swedish Covered Bonds.

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

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

The Company's financial assets and liabilities measured at fair value consist of derivatives and bonds and other interest bearing securities. All of which are valued using mark to model valuations in accordance with level 2 in IFRS 7. No changes between the levels have occurred.

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

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

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

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

>>

Loans and receivables

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

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

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

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

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

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

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

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

Other financial liabilities

Financial liabilities which are not derivatives and classified as "Liabilities at fair value through profit or loss" are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, see Note 26 Loans and receivables.

Shareholders' contribution and group contribution

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

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

Intangible assets

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

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

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

Depreciation is made on a straight-line basis over the asset's estimated useful life. The amortisation period for intangible assets is 3-5 years.

Tangible assets

Tangible assets are carried at cost less depreciation according to plan. Depreciation is reported in the income statement on a linear basis over the anticipated useful life. The profit or loss that arises upon disposal or retirement of an asset is calculated as the difference between the sales revenue and the asset's carrying amount, and is reported in the income statement. The amortisation period for intangible assets is 3-5 years.

Leasing

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

Pensions

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

Taxes

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.

Cash flow statement and cash equivalents

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

Cash and cash equivalents

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

Note 2 Risk management

The nature of the business requires the Company to identify, to measure, to aggregate and to manage its risks effectively, and allocate its capital appropriately. Risk and capital are managed via a framework of principles, organizational structures, and measurement and monitoring processes that are closely aligned with the activities of the business: (i) The Board and the Managing Director provide overall risk and capital management supervision; (ii) BFAB operates a three□line of defence risk management model whereby risk management oversight and assurance roles are played by functions independent of one another; (iii) Risk strategy and risk appetite are defined based on strategic plans in order to align risk, capital, and performance targets; (iv) All major risks are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, and interest rate risk; (v) Where applicable, modelling and measurement approaches for quantifying risk and capital demand are implemented across the major risk classes; and, (vi) Effective processes and policies are a critical component of our risk management capability.

The Board of Directors has the ultimate responsibility for the Company's level of risk and determination of its capital requirement. The Board stipulates guidelines for the Managing Director with respect to risk governance and risk management, risk control, reporting and issuing policies and instructions. The Board is the ultimate owner of the Company's risk management system and is responsible for ensuring that the Company has good internal control.

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

A large part of the work with risk management is conducted in the various board committees, which are established in order to examine certain areas, such as risk management (RMC) and new product and process (NPPC), and for conducting preparatory work in these areas ahead of board meetings. These two committees are chaired by the Risk Manager. The Risk Manager is responsible for identification, assessment, management and reporting of risks of operations arising within operations across all business areas and risk types within the organisation.

The Compliance Manager is responsible to report all market, legal and compliance risks to the Managing Director and the Board on an aggregated level. The management of ethical risks is divided between the Risk Manager and the Compliance Manager. The Board is responsible for the planning of internal audits. Internal audit assignments are outsourced to a third party auditor.

Internal capital adequacy assessment process (ICAAP)
The Internal Capital Adequacy Assessment Process analyses all of the risks that the Company is exposed to. Stress tests and scenario analyses are based on the conditions prevailing during a recession. This entails that the Company retains capital for the risks that the Company is believed to be exposed to in view of the risk organisation described above. This process is performed twice a year.

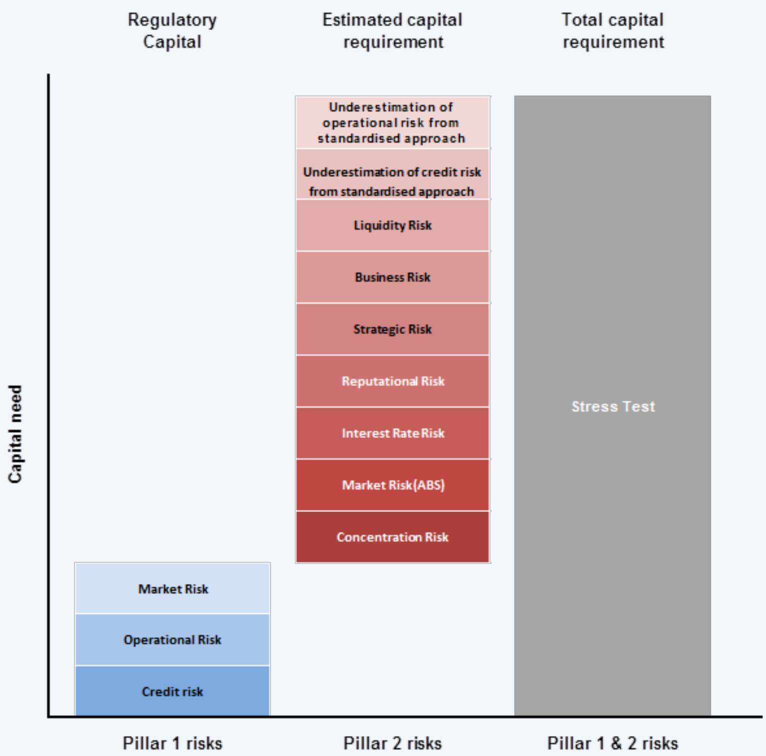
Delegation of risk and control responsibility
- three lines of defense
The Company's risk management is based on three lines of defense, which are the foundation for the Company's model for risk management, risk control and compliance. The model is based on a division of responsibility for risk and compliance within the Company. It also distinguishes between the functions that own and manage risks and compliance (the first line), the functions that monitor and independently control risks and compliance (the second line), and the functions for independent review and oversight (the third line).

Risk

Material risks in the Business

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

- Credit risk (incl. Concentration risk),
- Market risk,
- Operational risk,
- Interest rate risk,
- Reputational risk,
- Strategic risk,
- Business risk,
- Liquidity risk,
- Underestimation of credit risk from standardised approach, and
- Underestimation of operational risk from standardised approach.



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

>>

Capital requirements according to Pillar 1

Credit risk

Credit risk is the main risk that the BFAB Group faces. Credit risk is mainly managed through the credit instructions in which risk appetite is defined.

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

Concentration risk

Concentration risk is defined as the risk of suffering losses from lack of diversification, investing too heavily in one industry, one geographic area or one type of security. As the Company's main investments are retail lending (mortgages and personal loans), concentration risk could arise from lending heavily in one geographic area. Because of the nature of the Company's lending, concentration risk is measured by deviations in the distribution of lending and population across regions.

Maximum Credit Risk Exposure	**Group**		**Parent**	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Lending to the general public				
- Loans secured by residential property	6 551 604 103	5 604 039 738	6 551 604 103	4 455 543 748
- Unsecured loans	331 047 383	76 019 104	331 047 383	76 005 823
Total lending to the general public	6 882 651 486	5 680 058 842	6 882 651 486	4 531 549 571
Lending to credit institutions				
- AA	411 775 688	630 842	204 376 132	630 842
- A	1 100 880 411	1 461 439 647	1 115 536 537	1 433 660 149
Total lending to the general public	1 512 656 099	1 462 070 489	1 319 912 699	1 434 290 991
Bonds and other interest-bearing securities				
- AAA	436 950 470	447 548 410	436 950 470	447 548 410
- AA	-	77 695 433	-	77 695 433
- A	52 899 250	115 659 341	52 899 250	115 659 341
Total bonds and other interest-bearing securities	489 849 720	640 903 184	489 849 720	640 903 184
Derivatives				
- A	38 945 423	1 437 274	23 409 336	1 437 274
- No rating	-	-	-	-
Total derivatives	38 945 423	1 437 274	23 409 336	1 437 274
Corporates				
- No rating	-	59 927	107 529 104	853 424 688
Total corporates	-	59 927	107 529 104	853 424 688
Other assets				
- No rating	94 811 983	48 110 186	57 171 370	49 043 505
Total other assets	94 811 983	48 110 186	57 171 370	49 043 505
Total	**9 018 914 711**	**7 832 639 902**	**8 880 523 685**	**7 510 649 213**

>>

>>

Credit risk

Receivables from private individuals	Group 2013-12-31	Group 2012-12-31	Parent 2013-12-31	Parent 2012-12-31
Performing	6 411 614 189	5 115 675 392	6 411 614 189	4 032 772 039
Due 30-60 days	173 706 392	163 084 612	173 706 392	112 961 834
Due 60-90 days	42 715 555	41 688 281	42 715 555	39 569 576
Due over 90 days	196 756 849	184 894 694	196 756 849	142 103 009
Impaired assets	739 201	-	739 201	-
Total	**6 825 532 186**	**5 505 342 979**	**6 825 532 186**	**4 327 406 458**
Provisions	**54 243 630**	**35 162 404**	**54 243 630**	**25 960 845**

Exposure class	Parent: Class	Parent: Exposure as at 2012-12-31	Parent: Risk weighted amount	Parent: Average riskweight
Institutions	6	1 319 792 395	263 958 475	20%
Companies	7	107 529 104	107 529 100	100%
Retail	8	328 111 822	246 083 863	75%
Secured on residential property loan to value < 75%	9	6 124 667 557	2 143 633 650	35%
Secured on residential property loan to value > 75%	9	271 403 986	203 552 988	75%
Past due items	10	158 468 119	159 909 088	101%
Covered bonds	12	436 950 470	43 695 050	10%
Securitisation positions	13	52 899 250	26 449 625	50%
Other items	15	80 700 982	80 902 913	100%
Total		**8 880 523 685**	**3 275 714 752**	**37%**

>>

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

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

	Total position 2013-12-31	**Value change -100 bps**	**Value change +100 bps**
EUR position	35 994	-3 599	3 599
GBP position	178 441	-17 844	17 844
NOK position	149 566 220	-14 956 622	14 956 622
Impact on earnings		**-14 978 065**	**14 978 065**

A change in relevant exchange rates in relation to the Swedish krona of -10% would at the balance sheet date show an instantaneous net impact on earnings of SEK -15.0m (SEK 0.8m). A change in relevant exchange rates in relation to the Swedish krona of +10% would at the balance sheet date show an instantaneous net impact on earnings of SEK 15.0m (SEK -0.8m).

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

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

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

The day to day administration of the loan portfolios in Sweden and Norway and the management of deposit accounts in Sweden are outsourced to third parties for the majority of the year. During 2013, the loan administration in Norway was brought in-house. In order to manage operational risk, the Company performs regular audits of third party business operations and internal controls, as well as their business continuity plans.

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

Capital requirements according to Pillar 2
As part of the supervisory review process, the Company performs an internal capital adequacy assessment (ICAAP). This consists on an assessment and quantification of all identified risks that affect the Company. As a result of aggregating risk in terms of capital, the Company is able to allocate capital efficiently taking into account not only the current period but the next five years, as well as planned business developments. The ICAAP includes upcoming and/or potential regulatory changes that may impact the Company.

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

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

BFAB Financial Group raises funding and capital from i) its owners in the form of share capital and conditional shareholder's contribution ii) retail deposits in Sweden and Norway (BFAB) and iii) issuance of residential mortgage backed securities (Step 2).

The Company is mainly exposed to liquidity risk related to funds it raises from retail deposits. In order to mitigate this risk, it is the Company's policy to hold a material liquidity reserve in order to meet any unforeseen deposit outflows.

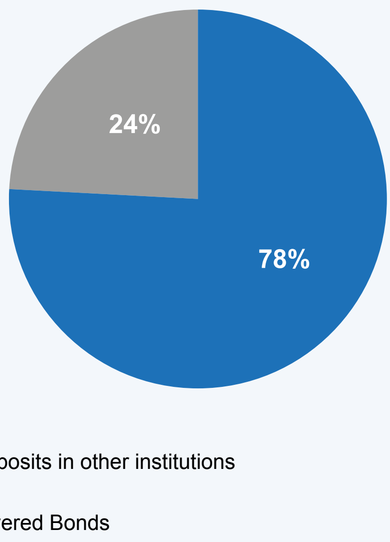
The Company manages its liquidity risk ensuring it maintains sufficient liquidity, including a cushion of unemcumbered, high quality liquid assets, to withstand a range of stress events. The liquidty risk tolerance is define in the liquidity risk policy which is ultimately approved by the Board of Directors. The liquidity is daily monitored and internally reported.

The Company has a sound process for identifying, measuring, monitoring and controlling liquidity risk, including a robust frame-work for comprehensively projecting cash flows arising from assets and liabilities over an appropriate set of time horizons.

The Company has established a funding strategy that provides effective diversification in the sources and tenor of funding. It also conducts stress test on a regular basis for a variety of short-term stress scenarios, identifying sources of potential liquidity strain and to ensure that current exposures remain in accordance with the established risk tolerance.

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

Liquidity risk - December 2013



A contingency plan that addresses liquidity shortfalls in emergency situations is established.

>>

Business risk
Business risks are risks related to the Company's short-term and long-term ability to generate profits. The Company has identified business risks that may cause financial results to fall short of projections. Each risk is analysed with a qualitative approach and the expected loss for each risk is calculated. The net expected loss for all the identified risks are summed and reduced by the expected pre-tax profit for the year. The identified risk scenarios are assumed to occur simultaneously across both the Swedish and Norwegian businesses.

Strategic risk
Strategic risks are defined as risks that have a long term effect on the business or risks that are related to certain actions taken by the Company such as geographic expansion or the introduction of new products.

Strategic risks are analysed using a qualitative approach. Specifically, risks are listed and evaluated to determine the potential impact of each. The expected loss caused by the risk is calculated and compared to the estimated profit for that time period. Strategic risks are assumed to be uncorrelated with other risks unless a particular risk cannot arise on a standalone basis. Where correlations do exist, strategic capital requirement will be adjusted to reflect changes in other categories of capital requirement. For example, the Company may calculate strategic capital requirement under the scenario that a portion of its lending operation requires closure. Under this scenario, total credit capital requirement would decrease, thereby, creating an offset to the calculated requirement for strategic capital requirement.

For each identified strategic risk, the Company has identified offsetting capital requirement reductions. As such, no additional capital is held against potential strategic risk.

Reputational risk
Reputational risk is defined as the risk of potential loss due to damage to the reputation of the Company or any of its individual entities, affiliates or operations. Reputational capital requirement is determined using a qualitative method whereby material reputational risks are evaluated by probability and financial impact.

Identified impacts of reputational risk include unexpected large deposit outflows, a reduced inflow of new deposits and increased cost of funding. Since capital requirement related to these risks is captured by other capital requirement calculations, the Company does not hold specific capital requirement for reputational risk.

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

The Company actively manages its interest rate risk exposure as dictated in the Interest Rate Risk Policy entering into hedging instruments when thresholds (defining the risk appetite) are reached.

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

	Change	Absolute risk	Risk, % of capital base
Increased interest rates	+100bp	2 835 907	0,56%
Decreased interest rates	-100bp	710 129	0,14%

ABS market risk
The Company holds a portfolio of UK and Nordic ABS bonds which are classified as Loans and Receivables and hold credit ratings ranging from AAA to A according to Standard and Poors. The Company plans to hold the bonds to maturity and believes the assets provide attractive risk adjusted returns. In addition to credit risk capital (see credit risk section), the Company has chosen to hold additional market risk capital against these assets.

Note 3 Net interest income

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Interest income				
Lending to credit institutions	14 737 610	19 286 578	14 313 071	19 030 239
Lending to the public	550 193 708	428 736 831	494 969 906	348 706 576
Covered bonds	16 735 000	12 406 166	16 735 000	12 406 166
Other interest-bearing securities	5 879 192	23 281 054	5 879 192	23 281 054
Derivatives	4 878 130	50 321	4 878 130	50 321
Intercompany loans	-	-	21 094 701	20 451 811
Other	37 954	1 724	37 954	1 724
	592 461 594	**483 762 674**	**557 907 954**	**423 927 891**
Of which:				
Interest income from financial items not measured at fair value through profit or loss	570 848 464	471 306 187	515 200 123	391 019 593
Interest expense				
Liabilities to credit institutions	-	-25 255 470	-	-
Deposits from the public	-222 944 664	-200 620 499	-229 498 320	-200 620 499
Derivatives	-77 763	-7 248 159	-	-
Other	-8 162 898	-8 980 210	-8 162 898	-8 980 210
	-231 185 325	**-242 104 338**	**-237 661 218**	**-209 600 709**
Of which:				
Interest expense from financial items not measured at fair value through profit or loss	-231 107 562	-234 856 179	-237 661 218	-209 600 709
Total net interest income	**361 276 269**	**241 658 336**	**320 246 736**	**214 327 182**

Note 4 Commission income

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Other commission income	273 000	286 750	273 000	286 750
Total	**273 000**	**286 750**	**273 000**	**286 750**

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

Note 5 Net result of financial transactions

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Covered bonds - realised changes	-2 972 905	522 265	-2 972 905	522 265
Covered bonds - unrealised changes	-4 063 722	3 101 086	1 886 322	3 101 086
Other interest-bearing securities and related derivatives - realised changes	66 895 661	24 739 298	66 895 661	24 739 298
Other interest-bearing securities and related derivatives - unrealised changes	-2 995 817	-10 152 429	-2 995 817	-10 152 429
Mortgage book derivates - unrealised changes	-12 673 541	-1 832 732	16 805 749	-5 949 882
Exchange rate changes: loans and receivables and other debts	-17 751 943	1 179 253	-11 602 133	1 179 253
Total	**26 437 733**	**17 556 741**	**68 016 877**	**13 439 591**

The Company's financial assets and liabilities measured at fair value consist of covered bonds and derivative instruments.

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 bonds) and liabilities in foreign currency. At the end of the year, the adjustment is made using 'spot rates'.

Note 6 Other operating income

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Billing fees	5 124 410	3 489 455	3 890 482	2 407 693
Valuation fees	1 932 567	1 805 924	1 932 567	1 805 924
Other operating income	11 744	12 953	11 750	12 953
Total	**7 068 721**	**5 308 332**	**5 834 799**	**4 226 570**

Note 7 General administration expenses

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Personnel costs				
Salaries and emoluments	-68 706 055	-62 991 356	-68 706 055	-62 991 356
Variable performance benefit	-10 027 237	-8 375 615	-10 027 237	-8 375 615
Social security charges	-20 921 522	-19 151 767	-20 921 522	-19 151 767
Pension expenses	-2 162 842	-1 864 400	-2 162 842	-1 864 400
Other personnel costs	-6 543 010	-4 864 867	-6 543 010	-4 864 867
	-108 360 666	**-97 248 005**	**-108 360 666**	**-97 248 005**
Administration expenses deposits from the public	-6 999 478	-7 168 689	-6 999 478	-7 168 689
Administration expenses lending to the public	-40 387 580	-29 832 625	-38 831 221	-27 947 273
Professional fees	-8 222 049	-7 377 943	-8 007 203	-6 955 670
Other administration expenses	-76 457 451	-57 454 497	-74 806 401	-55 275 094
Total	**-240 427 224**	**-199 081 759**	**-237 004 969**	**-194 594 731**

Note 8 Auditors remuneration and expenses

	Group		Parent	
	2013	2012	2013	2012
Deloitte AB				
Audit assignment	1 283 168	835 000	1 064 318	715 000
Audit activities in addition to audit assignment	1 162 770	808 110	1 031 520	808 110
Tax advice	-	-	-	-
Other assignments	-	-	-	-
PwC				
Audit assignment	-	-	-	-
Audit activities in addition to audit assignment	-	-	-	-
Tax advice	-	-	-	-
Other assignments	62 500	54 000	62 500	35 250
Summa	**2 445 938**	**1 697 110**	**2 095 838**	**1 558 360**

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

Note 9 Salaries and remuneration

The Board

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

The Board has compensated two of the members in the Company for their Board work between the Annual General Meeting on 1 June 2012 up until the Annual General Meeting on 16 May 2013 with a total of 620 000 SEK. Two board members are employed by the Company and have received salary during the year. No other compensation has been made for the remaining Board members.

Senior officials

Compensation to the Managing Director and other individuals identified as Remuneration Code Staff is proposed by the Company's Remuneration committee and determined by the Board. Compensation to other senior officials is determined by the Managing Director, and in some cases in consultation with members 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 six months. Agreements on severance pay with the Managing Director or any other Senior Executives are determined by individual contracts. Information on compensation according to the Financial Supervisory Authority's regulations and general guidelines on compensation policies (FFFS 2011:1) is published on the Company's website.

Pension commitments

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

Salaries and remuneration - Members of the Board and Managing Director

	Salary		Bonus*		Pension		Total	
(Amount)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Managing Director (David Torpey)	4 628 852	4 446 978	1 375 000	1 089 000	137 980	132 266	6 141 832	5 668 244
Chairman of the Board (Per Otto Hyland)	310 000	300 000	-	-	-	-	310 000	300 000
Board member - Carl Sundvik	310 000	300 000	-	-	-	-	310 000	300 000
Board member - Rolf Stub	3 894 778	3 790 400	1 292 000	1 112 100	53 717	52 193	5 240 495	4 954 693
Board member - Peter Gertman	1 533 000	1 481 908	550 000	490 000	42 619	41 410	2 125 619	2 013 318
Summa	**10 676 630**	**10 319 286**	**3 217 000**	**2 691 100**	**234 316**	**225 869**	**14 127 946**	**13 236 255**

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

>>

>>

Salaries and remuneration - Other employees	Parent 2013	Parent 2012
Salaries and remuneration	64 839 662	58 188 685
Social security contributions	17 599 822	16 001 092
Pension costs	1 928 526	1 524 225
Total salaries, remuneration, social security contributions and pensions	**84 368 010**	**75 714 002**

Distribution by gender in Board and management	Parent 2013	Parent 2012
The Board		
Women	-	-
Men	6	6
Management team including Managing Director		
Women	1	1
Men	4	2

Average number of employees	Group and Parent 2013	Group and Parent 2012
Sweden		
Women	62	50
Men	49	42
Norway		
Women	8	7
Men	15	12
Total	**134**	**111**

Information above concerns both the Group and the Company since no salaries and remuneration have been paid by the subsidiary Bluestep Finans Funding No 1 AB.

Note 10 Intangible assets

	Group		Parent	
	2013-12-31	2012-12-31	2013-12-31	2012-12-31
Acquisition value brought forward	30 686 609	20 822 067	30 686 609	20 822 067
Investments for the year	40 325 638	9 864 542	18 892 336	9 864 542
Acquisition value carried forward	**71 012 247**	**30 686 609**	**49 578 945**	**30 686 609**
Depreciation brought forward	-15 937 036	-8 505 580	-15 937 036	-8 505 580
Depreciation for the year	-8 778 205	-7 431 456	-8 080 485	-7 431 456
Depreciation carried forward	**-24 715 241**	**-15 937 036**	**-24 017 521**	**-15 937 036**
Residual value at the end of the accounting period	**46 297 006**	**14 749 573**	**25 561 424**	**14 749 573**

FX revaluation of foreign operations result in an exchange difference amounting to SEK 511 669 as at balance sheet date. Exchange difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement.

Note 11 Tangible assets

	Group and Parent	
	2013-12-31	2012-12-31
Acquisition value brought forward	7 080 046	4 062 507
Investments for the year	1 469 385	3 017 539
Acquisition value carried forward	**8 549 431**	**7 080 046**
Depreciation brought forward	-2 648 682	-1 275 549
Depreciation for the year	-1 130 274	-1 373 133
Depreciation carried forward	**-3 778 956**	**-2 648 682**
Residual value at the end of the accounting period	**4 770 475**	**4 431 364**

FX revaluation of foreign operations result in an exchange difference amounting to SEK 111 369 as at balance sheet date. Exchange difference is the difference between the year's depreciation on the balance sheet and depreciation in the income statement.

Note 12 Credit losses

	Group		Parent	
	2013	2012	2013	2012
Actual losses	-18 493 045	-17 510 895	-5 627 922	-11 843 461
Net change in provisions	-13 551 751	-4 872 657	-24 796 530	-5 555 732
Total	**-32 044 796**	**-22 383 552**	**-30 424 452**	**-17 399 193**

Actual losses includes loss of principle, interest and fees net of recoveries. Revenues regarding recoveries for the parent company amounts to SEK 3 703 659 (SEK 1 281 683) and for the group it amounts to SEK 6 877 594 (SEK 3 536 964).

Note 13 Tax on net result

The current tax rate is the tax rate for income tax of the Company. The tax rate for 2013 in Sweden is 22.0% (26.3%). The tax rate for 2013 in Norway is 28.0% (28.0%).

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Current tax	-21 797 234	-4 548 324	-21 727 198	-
Tax Group contribution	-2 726 982		-2 726 982	
Deferred tax	-	-1 268 227	-	-
Total tax cost	**-24 524 216**	**-5 816 551**	**-24 454 180**	**0**

	Group		Parent	
	2013	**2012**	**2013**	**2012**
Net profit before tax	112 675 225	34 579 015	146 821 695	24 266 021
Tax based on current tax rate	-32 369 028	-10 651 730	-32 300 773	-6 103 405
Tax effect of:				
Non taxable income	8 465	454	8 465	453
Non deductible items	-114 104	-113 380	-112 324	-113 380
Deferred tax	-	-1 268 227	-	-
Utilization of previously cumulative losses	7 950 451	10 778 986	7 950 452	10 778 986
Increase in cumulative losses without activation of deferred tax	-	-4 562 654	-	-4 562 654
Total tax cost	**-24 524 216**	**-5 816 551**	**-24 454 180**	**0**

The Company's taxable losses carried forward as at 2013-12-31 amounts to SEK 36 138 413 (SEK 31 141 743).

Note 14 Lending to credit institutions

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Swedish banks	1 512 647 482	1 462 061 769	1 280 433 777	1 434 282 271
Foreign banks	8 617	8 720	8 617	8 720
Total	**1 512 656 099**	**1 462 070 489**	**1 280 442 394**	**1 434 290 991**

Note 15 Lending to the public

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Loan assets	6 936 155 914	5 720 011 519	6 936 155 914	4 560 257 469
Provisions for losses	-53 504 428	-39 952 677	-53 504 428	-28 707 898
Total	**6 882 651 486**	**5 680 058 842**	**6 882 651 486**	**4 531 549 571**
Specification provision for losses				
Provisions for losses at beginning of year	-39 952 677	-35 080 020	-28 707 898	-23 152 166
Net movement during the year	-13 551 751	-4 872 657	-24 796 530	-5 555 732
Provisions for losses at end of year	**-53 504 428**	**-39 952 677**	**-53 504 428**	**-28 707 898**

Note 16 Derivatives

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

	Group					
	2013-12-31			2012-12-31		
Assets	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	1 890 292 909	-	23 409 336	79 471 100	-	510 620
Foreign financial institutes	4 645 713 956	4 695 951	15 536 087	396 736 148	4 695 951	926 654
Total	**6 536 006 865**	**4 695 951**	**38 945 423**	**476 207 248**	**4 695 951**	**1 437 274**

	Parent					
	2013-12-31			2012-12-31		
Assets	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	1 890 292 909	-	2 101 172	79 471 100	-	510 620
Foreign financial institutes	479 480 983	4 695 951	21 308 164	396 736 148	4 695 951	926 654
Total	**2 369 773 892**	**4 695 951**	**23 409 336**	**476 207 248**	**4 695 951**	**1 437 274**

	Group					
	2013-12-31			2012-12-31		
Liabilities	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	676 399 380	-	14 181 482	1 741 844 992	-	11 495 261
Foreign financial institutes	55 839 276	-	36 989 955	559 950 257	-	11 531 445
Total	**732 238 656**	**0**	**51 171 437**	**2 301 795 249**	**0**	**23 026 706**

	Parent					
	2013-12-31			2012-12-31		
Liabilities	Notional amount	Purchase value	Recoqnised value	Notional amount	Purchase value	Recoqnised value
Swedish financial institutes	676 399 380	-	14 181 482	1 741 844 992	-	11 495 261
Foreign financial institutes	55 839 276	-	-	0	-	-
Total	**732 238 656**	**0**	**14 181 482**	**1 741 844 992**	**0**	**11 495 261**

Note 17 Bonds and other interest-bearing securities

	Group and Parent			
	2013-12-31		2012-12-31	
	Purchase value	Recoqnised value	Purchase value	Recoqnised value
Swedish issuers - Covered bonds (listed)	437 713 850	436 950 470	437 713 850	447 548 410
Swedish issuers - Other listed interest-bearing securities	52 899 250	52 899 250	58 360 000	58 360 000
Foreign issuers*	0	0	124 234 541	134 994 774
Total	**490 613 100**	**489 849 720**	**620 308 391**	**640 903 184**

* Relates to listed RMBS in a non-active market. Carried value relates to amortised cost.

Note 18 Shares in associated companies

Company name	Number of shares	Share %	Recognised value	Reg. No.	Domicile	Equity	Net profit
Bluestep Finans Funding No 1 AB	100 000	100%	3 100 000	556791-6928	Stockholm	3 100 000	22 610 148
Bluestep Mortgage Securities No 2 Limited	1	100%	0	522186	Dublin	0	-28 371 418
Total			**3 100 000**				

Note 19 Other assets

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Accounts receivable	18 671 191	13 589 858	17 643 505	11 281 756
Intercompany receivables	107 354	59 927	106 809 338	853 554 857
Other assets	50 312 378	18 872 323	50 323 630	18 883 575
Total	**69 090 923**	**32 522 108**	**174 776 473**	**883 720 188**

Not 20 Prepaid expenses and accrued income

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Prepaid expenses	913 814	914 377	913 814	914 377
Accrued interest	14 692 540	8 145 612	15 401 056	8 145 612
Other prepaid expenses and accrued income	5 344 231	2 156 652	5 208 931	2 156 652
Total	**20 950 585**	**11 216 641**	**21 523 801**	**11 216 641**

Note 21 Liabilities to credit institutions

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Foreign banks	-	290 000 000		-
Bond investors	1 763 339 767	-	1 650 318 545*	-
Total	**1 763 339 767**	**290 000 000**	**1 650 318 545**	**0**

Note 22 Deposits from the public

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Deposits from the public	6 601 263 001	7 029 014 093	6 601 263 001	7 029 014 093
Total	**6 601 263 001**	**7 029 014 093**	**6 601 263 001**	**7 029 014 093**

Note 23 Accrued expenses and prepaid income

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Accrued salaries and remunerations	18 752 554	15 824 717	18 752 554	15 824 717
Accrued social costs	5 030 732	4 395 754	5 030 732	4 395 754
Accrued interest	26 061 511	24 827 668	21 508 428	24 258 590
Other accrued expenses and prepaid income	22 996 265	2 785 316	2 811 081	1 227 655
Total	**72 841 062**	**47 833 455**	**48 102 795**	**45 706 716**

Note 24 Other liabilities

	Group		Parent	
	2013-12-31	2012-12-31	2013-12-31	2012-12-31
Trade creditors	12 967 028	15 327 924	12 693 404	14 239 948
Intercompany liabilities	7 326 129	7 326 129	-	-
Social costs	4 100 295	3 508 792	4 100 295	3 508 792
Other	20 482 166	6 390 076	19 867 749	6 784 668
Total	**44 875 618**	**32 552 921**	**36 661 448**	**24 533 408**

The intercompany liability relates to group contributions from Bluestep Finans Funding No 1 AB to Bluestep Bostadslån AB.

Note 25 Asset duration information

	Group						
	Non discounted contractual cash flows						
Remaining duration 2013-12-31	**Payable on demand**	**< 3 mth**	**3 mth - 1 yr**	**1-5 yr**	**>5 yr**	**No duration/ cash flow**	**Total**
Assets							
Lending to credit institutions	1 512 656 099		-	-	-	-	1 512 656 099
Lending to the public	-	43 694 071	92 881 092	477 091 449	6 268 984 874	-	6 882 651 486
Derivatives	-	-8 614 338	-802 438	-7 554 219	55 916 418	-	38 945 423
Interest bearing securities	-	-	-	363 551 160	126 298 560	-	489 849 720
Intangible assets	-	-	-	-	-	46 297 006	46 297 006
Tangible assets	-	-	-	-	-	4 770 475	4 770 475
Other financial assets	-	76 058 532	-	-	-	-	76 058 532
Other non financial assets	-	13 982 976	-	-	-	-	13 982 976
Total	**1 512 656 099**	**125 121 241**	**92 078 654**	**833 088 390**	**6 451 199 852**	**51 067 481**	**9 065 211 717**
Liabilities							
Liabilities to credit institutions	-	-	-	-	1 763 339 767	-	1 763 339 767
Deposits from the public	1 870 248 440	2 062 884 726	1 488 772 816	1 005 844 548	173 512 471	-	6 601 263 001
Derivatives	-	-	-	4 226 166	46 945 271	-	51 171 437
Tax liability	-	-	-	26 342 027	-	-	26 342 027
Other financial liabilities	-	45 734 711	28 080 956	-	-	-	73 815 667
Other non financial liabilities	-	43 901 013	-	-	-	-	43 901 013
Total	**1 870 248 440**	**2 152 520 450**	**1 516 853 772**	**1 036 412 741**	**1 983 797 509**	**0**	**8 559 832 912**

>>

Remaining duration 2012-12-31	Group						
	Non discounted contractual cash flows						
	Payable on demand	< 3 mth	3 mth - 1 yr	1-5 yr	>5 yr	No duration/ cash flow	Total
Assets							
Lending to credit institutions	1 112 070 489	350 000 000	-	-	-	-	**1 462 070 489**
Lending to the public	-	52 022 229	49 474 545	278 014 051	5 300 548 017	-	**5 680 058 842**
Derivatives	-	510 621	2 424	710 831	213 398	-	**1 437 274**
Interest bearing securities	-	-	-	374 816 560	266 086 624	-	**640 903 184**
Intangible assets	-	-	-	-	-	14 749 573	**14 749 573**
Tangible assets	-	-	-	-	-	4 431 364	**4 431 364**
Other financial assets	-	35 455 047	-	-	-	-	**35 455 047**
Other non financial assets	-	8 283 702	-	-	-	-	**8 283 702**
Total	**1 112 070 489**	**446 271 599**	**49 476 969**	**653 541 442**	**5 566 848 039**	**19 180 937**	**7 847 389 475**
Liabilities							
Liabilities to credit institutions	-	-	-	290 000 000	-	-	**290 000 000**
Deposits from the public	2 483 591 280	1 922 376 292	1 563 755 405	1 053 045 968	6 245 148	-	**7 029 014 093**
Derivatives	-	53 589	9 167 531	13 420 201	385 385	-	**23 026 706**
Tax liability	-	-	-	4 548 324	-	-	**4 548 324**
Deferred tax liabilities	-	-	-	1 268 227	-	-	**1 268 227**
Other financial liabilities	-	38 856 086	29 830 604	-	-	-	**68 686 690**
Other non financial liabilities	-	11 699 686	-	-	-	-	**11 699 686**
Total	**2 483 591 280**	**1 972 985 653**	**1 602 753 540**	**1 362 282 720**	**6 630 533**	**0**	**7 428 243 726**

>>

Remaining duration 2013-12-31	Payable on demand	< 3 mth	3 mth - 1 yr	1-5 yr	>5 yr	No duration/ cash flow	Total
	Parent						
	Non discounted contractual cash flows						
Assets							
Lending to credit institutions	1 280 442 394		-	-	-	-	1 280 442 394
Lending to the public	-	43 694 071	92 881 092	477 091 449	6 268 984 874	-	6 882 651 486
Derivatives	-	-8 614 338	-802 438	-7 554 219	40 380 331	-	23 409 336
Interest bearing securities	-	-	-	363 551 160	126 298 560	-	489 849 720
Shares and participations in associated companies	-	-	-	-	-	3 100 000	3 100 000
Intangible assets	-	-	-	-	-	25 561 424	25 561 424
Tangible assets	-	-	-	-	-	4 770 475	4 770 475
Other financial assets	-	172 791 854	-	-	-	-	172 791 854
Other non financial assets	-	23 508 420	-	-	-	-	23 508 420
Total	**1 280 442 394**	**231 380 007**	**92 078 654**	**833 088 390**	**6 435 663 765**	**33 431 899**	**8 906 085 109**
Liabilities to credit institutions							
Deposits from the public	-	-	-	1 650 318 545	-	-	**1 650 318 545**
Derivatives	1 870 248 440	2 062 884 726	1 488 772 816	1 005 844 548	173 512 471	-	**6 601 263 001**
Tax liability	-	-	-	4 226 167	9 955 315	-	**14 181 482**
Other financial liabilities	-	-	-	21 727 198	-	-	**21 727 198**
Other non financial liabilities	-	25 582 322	28 080 956	-	-	-	**53 663 278**
Total	-	31 100 965	-	-	-	-	31 100 965
Summa	**1 870 248 440**	**2 119 568 013**	**1 516 853 772**	**2 682 116 458**	**183 467 786**	**0**	**8 372 254 469**

>>

Remaining duration 2012-12-31	Parent						
	Non discounted contractual cash flows						
	Payable on demand	< 3 mth	3 mth - 1 yr	1-5 yr	>5 yr	No duration/ cash flow	Total
Assets							
Lending to credit institutions	1 084 290 991	350 000 000	-	-	-	-	**1 434 290 991**
Lending to the public	-	48 779 984	39 355 873	210 848 805	4 232 564 909		**4 531 549 571**
Derivatives	-	510 621	2 424	710 831	213 398	-	**1 437 274**
Interest bearing securities	-	-	-	374 816 560	266 086 624	-	**640 903 184**
Shares and partici-pations in associated companies	-	-	-	-	-	3 100 000	**3 100 000**
Intangible assets	-	-	-	-	-	14 749 573	**14 749 573**
Tangible assets	-	-	-	-	-	4 431 364	**4 431 364**
Other financial assets	-	33 294 578	-	-	-	-	**33 294 578**
Other non financial assets	-	861 642 251	-	-	-	-	**861 642 251**
Total	**1 084 290 991**	**1 294 227 434**	**39 358 297**	**586 376 196**	**4 498 864 931**	**22 280 937**	**7 525 398 786**
Liabilities							
Deposits from the public	2 483 591 280	1 922 376 292	1 563 755 405	1 053 045 968	6 245 148	-	**7 029 014 093**
Derivatives	-	-	-	11 109 875	385 386	-	**11 495 261**
Other financial liabilities	-	28 709 834	29 830 604	-	-	-	**58 540 438**
Other non financial liabilities	-	11 699 686	-	-	-	-	**11 699 686**
Debenture loan	-	-	-	-	-	-	**0**
Total	**2 483 591 280**	**1 962 785 812**	**1 593 586 009**	**1 064 155 843**	**6 630 534**	**0**	**7 110 749 478**

Note 26 Financial assets and liabilities

	Group					
	Financial assets/ liabilities valued at fair value through profit or loss	Loans and receivables	Other financial liabilities	Financial assets	Non financial assets and liabilities	Carrying value
2013-12-31	*Fair value*	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*	*Carrying value*
Assets						
Lending to credit institutions	-	1 512 656 099	-	-	-	1 512 656 099
Lending to the public	-	6 882 651 486	-	-	-	6 882 651 486
Derivatives	38 945 423	-	-	-	-	38 945 423
Interest bearing securities	436 950 470	52 899 250	-	-	-	489 849 720
Intangible assets	-	-	-	-	46 297 006	46 297 006
Tangible assets	-	-	-	-	4 770 475	4 770 475
Other assets	-	18 778 545	-	3 161 689	47 150 689	69 090 923
Prepaid expenses and accrued income	-	-	-	14 692 540	6 258 045	20 950 585
Total	**475 895 893**	**8 466 985 380**	**0**	**17 854 229**	**104 476 215**	**9 065 211 717**
Liabilities						
Liabilities to credit institutions	-	-	1 763 339 767	-	-	1 763 339 767
Deposits from the public	-	-	6 601 263 001	-	-	6 601 263 001
Derivatives	51 171 437	-	-	-	-	51 171 437
Current tax liability	-	-	-	-	26 342 027	26 342 027
Accrued expenses and prepaid income	-	-	72 841 062	-	-	72 841 062
Other liabilities	-	-	40 775 323	-	4 100 295	44 875 618
Total	**51 171 437**	**0**	**8 478 219 153**	**0**	**30 442 322**	**8 559 832 912**

>>

>>

2012-12-31	Group					
	Financial assets/ liabilities valued at fair value through profit or loss	**Loans and receivables**	**Other financial liabilities**	**Financial assets**	**Non financial assets and liabilities**	**Carrying value**
	Fair value	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*	*Carrying value*
Assets						
Lending to credit institutions	-	1 462 070 489	-	-	-	1 462 070 489
Lending to the public	-	5 680 058 842	-	-	-	5 680 058 842
Derivatives	1 437 274	-	-	-	-	1 437 274
Interest bearing securities	447 548 410	193 354 774	-	-	-	640 903 184
Intangible assets	-	-	-	-	14 749 573	14 749 573
Tangible assets	-	-	-		4 431 364	4 431 364
Other assets	-	13 638 535	-	265 396	18 618 177	32 522 108
Prepaid expenses and accrued income	-	-	-	8 145 612	3 071 029	11 216 641
Total	**448 985 684**	**7 349 122 640**	**0**	**8 411 008**	**40 870 143**	**7 847 389 475**
Liabilities						
Liabilities to credit institutions	-	-	290 000 000	-	-	290 000 000
Deposits from the public	-	-	7 029 014 093	-	-	7 029 014 093
Derivatives	23 026 706	-	-	-	-	23 026 706
Current tax liability	-	-	-		4 548 324	4 548 324
Accrued expenses and prepaid income	-	-	-	-	1 268 227	1 268 227
Other liabilities	-	-	47 833 455	-	-	47 833 455
Debenture loan	-	-	29 044 129	-	3 508 792	32 552 921
Total	**23 026 706**	**0**	**7 395 891 677**	**0**	**9 325 343**	**7 428 243 726**

>>

>>

2013-12-31	Parent					
	Financial assets/ liabilities valued at fair value through profit or loss	**Loans and receivables**	**Other financial liabilities**	**Financial assets**	**Non financial assets and liabilities**	**Carrying value**
	Fair value	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*	*Carrying value*
Assets						
Lending to credit institutions	-	1 280 442 394	-	-	-	1 280 442 394
Lending to the public	-	6 882 651 486	-	-	-	6 882 651 486
Derivatives	23 409 336		-	-	-	23 409 336
Interest bearing securities	436 950 470	52 899 250	-	-	-	489 849 720
Shares and participation in associated companies	-	-	-	-	3 100 000	3 100 000
Intangible assets	-	-	-	-	25 561 424	25 561 424
Tangible assets	-	-	-		4 770 475	4 770 475
Other assets	-	124 452 843	-	3 161 689	47 161 941	174 776 473
Prepaid expenses and accrued income	-	-	-	15 401 056	6 122 745	21 523 801
Total	**460 359 806**	**8 340 445 973**	**0**	**18 562 745**	**86 716 585**	**8 906 085 109**
Liabilities						
Liabilities to credit institutions			1 650 318 545			1 650 318 545
Deposits from the public			6 601 263 001			6 601 263 001
Derivatives	14 181 482					14 181 482
Accrued expenses and prepaid income			48 102 795			48 102 795
Other liabilities			32 561 153		4 100 295	36 661 448
Current tax liability					21 727 198	21 727 198
Total	**14 181 482**	**0**	**8 332 245 494**	**0**	**4 100 295**	**8 372 254 469**

>>

>>

	Parent					
	Financial assets/ liabilities valued at fair value through profit or loss	**Loans and receivables**	**Other financial liabilities**	**Financial assets**	**Non financial assets and liabilities**	**Carrying value**
2012-12-31	*Fair value*	*Amortised cost*	*Amortised cost*	*Carrying value*	*Carrying value*	*Carrying value*
Assets						
Lending to credit institutions		1 434 290 991				1 434 290 991
Lending to the public		4 531 549 571				4 531 549 571
Derivatives	1 437 274					1 437 274
Interest bearing securities	447 548 410	193 354 774				640 903 184
Shares and participation in associated companies					3 100 000	3 100 000
Intangible assets					14 749 573	14 749 573
Tangible assets					4 431 364	4 431 364
Other assets		864 836 613		265 396	18 618 179	883 720 188
Prepaid expenses and accrued income				8 145 612	3 071 029	11 216 641
Total	**448 985 684**	**7 024 031 949**	**0**	**8 411 008**	**43 970 145**	**7 525 398 786**
Liabilities						
Deposits from the public			7 029 014 093			7 029 014 093
Derivatives	11 495 261					11 495 261
Accrued expenses and prepaid income			45 706 716			45 706 716
Other liabilities			21 024 616		3 508 792	24 533 408
Total	**11 495 261**	**0**	**7 095 745 425**	**0**	**3 508 792**	**7 110 749 478**

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

>>

Note 27 Capital adequacy analysis - Parent company

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) in accordance with amended regulations.

The rules state that the Company's own funds (equity, debentures loans, etc.) with margin shall cover both the statutory minimum capital requirements, including capital requirements for credit risk, market risk and operational risk and also should include the estimated capital requirements for additional risks identified in the activity in accordance with the Company's capital adequacy policy.

The Company has an established plan for the amount of funds in a few years (capital plan) based on

- the Company's risk profile,
- identified risks in terms of probability and financial impact,
- so-called 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 capital plan is an integral part of the work on the Company's annual business plan (the internal capital adequacy assessment). The plan is monitored on a continuous basis and an annual review is done to ensure that risks are properly taken into account and reflect the true risk profile and capital needs.

In this annual report, the Company has chosen to disclose the information required on the capital base and capital according to Chapter 3. § 1-2 and Chapter 4, the FSA regulations and guidelines on disclosure of information concerning capital adequacy and risk management FFFS 2007:5.

Additional capital refers to subordinated liabilities without maturity, which is eligible for the funds as additional capital in accordance with Chapter 3. § 4 of the Act on Capital Adequacy and Large Exposures.

	Parent	
Capital base	**2013-12-31**	**2012-12-31**
Share capital	100 000 000	100 000 000
Shareholder contributions	330 070 669	339 739 060
Retained earnings	-25 089 752	-48 825 557
Comprehensive profit/loss	128 849 729	23 697 049
Deductions from primary capital		
Intangible assets	-25 561 424	-14 749 573
Primary capital	**508 269 222**	**399 860 979**
Supplementary capital	**0**	**0**
Total primary and supplementary capital	**508 269 222**	**399 860 979**
Total capital base	**508 269 222**	**399 860 979**

Capital requirement for credit risk

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

	2013-12-31				2012-12-31
Balance sheet items	**Exposed amount**	**Risk weight**	**Risk weighted amount**	**Capital requirement**	**Capital requirement**
Exposures to institutions (banks)	1 319 792 395	20%	263 958 475	21 116 678	23 159 856
Exposures to companies	107 529 104	100%	107 529 100	8 602 328	68 273 975
Retail exposures	328 111 822	75%	246 083 863	19 686 709	4 560 349
Exposures to mortgages with loan to value below 75%	6 124 667 557	35%	2 143 633 650	171 490 692	115 736 694
Exposures to mortgages with loan to value above 75%	271 403 986	75%	203 552 988	16 284 239	11 244 252
Exposures to non-performing loans with loan to value below 75 %	158 468 119	101%	159 909 088	12 792 727	10 775 357
Exposures in the form of covered bonds	436 950 470	10%	43 695 050	3 495 604	3 580 387
Securitisations	52 899 250	50%	26 449 625	2 115 970	5 869 501
Other exposures	80 700 982	100%	80 902 913	6 472 233	2 987 269
Total capital requirement for credit risk	**8 880 523 685**		**3 275 714 752**	**262 057 180**	**246 187 640**

>>

>>

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

	Parent	
	2013-12-31	**2012-12-31**
Income indicator	152 540 815	106 298 332
Of which 15%	22 881 122	15 944 750
Total capital requirement for operational risk	**22 881 122**	**15 944 750**
Capital requirement for market risk		
Capital requirement for currency risks	11 982 452	5 499 321
Total capital requirement for market risk	**11 982 452**	**5 499 321**
Total Pillar 1 capital requirement	**296 920 754**	**267 631 711**
Capital adequacy ratio	**1,71**	**1,46**

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

Note 28 Related parties

	Group		Parent	
Assets and liabilities	**2013-12-31**	**2012-12-31**	**2013-12-31**	**2012-12-31**
Intercompany receivables	319 041 069	48 677	318 933 715	853 554 857
Other liabilities	-7 326 129	-7 984 589	0	-1 053 052
Interest income	**2013**	**2012**	**2013**	**2012**
Commission income	-	-	21 094 701	20 451 811
Financial expense	584 124	584 124	2 097 043	2 441 034
Total	1 445	-3 088 924	1 445	-3 088 924
Summa	**585 569**	**-2 504 800**	**23 193 189**	**19 803 921**

Related parties
Related parties for the group refers to:
- Bluestep Capital Holdings Limited, organisational number 89093, with domicile in Jersey, and
- Bluestep Bostadslån AB, organisational number 556668-9575, with domicile in Stockholm.

Related parties for the Company refers to:
- Bluestep Capital Holdings Limited, organisational number 89093, with domicile in Jersey,
- Bluestep Bostadslån AB, organisational number 556668-9575, with domicile in Stockholm,
- Bluestep Finans Funding No 1 AB, organisational number 556791-6928, with domicile in Stockholm, and
- Bluestep Mortgage Securities No 2 Limited, organisational number 522186, with domicile in Dublin.

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

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

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

Note 29 Memorandum items

	Group		Parent	
	2013-12-31	**2012-12-31**	**2013-12-31**	**2012-12-31**
Pledged assets				
Shares and participations in associated companies	None	None	None	3 100 000
Assets in Bluestep Finans Funding No 1 AB	None	1 178 596 872	None	None
Contingent liabilities	None	None	None	None
Commitments	None	None	None	None

In 2012, the Company pledged all shares and assets in its subsidiary Bluestep Finans Funding No 1 AB as collateral for a loan from a credit institution.

Per Otto Hyland
Chairman of the Board

Adam Barron

Carl-Anders Sundvik

Patrik Johnson

Rolf Stub

Peter Gertman

David Torpey
Managing Director