

**Stabelo Fund 1 AB (publ)**  
**Org nr 559075-0203**

**Interim condensed report**  
**for the period 1 January – 30 June 2018**

<b>Contents</b>	<b>Page</b>
- Directors' report	3
- Income statement	4
- Balance sheet	5
- Statement of changes in equity	6
- Cash flow statement	7
- Notes	8

## **Managing Director's report**

The Board of Stabelo Fund 1 AB present the interim report of the Company for the six months ending 30 June 2018.

### **Information about the business**

Stabelo Fund 1 ('the Fund') is an alternative investment fund which offers institutional investors the ability to invest in Swedish private residential mortgage loans that meet strict investment requirements according to the Fund's Credit Policy. The Fund is legally constituted as a Swedish company, Stabelo Fund 1 AB (publ) ('the Company').

### **Significant events during the interim six-month period**

The Company commenced operations on 3 January 2018, issuing participating debentures for the acquisition of the Fund's first mortgage loans from the loan origination company Stabelo AB, a related company in the Stabelo Group. During the first half of 2018, purchase by the Fund of mortgage loans from the origination company proceeded on a monthly basis. The volume of mortgage loans so acquired during the period amounted to SEK 1 158 million. The portfolio of mortgage loans as of 30 June, after customer repayments or amortisations, amounted to SEK 1 146 million.

From 3 January the participating debentures issued by the Company are listed on the Debt Securities list of the Nordic Growth Market (NGM) in Stockholm with Bloomberg ticker STAB1AB SS. As of 30 June, 1 822 participating debentures were issued, for SEK 1 822 million. The debentures are stated at their fair value in the balance sheet.

The Company was dormant in 2017. The Company increased its share capital to SEK 500 000 during 2017 and converted to public limited company status. In the second half of 2017 the Company received its licence from the Swedish Financial Supervisory Authority as an alternative investment fund (AIF) under the Law on Alternative Investment Funds 2013: 561 (LAIF).

### **Group relations**

The Company is a wholly owned subsidiary of its fund manager, Stabelo Asset Management AB. The Company, the fund manager Stabelo Asset Management AB and the loan origination company Stabelo AB are all companies consolidated by the Stabelo group holding company, Stabelo Group AB.

Stockholm, 30 July 2018.



Mats Nilsson  
Managing Director

The Interim Report is unaudited.

<b>Income statement</b>	<b>2018-01-01 - 2018-06-30</b>	<b>2017-01-01 - 2017-06-30</b>	<b>2017-01-01 - 2017-12-31</b>
<b>Operating income</b>			
Interest receivable on mortgages	3 250 931	-	-
<b>Total operating income</b>	<b>3 250 931</b>	-	-
<b>Operating expenses</b>			
Sourcing & servicing costs	- 622 774	-	-
Management fees	- 249 092	-	-
<b>Total operating expenses</b>	<b>- 871 866</b>	-	-
<b>Operating profit</b>	<b>2 379 065</b>	-	-
<b>Financial items</b>			
Revaluation of financial assets	57 857	-	-
Revaluation of financial liabilities	- 57 857	-	-
Allocated income distributed on participating debentures	- 2 299 271	-	-
<b>Total financial items</b>	<b>-</b>	-	-
Profit after financial items	79 794	-	-
<b>Profit before tax</b>	<b>79 794</b>	-	-
Tax on profit for the period	-	-	-
<b>Profit after tax</b>	<b>79 794</b>	-	-
<b>Comprehensive income</b>	<b>79 794</b>	-	-

<b>Balance sheet</b>	<b>2018-06-30</b>	<b>2017-12-31</b>
<b><u>Assets</u></b>		
<b>Long-term assets</b>		
Residential mortgage loans – falling due >1 year	1 119 868 681	-
<b>Current assets</b>		
Residential mortgage loans – falling due <1 year	26 589 120	-
Other current receivables	854 325	2
Total current receivables	27 443 445	2
Cash and bank balances	681 100 648	501 501
<b>Total current assets</b>	<b>708 544 093</b>	<b>501 503</b>
<b>Total assets</b>	<b>1 828 412 774</b>	<b>501 503</b>
<b><u>Equity and liabilities</u></b>		
<b>Equity</b>		
Share capital	500 000	500 000
Profit and loss reserve	79 794	-
<b>Total equity</b>	<b>579 794</b>	<b>500 000</b>
<b>Long-term liabilities – participating debentures</b>	<b>1 822 098 374</b>	-
<b>Current liabilities</b>		
Liabilities to Group companies	2 265 353	1 502
Other liabilities	3 469 253	1
<b>Total current liabilities</b>	<b>5 734 606</b>	<b>1 503</b>
<b>Total equity and liabilities</b>	<b>1 828 412 774</b>	<b>501 503</b>

## Statement of changes in equity

	Share capital	Reserves	Equity
<b>Equity at 2016-12-31</b>	<b>50 000</b>	-	<b>50 000</b>
New emission of shares	450 000	-	450 000
<b>Equity at 2017-12-31</b>	<b>500 000</b>	-	<b>500 000</b>
Comprehensive income for the half-year	-	79 794	79 794
<b>Equity at 2018-06-30</b>	<b>500 000</b>	<b>79 794</b>	<b>579 794</b>

<b>Cash flow statement by the direct method</b>	<b>2018-01-01 -2018-06-30</b>	<b>2017-01-01 -2017-06-30</b>	<b>2017-01-01 - 2017-12-31</b>
<b>Operating activities</b>			
Interest income received from mortgage loans	3 171 190	-	-
Sourcing & servicing fees paid	- 83 668	-	-
Management fees paid	- 33 450	-	-
<b>Net cash flow from operating activities</b>	<b>3 054 072</b>	-	-
<b>Investing activities</b>			
Purchase of mortgage loans	- 1 158 498 189	-	-
Receipts from mortgage loans	13 657 530	-	1 501
<b>Net cash flow from investing activities</b>	<b>- 1 144 840 659</b>	-	<b>1 501</b>
<b>Financing activities</b>			
Issue of shares to parent company	-	-	450 000
Issue of participating debentures to Fund investors	1 822 040 517	-	-
Fund investors' contribution of interest compensation on issue of participating debentures	934 526	-	-
Distribution on participating debentures of allocated income plus interest compensation	- 589 309	-	-
<b>Net cash flow from financing activities</b>	<b>1 822 385 734</b>	-	<b>450 000</b>
<b>Net increase in cash in period</b>	<b>680 599 147</b>	-	<b>451 501</b>
Opening cash balance	501 501	50 000	50 000
<b>Closing cash balance</b>	<b>681 100 648</b>	<b>50 000</b>	<b>501 501</b>

## Notes

### Note 1 About the Company

Stabelo Fund 1 AB (publ) ('the Company') is an alternative investment fund (AIF) registered in Stockholm, Sweden with organisation number 559075-0203. It is managed by Stabelo Asset Management AB, a Swedish fund manager of alternative investment funds licensed under the Act (2013:561) on Alternative Investment Fund Managers and supervised by the Swedish Financial Services Authority. The Company offers institutional investors the ability to invest in Swedish private residential mortgage loans that meet the Company's investment requirements according to its Credit Policy. The Company operates as a fund, issuing participating debentures that provide the holder of the instrument a quarterly coupon payment based on the net income from the underlying portfolio of mortgage loans and other fund assets ('the Fund'). The participating debentures are listed for trading on the list of Debt Securities at the Nordic Growth Market (NGM) in Stockholm.

The ordinary share capital of the Company is wholly owned by Stabelo Asset Management AB, which in turn is a wholly owned subsidiary of Stabelo Group AB. The registered address of the Company is Engelbrektsgränd 19, 114 32 Stockholm, Sweden.

The financial year of the Company runs from 1 January to 31 December 2018. These financial statements provide information on the financial position of the Company as at 30 June 2018 and the financial performance of the Company for the interim six-month period ending on that date. More information on the financial position and financial performance from the perspective of the Fund for the same period is provided in quarterly Investor Reports made available on the Fund Manager's website, [www.stabeloassetmanagement.se](http://www.stabeloassetmanagement.se).

### Note 2 Accounting policies

#### 2 (a) Statement of Compliance

The Interim Report comprises condensed financial statements and selected explanatory notes covering the first six months of 2018, in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

The Company applies International Financial Reporting Standards as adopted by EU (IFRS) for the first time in 2018. Accordingly, certain information is incorporated into the Interim Report regarding first time application of IFRS.

The accounting and reporting of the Company follows the Swedish Annual Accounts Act (ÅRL 1995:1554) and recommendation of the Swedish Financial Reporting Council RFR2 for legal entities whose securities are listed on a regulated market in Sweden.



## **2 (b) Basis of preparation**

The Company's accounts are based on amortised cost, except for the fair value measurement of certain assets and liabilities as follows:

- (i) mortgage loans, as financial assets, are accounted for at fair value through the income statement, due to the business model of the Company, and
- (ii) participating debentures, as financial liabilities, are accounted for at fair value through the income statement, under the IFRS fair value option,

on the basis that the mortgage loans together with the participating debentures form a group of financial assets and liabilities of the Fund, that are managed and evaluated in terms of performance on a fair value basis, in accordance with the Company's AIF business model.

The financial statements are presented in Swedish Kronor (SEK).

## **2 (c) Measurement of financial assets and liabilities at fair value**

The Company's intention in fair valuation of participating debenture liabilities is to ensure fair treatment of Fund investors over time, with regard to their participation in Fund assets, through issuance and redemption of participating debentures in the primary market. The Company prices issue and redemption according to terms and conditions (the "Terms and Conditions") set out in a debenture issue prospectus. The Terms and Conditions require debenture pricing to be based upon the value of the Fund assets net of Fund liabilities.

Fair valuation is a market-based measure defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses valuation techniques designed to be applied consistently over time while maximising the use of observable market inputs. A change in valuation technique or its application may be made if the change results in a measurement that is equally or more representative of fair value and results in fair treatment of Fund investors over time. To the extent that such a change may affect the Company's internal valuation policy for the issue or redemption price of participating debentures, the approval of Fund investors may additionally be required.

Mortgage loans are the principal component of Fund assets. Their value upon initial recognition is the purchase price paid to the originator of the mortgage loan. Thereafter mortgage loans are fair valued monthly by discounting of future contractual cash flows on each mortgage loan according to a market discount curve. The market discount curve is calculated from current lending rates by maturity of Stabelo in the private residential mortgage lending market (the 'Stabelo rates'), that in turn are based upon the market pricing policy of Stabelo. An adjustment to the valuation of future

contractual cash flows is made to reflect the impact on cash flows of actual and expected future credit losses, so reflecting expected credit loss in the fair valuation, as described in note 2 (d).

Participating debentures are issued and redeemed by the Company in the primary market at prices according to the Terms and Conditions. The fair valuation of the debentures is based upon the primary market pricing of the debentures.

The principal observable inputs for the valuation of the Company's financial assets and liabilities at fair value are those used in setting the Stabelo rates based upon the market pricing policy of Stabelo. These include, but are not limited to, the following;

- (i) the published average interest rates of the six largest mortgage lenders in the market, for the latest available month and the trend over time;
- (ii) market interest rates and yield curves for other financial instruments and central bank rates;
- (iii) current and emerging risks in lending market, property prices and economy;
- (iv) information on lending market shares and their development, and on market structure, competition and regulation.

Observable inputs are also used in determining the expected credit loss component of fair valuation of mortgage loans, as described in note 2 (d).

From time to time, additional observable inputs regarding the fair valuation of financial assets and liabilities may be provided by market transactions in similar portfolios of mortgage loans or participating debenture instruments. Such market transactions may include secondary market trades in the Company's own participating debentures. In order to support consistency over time in the Company's valuation techniques, with due regard to their respective liquidity such market transactions are taken into account but not necessarily directly applied in fair valuation of the Company's financial assets and liabilities at fair value.

## **2 (d) Evaluation of expected credit loss**

Credit risk in the Fund portfolio is evaluated regularly by the Fund Manager on a monthly and quarterly cycle. The principal credit risk relates to the expected credit loss on the mortgage loans. An adjustment to the valuation of future contractual cash flows on the mortgage loans is made to reflect the impact on cash flows of actual and expected future credit losses, so reflecting expected credit loss in the fair valuation.

Actual and expected future credit loss is evaluated on the basis of regular monitoring of the Fund portfolio, the lending market, property prices and the economy. Loans in default are specifically provided for with regard to the loss estimated on the basis of the present value of recovery, taking account of the loss in default, an estimate of foreclosure costs and the timing of recovery. Non-defaulted loans are evaluated with

regard to the present value of expected credit loss at a portfolio level, taking account of estimates of the lifetime probability of default (PD) and loss given default (LGD). When discounting to present value, a market discount curve calculated from the Stabelo rates is used. The evaluation techniques are designed to be applied consistently over time while maximising the use of observable market inputs. The principal estimates are based on observable inputs as follows;

- (i) Lifetime PD derived from the probability of payment remarks based on independent assessment for the mortgage loans of the Fund by an independent credit assessment agency using market data, PD migration matrices over time based on independent assessment of market data, and an assessment of the average lifetime of mortgage loans in the market;
- (ii) Probability-weighted LGD derived from the probability of various future house price scenarios, based on historic market house price statistics, together with estimates of the timing and costs of foreclosure given default.

### Note 3 Critical estimates and judgements

The principal critical estimates and judgements used in the preparation of the financial statements are as follows:

- (i) The market discount curve used in fair valuation of financial assets and liabilities at fair value is based on the Stabelo rates, which are set with regard to market interest rates for mortgage lending at the respective degree of risk.

<b>Interest maturity</b>	<b>3-month</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Stabelo rate</b>	1.28%	1.42%	1.83%	2.94%
<b>Discount factor</b>	0.012793	0.014203	0.018421	0.030530

- (ii) The PD and LGD of the mortgage loan portfolio used in estimation of credit loss is based on models, that derive PD from data supplied on the Fund's mortgage loan portfolio by the Swedish credit reference agency Upplysningscentralen (UC), and that derive LGD from historic house prices supplied by the Swedish Central Statistical Office (SCB).

At 30 June 2018 the PD is based on an UC probability of payment remark of 0.1 percent per annum on average for the portfolio and an average mortgage loan lifetime assumption of 7 years; the LGD is based on SCB historic annual house price evolution over 42 years 1975 – 2017 and a normal distribution assumption.

At 30 June 2018, the Fund's expected credit loss was immaterial.

**Note 4 Definitions of key figures**

***Operating profit***

Operating income consists of interest received and receivable on mortgage loans, including penalty interest and mortgage fees.

Operating expense consists of sourcing and servicing fees for mortgage loan origination, customer services, ongoing credit monitoring, monitoring against money laundering and the financing of terrorism, data protection and privacy, information systems and information services, mortgage loan processing, independent risk, compliance and control, custody and fund services as well as fund management fees.

***Profit after financial items***

Financial items comprise the unrealised profit or loss from revaluation of financial assets (mortgage loans) and financial liabilities (participating debentures) at fair value through the income statement, as well as the quarterly distribution of allocated net income of the Fund to holders of the Fund's participating debentures.

**Note 5 Sourcing & servicing costs and management fees**

<b>2018-01-01 - 2018-06-30</b>	<b>Paid in the period</b>	<b>Accrued at period end</b>	<b>Total in the income statement</b>
Sourcing & servicing fees	83 668	539 106	622 774
Management fees	33 450	215 642	249 092
<b>Total</b>	<b>117 118</b>	<b>754 748</b>	<b>871 866</b>

**Note 6 Distributions to investors in the Fund**

<b>2018-01-01 - 2018-06-30</b>	<b>Paid in the period</b>	<b>Accrued at period end</b>	<b>Total in the income statement</b>
Allocated income on participating debentures	305 212	1 994 059	2 299 271

**Note 7 Prior period opening balance sheet**

	<b>2017-01-01</b>
<b>Current assets</b> – cash & bank balances	<b>50 000</b>
<b>Total equity</b> – share capital	<b>50 000</b>