Hoist Finance

Own Funds, Capital Requirements and Liquidity Position as of 31 March 2014

Hoist Kredit AB (publ), Swedish Company Registration No. 556329-5699 (“Hoist ”)

This information is in reference to the information that shall be submitted on a periodic basis in accordance with the Capital Adequacy and Large Exposures Act (2006:1533) and the Swedish Financial Supervisory Authority’s (“*Finansinspektionen*”) regulations and general guidelines regarding public disclosure of information concerning capital adequacy and risk management (FFFS 2007:5). The information regards Hoist Kredit AB (publ) as well as Hoist on a consolidated basis which includes the parent company Hoist International AB (publ), Hoist Kredit AB (publ) and its fully owned subsidiaries, which are all completely consolidated (the “Hoist Finance Group”).

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Capital Adequacy

Own funds (TSEK).

The table below shows Hoist's and the Hoist Finance Group's own funds which are used to cover the own funds requirements. If the own funds in the respective capital categories are divided by the Risk Exposure Amount the capital ratios are derived which are shown under the heading "Capital ratios". If one divides the "Own funds in total" with "Total own funds requirements" the results is the capital quota which was frequently used as a capital adequacy measure under Basel II:

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Common Equity Tier 1 capital	475 048	441 046	463 465	483 019
Additional Tier 1 capital	100 000	194 540	100 000	194 540
Tier 1 capital	**575 048**	**635 586**	**563 465**	**677 559**
Tier 2 capital	**36 720**	**330 076**	**-**	**330 076**
Own funds in total	**611 768**	**965 662**	**563 465**	**1 007 636**

Own funds requirements (TSEK).

The table below shows Hoist's and the Hoist Finance Group's Risk Exposure Amounts:

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Institutions	886 348	398 228	920 621	472 443
Corporates	909 076	3 684 318	127 324	150 636
Retail	243 535	148 099	243 535	148 099
Exposures in default	2 488 625	2 629 079	3 487 381	6 415 532
Other items	628 118	663 548	91 278	161 451
Credit risk (standardised approach)	**5 155 702**	**7 523 271**	**4 870 140**	**7 348 160**
Operational risk (basic indicator approach)	**545 963**	**513 113**	**1 017 363**	**1 167 241**
Foreign exchange risk	**269 536**	**22 846**	**40 956**	**22 769**
Total risk exposure amount	**5 971 201**	**8 059 230**	**5 928 459**	**8 538 170**
Total own funds requirements	**480 519**	**644 687**	**474 276**	**748 049**

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Requirement of CET1 capital (TSEK)

When the Capital Requirements Regulation entered into force on the first of January 2014 credit institutions became required to uphold at least 4,5 % Common Equity Tier 1 capital, as a percentage of the Risk Exposure Amount. This percentage can be translated into a nominal amount of CET1-capital which Hoist needs to uphold which is shown in the table below. These levels shall be compared to the CET-capital levels included in the first table “Own Funds”. This comparison is made in the table “Distribution of available CET1 capital to cover requirements”.

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Pillar I requirement	**-**	**362 665**	**-**	**384 218**
Capital conservation buffer	-	-	-	-
Countercyclical capital buffer	-	-	-	-
Systemic risk buffers	-	-	-	-
Total buffer requirement	-	-	-	-
Total requirement of CET1 capital	-	**362 665**	-	**384 218**

The first of August the new capital buffer requirements will be enforced.

Distribution of available CET1 capital to cover requirements (TSEK)

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Common Equity Tier 1 capital	475 048	441 046	463 465	483 019
Pillar I requirement	-	362 665	-	384 218
Capital conservation buffer	-	-	-	-
Countercyclical capital buffer	-	-	-	-
Systemic risk buffers	-	-	-	-
Surplus of CET1 capital	**475 048**	**78 381**	**463 465**	**98 802**

Capital ratios

The table below shows Hoist’s and the Hoist Finance Group’s Common Equity Tier 1-, Tier 1- and total capital as a percentage of the Risk Exposure Amount. The current minimum requirements is to uphold capital ratios for CET1 (4,5%), T1 (6%), and total capital (8%). All of Hoist’s capital ratios is above the minimum requirements with a significant margin of safety.

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
CET1 Capital ratio	7,96%	5,47%	7,82%	5,66%
T1 Capital ratio	9,63%	7,89%	9,50%	7,94%
Total Capital ratio	10,25%	11,98%	9,50%	11,80%

Pillar II risks

Since the Pillar I capital requirements or Risk Exposure Amounts are calculated according to the definitions defined by generic regulatory requirements and not by specific analysis of the particular risk situation, Hoist has chosen to validate the results of the Pillar I capital requirements or Risk Exposure Amounts with the use of stress tests particular to Hoist's business. This is in order to customise the capital requirements analysis with the specific risks that Hoist is exposed to. With this exercise, Hoist tests the validity of the regulatory capital requirements. The method consist of the following steps:

1. Definition of a very conservative stress test for the particular risk factor corresponding to a 99% VaR confidence level or a stress of the magnitude of what one could observe once in a 100 year period.
2. Simulate the stress test on Hoists actual P&L and Balance Sheet.
3. If the stress loss would show a higher loss figure than the capital requirement calculated by the generic regulatory method, Hoist would put the difference in a Pillar II requirement.

This practice of validation of Pillar I risks has the sole purpose of checking the relevancy of the Pillar I capital requirements since they are calculated according to very standardised methods as stipulated by regulation. The Pillar II risks below are expressed as a capital requirement figure which are to be covered with own funds. If one divide these numbers with 8% one arrives at the Risk Exposure Amount for Pillar II risks.

	Hoist Kredit AB (publ)		Hoist Finance Financial Group	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Credit risk	-	-	-	-
Market risk (FX risk)	3 258	491	3 258	489
Liquidity risk	-	-	-	-
Concentration risk	-	-	-	-
Reputation risk	601	1 089	601	1 089
Interest rate risk	2 081	13 804	2 081	13 804
Strategic risk	315	332	315	332
Operational risk	-	-	-	-
Capital requirement pillar II	**6 255**	**15 716**	**6 255**	**15 715**

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Liquidity Risk

Liquidity risk is the risk of difficulties in obtaining financing and thus, not being able to meet payment obligations at maturity without significant higher financing costs. Liquidity risk in Hoist stems first and foremost from the risk of unexpected outflow of deposits while not being able to refinance the asset side of the balance sheet. Liquidity risk in Hoist is low due to the fact that (i) deposits are well diversified, (ii) 99,1% of deposits are under state guaranteed deposit insurance, (iii) the amount of deposits is managed by altering given interest rates and (iv) term-funding cover Hoist's fixed assets (credit portfolios) to more than 60%.

In accordance with Finansinspektionen's regulations regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7), Hoist and the Hoist Finance Group shall hold a separate reserve of high-quality liquid assets to secure its short-term capacity to meet payment obligations in the event of lost or impaired access to regularly available funding sources. Hoist's and the Hoist Finance Group's liquidity reserve consist of unencumbered assets that enable the rapid creation of liquidity at foreseeable values, including:

- cash at credit institution;
- deposits with other credit institutions available the following day; and
- other assets that are both liquid on private markets and eligible for refinancing by central banks.

Pursuant to Hoists Treasury Policy, the Hoist Finance Group shall maintain an available liquidity (liquidity available within three business days) of 30 % and a regulatory liquidity reserve (liquidity available within one business day) of 10% of Hoist Finance's deposits. As per March 31, 2014, the Hoist Finance Group's total available liquidity amounted to 48,23% and the regulatory liquidity reserve amounted to 42,81%. The liquidity difference between available liquidity and regulatory liquidity reserve mainly consist of investments in highly rated bank- and corporate bonds with good liquidity and cash available at institutions, which could be withdrawn within a few days.

Liquidity Position

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Deposits	7 812 236	9 099 543	7 812 236	9 099 543
Regulatory Liquidity Reserve, minimum 10 % of Deposits[1]	46,00%	39,14%	46,00%	42,81%
Available Liquidity, minimum 30% of Deposits[2]	56,03%	44,55%	56,03%	48,23%

1) Defined as cash at credit institutions available the next day and fixed income instruments which are liquid and possible to refinance through the Swedish Central Bank

2) Defined as liquidity available within three days

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Liquidity Funding

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Mar 31, 2013	Mar 31, 2014	Mar 31, 2013	Mar 31, 2014
Flex Deposits	6 655 436	6 761 168	6 655 436	6 761 168
Term Deposits	1 156 800	2 338 375	1 156 800	2 338 375
Senior Unsecured Debt	-	729 037	-	729 037
Tier 1 instruments	100 000	194 540	100 000	194 540
Tier 2 instruments	-	330 076	-	330 076
Equity	464 639	647 964	560 483	653 602
Other	398 079	236 250	220 452	459 871
Balance Sheet Total	**8 774 954**	**11 237 410**	**8 693 171**	**11 466 669**