

Own Funds, Capital Requirements and Liquidity Position as of June 30, 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”).



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	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Common Equity Tier 1 capital	588 174	843 600	586 251	875 079
Additional Tier 1 capital	93 150	194 540	93 150	194 540
Tier 1 capital	681 324	1 038 140	679 401	1 069 619
Tier 2 capital	226 920	178 512	190 200	190 312
Own funds in total	908 244	1 216 652	869 601	1 259 931
Other eligible Tier 2 capital	-	152 440	-	140 640
Total eligible capital	908 244	1 369 092	869 601	1 400 571

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	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Institutions	944 830	300 878	1 027 823	391 208
Corporates	1 001 903	4 080 415	182 739	165 940
Retail	227 427	130 920	227 427	130 920
Exposures in default	2 605 586	2 768 475	4 171 878	7 245 173
Other items	1 338 877	888 084	109 566	171 427
Credit risk (standardised approach)	6 118 623	8 168 772	5 719 433	8 104 668
Operational risk (basic indicator approach)	541 000	513 107	972 363	1 167 241
Foreign exchange risk	183 738	243 701	43 863	243 701
Total risk exposure amount	6 843 361	8 925 580	6 735 658	9 515 610
Total own funds requirements	547 469	714 046	538 853	761 249

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	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Pillar I requirement	-	401 651	-	428 202
Capital conservation buffer	-	-	-	-
Countercyclical capital buffer	-	-	-	-
Systemic risk buffers	-	-	-	-
Total buffer requirement	-	-	-	-
Total requirement of CET1 capital	-	401 651	-	428 202

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	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Common Equity Tier 1 capital	588 174	843 600	586 251	875 079
Pillar I requirement	-	401 651	-	428 202
Capital conservation buffer	-	-	-	-
Countercyclical capital buffer	-	-	-	-
Systemic risk buffers	-	-	-	-
Surplus of CET1 capital	588 174	441 949	586 251	446 877

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	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
CET1 Capital ratio	8,59%	9,45%	8,70%	9,20%
T1 Capital ratio	9,96%	11,63%	10,09%	11,24%
Total Capital ratio	13,27%	13,63%	12,91%	13,24%

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. Pillar II capital requirement can also result as a consequence of identification of risk categories that are not considered in the Pillar I capital requirements. These risks are also stressed to a magnitude of what one could observe once in a 100 year period. Capital is thereafter reserved to cover the outcome of the test.

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 on a consolidated basis	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Credit risk	-	-	-	-
Market risk (FX risk)	3 258	1 356	3 258	1 356
Liquidity risk	-	-	-	-
Concentration risk	-	7 133	-	7 133
Reputation risk	758	15 316	758	15 316
Interest rate risk	1 333	57 447	1 333	57 447
Strategic risk	313	3 300	313	3 300
Operational risk	-	-	-	-
Capital requirement pillar II	5 662	84 552	5 662	84 552

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) 99,27% 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 Hoist's 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 June 30, 2014, the Hoist Finance Group's total available liquidity amounted to 40,79% and the regulatory liquidity reserve amounted to 33,12%. 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	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Deposits	8 736 713	8 913 034	8 736 713	8 913 034
Regulatory Liquidity Reserve, minimum 10 % of Deposits ¹	41,17%	29,44%	41,17%	33,12%
Available Liquidity, minimum 30% of Deposits ²	53,56%	37,11%	53,56%	40,79%

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

Liquidity Funding (TSEK)

	Hoist Kredit AB (publ)		Hoist on a consolidated basis	
	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014
Flex deposits	7 147 451	6 662 833	7 147 451	6 662 833
Term Deposits	1 589 262	2 250 201	1 589 262	2 250 201
Senior Unsecured Debt	-	740 355	-	740 355
Tier 1 instruments	93 150	194 540	93 150	194 540
Tier 2 instruments	226 920	330 952	190 200	330 952
Equity	333 084	852 877	481 821	1 010 573
Other	563 248	248 380	567 874	425 242
Balance Sheet Total	9 953 115	11 280 137	10 069 758	11 614 696