Hoist Finance

Risk and Capital Management

-Information according to Pillar III

2014

Hoist Kredit AB (publ)

Corp.id.no. 556329-5699

Hoist Finance

Hoist Finance AB (publ) is a pan-European financial group ("Hoist Finance") active within debt purchasing and receivables management. Hoist Finance is a leading debt restructuring partner to international banks. We offer a broad spectrum of flexible and tailored solutions for acquisition and management of non-performing unsecured consumer loans and own active claims in eight countries across Europe. In Sweden, we offer a retail deposit service, HoistSpar, with more than 65 000 active accounts. The subsidiary to Hoist Finance AB (publ), Hoist Kredit AB (publ) ("Hoist Kredit"), is licensed and regulated as a "Credit Market Company" (Sw. Kreditmarknadsbolag) by the Swedish Financial Supervisory Authority.

This information is in reference to the information that shall be disclosed on a yearly basis in accordance with the Capital Requirements Regulation (Regulation (EU) No 575/2013), ("CRR"), the Swedish Financial Supervisory Authority's regulations regarding prudential requirements and capital buffers (FFFS 2014:12) and the Swedish Financial Supervisory Authority's regulations regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7). The information is given on the basis of the consolidated situation of Hoist Finance as well as Hoist Kredit AB (publ) on an institutional level.

Contents

INTRODUCTION

This Pillar III report provides information about risks, risk management and capital adequacy in Hoist Kredit AB (publ) and the consolidated situation. The information is presented in accordance with the requirements stated in Capital Requirements Regulation (CRR).

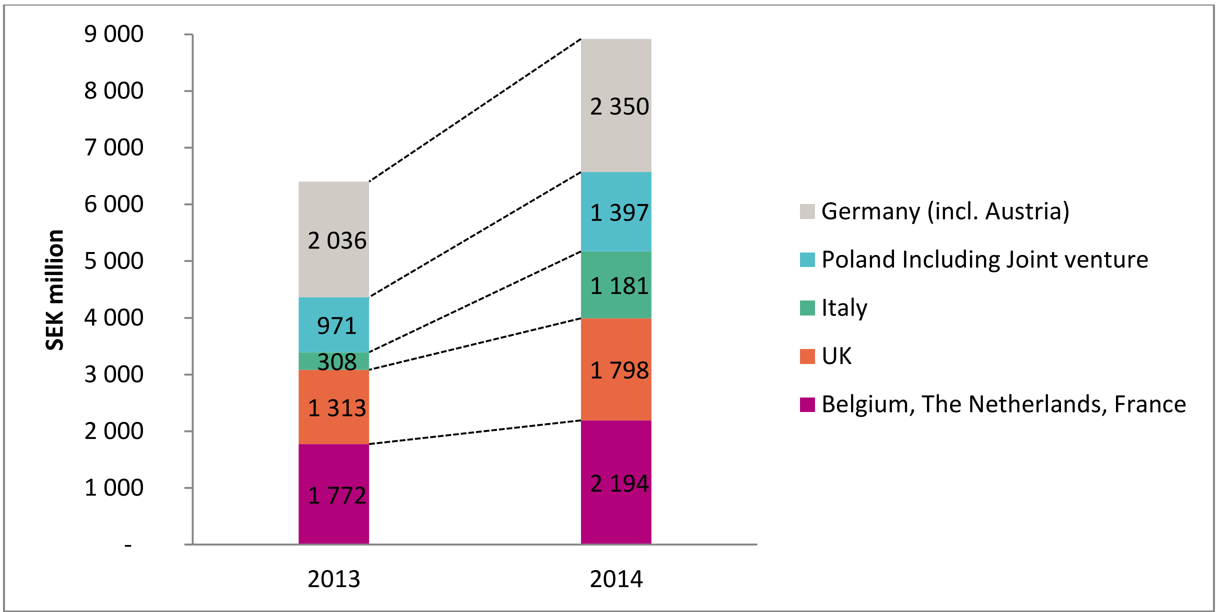
For disclosure of information concerning corporate governance, please refer to the corporate governance report (Sw. bolagsstyrningsrapport) of Hoist Kredit and for disclosure of information concerning the remuneration policy and remuneration systems, please refer to the remuneration system report.

Development of risks and capital situation

During 2014, Hoist Finance has continued its expansion into new markets and increased the volume of its acquired loan portfolios. In order to fund the expansion during the year and to accommodate continued expansion in the future, Hoist Finance has issued equity, issued bonds, and increased deposits from the public through competitive terms. In total, the balance sheet has increased significantly during the year, primarily due to portfolio acquisitions and an increase in the size of the liquidity portfolio. Of course, this has affected the development of risk in a number of ways.

Credit risk has increased proportionally with the volume of acquired loans. However, Hoist Finance does not believe that the credit quality of the portfolios has increased considerably and is rather assumed to be relatively constant. The increased risk is therefor driven by increased volumes. The geographic diversification has improved during the year mainly driven by increased volumes in Italy, UK and Poland.

Distribution of acquired portfolios by geography:



Market risk has increased slightly primarily as a result of a larger liquidity portfolio. The liquidity portfolio has increased by approximately SEK 3 billion during the year and the duration has increased. This has led to increased exposure to interest rate risk and credit spread risk. At the same time as the liquidity portfolio's duration has increased, the deposits from the public is being made on longer duration terms, which has countered the increase of interest risk from the liquidity portfolio in a very efficient manner. Credit spread risk remains therefore as the single largest market risk factor where Hoist Finance experienced a net increase (from SEK 11 million to SEK 69 million for 100 basis points increase of spread). The increase shall also be viewed in the light of an increase in credit quality in portfolios, where a re-allocation from non-secured corporate bonds to government bonds has been made. The probability of large movements in credit spreads is therefore deemed to have decreased. The exposure is reasonably weighted and well within the limits stipulated by the Board.

Operational risk has been a prioritized area for the Group's risk management and risk control during the year and a number of initiatives have been taken to further improve and enforce risk mitigating routines and processes within the Group. Operational risk is believed to be a risk area that has increased as a result of the rapid growth of the Group. This increase stems from the increased risks the acquired companies bring in terms of system integrations, differences in company cultures as well as legal and tax risks associated with the Group operating in additional countries in Europe from a headquarter located in Sweden. Hoist Finance has managed these risks through efficient project management, strict guidelines for incident reporting, risk identification and handling of unacceptable risks. Despite this, Hoist Finance believes that operational risks has increased and will continue with preventive actions within this area in 2015.

Liquidity risk has decreased during the year, mainly as a result of a larger liquidity portfolio available to alleviate liquidity disturbances as well as an altered funding structure with longer duration funding solutions decreasing the liquidity gap between assets and liabilities.

The capital situation has during 2014 continued to be strengthened through equity issuance of SEK 414 million and voluntary conversion of a Tier 1 instrument of SEK 100 million into equity. The net profit for the year corresponded to SEK 180 million. From a capital adequacy perspective this was partially offset by an increase in deductions from Common Equity of SEK 115 million following increase in deferred tax assets, goodwill and other intangible assets and dividend on Tier 1 instruments of SEK 29 million.

RISK MANAGEMENT

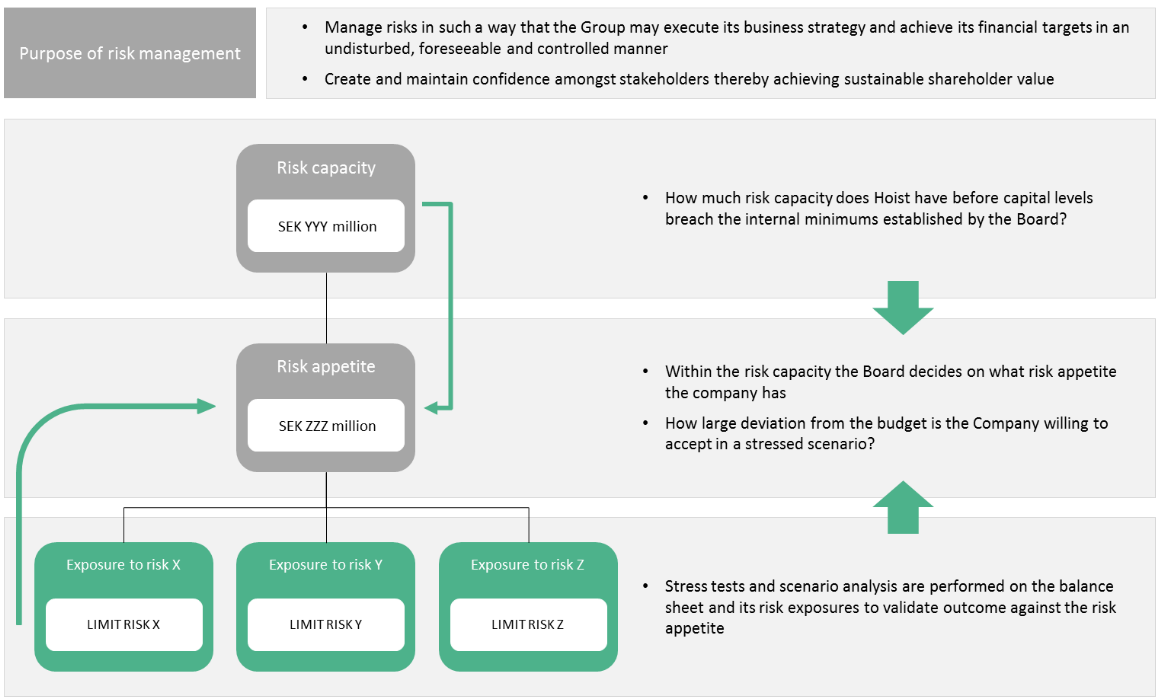
Risk and capital management within Hoist Finance has the goal to manage variability in financial performance. It also secures the survival of Hoist Finance through maintaining sufficient capital levels. Performed correctly this will create and maintain confidence in Hoist Finance amongst stakeholders and thereby achieving sustainable shareholder value.

Risk management strategy and risk appetite

The risk management strategy of Hoist Finance makes a distinction between the kind of risk that is desired and the kind of risk that is undesired but nevertheless might be inevitable. Hoist Finance core business is to make profit through controlled exposure to credit risk in the form of non-performing loans. This type of credit risk is hence a risk Hoist Finance actively pursues. Other types of risk, such as operational risks and market risks are undesired but sometimes inevitable. They should however be minimized as far is economically justifiable. All risk exposures, desired or not desired, shall however never exceed the company's risk appetite.

Aligned and consistent with the risk management strategy the Board of Directors is responsible for deciding and regularly reviewing the risk appetite which is the maximum acceptable levels of risks to be taken by the Group. The risk appetite must at all times be within Hoist Finance's overall risk capacity (margin to the Regulatory Minimum Level of Capital, in each capital category). The risk appetite is broken down into a number of detailed risk limits which are used in the day-to-day business activities. The limits ensures that Hoist Finance with a given level of confidence does not face a financial loss larger than what the overall risk appetite stipulates. In order to evaluate that this rule continuously holds the Risk Control function monthly performs stress tests and scenario analysis where the financial outcome of the exercise is validated against the size of the risk appetite. Monitoring also evaluate that current risk capacity does not decrease below the risk appetite at any time. These principles are summarised in the figure below.

Risk capacity and risk appetite



The Risk Strategy shows the risk aspects of the current Business Plan. The Risk Strategy is developed jointly together with the Business Plan and the Risk Capacity/Risk Appetite in an iterative process in order to ensure congruence. The Business Plan must be realistic from a risk point of view and hence might have to be revised in order to fit with a realistic Risk Strategy. The Risk Strategy in turn must be in line with the Risk Capacity that Hoist has at any given time and the Risk Appetite that the Board of Directors has decided upon. All these aspects are therefore developed in a simultaneous iterative effort, to ensure they fit together in a realistic plan of risk taking in order to achieve the business goals of Hoist Finance. The Risk Strategy also entail how changes in governance and control of the risk exposures shall develop under the business plan.

Risk organization

The Board of Directors and the Risk- and Audit Committee are responsible for establishing the fundamental rules and guidelines for internal control. The committee assists the Board by continuously monitoring the risks that can affect the financial reporting and in the preparation of manuals, policies and accounting policies. The committee interact directly with the external auditors. The Committee also assists the Board in evaluating Executive Management's implementation and execution of the Group's Risk Management Strategy, Risk Appetite and Risk Capacity.

The CEO is responsible for the effective design and implementation of internal control within the Group. The CFO is responsible for the design, correct implementation and proper application of the framework for internal control at the central level. The local management is responsible for the design, correct implementation and proper application at the local level.

Hoist Finance roles and responsibilities are with respect to internal control and risk management structured according to the principle of "three lines of defence".

The **"first line of defence"** encompasses the Board of Directors, the Chief Executive Officer and the operations. The first line of defence is responsible for managing Hoist Finance's risk exposure and for conducting the business in accordance with the decided internal control and risk management framework as well as following the rules and regulations that are applicable to Hoist Finance. The first line of defence have in place a well-organized governance structure as well as effective processes to identify, measure, assess, monitor, mitigate and report on risks.

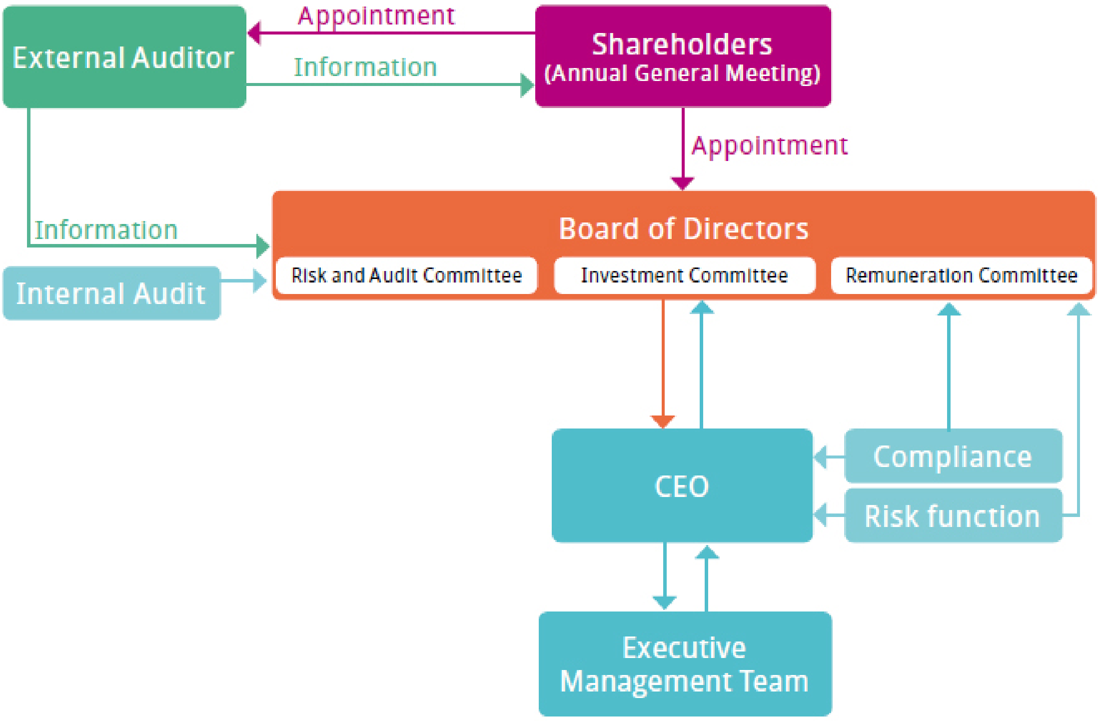
The **"second line of defence"** encompasses the Risk Control function and the Compliance function which are independent control functions. This means that the control functions are not involved in the operations and that they report independently on their reviews to the Board of Directors and the Chief Executive Officer.

The **"third line of defence"** consist of the Internal Audit function which performs audits and reviews, and provides assurance to stakeholders on internal controls and risk management processes, independently.

The three lines of defence jointly form the internal control framework which is set to develop and maintain systems that ensure:

- effective and efficient operations
- adequate control of risks
- prudent conduct of business
- reliability of financial and non-financial information reported or disclosed (both internally and externally)
- compliance with laws, regulations, supervisory requirements and the institution's internal policies and procedures

The figure below shows Hoist Finance governance structure:



Reporting and monitoring of risk and capital situation in 1st line of defense

The Finance Function monitors the capital adequacy and is responsible for the reporting to the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) (the "SFSA"). The Treasury Function manage the credit risk stemming from lending to credit institutions and the bond portfolio while the credit risk stemming form the non-performing loans is managed and monitored by the management team in each jurisdiction. Furthermore the performance of the non-performing loans is continuously followed up by the group Business Control Function and the CFO-Function together with the management team in each jurisdiction. The Treasury Function has the overall responsibility for management of market-, liquidity- and counterparty risks in the first line of defense. All employees manage the operational risks that exist in their processes.

Reporting and monitoring of risk and capital situation in 2nd line of defense

The Risk Control Function continuously analyse, control and report on the company's risk exposures (credit risk, operational risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk) and capital adequacy situation to the CEO and the Board of Directors. The Risk Control Function also evaluates compliance with new internal and external Risk Management regulations and also assists in implementing the new regulations within the organization. Strong emphasises is placed on reporting risk to the relevant interested parties in a clear and meaningful manner. Risks within the Group are handled according to set policies and instructions. Reporting on risk exposures and capital adequacy from Risk Control to the Board, the Risk and Audit Committee and the CEO is delivered in writing monthly and otherwise when necessary.

The Board’s risk declaration and risk statement

The Board of Directors has approved the following risk declaration and risk statement.

Risk declaration

Hoist Finance has adequate risk management arrangements which are adapted to the company's business model, risk appetite and risk management strategy.

Risk statement

The Group’s business strategy is to profit on the expertise the company has in acquisition and management of non-performing loans. To manage and expose oneself to credit risk constitute a central part of the company’s business and help the company to reach its highly set goals. Based on knowledge and experience, Hoist Finance has built an extensive internal data warehouse where skilled staff examines future cash flows from receivables portfolios. The Group’s appetite for market risk is low and is reflected in that all exposures should be hedged as much as practically possible. Certain exposure to market risk is however inevitable as the company needs to hold a large liquidity portfolio in order to be flexible with regards to timing of future portfolio acquisitions. The Board has, therefore, approved certain market risk within strict limits. Mitigating operational risk is one of the company’s primary areas of focus as it tries to limit it to an absolute minimum. The principle is that risk minimizing activities shall be implemented as long as the measured costs are less than the costs the risk could cause if it materialised. Liquidity risk is a result of different durations on assets and liabilities and/or revenues and costs being realized at different time. Hoist Finance has a low appetite for assuming liquidity risk why potential liquidity gaps is covered by generous liquidity reserves.

Detailed information and figures with regards to Hoist Finance main risks (credit risk, market risk, operational risk and liquidity risk) and how these interact with the established risk appetite levels (limits) are presented in each section of this report.

CREDIT RISK

Credit risk is the risk of a negative impact to earnings and/or capital arising from a debtor's failure to repay principal or interest at the stipulated time or other failure to perform as agreed.

Credit risk on the Group's balance sheet relates mainly to:

- Portfolios of non-performing consumer loans;
- Lending to credit institutions;
- Bonds and other interest-bearing securities; and
- Derivatives transactions entered into with banks for the purpose of hedging the Group's FX and interest rate exposure.

The non-performing loans are acquired in portfolios at prices that typically vary from less than 1 per cent to 35 per cent of the face value (principal amount) outstanding at the time of acquisition. The price depends on the specific characteristics and composition of the portfolios with respect to, for instance, the size, age, and type of the receivables, as well as the age, location and type of debtors, etc. The credit risk is mainly that the Group overpays for a portfolio and recovers less from the portfolio than expected, ultimately leading to higher than expected impairments of portfolio carrying values. The total credit risk is equal to the book value of the assets. The majority of the loans are unsecured. However, a limited number of portfolios have properties as collateral. These portfolios had a carrying value of SEK 300 million as at 31 December 2014 (SEK 71 million as at 31 December 2013). Information concerning the geographical distribution of portfolios, the analysis of the opening and closing balances and other portfolio-related information is contained in the annual report of Hoist Kredit AB (publ) and Note 12. Hoist Finance does not disclose any age analysis of the overdue loans. This information is considered irrelevant as most of Hoist Finance's portfolios are overdue. A more important parameter in Hoist Finance's management of credit risk is the cash flow forecast that is disclosed below.

Expected cash flow from the Group's acquired loan portfolios as at 31 December 2014

SEK thousand	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Acquired loan portfolios	2 519 211	2 244 943	4 627 211	4 095 440
Total assets	**2 519 211**	**2 244 943**	**4 627 211**	**4 095 440**

Comparison of expected cash flow from the Group's acquired loan portfolios as at 31 December 2013

SEK thousand	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Acquired loan portfolios	1 724 132	1 547 590	3 363 343	3 118 339
Total assets	**1 724 132**	**1 547 590**	**3 363 343**	**3 118 339**

The risk that the acquired loan portfolios do not pay as expected is monitored continuously in each market as well as on a group level by the Business Control Function. The Risk Control function also makes independent assessment of the portfolio values and the portfolio's performance and risk.

The External Credit Assessment Institutions (ECAI:s) used are Standard & Poor's and Moody's. These ECAI:s are used for evaluating the credit risk in the liquidity reserve and to set limits for different rating classes. The rating and the exposure to different rating classes in the liquidity reserve are monitored on a continuous basis by the Treasury Function as well as by the Risk Control Function.

The credit risk associated with lending to credit institutions is managed in accordance with the Group's Treasury policy, which regulates the share that may be invested in assets issued by individual counterparties. There are, among other things, restrictions on exposures given the credit ratings of the counterparties. In general, counterparties may not have a Standard & Poor's credit rating below "A-".

The table below shows the Standard & Poor's rating for the Group's exposures to credit institutions as at 31 December 2014 compared to 31 December 2013:

Rating	31 Dec 2014	31 Dec 2013
AAA	39,7%	0,3%
AA+	35,4%	1,6%
AA	1,6%	0,0%
AA-	0,0%	3,6%
A+	0,9%	14,8%
A	15,1%	13,5%
A-	4,2%	58,7%
BBB+	0,7%	1,0%
BBB	0,9%	0,5%
BBB-	0,0%	0,0%
BB	0,0%	0,0%
B-	0,0%	0,0%
N/A	1,5%	6,0%
Total, SEK thousand	**5 535 061**	**5 218 876**
Whereof bond portfolio	*4 242 351*	*1 297 677*

As at 31 December 2014, the weighted average maturity for the assets of the bond portfolio was 1,65 years (1,38 year as of 31 December 2013) and the duration was 3,7 months (2 months 31 December 2013). Duration and maturity are important measures for the assessment of the Company's interest rate risks and credit spread risks.

The credit risks that arise from fixed income instruments or derivative transactions are handled in the same way as other credit risks, i.e. they are co-limited with other exposures and checked against limits.

The Company's portfolios of performing loans have been classified with respect to risk, taking into account the expected probability of default according to Hoist Finance's internal scoring model.

Counterparty risk

The Group has counterparty risk against the institutions which the company conducts its hedging activity with. Derivative transactions are performed solely for the purpose of mitigating FX and interest rate risks in the Group.

Group Treasury manages counterparty risk in accordance with the Treasury policy, which means that whenever Hoist Finance wants to enter into an agreement with a new counterparty, it shall first contact the Group's Risk Control function. The member of the team who makes contact shall ensure that the Group's Risk Control has access to information about the counterparty, as well as any draft agreements. Once the counterparty has returned the requested documents, the Group's Risk Control shall review them. The Risk Control function controls counterparty risks in accordance with the Risk Management policy and Risk Control instruction.

The Group has entered into both ISDA and CSA agreements with its counterparties concerning derivative transactions. These agreements facilitate offsetting and daily settlement of credit risk. The counterparty risk against derivative counterparties is therefore at the maximum of one-day fluctuation of the derivative value. The CSA agreement is backed by collaterals in the form of cash.

Financial assets and liabilities that are subject to set-off, covered by legally binding master netting agreements or similar agreements

SEK thousand			Related amounts not offset in the balance sheet		
31 Dec 2014	Gross amounts of financial liabilities	Amounts off-set in the balance sheet	Net amounts accounted for in the balance sheet	Cash collateral	Net amount
Liabilities					
Derivatives	246 724	0	246 724	-276 600	-29 876
Total	**246 724**	**0**	**246 724**	**-276 600**	**-29 876**

Further information please see the Annual report of Hoist Kredit AB (publ) and Note 26 (“Derivative Instruments”).

Credit risk overview

Hoist Finance consolidated situation, SEK thousand

31 Dec 2014	**Original exposure**	**Exposure amount**	**of which: off-balance sheet items**	**Average exposure amount**	**Risk exposure amount**	**Average risk weight %**	**Capital requirement**
Sovereign and central banks	752 668	752 668	-	1 204 189	-	0%	-
Municipalities	1 585 038	1 585 038	-	433 774	-	0%	-
Institutions	3 397 295	3 397 295	-	3 062 036	682 186	18%	54 575
Corporates	146 279	146 279	-	182 112	146 279	82%	11 702
Retail	137 030	137 030	-	163 808	102 772	75%	8 222
of which: SME	*8 231*	*8 231*	-	*6 469*	*6 173*	*75%*	*494*
Exposures in default	8 837 997	8 837 997	-	7 493 390	8 837 997	100%	707 040
Other items	487 080	233 351	115 763	220 409	233 012	100%	18 641
Total	15 343 386	15 089 657	115 763	12 759 718	10 002 246	67%	800 180

Hoist Kredit AB (publ), SEK thousand

31 Dec 2014	**Original exposure**	**Exposure amount**	**of which: off-balance sheet items**	**Average exposure amount**	**Risk exposure amount**	**Average risk weight %**	**Capital requirement**
Sovereign and central banks	688 742	688 742	-	1 173 403	-	0%	-
Municipalities	1 585 038	1 585 038	-	433 774	-	0%	-
Institutions	2 303 115	2 303 115	-	2 463 929	308 796	15%	24 704
Corporates	5 316 830	5 316 830	-	4 400 646	5 316 830	99%	425 346
Retail	130 813	130 813	-	162 253	98 109	75%	7 849
of which: SME	*8 231*	*8 231*	-	*6 469*	*6 173*	75%	*494*
Exposures in default	2 925 471	2 925 471	-	2 807 783	2 925 471	100%	234 038
Other items	1 868 756	1 749 196	47 251	995 209	1 749 195	70%	139 936
Total	14 818 764	14 699 204	47 251	12 436 998	10 398 402	100%	831 872

Geographical breakdown on exposure amount

Hoist Finance consolidated situation, SEK thousand

31 Dec 2014	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Exposures in default	Other items	Total
Sweden	752 668	1 585 038	1 875 557	22 360	-	-	57 907	**4 293 529**
Germany	-	-	368 514	9 245	128 049	2 175 446	93 295	**2 774 550**
UK	-	-	255 771	40 404	-	1 797 520	19 511	**2 113 206**
Poland	-	-	102 950	4 825	-	1 433 673	15 667	**1 557 115**
France	-	-	3 406	7 592	-	462 959	27 227	**501 184**
Netherlands	-	-	74 356	0	-	1 384 375	15 300	**1 474 030**
Belgium	-	-	14 462	307	-	346 667	3 237	**364 673**
Italy	-	-	57 815	61 545	-	1 181 210	1 206	**1 301 775**
Other countries	-	-	644 465	-	8 980	56 148	-	**709 593**
Total	**752 668**	**1 585 038**	**3 397 295**	**146 279**	**137 030**	**8 837 997**	**233 351**	**15 089 657**

Hoist Kredit AB (publ), SEK thousand

31 Dec 2014	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Exposures in default	Other items	Total
Sweden	688 742	1 585 038	1 329 239	74 108	-	-	148 319	**3 825 445**
Germany	-	-	243 518	12 934	121 832	2 175 446	81 651	**2 635 380**
UK	-	-	961	1 641 586	-	-	98 924	**1 741 471**
Poland	-	-	151	1 060 393	-	86 591	136 185	**1 283 320**
France	-	-	-	422 797	-	-	29 221	**452 018**
Netherlands	-	-	74 356	1 026 271	-	260 619	11 874	**1 373 120**
Belgium	-	-	6 578	-	-	346 667	2 208	**355 452**
Italy	-	-	5 693	1 078 741	-	-	1 240 815	**2 325 249**
Other countries	-	-	642 620	-	8 980	56 148	-	**707 748**
Total	**688 742**	**1 585 038**	**2 303 115**	**5 316 830**	**130 813**	**2 925 471**	**1 749 196**	**14 699 204**

Maturity analysis on exposure amount

Hoist Finance consolidated situation, SEK thousand

31 Dec 2014	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Treasury bills	-	2 316 110	-	-	-	-	**2 316 110**
Lending to credit institutions	1 302 590	1 903	-	-	-	-	**1 304 493**
Lending to the public	-	4 404	52 430	94 466	5 933	-	**157 232**
Bonds and other securities	-	160 069	149 340	1 616 832	-	25 000	**1 951 241**
Acquired loan portfolios*	-	-	-	-	-	8 837 997	**8 837 997**
Other assets	340	372 326	-	2 156	-	32 000	**406 822**
Off-balance sheet items	-	-	45 989	69 774	-	-	**115 763**
Total	**1 302 929**	**2 854 812**	**247 758**	**1 783 228**	**5 933**	**8 894 997**	**15 089 657**

*Consists of acquired loan portfolios within the Group and investments in joint venture. See table below for a maturity analysis within the Group, based on net cash flows.

Information on acquired loan portfolios within the Group based on net cash flows, SEK thousand

31 Dec 2014	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Acquired loan portfolios	-	656 319	1 862 892	6 872 154	4 095 440	-	**13 486 805**
Total	**-**	**656 319**	**1 862 892**	**6 872 154**	**4 095 440**	**-**	**13 486 805**

Hoist Kredit AB (publ), SEK thousand

31 Dec 2014	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Treasury bills	-	2 316 110	-	-	-	-	**2 316 110**
Lending to credit institutions	246 481	1 903	-	-	-	-	**248 384**
Lending to the public	-	4 404	52 430	94 466	5 933	-	**157 232**
Bonds and other securities	-	160 069	149 340	1 616 832	-	-	**1 926 241**
Acquired loan portfolios*	-	-	-	-	-	2 860 220	**2 860 220**
Receivables from affiliated companies	-	319 750	11 419	4 910 038	1 208 468	-	**6 449 675**
Other assets	1	195 022	-	296	-	498 773	**694 092**
Off-balance sheet items	-	-	24 103	23 148	-	-	**47 251**
Total	**246 482**	**2 997 258**	**237 291**	**6 644 780**	**1 214 401**	**3 358 993**	**14 699 204**

*Consists of acquired loan portfolios within Hoist Kredit. See table below for a maturity analysis based on net cash flows.

Information on acquired loan portfolios within the Group based on net cash flows, SEK thousand

31 Dec 2014	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Acquired loan portfolios	-	293 084	717 309	1 999 164	1 228 726	-	**4 238 283**
Total	**-**	**293 084**	**717 309**	**1 999 164**	**1 228 726**	**-**	**4 238 283**

Impairments and past due loans

An impairment is recognised when the carrying value of an asset or a cash generating unit exceeds its recoverable value. The Hoist Finance portfolios are subject to revaluations and amortisation, and hence, excluded from impairment testing. Impairment in the portfolios may only occur in the rare cases where a single claim completely loses its value by the final debtor becomes bankrupt or otherwise unable to meet its obligations.

Hoist Finance specialises in purchasing unsecured non-performing loans originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. Many or all of the contracts in the portfolios that Hoist Finance buy are older than one year when the transactions are made and Hoist Finance categorize the non-performing portfolios as past due more than one year.

A financial asset is past due (in default) when a counterparty has failed to make a payment when contractually due. In the table “Geographical breakdown on exposure amount” the heading Exposures in default shows the geographical breakdown of Hoist Finances’ past due loans, which amounts to SEK 8 837 997 thousand as of 31 December 2014.

Exposures in equities not included in the trading book

In 2013, Hoist Finance Services AB (previously Konstruktur Development AB), reg no 556640-9941, (”HFS”) acquired unlisted preferential shares, mainly for strategic reasons (the ”Equity Holdings”). In connection with the acquisition of the Equity Holdings, HFS acquired an option right towards the seller of the Equity Holdings to re-sell the Equity Holding for an amount of at least the original purchase price, being SEK 25 million (the “Price”) (the “Long Put Option”). HFS has no reason to question the creditworthiness or the ability of the seller granting the Long Put Option to fulfill its obligation.

The unlisted Equity Holdings have been accounted for at the Price (acquisition value), since, considering the Long Put Option, the present value for HFS will always be equal to, or greater than, the Price.

MARKET RISK

Generally, market risk represents the risk to profit and capital arising from adverse movements in exchange rates and interest rates for risky assets held for trading, such as bonds, securities, and commodities or similar. Since the Company does not actively trade in risky assets, this concept does not apply to the Company. However, market risk also arises in conjunction with adverse movements in FX rates and interest rates.

Market risk (foreign exchange risk)

Market risk (FX risk) that has an adverse impact on the Group's income statement, balance sheet and/or cash flows arises mainly as a result of:

- The currency used in the consolidated financial statements is different from the functional currency of the subsidiaries (translation risk).
- Assets and liabilities of the Group are stated in different currencies and certain revenue and costs arise in different currencies (transaction risk).

The Treasury Function has the overall responsibility for the continuous management of these risks.

Translation risk

The Group's functional as well as presentation currency is SEK, while a majority of the Group's functional currencies are carried out in EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currencies, while the Group's deposits from the public (liabilities) are denominated in SEK, which constitutes a translation risk (balance sheet risk).

The Treasury Function calculates the Group's unhedged exposure to the aggregate value of assets denominated in currencies other that SEK and not covered by hedge agreements. Thereafter, the Group's translation exposure is hedged continuously using derivative contracts (mainly forward contracts).

Transaction risk

In each respective country, all revenue and the major part of the expenses are in the functional currency, which means that foreign exchange rate fluctuations only have a minor impact upon the company's profit in local currency. Income and costs in local currencies are thus hedged in a natural way, which mitigates transaction exposure. The Group has strict limits for single currency exposures. The limits for an open FX position is 2,5-3,5 per cent of the exposure amount per currency.

The tables below show the Group's exposure per currency. The Group has no significant positions in currencies other than EUR, GBP and PLN. The below tables show the sensitivity analysis of a change of 10 per cent in currency rate between SEK and respective currency.

Group’s FX risk in EUR

	31 Dec 2014	31 Dec 2013	Impact on shareholders’ equity
Net assets on the balance sheet, EUR million	532,9	485,4	
Forward hedge, EUR million	- 528,5	- 482,0	
Net Exposure, EUR million	4,4	3,4	
If the EUR/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	4 203	3 069	<1%
If the EUR/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	- 4 203	- 3 069	-<1%

Group’s FX risk in PLN

	31 Dec 2014	31 Dec 2013	Impact on shareholders’ equity
Net assets on the balance sheet, PLN million	624,7	443,9	
Forward hedge, PLN million	- 619,0	- 436,5	
Net Exposure, PLN million	5,7	7,4	
If the PLN/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1 256	1 576	<1%
If the PLN/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	- 1 256	- 1 576	-<1%

Group’s FX risk in GBP

	31 Dec 2014	31 Dec 2013	Impact on shareholders’ equity
Net assets on the balance sheet, GBP million	158,8	123,7	
Forward hedge, GBP million	- 152,0	- 123,0	
Net Exposure, GBP million	6,8	0,7	
If the GBP/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	8 298	744	<1%
If the GBP/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	- 8 298	- 744	-<1%

Market risk (interest rate risk)

The interest rate risk in the Group arises from two sources: the risk that the net interest income is affected negatively by fluctuations in the prevailing interest rates and the risk of losses due to the effect of interest rate changes upon the values of assets and liabilities. The difference between interest income and financing cost (net interest income) in the Group may result in a weaker profitability. A sudden and permanent interest rate change would have a negative impact on the Group's profit to the extent interest rates and interest costs on loans and deposits from the public are affected by the increase in market rates at the same time as income from loan portfolios remains unchanged. Other interest rate risk pertains to the fluctuations in fair values of balance sheet items, primarily certain acquired loan portfolios as well as the Group's excess liquidity that has been invested in a bond portfolio.

The objective of the bond portfolio is to generate a return on excess liquidity within the mandate set forth in the Treasury policy. In addition, the Group aims at a high level of financial flexibility in order to satisfy future liquidity requirements. Placements are thus made in interest bearing securities with short maturities and high liquidity. Please, refer to the section concerning credit risk above.

The Treasury Function mitigates both interest rate risks described above to a certain extent by continuously hedging the Group's interest rate exposure through interest rate swaps in SEK. Generally, the maturity of the swaps is less than 12 months. The table below shows the effect upon various assets and liabilities of a sudden and enduring parallel shift in the yield curve, of market rate of interest by 100 basis points.

Interest rate risk of the Group, items valued at fair value:

Total items valued at fair value including derivatives (SEK thousand)	Impact on profit or loss Dec 2014		Impact on profit or loss Dec 2013		Impact on shareholders' equity
	-100 bps	**+100 bps**	**-100 bps**	**+100 bps**	
Bond portfolios	16 066	-16 066	2 155	-2 155	
Interest rate swaps	-50 000	50 000	-61 333	61 333	
Total	**-33 934**	**33 934**	**-59 178**	**59 178**	**2,5%**

A sensitivity analysis is presented in Note 12 in Hoist Kredit AB (publ) annual report for portfolios at fair value.

In terms of an interest rate change, the change in profitability is shown below:

Total effect of change in interest rate over one year (SEK thousand)	Impact on profit or loss Dec 2014		Impact on profit or loss Dec 2013		Impact on shareholders' equity
	-100 bps	**+100 bps**	**-100 bps**	**+100 bps**	
Efficient net interest income (over one year)	48 105	-48 105	64 245	-64 245	
Efficient derivatives (momentum effect)	-50 000	50 000	-61 333	61 333	
Total effect of change in short interest rate	**-1 895**	**1 895**	**2 912**	**-2 912**	**0,14%**

OPERATIONAL RISK

Operational risk is the risk for losses as a result of inadequate or failed internal processes, personnel, IT-systems or external incidents, including legal and compliance risks.

The operational risk that Hoist Finance is mainly exposed to can be divided into the following seven categories:

- Unauthorised activities & Internal fraud
- External fraud
- Employment practices and workplace safety
- Client, Products and Business practices
- Damages to physical assets
- Business disruption and system failures
- Execution, Delivery and Process Management

Successful management of operational risk on a daily basis requires strong internal controls and quality assurance, which is best achieved by means of having established internal routines and processes as well as a competent management team and staff. The Group manages operational risk by continuously improving its internal routines and day-to-day control procedures, and by recruiting market-leading, experienced specialists for all positions of responsibility within the Group's operations. The Group also applies the "four-eyes principle" and has established back-up routines and processes, for example, in the form of a ratified BCP (business continuity plan).

In order to identify and mitigate operational risks within the Group, the Risk Control function has, among other things, established the following routines:

1. Reporting of incidents and a system for the reporting of improvements – employees of the Group have access to an IT-system where all operational incidents are logged and consequently followed-up by the Risk Control function and the Group management. The same system is used for logging suggested improvements in routines and processes in order to mitigate potential operational risks in a proactive manner.
2. Annual self-assessments – the Risk Control function arranges annual training courses in each country that are attended by representatives from all departments in order to jointly identify weaknesses in the organisation, routines and processes that may possibly contain operational risks. The conclusions from these workshops are included in the annual capital assessment and also noted by the management team in order to mitigate the identified risks in the best possible manner.

The Group has a special and independent Internal Audit Function that is responsible for identifying and suggesting improvements for operational processes and internal procedures.

Hoist Finance calculates operational risk capital using to the basic indicator approach. Institution's using the basic indicator approach must hold capital for operational risk equal to the average over the previous three years annual operating income multiplied by a fixed percentage (15%). At the end of December 2014 Hoist Finance's capital requirement for operational risk was SEK 93,4 million (SEK 77,8 million).

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk of difficulties in obtaining financing and thus, not being able to meet payment obligations at maturity without significantly higher financing costs.

The Group's revenues and costs are relatively stable, therefore Liquidity Risk in the Group is linked primarily to the Group's funding through deposits from the public and the risk of large redemptions occurring at short notice. Other significant liquidity risks stems from mark-to market in derivatives and re-financing risks from senior unsecured bonds.

The overall objective for the Group's liquidity management is to ensure that the Group maintains control over its liquidity situation leaning back on sufficient cash and cash equivalents or instantly sellable assets in order to fulfil its payment obligations in due time without incurring high extra costs. The appropriate size of the liquidity reserve is continuously evaluated by the Treasury Function and the Asset- and Liabilities Committee ("ALCO"). The methodology for determining the size of the liquidity reserve is also annually analysed and evaluated by the Board of Directors and CEO through the ILAA (Internal Liquidity Adequacy Assessment) process. Through ILAA the liquidity demand is determined under stressed conditions and concludes in an amount the Group needs. During the year, the Group has had a total liquidity reserve that has well exceeded the need according to ILAA.

Receivables are mainly non-performing unsecured consumer loans, hence a normal duration profile is not applicable. Given that the claims are not statute – barred, they will remain unchanged until the customer has either fully paid or the claim is written off according to a credit decision.

The Group has a diversified funding base with a differentiated maturity structure[1] , both in the form of issued senior unsecured bonds and through deposits from the public. Although most of the deposits from the public are payable on demand, the Group believes, based on past client behaviour that a large portion of deposits can be treated as a longer maturity. In addition, some 31 per cent of the Group's deposits from the public are secured in longer maturities, so-called term deposits, with maturities ranging from 12 to 36 months. The table below shows an overview of the groups liquidity funding:

Liquidity Funding, SEK thousand

	Hoist Finance Group		Hoist Kredit AB (publ)	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Flex Deposits	7 559 042	7 120 594	7 559 042	7 120 594
Term Deposits	3 428 246	2 580 908	3 428 246	2 580 908
Senior Unsecured Debt	1 493 122	665 680	1 493 122	665 680
Tier 1 instruments	93 000	193 000	93 000	193 000
Tier 2 instruments	332 796	329 231	332 796	329 231
Equity	1 304 190	622 442	1 182 659	501 268
Other	851 432	520 428	503 268	293 575
Balance Sheet Total	**15 061 829**	**12 032 283**	**14 592 133**	**11 684 256**

In accordance with the Treasury policy, the Group keeps a liquidity reserve of at least 30 per cent of the total deposit base to reflect the nature of the deposits. As at 31 December 2014, the liquidity reserve was 50,3 per cent of the total deposit volume (50,4 per cent as at 31 December 2013).

[1] Tables of maturity analysis for the Group's liabilities are not discounted. Please refer to Note 10 in the annual report of Hoist Kredit AB (publ) for assets and liabilities. Possible liquidity effect from CSA agreements totals, according to the latest ILAA, SEK 502 million in a stressed scenario.

Besides having a diversified funding structure, the Group has developed the following tools and activities to minimise liquidity risk:

- Centralised liquidity management: The handling of liquidity risk is centralised and is handled by the Group Treasury. The results of the liquidity management are reported on a regular basis to the Board of Directors.
- Independent analysis: The Group's Risk Control function acts as the central function for independent liquidity risk analysis, and the Internal Audit function is responsible for auditing the Group's liquidity management tools.
- Continuous monitoring: In order to monitor its liquidity situation and mitigate liquidity risk, the Group uses liquidity forecasting systems, which provide on-going information on imminent, medium-term and long-term liquidity needs, and minimise the risk of facing unforeseen liquidity requirements.
- Stress testing: The Group performs stress tests on the liquidity situation. These stress tests vary in nature in order to illustrate the risk from multiple angles and to avoid negative consequences as a result of stress test methodology shortcomings.
- Liquidity reserve: The Group holds a minimum of 30 per cent of the deposits, from the public as a liquidity reserve to meet potential short-term redemption requests.
- Liquidity placements are made in low-risk, high-liquidity interest-bearing securities on the overnight market, i.e. with an established second-hand market which allows for cash conversion if needed.

In addition, a contingency plan regarding liquidity risk have been put in place, which among other things identifies special events that can trigger the contingency plan and what actions must be taken. These events may include:

- The aggregate amount of total available liquidity is below 20 per cent of the total deposit base.
- An unexpected outflow of more than 20 per cent during a 30-day period.
- Financing sources exceeding SEK 50 million cease or are revoked.

In accordance with an adopted crisis management policy, the crisis management team of the Group jointly decides on the implementation of these instructions.

For the purpose of foreign exchange and interest rate exposure hedging, the Group uses foreign standardized derivative instruments (Note 26 in the annual report of Hoist Kredit AB (publ)). In order to avoid possible liquidity risk and/or counterparty risk in connection with these derivatives, the Group applies ISDA and CSA agreements with all derivative counterparties. CSA agreements regulate the right to collect collaterals in order to eliminate the exposure that arises in connection with derivatives transactions. CSA agreements also include agreements on netting concerning foreign exchange transactions. There are daily settlements for all of the Groups derivative contracts. In such a way, liquidity- and counterparty risks in derivative transactions are mitigated.

Encumbered assets

Restrictions on ability to utilise assets

Hoist Group has pledged some of its financial assets (current assets) as collateral for the purposes of hedging and financing. Such encumbered assets are not transferrable within the Group. The table below shows the Groups' and Hoist Kredits' total assets and encumbered assets.

SEK thousand	Hoist Finance Group		Hoist Kredit AB (publ)	
	31 Dec 2014		31 Dec 2014	
	Total assets	of which: encumbered assets	Total assets	of which: encumbered assets
Loans on demand - Other demand deposits	1 292 711	1 903	248 384	1 903
Equity instruments	25 000	-	-	-
Debt securities	4 242 351	-	4 242 351	-
Loans and advances other than loans on demand	8 759 997	-	9 481 266	-
Other assets	741 771	-	620 133	-
Total assets	**15 061 829**	**1 903**	**14 592 133**	**1 903**
Other pledged assets	-	**276 600**	-	**276 600**

OWN FUNDS AND CAPITAL REQUIREMENTS

The information in this section regards Hoist Kredit AB (publ) ("Hoist Kredit") as well as on the basis of the consolidated situation of Hoist Finance, which includes the parent company Hoist Finance AB (publ), the regulated entity Hoist Kredit AB (publ) and its fully owned subsidiaries, which are all fully consolidated. The difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is that the equity method is applied in the consolidated accounts whereas the proportional method is applied for the joint venture in relation to capital adequacy reporting from 1 January 2014. In 2013 the equity method was applied in relation to capital adequacy reporting.

Own funds

The table below shows Hoist Kredit's and the Hoist Finance consolidated situation'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".

Except any restrictions by legislation (e.g. restrictions in corporate law and capital adequacy requirements) the company sees no material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

Please refer to Annex I – Disclosure of transitional own funds for a full reconciliation of own funds.

Own funds, SEK thousand

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Total equity in capital adequacy	1 304 189	622 440	1 182 658	457 739
Proposed dividend	-	-	-	-
Intangible assets	-171 048	-64 282	-45 273	-21 095
Deferred tax assets	-70 885	-62 254	-1 249	-1 121
Regulatory dividend deduction	-5 000	-	-	-
Common Equity Tier 1 capital	**1 057 257**	**495 904**	**1 136 136**	**435 523**
Additional Tier 1 capital	**93 000**	**193 000**	**93 000**	**193 000**
Tier 1 capital	**1 150 257**	**688 904**	**1 229 136**	**628 523**
Tier 2 capital instruments	332 796	329 231	332 796	329 231
Regulatory adjustments	-106 655	-	-111 814	-14 969
Tier 2 capital	**226 141**	**329 231**	**220 982**	**314 262**
Total capital *	**1 376 398**	**1 018 135**	**1 450 118**	**942 785**

* Total capital corresponds to Eligible capital. Hoist Finance has chosen not to apply article 494 of the EU regulation No 575/2013. This means that Hoist Finance conservatively calculate eligible capital and not include Tier II capital not available for capital adequacy purposes. From the total nominal amount of Tier I and additional Tier I capital contribution transaction costs are deducted, that is why only SEK 93,000 thousand of the total SEK 100,000 thousand is reflected in the table above.

Information about the capital instruments included in Total capital is disclosed in Annex II.

Balance sheet reconciliation

The table below shows a balance sheet reconciliation between Hoist Finance consolidated situation and the consolidated accounts (“Hoist Finance Group”) and the balance sheet in Hoist Kredit.

SEK thousand	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Kredit AB (publ)
ASSETS	**31 Dec 2014**	**31 Dec 2014**	**31 Dec 2014**
Cash	340	340	1
Treasury bills and treasury bonds	2 316 110	2 316 110	2 316 110
Lending to credit institutions	1 304 493	1 292 711	248 384
Lending to the public	157 232	157 232	157 232
Aquired loan portfolios	8 837 997	8 586 782	2 860 220
Receivables from affiliated companies	-	-	6 449 675
Bonds and other securities	1 951 241	1 951 241	1 926 241
Shares and participations in subsidiaries	-	-	428 846
Shares and participations in joint venture	-	215 347	65 251
Intangible assets	171 048	171 048	45 273
Tangible fixed assets	32 000	32 000	4 676
Other assets	209 941	209 941	78 522
Deferred tax assets	70 885	70 885	1 249
Prepaid expenses and accrued income	58 199	58 192	10 453
Total assets	**15 109 485**	**15 061 829**	**14 592 133**

LIABILITIES AND SHAREHOLDERS' EQUITY	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Kredit AB (publ)
	31 Dec 2014	**31 Dec 2014**	**31 Dec 2014**
Liabilities			
Deposits and borrowings from the public	10 987 289	10 987 289	10 987 289
Tax liabilities	52 326	52 326	28 475
Other liabilities	602 663	555 186	408 185
Deferred tax liabilities	50 419	50 419	-
Accrued expenses and prepaid income	124 797	124 797	52 842
Provisions	68 704	68 704	71
Senior unsecured loans	1 493 122	1 493 122	1 493 122
Subordinated loans	332 796	332 796	332 796
Total liabilities	**13 712 116**	**13 664 639**	**13 302 780**
Untaxed reserves	-	-	**62 248**
Shareholders' equity			
Share capital	21 662	21 662	66 667
Contributed equity	1 003 818	1 003 818	691 914
Reserves	-2 812	-2 812	64 633
Retained earnings including profit of the year	374 701	374 522	403 891
Total shareholders' equity	**1 397 369**	**1 397 190**	**1 227 105**
Total liabilities and shareholders' equity	**15 109 485**	**15 061 829**	**14 592 133**

SEK thousand

ASSETS	Hoist Finance consolidated situation 31 Dec 2013	Hoist Finance Group 31 Dec 2013	Hoist Kredit AB (publ) 31 Dec 2013
Cash	197	197	1
Treasury bills and treasury bonds	-	-	-
Lending to credit institutions	3 926 686	3 926 686	3 582 423
Lending to the public	328 951	328 951	325 788
Aquired loan portfolios	5 997 935	5 997 935	2 546 122
Receivables from affiliated companies	-	-	3 493 834
Bonds and other securities	1 297 677	1 297 677	1 272 677
Shares and participations in subsidiaries	-	-	303 145
Shares and participations in joint venture	192 230	192 230	78 795
Intangible assets	64 282	64 282	21 095
Tangible fixed assets	34 780	34 780	1 081
Other assets	105 683	105 683	51 452
Deferred tax assets	62 254	62 254	1 121
Prepaid expenses and accrued income	26 556	26 556	6 722
Total assets	**12 037 231**	**12 037 231**	**11 684 256**

LIABILITIES AND SHAREHOLDERS' EQUITY	Hoist Finance consolidated situation 31 Dec 2013	Hoist Finance Group 31 Dec 2013	Hoist Kredit AB (publ) 31 Dec 2013
Liabilities			
Deposits and borrowings from the public	9 701 502	9 701 502	9 701 502
Tax liabilities	71 858	71 858	23 794
Other liabilities	235 910	235 910	198 949
Deferred tax liabilities	32 720	32 720	2 117
Accrued expenses and prepaid income	90 251	90 251	42 046
Provisions	94 637	94 637	100
Senior unsecured loans	665 680	665 680	665 680
Subordinated loans	329 231	329 231	329 231
Total liabilities	**11 221 789**	**11 221 789**	**10 963 419**
Untaxed reserves	-	-	**26 569**
Shareholders' equity			
Share capital	15 488	15 488	50 000
Contributed equity	590 370	590 370	275 631
Reserves	-12 242	-12 242	64 030
Retained earnings including profit of the year	221 826	221 826	304 608
Total shareholders' equity	**815 442**	**815 442**	**694 268**
Total liabilities and shareholders' equity	**12 037 231**	**12 037 231**	**11 684 256**

Capital requirements

The table below shows the Hoist Finance consolidated situations' capital requirements, which are calculated as 8% of risk exposure amounts:

Capital requirements, SEK thousand

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Institutions	54 575	82 736	24 704	77 228
*-of which: arising from counterparty credit risk**	*1 701*	*1 237*	*1 701*	*1 237*
Corporates	11 702	17 126	425 346	284 215
Retail	8 222	13 162	7 849	13 162
Exposures in default	707 040	496 413	234 038	209 193
Other items	18 641	12 947	139 936	40 477
Credit risk (standardised approach)	**800 180**	**622 384**	**831 872**	**624 275**
Operational risk (basic indicator approach)	**93 379**	**77 789**	**41 049**	**43 280**
Market risk (foreign exchange risk)	**11 005**	**4 346**	**11 005**	**3 467**
Credit valuation adjustment (standardised method)	-	-	-	-
Total capital requirements	**904 564**	**704 519**	**883 926**	**671 022**
Total risk exposure amount	**11 307 052**	**8 806 488**	**11 049 076**	**8 387 775**

*Mark-to-market method.

Capital ratios and buffers

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, 6% Tier 1 Capital and 8% Total Capital, as a percentage of the Risk Exposure Amount. On the second of August 2014, when the Swedish implementation of the Capital Requirements Directive entered into force, credit institutions became required to also uphold certain capital buffers. Currently Hoist Finance is required to uphold a capital conservation buffer of 2,5% of the Risk Exposure Amount. The table below shows Hoist Kredit's and the Hoist Finance consolidated situation's Common Equity Tier 1-, Tier 1- and Total Capital as a percentage of the Risk Exposure Amount. It also shows the total regulatory requirements in each capital tier.

Capital ratios and buffers, SEK thousand

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Common Equity Tier 1 Capital ratio[1]	9,35%	5,63%	10,28%	5,19%
Tier 1 Capital ratio[2]	10,17%	7,82%	11,12%	7,49%
Total Capital ratio[3]	12,17%	11,56%	13,12%	11,24%
Institution specific CET1 buffer requirement	7,00%	-	7,00%	-
of which: pillar I capital requirement	4,50%	-	4,50%	-
of which: capital conservation buffer requirement	2,50%	-	2,50%	-
of which: countercyclical buffer requirement	-	-	-	-
Pillar II CET1 requirement	0,61%	-	0,62%	-
			0,00%	-
Total CET1 requirement	**7,61%**	**-**	**7,62%**	**-**
Surplus of Common Equity Tier 1 Capital	1,75%	-	2,66%	-
Surplus of Tier 1 Capital	1,07%	-	2,00%	-
Surplus of Total Capital	1,07%	-	2,00%	-

1. The CET 1 ratio presented includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased Hoist Finance net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 ratio calculation was not applied for until January 2015 and not received until March 2015. Adjusted to exclude the capital raised in these share issues, Hoist Finance CET 1 ratio as of 31 December 2014 would have been 5,7%. At the time of Hoist Finance regulatory capital reporting for 2014 ,the risk exposure amount for operational risk was based on the audited financials for the last three years, which at the time of Hoist Finance reporting were the financial years 2011, 2012 and 2013 (in line with article 315 of the Capital Requirements Regulation (EU, No 575/2013)). Had audited financials for the financial years 2012, 2013 and 2014 been available at the time of Hoist Finance reporting, the risk exposure amount for operational risk would have been SEK 1 753 million instead of SEK 1 167 million, which would have resulted in a CET 1 ratio of 8,9%, including the effect of the new share issues paid for by cash in May and December 2014, respectively, and had the new share issues paid for by cash in May and December 2014 been excluded, the CET 1 ratio would have been 5,4 %. The risk exposure amount for operational risk will be updated annually when audited financials are available.
2. The Tier 1 capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased Hoist Finance net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. Adjusted to include the capital raised in these share issues in Hoist Finance additional Tier 1 capital (Additional Tier 1 capital of up to 1,5% of the Risk Exposure Amount can be included in the Tier 1 capital ratio), Hoist Finance Tier 1 capital ratio as of 31 December 2014 would have been 7,2%.
3. The Total capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased Hoist Finance net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. Adjusted to include the capital raised in these share issues in Hoist Finance Additional Tier 1 capital (Additional Tier 1 capital of up to 1,5% of the Risk exposure amount can be included in the Total capital ratio), Hoist Finance Total capital ratio as of 31 December 2014 would have been 9,2%.

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 Finance 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 Finance's business. This is in order to customise the capital requirements analysis with the specific risks that Hoist Finance is exposed to. With this exercise, Hoist Finance 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 Hoist Finance's 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 Finance would put the difference in a Pillar II requirement. If the stress loss would be lower than the Pillar I capital requirement capital would still be reserved according to the Pillar I level.

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 CET1-capital.

Pillar II risks, SEK thousand

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Credit risk	-	-	-	-
Market risk (FX risk)	2 925	1 535	2 925	1 535
Liquidity risk	-	-	-	-
Concentration risk	9 360	-	9 360	-
Reputation risk	15 316	1 089	15 316	1 089
Interest rate risk	37 550	5 463	37 550	5 463
Strategic risk	3 300	332	3 300	332
Operational risk	-	-	-	-
Capital requirement Pillar II	**68 451**	**8 419**	**68 451**	**8 419**

Leverage ratio

The leverage ratio is a monitoring tool which allow competent authorities to assess the risk of excessive leverage. Hoist Finance leverage ratios according to the definition in CRD IV is illustrated in the table below:

Leverage ratio, SEK thousand

	Hoist Finance consolidated situation	Hoist Kredit AB (publ)
	31 Dec 2014	**31 Dec 2014**
Balance sheet according to accounting regulations	15 061 829	14 592 133
Intangible assets	-171 048	-45 273
Deferred tax assets	-70 885	-1 249
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	106 342	106 342
Assets reported off the balance sheet , after application for conversion factor	115 763	47 251
Additional adjustments	47 657	-
Assets on which the leverage ratio is calculated	**15 089 657**	**14 699 204**
Tier 1 capital - fully phased-in definition	**1 150 257**	**1 229 136**
Leverage ratio - using a fully phased-in definition	**7,31%**	**7,47%**

The leverage ratio for Hoist Finance consolidated situation is 7,31% as at 31 December 2014 (8,30% as at 30 September 2014). The decrease of the leverage ratio is mainly attributable to the expansion of the balance sheet. The leverage ratio for Hoist Kredit AB (publ) is 7,47% as at 31 December 2014 (8,34% as at 30 September 2014). The decrease is attributable for the same reasons as for the consolidated situation.

The discussions by regulators has been to impose a leverage ratio of around 3%. Hence Hoist Finance has significant headroom to these levels and will continue to have so due to that the 100% risk-weighting of Hoist Finance's core assets sets an indirect cap on leverage.

CONSOLIDATED SITUATION

The table presents companies included in Hoist Finance consolidated situation. Hoist Kredit AB (publ) is a credit market company and is licensed and supervised by the Swedish Financial Supervisory Authority, and is the only regulated entity within the consolidated situation. The parent company is Hoist Finance AB (publ) and is included in the consolidated situation. All subsidiaries are fully consolidated and the joint venture BEST III NS FIZ is consolidated using the proportional method.

Company name	Corporate identity number	Domicile	Ownership %
Parent company			
Hoist Finance AB (publ)	556012-8489	Stockholm	
Subsidiaries			
Hoist Kredit AB (publ)	556329-5699	Stockholm	100
Branches of Hoist Kredit AB (publ)			
Hoist Kredit AB, Belgium branch	556329-5699	Brussels	100
Hoist Kredit AB, the Netherlands branch	556329-5699	Amsterdam	100
Subsidiaries of Hoist Kredit AB (publ)			
Hoist Finance Services AB	556640-9941	Stockholm	100
Hoist Finance SAS	444611453	Guyancourt	100
Hoist GmbH	HRB 7736	Duisburg	100
HECTOR Sicherheiten-Verwaltungs GmbH	HRB 74561	Duisburg	100
Hoist Portfolio Holding Ltd	101438	St. Helier	100
Hoist Portfolio Holding 2 Ltd	111085	St. Helier	100
Hoist Poland SpZ.O.O.	284313	Warszawa	100
Hoist Kredit Ltd	7646691	London	100
Hoist Finance UK Ltd	8303007	London	100
C L Finance Ltd	1108021	West Yorkshire	100
Robinson Way Ltd	6976081	Manchester	100
The Lewis Group Ltd	SC127043	Glasgow	100
Marte SPV S.R.L	4634710265	Conegliano	100
Hoist Italia S.R.L	12898671008	Rome	100
Hoist Finance Cyprus Ltd	HE 338570	Nicosia	100
Kancelaria Navi Lex SpZ.O.O	0000536257	Wroclaw	100
Funds			
HOIST I NS FIZ	RFI 702	Warszawa	100
Joint venture			
BEST III NS FIZ*	RFI 623	Gdynia	50

*Polish Sec Fund.

DEFINITIONS AND EXPLANATIONS

Acquired loan portfolio - An acquired loan portfolio contains a number of non-performing consumer loans or receivables that arise from the same originator.

AT1 - Additional Tier 1 capital. Consists of all Tier 1 capital which does not qualify as Common equity tier 1 capital e.g. Tier 1 capital instruments.

Basel II - International regulatory framework for financial institutions that mainly regulates banks' capital adequacy, i.e. how much capital a bank must hold in relation to the risk it takes. The regulations also stipulate requirements concerning the banks' risk management and the disclosure of public information. Basel II was implemented in Sweden in 2007. (The Parent company in the Hoist Finance Group is a Swedish registered company).

Basel III - International regulations for financial institutions that replace the Basel II regulations. Compared to Basel II, Basel III entails increased capital requirements and regulations on capital buffers and leverage. Basel III also regulates banks' liquidity management. The Basel III Accord has to a large exten already been phased in in Sweden. Certain aspects such as e.g the Net Stable Funding Ratio will however be progressively phased in by 2018-2019.

Capital Adequacy - The description of how much capital a financial institution holds and is required to hold, given the regulatory framework that the company operates in and the risk the company exposes itself to.

Capital conservation buffer - A requirement for a capital buffer of 2,5% consisting of Common Equity Tier 1 capital. If the buffer is not complete, the bank must retain a portion of its profit to improve its capital ratio.

CET 1 - Common Equity Tier 1 Capital in accordance with the Basel III Accord. Consists of common shares issued by the institutions, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction for primarilly deferred tax assets, intangible assets and goodwill.

CET 1 capital ratio – Common equity Tier 1 capital as a percentage of the risk exposure amount.

Countercyclical Buffer – An institution specific buffer calculated as a percentage of REA depending on the country where the company's eligible credit exposures are based. The Countercyclical Buffer shall regularly be updated.

REA - Risk Exposure Amount as defined in CRR. It corresponds to the sum of risk weighted assets for credit risk, and risk exposure amount for market- and operational risk.

Risk Appetite - An expression of how much money the Board of Directors deems tolerable to lose in a year given a severe recession. This amount shall be used by the Risk Control Function in the company to propose adjustments to limits on risk-taking to the Board of Directors in order to make sure such losses are within reasonable certainty unlikely to materialise. The Risk Appetite of the Board is an amount that is put at risk in order to achieve business objectives.

Risk Capacity - Defined as the difference between Hoist Finance's current capital levels and the Hoist Finance Minimum Capital Level, in each capital category. It shows the capacity of absorbing losses before internal critical levels are hit. The Risk Appetite must always be within the Risk Capacity.

Risk Management - Risk Management is a process used to identify, analyse, measure, manage, control and report significant risks which Hoist Finance is or may be exposed to. The objective is to manage risks in such a way that Hoist Finance may execute its business strategy and achieve its financial goals in an undisturbed, foreseeable and controlled manner. The objective is achieved by managing risk to be within Hoist Finance's risk appetite.

Tier 1 capital - Proportion of the capital base. It is defined as capital of the same or close to the character of paid-up, capital-eligible reserves and a limited portion of subordinated capital loan instrument. Profit may only be included after excluding proposed dividend. Goodwill, deferred tax assets as well as investments in credit institutions are deducted from Tier 1.

Tier 1 capital ratio - Tier 1 capital as a percentage of risk exposure amount.

Tier 2 capital - One of the components in the capital base. It comprises undated loans ad dated loans and consist mainly of subordinated loans, as well as fixed-term subordinated loans, not qualifying as Tier 1 capital contribution.

Total capital - Total capital (referred to as own funds in the CRD) is the sum of Tier 1 capital and Tier 2 capital after deductions.

Total capital ratio - The capital base as a percentage of risk exposure amount.

ANNEX I – DISCLOSURE OF TRANSITIONAL OWN FUNDS

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013 and according to SFSA's regulations (FFFS 2014:12).

	Common Equity Tier 1 capital: instruments and reserves	**(A) 31 December 2014 SEK thousand**	
		Hoist Finance consolidated situation	**Hoist Kredit AB (publ)**
1	Capital instruments and the related share premium accounts	529 971	482 963
	Of which: Paid up capital instruments	21 662	66 667
	Of which: Share premium	508 310	416 296
2	Retained earnings	194 909	390 695
3	Accumulated other comprehensive income (and other reserves)	399 206	304 266
3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	180 103	4 734
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	1 304 189	1 182 658
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-5 000	
8	Intangible assets (net of related tax liability) (negative amount)	-171 048	-45 273
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-70 885	-1 249
11	Fair value reserves related to gains or losses on cash flow hedges		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined benefit pension fund assets (negative amount)		
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
20b	Of which: qualifying holdings outside the financial sector (negative amount)		
20c	Of which: securitisation positions (negative amount)		
20d	Of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		

		Hoist Finance consolidated situation	Hoist Kredit AB (publ)
22	Amount exceeding the 15% threshold (negative amount)		
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Empty set in the EU		
25	Of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)		
25b	Foreseeable tax charges relating to CET1 items (negative amount)		
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-246 933	-46 522
29	**Common Equity Tier 1 (CET1) capital**	1 057 257	1 136 136
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	93 000	93 000
31	Of which: classified as equity under applicable accounting standards	93 000	93 000
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		
35	Of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	93 000	93 000
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	0
44	**Additional Tier 1 (AT1) capital**	93 000	93 000
45	**Tier 1 capital (T1 = CET1 + AT1)**	1 150 257	1 229 136
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	332 796	332 796
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		
49	Of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustment**	332 796	332 796
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-106 655	-111 814

		Hoist Finance consolidated situation	Hoist Kredit AB (publ)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-106 655	-111 814
58	**Tier 2 (T2) capital**	226 141	220 982
59	**Total capital (TC = T1 + T2)**	1 376 398	1 450 118
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	11 307 052	11 049 076
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)		
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc)		
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		
60	**Total risk weighted assets**	11 307 052	11 049 076
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	9,35%	10,28%
62	Tier 1 (as a percentage of risk exposure amount)	10,17%	11,12%
63	Total capital (as a percentage of risk exposure amount)	12,17%	13,12%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2,50%	2,50%
65	of which: capital conservation buffer requirement	2,50%	2,50%
66	of which: countercyclical buffer requirement	0,00%	0,00%
67	of which: systemic risk buffer requirement	0,00%	0,00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0,00%	0,00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	4,85%	5,78%
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
74	Empty set in the EU		

		Hoist Finance consolidated situation	Hoist Kredit AB (publ)
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

ANNEX II – MAIN FEATURES OF CAPITAL INSTRUMENTS INCLUDED IN TOTAL CAPITAL

		SHARE CAPITAL	PERPETUAL CONVERTIBLE DEBENTURES	FIXED TERM SUBORDINATED LOAN NOTES
1	Issuer	Hoist Finance AB (publ)	Hoist Kredit AB (publ)	Hoist Kredit AB (publ)
2	Unique identifier	SE0006887063	N/a	SE0005280591
3	Governing law(s)	Swedish law	Swedish law	Swedish law
Regulatory treatment				
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type	Share capital	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital	SEK 541 million	SEK 93 million	SEK 333 million
9	Nominal amount of instrument	SEK 22 million	SEK 100 million	SEK 350 million
9a	Issue price	SEK 541 million	100 per cent	100 per cent
9b	Redemption price	N/a	100 per cent of nominal amount	100 per cent of nominal amount
10	Accounting classification	Equity	Liability – amortised cost	Equity / Liability – amortised cost
11	Original date of issuance	21 August 1915	23 April 2013	24 June 2013
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	N/a	Perpetual	17 September 2023
14	Issuer call subject to prior supervisory approval	N/a	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/a	23 April 2013 100 per cent of nominal amount	17 September 2018 100 per cent of nominal amount In addition, upon a capital event (104-100 per cent of nominal amount)
16	Subsequent call dates, if applicable	N/a	Any time after first call date	Any specified interest payment date after the optional call date
Coupons / dividends				
17	Fixed or floating dividend/coupon	N/a	Fixed	Fixed to floating
18	Coupon rate and any related index	N/a	15 per cent	Fixed 12 per cent until first call date, thereafter 6M STIBOR plus margin
19	Existence of a dividend stopper	N/a	Yes	No
20a	Fully/partially discretionary or mandatory (in terms of timing)	N/a	Fully discretionary	[Mandatory]
20b	Fully/partially discretionary or mandatory (in terms of amount)	N/a	Fully discretionary	[Mandatory]
21	Existence of step up or other incentive to redeem	N/a	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible	Non-convertible

		SHARE CAPITAL	PERPETUAL CONVERTIBLE DEBENTURES	FIXED TERM SUBORDINATED LOAN NOTES
24	If convertible, conversion trigger(s)	N/a	By the request; (a) to restore the share capital; or (b) maintaining; (i) total capital cover ratio of 112%; and (ii) CET1 capital cover ratio of 5,125%	N/a
25	If convertible, fully or partially	N/a	Fully or partially	N/a
26	If convertible, conversion rate	N/a	SEK 900 per share (subject to customary re-calculation provisions)	N/a
27	If convertible, mandatory or optional conversion	N/a	Optional	N/a
28	If convertible, instrument type convertible into	N/a	Common Equity as published in Regulation (EU) No 575/2013 article 26	N/a
29	If convertible, issuer of instrument it converts into	N/a	Hoist Kredit AB (publ)	N/a
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/a	N/a	N/a
32	If write-down, full or partial	N/a	N/a	N/a
33	If write down, permanent or temporary	N/a	N/a	N/a
34	If temporary write-down, description of write-down mechanism	N/a	N/a	N/a
35	Position in subordiantion hierarchy in liquidation	Lowest and parri passu to all classes of share capital.	Subordinated to all depositors, general creditors and subordinated debt.	Subordinated debt
36	Non-compliant transitioned features	No	No	No
37	If yes, non-compliant features			