# 15

Hoist Finance

Annual Report 2015

A leading debt restructuring partner to international banks.

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 are present in nine countries across Europe.

# Content



# The year in brief

## Quarter 1

- Announced intention to launch an initial public offering and listing on Nasdaq Stockholm.
- Successfully listed on Nasdaq Stockholm Mid-Cap list, 25 March.
- Newly acquired platforms in Italy and Poland integrated and performing according to plan.

## Quarter 2

- Offer and repurchase of SEK notes.
- Corporate Social Responsibility Program adopted and launched.

## Quarter 3

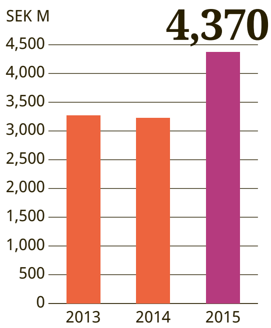
- Acquired the debt purchase company Compello Holdings Limited. The acquisition included a portfolio with over 1 million banking claims and a SEK 2 823 million, 120-months estimated remaining collections (ERC).

## Quarter 4

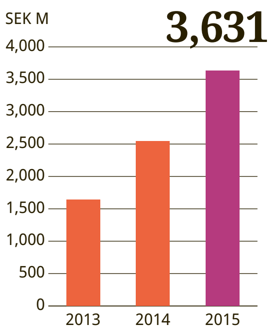
- Strengthened position in the SME sector with a large portfolio acquisition from Banco Popolare in Italy. The portfolio consisted of approximately 9,000 claims with a nominal value of approximately EUR 950 million and a 10-year ERC of EUR 72 million.
- New regional organisation announced as of 2016, aiming to improve the co-ordination of key decisions and to deliver faster execution.

# The year in numbers

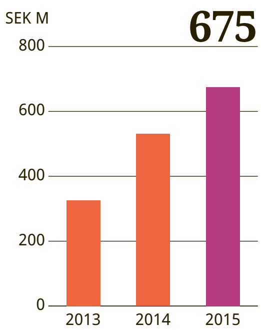
**Portfolio acquisitions**



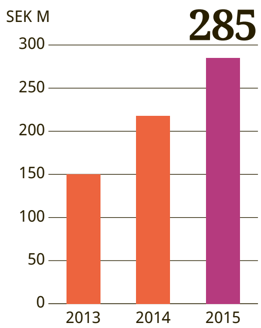

**Gross cash collections**




**EBIT**




**Profit before tax**




## Key figures

| MSEK | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gross cash collections | 3,631 | 2,541 | 1,641 |
| Net revenue | 2,015 | 1,436 | 1,077 |
| Total revenue | 2,247 | 1,661 | 1,275 |
| EBIT | 675 | 530 | 326 |
| EBIT margin, % | 30 | 32 | 26 |
| Profit before tax | 285 | 218 | 150 |
| Portfolio acquisitions [2)] | 4,370 | 3,227 | 3,266 |
| Carrying value of acquired loans[1)], 31 Dec | 11,279 | 8,921 | 6,400 |
| Gross ERC 120m[2)], 31 Dec | 19,367 | 15,576 | 10,673 |
| Total capital ratio, 31 Dec, % | 15.2 | 12.2 | 11.6 |
| CET-1 ratio, % | 12.3 | 9.4 | 5.6 |
| Number of full-time employees (average) | 1,246 | 881 | 712 |

1) Including run-off portfolios of customer loans and shares and participation in joint venture.
2) Excluding run-off portfolios of customer loans and shares and participation in joint venture.

Hoist Finance AB (publ) is a financial parent holding company preparing its financial statements in accordance with the Swedish Annual Accounts Act (ÅRL) and owns all the shares in Hoist Kredit AB (publ), a regulated credit market company which prepares its financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS).

In order to assess the performance Hoist Finance's loan acquisition and collection activities, the group has chosen to assess the activities on EBIT. EBIT, based on the segment reporting, does not contain any adjustments nor changes relative to the statutory accounts and has been prepared using the same accounting policies as the statutory accounts.

This presentation also facilitates the comparison to other debt purchase companies.

# The Re(E)volution of Hoist Finance in 2015

It is a special and rare occasion when a CEO can take the opportunity to acknowledge their company's first year on the stock exchange. I will therefore use it as a means to speak openly and candidly about what 2015 has meant to both myself as well as the Hoist Finance organisation.

So often at Hoist Finance, we have heard the following statement;

"You can't do that. No one does things like that."

Here and with this letter I will state to you that neither I nor any of the Hoist personnel subscribe to this testament. Whether it be in terms of our Vision Statement – to be the leading debt restructuring partner to international banks and financial institutions – or to our ambitious acquisition and growth targets. Our obsessive approach to risk mitigation, or our unrelenting drive to continue seek ways to redefine the industry with our amicable and customer-first approach. When people say these words in our direction, it does nothing to anchor our ambitions, but only serves to drive wind to our sails.

Our 2012/2013/2014 and now 2015 results have resulted in an approximate average of 40% top-line growth. Our data warehouse has grown to hold nearly 20 million claims and climbs daily. And for the past three years, we have averaged approximately 3.6B SEK in portfolio acquisitions – completed during a time when year after year, quarter after quarter, month after month – the competition has stubbornly proclaimed that pricing pressure and squeezed margins were limiting their very own purchasing activity. We have never subscribed to this notion of limited market potential, rather the opposite. And it has shown in our numbers, year after year.

### Operational Step-Change

In the fourth quarter we decided to implement a structural shift within the organisation in terms of its Regional and Executive Team set-up as from 2016. Three new regions – Western Europe, Mid-Europe, and Central Eastern Europe – have been carved out across the continent. This move was made in order to get a firmer organisational base from which we can continue to grow efficiently.

Other operational initiatives were also launched within the year, many of which are focused towards increased efficiencies and process optimisations.

### CSR – The New Normal For Hoist

"Our Mission Your Trust". It's a simple enough statement, but unfortunately sometimes it's the simplest things that are most frequently taken for granted. Yet everything we do in our business – everything we strive for – has these words in mind. The more responsible and transparent Hoist Finance is within the communities in which it operates, the more this facilitates the hard-won feeling of trust.

Hoist Finance has an organic CSR road map that is a direct result of the input gathered from our employees within each market. These ideas are what drive and inspire the organisation to "do more for more", and it is these ideas that will carry us into the future as an organisation.

### Entrenched Market Positioning

Our growth was further facilitated with the completion of the acquisition of the UK-based company, the Compello Group, mid year 2015. In addition, Hoist Finance began to extend its exposure in new asset classes, specifically within the Italian SME market segment – a segment that we hope to carefully explore in increasing detail across the Group. I am very pleased to announce that the integration and performance of both of these assets has been progressing well and in line with our initial projections. In summary our strategic positioning continues to deliver.

### Looking Ahead

With stricter capital adequacy requirements, European banks will continue to have a great need to divest non-performing credit portfolios to generate return on an acceptable capital. Return requirements cannot be achieved with large portfolios of non-performing loans on banks balance sheets – which is the situation for many international banks.

The market will continue to provide Hoist with excellent opportunities to secure non-performing loans across all of our regions. The theme of "bad banks" and government-mandated restructuring will be a popular headline throughout the year in many areas throughout Europe, as will increased competitive pressures from Fintech and other outlier parties on the traditional banking sector. Hoist will ensure that it is appropriately positioned as the reputable partner of choice when these same banks - our partners - are in need of assistance.

### My 2016 Commitment to My Colleagues

I will continue to dedicate focus on the generation and preservation of shareholder capital and value. I will continue to strive for increased operational efficiency and improvements across all of our markets and operational centres. And I will continue to push for ambitious,

A continued focus on shareholder value

but realistic top-line growth and volumes. Yet when these targets and goals are met, they will not be mine to boast or proclaim. As with every success within Hoist Finance, there is really no secret as to the cause. We simply have the best team on the market. The successful fulfilment of these goals, as well as every other within Hoist Finance, can and are only achieved through the hard work and exceptional effort exerted by the quite exceptional team members that we have at Hoist Finance.

2015 saw increased dedication to promoting and distilling our unique culture and spirit throughout the organisation, and we are beginning to see tangible benefits. This past year was, with respect to becoming a listed company, a year of transcendence and evolution for Hoist Finance. Because of your unwavering dedication to operational excellence, innovation, and collaboration, with this coming year in full focus I am buoyed in the confidence that 2016 will be another year to be proud of. So with this in mind and in closing, we collectively at Hoist respond the detractors' messages of "you can't do that. No one does things like that" with two simple words.

"Try us!"

Jörgen Olsson
CEO
Hoist Finance AB (publ)

# This is Hoist Finance

Hoist Finance's business model is designed to ensure stability, whilst delivering long term growth via both organic means and strategic initiatives. It is unique because of the way we execute it; with respect, trust, and an amicable approach.

Hoist Finance is a trusted debt restructuring partner to international banks and financial institutions. We specialise in purchasing portfolios of non-performing loans.

## Our Mission – Your Trust

## Our Vision

To become the leading debt restructuring partner to international banks and financial institutions.

**We know debt purchasing**
For more than 20 years, we have focused on purchasing NPL portfolios. The portfolios we buy are from well-reputed international banks, which means that these portfolios are responsibly originated. Through many years of experience we have honed our skills in purchasing high-performing portfolios, basing our acquisitions on in-depth data gathered over the years. We build our purchasing process on long-term relationships with our partners, ensuring mutual trust grounded in open dialogue and ethical behaviour.

**Amicable methods set us apart**
Our collection business is a critical part of our business model, as it allows us to recover the outstanding NPLs and provides stable income to re-invest in new NPL portfolios. What makes us unique in debt collection are our amicable and fair settlement methods.

**Reliable from start to finish**
We also offer a retail deposit service, HoistSpar. HoistSpar provides an effective funding strategy unparalleled in the industry. HoistSpar's activities are regulated by the Swedish financial authorities, guaranteeing a disciplined approach and the highest level of reliability.

## Objectives

### Preferred by customers
Be customer-centric, with a focus on amicable and fair settlements.

### Preferred partner
Be trustworthy with unparalleled funding capacity.

### Attractive to investors
Redefine industry standards with our disciplined approach & ambitious targets.

### Best place to work
Build an extraordinary company with extraordinary people.

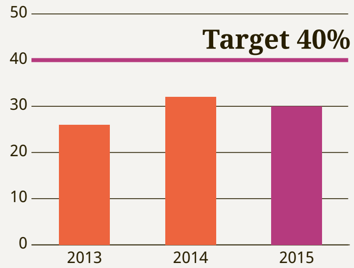
### CSR
Integrate CSR into everything we do and continue to build trust with all our stakeholders.

# Financial targets

## Profitability

By utilising our operating leverage we aim to achieve an EBIT margin of above 40 per cent in the medium term.

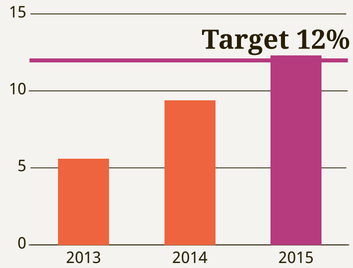
**EBIT margin, %**




## Capitalisation

Common equity Tier 1 capital (CET1) ratio to exceed 12 per cent with potential to temporarily go below as a result of large portfolio or goodwill acquisitions.

**CET1 ratio, %**




## Dividend policy

Under the dividend policy we will initially aim to distribute around 25–30 per cent of our net profit as dividend over the medium term. Given the historically strong cash flow generation of our business, our long-term aim is to distribute around 50 per cent of the annual net profit as dividend.

Proposed dividend
**26%**
of net profit 2015

| Strategic initiatives | Example of Activities in 2015 |
|---|---|
| » Develop and improve amicable collection strategies<br>» Develop collection strategies with emphasis on in-house collection | » Customer survey*<br>» Partner CSR Survey*<br>» Improved Complaint Management Processes*<br>» Vertical Integration in Polish Market with own collection platform |
| » Focus on bank-originated assets<br>» Maintain and develop unique funding<br>» Maintain underwriting discipline and focus on core assets<br>» Deliver reliable and seamless transaction execution | » Pan-European partner surveys*<br>» Improved “decision-maker” engagement<br>» Enhanced product offering for financial institutions (SME assets)<br>» Regional Reorganisation<br>» Champion/challenger Sites Added in UK and Polish Markets |
| » Build on status as a regulated financial institution<br>» Leverage benefits of scale<br>» Grow in select new markets<br>» Strengthen and expand current markets | » Optimised Investor Guidance with more industry-standard metrics<br>» Improved operational KPI:s<br>» Lean methodology Introduced Into Operations |
| » Develop the best team in the market | » Pilot “Best Place To Work” employee survey*<br>» Leadership conferences with CSR theme*<br>» CSR-initiatives Introduced and Tracked Across Group*<br>» Improved process for remuneration undertaken*<br>» WOW (Way of Working) with new values and Code of Conduct brochure issued* |
| » Respect customer and partner privacy<br>» Respect human and labour rights<br>» Respect the environment<br>» Respect business ethics | » Quality of life for our employees, both at work and at home<br>» Programs for promoting health and wellness of our employees<br>» Award-winning fundraising programme in UK<br>» Carbon Footprint Awareness Programme (video conferencing) |

* Business strategic activities integrated with CSR

> Treating customers fairly is at the heart of everything we do.

# Our debt purchase market

Sales of non-performing loans have grown significantly in recent years and the market is expected to continue to deliver strong growth.

Overdue and defaulted loans are part of any credit market. Loan losses and debt defaults generally encompass non-performing loans, insolvencies and semi-performing loans where customers' payments do not comply with contractual terms.

According to the OECD, GDP growth is projected to rise to almost 2 per cent in 2016 and 2017 in the Euro area, despite a slowdown in several emerging markets. Low oil prices and low interest rates are two of the drivers behind the expected Euro area recovery. Private indebtedness is expected to remain high in many countries as unemployment is expected to decline only gradually, but with considerable differences across territories.

### Why divesting NPLs?

Against the backdrop of ongoing regulatory supervision and the cost it entails, it is natural for the banks to review their books to see what can be restructured. But there are also other reasons why selling NPLs is attractive.

1. **Reduce risk**. Sales of NPLs decrease the sellers' risk exposure, release provisions, and strengthen capital ratios by reducing risk-weighted assets.
2. **Release liquidity**. The sale of NPLs translates into an up-front cash payment which improves the selling banks' liquidity position.
3. **Focus on core business**. It takes time, resources and specific expertise to collect overdue debt. By selling overdue debt, banks avoid the costs and challenges associated with maintaining a large in-house debt collection organisation.
4. **Return on equity**. Divestment of NPLs contributes to improved return on equity, vital to meeting shareholder demands of continuously improved returns.

### A growing market

The deal value of the NPLs sold is expected to continue increasing over the next few years. There will also be higher prices as a consequence of

## Typical stages of development of debt purchase markets

### Introduction

- No (or very limited) NPL sales.
- Wide bid-ask gaps.
- Weak quality of data.
- Sales from early adopters incl. consumer finance and international banks.
- Cultural barriers and "denial" among banks.
- Old and low-quality NPLs typically sold.

Price trend[1]
~0,5–5%
Average purchase price[2]

Recovery profile
Low recoveries and high costs

### Growth

- Sales exceed NPL formation.
- Increasing competition across debt purchasers and decreasing bid-ask gaps.
- Increased share of fresher vintages.
- Local banks gradually become more active.
- Better quality NPLs typically sold.

Price trend[1]
~5–15%
Average purchase price[2]

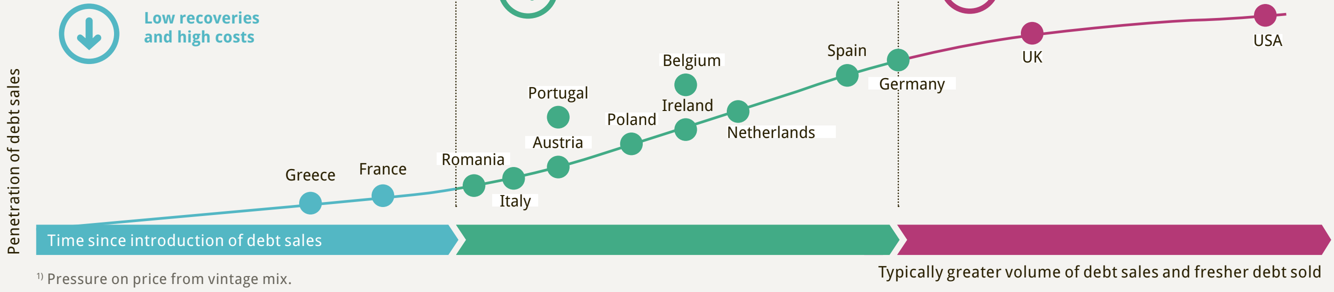
Recovery profile
Improving recoveries and lower costs

### Maturity

- Large share of NPL stock sold annually.
- Large share of paying and fresh non-paying portfolio sales.
- NPL sales an integral part of bank ecosystem.
- Consolidation among debt purchasers.
- Trend towards the sale of high-quality/fresh NPLs.

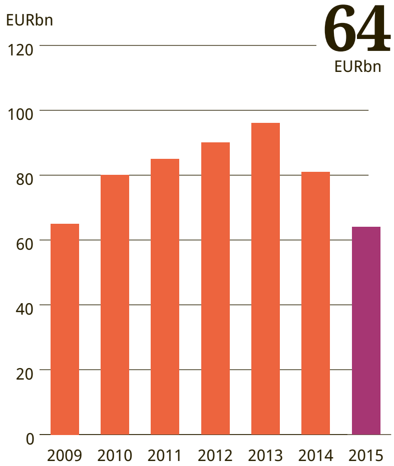
Price trend[1]
~15–25%
Average purchase price[2]

Recovery profile
High recoveries and low costs

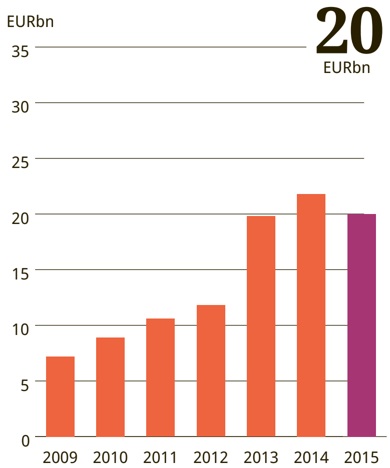



[1] Pressure on price from vintage mix.
[2] Average purchase price, % of face value

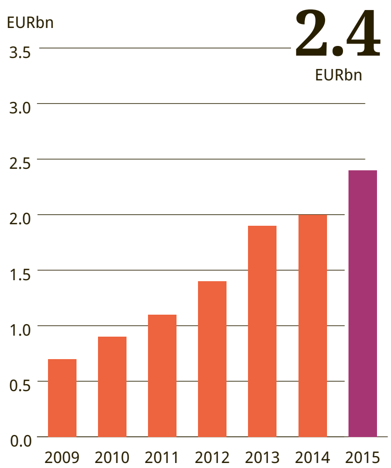
**Unsecured financial institutions consumer NPL stock in our current markets**




**Face value of unsecured financial institutions consumer NPLs sold in our current markets**




**Purchase price of unsecured financial institutions consumer NPLs in our current markets**




**Source:** Company market study, market data for 2015 are estimates produced during 2015.

fresher NPLs being sold, increasing competition and improving collection rates due to a more favourable economic environment.

In the past year there has also been a substantial rise in forward flow deals in many of the markets. These are agreements which stipulate the ability to purchase pre-determined volumes of claims at a pre-defined price at a certain point in time.

## Five market trends and drivers

The market for the sale of NPLs is driven by several strong underlying trends.

**Accumulation of NPLs.** The stock of bank-originated consumer unsecured non-performing loans that have been in default for at least 90 days in our markets was estimated at EUR 64 billion in 2015.

**Regulation.** Regulatory developments, such as Basel III, have put European banks under pressure to reduce their credit exposure. New regulations include specific targets for the reduction of banks' leverage and the strengthening of banks' own funds, which are expected to be met in part through increasing levels of NPL sales in the short to medium term.

**Maturing market.** Increased sophistication among both sellers and purchasers of NPLs has established debt purchasers as an integral part of the credit industry. Increasing maturity and sophistication has historically led to debt being sold more frequently and at earlier stages in the default cycle. Hoist Finance expects this trend to be a key driver of market growth, beyond large disposals of tertiary and "garage NPLs" expected in the short to medium term.

**Recovering economy.** A macroeconomic recovery in Europe would lead to, among other things, decreasing unemployment rates and higher disposable incomes. The level of new NPLs would probably initially decrease in an economic upturn, but collection rates would likely rise as customers' ability to pay would improve and ultimately the increased spending that accompanies economic growth would lead to increased borrowing and increased NPLs.

**Safeguarding reputation.** As sellers of NPLs become more sophisticated they also become more selective in choosing debt purchasing partners. Banks focus increasingly on the purchaser's reputation as well as on the relationship with the seller. Historically, such trends have been beneficial for debt purchasers with high ethical standards, amicable collection methods, ambitious compliance and a capacity to engage in complex transactions with swift execution. Hoist Finance can only gain from this development.

## Market maturity

There are significant differences across jurisdictions based on whether the market is mature or immature. For example, the United Kingdom is a mature market where most banks systematically sell high-quality/early-stage NPL portfolios. The French market on the other hand is immature and characterised by infrequent sales of lower-quality/older NPLs by relatively few banks.

As a debt purchasing market matures, sellers of NPLs establish more structured sales processes. This typically leads to NPLs being sold more frequently and at earlier stages. As sellers and buyers become more experienced they are typically also willing to engage in more complex transactions.

The early stages of a default cycle normally entail a higher likelihood of repayment that is less costly to collect. As a result it is common for banks to sell older NPLs while servicing fresh NPLs in-house. Since NPLs in earlier stages of the default cycle entail less risk and less cost to collect, these NPLs are typically sold at higher prices.

## Competitive landscape

Most debt purchasers have a narrow geographical focus. As the European debt market matures, a few large and well-known debt purchasing companies have emerged. However, a small number of the established debt purchasers have a pan-European presence, operate across broad geographical platforms and compete in several markets. Hoist Finance is

> Besides price, banks focus on the purchaser's reputation.

one of them. Most other large debt purchasers are typically focused on one or two markets.

Efficiency and cost absorption are high on the agenda for these companies and contribute to the consolidation trend. Consolidation is expected to continue, particularly in the more developed markets such as the UK but also in other markets like Germany, Italy and Poland.

On the open market, the price trend for NPL portfolios has moved upwards. Meanwhile, a lot of transactions are done off-market which makes it difficult to accurately report the overall price trend.

### Regulatory influence

Supervisory authorities' demands are not expected to diminish anytime soon. In 2014, 124 European banks were stress-tested to assess their resilience to adverse market developments and the associated systemic risks. The European Banking Authority intends to conduct similar tests on a regular basis, as the EBA is responsible for ensuring the orderly functioning of financial markets and the stability of the financial system.

National supervisory authorities such as the UK's Prudential Regulation Authority and the Swedish Financial Supervisory Authority (SFSA are expected to work more extensively with stress tests.

One focal point of the tests is debt portfolios. The IMF has highlighted the high volumes of NPLs and mortgages in the books of European banks. In a 2015 memo, the IMF suggested that these NPLs could be divested to companies specialised in debt collection.

### Basel III

The latest instalment of the Basel regulations, Basel III is an international regulatory framework on bank capital adequacy requirements, stress testing and market liquidity risk. These regulations were developed in response to the 2007–08 financial crisis in order to ensure that banks held enough healthy capital reserves and coverages to effectively manage down-trend scenarios.

The Basel III framework stipulates that the quality and amount of capital a bank must hold is increased to meet the following requirements.

- A minimum requirement for so-called Common Equity Tier 1 capital; 4.5 per cent of the risk exposure amount
- A capital conservation buffer of 2.5 per cent of the risk exposure amount
- A countercyclical buffer of 0–2.5 per cent of the risk exposure amount.
  Requirements may differ between countries
- A systemic risk buffer of 0–5 per cent of the total risk exposure amount capital for systemically important institutions

Tier 1 capital consists primarily of Common Equity Tier 1 and disclosed reserves and could also include retained earnings and preferred stock.

# Trusted partner to international banks

With a highly flexible and tailored product offering and 20 years' experience purchasing and managing NPL portfolios, Hoist Finance has the knowledge and operational capacity to manage complex transactions. As a regulated entity with a unique funding structure, Hoist Finance has the financial resources and the regulatory standards to be a strategic partner to the largest international banks in Europe.

Hoist Finance buys and collects NPLs originated by banks and other financial institutions. In some cases we also acquire other forms of consumer NPLs, such as utility company claims. As a partner, we are often closely associated with the originating bank, well beyond the transfer of ownership of the NPLs. To safeguard their reputation, banks prefer well-known and well-respected debt purchasers who are fully compliant with the regulations and have a proven track record of treating customers in an equitable and respectful manner.

These conditions work in favour of Hoist Finance, as a market-leading debt collector with the highest standards in customer treatment. Hoist Finance is also fully compliant with regulations as it falls under the SFSA's regulatory supervision and has been recognised for the quality of its work on countless occasions.

### Customer protection

Increased consumer protection has meant that product and conduct standards must be specified for credit suppliers. Banks are required to continue "owning" their customers well after they have sold off their debts. These developments are particularly advanced in the UK, where the Financial Conduct Authority was created in 2013, which mandated the Bank of England to regulate the conduct of the financial services industry - including activities within debt collection. Among other things, banks are now obliged to maintain their customer relationships and continue to treat their customers fairly over time.

As a result, fair customer treatment is a major concern for retail banks. It is expected that similar consumer protection standards will be introduced in other European countries. Given this development, banks and financial institutions may prefer to sell debt to another licensed credit institution, such as Hoist Finance, to ensure that customers continue to be treated properly.

### Panel member status

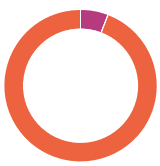
With more focus on fair treatment of customers and a highly regulated environment, it is very important that debt purchasers can fulfil the criteria to act on behalf of the originating bank or creditor. When choosing a debt purchaser, a bank will consider several factors. Selling price is always central, but trust, reputation and compliance have become much more important. This is why the banks often sell NPLs through so-called panels.

## Acquisition focus

### Bank-originated NPLs

- Larger ticket sizes
- Long tail cash flows
- Stable collections
- Less risky repayment profile
- Highest growth segment
- High-quality origination

**Carrying value by type of debt,**
at 31 Dec 2015



- Utilities providers, telecom and other retail companies **6%**
- Financial institutions (FI) **94%**

### Asset-class flexibility

- Flexibility to buy all types of financial institution-originated debt
- Varying freshness of debt in different markets
- Customer benefit: Hoist Finance as a one-stop-shop
- High proportion of paying/fresh NPLs in recent years

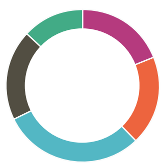
**Carrying value by age of debt,**
at 31 Dec 2015

- Payer **27%**
- Primary **8%**
- Secondary **20%**
- Tertiary **45%**

### Diverse geographic profile

- Reduces single-market exposure from a risk and origination perspective
- Reduces "lumpiness" of investments
- Improves value proposition to partners

**Distribution by market**
Carrying value, acquired loan portfolios as at 31 Dec 2015



- Germany, Austria **19%**
- France, Belgium, the Netherlands **19%**
- UK **30%**
- Italy **19%**
- Poland **13%**

> Hoist Finance offers debt collection services for wide range of NPL categories.

## Our service offering

There are several different models for purchasing NPL portfolios.

simple → Portfolio spot transactions → Forward flow → Structural outsourcing sale → Buy and leave → complex

**In spot agreements**, the portfolio is transferred in one transaction upon payment.

Most of our portfolios are purchased in spot transactions.

In **forward flow agreements**, a pre-determined volume (fixed or range) of NPLs is acquired at a pre-defined price during a certain time period.

Over the past 15 years, we have also purchased a number of debt portfolios in connection with **structural outsourcing sales** with financial institutions, meaning that we acquire entire collection platforms, including employees and the portfolios serviced by the collection platform.

We have also purchased NPL portfolios through **buy and leave transactions.** In these transactions, we buy portfolios on a spot basis; however, the collection is still conducted by the bank's collection department based on mutually agreed collection strategies, activities and collection targets.

A panel consists of debt purchasers or debt collection agencies, typically five of them, which have met the banks' extensive approval criteria. The purpose is to ensure that the banks select the right partners relative to the characteristics of the NPLs, and, with regard to collections, to benchmark debt purchasers and debt collection agencies against each other.

Larger banks commonly sell NPLs to debt purchasers or engage third-party debt collection agencies for debt collection services through panels, but in some cases banks engage directly in bilateral discussions with companies like Hoist Finance. As an experienced debt collector with an established track record, Hoist Finance is frequently invited to panels by the big European banks. All of Europe's ten largest banks by assets have sold NPL portfolios to Hoist Finance at least once in the past nine years.

Presence in several European markets makes Hoist Finance a more attractive partner to most international banks.

### Wider product offering

NPLs being sold are generally categorised into buckets depending on when the loans were classified as in default.

- payer loans has a recent history of continuous payments;
- fresh loans have been in default for between one day and three months,
- primary loans have been in default for between three and nine months;
- secondary loans have been in default for between nine months and two years;
- tertiary loans have been in default for between two and five years; and
- garage loans have been in default for five years or more after which it is typically fully written-off.

The majority of portfolios that we have acquired have been tertiary loans, but the share of fresher loans is expected to increase in line with markets becoming more mature.

Our base has been consumer unsecured credit originating from financial institutions. In the last few years there has been a trend towards increasingly large and complex transactions. To save on resources and costs, banks are less willing to segment parts of portfolios and have preferred to sell them in larger chunks instead.

To take on more complex portfolios, it is important for Hoist Finance to be able to manage increasing regulation, a wider mix of loan assets and greater volumes. During 2015 we increased our product offering and expanded our capabilities within the growing SME market.

### Seamless execution

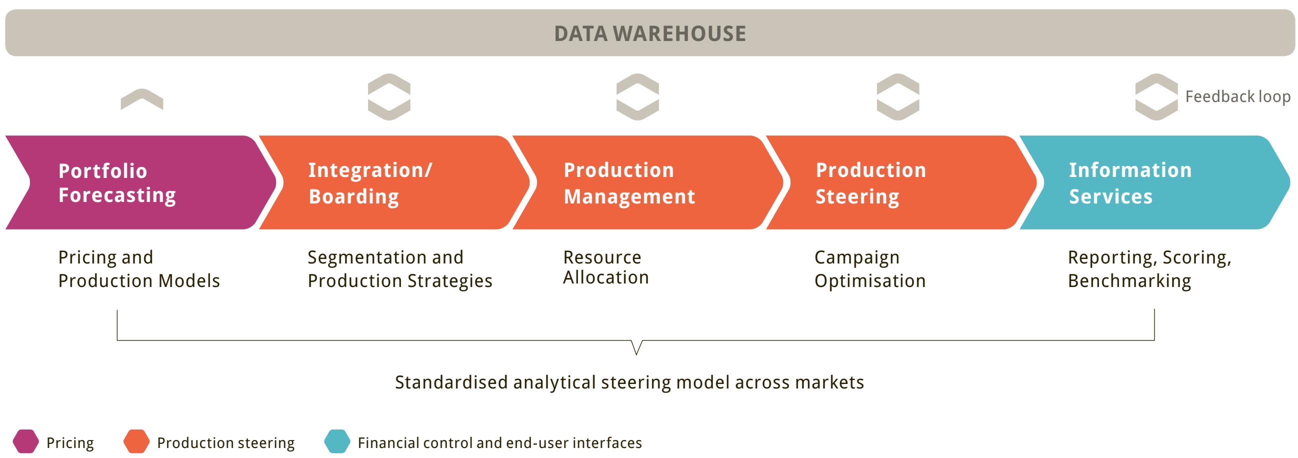
We have a robust set of processes and tools when engaging in, reviewing, analysing, pricing and purchasing NPL portfolios. It is important that we manage a portfolio takeover seamlessly while ensuring that we continue to treat the bank's customers fairly and adhere to the bank's compliance criteria.

To manage this process in the best way possible, we involve a team that can include country-level management, local collection operations, the group-level investment team, local legal, compliance, treasury, risk, finance and senior executive management. Close and early cooperation between our debt collection, investment and analytic teams makes it possible to forecast anticipated collection levels and related collection costs and thereby determine the appropriate price.

### Data warehouse

Since 1997, Hoist Finance has maintained a data warehouse which captures detailed information relating to collection activities and recoveries and costs associated with all NPL portfolios acquired or managed; it is continually expanded as new portfolios are acquired. The data warehouse provides a strong competitive advantage at all operational stages and is a strategic asset that puts Hoist Finance ahead of the competition as operational scale becomes increasingly important. During 2015, data from Poland and Italy was integrated into the warehouse, as well as additional asset classes.

## Data warehouse



> We wanted to have a smooth, seamless execution.

Witold Skrok,
Group CFO and Deputy CEO of Alior Bank

# Hoist Finance is close to the transaction at all times

Hoist Finance's debt-purchasing capabilities combined with its footprint and previous experience in the Polish market means that Hoist Finance has a solid platform for further growth in Poland, as this transaction with Alior Bank illustrates.

**What was the urgent situation that you needed help with?**
"As part of our recent acquisition-led growth in Poland we wanted to deleverage and restructure our balance sheet. We invited Hoist Finance to analyse a large portfolio of non-performing unsecured consumer claims. Needless to say, this was a delicate situation and we wanted to have a smooth, seamless execution with our partner."

**What were the most important factors that you considered before deciding to sell?**
"After our recent consolidation we decided that the timing was right from a portfolio perspective to restructure and clean up our balance sheet of non-performing loans. We had discussed different solutions with Hoist Finance for about six months but in the end we decided internally that we wanted to conduct a true sale."

**What were the various criteria that you evaluated and that had to be fulfilled by Hoist Finance?**
"We had to make sure that Hoist Finance would treat our customers fairly and adhere to our strict compliance criteria. The fact that Hoist Finance is a regulated entity by the Swedish Financial Supervisory Authority was not a criterion in itself but it gives them a lot of credibility and understanding of critical issues which we deal with on a daily basis."

**Why did you choose Hoist Finance in the end?**
"They are agile and innovative in their approach to transactions and listened to our needs. And of course they paid the right price. Once the process was underway, a member of Hoist Finance's executive management team with decision power remained close to the transaction at all times which gave us a lot of comfort that Hoist Finance would deliver."

**How was the transition managed?**
"The transaction process was relatively smooth and Hoist Finance's team was always cooperative and flexible in their approach. There were some minor hiccups, but that's to be expected. To take on a large and complex portfolio is always complicated, but Hoist Finance delivered in that process as well."

**What will the cooperation with Hoist Finance look like from now on?**
"Hoist Finance is firmly on our panel of preferred partners."

# Amicable settlement

Hoist Finance strives to be the preferred partner throughout the whole collection process. One way to achieve this is to truly understand customer circumstances and focus on reaching amicable agreements rather than legal settlements.

In most cases, by the time customers come into contact with Hoist Finance, their journey will already have been emotionally and financially challenging. They will have experienced a number of claims and debt collection activities, which take a toll on well-being. With that in mind, our teams are trained to focus on putting the customer at ease and achieving the best outcome both for the customer and our clients.

We ensure that the team members are attentive to the circumstances and pressures customers will be under. It is vital that employees continue to be responsive and respectful when working with customers to reach a viable and realistic solution.

### Collection capacity

Debt collection is managed through 11 in-house collection centres across Europe and complemented by carefully selected, local debt-servicing partners. Collection methods and practices vary significantly across markets due to the differences in the regulatory landscape. The UK, for example, is heavily regulated in terms of conduct and acceptable customer outcomes.

### The amicable settlement model

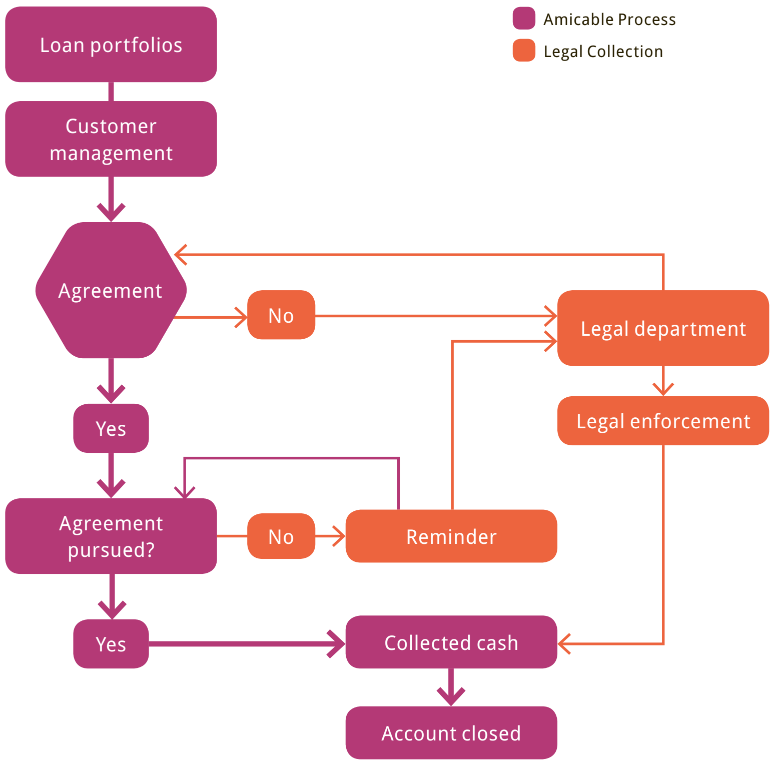
The amicable settlement model is solution oriented and takes into account each customer's individual circumstances. The aim is to establish a sustainable, voluntary and affordable instalment plan in close dialogue with the customer, rather than exploit short-term collection potential.

In the initial stage of the debt collection process, we segment the customers according to the likelihood that they will repay their debts. Our ability to convert customers who have the propensity but currently not the ability to pay their claims is crucial. The ultimate goal is to find a suitable and beneficial solution for both parties. Settlements are often made up of small payments over a long period.

Optimising customer contact at each stage of the collection life cycle is key to the debt collection strategy. Changes in non-paying customers' circumstances are monitored in order to determine whether there is an enhanced ability to initiate a payment process. When a customer appears to be in this position, we look to voluntary collection solutions to collect the outstanding loan.

Communicating with financially vulnerable customers demands integrity, empathy and a good under-

## Collection process overview




Hoist Finance's amicable settlement methods ensure a fair outcome for the customer. Legal enforcement is used only as a last resort.

standing of the customers' situation. Therefore, selecting and recruiting qualified customer service staff is key.

**Efficient customer contact**

With over 20 years' experience in debt collection, we have developed our approach, improving collection methods and efficiency.

We use historical data on claims and debtors to tailor an optimal collection strategy for each debtor. Several automated processes are integrated into the debt collection strategy, such as automatic diallers. Collection methods depend on various factors, including geographical market, claim size, applicable laws and regulations as well as the individual customer.

In the UK, significant financial investments were made during 2015 in order to reduce manual intervention in the collection process while at the same time increasing the accuracy of actual intervention. Instant benefits were seen in man-hours saved.

**Legal and enforcement actions**

While we aim to resolve claims without relying on legal enforcement, such action is taken as a last resort if appropriate, and if the customer has not engaged throughout the collection process. Sometimes a specific case or market requires involving external collection partners such as lawyers, bailiffs or third-party collection agencies. However, in line with the amicable settlement model, if a customer agrees to a voluntary solution, the customer is typically directed back to customer management.

INTERVIEW WITH
**Louise Schofield, Director of Operations at Robinson Way, a part of Hoist Finance UK.**

# The fair treatment of customers is in our DNA

**Is there really a special Hoist Finance method for reaching an agreement?**

"The Hoist Finance methodology is quite special in that it includes eight customer commitments, designed to instil customer understanding and integrity in the process. There are two affordability approaches: a full assessment and a more condensed version whereby income and expenditure data is captured along with priority bills and other creditor information. If any hesitation or doubt is displayed by a customer, our staff are trained to pick up on it so the approach can be adapted. The aim of our engagement with our customers is to understand their circumstances and agree upon a fair outcome."

**You deal with people with sensitive issues. How do you prevent things from going wrong?**

"Vulnerability is currently one of the industry's focal points, and it carries significant risks to Hoist Finance as a service provider and to the customers themselves. We have a vulnerability team that works with sensitive customer issues in a highly constructive manner. The team has become a fundamental part of our business, so much so that we were eager to replicate their ethos and abilities across the wider business. Over recent months all of our staff have received specialist vulnerability training to help them identify needs and effectively deploy appropriate skills to ensure the right outcome is reached for those customers who need assistance the most. We have robust controls and supervision of our staff to ensure that our customers are treated fairly."

**Briefly, what is the company culture like?**

"Managing vulnerability, financial difficulties or even dealing with straightforward telephone calls requires a customer-centric mindset, something that is promoted and bred throughout the organisation. From the CEO to front line employees, the importance of demonstrating an open and honest culture is of paramount importance to us and something that we consider ourselves experts at."

**How do you foster a customer centric culture?**

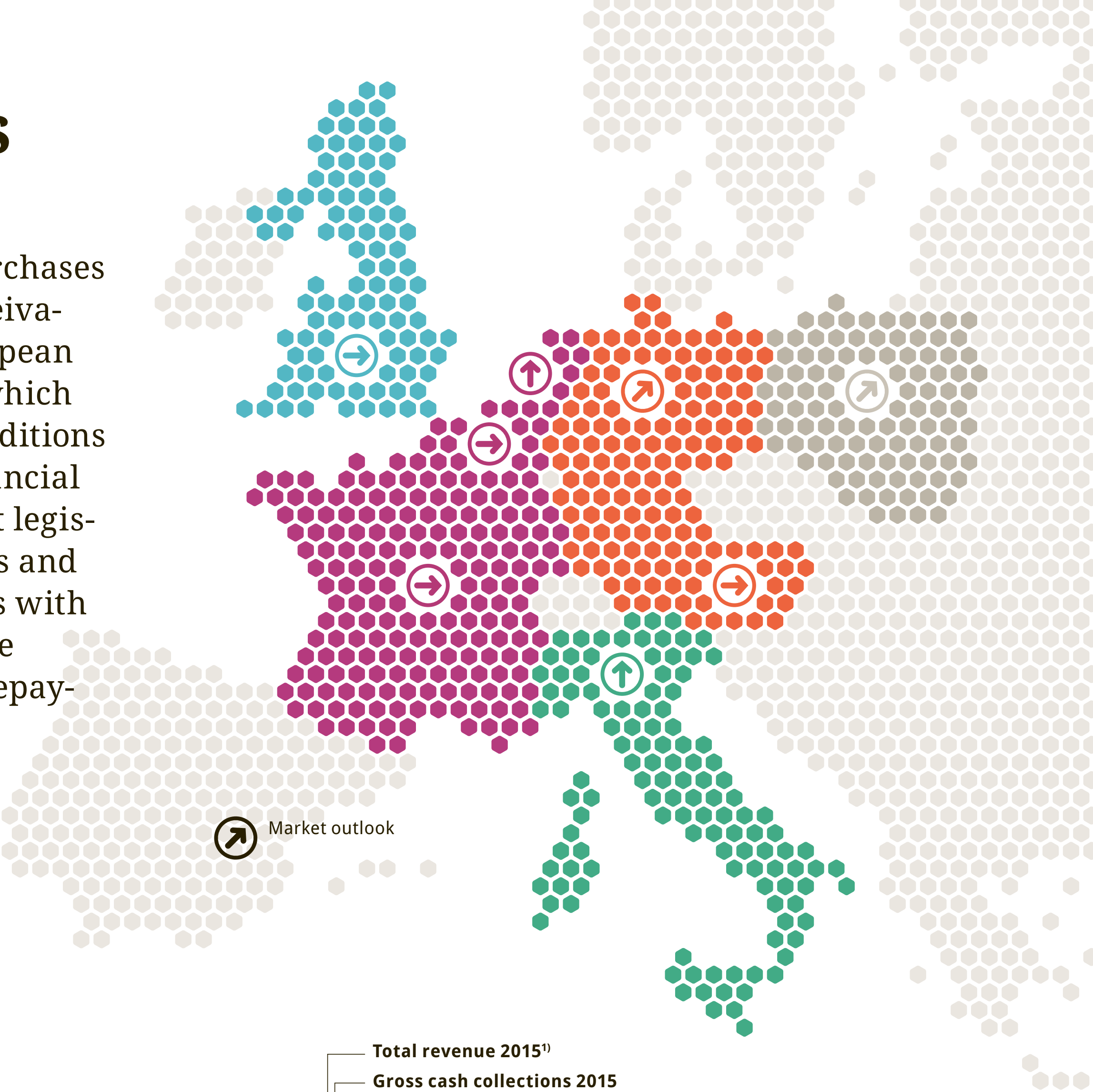
"Much of our training and development focuses on empowering our workforce to be proactive in assessing and relating to the customer experience. Our reward and recognition programme rewards customer contact representatives for actions that positively influence the customer journey and ensure that we drive a culture of openness and continuous improvement."

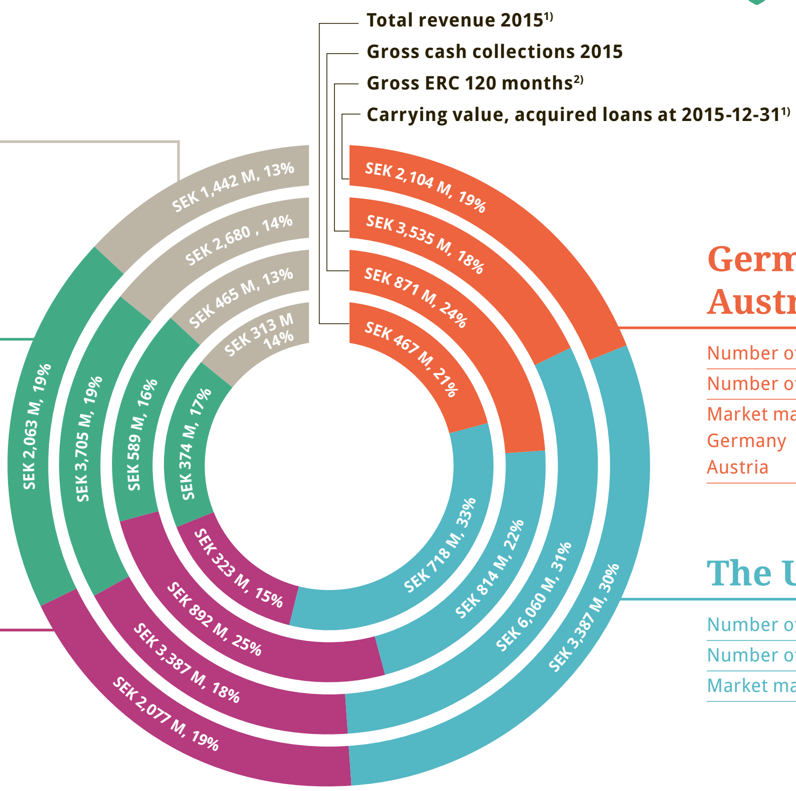
**You have changed your recruitment approach – in what way?**

"Having considered the challenges and demands within debt collection and the general environment, we've decided to take a fresh approach to recruitment. We offer more than just a job – it's a career for the right character and personality. Candidates must display advanced interpersonal skills and have the ability to place themselves in the customer's shoes. In the selection process, we have opted for a more professional approach through the use of assessments and strength-based interview techniques that help us identify the best-suited candidates."

# Our markets

Hoist Finance purchases and manages receivables in eight European countries, all of which have different traditions for providing financial services, different legislative frameworks and different attitudes with respect to past due receivables and repayment patterns.




## Poland

| | |
|---|---|
| Number of call centres | 1 |
| Number of employees | 182 |
| Market maturity | |

## Italy

| | |
|---|---|
| Number of call centres | 2 |
| Number of employees | 148 |
| Market maturity | |

## France Belgium The Netherlands

| | |
|---|---|
| Number of call centres | 4 |
| Number of employees | 147 |
| Market maturity: | |
| France | |
| Belgium | |
| The Netherlands | |

## Germany Austria

| | |
|---|---|
| Number of call centres | 2 |
| Number of employees | 299 |
| Market maturity: | |
| Germany | |
| Austria | |

## The UK

| | |
|---|---|
| Number of call centres | 2 |
| Number of employees | 423 |
| Market maturity | |

1) Excluding the operating segment central functions and eliminations.
2) Excluding run-off consumer loan portfolio and portfolios in the Polish joint venture.

# Germany and Austria

Hoist Finance acquired a substantial NPL portfolio in Germany during the year while exploring additional investment opportunities in the Austrian market.

**19%** [2)]
Share of total carrying value (2014: 26%)

## Germany

The German debt purchasing market is mature with a robust legal framework. Large forward flow transactions and spot sales characterise the marketplace. Consumer financing levels have decreased, as have NPL ratios. Due to diversified outsourcing strategies, debts sold are in many cases older than in comparable markets and are thus sold at lower price levels.

During the year, we made additional asset acquisitions to build on the portfolio.

### Market trends

Consumer credit and NPL markets were stable in 2015 and are expected to continue in the same fashion in the short term. New niche players entered various segments such as factoring and auxiliary money lending, thus forcing banks to be more efficient. Regulations will also increase pressure on banks to sell sub- and non-performing assets. All in all, we expect our core market to continue growing over the next three to five years at a faster pace than the underlying consumer credit business.

The German credit market is relatively small considering the size of the economy. It is also highly fragmented and regionally diversified. There are nearly 2,000 savings and loans and cooperative banks, with a combined market share of over 40 per cent. Consumer credit banks comprise another 45 per cent. The major banks have less than 10 per cent of the market. German banks have more in-house collection teams and a diversified outsourcing strategy.

### Acquisitions

We acquired a large NPL portfolio along with portfolios the company has serviced for third party for some years. Some promising forward flow contracts also commenced.

### Operations

We have proven to be a stable and reliable partner since our establishment in Germany in 1997, entering into partnerships with over 100 banks and acquiring around 1,000 portfolios. We have long-standing relationships with almost all of the large national and international banks in the German market.

Hoist Finance has two collection platforms in Germany, one in Duisburg and one in Bremen. Services include debt purchase operations focused on unsecured consumer NPLs and debt servicing operations as well as individual solutions.

## Austria

The consumer credit and NPL markets in Austria were stable during the year. Austrian banks were slow to divest NPL portfolios. Thus the market is expected to grow in coming years as the backlog is sold off. This backlog and the opportunity to expand eastward create positive potential for the Austrian market.

The debt purchasing market is relatively small with a limited number of debt purchasers. Although the market is diversified and therefore similar to Germany's, bigger banks have a larger market share and are concentrated in Vienna.

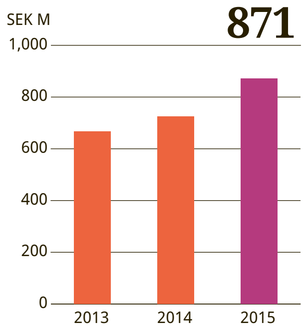
### Acquisitions

Our portfolios exceeded expected performance during the year and discussions were held to enter new potential contracts, including forward flow agreements.

### Operations

The Austrian business is managed from Germany. For legal and operational reasons, we cooperate with a local collection servicer and a local law firm as some tasks cannot be performed by collection services in Austria due to local regulations.

**Gross cash collections on acquired loan portfolios**

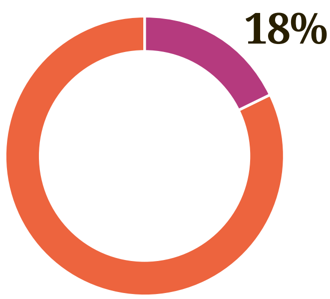



**Snapshot of Hoist Finance presence in Germany and Austria**[1)]

| SEK M | 2015 | 2014 |
|---|---|---|
| Gross cash collections | 871 | 724 |
| Net revenue acquired loans | 446 | 413 |
| Total revenue | 467 | 446 |
| EBIT, excluding central functions and eliminations | 216 | 224 |
| EBIT margin, % | 46 | 50 |
| Carrying value of acquired loans portfolios at 31 December[2)] | 2,104 | 2,350 |
| Gross ERC 120 months at 31 December[3)] | 3,535 | 3,817 |

1) Detailed information in the Administration report. 2) Including run-off consumer loans portfolio.
3) Excluding run-off consumer loans portfolio.

**Share of Gross ERC 120 months**



# Belgium, France, and the Netherlands

Hoist Finance made additional debt purchases in France and the Netherlands in 2015. The company maintains a market-leading position in consumer debt in the Netherlands and Belgium.

19%
Share of total carrying value
(2014: 25%)

## Belgium

Like those in the Netherlands, consumer credit institutions and utility companies in Belgium are generally more familiar with debt sales than the big banks. So-called captives play an important role, somewhat limiting the market opportunity. Captives are subsidiaries of banks that mainly serve the parent company with collection of near and/or non-performing loans. A relatively small number of banks sell NPLs on the open market.

### Market trends

As with the Netherlands, the main market drivers are price, reputation and local presence.

In 2015 there were signs among originators, both in banking and utilities, of debt sales being delayed towards the end of the year. Tenders in other asset classes such as mortgages were also coming onto the market. This will create opportunities for Hoist Finance going forward.

### Operations

Hoist Finance's debt collection is conducted in-house from its collection platform in Brussels and by bailiffs. Local presence and a regulated status compliant with requirements of the Belgian National Bank are some of Hoist Finance's local advantages. Our background and knowledge of banking NPLs since the first purchase in 2006 also work in the company's favour.

## France

Regulation is the main driver behind sales of NPLs in Europe, and France is no exception. There is a significant backload of NPLs among banks. The banking sector is struggling and balance sheet rationalisations have been announced by most major French banks. These banks have been selling their NPLs in countries outside of France, and they are expected to start shrinking their balance sheets by selling French assets as well.

### Market trends

French banks have traditionally been conservative when it comes to selling NPLs. The market has been less mature with only about 4–5 per cent of the NPL stock sold on the market in the past year. So far, debt collection has been handled by the banks themselves through their own collection platforms. Historically, third-party collection has not been as sophisticated as today's compliance requires, which has made banks reluctant to sell debt externally.

As the French banks are expected to downsize NPL assets to a greater extent within France, the French market is considered interesting. Furthermore, the large French banks are already important clients of the Hoist Finance group in other markets.

There are barriers to entering the market. In particular, collection capacity is a challenge. Only large established players such as Hoist Finance and the French banks have the necessary capacity today. High demands on compliance and regulatory issues also favour Hoist Finance as a serious and experienced player. The company's market share was estimated at 27 per cent in 2015.

### Operations

The restructuring of our collection platform was finalised in 2015. The move to new offices in Lille was a success with limited disruptions or negative effects on collection. Staff competence was further improved, without reducing total headcount. There is a collections cluster in Lille, which makes it easier to recruit talent with the right skills. The French operations combine in-house collection with a network of reliable and carefully selected third-party debt collection agencies, bailiffs and lawyers.

The company has two platforms in France, in Lille and in Bayonne.

**Snapshot of Hoist Finance presence in Belgium, France and the Netherlands[1)]**

| SEK M | 2015 | 2014 |
|---|---|---|
| Gross cash collections | 892 | 733 |
| Net revenue acquired loans | 316 | 248 |
| Total revenue | 323 | 256 |
| EBIT, excluding central functions and eliminations | 104 | 61 |
| EBIT margin, % | 32 | 24 |
| Carrying value of acquired loans portfolios at 31 December | 2,077 | 2,194 |
| Gross ERC 120 months at 31 December | 3,387 | 3,512 |

1) Detailed information in the Administration Report.

## The Netherlands

In the Netherlands, consumer debt owed to utility companies is a significant market for Hoist Finance. Consumer credit institutions are generally more familiar with debt sales than the large banks in the Netherlands. As a result, the debt market from utilities and telecom companies is more developed and debt sales are very common.

Large Dutch banks have their own debt collection facilities, but their focus so far has been to safeguard their reputation following the financial crisis. This explains in part why the debt market for unsecured consumer credits from financial institutions remains comparatively immature. The market continues to mature relatively slowly. As expertise and understanding of the debt sales market is still in an early stage, local authorities are reluctant to recommend debt sales to banks.

The stock of unsecured consumer NPLs has remained relatively stable over the past year as the economy is improving and debt sales are low.

## Market developments

Smaller banks and financial institutions are inclined to consolidate as consumer protection regulation tends to negatively affect the smaller players. Debt sales can often be sparked in connection with mergers.

A few international debt purchasers entered the market in 2015 which added to the increased competition, though the impact on prices was minimal.

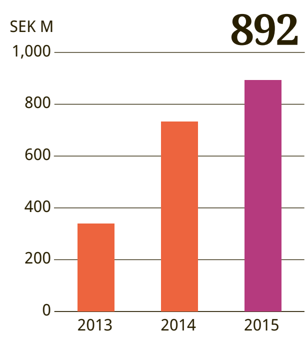
## Acquisitions

Hoist Finance made additional debt purchases in 2015 in the Netherlands, including consumer debt from a large French bank. The debt portfolio grew slightly in 2015, which is a major achievement given the fact that we acquired our biggest portfolio in the Netherlands in 2013.

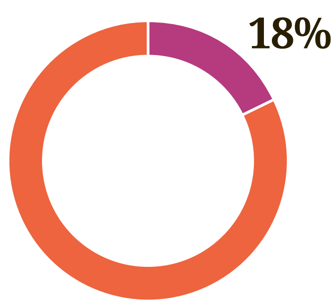
## Operations

We operate through a combination of in-house and outsourced collection processes designed to optimise the use of the bailiff system. The collection platform is based in Amsterdam. Hoist Finance has been in the Netherlands since 2007. We have an established reputation and proven experience, both of which are particularly important for sellers in the Dutch market.

**Gross cash collections on acquired loan portfolios**




**Share of Gross ERC 120 months**



# United Kingdom

**30%**
Share of total carrying value (2014: 20%)

Major progress was made in the UK during the year, not least by the acquisition of Compello Holdings, with about SEK 2,823 million in estimated remaining collections.

Hoist Finance had a good year in the UK in 2015, notable for its acquisition of Compello Holdings with more than one million banking claims originated from approximately 20 different financial institutions. Additionally, significant progress was made in further enhancing company procedures for managing customers – including the most vulnerable customers – with strategies that are recognised in the debt collection industry as “best in class”.

## Market trends

The UK debt purchase sector has expanded rapidly in the past five years and is today the most mature of the European markets. Part of this process has been the move towards more responsible lending, with greater emphasis placed on assessing the customers’ vulnerability and their ability to pay. Sellers remain responsible for the debt during its entire life cycle, even after it is sold, and so the ability to safeguard their reputation is a critical skill for a collections operation.

The stock of NPLs has been estimated to be worth about EUR 25 billion in total. This is an approximation since comprehensive, reliable data is difficult to come by. It is expected, however, that this stock will decrease slightly over the next few years, in part driven by increasing debt sales, decreasing default rates and a reduction in paying portfolios.

Debt transaction volume in the UK core market was estimated to reach GBP 800–900 million for 2015 and the volume is expected to remain stable for 2016. Pricing is likely to be competitive.

## Acquisitions

A key element of the strategic focus is to acquire large portfolios and provide full service solutions for major banking partners.

Compello Holdings comes with a diversified banking portfolio, comprising more than one million claims from approximately 20 different financial institutions. The total investment was approximately SEK 1,463 million.

The portfolio had approximately SEK 2,823 million 10-year estimated remaining collections when the acquisition was announced at the beginning of July.

Acquiring businesses like Compello helps to build even greater economies of scale and increases Hoist Finance’s reach and operational capacity. It also underpins the company’s market position with core UK banking clients.

## Operations

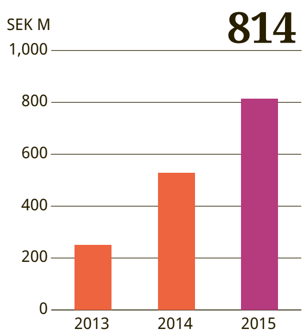
Hoist Finance is one of the largest players in the UK and offers both debt purchase and third-party debt servicing operations. It has two collection centres: the main centre in Manchester and a centre in Milton Keynes that was part of the Compello acquisition.

Extensive regulatory and compliance requirements are creating higher barriers of entry for any new players. The UK has seen an increasing level of oversight that is now a significant part of debt purchasing transactions.

Due to new regulations, the Financial Conduct Authority (FCA) is expected to approve Hoist Finance’s new permit application during 2016. By achieving FCA approval and maintaining a strong reputation for compliance, we will be able to continue to position ourselves as a preferred partner that can ensure that customers are treated fairly and responsibly.

We have grown rapidly in the UK since acquiring our first portfolio there in 2011. This was followed by the acquisitions of Robinson Way in 2012 and the Lewis group in 2013.

**Gross cash collections on acquired loan portfolios**

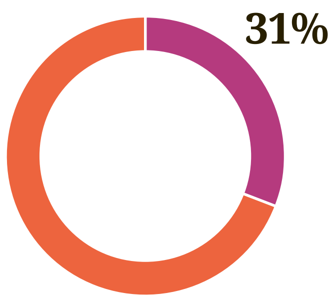



**Snapshot of Hoist Finance presence in United Kingdom[1)]**

| SEK M | 2015 | 2014 |
|---|---|---|
| Gross cash collections | 814 | 527 |
| Net revenue acquired loans | 609 | 327 |
| Total revenue | 718 | 458 |
| EBIT, excluding central functions and eliminations | 253 | 181 |
| EBIT margin, % | 35 | 40 |
| Carrying value of acquired loans portfolios at 31 December | 3,387 | 1,798 |
| Gross ERC 120 months at 31 December | 6,060 | 3,391 |

1) Detailed information in the Administration Report.

**Share of Gross ERC 120 months**



# Italy

## Hoist Finance strengthened its position in Italy within the growing SME segment by acquiring a large NPL portfolio from Banco Popolare.

**19%**
Share of total carrying value
(2014: 13%)

Italian banks are under heavy pressure from the European Central Bank to continue cleaning their balance sheets of non-performing loans. Sales of NPLs were expected to double to approximately EUR 18 billion in 2015, compared to 2014. In 2016, banks are expected to sell NPL portfolios amounting to EUR 30 billion in the Italian market. There were also sales of secured NPLs in 2015 and further sales of secured NPLs are expected in 2016.

### Market trends

All in all, the net of the NPL sales amounted to approximately EUR 200 billion in 2015, up from 184 billion in 2014. We expect this number to continue to increase until 2017 even though the Italian economy started to show initial signs of recovery in 2015. As a consequence of the improving economy, the increase of the NPL stock is expected to start slowing down somewhat.

The non-performing debt recognition is expected to rise as a result of new rules that came into effect on 1 January 2016, whereby banks have one year instead of five to fiscally write down NPLs.

A general trend is increased competition within consumer NPLs as international investment funds enter the market.

### Acquisitions

In 2015, Hoist Finance Italy continued to build competence and capabilities in unsecured consumer loans, and the company has started to manage claims from small- and medium-sized enterprises (SMEs).

A significant transaction in the SME asset class was with Banco Popolare. The portfolio acquired by Hoist Finance consisted of approximately 9,000 claims with a nominal value of approximately EUR 950 million. The 10-year estimated remaining collections were EUR 72 million.

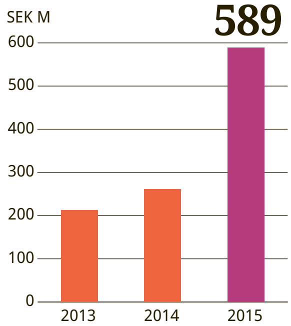
The unsecured SME NPL segment in Italy is of interest as further growth is expected.

The positive development continued in the fourth quarter with several transactions. One was a large cambiali portfolio from a consumer credit subsidiary of a major international bank. Cambiali is overdue debt where the customer is legally bound to honour its obligation and has issued promissory notes for a monthly payment equivalent to a pre-determined level of repayment. Since the customer has illustrated a willingness to pay, these debts carry relatively lower risk levels.

### Operations

After a successful 2015 Hoist Finance is well positioned in Italy and ready to increase its market share following the successful integration of the previously acquired collection platform TRC. TRC has two collection centres, one in Rome and one in Lecce.

**Gross cash collections on acquired loan portfolios**

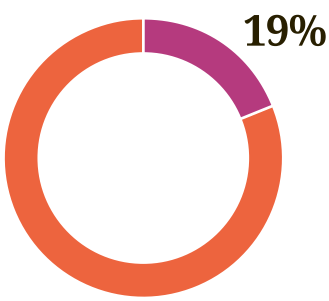



**Snapshot of Hoist Finance presence in Italy[1)]**

| SEK M | 2015 | 2014 |
|---|---|---|
| Gross cash collections | 589 | 261 |
| Net revenue acquired loans | 367 | 170 |
| Total revenue | 374 | 170 |
| EBIT, excluding central functions and eliminations | 185 | 64 |
| EBIT margin, % | 49 | 37 |
| Carrying value of acquired loans portfolios at 31 December | 2,063 | 1,181 |
| Gross ERC 120 months at 31 December | 3,705 | 2,407 |

1) Detailed information in the Administration Report.

**Share of Gross ERC 120 months**



# Poland

## Hoist has become one of the largest purchasers of debt in the Polish market and one of the biggest partners to international banks, especially within debt restructuring.

**13%** Share of total carrying value (2014: 13%)

A wide range of Polish and international banks are present in the Polish market, as well as several local and international debt collectors. Many of them, including Hoist Finance, are located in Wrocław, a regional financial hub and a preferred location for the financial industry. The market has matured comparatively quickly which has in turn created a positive environment for cooperating with the international banks.

### Market trends

The market has been fragmented with many small- and medium-sized debt purchasers. Poland has also seen new participants enter the market and consolidation among existing players. The merger trend continued in 2015 and there are purchasers looking to make further acquisitions of collection platforms.

The stock of unsecured consumer NPLs in Poland was estimated at EUR 16 billion by the end of 2015. Debt sales have increased as banks struggle with high NPL ratios and seek to move NPLs off the balance sheet. In 2015 the unsecured debt sales volume was approximately EUR 2 billion.

Another incentive to sell assets is the Polish government's introduction of a bank tax on assets, planned for 2016. Further consolidation among banks could also create interesting opportunities to buy NPL assets.

### Acquisitions

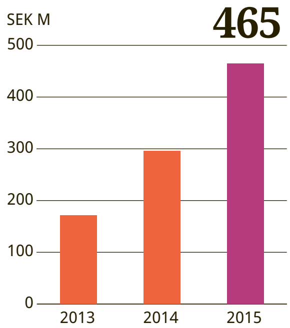
Hoist Finance's acquisitions in Poland have been within the debt restructuring area. Restructuring capacity is one of our advantages over other players in the local market. 2015 was a stable year with about half a dozen acquisitions made, amounting to approximately EUR 53 million.

### Operations

Hoist Finance is one of the largest purchasers of debt in the Polish market and one of the biggest partners to international banks, offering a broad spectrum of tailored solutions within NPL and unsecured loans.

To further improve collection capacity, we are planning to open a new collection centre in Gdańsk in the spring of 2016. This operation complements the Hoist Polska collection business in Wrocław with approximately 45 FTEs. Hoist Finance has been established in Poland since 2011.

**Gross cash collections on acquired loan portfolios**

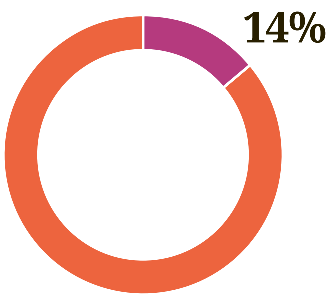



**Snapshot of Hoist Finance presence in Poland[1)]**

| SEK M | 2015 | 2014 |
|---|---|---|
| Gross cash collections | 465 | 296 |
| Net revenue acquired loans | 276 | 279 |
| Total revenue | 313 | 279 |
| EBIT, excluding central functions and eliminations | 211 | 202 |
| EBIT margin, % | 67 | 72 |
| Carrying value of acquired loans portfolios at 31 December[2)] | 1,442 | 1,182 |
| Gross ERC 120 months at 31 December[1)] | 2,680 | 2,449 |

1) Detailed information in the Administration Report. 2) Excluding shares and participations in joint venture.

**Share of Gross ERC 120 months**



# Diversified funding

Hoist Finance – through its online platform HoistSpar – offers a safe and attractive retail deposit savings alternative on the Swedish market. Together with capital-markets-originated loans, the retail deposits provide a diversified structure to form a strong funding base for Hoist Finance.

**15.2%**
Total Capital ratio
(31 Dec 2015)

**12.3%**
CET1 ratio
(31 Dec 2015)

### Flexible funding

Hoist Finance has a strong funding base which consists predominantly of a mix of retail deposits from the general public and capital-markets-originated debts. The retail deposits give the company a competitive advantage as they are stable, flexible and provide access to funding at relatively low cost.

### Liquidity and capitalisation

Hoist Finance keeps a significant proportion of liquidity reserve. As of the end of 2015 the liquidity reserve amounted to 30 per cent total assets. The liquid assets are largely made up of Swedish treasury bills, bonds and benchmark covered bonds. As a credit institution, Hoist Finance is subject to substantial regulation, including the Basel III framework, relating to capital liquidity and capital requirements.

Hoist's total capital ratio was 15.21 per cent (12.17) of the risk-weighted amount on 31 December 2015. The common equity Tier 1 ratio was 12.32 per cent (9.35) at 31 December 2015. The capitalisation level is well above the regulatory levels of 11.8 per cent and 9.5 per cent for the CET1 ratio.

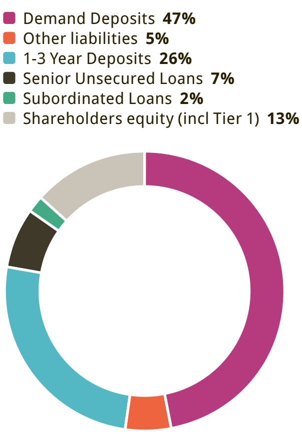
### Competitive savings alternative

HoistSpar offers a safe and attractive savings alternative to retail depositors in Sweden with competitive interest rates and a straightforward product range, including the variable current account deposit and fixed term deposits with durations of 12, 24 and 36 months. There is also a current account deposit offer for corporate customers. Customers can save up to SEK one million.

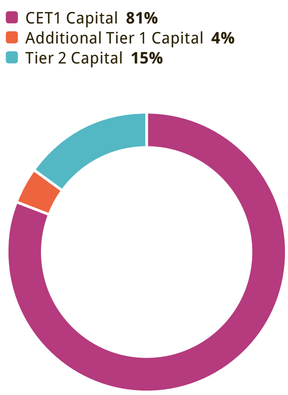
The Swedish central bank lowered interest rates during the year. As a result, more depositors opted for fixed savings deposits with higher interest rates. Total deposits grew somewhat over the year and predictability increased with a larger share of fixed savings accounts.

As of 31 December 2015 HoistSpar had 61,617 active accounts (TbD) with total deposits of SEK 12.8 billion (11.0).

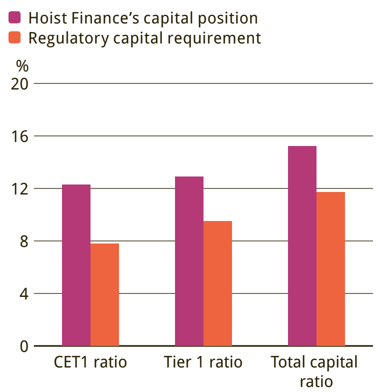
**Funding structure, 31 Dec 2015**




**Capital structure, 31 Dec 2015**




**Capital structure, 31 Dec 2015**



We make a difference in society, supporting our customers to become debt-free in a sustainable and dignified way. Hoist Finance employees are driven by a common purpose – to develop and foster long-term relationships through open and honest communication with all of our stakeholders. Our mission – your trust.

**Jörgen Olsson** CEO

Corporate Social Responsibility

# Showing respect and taking responsibility will earn us trust

### Guided by our commitment

At Hoist Finance we firmly believe that our business model can contribute to positive progress for our customers, employees, partners and society as a whole. To be the enabler of change, we depend on our stakeholders' trust, and we want to earn that trust by acting responsibly and with respect. We want to have customers recognise our action, to be the preferred choice of partners, to be the best place to work and to be an attractive investment.

Our commitment to corporate social responsibility (CSR) is integrated in everything Hoist Finance strives for, from our business model and amicable settlements to personnel training and green offices. We are building on the enthusiasm and pride that we see in local offices across the Group, where initiatives and actions taken together are reflected in four guiding principles.

**Respect for customers and partners** is about safeguarding their integrity of our customers and partners. Customers shall be treated with respect and dignity through a constructive and transparent dialogue.

**Respect for business ethics** is about being compliant by acting ethically and with integrity. It includes strictly adhering to legislation and regulation as well as internal company guidelines in all countries.

**Respect for human and labour rights** entails respect for the individual and our commitment to offer our employees professional growth and equal opportunities in a healthy and safe workplace.

**Respect for the environment** involves minimising any negative environmental impact from our operations through increased awareness of our environmental footprint.

### The journey continues

We build on a legacy to stand for positive change. Today, our CSR agenda reflects the core aspects of our business model; it relates to our everyday decisions and actions. We contribute to change through local engagement and by taking initiative and inspiring each other. Hoist Finance's corporate values serve as a foundation for our work.

Needs and circumstances differ between countries and operations. And to take advantage of different experiences, local managers from all countries took part in a leadership conference on CSR in June 2015. The purpose was to share ideas, gain new insights and spur further activities. As a result a number of projects related to the four areas of respect were identified and brought to the local offices.

### Platform for excellence

We have worked to define and express the essence of Hoist Finance, our beliefs and behaviours, and what we expect from each other every day. In 2015, that this work resulted in the Hoist Finance Way of Working (WoW), which we will share both internally and externally during 2016.

A number of policies and guiding documents are in place to complement WoW. The Code of Conduct applies to all employees in the group, as does our CSR policy specifically addressing integrity, human and labour rights, environment, business ethics and community engagement. The policy makes reference to the ten principles of the UN Global Compact, and requires Hoist Finance to set targets and to annually report on key performance indicators relevant to the business.

### Our guiding principles

- Respect for customers and partners
- Respect for business ethics
- Respect for human and labour rights
- Respect for the environment

### Priorities in 2016

In 2016 we intend to develop and expand projects initiated earlier. Among other things, we plan to identify our social and environmental impact and formulate relevant performance indicators to monitor our performance. A number of activities are also designed to encourage our partners to strengthen their CSR agenda. These activities are incorporated in our business plans both on a local and Group level.

## Corporate culture and values

**Our foundation is our common values, beliefs and behaviours. Building trust is what inspires and guides us every day.**

# T R U S T

**Transparency**
By being open, honest and true we will gain trust, respect and confidence.

**Results**
With energy, enthusiasm and direction, we will deliver on our commitments and produce sustainable growth.

**Uniqueness**
We must dare to be different and innovative in order to continuously improve.

**Skills**
When we trust our people and challenge them to develop the right skills, they will grow personally and contribute positively.

**Teamwork**
Strong and loyal teams go the extra mile to achieve success for the company and each other.

# Respect for customers, partners and society as a whole

Hoist Finance's business model is built on amicable settlements. We seek constructive and dignified solutions for our customers. Together with partners who share our commitment, we want to contribute to positive progress not only for our customers but for society as a whole.

**Reputation is a key asset**

What we refer to as partners include regulated creditors, such as banks, from whom Hoist Finance purchases debt portfolios. During summer 2015, we conducted our first group-wide partner survey in order to gather feedback on our performance, measure partner satisfaction and to explore the market drivers. The survey was managed by an independent third party to ensure reliable and unbiased results. While the outcomes differ between the countries, the survey revealed that in total, 'reputation' is the most important factor when partners decide on a transaction. This strengthens our conviction about our business model and inspires us to continue to develop our way of working.

**95%**
positive responses in UK customer survey

"Reputation"
**Nº1**
factor influencing clients' choice of partner

**Perceptive to the customer situation**

Our employees take pride in their work, knowing that they can make a difference by helping customers make the transition to become debt-free. Every point of contact is an opportunity to gain trust, and for our debt collectors who sometimes face difficult conversations it is important to uphold our commitment to treat customers with respect and dignity. To support our employees to manage situations that may be sensitive and stressful, the company provides specific training on how to conduct such calls and how to act in different situations.

**Including our collection partners**

When external organizations are carrying out debt collecting activities on behalf of Hoist Finance, we expect them to live up to our high ambitions as well. In Benelux, an initiative started during the year has focused on initiating a dialogue on CSR with our debt collection agencies. The greater part of our collection partners in Belgium and the Netherlands have received a questionnaire that explores their preparedness with regard to different aspects including overall CSR initiatives, and in particular amicable approaches, discrimination and training. The results have been followed up and discussed with a majority of our partners, and is subject to continued dialogue.

## Seeking and acting on customer feedback

In the UK, we have launched a programme to collect feedback at the end of every customer call. The initiative demonstrates our commitment to achieve the best outcome for the customers, ultimately assisting them in becoming debt-free by arranging affordable and sustainable payment plans. Since May 2015, each call includes three final questions to review the customer's overall experience with Hoist Finance and the call handler, and to learn whether the customer felt fairly treated.

Each month approximately 800-1000 customers choose to take part in the survey, which has enabled the UK team to modify improvement processes and staff development programmes. The results have also confirmed what we are doing is right. In fact, 95% of the responses have been positive, proving that our service is perceived as professional and understanding.

However, for a number of different reasons customers may feel discontent with our services. It may be that documentation is incorrect or that a customer does not feel they have been fairly treated. Whatever the issue, it is imperative that customers can file their complaints. Hoist Finance has in place well developed complaint-handling procedures in all countries of operations. We diligently follow up on complaints locally, as complaints that are filed generally relate to local procedures and conditions. Every quarter the results are reviewed at the Group level in order to monitor their development.

# Respect for business ethics

Hoist Finance is committed to a high degree of integrity and ethical standards to safeguard our clients, customers and investors. While we comply with legal and regulatory requirements, we want to go beyond and lead industry best practice. This is a foundation for trust.

In addition to numerous trainings conducted locally, there were more than **340** participants in trainings held by Group Compliance during the year

### Successful implementation of Code of Conduct

It is our responsibility to ensure that all employees are well aware of our standards and expectations. During 2015, Hoist Finance made an ambitious effort to provide training across the Group on the Code of Conduct. All managers in the Group took part in the training. The training has since been rolled out in all countries by the local organisations. As part of its regular reporting, Hoist Finance assesses how many employees have not received training on the Code of Conduct in the prior 12 months.

Identified as a group exposed to additional risk, the sales teams that purchases NPL portfolios received further training throughout the year on preventing money laundering.

### Responsible portfolio management

In a rapidly developing debt purchasing sector, Hoist Finance has a clear strategy and focus on debt purchasing of credit that has been originated by regulated creditors. In order to reduce risks, we conduct proper due diligence. Once a potential acquisition is approved, we move into a structured process to take over the portfolio and eventually apply our responsible portfolio management. We have policies to govern third parties to whom we may outsource activities such as debt collection. In addition, we have robust complaint mechanisms.

### Whistleblowing procedure in place

Hoist Finance wants to encourage an open culture where employees feel at liberty to speak up when there is wrongdoing. But to ensure that there is an alternative channel of communication, Hoist Finance has a whistleblower mechanism. Because of differences in national regulations each country is responsible for adapting the whistleblowing policy to national conditions. During the year all employees received an instruction manual on how to blow the whistle, and in 2016 we will roll out an e-learning tool on how to use it.

### Beyond compliance – building a legacy of trust

Hoist Finance wants to move beyond compliance and show ethical leadership in our industry. We have in place a robust set of policies and a governance framework for different aspects of our business. However, it is people and not policies that will make it happen; therefore, the managers and teams in different areas of our business are the owners of their respective policies. This way the policies are kept relevant to the task at hand, and updated.

Also key to achieving strong compliance performance is training. Hoist Finance has decided that having internal competence to design and execute training programmes is vital to provide relevant training, customised to our business.

# Respect for human rights and labour rights

We want to be the best place to work, with employees who want to contribute to our becoming the leading company in our industry. Hoist Finance believes that diversity is a lever for success, and we foster professional growth and personal responsibility. We are committed to being a good corporate citizen in the communities in which we operate.

**57%**
female directors in BoD

### Building strong and motivated teams

We respect individuals, and the balance between work and life. We want our employees to be challenged to develop their skills and grow both professionally and personally. In Italy, Hoist Finance has conducted a number of activities aimed at strengthening teams and motivating employees to contribute to the progress of the company.

One activity in 2015 was an open management meeting, where a group of 40 with diverse backgrounds representing both young talent and more experienced managers gathered to mix culture, work, results and leisure. The meeting included a high-spirited cooking contest that brought out the spirit of competition as well as a round table where the participants discussed Hoist Finance's values, results, and organisational structure. Based on the positive feedback and results, similar events will be held in 2016.

### Hoist Strive Challenge raises the spirit

A Group-wide initiative, the Hoist Strive Challenge has involved more than 250 people from all our offices. During 2015, the Intersport Challenge was launched and teams from different countries competed against each other to collect Challenge Points. The points go towards funds for local charities. The challenge is designed to spur enthusiasm for coming together in physical activity to raise both spirit and well-being. Local offices have launched different Strive initiatives under the Hoist Strive fitness programmes; for instance, Poland and Italy have had football teams, Germany competed in a dragon boat race, and France, Sweden and the UK have had teams joining running contests.

### Promoting well-being in the workplace

This year, the organisations in Italy and France have had positive assessments when it comes to stress in the workplace. In the role of debt collector our employees sometimes face difficult calls, at times talking to people facing with economic and social problems. In Italy a survey was conducted, and while it showed that stress levels were relatively low, the organisation will continue its proactive work to address stress. In France, a number of workshops to assess psychological and stress risk have had very positive effects, resulting in an action plan.

In Germany a programme launched in 2015 focuses on the health and well-being of our employees. One of the programme's ambitions is to support the recovery of employees who have suffered from long-term illness, and to prevent situations that may lead to long-term illness.

### Social Benefits Fund offers support

It started out as an idea for an office-kindergarten to provide young mothers with an opportunity to return to work and care for their families at the same time. Hoist Finance in Poland has set up local initiative that supports employees on an as-needed basis. Employees may apply for funding through the Social Benefits Fund, which was launched in November 2015. Funds may be used for education and personal development, health care, housing needs such as renovation in the case of fire or flooding, or family needs such as subsidising school costs or organising holidays.

### Employees contributing to communities

Employees at Hoist Finance in the UK have engaged in a number of initiatives to raise money or support children and families in need in the local community. Employees have also volunteered for activities involving children, enabling

## Diversity spurs great achievements

The composition of our Board of Directors and management group also signals what kind of company we want to be. In conjunction with the listing of the Hoist Finance share on Nasdaq Stockholm's Mid Cap list in 2015, the new Board of Directors was introduced. Four of the seven directors are women, including the chair. Compared to the industry average of 32 percent women, a 57 percent female representation stands out. Hoist Finance has been recognised by the AllBright foundation because of the gender diversity on the board. AllBright works to promote equal opportunities and diversity in leading positions.

# Respect for the environment

Hoist Finance shall work continuously to improve our environmental footprint. As a financial services company, we strive to minimise any negative impact by paying attention to the details that we can control in our day-to-day operations.

school trips or distributing food parcels. The initiative received Fundraising Initiative of the Year Award at the Collections & Customer Service Awards in 2015, linking to the treatment of vulnerable customers. This is one example of the many ongoing activities in the local community where Hoist Finance operates.

### Measuring our performance

Initiated in 2015, the aim for 2016 is to identify relevant people related key performance indicators (KPI) to monitor on a Group level. This is part of a broader initiative, initiated in 2015, to assess Hoist Finance's social and environmental impact. In the CSR policy each country is required to set yearly targets according to which area has room for improvement.

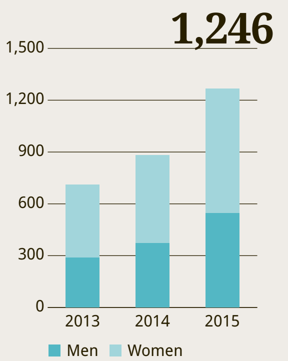
### Video conferencing on the rise

In a group effort to reduce negative effects on the environment due to travel, Hoist Finance has initiated a project with Microsoft Lync video conferencing. The aim is to bring people together regardless of where they are located: meet more – travel less. The system is nearly rolled out in all the offices. What remains to be completed is total integration with the telephone system.

### Green office project

The Stockholm office initiated a project in 2015 to reduce Hoist's environmental footprint. Some immediate actions included changing to environmentally conscious cleaning supplies and introducing electricity and heating with less climate impact. By the end of the year, we had assessed the environmental footprint in order to set a baseline. Five main areas for improvement were identified: transportation, soft drinks cans, printing, recycling and food consumption. There is wide interest in green offices across the Group and several initiatives are planned in different countries.

**Average number of employees**




# Risk management

Risk is an inherent part of any business operation. Without taking risks, it is impossible for a business to achieve long-term profitability. Hoist Finance acquires and manages consumer receivables and thereby actively exposes itself to risk. This is the core business of Hoist Finance, a business where we have been successful for the last 20 years.

Hoist Finance defines risk as the possibility of a negative deviation from what is expected. This could be a deviation from expected earnings, liquidity levels or capitalisation. Ongoing risk management is a core activity in any banking or financial services operation and it is fundamental for long-term profitability and stability.

### Risk management framework

The goals of Hoist Finance's risk management are to to manage variability in the financial results and to secure the survival of the company by maintaining sufficient capital and liquidity levels. This will create and uphold confidence in the company amongst stakeholders, thereby creating the conditions to achieve sustainable shareholder value.

To fulfil this goal, the Board of Directors has adopted a policy for the company's management, analysis, control and reporting or risks in day-to-day operations. The Group's risk control function assists the Board and the CEO in continuously evaluating risk development and recommends improvements in the risk framework.

The risk strategy adopted by the Board of Directors covers the type and size of risks that the Group needs to expose itself to in order to reach the business goals. It also includes how risks shall be governed and controlled. The risk strategy makes a distinction between the risks that are desired and risks that are undersired but may nevertheless be unavoidable.

Our core business is to earn money through controlled exposures to credit risk in the form of non-performing loans, for which reason this type of credit risk is actively pursued by Hoist Finance. Other types of risk, such as operational risks and market risks are undesired but sometimes unavoidable. However, they should be minimized as far as is economically justifiable.

Hoist Finance's risk capacity is determined by assessing the size and quality of the company's capital and liquidity position. The capital risk ability is the difference between actual capital levels and regulatory minimum levels and shows the ability to absorb losses before critical levels are reached. The liquidity risk capacity is the size of the liquidity outflow the company can manage without breaching the statutory minimum requirements.

Based on company's capacity to assume risk, the risk appetite is determined by the Board of Directors. By weighing potential returns against potential risks in the business plan, the Board can decide on an appropriate risk and return level for the company's risk appetite. Hoist Finance's risk appetite then provides a basis for risk limits to be used in the day-to-day business activities and in monitoring of risks. The Group's risk control function continuously monitors to ensure that the company does not assume any risks that exceed the established risk appetite, risk capacity or limits.

### Three lines of defence

The company's risk management is built on clearly defined goals, policies and guidelines, an efficient operating structure and transparent reporting and monitoring. The Board of Directors' risk policy details the framework, roles and responsibilities for risk management and the guidelines for ensuring that there is adequate capital and liquidity to weather economic adversity.

Hoist Finance's risk management is set up according to the three lines of defence.

### Three lines of defence for risk management and internal control

**1st Line of Defence →**

The Board of Directors, the CEO and all employees. The business units and subsidiaries bear full responsibility for the risks that arise in day-to-day operations. The local offices have the best knowledge in any given situation, since the are closest to the customers and the various markets. The first line of defence is responsible for managment of the company's risks and compliance with the applicable rules and regulations.

**2nd Line of Defence →**

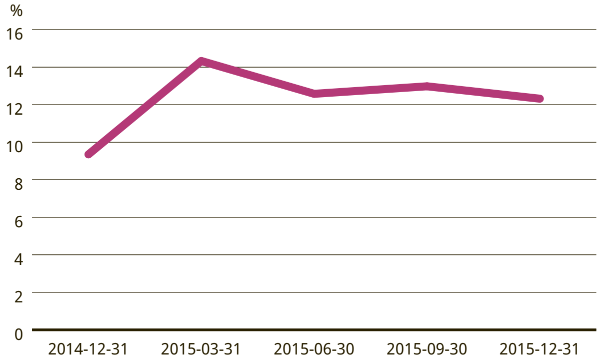
The risk control and compliance functions, both of which are independent control functions. This means that they are not involved in the business operations and that they report independently from one another to the Board and CEO. The organisation is responsible for identification, quantification, analysis and reporting of all risks.

**3rd Line of Defence →**

The internal audit function is responsible for performing an independent review and evaluation of work in both the first and second lines of defence. The internal audit function reports directly to the Board of Directors.

| Risk type | Risk profile | Risk management |
|---|---|---|
| **Credit risk**<br>The risk of loss arising from a customer's failure to repay principal or interest or to otherwise meet a contractual obligation. | Credit risk refers mainly to acquired consumer receivable portfolios and the risk that collection will be lower than forecasted. Other credit risk exposures are (i) cash deposits with banks, (ii) investments in fixed income instruments, and (iii) counterparty risk relating to hedging of FX and interest rate risk. | Credit risk in acquired consumer receivable portfolios is monitored, analysed and controlled by the management in each country and by the Group's unit for business control. Other credit risks are analysed and managed by the Treasury function. The risk control function analyses and verifies all credit risk exposures. |
| **Market risk**<br>The risk arising from adverse movements in foreign exchange rates and interest rates. | The main FX risk arises through the fact that the consumer receivable portfolios (the assets) are denominated in EUR, PLN and GBP, while the majority of liabilities are denominated in SEK.<br>Interest rate risk has a negative effect on net interest income as an effect of changes in interest rate levels. | All market risks are hedged continuously by the company's Treasury function. |
| **Liquidity risk**<br>The risk of difficulties in obtaining funding and the resulting inability to meet payment obligations when they fall due. | As revenues and expenses are relatively stable, liquidity risk is linked primarily to deposits from the public and the risk of large withdrawals occurring at short notice. | The Group has a significant liquidity reserve to cover potential outflows of liquidity. |
| **Operational risk**<br>The risk of loss resulting from inadequate or failed internal processes, people, IT systems or from external events, including legal and compliance risk. | Large losses and negative incidents as a result of failures in operations are rare. Given the nature of our operations, it is impossible and not cost effective to try to eliminate all operational risk. The goal is instead to minimise operational risk. | Routines for company-wide incident reporting, tracking of key risk indicators and regular training courses.<br>The "four-eyes principle" is applied to critical decisions and is supported by back-up routines, e.g., in the form of a ratified business continuity plan. |

**CET1 ratio 2014–2015**




## Capital and liquidity adequacy assessment conclusion

Hoist Finance continuously identifies and quantifies the relevant risks its business. Given the capital and liquidity requirements according to the Basel III accords and with consideration to Hoist Finance's internal risk assessment, the conclusion is that company is well capitalised, even in the event of a severe economic recession.

# The share

## Hoist Finance's shares were introduced on the stock market 25 March 2015 and are traded on Nasdaq Stockholm's Mid Cap list. Based on the last price paid on 30 December 2015, which was SEK 88.50, Hoist Finance's market capitalisation was SEK 6,950 M.

### Share performance 2015

Hoist Finance's share price rose 33.89 percent in 2015, while the total index, OMX Stockholm PI, fell by 7.79 percent. The highest closing price quoted during the year was SEK 88.50, on 30 December, and the lowest closing price was SEK 58.50, on 28 September.

### Trading volume

Since implementation of the EU's Markets in Financial Derivatives (MiFiD) directive, equities can be traded in other marketplaces than the exchanges on which they are listed. This has given rise to a fragmentation of equity trading, which is now conducted on both regulated marketplaces (stock exchanges) and other trading platforms. In 2015 a total of 36.2 million of Hoist Finance shares were traded in all marketplaces, and the average daily trading volume was 190,389 shares. Trading on Nasdaq Stockholm accounted for 47.40 percent of total trading volume in Hoist Finance's shares.

### Share capital

At year-end 2015 Hoist's share capital amounted to SEK 26M, divided among 78,532,684 shares. All shares carry equal entitlement to the Company's profit and equity.

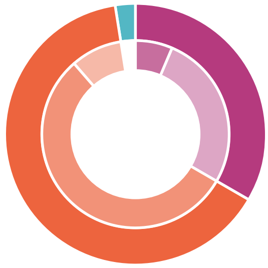
### Ownership structure

The number of shareholders was 1,523 at year-end 2015. Of Hoist Finance's share capital, 38.4 percent is owned by Swedish investors and 61.6 percent is owned by foreign investors. Switzerland, the UK and the USA account for the largest share of foreign ownership.

### Dividend

The Board of Directors has set a dividend policy that entails that 25–30 percent of profit after tax is to be paid out in dividends over the medium term. For the 2015 financial year the Board has proposed a dividend of SEK 0.75 per share, corresponding to 26 percent of profit after tax. Based on the last price paid on 30 December 2015 (SEK 88.50), the proposed dividend represents a dividend yield of 0.8 percent.

**Breakdown of ownership**




**Geographical distribution of shareholders**


**Ownership structure, 31 December 2015**

| Size class | Number of shares | Capital, % | Votes, % | Number of owners | Share of owners, % |
|---|---|---|---|---|---|
| 1–500 | 165,369 | 0.2 | 0.2 | 903 | 59.3 |
| 501–1,000 | 156,059 | 0.2 | 0.2 | 178 | 11.7 |
| 1,001–2,000 | 192,585 | 0.2 | 0.2 | 119 | 7.8 |
| 2,001–5,000 | 421,666 | 0.5 | 0.5 | 120 | 7.9 |
| 5,001–10,000 | 327,869 | 0.4 | 0.4 | 42 | 2.8 |
| 10,001–20,000 | 604,172 | 0.8 | 0.8 | 41 | 2.7 |
| 20,001–50,000 | 1,252,616 | 1.6 | 1.6 | 34 | 2.2 |
| 50,001–100,000 | 1,790,795 | 2.3 | 2.3 | 23 | 1.5 |
| 100,001–50,000,000 | 73,621,553 | 93.7 | 93.7 | 63 | 4.1 |
| **Total** | **78,532,684** | **100** | **100** | **1,523** | **100** |

Sources: Euroclear, Finansinspektionen, Nasdaq, Millistream.

**The 10 largest shareholders at 31 December 2015**

| Name | Share of capital and votes, % |
|---|---|
| Swedbank Robur Fonder | 9.8 |
| Toscafund Asset Management LLP | 9.1 |
| Carve Capital AB | 9.0 |
| Beagle Investments SA | 6.7 |
| Deciso AB | 6.1 |
| Olympus Investment S.à r.l. | 5.4 |
| Handelsbanken Fonder | 4.6 |
| Costas Thoupos | 4.2 |
| Carnegie Fonder | 4.0 |
| Norges Bank | 3.4 |
| **Total 10 largest shareholders** | **62.3** |
| Other shareholders | 37.7 |
| **Total** | **100.0** |

Sources: Euroclear, Finansinspektionen, Nasdaq, Millistream.

# 6 underlying trends that benefit Hoist Finance

1. **We have strong underlying drivers for growth within the financial institution NPL market.**

We believe that there are a number of secular factors impacting the industry that will result in strong growth and increased sales volumes within the financial institution NPL segment over the coming years.

- Large post-financial crisis NPL backlog – stock of NPLs has grown by 1.6x since 2008.
- Increasing debt sales volumes.
- Outsourcing trend among European banks.

2. **We are a leading pan-European debt purchaser with a focused profitable-growth strategy.**

Over the past ten years, we have followed a conscious and focused strategy of expanding into new European markets, while at the same time maintaining profitability. This has allowed us to build a diversified pan-European platform, covering the majority of Europe's large NPL markets.

3. **We are a leading debt-restructuring partner to international banks with a diversified origination network, and have expertise in structuring complex transactions.**

We offer a strong value proposition for international banks – our regulated financial institution status is a key differentiating factor.

We have established ourselves as a leading debt restructuring partner to international banks. We have also partnered with all of Europe's ten largest banks by total assets within the past nine years.

Since 2011, we have purchased almost 850 portfolios from 111 clients and have a diversified origination network.

We have expertise in structuring complex transactions.

4. **We have an amicable and solution-oriented in-house collection process.**

Our solution-oriented and amicable approach to collections aims to achieve the optimal outcome for both ourselves and our customers.

5. **Our extensive and granular Data Warehouse together with disciplined purchase processes ensure lower risk portfolios with highly attractive characteristics.**

Data is at the core of our operations and is fully integrated throughout pricing and collection.

We have strict financial requirements for investments, and standardised and disciplined purchase processes.

Our pool of portfolios is highly cash generative and provides us with significant returns.

6. **Our business is underpinned by a strong funding model.**

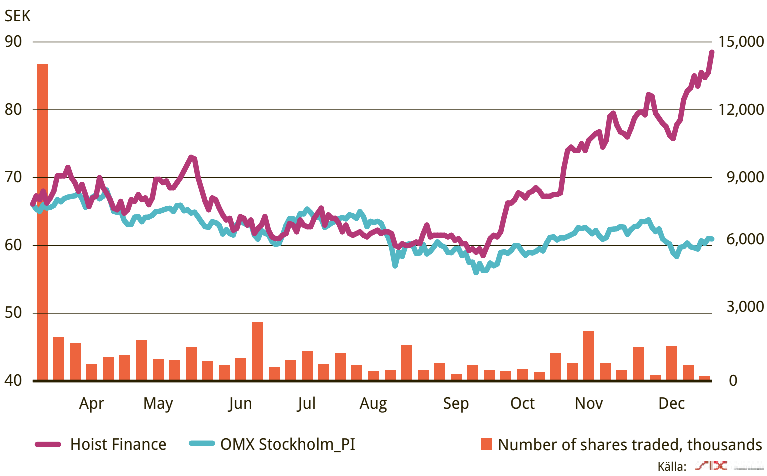
Our highly efficient and diversified funding model provides strategic flexibility. We fund ourselves through a mix of retail deposits and unsecured bonds. Our deposit funding is a source of core competitive advantage; it provides us with access to funding at comparatively low costs, and allows us to hold significant liquidity.

**Liquidity 31 March 2015 to 30 December 2015**

| | |
|---|---|
| Low, % | 57.2 |
| High, % | 88.5 |
| VWAP, % | 68.2 |
| Number of shares traded | 36,173,918 |
| Average per day | 190,389 |
| Number of trades | 52,746 |
| Average per day | 278 |
| Average value per trade, SEK | 46,806 |
| Average daily turnover, SEK M | 13,0 |
| Daily turnover rel. mcap, % | 0.24 |
| Part Nasdaq (ordinary trade), % | 47.40 |
| Part block transactions, % | 51.70 |
| Part dark pools (Nasdaq), % | 0.90 |

Sources: Euroclear, Finansinspektionen, Nasdaq, Millistream.

**Hoist Finance, 25 March 2015 – 30 December 2015**



# Content financial information

# Administration Report

## Business overview

Hoist Finance AB (publ), corporate identity number 556012-8489, is the parent company within the Hoist Finance Group. The company´s registered office is in Stockholm, Box 7848, 103 99 Stockholm. Hoist Finance AB does not conduct business operations; it provides Group-wide services and functions as a holding company for the operating business of subsidiary Hoist Kredit AB (publ), a credit market company licensed and supervised by the Swedish Financial Supervisory Authority.

Hoist Finance is a leading debt-restructuring partner to international banks and other financial institutions, with loan acquisition and management operations in eight countries across Europe. Hoist Finance specialises in the acquisition of non-performing loans (“NPLs”) originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. Hoist Finance follows its key partners across markets and often purchases portfolios in several countries where they have operations. Hoist Finance is the leading pan-European acquirer of NPLs from financial institutions. Hoist Finance also selectively purchases non-performing loans from utilities, telecommunications companies and other consumer companies and, in certain markets, secured amortising loans when appropriate. After purchasing a portfolio, Hoist Finance’s primary method of collecting from its customers is through sustainable payment plan agreements. Most of Hoist Finance’s collection activities are managed through its eleven in-house collection centres across Europe, supplemented in some cases by carefully selected local external debt servicing partners. For over 20 years, Hoist Finance has focused exclusively on the acquisition of non-performing loan portfolios. This distinguishes Hoist Finance from many of its competitors, which have evolved from being solely collection companies (i.e., collect on behalf of a third party) and, therefore, have significantly shorter histories in acquiring loans. This long-term focus and the Group’s flexible and tailored product offering have allowed Hoist Finance to develop the expertise and know-how to structure and execute complex transactions.

The Group has operated a traditional internet-based retail deposit service in Sweden since 2009 under the HoistSpar brand. As a licensed and supervised credit company, Hoist Finance can offer the public a deposit service which is fully covered by the Swedish state deposit guarantee scheme up to an amount of EUR 100,000 for each account. This gives the Group a cost-effective, flexible and reliable source of funding, which is primarily used for the acquisition of non-performing loans.

## Market

Hoist Finance’s geographic focus is Europe. The Group has portfolios in Germany, Austria, France, the UK, Belgium, the Netherlands, Italy and Poland and a deposit service in Sweden. By selling their NPLs, banks and other originators can focus on their core business, free up capital as well as management capacity and organisational resources, improve liquidity, limit the risk of doubtful payment profiles and improve key performance ratios. The European market for non-performing loans has grown in recent years, mainly as a result of the underlying market expansion of the consumer credit market and the new capital adequacy (Basel III) regulations. Hoist Finance’s main competitors include debt acquisition and collection companies, integrated players offering a wide range of financial services and specialised investors.

### Group structure and ownership

Hoist Finance was listed on the NASDAQ Stockholm Mid Cap list on 25 March 2015. The number of shares totalled 78,532,684 and the share price was set at SEK 58, corresponding to a market capitalisation of SEK 4,555 million. The share price closed at SEK 88.50 on 30 December 2015. See Hoist Finance’s website, www.hoistfinance.com for additional information on the share and shareholders.

The Articles of Association do not include any restrictions on the negotiability of the shares and there are no other factors that require disclose under Chapter 6 §2a 3-11 of the Swedish Annual Accounts Act.

The Group’s loan portfolios are acquired and held by Hoist Kredit and other Group subsidiaries. Day-to-day collection operations are mostly run by local branch offices and subsidiaries. Some of these companies also provide fee-based administration services to third parties.

Please see Note 15, Group companies, for details on the Hoist Finance Group and its key subsidiaries and branch offices as of 31 December 2015.

## Dividend

The Board of Directors proposes to the AGM a dividend of 0.75 SEK per share and further, that the record day for dividend is 3 May 2016. Total proposed dividend amounts to SEK 59 million. The ex-dividend date for the Hoist Finance share is 2 May 2016. The dividend payments are scheduled to be on 9 May 2016.

The Board makes the assessment that the proposed dividend is justifiable in view of the requirements imposed on consolidated equity by the Group’s operations, scope and risks, and in the view of the Group’s need for consolidation, liquidity and financial position in other respects.

### Key events in 2015

- The Company’s shares were listed on the NASDAQ Stockholm Mid Cap list on 25 March 2015.
- Acquisition of debt restructuring company Compello Holdings Ltd. in the UK. The acquisition included a diversified portfolio of claims on banks, comprised of over one million loans from 20 different financial institutions and a well-established call centre.
- The decision was made during the third quarter to divide operational activities into three regions to make the organisation more efficient and strengthen Hoist Finance’s position in Europe. The change came into effect on 1 January 2016 and will involve a new form of segment reporting.
- A large portfolio from Banco Popolare in Italy was acquired during the fourth quarter. With the acquisition, Hoist Finance strengthens its position in the non-performing loan segment for secured and unsecured loans from small and medium enterprises (SMEs).
- A major transaction with an international bank in Poland was conducted at the end of the year, involving the acquisition of loan portfolios and the takeover of employees. Hoist Finance will open a new office in Gdansk during the first six months of 2016 as a result of the transaction.
- The integration of Navi Lex Sp.z.o.o (name changed to Hoist Polska Sp.z.o.o), in Poland (acquired in late 2014) and Compello Holdings Ltd. (acquired in Q3 2015) proceeded according to plan.
- The Company conducted CSR-focused management development training as part of Hoist Finances Corporate Social Responsibility work.

## Developments during 2015 financial year

### Operating income and financial items

Due to continued high acquisition activity during the latter part of 2015 and the acquisition of Compello Holdings Ltd. in the UK, gross collections on acquired loan portfolios increased 43 per cent to SEK 3,631 million (2,541). Portfolio amortisation and revaluation totalled –1,627 million (–1,143), of which portfolio revaluation totalled SEK –39 million (–15). Interest income from the run-off consumer loan portfolio decreased during the year in line with portfolio amortisation, and totalled SEK 10 million (38). The run-off consumer loan portfolio’s carrying value was SEK 58 million (119) as at 31 December 2015. Net revenue from the run-off consumer loan portfolio thus increased 40 per cent, to SEK 2,015 million (1,436).

Fee and commission income totalled SEK 167 million (153). The change was primarily attributable to an increase in fees and commissions following the acquisition of the Polish company Kancelaria Navi Lex Sp.z.o.o. and a decrease in fees and commissions in the UK. Profit from shares and participations in the joint venture in Poland (BEST III) decreased from SEK 59 million in 2014 to SEK 55 million in 2015, as no further investments will be made within the joint venture's scope. The profit includes a capital gain of SEK 44 million on the redemption of shares. The BEST III holding is reported in accordance with the equity method. The carrying value of Hoist Finance's share in the joint venture totalled SEK 206 million (215) at 31 December 2015.

Other income totalled SEK 11 million (12).

Total revenue increased to SEK 2,247 million (1,661). Total financial items (i.e., the net of interest income and interest expense excluding interest income from the run-off consumer loan portfolio) amounted to SEK –390 million (–311). To accommodate higher anticipated acquisition volumes, Hoist Finance continued to build and maintain good liquidity during 2015, primarily through increased HoistSpar deposits. In addition, falling market rates resulted in reduced interest income from investments in treasury bills and treasury bonds. Net income from financial transactions including financing costs totalled SEK –15 million (–18) and relates to the effects of currency and interest hedges via derivatives.

### Operating expenses

Operating expenses, excluding depreciation and amortisation of tangible and intangible assets, totalled SEK –1,525 million, a year-on-year increase of 39 per cent (–1,101). The increase in operating expenses is largely related to the acquisitions of Compello Holdings Ltd. and Kancerlaria Navi Lex Sp.z.o.o. The remaining increase is attributable to acquisitions and increased business volumes, which include some portfolios with a higher share of legal collection costs. Operating expenses in 2015 include some non-recurring items, including costs directly attributable to the listing of the Company's shares. These expenses totalled SEK 80 million, of which SEK 47 was reported as operating expense and the remaining SEK 33 million reduced the amount of paid-in capital from the new share issue. 2015 expenses also included SEK 17 million in personnel costs associated with the reorganisation of operations and SEK 18 million in acquisition costs for the acquisition of Compello Holdings Ltd. in July 2015. Hoist Finance also strengthened its central functions and internal systems during 2015, which entailed some cost increases. Integration work with Compello Holdings Ltd, including the migration of loan portfolios and personnel, proceeded according to plan.

Depreciation and amortisation of tangible and intangible assets totalled SEK –47 million (–30). The year-on-year increase in amortisation is mainly attributable to the increased amortisation of IT systems. The remainder of the increase is attributable to assets associated with the acquisitions of Kancerlaria Navi Lex Sp.z.o.o and Compello Holdings Ltd.

### Profit before tax and net income

Profit before tax increased to SEK 285 million (218) due to the Group's continued strong performance. Reported tax expense totalled SEK –55 million (–38), corresponding to approximately 19 per cent of the Group's profit before tax. Tax expense was positively impacted by the utilisation of tax loss carry-forwards that were not reported in the balance sheet. The differing tax rates between countries also had a positive impact on tax expense, although this was off-set by de-recognised loss carry-forwards that matured as well as loss carry-forwards that were not recorded during the financial year.

Total comprehensive income, including currency translation differences, totalled SEK 191 million, a year-on-year increase of SEK 4 million.

## Cash flow

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Cash flow from operating activities | –680 | –758 | –10 |
| Cash flow from investing activities | 506 | –782 | n/a |
| Cash flow from financing activities | 501 | 1,222 | –59 |
| **Cash flow for the year** | **327** | **–318** | **n/a** |

Cash flow from operating activities totalled SEK -680 million (–758). Gross collections on acquired loan portfolios increased to SEK 3,631 million (2,541) due to greater portfolio volumes, and expenses increased along with expansion of the business. Adjusted for translation differences, acquired loans during the year totalled SEK 4,054 million (3,732). HoistSpar's deposits from the public maintained strong inflows, totalling SEK 1,782 million (1,216) during the year. Fixed term deposit inflows were somewhat higher than inflows to variable interest accounts.

Cash flow from investing activities increased to SEK 506 million (–782) due mainly to continued reallocation of the liquidity reserve as a result of the regulatory requirements that took effect in 2014, under which bonds and other securities with higher credit risk were reduced and invested in treasury bills and treasury bonds. Hoist Finance sold bonds and other securities in 2015 totalling SEK 615 million net. Hoist Finance therefore maintains liquidity for anticipated future acquisitions.

Cash flow from financing activities totalled SEK 501 million (1,222) as a result of a new share issue associated with the share listing in March. This was mitigated somewhat by the buy-back of issued bonds during the year. The Group continued to optimise its funding structure in 2015 through the buy-back of issued bonds denominated in SEK. Of the original issued amount of SEK 750 million, there remained as at 31 December 2015 SEK 339 million in outstanding bonds denominated in SEK.

Total cash flow for the year totalled SEK 327 million (–318).

## Funding and capital structure

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Deposits from the public | 12,791 | 10,987 | 16 |
| Subordinated liabilities | 337 | 333 | 1 |
| Senior unsecured liabilities | 1,238 | 1,493 | –17 |
| **Total interest-bearing liabilities** | **14,367** | **12,813** | **12** |
| Other liabilities | 796 | 852 | –7 |
| Shareholders' equity | **2,289** | **1,397** | **64** |
| **Total liabilities and shareholders' equity** | **17,451** | **15,062** | **16** |
| Cash and interest-bearing assets | 5,240 | 5,560 | 6 |
| Other assets | 12,212 | 9,501 | 29 |
| **Total assets** | **17,451** | **15,062** | **16** |
| CET1 ratio, % | 12.32 | 9.35 | 3 pp |
| Total capital ratio, % | 15.21 | 12.17 | 3 pp |

Hoist Finance funds its operations mainly through deposits. As at 31 December 2015, deposits from the public totalled SEK 12,791 million (10,987). Of these deposits, SEK 4,564 million is comprised of 12-, 24-, and 36-month fixed term deposits. In line with the strategy to continue diversifying the Group's funding, a bond issue in EUR was conducted during Q4 2014. As at 31 December 2015, outstanding bond debt totalled SEK 1,238 million.

Shareholders' equity totalled SEK 2,289 million (1,397). The own funds has been significantly strengthened through the new share issues conducted in 2014 and the new shares issued in conjunction with the IPO in 2015.

The total capital ratio improved to 15.21 per cent (12.17) and the CET1 ratio to 12.32 per cent (9.35). Hoist Finance is thus well-capitalised for continued expansion through the acquisition of non-performing consumer loans.

Cash and interest-bearing securities totalled SEK 5,240 million (5,560).

Basic earnings per share totalled SEK 2.90 (2.84).

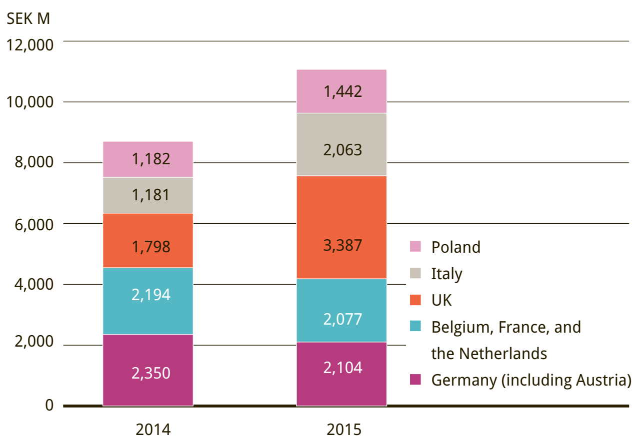
## Portfolio acquisitions

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Portfolio acquisitions | 4,370 | 3,227 | 35 |
| Carrying value of acquired loans | 11,279 | 8,921 | 26 |

In 2015, Hoist Finance's continued active acquisition of loan portfolios resulted in further geographic diversification and penetration on current markets. The total acquisition volume in 2015 was SEK 4,370 million (3,227). The carrying value of acquired loans totalled SEK 11,279 million (8,921) as at 31 December 2015, an increase of 26 per cent.

Amoung larger acquisitions observed, was the diversified loan portfolio in the UK included with the acquisition of the shares in Compello Holdings Ltd., Additional significant loan portfolio acquisitions were conducted, mainly during Q4 in Italy and the UK. Hoist Finance has a carrying value of SEK 11,279 million in acquired loans, a year-on-year increase of SEK 2,358 million. To finance expansion during the year, Hoist Finance mainly utilised cash flow surpluses generated by the business and, to a lesser extent, increased deposits from the public.

**Geographic distribution of loan portfolios**




# Segment overview

The table below shows the earnings trend for each operating segment, based on operating income statement exclusive of the segments' central functions and eliminations. See Note 1 for additional details.

## Germany and Austria

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Gross collections on acquired loan portfolios | 871 | 724 | 20 |
| Portfolio amortisation and revaluation | –435 | –349 | 25 |
| Interest income from run-off consumer loan portfolio | 10 | 38 | –73 |
| **Net revenue from acquired loans** | **446** | **413** | **8** |
| Fee and commission income | 9 | 18 | –50 |
| Other income | 12 | 14 | –17 |
| **Total revenue** | **467** | **446** | **5** |
| Personnel expenses | –149 | –133 | 12 |
| Other operating expenses | –99 | –85 | 16 |
| Depreciation and amortisation of tangible and intangible assets | –4 | –3 | 22 |
| **Operating expenses** | **–251** | **–221** | **13** |
| **EBIT** | **216** | **224** | **–4** |
| EBIT margin, % | 46 | 50 | –4 pp |
| Expenses/Gross collections on acquired loan portfolios, % | 26 | 25 | 1 pp |
| Carrying value of acquired loan portfolios[1] | 2,104 | 2,350 | –10 |

1) Including run-off consumer loan portfolio and portfolios held in joint venture.

### Operating income

Gross collections on acquired loan portfolios increased 20 per cent in 2015 to SEK 871 million (724). Performance was positively impacted by the large acquisitions conducted during the first half of the year. Portfolio amortisation and revaluation totalled SEK –435 million (–349) in 2015. The proportionally lower year-on-year portfolio amortisation is due to positive portfolio revaluation effects in 2015 of SEK 53 million (–8), attributable to factors including an increase in legal collections and higher than expected returns for some large portfolios. Income from the run-off consumer loan portfolio decreased from SEK 38 million to SEK 10 million on a full-year basis due to the progressive amortisation of the portfolio. Fee and commission income was lower in 2015 due to the acquisition of a portfolio that Hoist Finance previously serviced on behalf of a third party and that is now included in gross collections on acquired loan portfolios. Total income increased to SEK 467 million (446).

### Operating expenses

Operating expenses increased 13 per cent in 2015 to SEK 251 million (221) due to higher personnel costs relating to acquisitions in 2015. The increased costs are also linked to an increased share of collection via legal processes and external parties.

### EBIT
EBIT for the segment totalled SEK 216 million (224) for full-year 2015, with a corresponding EBIT margin of 46 per cent (50). The deterioration in profitability is primarily attributable to lower revenue from the run-off consumer loan portfolio and higher operating expenses.

### Acquisitions
Fewer acquisitions were conducted in 2015, despite continued activity on the non-performing loan market. The carrying value of acquired loan portfolios totalled SEK 2,104 million (2,350) as at 31 December 2015.

## Belgium, France and the Netherlands

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Gross collections on acquired loan portfolios | 892 | 733 | 22 |
| Portfolio amortisation and revaluation | –576 | –485 | 19 |
| **Net revenue from acquired loans** | **316** | **248** | **27** |
| Fee and commission income | 7 | 7 | –1 |
| Other income | 0 | 0 | –110 |
| **Total revenue** | **323** | **256** | **26** |
| Personnel expenses | –90 | –87 | 3 |
| Other operating expenses | –127 | –103 | 24 |
| Depreciation and amortisation of tangible and intangible assets | –2 | –5 | –49 |
| **Operating expenses** | **–219** | **–194** | **13** |
| **EBIT** | **104** | **61** | **69** |
| EBIT margin, % | 32 | 24 | 8 pp |
| Expenses/Gross collections on acquired loan portfolios, % | 24 | 25 | –1 pp |
| Carrying value of acquired loans loan portfolios | 2,077 | 2,194 | –5 |

### Operating income
Gross collections on acquired loan portfolios increased 22 per cent in 2015 to SEK 892 million (733). The increase was primarily attributable to increased collections in the Netherlands and Belgium, where large VAT recoveries contributed to higher collection levels. Portfolio amortisation and revaluation totalled SEK –576 million (–485). The increase was mainly due to a portfolio revaluation in France.

### Operating expenses
Operating expenses totalled SEK –219 million (–194) in 2015. Cost increased as a result of higher collection rates as collections are mostly outsourced to third parties on a variable rate.

### EBIT
The segment's EBIT totalled SEK 104 million (61) in 2015, with a corresponding EBIT margin of 32 per cent (24). The improvement is primarily attributable to increased VAT recoveries in the Netherlands.

### Acquisitions
Acquisitions activity reduced year-on-year in the Netherlands and Belgium, while France increased its year-on-year loan portfolio acquisition volumes. The carrying value of acquired loan portfolios totalled SEK 2,077 million (2,194) as at 31 December 2015.

## UK

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Gross collections on acquired loan portfolios | 814 | 527 | 54 |
| Portfolio amortisation and revaluation | –204 | –201 | 2 |
| **Net revenue from acquired loans** | **609** | **327** | **87** |
| Fee and commission income | 108 | 128 | –16 |
| Other income | 1 | 3 | –57 |
| **Total revenue** | **718** | **458** | **57** |
| Personnel expenses | –184 | –135 | 37 |
| Other operating expenses | –276 | –138 | 100 |
| Depreciation and amortisation of tangible and intangible assets | –5 | –5 | 17 |
| **Operating expenses** | **–465** | **–277** | **68** |
| **EBIT** | **253** | **181** | **40** |
| EBIT margin, % | 35 | 40 | –4 pp |
| Expenses/Gross collections on acquired loan portfolios, % | 44 | 28 | 16 pp |
| Carrying value of acquired loan portfolios | 3,387 | 1,798 | 88 |

### Operating income
Gross collections on acquired loan portfolios totalled SEK 814 million (527). The increase was primarily the result of the acquisition of Compello Holdings Ltd. during Q3 2015.

### Operating expenses
Operating expenses totalled SEK –465 million –277) in 2015. As with operating income, the increase is mainly attributable to the acquisition of Compello Holdings Ltd., which involved acquisition costs, one more site and increased personnel costs. Other operating expenses increased to SEK –276 million (–138), due to primarily to increased legal collections costs. The amortisation rate was on par with 2014 despite the above mentioned acquisition.

### EBIT
The segment's EBIT totalled SEK 253 million (181) in 2015, with a corresponding EBIT margin of 35 per cent (40). The improvement is primarily attributable to Compello Holdings Ltd.'s contribution to profit.

### Acquisitions
Acquisition activity increased in 2015, with most of the volume increase attributable to the acquisition of Compello Holdings Ltd. The carrying value of acquired loan portfolios totalled SEK 3,387 million (1,798) as at 31 December 2015.

## Italy

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Gross collections on acquired loan portfolios | 589 | 261 | 126 |
| Portfolio amortisation and revaluation | –221 | –91 | 143 |
| **Net revenue from acquired loans** | **367** | **170** | **117** |
| Fee and commission income | 6 | – | – |
| Other income | 1 | 0 | 354 |
| **Total revenue** | **374** | **170** | **121** |
| Personnel expenses | –57 | –18 | 218 |
| Other operating expenses | –126 | –86 | 47 |
| Depreciation and amortisation of tangible and intangible assets | –6 | –2 | 155 |
| **Operating expenses** | **–189** | **–106** | **78** |
| **EBIT** | **185** | **64** | **191** |
| EBIT margin, % | 49 | 37 | 12 pp |
| Expenses/Gross collections on acquired loan portfolios, % | 31 | 41 | –10 pp |
| Carrying value of acquired loan portfolios | 2,063 | 1,181 | 75 |

### Operating income

Gross collections on acquired loan portfolios increased 126 per cent to SEK 589 million (261). The increase was primarily the result of the significant acquisition conducted during Q4 2014 and the additional portfolios acquired in 2015. Portfolio amortisation and revaluation totalled SEK –221 million (–91) for full-year 2015 and was mainly attributable to the above-named Q4 2014 acquisition.

### Operating expenses

The change in operating expenses, which increased 78 per cent to SEK –189 million (–106), reflects the fact that Hoist Finance has operated its own collection business in Italy, with 146 full-time employees, for the full year 2015. The significant increase was mainly attributable to an increase in 'Other operating expenses' arising largely from expenses related to portfolios acquired during the year.

### EBIT

The segment's EBIT totalled SEK 185 million (64) in 2015, with a corresponding EBIT margin of 49 per cent (37).

### Acquisitions

2015 acquisition activity continued to be high and was even somewhat higher than previous year's high level. The carrying value of acquired loan portfolios totalled SEK 2,063 million (1,181) as at 31 December 2015.

## Poland

| SEK M | 2015 | 2014 | Change, % |
|---|---|---|---|
| Gross collections on acquired loan portfolios | 465 | 296 | 57 |
| Portfolio amortisation and revaluation | –190 | –17 | – |
| **Net revenue from acquired loans** | **276** | **279** | **–1** |
| Fee and commission income | 37 | – | – |
| Other income | 0 | – | – |
| **Total revenue** | **313** | **279** | **12** |
| Personnel expenses | –24 | –2 | – |
| Other operating expenses | –75 | –75 | – |
| Depreciation and amortisation of tangible and intangible assets | –4 | – | – |
| **Operating expenses** | **–102** | **–77** | **33** |
| **EBIT** | **211** | **202** | **5** |
| EBIT margin, % | 67 | 72 | –5 pp |
| Expenses/Gross collections on acquired loan portfolios, % | 14 | 26 | –12 pp |
| Carrying value of acquired loan portfolios | 1,442 | 1,182 | 22 |

### Operating income

Gross collections on acquired loan portfolios increased 57 per cent to SEK 465 million (296). The increase is primarily attributable to loan portfolios acquired in 2015 and to continued stable collections for previously acquired loan portfolios. Portfolio amortisation and revaluation totalled SEK –190 million (–17). This development reflects the normalisation of the rate of amortisation for accumulated loan portfolios in 2015. The low rate of amortisation in 2014 is due to the high initial costs associated with several large loan portfolios that were charged to the period. The normalisation of the amortisation rate should thus be viewed in combination with the increase in cash flow.

### Operating expenses

Operating expenses increased 33 per cent to SEK 102 million (77). The increase was mainly attributable to personnel expenses, a result of costs associated with work force growth stemming from acquisition of Kancerlaria Navi Lex SpZ.O.O. in December 2014.

### EBIT

The segment's EBIT totalled SEK 211 million (202) in 2015, with a corresponding EBIT margin of 67 per cent (72).

### Acquisitions

The carrying value of acquired loan portfolios totalled SEK 1,442 million (1,182) as at 31 December 2015. Hoist Finance conducted a transaction during Q4 2015 on the Polish market involving loan portfolios and the takeover of personnel, and will open a new office in Gdansk during the first half of 2016. Anticipated loan portfolio acquisitions resulting from this transaction had a minor impact in 2015 and will be completed primarily during 2016.

## Parent Company

The Parent Company serves as a holding and purchasing company for the operating subsidiary Hoist Kredit AB (publ) and its sub-group. The parent Company's net profit totalled SEK 78 million (12). The revenue in the company consist of intragroup transactions. The year-on-year change in earnings is primarily attributable to the inclusion in 2015 of expenses associated with the listing of the Company's shares. These expenses totalled SEK 80 million, of which SEK 47 million was reported as operating expense and the remaining SEK 33 million reduced the amount of paid-in capital for the new share issue. In addition, the company received group contributions of SEK 183 million (0) and made a SEK –23 million (-1) provision to the tax allocation reserve; this also impacted the company's tax expense, which totalled SEK –25 million (–1).

Shareholders' equity totalled SEK 1,749 million (918) as at 31 December 2015. Hoist Finance conducted a SEK 33 million directed share issue to London-based Cruz Industries Ltd. in February 2015. A total of 12,931,034 shares were issued in conjunction with the IPO in March, entailing a capital contribution of SEK 726 million. Transaction costs of SEK 33 million were deducted from the nominal amount of the share issue. A 1:3 share split was conducted prior to the Company's IPO.

## Non-financial performance indicators

### Employees

The Group is an international group of companies that encompasses a great variety of nationalities, languages, professions and cultures. Group employees come from a wide range of backgrounds, including previous careers in law, finance, research and other professional fields. Sickness absence per country is relatively low. Hoist Finance also has comparatively low employee turnover in view of the fact that the largest group of employees is comprised of collection agents with working conditions that resemble conditions at call centres, which are generally known to have very high staff turnover. Each country sets goals and makes improvements in the personnel area based on the country's unique requirements. The Group has HR-related policies, including its Remuneration Policy. Additional information on the Remuneration Policy is presented in note 5.

Hoist Finance acquired debt restructuring company Compello Holdings Ltd. in July 2015.

At 31 December 2015 the number of Group employees totalled 1,246 (881), of which 57 per cent (60) were women.

### Corporate Social Responsibility

Hoist Finance continuously work with Corporate Social Responsibility issues. This works, based on a responsible approach to customers and partners, is described in more detail in the CSR section of the Annual Report.

### Hoist Finance Model

The "Hoist Finance Model" involves solution-oriented, amicable mutual agreements in which Hoist Finance works with its customers to develop constructive and realistic solutions to improve the customers' financial situation. Hoist Finance has a constructive approach to collection, with the goal of achieving optimal results for the Group as well as for the customers. In practice, this means that Hoist Finance focuses on helping the customers set up sustainable payment plans as opposed to taking legal action. The Group's in-house collection platforms also ensure that the Group can control the collection process, which ensures good communication with the customers. There are two main advantages to this approach: firstly, the customer is more inclined to pay voluntarily, which reduces the likelihood of a more costly legal solution; secondly, payment plans designed with the customers maximise the Group's cash flow over time and entail a stable cash flow over a longer period. Since banks are responsible for their clients even after the customer's loan has been sold (e.g., to Hoist Finance), the Group's reputation for ethical behaviour and an accommodating approach is a prerequisite for the debt originators to feel secure in a sale of assets to Hoist Finance.

## Significant risks and uncertainties

The Group is governed by many regulations due to the status of subsidiary Hoist Kredit AB as a credit market company. Since new and amended regulations may have an impact on the Company, Hoist Finance carefully monitors regulatory developments such as Basel IV capital and liquidity regulations and amendments to deposit guarantee scheme regulations.

Hoist Finance is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended bank and credit market company regulations may affect the company directly (eg, via Basel IV capital and liquidity regulations) and indirectly through the impact of similar regulations on the market's supply of loan portfolios. Due to the Company's substantial deposits from the public, changes to the deposit guarantee scheme, for instance, may impact the Company. In other areas such as consumer protection, new regulations may require the Company to adjust the way in which it operates its collection activities. The Company's loan portfolios are valued based on anticipated future collection levels. Factors that affect the Company's capacity to achieve collection level forecasts sustainably and cost efficiently are therefore uncertainty factors.

A report on Hoist Finance's risk management is presented in Note 30, Risk management.

### Development of risks

**Credit risk** from loan portfolios is deemed to have increased proportionally with the volume of acquired loans during 2015. The concentration risk decreased during the year with the acquisition of more portfolios, which resulted in greater risk diversification. The year's largest acquisition – Compello Holdings Ltd. in the UK – is itself a diversified portfolio. The Group holds portfolios in Germany, Austria, France, the UK, Belgium, the Netherlands, Italy and Poland, representing a broad distribution and hence a diversification of credit risks. Hoist Finance reviewed and, where necessary, revalued its credit portfolios in 2015. With high-quality valuations, the credit risk – defined as the probability of significant revaluations of credit portfolios – is therefore deemed to be low as we enter 2016. The liquidity portfolio's credit risk is low and decreased during the year as more investments were made in government and municipal bonds.

**Operational risk** has been a prioritised area for the Company's risk management and risk control this year. A number of initiatives have been taken to improve procedures and routines within the Group. Operational risk is considered a risk area that has increased somewhat during the year due to the Company's rapid expansion. The primary reasons for the increase are deemed to be increased risks associated with the integration of acquired companies (systems integration and differences in corporate culture) and risks relating to cross border activities associated with operating businesses in other European countries from headquarters in Sweden. Hoist Finance has limited these risks with project management, strict guidelines for incident reporting, risk identification and improved management of operational risks.

**Market risks** were low during the year, as Hoist Finance continuously hedge both interest rate risk and FX risk. Hoist Finance reduced interest rate risk during the year by hedging its funding costs to a greater extent, primarily through longer-term interest rate hedges. The potential financial impact of liquidity portfolio bond revaluations due to changes to the credit spread risk was unchanged during the year. However, the probability of major credit spread fluctuations is deemed to have decreased, as the liquidity portfolio's credit quality improved during the year through the increased number of investments in Swedish Treasury bills. Foreign exchange risk remained low during the year, as the Company's open FX exposure is continuously hedged with currency hedges.

**Capitalisation** for Hoist Finance was strengthened during the year. Own funds increased from SEK 1,376 million to SEK 2,258 million, and the CET1 ratio from 9.35 to 12.32 per cent. The Company is therefore better able to absorb unanticipated events without jeopardising its solvency, and the Company is well capitalised for continued growth.

**Liquidity risk** was low during the year, mainly due to the availability of a large liquidity portfolio with highly liquid instruments to alleviate liquidity disturbances, but also to stable funding comprised primarily of deposits from the public.

## Remuneration to senior executives

Information on the most recent guidelines for remuneration to senior executives is presented in Note 5. At the April 2016 AGM, the Board of Directors will propose that the AGM approve the following guidelines. The guidelines are essentially unchanged from previous years.

### The complete proposed guidelines for senior executive remuneration of the Board of Directors of Hoist Finance AB (publ), corp. ID no. 556012-8489.

The term "senior executives" refers to the CEO and other senior executives of Hoist Finance AB (publ) and its subsidiaries.

Remuneration for senior executives is comprised of fixed salary, variable salary, pension and other benefits. Remuneration is designed to encourage employees to deliver results in line with the Company's targets, strategy and vision and to act in accordance with the Company's ethical code and basic principles. It is also designed to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. Remuneration is structured to encourage good performance, prudent behaviour and risk-taking aligned with customer and shareholder expectations. Salaries are age- and gender-neutral and anti-discriminatory. Hoist Finance views remuneration from a comprehensive perspective and, accordingly, takes all remuneration components into account. Remuneration is weighted in favour of fixed salary, which is based on the position's complexity and level of responsibility, prevailing market conditions and individual performance.

Variable salary for senior executives shall not exceed 50 per cent of fixed salary. Variable remuneration is based on various financial and non-financial criteria determined by the Board of Directors and is linked to the performance of the Group and the relevant business unit as well as to individual targets. No variable remuneration is paid to control function managers (Risk, Compliance and Internal Audit) on the Group level.

Variable remuneration takes into account the risks involved in the Company's operations and is proportional to the Group's earning capacity, capital requirements, profit/loss and financial position. The payment of variable remuneration must not undermine the Group's long-term interests and is contingent upon the recipient's compliance with internal regulations and procedures, including the policy regulating conduct with respect to customers and investors. Variable remuneration is not paid to an employee who has participated in or been responsible for any action resulting in significant financial loss for Hoist Finance or the relevant business unit.

For members of the Executive Management Team, payment of 60 per cent of variable remuneration is deferred for a period of at least three years. The corresponding figure is 40 per cent for other senior executives classified as risk takers under applicable regulations. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the Group's financial situation and the performance and conduct of the Group, the relevant business unit and the employee.

Pensions and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans and does not apply discretionary pension benefits. There are defined-benefit pension plans in Germany, but no provisions are made for pension contributions. A few senior executives receive gross salary; in these instances, the Company does not make pension contributions. Other benefits are designed to be competitive in relation to similar operators in the respective country.

Remuneration for new hires ("sign-on bonuses") are only offered in exceptional cases and then only to compensate for the lack of variable remuneration in the employee's previous employment contract. Sign-on bonuses are paid during the year in which the employee begins work. Decisions on exceptional cases are made in accordance with the decision-making process for variable remuneration.

Issuing loans to employees is not permitted.

Upon the Group's termination of an employment contract, the maximum notice period is twelve months and no redundancy payment is made.

Board Members, elected at General Meetings, in certain cases may receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board. Remuneration may be payable up to SEK 50 000 for a Board Member's work in the board of a subsidiary.

The Board of Directors shall have the right to deviate from the principles decided at the Annual General Meeting if there are specific reasons in a particular case.

## Report on the most important elements of the system for internal control and risk management for financial reporting

The Board's report on the most important elements of the system for internal control and risk management for financial reporting for financial year 2015 is presented as a separate section in the Corporate Governance Report.

## Subsequent events

No significant events affecting the business occurred after the end of the reporting period.

## Outlook

With stricter capital adequacy requirements, European banks will continue to have a great need to divest non-performing credit portfolios to generate return on investment capital. Return requirements cannot be achieved with large portfolios of non-performing loans on the balance sheet – which is the situation for many international banks. Market conditions are therefore deemed to remain favourable going forward. With Hoist Finance's strong financial position and geographic presence, Hoist Finance is well positioned to capitalise on the growth potential on the market in the years ahead.

For 2016 the goal is to grow in the same way that has been the foundation of Hoist Finance's success so far – high efficiency, good cost control and a sustained high rate of acquisition. And Hoist Finance will continue to actively evaluate opportunities to enter new geographic markets in Europe.

Hoist Finance will also work to further strengthen its position to ensure that Hoist Finance is the leading partner of international banks and financial institutions in Europe.

Hoist Finance's targets for 2016 are an acquisition volume on a par with the previous three years.

# Five year summary

## Consolidated income statement

| SEK thousand | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Total operating income | 1,807,826 | 1,290,775 | 1,062,563 | 513,785 | 776,875 |
| *whereof net interest income* | *1,645,833* | *1,143,053* | *906,129* | *427,292* | *689,304* |
| Total operating expenses | –1,572,236 | –1,130,948 | –948,938 | –539,303 | –411,885 |
| Profit before tax | 285,131 | 218,489 | 150,031 | 30,206 | 5,076 |
| **Net profit for the year** | **230,522** | **180,103** | **116,916** | **28,744** | **17,279** |

## Consolidated balance sheet

| SEK thousand | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2013 | 31 Dec 2012 | 31 Dec 2011 |
|---|---|---|---|---|---|
| Cash and lending to credit institutions | 858,797 | 1,293,051 | 3,926,883 | 2,245,851 | 2,431,399 |
| Treasury bills and treasury bonds | 3,077,827 | 2,316,110 | – | – | – |
| Lending to the public | 77,994 | 157,232 | 328,951 | 537,613 | 83,388 |
| Acquired loan portfolios | 11,014,699 | 8,586,782 | 5,997,935 | 3,363,907 | 2,363,389 |
| Bonds and other interest-bearing securities | 1,303,214 | 1,951,241 | 1,297,677 | 732,672 | – |
| Participations in joint ventures | 205,557 | 215,347 | 192,230 | 180,843 | 123,869 |
| Fixed assets | 277,255 | 203,048 | 99,062 | 79,715 | 106,695 |
| Other assets | 636,134 | 339,018 | 194,493 | 101,137 | 117,947 |
| **Total assets** | **17,451,477** | **15,061,829** | **12,037,231** | **7,241,738** | **5,226,687** |
| Deposits from the public | 12,791,377 | 10,987,289 | 9,701,502 | 6,366,256 | 4,495,101 |
| Other liabilities and provisions | 2,371,340 | 2,677,350 | 1,520,287 | 236,134 | 221,242 |
| Shareholders' equity | 2,288,760 | 1,397,190 | 815,442 | 639,348 | 510,344 |
| **Total liabilities and shareholders' equity** | **17,451,477** | **15,061,829** | **12,037,231** | **7,241,738** | **5,226,687** |

## Key ratios

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Gross collections, SEK M | 3,631 | 2,541 | 1,641 | 887 | 688 |
| Total revenues, SEK M | 2,247 | 1,661 | 1,275 | 667 | 841 |
| EBIT, SEK M | 675 | 530 | 326 | 128 | 429 |
| EBIT-margin, % | 30.0 | 31.9 | 25.6 | 19.2 | 51.0 |
| Acquired loan portfolios, SEK M[2)] | 4,370 | 3,227 | 3,266 | 1,511 | 289 |
| Total capital ratio, % | 15.2 | 12.2 | 11.6 | 9.7 | 11.4 |
| Common Equity Tier 1 ratio, % | 12.3 | 9.4 | 5.6 | 8.0 | 10.4 |
| ERC 120m, SEK M | 19,367 | 15,576 | 10,673 | 5,981 | 3,836 |
| Return on equity, % | 13 | 16 | 16 | 5 | 3 |
| Average number of employees (FTEs) | 1,246 | 881 | 712 | 404 | 366[1)] |
| Return on assets, % | 1.4 | 1.3 | 1.2 | 0.5 | 0.3 |

1) Average of fiscal years 1 January – 30 June 2011 and 1 July – 31 December 2011
2) Excluding non-matured portfolio of consumer loans and investments in joint venture

# Corporate Governance Report

Good corporate governance aims to create favourable conditions for shareholder involvement. This is done through well-defined and well-balanced assignment of responsibilities between the company's executive and shareholder functions. This ensures that accurate information is being presented to the market. The Corporate Governance report is part of the company´s administration report and is reviewed by the company´s auditors.

The aim of corporate governance is to ensure that the company is run as efficiently and effectively as possible in the interest of its shareholders, and that Hoist Finance complies with corporate governance and other rules prescribed by regulatory and supervisory authorities. Corporate governance also aims to create order and a systematic approach for the Board of Directors and management. With a clear structure and well-defined rules and procedures, the Board of Directors can ensure that management and employees are focused on developing the business and, accordingly, on creating shareholder value.

Hoist Finance is a Swedish public limited liability company with corporate identification number 556012-8489. The company has its registered office and headquarters in Stockholm.

### Application of Swedish Corporate Governance Code

All companies with shares listed on NASDAQ Stockholm or NGM Equity, regardless of market capitalisation, have been required since 1 July 2008 to apply the Swedish Corporate Governance Code. The Code is based on the "comply or explain" principle, meaning that a company's deviation from the Code's provisions is not deemed a breach thereof if the company explains its reason for doing so. Hoist Finance currently complies with all Code provisions. The corporate governance report is part of the company's administration report and is audited by the company's auditor.

### Corporate governance within Hoist Finance

Hoist Finance is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Finance corporate governance, are the Swedish Companies Act, Annual Accounts Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and general guidelines, NASDAQ Stockholm's Rule Book for Issuers, other relevant laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are allocated between the shareholders at the Annual General Meeting (AGM), the Board of Directors and the Chief Executive Officer pursuant to Swedish corporate law, the Swedish Corporate Governance Code and the Hoist Finance Articles of Association.

The internal control instruments include the Articles of Association adopted by the AGM. The Board has also adopted policies and instructions that clarify the division of responsibilities within the Group. The following are of particular importance in this context:

- Rules of procedure for the Board;
- Instructions for the CEO;
- Policy for internal governance and control;
- Remuneration policy;
- Risk management policy;
- Policy regarding operational risks;
- Instructions on measures against money laundering and financing of terrorism:
- Instruction for the risk and audit committee;
- Instructions for the remuneration committee;
- Instructions for the board investment committee;
- Insider policy.

### Articles of Association

The Articles of Association are adopted by the general meeting of shareholders and contain basic compulsory information about the company.

The Articles of Association specify the type of business activities the company will operate, limits on share capital and the number of shares, and the number of Board members allowed. The Articles include no special provisions for amendments thereto or for the appointment or dismissal of Board members. The Articles of Association are available in their entirety at www.hoistfinance.com.

## Governance structure

### Shareholders

As at 31 December 2015 the total number of shares was 78,532,684 and the share capital was SEK 26,177,561.33. Each share carries one vote. The company had 1 523 shareholders at the turn of the year. The fifteen largest shareholders held an aggregate of 73.4 per cent of total share capital at the close of 2015. Read more about the company's largest shareholders at www.hoistfinance.com.

### Annual General Meeting

The AGM is the Hoist Finance highest decision-making body. All shareholders have an opportunity at the AGM to influence the company by exercising their voting rights. The Swedish Companies Act and Hoist Finance's Articles of Association include rules that govern the AGM and its agenda.

Hoist Finance's financial year runs from 1 January to 31 December. Pursuant to the Swedish Companies Act, notice must be given no more than six weeks and no fewer than four weeks prior to the AGM. The AGM resolves on adoption of the year's balance sheet and income statement, dividends, election of Board members and auditors, fees to Board members and auditors, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association. All shareholders listed in the shareholders' register on the day prior to the AGM who have provided timely notification of their participation are entitled to participate at the AGM, either in person or by proxy.

Every shareholder is entitled to request that a matter be addressed by the AGM. A shareholder who wishes to do so must submit a written request to the Board no later than one week before the earliest date on which notice of the meeting may be published (i.e. the request must be received no later than seven weeks prior to the AGM). Pursuant to Chapter 7 § 32 of the Swedish Companies Act, all shareholders are entitled to ask the Board of Directors and CEO questions about matters addressed during the AGM and about the financial situation of the company and the Group.

#### 2015 Annual General Meeting

The most recent AGM was held on 25 February 2015 in Stockholm. All shares and votes were represented at the AGM. Among other things, the AGM resolved:

- To adopt the balance sheet and income statement
- Not to distribute a dividend
- To discharge Board members and the CEO from liability
- To re-elect Board members Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Per-Eric Skotthag, Costas Thoupos and Gunilla Wikman
- On fees for the Board chair and other Board members
- To re-elect KPMG, represented by Anders Bäckström, as auditor for the period through the close of the next AGM and to pay the auditor's fee based on approved invoice
- To appoint a Nomination Committee
- To, pursuant to the Board's proposal, adopt guidelines for remuneration for senior management
- To amend the limits for share capital and number of shares and to delete the pre-emption clause from the Articles of Association
- To issue new shares in the company
- To conduct a share split

The complete minutes of the 2015 AGM are available at www.hoistfinance.com.

#### 2016 Annual General Meeting

The 2016 AGM will be held on Friday 29 April 2016 at 15:00 at the IVA Conference Centre, Grev Turegatan 16, Stockholm.

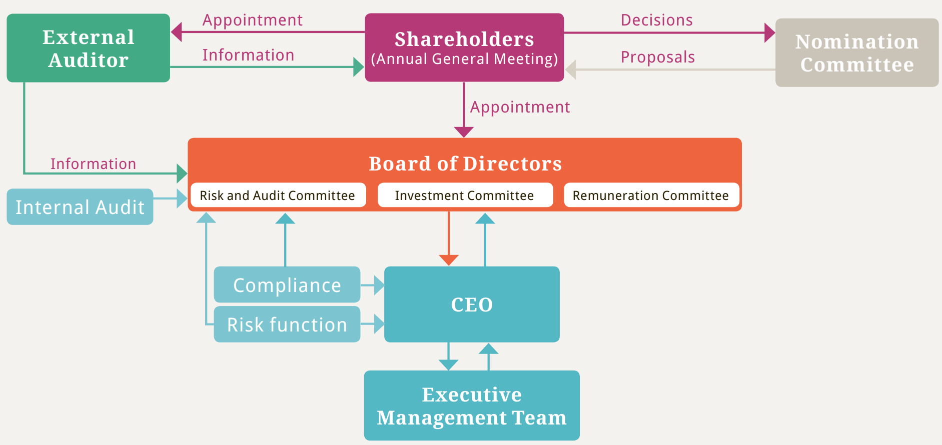
### Nomination Committee

The Nomination Committee is comprised of representatives of the three largest shareholders, as recorded in the shareholders' register as at the final banking day in August of each year, and the Chairman of the Board, who is also responsible for convening the committee's first meeting. If a shareholder who is offered to serve on the Nomination Committee declines, the inquiry shall instead be offered to the largest shareholder in line. The committee's composition will be changed to reflect any changes to shareholder structure.

The Nomination Committee submits proposals for the election of the AGM chairman, members of the Board of Directors and Chairman of the Board, and for Board member compensation and election of auditors. The committee conducts its work in the interest of all shareholders. Instructions for the Nomination Committee and options for submitting suggestions to the committee are available on the company's website www.hoistfinance.com

The Nomination Committee is comprised of the following members: Ingrid Bonde (Chair of the Board of Hoist Finance), Jan Andersson (representing Swedbank Robur Fonder AB),

## Governance structure



Per Josefsson (representing Carve Capital AB) and Ola Sandersson (representing Olympus Investment S.àr.l.). The committee held four recorded meetings ahead of the 2016 AGM and maintained regular contact between meetings. The committee also held individual interviews with current and proposed Board members.

The Nomination Committee's proposals, report on committee work done in preparation for the 2016 AGM, and information on proposed Board members are published in conjunction with the AGM notice.

## Board of Directors

Pursuant to the Articles of Association, Hoist Finance's Board of Directors shall be comprised of at least three and no more than nine members. Members of the Board are appointed by the AGM for a one-year term. In accordance with the resolution of the 2015 AGM, the Board of Directors is comprised of Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Per-Eric Skotthag, Costas Thoupos and Gunilla Wikman.

At year-end 2015 the Board had four female and three male members. Two of the seven Board members were employed by the company with the exception of these two, all Board members were independent in relation to the company's and major shareholders, the company and the company's management.[1] For further information on Board members, please see regarding pages 52–53.

### Work of the Board of Directors

The primary task of the Board is to serve the interests of the company and shareholders. The Board is responsible for the company's organisation and management of the company's affairs, and for ensuring that the Group is suitably structured to enable the Board to optimally exercise its ownership responsibilities with respect to Group subsidiaries. The Board is responsible for ensuring that the company complies with applicable laws and regulations, the Articles of Association and the Swedish Corporate Governance Code. The Board is obliged to regularly assess the company and Group's financial situation and ensure that the company's organisation is structured to enable satisfactory monitoring of its accounting, management of assets, and general financial situation.

The Board adopts financial targets for the company, decides on the company's strategy and business plans and ensures good internal control and risk management.

The Board's duties and working methods are regulated by the Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance Code. The Banking and Financing Business Act (2004:297) also regulates the duties and work of the Board of Hoist Kredit (a regulated credit company) and, to a certain degree, the Board of Hoist Finance (the financial parent company).

The Board has adopted written rules of procedure and instructions on internal reporting for the Board that deal with:

1. The Board's duties and responsibility
2. Members of the Board
3. Chairman of the Board
4. Board meetings
5. Board committees

### Board meetings in 2015

A total of 16 recorded Board meetings were held in 2015: eight ordinary meetings, one statutory meeting and seven special meetings. All Board members attended these meetings, with exception of the Board meeting held on 21 December 2015, in which Annika Poutiainen did not participate. Hoist Finance employees and persons reporting on specific issues also participated in Board meetings.

The Board's work follows the presented structure pursuant to the rules of procedure. This may be adjusted, however, depending on the year's events and projects. Ordinary Board meetings also involve the adoption of governance documentation and instructions and reporting from the control functions and respective Board committee.

### Board committees

#### Risk and Audit Committee

The Risk and Audit Committee serves in an advisory capacity and prepares issues for consideration and decision by Hoist Finance's Board of Directors. The committee is responsible for overseeing and ensuring the quality of financial reporting and the effectiveness of the company's internal control and tasks performed by the Internal Audit, Risk Control and Compliance functions. The committee also discusses valuation issues and other assessments pertaining to the annual accounts.

The Risk and Audit Committee also reviews and monitors the impartiality and independence of the company's external auditors and, notwithstanding the Board's other responsibilities and duties, regularly meets with and reviews reports from the company's external auditors in order to remain informed about the focus and scope of the audit and

1) Jörgen Olsson and Costas Thoupos are the two employed Board members. Jörgen Olsson is the company's CEO and is a member of the Executive Management Team. Costas Thoupos has an operational role in the company but is not a member of the Executive Management Team.

## Work of the Board of Directors

**January**
- Financial report
- Evaluation of the Excecutive Management Team
- Evaluation of Board's work
- Evaluation of CEO
- Planning for annual accounts
- Annual plan for internal audit, risk and compliance

**February**
- Financial report
- Meeting regarding annual accounts
- Q4 report
- Annual report and meeting with auditors
- Review of external credit facilities
- Yearly plan for external auditors
- Report from internal audit, risk and compliance

**March**

**April**
- Financial report
- Q1 report
- AGM and statutory meeting
- ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal liquidity adequacy assessment process)
- Reporting from Remuneration Committee, decision on remuneration

**May**

**June**
- Strategy
- General risk discussion
- Report from internal audit and risk

**July**
- Financial report
- Q2 report
- Report from internal audit, risk and compliance

**August**

**September**

**October**
- Financial report
- Q3 report
- Report from internal audit, risk and compliance

**November**

**December**
- Financial report
- Budget
- Corporate calendar

to discuss the co-ordination of the external and internal audit with the external auditor. The committee assists in the preparation of proposals for the AGM's election of external auditors and decisions on auditors' fees. The committee is required to meet at least four times per financial year.

The Risk and Audit Committee has at least three members appointed by the Board on an annual basis. At least two members must be independent in relation to the company and the company's management. One member is elected committee chairman. The chairman must be independent in relation to the company and the company's management and may not be the Chairman of the Board of Hoist Finance. Committee members in 2015 were Annika Poutiainen (chair), Ingrid Bonde and Per-Eric Skotthag. The company's employees and auditors may be summoned to committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to all Board members. The committee chairman reports to the Board at Board meetings concerning the issues discussed and proposed at committee meetings. The committee held seven meetings in 2015, with all members in attendance at these meetings.

### Remuneration Committee

The Remuneration Committee's primary task is to prepare the Board to make decisions on remuneration policies, benefits and other terms of employment for Executive Management Team members and control function employees. The Committee monitors and evaluates ongoing variable remuneration programmes for senior executives and those completed during the year, as well as the application of the remuneration guidelines for senior executives resolved on by the AGM and the Group's remuneration structure and remuneration levels.

The Remuneration Committee has at least two members appointed by the Board on an annual basis. All members must be independent in relation to the company, the company's management and the company's major shareholders. The committee meets at least twice per financial year. In 2015 the committee was comprised of Gunilla Wikman (chair), Ingrid Bonde and Per-Eric Skotthag. Company employees may be summoned to committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to Board members. The committee chairman reports to the Board at all Board meetings concerning the issues discussed and proposed at committee meetings. The committee held five meetings in 2015, with all members in attendance at these meetings, with the exception of the committee meeting on 19 October 2015 in which Per-Eric Skotthag did not participate.

### Investment Committee

The Investment Committee is a preparatory and decision-making committee. Its responsibilities include evaluating and approving standard investments valued at EUR 50 million or more, non-standard investments of EUR 15 million or more and investments that do not require approval of the Swedish Financial Supervisory Authority. The Committee is also responsible for continuous evaluation of the company's current holdings and evaluation of proposals for potential divestments of holdings. The Investment Committee has at least three members appointed by the Board on an annual basis. The chairman must be independent in relation to the Company and the Company's management, and may not be the chairman of the Board of Hoist Finance. The Committee meets at least four times per financial year and whenever a Committee decision or recommendation is required as per the Company's Investment Policy. In 2015 the Investment Committee was comprised of Liselotte Hjorth (chair), Jörgen Olsson and Costas Thoupos. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to all Board members. The committee chairman reports to the Board at all Board meetings concerning the issues discussed, proposed and decided on at Committee meetings. The Committee held eleven meetings in 2015, with all members in attendance at these meetings.

## Chair of the Board

Ingrid Bonde was re-elected Chair of the Board of Hoist Finance by the AGM held on 25 February 2015. Ingrid Bonde has served in this capacity since 16 November 2014.

The Chairman of the Board supervises the Board's work and fulfilment of its duties, and has specific responsibility for ensuring that the Board's work is well-organised, efficiently run and aligned with operational developments. The Chairman of the Board verifies that Board decisions are effectively executed, and ensures that the Board's work is evaluated annually and that the Nomination Committee is informed of the evaluation results. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient.

### The Chairman's particular duties are to:

- in consultation with the CEO, decide the matters to be considered by the Board, prepare meeting agendas and issue meeting notices when needed
- organise and lead the Board's work, while overseeing that the Board addresses the matters that rest with the Board pursuant to law, the Articles of Association and the Swedish Corporate Governance Code
- serve as the Board's spokesperson towards Hoist Finance shareholders
- ensure that the CEO provides sufficient information for Board decisions and oversee that Board decisions are executed

## Board evaluation

In accordance with the Board's rules of procedure, the Chairman of the Board initiates an evaluation of the Board's performance once per year. For the 2015 evaluation, all Board members were able to give their views on issues including working methods, Board material, work done by the Board and management during the year, and Board and management structure by responding to a written questionnaire sent by the Chairman. The survey is designed to generate understanding of the Board members' views on how the Board's work should be carried out and measures that can be taken to make such work more efficient, as well as the type of issues the Board thinks should be given more scope and areas that may require additional Board expertise. The results of the survey were reported and discussed at the Board meeting held on 15 December 2015 and have been provided to the Nomination Committee.

## CEO and Executive Management Team

The CEO is appointed by the Board and runs the business in accordance with instructions adopted by the Board. The CEO is responsible for the company and Group's day-to-day administration pursuant to the Articles of Association. The CEO also works with the Chairman of the Board to decide on matters that will be dealt with at each Board meeting. The Board adopts instructions for the CEO each year and evaluates the CEO's duties on a regular basis.

Jörgen Olsson has been CEO of Hoist Finance since 2012. For additional information on the CEO and the CEO's shareholdings, see the presentation of the Board of Directors and Executive Management Team and on the website www.hoistfinance.com.

Hoist Finance's CEO heads, sets the meeting schedule for and appoints the members of the Executive Management Team. The Executive Management Team's role is to prepare and implement strategies, manage corporate governance and organisational issues and monitor the company's financial development.

The CEO is responsible for ensuring that Board members receive essential information and decision data and for presenting reports and proposals at Board meetings on issues dealt with by management. The CEO keeps the Board and Chairman updated on the company and Group's financial position and development. The CEO's work is evaluated by the Board on a continuous basis.

### The CEO's main duties include:

- ensuring that the company's financial reporting is carried out in accordance with applicable law and that assets are managed prudently
- serving as Group Chief Executive, which involves managing and co-ordinating Group companies in accordance with the Board's guidelines and instructions
- ensuring that Board resolutions are executed and keeping the Board updated on the development of the company and Group's operations, performance and financial position

See note 5 for details on the CEO's remuneration.

### Executive Management Team

Pontus Sardal has been Chief Financial Officer (CFO) of Hoist Finance since 2011. For information on the CEO and other members of the Executive Management Team, see the section regarding the board and the EMT and the company's website www.hoistfinance.com

## Auditor

The external auditors are responsible for examining the company's annual report and accounting records and the Board and CEO's administration of the company. The auditors submit an Auditor's Report to the AGM at the close of each financial year.

The 2015 AGM re-elected registered public accounting firm KPMG AB as the company's auditor for the period through the close of the next AGM. Authorised public accountant Anders Bäckström, born in 1966 and the company's auditor since 2013, is chief auditor.

## Financial reporting

The Board of Directors is responsible for ensuring that the company's organisation is structured in a way that enables its financial situation to be satisfactorily monitored, and that financial reports (i.e. interim reports and annual accounts) to the market are prepared in accordance with applicable law, accounting standards and other requirements. The committee addresses not only the Group's financial reports and significant accounting issues, but also issues concerning internal control, compliance, significant uncertainty in reported values, events after the balance sheet date, changes in estimates and assessments, and other conditions affecting the quality of the financial statements.

Interim reports are handled by the Board's Risk and Audit Committee and are issued by the Board as a whole. The semi-annual reports and the annual report are signed by all Board members and the CEO. The CEO is responsible for ensuring that the company's accounting is done in compliance with applicable law and that assets are managed prudently. Hoist Finance's CEO or CFO sits on the boards of all operating subsidiaries. The parent company's and the Group's books are balanced each month. The Board and the Executive Management Team receives information on a continuous basis on the financial situation of the parent company as well as the group. The Board assures the quality of financial reporting through its Risk and Audit Committee.

To safeguard financial reporting within the Group, monthly reports are issued directly to a joint inter-Group accounting system that includes quality controls. Detailed analyses and reconciliations are performed in connection with the periodic reporting. The consolidation process also includes a number of specific reconciliation controls. Hoist Finance has developed internal accounting and reporting guidelines, the "Hoist Finance Financial Framework".

### Internal reports

The Board of Directors monitors the Group's financial development, ensures the quality of financial reporting and internal control, and follows up and evaluates the business on a regular basis. Internal reports (i.e., consolidated financial statements) are regularly prepared and submitted to the Board. An income statement, balance sheet and investment budget are prepared for each financial year and are adopted at the regular Board meeting held in December.

## Guidelines for remuneration for senior management, etc.

Guidelines for remuneration for senior management were adopted by the AGM on 25 February 2015.The guidelines are presented in note 5. The new guidelines proposed by the Board of Directors are presented in the Administration report. Information about salaries and benefits are presented in note 5.

### Variable remuneration

The variable remuneration to management employees shall as a principle not exceed 50 per cent of the fixed salary. The variable remuneration shall be based on various financial and non-financial criteria determined by the Board, and is connected to the individual performance by the employee and the Group's results. No variable remuneration is paid to control functions on the Group level.

The variable remuneration shall take into consideration all the risks of Hoist Finance's operations and shall be in proportion to the Group's earning capacity, capital requirements, profits and financial position. Payment of remuneration shall not impede the Group's long-term interests. Payment of variable remuneration is conditional upon the management employee being compliant with internal rules and procedures, including policies regarding conduct toward customers and investors and the employee not being responsible for any conduct resulting in significant financial losses for Hoist Finance or the business unit in question.

For management employees in the Executive Management Team, payment of at least 60 per cent of the variable remuneration shall be deferred for a period of at least three years. For management employees who are classified as employees whose duties have a material impact on the company's risk profile, payment of at least 40 per cent of the variable remuneration shall be deferred for a period of at least three years. The variable remuneration, including deferred remuneration, shall only be paid to the employee to an extent justifiable by the Group's financial situation and the performance of the Group, the business unit in question and the employee.

### Pensions

Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or firm-specific plans, or a combination of the two. Hoist Finance has defined contribution pension plans and does not apply discretionary pension benefits.

### Warrant programme

The company has two outstanding warrant programmes for key executives.

The extraordinary general meeting held on 6 December 2013 resolved to issue warrants to key executives. Eleven employees acquired a total of 819,465 warrants within the scope of this programme. Since then, 82,276 warrants have been repurchased and cancelled by the company. Pursuant to the warrants' terms and conditions, the subscription price and the number of shares for which each warrant entitles the holder to subscribe have been restated. Each warrant now entitles the holder to subscribe for new shares at a subscription price of SEK 16.14 per share. The warrants may be exercised as from the first day after the company's shares were admitted to trading on NASDAQ Stockholm through 31 December 2016.

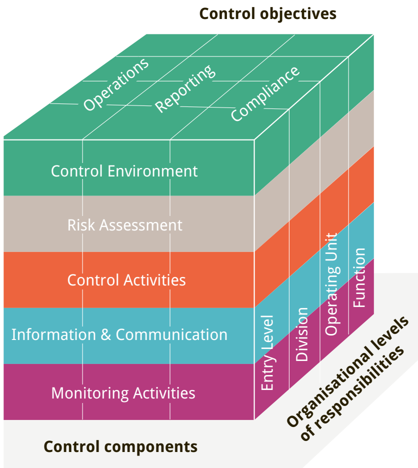
The extraordinary general meeting held on 22 October 2014 resolved to issue warrants to key executives. Twenty-six employees acquired a total of 222,041 warrants within the scope of this programme. Pursuant to the warrants' terms and conditions, the subscription price and the number of shares for which each warrant entitles the holder to subscribe were restated. For 194,748 of these warrants, holders are now entitled to subscribe for three new shares at a subscription price of SEK 63.40 per share. For the remaining 27,293 warrants, holders may subscribe for three new shares at a subscription price of SEK 55.47 per share. Of the original 194,748 warrants, 29,603 have been repurchased and cancelled by the company. The warrants may be exercised as from the first day after the company's shares were admitted to trading on NASDAQ Stockholm through 31 December 2017.

## Internal governance and control

The internal governance and control process is governed by law and regulations and supervised by the Board of Directors. In Sweden, where the Parent Company is domiciled, internal governance and control are regulated primarily through the Swedish Companies Act, Banking and Financing Business Act and Corporate Governance Code, the Swedish Financial Supervisory Authority's regulations and guidelines, and stock exchange laws regulating internal governance and control.

Hoist Finance has an internal governance and control framework aimed at creating the environment necessary to enable the entire organisation to promote effective, high quality corporate governance by providing clear definitions, assignments of roles and responsibilities and Group-wide tools and procedures.

Hoist Finance applies the COSO model for internal control of financial reporting. COSO focuses on developing a framework that can be directly used by a company's management team to evaluate and improve risk management in three inter-related areas: enterprise risk management (ERM), internal control, and fraud deterrence.




## Roles and responsibilities

The Board of Directors and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

The committee assists the Board by continuously monitoring the risks that may affect financial reporting and by producing manuals, policies and accounting principles. The committee interacts directly with the external auditors.

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

Hoist Finance roles and responsibilities with respect to internal control and risk management are structured in three lines of defence.

The **first line of defence**, comprised of the Board of Directors, the Chief Executive Officer and the business organisation, is responsible for conducting operations in accordance with the adopted internal control and risk management framework and pursuant to rules and regulations applicable to Hoist Finance.

The first line of defence has a well-functioning governance structure and effective processes to identify, measure, assess, monitor, minimise and report risks.

The **second line of defence** is comprised of the Risk Control function and the Compliance function, independent units that are not involved in business operations and that report independently of each other to the Board and the CEO.

The **third line of defence** is the Internal Audit function, which conducts independent audits and reviews and provides stakeholders with evaluations of internal control and risk management processes.

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

- effective and efficient business operations
- adequate risk control
- business management
- reliable reporting of financial and non-financial information (internally and externally)
- compliance with laws, regulations, supervisory authority requirements and internal policies and procedures

## Areas of responsibility

### Risk Control function

The Risk Control function is responsible for providing relevant and independent information, analyses and expert opinions on the Company's risks. This involves:

- Verifying that all risks that the Group is or can expected to be exposed to are identified and managed by the relevant functions
- Identifying risks arising from deficiencies in the Company's risk management
- Providing information on risks to the Board and CEO on a regular basis
- When the Company develops or changes its risk strategy and risk propensity, providing all relevant information that may constitute decision data for those issues, and evaluating proposed risk strategies and providing recommendations before decisions are made
- Verifying that all relevant internal regulations, procedures and routines are complied with and are appropriate and effective, and proposing changes when necessary
- Identifying, verifying and reporting risks of error in the Company's estimates and assumptions that form the basis of the financial statements

- When the Company submits proposals or makes decisions that give rise to a potential significant increase in risk, evaluating whether these proposals or decisions are compatible with the Company's risk propensity
- Prior to Company decisions on new or substantially changed products, services, markets, processes or IT systems and in the event of major changes to the Company's operations and organisation, assessing the risks these entail and evaluating the anticipated impact on the Company's aggregate risk propensity

### Compliance function

The Compliance function is responsible for supporting the Company's compliance with all legal, regulatory and other requirements for its licensed operations. This involves:

- Identifying existing risks of the Company's failure to comply with its legal, regulatory and other duties with respect to its licensed operations, and monitoring and verifying that these risks are managed by the relevant functions
- Overseeing and monitoring compliance with laws, regulations and other rules, as well as with relevant internal regulations
- Providing counsel and support to the Company's personnel, CEO and Board of Directors regarding the laws, regulations and other rules applicable to the licensed operation, and regarding internal regulations
- Informing and training relevant persons regarding new or amended regulations
- Verifying that new or substantial changes to products, services, markets, processes and IT systems and major changes to the Company's operations and organisation comply with legal, regulatory and other requirements applicable to the Company's licensed operation
- Providing recommendations to relevant persons based on the functions' findings

### Internal Audit function

The Internal Audit function is responsible for ensuring the independent review and oversight of work done by the first and second lines of defence. This involves the review and evaluation of:

- Whether the Company's organisation, governance processes, IT systems, models and procedures are appropriate and effective
- Whether the Company's internal control is appropriate and effective and whether the operation is run in accordance with the Company's internal regulations
- Whether the Company's internal regulations are adequate and consistent with laws, regulations and other rules
- The reliability of the Company's financial reporting, including off-balance sheet commitments
- The reliability and quality of the work done within the Company's various control functions
- The Company's risk management based on adopted risk strategy and risk propensity

## Internal control process

The Board of Directors holds ultimate responsibility for internal control.

Internal control is carried out by the Board of Directors, management and other Hoist Finance employees. It is designed to provide reasonable assurance regarding goal achievement, the economical and efficient use of resources, the reliability and integrity of operational and financial reporting, compliance with laws and regulations, safeguarding of assets, and risk management.

The internal control process is based on:

- Control environment
- Risk assessment
- Control activities
- Information & Communication
- Monitoring

The Control Environment is the foundation of Hoist Finance's system of internal control and includes the corporate culture established by the Board of Directors and management, including the following components:

- Commitment to integrity and ethical values
- Independence and oversight
- Establishing structure, authority and responsibility
- Talent management
- Maintaining accountability

Risk Assessment includes processes for identifying and analysing risk. Hoist Finance's risk assessment process is Group-wide and is independent from business activities. Risk assessment also covers the manner in which risks are managed and includes the following components:

- Specification of suitable objectives
- Identification and analysis of risks
- Assessment of fraud risk
- Identification and analysis of significant changes

Control Activities are the activities established by policies and procedures. Designed to reduce risks throughout all levels of the Hoist Finance organisation within business processes and the IT environment, these activities include preventive and detection controls as well as manual and automated activities. Examples of control activities are authorisation manuals, payment instructions, verifications, reconciliations, business performance reviews and division of responsibilities. Components include:

- Defining and developing control activities
- Defining and developing general IT controls
- Deployment through policies and procedures

Information & Communication is both an internal tool to strengthen the internal control environment and a process to ensure accurate external information.

Policies and instructions have been established within the Group for the various areas of responsibility, and the Hoist Finance Financial Framework includes instructions and guidance for accounting and financial reporting.

The policies, instructions and Hoist Finance Financial Framework are regularly updated and available to the entire organisation. Regular meetings are also held with accounting staff and local CFOs to provide information on internal control responsibility and new or updated rules and regulations applicable to Hoist Finance.

Management obtains, generates and uses relevant, high-quality information to support internal control components and the decision-making process. The key components are:

- Use of relevant information
- Internal communication
- External communication

Monitoring is built into business processes at different levels. A monthly risk report is presented to the Board of Directors, the Risk and Audit Committee and the CEO. Monitoring includes the following components:

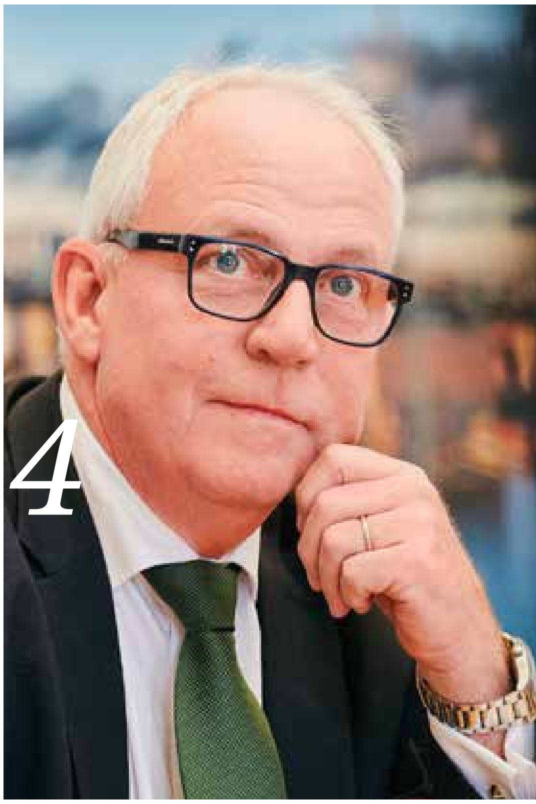
- Conducting regular separate evaluations
- Evaluating and communicating deficiencies

## Financial reporting competencies

The quality of financial reporting is largely controlled by the organisation's expertise in accounting matters and the way in which the Finance, Accounting and Treasury Departments are staffed and organised. The executive and local management teams are continuously involved in ongoing financial reporting and therefore always have insight into the preparation of financial information. The Finance Department is organised and staffed based on the need to ensure that the Group maintains high accounting standards and complies with accounting laws, regulations and standards. The executive and local management teams work actively to ensure that the Group has employees with the necessary expertise in all key positions and that there are procedures in place to ensure that employees have the requisite knowledge and skills.

# The Board of Directors




## 1 Ingrid Bonde

**Chair of the Board**
Board member since 2014.

**Born:** 1959.

**Education:** Master of Business Administration, Stockholm School of Economics and studies at New York University.

**Other assignments:** CFO and Deputy CEO of Vattenfall and board member of Loomis.

**Previous experience:** President and CEO of AMF, Director General of the Swedish FSA, Deputy Director General of the Swedish National Debt Office, Vice President Finance of SAS and foreign currency funding and debt management at the Swedish National Debt Office.

**Independent** in relation to the company and management and to major shareholders.

**Shareholding:** 0 shares.

## 2 Liselotte Hjorth

**Board member**
Board member since 2015.

**Born:** 1957.

**Education:** Bachelor of Science in Business Administration and Economics, Lund University.

**Other assignments:** Board member of East Capital Explorer, White Arkitekter/White Intressenter and Kungsleden.

**Previous experience:** Various positions at SEB Group including Group Credit Officer, Executive VP and most recently Global Head of Commercial Real Estate, Member of Management Board SEB AG, Board member in the Swedish National Debt Office and, the German Swedish Chamber of Commerce and the Swedish Chamber of Commerce Germany.

**Independent** in relation to the company and management and to major shareholders.

**Shareholding:** 4,700 shares.

## 3 Annika Poutiainen

**Board member**
Board member since 2014.

**Born:** 1970.

**Education:** Master of Laws, University of Helsinki and Master of Laws, King's College, London.

**Other assignments:** Industrial advisor at JKL Group and board member of Saferoad AS and eQ Oyj.

**Previous experience:** Head of Market Surveillance at Nasdaq Nordics. Head of Unit (Prospectuses, Exchanges and Clearing Houses) at the Swedish FSA, member of consultative working group for the Corporate Governance Standing Committee of ESMA and member of the Swedish Securities Council.

**Independent** in relation to the company and management and to major shareholders.

**Shareholding:** 1,600 shares.

## 4 Per-Eric Skotthag

**Board member**
Board member since 2011.

**Born:** 1949.

**Education:** Studies in Law, Stockholm University and higher internal education at Skandinaviska Enskilda Banken, including Wallenberg Executive.

**Other assignments:** -

**Previous experience:** Board member and Managing Director at Postgirot Bank, Member of Credit Committee at Nordea Sweden, Head of Cash Management at SEB, board member and Senior Advisor at Safe Line Sweden, Nets Denmark, Nordea Estonia and Nordea Lithuania. Board member at S.W.I.F.T Scrl and Eurogiro.

**Independent** in relation to the company and management and to major shareholders.

**Shareholding:** 12,000 shares.




## Auditors

***Auditor in charge***

**Anders Bäckström**

Authorized Public Accountant
KPMG AB

**Born:** 1966.

**Other auditing assignments:** Handelsbanken, Folksam, Brummer & Partners, Investment AB Öresund.

**Shareholding:** 0 shares.

## 5 Jörgen Olsson

**Board member**

Board member since 2010.

**Born:** 1961.

**Education:** Bachelor of Science in Business and Economics, Luleå University.

**Other assignments:** –

**Previous experience:** Head of Corporate Banking at Kaupthing Bank Sweden, senior positions at SEB/Enskilda Corporate and Group Treasurer at Elekta AB.

**Not independent** in relation to the company and management.

**Shareholding:** 4,796,293 shares through Deciso AB and 296,192 warrants.

## 6 Gunilla Wikman

**Board member**

Board member since 2014.

**Born:** 1959.

**Education:** Master of Business Administration, Stockholm School of Economics.

**Other assignments:** Board member at Oatly, SJ (Swedish State Railways), AMF Fonder and Head of IR at Resurs Bank. Management, IR and communications consultant.

**Previous experience:** Board member of HMS Networks and Proffice. Previous positions at SEB, the Swedish Central Bank and the Bank Support Authority as Head of Communication.

**Independent** in relation to the company and management and to major shareholders.

**Shareholding:** 2,000 shares through Carrara Communication AB.

## 7 Costas Thoupos

**Board member**

Board member since 2013.

**Born:** 1969.

**Education:** GCE Advanced Level, the United Kingdom.

**Other assignments:** –

**Previous experience:** CEO (until late 2012) and Group Commercial Director at Hoist Finance. Background in structured finance and investment banking from Barclays Debt Capital Markets and Barclays Capital focusing on the specialty finance sector and in particular strategic funding for the debt purchase area.

**Not independent** in relation to the company and management.

**Shareholding:** 3,287,603 shares and 49,365 warrants.

# Executive Management Team


## 1 Jörgen Olsson

**CEO.**
Hoist Finance employee since 2012.

**Born:** 1961.

**Education:** Bachelor of Science in Business and Economics, Luleå University.

**Other assignments:** –

**Previous experience:** Head of Corporate Banking at Kaupthing Bank Sweden, senior positions at SEB/Enskilda Corporate and Group Treasurer at Elekta AB.

**Shareholding:** 4,796,293 shares through Deciso AB and 296,192 warrants.

## 2 Karin Beijer

**Group Head of HR.**
Consultant at Hoist Finance since 2014.

**Born:** 1966.

**Education:** Bachelor of Organization and sociology studies and media and communication studies, University of Gothenburg.

**Previous experience:** Member of the board of Luna AB and Swedish Learning Association Ekonomisk förening. Chief Administration Officer and HR Director of B&B TOOLS AB.

**Shareholding:** 4,000 shares through Co Go Consulting AB.

## 3 Henrik Gustafsson

**Regional Director Central East Europe.**
Hoist Finance employee since 2014.

**Born:** 1976.

**Education:** Bachelor of Science in Management, London School of Economics.

**Previous experience:** Group Head of Sales and Investments at Hoist Finance, Head of Strategy and M&A of Dometic Group AB (publ), Head of M&A of Sandvik Material Technology.

**Shareholding:** 0 shares and 98, 731 warrants.

## 4 Charles de Munter

**Regional Director Mid Europe.**
Hoist Finance employee since 2013.

**Born:** 1973.

**Education:** International Management Program, Vlerick Business School and higher education in Business Management, Mercator Gent, Belgium.

**Previous experience:** Regional Director of France, Benelux, Italy and Poland at Hoist Finance. Various positions at Intrum Justitia, General Manager for Krebes NV, chairman of EOS Netherlands, board member of the supervisory board of EOS Credirec (France) and Regional Director Benelux and France for EOS Holding.

**Shareholding:** 0 shares and 78,984 warrants.




## 5 Najib Nathoo

**Regional Director West Europe and Head of Hoist Finance UK.**
Hoist Finance employee since 2012.

**Born:** 1963.

**Education:** MSc Capital Markets and Risk Management, City University Business School.

**Previous experience:** President of the UK Credit Services Association 2007–2009 and CEO of 1st Credit and various senior positions at Consolidated Financial Insurance Group (part of GE Capital).

**Shareholding:** 0 shares. Has an interest as a potential beneficiary to the trust that is the majority owner of Cruz Industries Ltd., a company that holds shares in Hoist Finance.

## 6 Pontus Sardal

**Chief Financial Officer and Deputy Chief Executive Officer.**
Hoist Finance employee since 2011.

**Born:** 1967.

**Education:** Bachelor of Science in Business and Economics, Karlstad University.

**Previous experience:** Various positions at SEB, including CFO of SEB Group Retail, Head of Business Support at SEB Finans, Head of Finance SEB BoLån and CFO of the Latvian bank, Latvijas Unibanka.

**Shareholding:** Own holdings and holdings of closely affiliated persons – 100 shares and 98,731 warrants.

## 7 Anders Wallin

**Chief Information Officer.**
Hoist Finance employee since 2012.

**Born:** 1964.

**Education:** Master of Business Administration, Stockholm School of Economics.

**Previous experience:** CIO at UC AB, Head of UC Decision Solutions at UC AB and CEO of Numenor Consulting Group AB.

**Shareholding:** 34,483 shares and 49,365 warrants.

# Financial statements

## Consolidated income statement

| SEK thousand | Note | 2015 | 2014 |
|---|---|---|---|
| Net revenue from acquired loan portfolios | 1,2 | 2,004,524 | 1,398,291 |
| Interest income | 2 | 2,679 | 89,731 |
| Interest expense | 2 | –361,370 | –344,969 |
| **Net interest income** | | **1,645,833** | **1,143,053** |
| Fee and commission income | | 166,705 | 153,222 |
| Net income/expense from financial transactions | 3 | –15,341 | –17,719 |
| Other income | | 10,629 | 12,219 |
| **Total operating income** | | **1,807,826** | **1,290,775** |
| General administrative expenses | | | |
| Personnel expenses | 5 | –651,354 | –473,200 |
| Other operating expenses | 6 | –874,016 | –627,467 |
| Depreciation and amortisation of tangible and intangible assets | 16,17 | –46,866 | –30,281 |
| **Total operating expenses** | | **–1,572,236** | **–1,130,948** |
| **Profit before credit losses** | | **235,590** | **159,827** |
| Net credit losses | 7 | –5,298 | – |
| Profit from shares and participations in joint venture | 8 | 54,839 | 58,662 |
| **Profit before tax** | | **285,131** | **218,489** |
| Income tax expense | 10 | –54,609 | –38,386 |
| **Net profit for the year** | | **230,522** | **180,103** |
| **Profit attributable to** | | | |
| Owners of Hoist Finance AB (publ) | | 230,522 | 180,103 |
| Basic earnings per share, SEK[1] | 11 | 2.90 | 3.07 |
| Diluted earnings per share, SEK[1] [2] | 11 | 2.84 | 2.72 |

1) Following the 1:3 share split, each warrant entitles the holder to subscribe for three new shares. Comparative figures have been restated in view of the share split.
2) Includes effect of 929,627 outstanding warrants.

# Consolidated statement of comprehensive income

| SEK thousand | 2015 | 2014 |
|---|---|---|
| **Net profit for the year** | **230,522** | **180,103** |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Revaluation of defined pension benefit plans | 1,408 | –1,710 |
| Revaluation of remuneration after terminated employment | 1,606 | –1,120 |
| Tax attributable to items that will not be reclassified to profit or loss | –781 | 872 |
| **Total items that will not be reclassified to profit or loss** | **2,233** | **–1,958** |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Translation differences, foreign operations | –35,485 | –29,093 |
| Translation differences, joint venture | –4,948 | 5,939 |
| Hedging of currency risk in foreign operations | –849 | 32,584 |
| **Total items that may be reclassified subsequently to profit or loss** | **–41,282** | **9,430** |
| **Other comprehensive income for the year** | **–39,049** | **7,472** |
| **Total comprehensive income for the year** | **191,473** | **187,575** |
| **Profit attributable to** | | |
| Owners of Hoist Finance AB (publ) | 191,473 | 187,575 |

# Consolidated balance sheet

| SEK thousand | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | 281 | 340 |
| Treasury bills and treasury bonds | 12,13,28 | 3,077,827 | 2,316,110 |
| Lending to credit institutions | 12,13,28 | 858,516 | 1,292,711 |
| Lending to the public | 12,28 | 77,994 | 157,232 |
| Acquired loan portfolios | 12,14,28 | 11,014,699 | 8,586,782 |
| Bonds and other securities | 12,13,28 | 1,303,214 | 1,951,241 |
| Participations in joint ventures | 8 | 205,557 | 215,347 |
| Intangible assets | 16 | 235,632 | 171,048 |
| Tangible assets | 17 | 41,623 | 32,000 |
| Other assets | 18 | 501,062 | 209,941 |
| Deferred tax assets | 10 | 62,688 | 70,885 |
| Prepayments and accrued income | 19 | 72,384 | 58,192 |
| **Total assets** | | **17,451,477** | **15,061,829** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| Deposits from the public | 12,28 | 12,791,377 | 10,987,289 |
| Tax liabilities | 10 | 21,639 | 52,326 |
| Other liabilities | 20 | 357,284 | 555,186 |
| Deferred tax liabilities | 10 | 183,999 | 50,419 |
| Accrued expenses and deferred income | 21 | 180,941 | 124,797 |
| Provisions | 22 | 52,116 | 68,704 |
| Senior unsecured liabilities | 12,28 | 1,238,469 | 1,493,122 |
| Subordinated liabilities | 23,28 | 336,892 | 332,796 |
| **Total liabilities** | | **15,162,717** | **13,664,639** |
| **Shareholders' equity** | 24 | | |
| Share capital | | 26,178 | 21,662 |
| Other contributed equity | | 1,755,676 | 1,003,818 |
| Reserves | | –44,094 | –2,812 |
| Retained earnings including profit for the year | | 551,000 | 374,522 |
| **Total shareholders' equity** | | **2,288,760** | **1,397,190** |
| **Total liabilities and shareholders' equity** | | **17,451,477** | **15,061,829** |
| **Pledged assets** | | | |
| Cash collateral, Derivatives | 30 | – | 276,600 |
| Cash collateral, Loans from the public | 13 | 639 | 1,903 |
| **Total pledged assets** | | **639** | **278,503** |
| Commitments | 26 | 483,952 | 229,944 |

# Consolidated statement of changes in shareholders' equity

| SEK thousand | Share capital | Other contributed capital | Reserves Translation reserve | Retained earnings incl. profit for the year | Total shareholders' equity |
|---|---|---|---|---|---|
| **Opening balance 1 Jan 2015** | **21,662** | **1,003,818** | **–2,812** | **374,522** | **1,397,190** |
| **Comprehensive income for the year** | | | | | |
| Net profit for the year | | | | 230,522 | 230,522 |
| Other comprehensive income for the year | | | –41,282 | 2,233 | –39,049 |
| **Total comprehensive income for the year** | | | **–41,282** | **232,755** | **191,473** |
| **Transactions reported directly in equity** | | | | | |
| New share issue | 4,516 | 745,545[1)] | | | 750,061 |
| Warrants, repurchased and cancelled | | –842 | | –3,177 | –4,019 |
| Interest paid on capital contribution | | | | –15,000 | –15,000 |
| Acquisition of minority shareholding in subsidiary | | | | –32,584 | –32,584 |
| Tax effect on items reported directly in equity | | 7,155 | | –5,516 | 1,639 |
| **Total transactions reported directly in equity** | **4,516** | **751,858** | | **–56,277** | **700,097** |
| **Closing balance 31 Dec 2015** | **26,178** | **1,755,676** | **–44,094** | **551,000** | **2,288,760** |

1) Nominal amount of SEK 778 million has been reduced by transaction costs of SEK 33 million.

| SEK thousand | Share capital | Other contributed capital | Reserves Translation reserve | Retained earnings incl. profit for the year | Total shareholders' equity |
|---|---|---|---|---|---|
| **Opening balance 1 Jan 2014** | **15,488** | **590,370** | **–12,242** | **221,826** | **815,442** |
| **Comprehensive income for the year** | | | | | |
| Net profit for the year | | | | 180,103 | 180,103 |
| Other comprehensive income for the year | | | 9,430 | –1,958 | 7,472 |
| **Total comprehensive income for the year** | | | **9,430** | **178,145** | **187,575** |
| **Transactions reported directly in equity** | | | | | |
| New share issue | 6,174 | 508,310[1)] | | | 514,484 |
| Interest paid on capital contribution | | | | –28,750 | –28,750 |
| Paid-in premium for warrants | | 5,138 | | | 5,138 |
| Conversion of convertible bond | | –100,000 | | | –100,000 |
| Tax effect on items reported directly in equity | | | | 3,301 | 3,301 |
| **Total transactions reported directly in equity** | **6,174** | **413,448** | | **–25,449** | **394,173** |
| **Closing balance 31 Dec 2014** | **21,662** | **1,003,818** | **–2,812** | **374,522** | **1,397,190** |

1) Nominal amount of SEK 527 million has been reduced by transaction costs of SEK 19 million.

# Consolidated cash flow statement

| SEK thousand | 2015 | 2014 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Gross collections on acquired loan portfolios | 3,631,031 | 2,541,310 |
| Paid-in interest | 35,614 | 89,731 |
| Provisions received | 166,705 | 153,222 |
| Other operating income | 10,629 | 12,220 |
| Interest paid | –338,950 | –274,982 |
| Operating expenses | –1,479,862 | –1,093,078 |
| Net cash flow from financial transactions | –15,341 | –17,719 |
| Capital gain on redemption of joint venture certificates | 44,404 | 27,941 |
| Income tax paid | –45,453 | –52,292 |
| **Total** | **2,008,777** | **1,386,353** |
| Increase/decrease in acquired loans incl. translation differences | –4,054,424 | –3,731,866 |
| Increase/decrease in joint venture certificates | 15,277 | 13,544 |
| Increase/decrease in lending to the public | 73,940 | 171,719 |
| Increase/decrease in deposits from the public | 1,781,668 | 1,215,800 |
| Increase/decrease in other assets | –290,002 | –94,502 |
| Increase/decrease in other liabilities | –277,073 | 307,124 |
| Increase/decrease in provisions | –16,588 | –25,933 |
| Change in other balance sheet items | 71,862 | –309 |
| **Total** | **–2,695,340** | **–2,144,423** |
| **Cash flow from operating activities** | **–686,563** | **–758,070** |
| **INVESTING ACTIVITIES** | | |
| Investments in intangible assets | –31,584 | –64,286 |
| Investments in tangible assets | –20,123 | –14,247 |
| Investments in subsidiaries | –50,569 | –49,434 |
| Investments in/divestments of bonds and other securities | 615,093 | –653,564 |
| **Cash flow from investing activities** | **512,817** | **–781,531** |
| **FINANCING ACTIVITIES** | | |
| New share issue | 750,061 | 414,484 |
| Paid-in premium for warrants | – | 5,138 |
| Warrants, repurchased and cancelled | –4,019 | – |
| Issued bonds | – | 1,013,053 |
| Repurchase of issued bonds | –229,833 | –182,046 |
| Interest paid on capital contribution | –15,000 | –28,750 |
| **Cash flow from financing activities** | **501,209** | **1,221,879** |
| **Cash flow for the year** | **327,463** | **–317,722** |
| Cash at the beginning of the year | 3,609,161 | 3,926,883 |
| **Cash at the end of the year[1]** | **3,936,624** | **3,609,161** |

1) Consists of cash, treasury bills/bonds and lending to credit institutions.

# Parent Company income statement

| SEK thousand | Note | 2015 | 2014 |
|---|---|---|---|
| **Net sales** | 4 | **148,458** | **171,684** |
| Other external expenses | 6 | –184,423 | –151,509 |
| Personnel expenses | 5 | –8,873 | – |
| Depreciation and amortisation | 16,17 | –7,170 | –6,762 |
| **Total operating expenses** | | **–200,466** | **–158,271** |
| **Operating profit** | | **–52,008** | **13,413** |
| Other interest income | 2 | –4,457 | 1,254 |
| Interest expense | 2 | –927 | –1,315 |
| **Total income from financial items** | | **–5,384** | **–61** |
| Profit from participations in Group companies | 9 | 182,890 | – |
| Appropriations (tax allocation reserve provision) | | –22,977 | –535 |
| **Profit/loss before tax** | | **102,521** | **12,817** |
| Income tax expense | 10 | –24,829 | –353 |
| **Net profit for the year[1)]** | | **77,692** | **12,464** |

1) Net profit for the year equals the total comprehensive income for the year.

# Parent Company balance sheet

| SEK thousand | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Licences and software | 16 | 19,475 | 31,871 |
| **Total intangible assets** | | **19,475** | **31,871** |
| Equipment | 17 | 3,142 | 2,232 |
| **Total tangible assets** | | **3,142** | **2,232** |
| Shares and participations in subsidiaries | 15 | 1,687,989 | 928,986 |
| **Total financial assets** | | **1,687,989** | **928,986** |
| **Total non-current assets** | | **1,710,606** | **963,089** |
| **Current assets** | | | |
| Receivables, Group companies | | 209,519 | 47,506 |
| Accounts receivables | | 55 | – |
| Other receivables | | 1,015 | 4,353 |
| Prepayments and accrued income | 19 | 7,467 | 17,174 |
| **Total current receivables** | | **218,056** | **69,033** |
| Cash and bank balances | 12 | 125,414 | 43,519 |
| **Total current assets** | | **343,470** | **112,552** |
| **TOTAL ASSETS** | | **2,054,076** | **1,075,641** |

# Parent Company balance sheet, continued

| SEK thousand | Note | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILTIIES** | | | |
| **Shareholders' equity** | 24 | | |
| Restricted equity | | | |
| Share capital | | 26,178 | 21,662 |
| Statutory reserve | | 3,098 | 3,098 |
| **Total restricted equity** | | **29,276** | **24,760** |
| **Non-restricted equity** | | | |
| Other contributed equity | | 1,661,136 | 909,278 |
| Retained earnings | | –18,775 | –28,062 |
| Profit/loss for the year | | 77,692 | 12,464 |
| **Total non-restricted equity** | | **1,720,053** | **893,680** |
| **Total shareholders' equity** | | **1,749,329** | **918,440** |
| **Untaxed reserves** | | **23,512** | **535** |
| **Provisions** | | | |
| Pension provisions | 22 | 35 | 49 |
| **Total provisions** | | **35** | **49** |
| **Non-current liabilities** | | | |
| Intra-Group loans | 33 | 40,100 | 40,100 |
| **Total non-current liabilities** | | **40,100** | **40,100** |
| **Current liabilities** | | | |
| Accounts payable | | 7,596 | 9,856 |
| Tax liabilities | | 16,078 | 353 |
| Liabilities, Group companies | | 213,443 | 103,535 |
| Accrued expenses and deferred income | 21 | 3,983 | 2,773 |
| **Total current liabilities** | | **241,100** | **116,517** |
| **Total shareholders' equity and liabilities** | | **2,054,076** | **1,075,641** |
| Pledged assets | | none | none |
| Commitments | | none | none |

# Parent Company statement of changes in shareholders' equity

| SEK thousand | Restricted equity: Share capital | Restricted equity: Statutory reserve | Non-restricted equity: Other contributed capital | Non-restricted equity: Retained earnings | Non-restricted equity: Profit for the year[2)] | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Opening balance 1 Jan 2015** | **21,662** | **3,098** | **909,278** | **–28,062** | **12,464** | **918,440** |
| Transfer of previous year's net profit/loss | | | | 12,464 | –12,464 | – |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | | | | | 77,692 | 77,692 |
| **Total comprehensive income for the year** | | | | | **77,692** | **77,692** |
| **Transactions reported directly in equity** | | | | | | |
| New share issue | 4,516 | | 745,545[1)] | | | 750,061 |
| Warrants, repurchased and cancelled | | | –842 | –3,177 | | –4,019 |
| Tax effect on items reported directly in equity | | | 7,155 | | | 7,155 |
| **Total transactions reported directly in equity** | **4,516** | | **751,858** | **–3,177** | **0** | **753,197** |
| **Closing balance 31 Dec 2015** | **26,178** | **3,098** | **1,661,136** | **–18,775** | **77,692** | **1,749,329** |

1) Nominal amount of SEK 778 million has been reduced by transactions costs of SEK 33 million.
2) Profit/loss for the year corresponds to "comprehensive income for the year".

| SEK thousand | Restricted equity: Share capital | Restricted equity: Statutory reserve | Non-restricted equity: Other contributed capital | Non-restricted equity: Retained earnings | Non-restricted equity: Profit for the year[2)] | Total shareholders' equity |
|---|---|---|---|---|---|---|
| **Opening balance 1 Jan 2014** | **15,488** | **3,098** | **395,830** | **–23,111** | **–4,951** | **386,354** |
| Transfer of previous year's net profit/loss | | | | –4,951 | 4,951 | – |
| **Comprehensive income for the year** | | | | | | |
| Profit for the year | | | | | 12,464 | 12,464 |
| **Total comprehensive income for the year** | | | | | **12,464** | **12,464** |
| **Transactions reported directly in equity** | | | | | | |
| New share issue | 6,174 | | 508,310[1)] | | | 514,484 |
| Paid-in premium for warrants | | | 5,138 | | | 5,138 |
| **Total transactions reported directly in equity** | **6,174** | | **513,448** | | | **519,622** |
| **Closing balance 31 Dec 2014** | **21,662** | **3,098** | **909,278** | **–28,062** | **12,464** | **918,440** |

1) Nominal amount of SEK 527 million has been reduced by transactions costs of SEK 19 million.
2) Profit/loss for the year corresponds to "comprehensive income for the year".

# Parent Company cash flow statement

| SEK thousand | 2015 | 2014 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Paid-in interest | 10 | 32 |
| Other operating income | 148,458 | 171,684 |
| Interest paid | –927 | –1,314 |
| Operating expenses | –182,379 | –164,652 |
| Net cash flow from financial transactions | –4,467 | 1,221 |
| Income tax paid | –1,930 | –5 |
| **Total** | **–41,235** | **6,966** |
| Increase/decrease in intra-Group transactions | 130,784 | 55,322 |
| Increase/decrease in other assets | 3,263 | –2,621 |
| Increase/decrease in other liabilities | –2,273 | –1,109 |
| **Total** | **131,774** | **51,592** |
| **Cash flow from operating activities** | **90,539** | **58,558** |
| **INVESTING ACTIVITIES** | | |
| Investments in intangible assets | –15,101 | –6,622 |
| Disposal of intangible assets | 21,383 | – |
| Investments in tangible assets | –1,965 | –574 |
| Investments in subsidiaries | –759,003 | –432,952 |
| **Cash flow from investing activities** | **–754,686** | **–440,148** |
| **FINANCING ACTIVITIES** | | |
| New share issue | 750,061 | 414,484 |
| Paid-in premium for warrants | – | 5,138 |
| Warrants, repurchased and cancelled | –4,019 | – |
| **Cash flow from financing activities** | **746,042** | **419,622** |
| **Cash flow for the year** | **81,895** | **38,032** |
| Cash at the beginning of the year | 43,519 | 5,487 |
| Cash at the end of the year[1] | **125,414** | **43,519** |

1) Consists of lending to credit institutions.

# Accounting principles



## 1 Corporate information

The Annual Report is issued as of 31 December 2015 by Hoist Finance AB (publ), CIN 556012-8489, the Parent Company of the Hoist Finance Group. The Parent Company is a Swedish public limited company, registered in Stockholm, Sweden. The address of the head office is Box 7848, 103 99 Stockholm. The Group is licensed and supervised by the Swedish Financial Supervisory Authority.

The consolidated accounts for financial year 2015 were approved by the Board of Directors on 17 March 2016 and will be presented for adoption at the 2016 Annual General Meeting on 29 April 2016.

## 2 Statement of compliance

The consolidated accounts for Hoist Finance AB (publ) were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretations issued by the IFRS Interpretation Committee as adopted by the EU.

The Annual Report was prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authority's regulations and guidelines on annual accounts in credit institutions and securities companies (FFFS 2008:25) pursuant to amending regulations FFFS 2009:11, FFFS 2011:54 and FFFS 2013:2. FFFS 2013:24, FFFS 2014:18, and the Swedish Financial Reporting Board's recommendations RFR 1 "Supplementary Accounting Rules for Groups".

The Parent Company applies the Swedish Annual Accounts Act but otherwise the same accounting policies as the Group, except in cases where the application of IFRS for legal entities is not permitted by Swedish accounting regulations. Please refer to the section below for Parent Company accounting principles.

Unless otherwise indicated, the accounting principles specified below were applied consistently to all periods presented in these financial reports.

## 3 Changed accounting principles

### New and amended standards adopted in the financial statements

The accounting principles, bases for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report. The new reporting requirements introduced in 2015 and their impact on Hoist Finance's reporting is detailed below.

The following new and revised standards and interpretations were implemented as of 1 January 2015 but have not had any significant impact on the financial statements:

- IFRIC 21 Levies
- Amendments to IAS 19 Defined-Benefit Plans

No other changes in accounting principles have had a significant impact on the financial reporting in the Group or the Parent Company.

## 4 New standards, amendments and interpretations that have not yet been applied

A number of new or amended IFRS standards that will come into effect during the coming financial year were not applied in advance as at the issuance of these financial statements. It is not planned that new or amended IFRS standards applicable in the future will be applied in advance. The anticipated effects on the financial statements of the application of the following new or amended IFRSs are set forth below. No other new or amended IFRSs are expected to have any impact on the financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial instruments: Recognition and Measurement. Through IFRS 9, IASB has issued a package of improvements for reporting financial instruments. The package of improvements includes a new basis for classifying and measuring financial instruments, a forward-looking 'expected loss' impairment model and a simplified approach to hedge accounting. IFRS 9 will come into effect on 1 January 2018. Early application is permitted, although EU IFRS9 has not yet been approved by the European Commission.

The categories of financial assets listed in IAS 39 have been replaced with three categories: valuation at either amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Division into these three categories is based on the company's business model for its various holdings and the characteristics of the cash flow generated by the assets. The Fair Value Option can be applied in cases where it eliminates or significantly reduces a mismatch in accounting. For equity instruments, the assumption is that valuation will be at fair value through profit or loss, although there is an option to instead report changes in value that are not held for trading in 'Other comprehensive income'.

With regard to the sections on financial liabilities, most correspond to the previous IAS 39 rules with the exception of financial liabilities voluntarily measured at fair value under the Fair Value Option. For these liabilities, the change in value is divided between changes attributable to own credit rating and those attributable to changes in the reference rate.

Under the new impairment model, anticipated losses for the year will need to be reported in the initial statement of account and, in the event of a substantial increase in credit risk, the impairment amount must correspond to the credit losses expected to arise during the remaining period. The new regulations on hedge accounting involve, among other things, simplification of efficiency tests and an expansion of permissible hedging instruments and hedged items.

The Company's impact assessment on the introduction of IFRS 9 is not yet completed. Hoist Finance will not apply the standard in advance.

IFRS 15 Revenue from Contracts with Customers. The purpose of the new revenue standard is to apply a single, principles-based model to all industries, replacing existing revenue standards and interpretations. The standard includes greatly expanded disclosure requirements. IFRS 15 takes effect in 2018. Early application is permitted provided the EU approves the standard, which it plans to do during the second quarter 2016.

IFRS 16 Leases. The new standard amends the reporting requirements for lessees. All lease contracts (with the exception of short-term contracts and contracts of minor value) will be reported as an asset with right of use (usufruct) and as a liability in the lessee's balance sheet. Lease payments will be reported as a liability in the lessee's balance sheet, and lease payments as amortisation and interest expense. Reporting requirements for lessors remain unchanged. Other disclosures are also required. The new standard takes effect for financial years beginning 1 January 2019 or later; early application is permitted. The amendments have not yet been approved by the European Commission. Hoist Finance does not currently intend to apply the amendments in advance. Hoist Finance's current assessment is that the new standard will affect its financial reporting and balance sheet.

Other new and amended IFRSs that will be applied in future (listed below) are not expected to have any significant impact on Hoist Finance's financial statements.

- Amended IFRS 10 Consolidated Financial Statements and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amended IFRS 11 Joint Arrangements
- Amended IAS 1 Disclosure initiative
- Amended IAS 19 Employee Benefits

No other IFRCs or IFRIC Interpretations that are not yet effective are expected to have any significant impact on the Group.

## 5 Assumptions

The preparation of financial reports in accordance with IFRS requires the Management to make estimates and assumptions that affect the application of the accounting principles and the carrying value of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and a number of other factors that are deemed reasonable in the prevailing circumstances. The result of these estimates and assumptions is then used to assess the carrying values of assets and liabilities that are not otherwise clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect on carrying values is recognised through profit or loss. Changes in estimates are reported in the period in which the change is made, provided the change has affected only this period, or the period the change was made and future periods if the change affects both current and future periods.

Estimates made by the Management that have a significant impact on the consolidated financial statements and which may affect the consolidated financial statements in subsequent years are described in more detail in Note 32.

## 6 Consolidation

### Subsidiaries

Subsidiaries are entities over which the Parent Company has controlling influence. Controlling influence exists when the Parent Company can exert influence over an investment, is exposed to or has the right to receive variable returns as a result of the investment, and is able to use its influence over the investment to affect returns.

The Group uses the acquisition method of accounting to report business acquisitions. The consolidated acquisition value is determined by an acquisition analysis conducted in connection with the acquisition. The analysis determines the acquired identifiable assets, acquired liabilities and contingent liabilities. The acquisition value of subsidiary shares and operations is comprised of their fair value as at acquisition date for assets, liabilities that arise or are transferred, and issued equity instruments transferred as consideration in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are expensed as incurred. In business combinations where acquisition cost exceeds the net value of the acquired assets, liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is reported directly in the income statement. The contingent purchase price is reported in the consolidated accounts at fair value through profit or loss. Intra-Group receivables and liabilities, revenue and expenses, and unrealised gains and losses that arise from intra-Group transactions are eliminated in their entirety in the consolidated financial statements.

### Joint ventures

For accounting purposes, joint ventures are entities over which the Group has joint controlling influence through contractual arrangements with one or several parties and has a right to the net assets as opposed to a direct right to assets and assumption of liabilities. In the consolidated accounts, joint venture holdings are consolidated in accordance with the equity method, under which the asset is initially reported at acquisition value. The carrying value is subsequently increased or decreased to reflect the owner company's profit share in the investment after the acquisition date. Changes attributable to exchange differences are reported in 'Other comprehensive income'. In the BEST III Sec Fund joint venture, the acquired loan portfolios are reported at fair value.

## 7 Segment reporting

An operating segment is a part of the Group that operates a business from which it can generate revenue and incur expenses and for which independent financial information is available. This information serves as a governance tool and is reviewed on a regular basis by chief operating decision makers to evaluate performance and allocate resources to the segment.

For Hoist Finance, geographic regions – comprised of individual countries and groups of comparable countries – are the main basis for division into segments. Geographic segments are an accurate reflection of the Group's business activities, as loan portfolios are acquired on a country-by-country basis. The Company's chief operating decision maker is responsible for defining the segment. See Note 1 for additional information on the operating segments.

## 8 Foreign currency translation

### Functional currency

SEK is the functional currency of the Parent Company and the presentation currency of the Group and the Parent Company. Group companies prepare their accounts in the functional currency of the country in which they operate. For consolidation purposes, all transactions in other currencies are converted into SEK at balance sheet date. All amounts, unless indicated otherwise, are rounded to the nearest thousand.

### Transactions in foreign currency

Transactions in a currency other than the local functional currency are translated at the exchange rate in effect on the transaction date. When such transactions are settled, the exchange rate may deviate from the transaction date rate, in which case a realised exchange difference arises. Monetary assets and liabilities in foreign currency are also translated to functional currency at the balance sheet date exchange rate, which gives rise to unrealised exchange differences. Both realised and unrealised exchange differences of this type are reported in the consolidated income statement.

### Translation of foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the operation's functional currency to the Group's reporting currency at the balance sheet date exchange rate. Revenues and expenses are translated at the yearly average rate, which serves as an approximation of the rate that was applied on each transaction date.

Translation differences arise in the translation of subsidiaries' accounts because the balance sheet date exchange rate changes each period and because the average rate deviates from the balance sheet date exchange rate. Translation differences are reported in 'Other comprehensive income' as a separate component of equity.

Information on the most important exchange rates is disclosed in the separate section 23 "Exchange rates".

## 9 Financial assets and liabilities

### Recognition and de-recognition

A financial asset or liability is reported in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is reported in the balance sheet when the company is contractually liable to pay, even if an invoice has not been sent.

Loan receivables, deposits, issued securities and subordinated liabilities are reported in the balance sheet at the settlement day.

A spot purchase or sale of financial assets is reported and removed from the statement of financial position on the trade date.

A financial asset is removed from the balance sheet when contractual rights to cash flow from the financial asset cease or when the financial asset is transferred and the company simultaneously transfers essentially all risks and advantages associated with ownership of the financial asset. A financial liability or portion thereof is de-recognised when the obligation is discharged, cancelled, expired or otherwise extinguished.

An exchange between the company and an existing lender, or an existing borrower of debt instruments with essentially different terms and conditions, is reported as an extinguishment of the old financial liability or asset, respectively, and as a new financial instrument.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

### Classification and valuation

Financial instruments are initially reported at fair value plus transaction costs, with the exception of derivatives and instruments from the category 'Financial asset at fair value through profit or loss', which are reported at fair value exclusive of transaction costs.

Financial instruments are classified when initially recognised. Classification is based on the purpose of the acquisition of the instrument and on the options provided in IAS 39.

The financial instrument is classified upon initial recognition, as described below.

### Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading (derivatives with positive value not designated as hedging instruments, treasury bills and bonds) as well as loan portfolios acquired prior to 1 July 2011 that were initially reported at fair value through profit or loss through application of the fair value option. Financial liabilities at fair value through profit or loss are derivatives with negative value not designated as hedging instruments (held for trading). Loan portfolios acquired thereafter, are classified as loan receivables (see below) and are measured at amortised cost.

The difference between a "fair value measurement" and an "amortised cost measurement" for acquired loan portfolios is that the former uses a discount rate corresponding to the market's IRR for similar assets at a given time.

Derivatives are initially reported at fair value at the date of the derivatives contract, and are subsequently measured at fair value at the end of each reporting period. Derivatives are always classified as held for trading provided they are not identified as hedging instruments.

Changes in fair value for financial assets and liabilities at fair value through profit or loss are reported in the income statement item 'Net income from financial transactions', except for acquired loan portfolios, for which revaluations are reported in the item 'Net revenue from acquired loan portfolios'.

### Financial assets available for sale

The Company uses the 'Financial assets available for sale' category for equity instruments for which fair value cannot be reliably determined and are thus reported at acquisition value and, when applicable, net of impairment.

### Calculation of fair value

The fair value of financial instruments traded on an active market (level 1) is determined for financial assets based on the current bid price. Assets measured at fair value in the balance sheet and traded on an active market are comprised of investments in bonds and other interest-bearing securities. Financial instruments that are not traded on an active market but which can be measured using other valuation methods, with observable market information as input (level 2), are comprised of currency hedges and interest derivatives. In cases where assets and liabilities have conflicting market risks, the mid-market price is used to determine fair value. See Note 28.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. Loan receivables and accounts receivable are measured at amortised cost using the effective interest method, under which the carrying value of each acquired portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective rate determined on the acquisition date, based on the relation between acquisition cost and projected future cash flows. Changes are reported in the income statement. A cash flow projection is made when each portfolio is acquired. Projected cash flows take into account the loan amount and other fees which, based on a probability assessment, are expected to be received from debtors, less projected collection costs.

Balance sheet items classified as loans and receivables refer to "Lending to credit institutions", "Lending to the public", and "Acquired loan portfolios" (with the exception of loan portfolios acquired prior to 1 July 2011), as well as "Other assets" (excluding derivatives with positive value).

"Acquired loan portfolios" are comprised of non-performing consumer loans acquired at a substantial discount relative to the nominal claim.

For loan portfolios reported at amortised cost, an initial effective interest rate is determined using the initial cash flow projection and acquisition price, including transaction costs, as the basis for each portfolio. This initial effective rate is then used for discounting cash flows over a ten-year period. A new carrying value as at balance sheet date is calculated for the portfolios based on the updated cash flow projections and the initial effective interest rate as determined. Net collection forecasts for the portfolios are monitored continuously during the year and are updated regularly based on factors such as collection results achieved and instalment agreements with debtors. A new carrying value for the loan portfolios is calculated based on the updated forecasts. The variance is reported as income under 'Net revenue from acquired loans' in the income statement.

Impairments are reported together with revaluations in the income statement. Consequently, separate provisions for reserves are not reported in the balance sheet.

### Other liabilities

The Group's 'Other liabilities' are comprised of "Deposits from the public" and "Other liabilities" in the consolidated balance sheet. Other liabilities are initially reported at fair value including transaction costs directly attributable to acquisition or issuance of the debt instrument. Subsequent to acquisition, they are carried at amortised cost in accordance with the effective interest method. Liabilities to credit institutions, current liabilities and other liabilities are reported as 'Other financial liabilities'. Non-current liabilities have an expected maturity exceeding one year, and current liabilities have a maturity of less than one year. Financial liabilities at fair value through profit or loss include financial liabilities held for trading (derivatives).

### Unidentified income and payments
The Group receives large volumes of payments from debtors on its own behalf and on behalf of Group customers. In cases where the sender's reference information is missing or incorrect, it is difficult to assign payment to the correct account. Payments are also sometimes received on closed accounts. In such instances a reasonable search is conducted and an attempt is made to contact the payment sender. Unidentified payments are treated as 'Other liabilities'. The amounts are recorded as revenue in accordance within a predefined time frame.

## 10 Hedge accounting
Derivatives are used to hedge (for the purpose of neutralising) interest rate and exchange rate exposure for the Parent Company or the Group.

The Company applies hedge accounting in cases where currency hedges are used to limit exchange rate exposure in foreign net investments. When hedge accounting is used for foreign net investments and the hedge has proven 80–125 per cent effective, changes in the hedging instrument's fair value are reported in 'Other comprehensive income' and accrued (as do translation effects of net investments) in the translation reserve. In cases where the hedge is 101–125 per cent effective, the ineffectiveness is reported in the income statement in the item 'Net income from financial transactions'. Other derivatives to which hedge accounting does not apply report changes in fair value under 'Net income from financial transactions'.

## 11 Leasing
Lease contracts in which a significant share of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight line basis over the lease term. Operating leases relate primarily to leases of office premises and office equipment for the Company's normal business operations.

Lease contracts in which a significant share of the risks and rewards of ownership are retained by the Group are classified as finance leases. Finance leases are reported as assets and liabilities in the balance sheet at the amount equal to the leased assets' fair value or, if lower, the present value of future minimum leasing fees as at inception of the lease. Lease payments are allocated between interest and amortisation of the outstanding debt. Interest is distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during that period. The depreciation policy for assets acquired under finance leases is consistent with that for comparable own assets.

## 12 Intangible assets
Intangible assets are identifiable, non-monetary assets that lack physical substance and under Hoist Finance's control.

### Capitalised expenses for IT development
Expenditures for IT development and maintenance are generally expensed as incurred. Expenditures for software development that can be attributed to identifiable assets are under the Group's control and with anticipated future economic benefits are capitalised and reported as intangible assets.

Additional costs for previously developed software, etc. are reported as assets in the consolidated balance sheet if they increase the anticipated future economic benefits of the specific asset to which they are attributable – e.g., by improving or extending a computer programme's functionality beyond its original use and estimated useful life.

IT development costs reported as intangible assets are amortised using the straight-line method over their useful lives, though not more than five years. The asset is reported at cost less accumulated amortisation and impairment losses. Costs associated with the maintenance of existing computer software are continuously expensed as incurred.

### Goodwill
When the purchase price, any non-controlling interest and fair value at the acquisition date of previous shareholdings exceed the fair value of identifiable net assets acquired, the exceeding amount is reported as goodwill. Goodwill from acquisitions of subsidiaries is reported as intangible assets. Goodwill is tested annually, or more often if so indicated, to identify any impairment requirements and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Profit or loss on disposal of an entity includes the remaining carrying value of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Allocation is made to the cash generating units, or groups of cash generating units, determined in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill arose.

### Other intangible assets
Other intangible assets are amortised on a straight-line basis over their period of use.

### Impairments
An impairment test is conducted upon indication of depreciation in value, or at least annually when each asset's residual value and remaining period of use are determined.

The recoverable value of the asset is estimated if there are indications of an impairment requirement. For goodwill and other intangible assets with indeterminate periods of use and for intangible assets that have not yet come into use, recoverable values are calculated on an annual basis. If independent cash flows cannot be determined for individual assets, the assets are grouped at the lowest level at which independent cash flows can be identified – a cash-generating unit.

An impairment is reported when the carrying value of an asset or a cash generating unit exceeds its recoverable value. Impairments are reported in the income statement. Impairments attributable to a cash generating unit are primarily allocated to goodwill and are subsequently distributed proportionally among other assets in the unit.

The recoverable value for cash generating units is the fair value less divestment costs or the useful value, whichever is greater. Useful value is calculated by discounting future cash flows using a discounting factor that takes into account the risk-free interest rate and the risk associated with that particular asset.

Goodwill impairment is not reversed. Impairment of other assets is reversed if there have been changes in the underlying assumptions that were used to determine recoverable value. Impairments are reversed only to the extent that the carrying value of the assets following the reversal does not exceed the carrying value of the assets if the impairment had not been reported.

## 13 Tangible assets
Tangible assets are comprised of IT equipment, improvements to leased premises, and equipment.

Tangible assets are reported as assets in the balance if it is likely that the future economic benefits will accrue to the Company and the cost of the asset can be reliably estimated. Tangible assets are reported at cost less accumulated depreciation and impairments.

### Principles for depreciation/amortisation of assets
Assets are depreciated/amortised using the straight-line method over estimated useful life and applying the following periods:

- Equipment 2–5 years
- Investments in leased premises 5 years
- Intangible assets 3–5 years

## 14 Provisions
Provisions are recognised for existing legal or informal obligations arising from past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and where the amount can be reliably estimated. The provision is valued at the amount corresponding to the best estimate of the expenditure required to settle the obligation at the balance sheet date.

The expected future date of the settlement is taken into account in the estimate.

## 15 Income and expenses

### Income from loan portfolios

All income from acquired loan portfolios is reported under 'Net revenue from acquired loan portfolios' in the income statement.

Income from acquired loan portfolio carried at fair value through profit or loss include: (i) the effect of discount rate changes, (ii) changes to expected future cash flow, and (iii) the discrepancy between expected cash flow and actual cash flows. Income from acquired loan portfolios reported at amortised cost include (ii) and (iii).

For acquired portfolios measured at amortised cost, the discount rate remains constant when a projected cash flow curve for the portfolio is determined. Consequently, revaluation effects only occur when the projected cash flow curves are adjusted in arrears.

### Interest income

Interest income in the income statement is reported under 'Net revenue from loan portfolios' and 'Interest income' and is disclosed in a note. 'Net revenue from acquired loan portfolios' is comprised of interest income calculated based on the effective interest method and of payments received on acquired loan portfolios, which may exceed or fall below expected amounts. Interest income calculated using the effective interest method is calculated based on the original effective interest rate, with changes reported at amortised cost. 'Other interest income' is generated through lending to credit institutions and to the public and through investments in bonds.

### Interest expense

Interest expense is mainly comprised of expenses associated with the Group's funding via deposits from the public.

### Fee and commission income

Fee and commission income is reported when (i) the revenue can be reliably measured, (ii) it is probable that the economic benefits associated with the translation will accrue to the Company, (iii) the degree of completion as at the balance sheet date can be reliably calculated, and (iv) the expenses incurred and the expenses required to complete the transaction can be reliably calculated. Revenue is valued at the fair value of the received or due consideration.

Fees and commissions related to financial services carried out on an ongoing basis and for which the services' degree of completion is achieved progressively are reported and expensed as revenue over the period during which the services are rendered.

### Net income from financial transactions

Net income from financial transactions includes realised and unrealised exchange rate fluctuations, unrealised changes in the value of assets and liabilities classified as 'Assets at fair value through profit or loss' (with the exception of acquired loan portfolios), and the inefficient part of hedge accounting.

### Other operating expenses

Various types of costs directly related to loan portfolio administration are grouped under 'Other operating expenses'. For the Group, 'Other operating expenses' are mainly direct costs for external collection services. 'Fee and commission income' refers to income for these external services and is recognised when fee and commission amounts can be reliably measured.

### Credit losses

In the event an impairment is deemed to be permanent, it is reported as a realised loss and the value of the asset is removed from the balance sheet. Impairments related to 'Other assets' are reported as 'Credit losses'.

## 16 Employee benefits

All forms of remuneration provided to employees as compensation for services rendered constitute employee benefits.

### Short-term benefits

Short-term benefits to employees are settled within twelve months following the close of the reporting period during which the services were rendered. Short-term benefits are mainly comprised of fixed and variable salary, both of which are taken up as income during the period in which the related services are rendered. Post-employment benefits in Hoist Finance cover only pensions. Benefits that are not expected to be fully settled within twelve months are reported as long-term benefits.

### Redundancy payments

Remuneration expense in connection with termination of personnel is reported either when the company is no longer able to withdraw the redundancy offer or when the company reports restructuring costs, whichever occurs sooner. Payments that are expected to be settled after twelve months are reported at present value.

### Pensions

Group companies operate various pension schemes, which are generally funded through payments determined by periodic actuarial calculations to insurance companies or trustee-administered funds.

The Group has both defined-benefit and defined-contribution plans:

- Defined-benefit plans normally specify the pension rate to be received by the employee upon retirement, usually dependent on one or several factors, such as age, years of service and salary.
- Under defined-contribution plans, the Group pays fixed contributions into a separate entity. The Group has no legal or informal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service during the current and prior periods.

The liability reported in the consolidated balance sheet with respect to defined-benefit pension plans is the present value of the defined-benefit obligation as at the balance sheet date less the fair value of plan assets. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The net present value of the defined-benefit obligation is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and with durations approximating the durations of the related pension liability.

Net interest expense/income for the defined-benefit pension obligation/asset is reported in "Net interest income". Net interest income is based on the discount rate used in calculating the net obligation – i.e., the interest on the obligation, plan assets and interest on effects of any asset restrictions. Other components are recognised in operating income.

Revaluation effects are comprised of actuarial gains and losses, discrepancies between actual return on plan assets and the amount included in net interest income, and any changes to effects of asset restrictions (exclusive of interest included in net interest income). Revaluation effects are reported in 'Other comprehensive income'.

Changes to or reductions of a defined-benefit plan are reported at the earliest either

**a.** when the change to or reduction in the plan occurs, or

**b.** when the company reports the associated restructuring costs and redundancy costs, whichever occurs sooner.

Changes/reductions are reported directly as personnel expenses in 'Net profit for the year'.

The special employer's contribution is included in the actuarial assumptions and is reported as part of the net obligation/asset. The portion of the special employer's contribution that is calculated based on the Pension Obligations Vesting Act in the legal entity is reported as an accrued cost rather than as part of the net obligation/asset.

Tax on returns from pension funds is reported in profit or loss for the period the tax relates to, and is thus not included in the liability projection. For funded pension plans, the tax is charged to 'Return on plan assets' and is reported in 'Other comprehensive income'. For unfunded or partially unfunded plans, the tax is charged to 'Net profit for the year'.

For defined-contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as employee benefit expense when they fall due. Prepaid contributions are reported as an asset to the extent that a cash refund or a reduction in the future payments is available.

### Warrant programme

Warrants have been sold at market price (fair value) to employees. The transactions fall within the scope of IFRS 2 'Share-based payments', as the future value of the warrants are affected by continued employment. There is no expense to report due to the fact that the employees paid market price for the warrants; however, IFRS 2 disclosure requirements are applied when applicable. See Note 5 for additional details.

## 17 Taxes

Taxes are comprised of current tax and deferred tax. Taxes are reported through profit or loss unless the underlying transaction is directly reported in 'Equity' or in 'Other comprehensive income', in which case the attributable tax effect is also reported in 'Equity' or 'Other comprehensive income', respectively.

Current tax refers to tax paid or received for the current year, using tax rates that apply as at balance sheet date, including adjustments for current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between the carrying value of assets and liabilities and their value for tax purposes. The following temporary differences are not taken into account:

- Temporary differences that arise in the initial reporting of goodwill.
- The initial reporting of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, does not affect either the reported or taxable profit.
- Temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future.

The valuation of deferred tax is based on how the carrying values of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially set as of the balance sheet date.

Deferred tax assets from deductible temporary differences and tax loss carry-forwards are only recognised if it is likely that they will be utilised within the foreseeable future. The value of deferred tax assets is reduced when they are utilised or when it is no longer deemed likely that they will be utilised.

Current tax, deferred tax, and tax attributable to the previous year are reported under 'Income tax expense'.

## 18 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to Hoist Finance AB (publ) shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long-term warrant programmes.

Potential ordinary shares are only considered to be dilutive on the balance sheet date if a conversion to ordinary shares should reduce the earnings per share. The rights are further considered dilutive only when the exercise price, plus of future services, is lower than the period's average share price.

## 19 Equity

When a financial instrument is issued in the Group it is reported as a financial liability or as an equity instrument, in accordance with the financial implications of the instrument's terms. These instruments or sections thereof are reported as liabilities when the Company has an irrevocable obligation to pay cash. Issued financial instruments that do not irrevocably oblige the Company to pay cash on interest and nominal amounts are reported as equity.

Return to investors is reported as a dividend to equity with respect to equity instruments and as an interest expense in profit or loss with respect to debt instruments.

### Dividend

Proposed dividends are reported as a liability after having been approved by the Annual General Meeting.

## 20 Related-party transactions

### Hoist Finance

Hoist Finance defines related parties as:

- Shareholders with significant influence
- Group companies
- Associated companies and joint venture
- Key senior management
- Other related parties

All intra-Group transactions between legal entities and transactions with other related parties are conducted pursuant to the arm's length principle in accordance with OECD requirements. Intra-Group transactions are eliminated in the consolidated accounts.

### Shareholders with significant influence

Shareholders with significant influence are entitled to take part in decisions on Hoist Finance's financial and operational strategies, but do not have controlling influence over such strategies.

### Group companies and associated companies

A company is defined as a related party if the company and its reporting entity are part of the Hoist Finance Group.

See section 6, Consolidation, for the definition of "subsidiaries and joint ventures". Further information on Hoist Finance Group companies is presented in Note 15, Group companies.

### Key management personnel

Key senior management includes:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Executive Management Team (EMT)

See Note 5 for details on compensation, pensions and other transactions with key management personnel.

### Other related parties

Other related parties comprise close relatives and family members of key senior management, if that or those person(s) has or have controlling influence, severally or jointly, over the reporting entity. Other related parties are also companies over which Hoist Finance Group key management personnel, or their close relatives, have significant influence.

Information on transactions between Hoist Finance and other related parties is presented in Note 33, Related party transactions.

## 21 Cash flow statement

The cash flow statement includes changes in the balance of cash and cash equivalents. The Group's cash and cash equivalents is comprised of cash, treasury bills and lending to credit institutions. Cash flow is divided into cash flow from operating activities, investment activities and financing activities. The direct method is used to report cash flow.

Cash flow from investing activities includes only actual disbursements for investments made during the year.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are reported as 'Cash flow from investing activities, net', after deducting cash and cash equivalents in the acquired or divested company. For acquired and divested subsidiaries that hold debt portfolios, acquired and divested loan portfolios are reported in 'Operating activities'.

## 22 Parent Company accounting principles

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 'Accounting for legal entities' issued by the Swedish Financial Reporting Board. RFR 2 requires the Parent Company to use the same accounting principles as the Group (ie IFRS) to the extent allowed by Swedish accounting legislation.

The differences between the Group's and the Parent Company's accounting principles are stated below.

### 22.1 Group contributions and dividends

#### Group contributions

Hoist Finance applies the main rule in RFR2 IAS 27.2. Group contributions received from Group companies are reported in the income statement. The net of Group contributions paid or received for optimising the Group's tax expense is reported as appropriation in the Parent Company. Group contributions from the Parent Company to subsidiaries are reported as an increase in participations in Group companies, net of tax.

#### Dividends

Dividends paid to Hoist Finance AB (publ) shareholders are reported as a liability following the approval of the Annual General Meeting. Dividends from subsidiaries and associated companies are reported as 'Dividends received'.

### 22.2 Subsidiaries

Parent Company shareholdings and participations in Group companies are reported based on cost of acquisition. Holdings are carried at cost and only dividends are reported in the income statement. Impairment tests are conducted in accordance with IAS 36 'Impairments of assets' and write-downs are made when permanent decline in value is established.

Transaction costs are included in the carrying value of the holding in the subsidiary. Transaction costs attributable to subsidiaries are reported directly in profit or loss in the consolidated accounts when incurred.

Contingent purchase prices are valued based on probability of payment. Any changes to the provision/receivable is added to/reduced from the cost of acquisition.

Low-priced acquisitions that match anticipated losses and expenses are reversed during the periods in which the losses and expenses are expected to arise. Low-priced acquisitions resulting from other factors are reported as provisions to the extent they do not exceed the fair values of acquired identifiable non-monetary assets. The portion exceeding this amount is directly taken up as income. The portion that does not exceed the fair value of acquired identifiable non-monetary assets is reported as income systematically over a period of time that is based on the remaining weighted average useful life of the acquired identifiable depreciable assets. In the consolidated accounts, low-priced acquisitions are reported directly in profit or loss.

### 22.3 Untaxed reserves

In the Parent Company, untaxed reserves are reported as a separate item in the balance sheet. In the consolidated financial statements, untaxed reserves are divided into a 'deferred tax liability' component and an 'equity' component.

## 23 Exchange rates

| | Full year 2015 | Full year 2014 |
|---|---|---|
| **1 EUR = SEK** | | |
| Income statement (average) | 9.3553 | 9.0930 |
| Balance sheet (at end of the period) | 9.1350 | 9.5155 |
| **1 GBP = SEK** | | |
| Income statement (average) | 12.8908 | 11.2794 |
| Balance sheet (at end of the period) | 12.3785 | 12.1388 |
| **1 PLN = SEK** | | |
| Income statement (average) | 2.2372 | 2.1737 |
| Balance sheet (at end of the period) | 2.1545 | 2.2124 |

# Notes

## Note 1 Segment reporting

### Consolidated income statement

| SEK thousand | 2015 | 2014 |
|---|---|---|
| Net revenue from acquired loan portfolios | 2,004,524 | 1,398,291 |
| *Of which, gross collections on acquired loan portfolios* | *3 ,631,032* | *2,541,311* |
| *Of which, portfolio amortisation and revaluation* | *–1,626,508* | *–1,143,020* |
| Interest income | 2,679 | 89,731 |
| *Of which, interest income from run-off consumer loan portfolio* | 10,176 | 38,180 |
| *Of which, interest income excl. run-off consumer loan portfolio* | –7,497 | 51,551 |
| Interest expense | –361,370 | –344,969 |
| **Net interest income** | **1,645,833** | **1,143,053** |
| Fee and commission income | 166,705 | 153,222 |
| Net income/expense from financial transactions | –15,341 | –17,719 |
| Other income | 10,629 | 12,219 |
| **Total operating income** | **1,807,826** | **1,290,775** |
| **General administrative expenses** | | |
| Personnel expenses | –651,354 | –473,200 |
| Other operating expenses | –874,016 | –627,467 |
| Depreciation and amortisation of tangible and intangible assets | –46,866 | –30,281 |
| **Total operating expenses** | **–1,572,236** | **–1,130,948** |
| **Profit before credit losses** | **235,590** | **159,827** |
| Net credit losses | –5,298 | – |
| Profit from shares and participations in joint ventures | 54,839 | 58,662 |
| **Profit before tax** | **285,131** | **218,489** |

### Operating income statement based on segment reporting

| SEK thousand | 2015 | 2014 |
|---|---|---|
| Gross collections on acquired loan portfolios | 3,631,032 | 2,541,311 |
| Portfolio amortisation and revaluation | –1,626,508 | –1,143,020 |
| Interest income from run-off consumer loan portfolio | 10,176 | 38,180 |
| **Net revenue from acquired loan portfolios** | **2,014,700** | **1,436,471** |
| Fee and commission income | 166,705 | 153,222 |
| Profit from shares and participations in joint ventures | 54,839 | 58,662 |
| Other income | 10,629 | 12,219 |
| **Total revenue** | **2,246,873** | **1,660,574** |
| Personnel expenses | –651,354 | –473,200 |
| Other operating expenses | –874,016 | –627,467 |
| Depreciation and amortisation of tangible and intangible assets | –46,866 | –30,281 |
| **Total operating expenses** | **–1,572,236** | **–1,130,948** |
| **EBIT** | **674,637** | **529,626** |
| Interest income excl. run-off consumer loan portfolio | –7,497 | 51,551 |
| Interest expense | –361,370 | –344,969 |
| Net income from financial transactions | –20,639 | –17,719 |
| **Total financial items** | **–389,506** | **–311,137** |
| **Profit before tax** | **285,131** | **218,489** |

Segment reporting has been prepared based on the manner in which Executive Management monitors operations. This differs from statutory account preparation; the material differences are as follows:

- Revenue includes income from
  - acquired loan portfolios
  - run-off consumer loan portfolio
  - fee and commission income from third parties
  - shares and participations in joint ventures
  - certain other income
- Total financial items' include interest income from sources other than portfolios, interest expense and net income from financial transactions.

Group costs for central and supporting functions are not allocated to the operating segments but are reported as Central Functions and Eliminations.

A financing cost is allocated to the operating segments based on the acquired loan portfolio assets. The difference between the actual financing cost and the standardised cost is included in Central Functions and Eliminations.

With respect to the balance sheet, only acquired loan portfolios are monitored. 'Other assets and liabilities' are not monitored on a segment-by-segment basis. These items are of a minor nature.

# Note 1 Segment reporting, continued

## Income Statement 2015

| SEK thousand | Germany and Austria[1] | Belgium, France and the Netherlands[2] | UK | Italy | Poland | Central Functions and Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Gross collections on acquired loan portfolios | 871,315 | 891,864 | 813,772 | 588,633 | 465,448 | – | 3,631,032 |
| Portfolio amortisation and revaluation | –435,248 | –575,823 | –204,427 | –221,462 | –189,548 | – | –1,626,508 |
| Interest income from run-off consumer loan portfolio | 10,176 | – | – | – | – | – | 10,176 |
| **Net revenue from acquired loan portfolios** | **446,243** | **316,041** | **609,345** | **367,171** | **275,900** | **–** | **2,014,700** |
| Fee and commission income | 8,857 | 6,916 | 107,931 | 5,891 | 37,110 | – | 166,705 |
| Profit from shares and participations in joint ventures | – | – | – | – | – | 54,839 | 54,839 |
| Other income | 11,823 | –22 | 1,145 | 1,414 | 353 | –4,084 | 10,629 |
| **Total revenue** | **466,923** | **322,935** | **718,421** | **374,476** | **313,363** | **50,755** | **2,246,873** |
| Personnel expenses | –148,757 | –89,769 | –184,346 | –56,842 | –23,656 | –147,984 | –651,354 |
| Other operating expenses | –98,897 | –127,087 | –275,525 | –126,380 | –75,005 | –171,122 | –874,016 |
| Depreciation and amortisation of tangible and intangible assets | –3,583 | –2,407 | –5,351 | –5,959 | –3,612 | –25,954 | –46,866 |
| **Total operating expenses** | **–251,237** | **–219,263** | **–465,222** | **–189,181** | **–102,273** | **–345,060** | **–1,572,236** |
| **EBIT** | **215,686** | **103,672** | **253,199** | **185,295** | **211,090** | **–294,305** | **674,637** |
| Interest income excl. run-off consumer loan portfolio | 521 | 84 | 117 | 1 | 1,599 | –9,819 | –7,497 |
| Interest expense | –1,476 | –76 | 76 | –8 | –121 | –359,765 | –361,370 |
| Net income from financial transactions | –111,204 | –105,635 | –133,690 | –66,290 | –68,106 | 464,286 | –20,639 |
| **Total financial items** | **–112,159** | **–105,627** | **–133,497** | **–66,297** | **–66,628** | **94,702** | **–389,506** |
| **Profit before tax** | **103,527** | **–1,955** | **119,702** | **118,998** | **144,462** | **–199,603** | **285,131** |

1) Total revenue for Germany of SEK 453 million is included in the revenue for Germany and Austria.
2) Total revenue for the Netherlands of SEK 287 million is included in the revenue for Belgium, France and the Netherlands.

# Note 1 Segment reporting, continued

## Income Statement 2014

| SEK thousand | Germany and Austria[1)] | Belgium, France and the Netherlands[2)] | UK | Italy | Poland | Central Functions and Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Gross collections on acquired loan portfolios | 724,044 | 733,474 | 527,346 | 260,828 | 295,619 | – | 2,541,311 |
| Portfolio amortisation and revaluation | –348,873 | –484,991 | –200,802 | –91,324 | –17,030 | – | –1,143,020 |
| Interest income from run-off consumer loan portfolio | 38,180 | – | – | – | – | – | 38,180 |
| **Net revenue from acquired loan portfolios** | **413,351** | **248,483** | **326,544** | **169,504** | **278,589** | **–** | **1,436,471** |
| Fee and commission income | 17,889 | 6,989 | 128,344 | – | – | – | 153,222 |
| Profit from shares and participations in joint ventures | – | – | – | – | – | 58,662 | 58,662 |
| Other income | 14,294 | 218 | 2,686 | 311 | 0 | –5,290 | 12,219 |
| **Total revenue** | **445,534** | **255,690** | **457,574** | **169,815** | **278,589** | **53,372** | **1,660,574** |
| Personnel expenses | –133,245 | –86,886 | –134,502 | –17,854 | –2,035 | –98,678 | –473,200 |
| Other operating expenses | –85,272 | –102,656 | –137,601 | –86,028 | –74,812 | –141,098 | –627,467 |
| Depreciation and amortisation of tangible and intangible assets | –2,940 | –4,679 | –4,588 | –2,340 | – | –15,734 | –30,281 |
| **Total operating expenses** | **–221,457** | **–194,221** | **–276,691** | **–106,222** | **–76,847** | **–255,510** | **–1,130,948** |
| **EBIT** | **224,077** | **61,469** | **180,883** | **63,593** | **201,742** | **–202,138** | **529,626** |
| Interest income excl. run-off consumer loan portfolio | 96 | 170 | 241 | 0 | 0 | 51,044 | 51,551 |
| Interest expense | –678 | –90 | –179 | –2 | 0 | –344,020 | –344,969 |
| Net income from financial transactions | –105,135 | –100,481 | –72,627 | –25,292 | –52,232 | 338,048 | –17,719 |
| **Total financial items** | **–105,717** | **–100,401** | **–72,565** | **–25,294** | **–52,232** | **45,072** | **–311,137** |
| **Profit before tax** | **118,360** | **–38,932** | **108,318** | **38,299** | **149,510** | **–157,066** | **218,489** |

1) Total revenue for Germany of SEK 437 million is included in the revenue for Germany and Austria.
2) Total revenue for the Netherlands of SEK 200 million is included in the revenue for Belgium, France and the Netherlands.

## Acquired loan portfolios at 31 Dec 2015

| SEK thousand | Germany and Austria | Belgium, France and the Netherlands | UK | Italy | Poland | Central Functions and Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Run-off consumer loan portfolio | 58,364 | | | | | | 58,364 |
| Acquired loan portfolios | 2,046,099 | 2,077,091 | 3,386,835 | 2,062,759 | 1,441,915 | | 11,014,699 |
| Shares and participations in joint ventures | | | | | | 205,557 | 205,557 |
| **Acquired loan portfolios** | **2,104,463** | **2,077,091** | **3,386,835** | **2,062,759** | **1,441,915** | **205,557** | **11,278,620** |

## Acquired loan portfolios at 31 Dec 2014

| SEK thousand | Germany and Austria | Belgium, France and the Netherlands | UK | Italy | Poland | Central Functions and Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Run-off consumer loan portfolio | 118,799 | | | | | | 118,799 |
| Acquired loan portfolios | 2,231,593 | 2,194,000 | 1,797,520 | 1,181,210 | 1,182,459 | | 8,586,782 |
| Shares and participations in joint ventures | | | | | | 215,347 | 215,347 |
| **Acquired loan portfolios** | **2,350,392** | **2,194,000** | **1,797,520** | **1,181,210** | **1,182,459** | **215,347** | **8,920,928** |

# Note 2 Net interest income

| SEK thousand | GROUP 2015 | GROUP 2014 | PARENT COMPANY 2015 | PARENT COMPANY 2014 |
|---|---|---|---|---|
| **Interest income from acquired loans** | | | | |
| of which, amortised cost | 1,940,601 | 1,282,636 | – | – |
| of which, fair value | 63,923 | 115,655 | – | – |
| **Income from loan portfolios** | **2,004,524** | **1,398,291** | **–** | **–** |
| **Lending to credit institutions** | | | | |
| Interest income, banks | 4,494 | 17,375 | 10 | 33 |
| Interest-bearing securities | –11,991 | 34,023 | – | – |
| Loan receivables | 10,176 | 38,333 | –4,467 | 1,221 |
| **Interest income** | **2,679** | **89,731** | **–4,457** | **1,254** |
| Interest expense, deposits from the public | –188,501 | –209,703 | | |
| **Other interest expense, financial liabilities** | | | | |
| at amortised cost | –129 262 | –110 119 | – | – |
| at fair value | –43 607 | –25 147 | –927 | –1,315 |
| **Interest expense** | **–361,370** | **–344,969** | **–927** | **–1,315** |
| **Net interest income** | **1,645,833** | **1,143,053** | **–5,384** | **–61** |

# Note 3 Net income from financial transactions

| SEK thousand | GROUP 2015 | GROUP 2014 |
|---|---|---|
| Exchange rate fluctuations | –29,851 | –1,081 |
| Profit/Loss from financial assets and liabilities at fair value through profit/loss, net | –5,014 | 2,007 |
| Profit/Loss from financial assets and liabilities at amortised cost, net | –6,941 | – |
| Profit/Loss from financial assets and liabilities held for trading, net | 26,465 | –18,645 |
| **Total** | **–15,341** | **–17,719** |

# Note 4 Net sales

| SEK thousand | PARENT COMPANY 2015 | PARENT COMPANY 2014 |
|---|---|---|
| Intra-Group income | 148,458 | 171,684 |
| Other | 0 | 0 |
| **Total** | **148,458** | **171,684** |

# Note 5 Personnel expenses

## Total personnel expenses and remuneration

| SEK thousand | GROUP 2015 | GROUP 2014 | PARENT COMPANY 2015 | PARENT COMPANY 2014 |
|---|---|---|---|---|
| Salaries[1] | –501,975 | –357,509 | –3,683 | – |
| Pension expenses | –17,841 | –16,803 | – | – |
| Social fees | –92,363 | –70,471 | –4,120 | – |
| Other personnel-related expenses | –39,175 | –28,417 | –1,070 | – |
| **Total** | **–651,354** | **-473 200** | **–8,873** | – |

1) Includes fixed and variable remuneration.

The Parent company does not have any employees except for the Chief Executive Officer, who is employed by both the Parent company and Hoist Kredit AB (publ).

## Of which, salaries and other compensation to senior executives

| SEK thousand | GROUP 2015 | GROUP 2014 | PARENT COMPANY 2015 | PARENT COMPANY 2014 |
|---|---|---|---|---|
| **To senior executives[1]** | | | | |
| Fixed salary and benefits | –24,579 | –25,036 | –4,292 | – |
| Performance-based compensation | –3,066 | –3,459 | – | – |
| **Total** | **–27,645** | –28 495 | **–4,292** | **–** |

1) Senior executives include Board members, the President/CEO and the Executive Management Team. Former Board members are included. Senior executives during the year: 13 (10) individuals, of which Board members 6 (6) and CEO 1 (1).

# Note 5 Personnel expenses, continued

## Remuneration to Members of the Board and Executive Management Team

### Approved guidelines for remuneration for executive officers for 2015

The senior executives consist of the Chief Executive Officer and other management employees in Hoist Finance AB and its subsidiaries.

The Board of Directors shall have the right to deviate from the principles decided at the Annual General Meeting if there are specific reasons in a particular case.

Remuneration to management employees consists of base salary, variable remuneration, pension and other benefits. The remuneration shall encourage employees to achieve results in line with Hoist Finance's goals, strategy and vision, and encourage employees to act following Hoist Finance's code of ethics and values. Furthermore, the total remuneration shall ensure that Hoist Finance can attract, retain and motivate employees with the right competence. Remuneration shall should encourage good performance, healthy behaviour and risk- taking that are in line with the expectations of customers and shareholders. The salary should be gender and age neutral and discrimination may not occur. Hoist Finance has a holistic approach to remuneration, which means all remuneration components must be considered. The starting point of any remuneration shall be a fixed salary, which is based on responsibility and complexity of the position, current market conditions and the individual's performance.

The variable remuneration to management employees shall as a principle not exceed 50 per cent of the fixed salary, with a few exceptions. The variable remuneration shall be based on various financial and non-financial criteria determined by the Board of Directors, and will be connected to the individual performance by the employee and the Group's results. No variable remuneration will be paid to Group Head of control functions (risk, compliance and internal audit) or employees in control functions.

The variable remuneration shall take into consideration all the risks of Hoist Finance's operations and shall be in proportion to the Group's earning capacity, capital requirements, profits and financial position. Payment of remuneration shall not impede the Group's long-term interests. Payment of variable remuneration is conditional upon the management employee being compliant with internal rules and procedures, including policies regarding conduct toward customers and investors and the employee not being responsible for any conduct resulting in significant financial losses for Hoist Finance or the business unit in question.

For management employees in the Executive Management Team, payment of at least 60 per cent of the variable remuneration shall be deferred for a period of at least three years. For management employees who are classified as employees whose duties have a material impact on the company's risk profile payment of at least 40 per cent of the variable remuneration shall be deferred for a period of at least three years. The variable remuneration, including deferred remuneration, shall only be paid to the employee to an extent justifiable by the Group's financial situation and the performance of the Group, the business unit in question and the employee.

Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or firm-specific plans, or a combination of the two. Hoist Finance has defined contribution pension plans and does not apply discretionary pension benefits. There are defined benefit pension plans in Germany but no further contributions are made. A few management employees have gross salaries and Hoist does not make any pension payments. Other allowances should be competitive in comparison with comparable players in the respective country.

Sign on bonus is offered only in exceptional cases and then only for the purpose of covering forfeited variable remuneration under a previous employment agreement. The sign on bonus shall be paid out during the same year as the employment begins.

**Remuneration to the Board of Directors[1]**

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK thousand** | **2015** | **2014** | **2015** | **2014** |
| **Chair of the Board:** | | | | |
| Ingrid Bonde[2] | 1,900 | 236 | 1,900 | – |
| Mikael Wirén[3] | – | 2,001 | – | – |
| **Other Board members:** | | | | |
| Liselotte Hjorth[4] | 658 | – | 592 | – |
| Annika Poutiainen[5] | 683 | 68 | 600 | – |
| Per-Eric Skotthag | 600 | 737 | 600 | – |
| Gunilla Wikman[6] | 667 | 116 | 600 | – |
| Achim Prior[7] | 117 | 750 | – | – |
| Erik Fällström[8] | – | – | – | – |
| Jörgen Olsson | – | – | – | – |
| Costas Thoupos[9] | – | – | – | – |
| **Total** | **4,625** | **3,908** | **4,292** | **–** |

1) Board and Committee member fees are comprised of a fixed annual amount, exclusive of social fees.
2) **Ingrid Bonde** took over as Board chair as from the 16 November 2014 extraordinary general meeting.
3) **Mikael Wirén** resigned as Board chairman as at the 16 November 2014 extraordinary general meeting.
4) **Liselotte Hjorth** was elected as new Board member at the 29 December 2014 extraordinary general meeting and joined the Board on 1 January 2015. Also includes remuneration of SEK 67 thousand (0) from subsidiary.
5) **Annika Poutiainen** joined the Board as from the 16 November 2014 extraordinary general meeting. Annika Poutiainen's Board fee was paid to Alpha Leon AB, a related company; see Note 33. Also includes remuneration of SEK 83 thousand (68) from subsidiary.
6) **Gunilla Wikman** joined the Board as at the 22 October 2014 extraordinary general meeting. Also includes remuneration of SEK 67 thousand (116) from subsidiary.
7) **Achim Prior** resigned as of the 16 November 2014 extraordinary general meeting. Includes remuneration from subsidiary.
8) **Erik Fällström** stepped down as Board member as at the 4 May 2014 AGM. Erik Fällström received no separate remuneration for his work on the Board, as he served as advisor for the business through April 2014. Until April 2014, remuneration for advisory services was paid to European Digital Capital Ltd, a related company; see Note 33.
9) **Costas Thoupos** received remuneration from a subsidiary totalling SEK 5,528 thousand (6,208). He resigned from the EMT in January 2015.

# Note 5 Personnel expenses, continued

| Salaries and benefits[1] | Fixed salary | | Performance based compensation | | Benefits[2] | | Total | |
|---|---|---|---|---|---|---|---|---|
| SEK thousand | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **CEO:** | | | | | | | | |
| Jörgen Olsson | –7,361 | –7,416 | – | – | –187 | –196 | –7,548 | –7,612 |
| **Executive Management Team:** | | | | | | | | |
| 6 (5) people[3] excluding CEO | –11,793 | –13,060 | –3,066 | –3,459 | –612 | –456 | –15,472 | –16,975 |
| **Total** | **–19,154** | **–20,476** | **–3,066** | **–3,459** | **–799** | **–652** | **–23,020** | **–24,587** |

1) Exclusive of social fees.
2) Benefits included in the taxable fringe benefit, exclusive of social fees.
3) Karin Beijer's remuneration is included and was paid to Co Go Consulting AB, a related company; see Note 33.

If the employment is terminated by the Group, a maximum notice period of 12 months applies. At termination of employment by Hoist Finance, no redundancy payments are paid out. There is currently one exception.

### Directors' remuneration

Board members of the Parent Company and subsidiary Hoist Kredit received remuneration in 2015 from Hoist Finance AB (publ) for overlapping work performed for the boards of both companies. In previous years, Board remuneration was paid via Hoist Kredit. The AGM held on 25 February 2015 resolved that annual remuneration shall be paid as follows: SEK 500,000 to Board members, SEK 1,800,000 to the Chair of the Board, SEK 50,000 to members of Board Committees and SEK 100,000 to Chairs of Board Committees. Three Board members each receive annual remuneration of SEK 100,000 for work done on subsidiary boards.

Board members employed by Hoist Finance (Jörgen Olsson and Costas Thoupos) do not receive specific remuneration for their work on the Board.

There is no outstanding redundancy payment or similar owed to any Board members. As of the AGM held on 16 November 2014, there are no pension obligations with respect to any Board members.

## CEO

The CEO's basic salary, participation in the warrant programme, and other terms of employment are proposed by the Board's Remuneration Committee and adopted by the Board of Directors.

The CEO was paid a salary of SEK 7,361 thousand in 2015 (7,416), in line with Hoist Finance's remuneration policy. The CEO's salary is paid in Swedish kronor. The CEO does not receive any performance based compensation. Benefits, primarily comprised of a company car, were included in the taxable fringe benefit. The CEO acquired 296,192 warrants within the framework of the company's warrant programme, producing a warrant-to-share ratio of 1:3. The CEO has a 12-month notice period. There is no agreement in place on redundancy payments.

### Pensions to the CEO (see table below):

Through October 2014, 40 per cent of fixed salary was set aside for pension. As of November 2014, the pension premium is 32 per cent of fixed salary.

## Executive Management Team (EMT)

The Board's Remuneration Committee prepares for the Board's decision changes to remuneration rates and bonus programme results and other changes to EMT compensation agreements.
Like the CEO, other EMT members participated in the first warrant programme. The EMT and CEO held a total of 622,003 warrants as at year-end.

All but one EMT members are offered a variable wage component not to exceed 50 per cent of fixed annual salary. Other benefits are primarily comprised of company cars.

Costas Thoupos resigned from the EMT as of January 2015.

In 2015 the EMT consisted of six people, exclusive of the CEO. As from 1 January 2016 a new organisation is launched and the new EMT is presented on pages 54-55.

### Notice period

The notice period is nine months for one EMT member and six months for three members. Only one EMT member is eligible for redundancy payments, totalling 50 per cent of gross salary for a 12-month period.

### Pensions (see table below):

Four EMT members follow Hoist Finance's predetermined pension scheme, while one member receives 7 per cent of fixed salary. For these four members, fixed salary constitutes pensionable remuneration.

**Pension costs**

| SEK thousand | 2015[3] | 2014[3] |
|---|---|---|
| **Former Chairman of the Board:** Mikael Wirén[1] | – | –674 |
| **CEO:** Jörgen Olsson | –2,342 | –2,830 |
| **Executive Management Team:** 6 (5) people (excluding CEO)[2] | –1,532 | –1,238 |
| **Total** | **–3,874** | **–4,742** |

1) Mikael Wirén resigned at the 16 November 2014 extraordinary general meeting; pension expenses ceased on that date.
2) EMT members are included for the periods during which they held their positions.
3) Pension expenses are comprised of written-off pension premiums in defined-benefit pension plans (costs related to services performed during the current and previous years as well as wage regulations, defined in IAS 19). Of total pension expenses, 100 per cent is attributable to defined- benefit pension plans.

**Lending to senior executives**

| SEK thousand | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Outstanding at beginning of the period | – | – |
| – Loans during the period | 468 | – |
| **Outstanding at end of the period** | **468** | **–** |

One Executive Management Team member holds a loan of EUR 50,000.

# Note 5 Personnel expenses, continued

## Warrant programme

Hoist Finance issued warrants in 2013 and 2014 that were acquired by key management personnel within the Group.
See the table below:

### Number and weighted average exercise price of cash-settled options[1)]

| | Number of options 2015 | Number of options 2014 |
|---|---|---|
| Outstanding at beginning of the period | | |
| – 2013 warrant programme | 794,782 | 819,465 |
| – 2014 warrant programme | 222,041 | – |
| Repurchase (–)/allocated (+) during the period | | |
| – 2013 warrant programme | –57,593 | –24,683 |
| – 2014 warrant programme | –29,603 | 222,041 |
| Outstanding at end of the period | | |
| – 2013 warrant programme | 737,189 | 794,782 |
| – 2014 warrant programme | 192,438 | 222,041 |

1) A 1:3 share split was conducted in February 2015

The extraordinary general meeting held on 6 December 2013 resolved to introduce a warrant programme under which a total of 819,465 warrants were issued. A total of 11 selected senior executives and key employees acquired all of these warrants at market price (fair value) as calculated by Black & Scholes.

Thereafter, a total of 82,276 warrants have been repurchased and cancelled by the company. In total 737,189 warrants are held by 9 senior executives and key staff.

Originally, each warrant entitled the holder to subscribe for one new share in the Company, at a subscription price of SEK 48.42 per share. In accordance with the warrants' terms and conditions, the subscription price as well as the number of shares each warrant entitles the holder to subscribe for, has been recalculated in line with the share split 1:3 which was resolved at the AGM on 25 February 2015. Accordingly, each warrant entitles the holder to subscribe for three new shares at a subscription price of 16,14 SEK per share through 31 December 2016. The warrant holder is, however, under certain circumstances obliged to offer the Company the option of repurchasing some or all of the warrants or shares issued through exercise of the warrants.

The extraordinary general meeting held on 22 October 2014 resolved to issue additional warrants to key Group employees. 26 key employees acquired a total of 222,041 warrants under the warrant programme at market price (fair value) as calculated by Black & Scholes. Thereafter, as at 31 December 2015 a total of 29,603 warrants have been repurchased from three holders and cancelled by the company. In 2015, SEK 4,019 thousand have been paid for these repurchased warrants which are accounted for in shareholders' equity. Originally, each warrant entitled the holder to subscribe for one new share in the Company, at a subscription price of SEK 190.20 per share for all warrants, except for 27,293 which entitled the holder to subscribe one share at a subscription price of 166.40 SEK. In line with the 2013 warrant programme, the subscription price as well as the number of shares each warrant entitles the holder to subscribe for, has been recalculated in accordance with the warrants' terms and conditions. Accordingly, each warrant entitles the holder to subscribe for three new shares at a subscription price of 63.40 SEK per share except for 27,293 warrants which entitles the holder to subscribe three new shares at a subscription price of 55.47 SEK.

The warrants are valid through 31 December 2016 and the holder is under certain circumstances obliged to offer the Company the option of repurchasing some or all of the warrants or shares issued through exercise of the warrants.

Warrant liquidity is reported in 'Shareholders' equity'. The Company's share capital will increase by SEK 929,627 upon the full exercise of all above-mentioned warrants held by senior executives and key employees, corresponding to a 3.4 per cent dilution effect of the Company's current equity in total. In accordance with the warrants' terms and conditions, the subscription price and number of shares each warrant entitles the holder to subscribe for, may be restated under certain circumstances and, in some instances, warrant holders are obliged to offer the Company the option of repurchasing some or all of the warrants or the shares issued through exercise of the warrants.

### Average number of employees during the year

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| Sweden | 29 | 18 | 47 | 20 | 14 | 34 |
| Germany | 98 | 201 | 299 | 96 | 199 | 295 |
| France | 38 | 63 | 101 | 41 | 73 | 114 |
| Belgium | 10 | 8 | 18 | 8 | 7 | 15 |
| The Netherlands | 15 | 13 | 28 | 11 | 11 | 22 |
| UK | 220 | 203 | 423 | 168 | 166 | 334 |
| Italy | 66 | 82 | 148 | 22 | 31 | 53 |
| Poland | 61 | 121 | 182 | 5 | 9 | 14 |
| **Total** | **537** | **709** | **1,246** | **371** | **510** | **881** |

The average number of employees is calculated based on full-time employees (FTEs). The Group also has contracted consultants, the number of which varies during the year depending on requirements.

As at 31 December 2015 the Group had 1,246 FTEs (881).

### Gender distribution, senior executives

| | 31 Dec 2015 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2014 |
|---|---|---|---|---|
| % | Men | Women | Men | Women |
| Senior executives | 64 | 36 | 71 | 29 |
| Boards of Directors | 66 | 34 | 79 | 21 |
| *Of which, Parent Company* | *43* | *57* | *50* | *50* |

# Note 6 Other operating expenses

| SEK thousand | GROUP 2015 | GROUP 2014 | PARENT COMPANY 2015 | PARENT COMPANY 2014 |
|---|---|---|---|---|
| Collection costs | –498,209 | –342,783 | – | – |
| Consultancy services | –182,716 | –128,372 | –69,903 | –14,793 |
| Intra-Group consultancy services | – | – | –87,870 | –116,054 |
| Other intra-Group expenses | – | – | –7,399 | –5,850 |
| IT expenses | –51,268 | –37,503 | –9,145 | –6,578 |
| Telecom expenses | –15,183 | –10,305 | –2,209 | –1,653 |
| Premises costs | –59,329 | –51,086 | –6,557 | –4,872 |
| Travel expenses | –23,149 | –18,812 | –199 | –312 |
| Restructuring costs | –2,207 | –13,106 | – | – |
| Bank charges | –22,311 | –3,742 | –38 | –8 |
| Sales and marketing expenses | –4,190 | –5,197 | –392 | –1,094 |
| Other expenses | –15,454 | –16,561 | –711 | –295 |
| **Total** | **–874,016** | **–627,467** | **–184,423** | **–151,509** |

# Note 7 Credit losses

| SEK thousand | GROUP 2015 | GROUP 2014 |
|---|---|---|
| **Specific impairment for individually valued loan receivables** | | |
| Write-offs for stated credit losses for the year | –5,298 | – |
| **Net costs of credit losses for the year** | **–5,298** | **–** |

# Note 8 Shares and participations in joint ventures

Shares and participations in joint ventures relate to Hoist Kredit AB's (publ) holding (50%) in "BEST III" Sec Fund, a Polish closed-end fund designated for the acquisition of individual loan portfolios. The initial investment was PLN 40 million (SEK 90 M) and the investment is consolidated pursuant to the equity method. BEST III is located in Gdynia.

| SEK thousand | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 |
|---|---|---|
| **Opening balance** | **215,347** | **192,230** |
| Redemption of fund units | –15,277 | –13,544 |
| Profit | 10,435 | 30,722 |
| Exchange differences | –4,948 | 5,939 |
| **Closing balance** | **205,557** | **215,347** |

The Group's profit from shares and participations in joint ventures totals SEK 55 million (59), of which SEK 44 million (28) is attributable to Hoist Kredit AB (publ) for the redemption of fund units.

| SEK thousand | BEST III 31 Dec 2015 | BEST III 31 Dec 2014 |
|---|---|---|
| **Assets** | | |
| Acquired loan portfolios | 457,732 | 502,010 |
| Cash and bank balances | 17,952 | 23,544 |
| **Total assets** | **475,684** | **525,554** |
| **Liabilities** | | |
| Non-current liabilities | 45,332 | 75,860 |
| Current liabilities | 19,239 | 19,016 |
| **Total liabilities** | **64,571** | **94,876** |
| **Net assets** | **411,113** | **430,678** |
| Interest income | 139,525 | 185,309 |
| Other expenses | –52,807 | –52,581 |
| **Net profit for the year** | **86,718** | **132,728** |

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

## Note 9 Earnings from participations in Group companies

Group contributions totalling SEK 183 million were paid by subsidiary Hoist Kredit AB (publ) to Hoist Finance AB (publ) during the year.

## Note 10 Tax

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK thousand** | **2015** | **2014** | **2015** | **2014** |
| **Current tax expense/revenue** | | | | |
| Tax expense/revenue for the year | –5,345 | –24,598 | –22,673 | –353 |
| Tax adjustment attributable to previous year | –7,736 | –336 | –2,156 | – |
| **Total** | **–13,081** | **–24,934** | **–24,829** | **–353** |
| **Deferred tax expense/revenue** | | | | |
| Deferred tax attributable to temporary differences | –41,528 | –13,452 | – | – |
| **Total** | **–41,528** | **–13,452** | **–** | **–** |
| **Total reported tax expense** | **–54,609** | **–38,386** | **–24,829** | **–353** |

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK thousand** | **2015** | **2014** | **2015** | **2014** |
| **Profit before tax** | **285,131** | **218,489** | **102,521** | **12,817** |
| Tax calculated at 22% (Swedish) tax rate | –62,729 | –48,068 | –22,555 | –2,820 |
| Effect of different tax rates in different countries | 13,669 | –4,398 | – | – |
| Non-taxable revenue | 14,997 | 4,799 | 1 | 1 |
| Non-deductible expenses | –2,731 | –8,366 | –10 | –46 |
| Adjustments with reference to previous years | –7,736 | –336 | –2,156 | – |
| Utilisation of previously uncapitalised loss carry-forwards | 12,424 | 23,267 | – | – |
| Increase in loss carry-forwards without corresponding capitalisation of deferred tax | –8,955 | –7,441 | – | – |
| Decrease in capitalised loss carry-forwards not expected to be utilised | –21,393 | – | – | – |
| Other | 7,845 | 1,821 | –110 | 2,512 |
| **Total tax expense** | **–54,609** | **–38,386** | **–24,829** | **–353** |

The Group's effective tax rate was 19.15 per cent (17.57) at 31 December 2015.

Current tax reported directly in the Group's equity totalled SEK 2 million as at 31 December 2015 and refers to tax on interest paid on capital contributions net of tax on IPO costs. For the Parent Company, current tax reported in equity totalled SEK 7 million and refers to tax on IPO costs. Last year, current tax on items reported directly in equity in the Group totalled SEK 3 million and referred to tax on interest paid on capital contribution. 'Other comprehensive income' includes tax valued at SEK –1 million (1) related to the revaluation of defined-benefit pension plans and revaluation of post-employment remuneration.

# Note 10 Tax, continued

| | GROUP | |
|---|---|---|
| SEK thousand | 31 Dec 2015 | 31 Dec 2014 |
| **Deferred tax** | | |
| Deferred tax assets | 62,688 | 70,885 |
| Deferred tax liabilities | –183,999 | –50,419 |
| **Total** | **–121,311** | **20,466** |

| | GROUP, 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| SEK thousand | Opening balance | Income statement | Other comprehensive income | Acquired via acquisition of companies | Translation differences | Closing balance |
| **Change in deferred tax** | | | | | | |
| Loss carry-forwards | 64,978 | –14,291 | | 16,864 | –1,820 | 65,732 |
| Joint venture | –31,086 | –2,296 | | | | –33,382 |
| Defined-benefit pension schemes and other employee benefits | 3,636 | 0 | –781 | | –127 | 2,728 |
| Acquired loan portfolios | –18,725 | 3,483 | | –126,668 | 5,108 | –136,802 |
| Untaxed reserves | – | –18,750 | | | | –18,750 |
| Other | 1,663 | –9,674 | | 7,350 | –175 | –836 |
| **Total** | **20,466** | **–41,528** | **–781** | **–102,454** | **2,986** | **–121,311** |

| | GROUP, 31 December 2014 | | | | |
|---|---|---|---|---|---|
| SEK thousand | Opening balance | Income statement | Other comprehensive income | Acquired via acquisition of companies | Closing balance |
| **Change in deferred tax** | | | | | |
| Loss carry-forwards | 57,049 | 7,929 | | | 64,978 |
| Joint ventures | –24,328 | –6,758 | | | –31,086 |
| Defined-benefit pension schemes | 3,220 | 416 | | | 3,636 |
| Acquired loan portfolios | –20,289 | 1,564 | | | –18,725 |
| Other | 13,882 | –16,603 | 872 | 3,512 | 1,663 |
| **Total** | **29,534** | **–13,452** | **872** | **3,512** | **20,466** |

The Group's deferred tax assets attributable to loss carry-forwards are expected to be fully utilised during the next four years. Deferred tax assets are only reported as a tax loss carry-forwards to the extent that a related tax benefit is likely to be realised.

Deferred tax assets and liabilities are offset to the extent there is a legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Unreported loss carry-forwards total SEK 113 million (37).

Tax loss carry-forwards of SEK 53 million are due in 2016, SEK 9 million in 2017, and SEK 70 million in 2018. Tax loss carry-forwards of SEK 197 million have no due date. Deferred tax assets pertaining to these loss carry-forwards have been capitalised.

# Note 11 Earnings per share

### Basic earnings per share

| SEK thousand | 2015 | 2014 |
|---|---|---|
| **Net profit for the year attributable to Hoist Finance AB (publ) shareholders, before dilution** | | |
| Net profit for the year attributable to Parent Company shareholders | 230,522 | 180,103 |
| Interest on capital contribution | –11,700 | –25,450 |
| Profit attributable to Parent Company shareholders, before dilution | 218,822 | 154,653 |
| Basic weighted average number of shares outstanding, before dilution, adjusted for 1:3 share split approved by February 2015 AGM | 75,376,085 | 50,375,775 |

### Diluted earnings per share

| SEK thousand | 2015 | 2014 |
|---|---|---|
| **Net profit for the year attributable to Hoist Finance AB (publ) shareholders, after dilution** | | |
| Profit attributable to Parent Company shareholders, before dilution | 218,822 | 154,653 |
| Effect of convertible instruments on Hoist Kredit AB shares | – | –13,036 |
| **Profit attributable to Parent Company shareholders, after dilution** | **218,822** | **141,617** |
| **Weighted average number of shares outstanding, after dilution** | | |
| Basic weighted average number of shares during the year, before dilution | 75,376,085 | 50,375,775 |
| Effect of options | 1,745,570 | 1,711,844 |
| **Weighted average number of shares during the year, after dilution** | **77,121,655** | **52,087,619** |
| The weighted average number of shares was affected by new share issues in 2014 and 2015 | | |
| **Basic earnings per share, SEK** | **2.90** | **3.07** |
| **Diluted earnings per share, SEK** | **2.84** | **2.72** |

**Instruments which may result in future dilution and changes after the balance sheet date**
The Company has two long-term warrant programmes; see Note 5 for details.

# Note 12 Maturity analysis

GROUP, 31 December 2015

| SEK thousand | Payable on demand | < 3 months | 3–12 months | 1–5 years | > 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Treasury bills and treasury bonds | | 3,077,827 | | | | | 3,077,827 |
| Lending to credit institutions | 857,877 | 639 | | | | | 858,516 |
| Lending to the public | | 7,750 | 17,199 | 40,603 | 12,442 | | 77,994 |
| Bonds and other securities | | 118,007 | 140,008 | 1,020,199 | | 25,000 | 1,303,214 |
| Derivatives | | 304,988 | 244 | 9,448 | | | 314,680 |
| **Total assets with fixed/contractual maturity** | **857,877** | **3,509,211** | **157,451** | **1,070,250** | **12,442** | **25,000** | **5,632,231** |
| Acquired loan portfolios[1] | | 720,487 | 2,253,221 | 8,660,933 | 4,827,855 | | 16,462,496 |
| **Total assets with no fixed/anticipated maturity** | | **720,487** | **2,253,221** | **8,660,933** | **4,827,855** | | **16,462,496** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Deposits from the public[2] | | | | | | | |
| retail | 8,057,969 | 1,229,886 | 953,039 | 2,381,527 | | | 12,622,421 |
| corporate | 168,956 | | | | | | 168,956 |
| **Total deposits from the public** | **8,226,925** | **1,229,886** | **953,039** | **2,381,527** | | | **12,791,377** |
| Derivatives | | 1,651 | | | | | 1,651 |
| Issued bonds | | | 335,321 | 903,148 | | | 1,238,469 |
| Subordinated liabilities | | | | | 336,892 | | 336,892 |
| **Total liabilities with fixed/contractual maturity** | **8,226,925** | **1,231,537** | **1,288,360** | **3,284,675** | **336,892** | | **14,368,389** |

GROUP, 31 December 2014

| SEK thousand | Payable on demand | < 3 months | 3–12 months | 1–5 years | > 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Treasury bills and treasury bonds | | 2,316,110 | | | | | 2,316,110 |
| Lending to credit institutions | 1,290,808 | 1,903 | | | | | 1,292,711 |
| 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 |
| **Total assets with fixed maturity** | **1,290,808** | **2,482,486** | **201,769** | **1,711,298** | **5,933** | **25,000** | **5,717,294** |
| Acquired loan portfolios[1] | | 656,319 | 1,862,892 | 6,872,154 | 4,095,440 | | 13,486,805 |
| **Total assets with no fixed/anticipated maturity** | | **656,319** | **1,862,892** | **6,872,154** | **4,095,440** | | **13,486,805** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Deposits from the public[2] | | | | | | | |
| retail | 7 479 114 | 514 600 | 1 858 900 | 984 758 | | | 10 837 373 |
| corporate | 149 916 | | | | | | 149 916 |
| **Total deposits from the public** | **7 629 030** | **514 600** | **1 858 900** | **984 758** | | | **10 987 289** |
| Derivatives | | 208 691 | | 38 033 | | | 246 724 |
| Issued bonds | | | | 1 493 122 | | | 1 493 122 |
| Subordinated liabilities | | | | | 332 796 | | 332 796 |
| **Total liabilities with fixed maturity** | **7 629 030** | **723 291** | **1 858 900** | **2 515 913** | **332 796** | | **13 059 931** |

1) Maturity information for acquired loan portfolios is based on anticipated net cash flows. See Note 30 for additional details on the Group's management of credit risk.
2) All deposits are in Swedish kronor and payable on demand. A fee is assessed for premature withdrawals from fixed-term deposits.

See Note 30 for information on the Group's management of liquidity risk.

# Note 12 Maturity analysis, continued

PARENT COMPANY, 31 December 2015

| SEK thousand | Payable on demand | < 3 months | 3–12 months | 1–5 years | > 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Lending to credit institutions | 125,414 | | | | | | 125,414 |
| **Total liabilities with fixed maturity** | **125,414** | | | | | | **125,414** |
| **Liabilities** | | | | | | | |
| Intra-Group loans | | | | 40,100 | | | 40,100 |
| **Total liabilities with fixed maturity** | | | | **40,100** | | | **40,100** |

PARENT COMPANY, 31 December 2014

| SEK thousand | Payable on demand | < 3 months | 3–12 months | 1–5 years | > 5 years | No fixed maturity | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Lending to credit institutions | 43,519 | | | | | | 43,519 |
| **Total liabilities with fixed maturity** | **43,519** | | | | | | **43,519** |
| **Liabilities** | | | | | | | |
| Intra-Group loans | | | | 40,100 | | | 40,100 |
| **Total liabilities with fixed maturity** | | | | **40,100** | | | **40,100** |

# Note 13 Financial assets

GROUP

| SEK thousand | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Swedish banks | 63,163 | 717,788 |
| Foreign banks | 795,353 | 574,923 |
| **Total, lending to credit institutions** | **858,516** | **1,292,711** |
| *Of which, pledged assets[1]* | *639* | *1,903* |
| **Interest-bearing securities** | | |
| Eligible treasuries, Swedish government | 1,181,728 | 670,915 |
| Other eligible securities | 1,896,099 | 1,645,195 |
| **Total, treasury bills and treasury bonds** | **3,077,827** | **2,316,110** |
| **Bonds and other securities** | | |
| Credit institutions | 10,000 | – |
| Mortgage institutions | 1,268,214 | 1,926,241 |
| **Total bonds and other securities** | **1,278,214** | **1,926,241** |
| **Total interest-bearing securities** | **4,356,041** | **4,242,351** |
| *Of which, unlisted securities* | – | – |
| **Shares and other participating interests** | | |
| Unlisted[2] | 25,000 | 25,000 |
| **Total, shares and other participating interests** | **25,000** | **25,000** |

1) Amount refers to pledged assets (cash) in favour of Deutsche Bank to meet potential debt repayments from the public. In the event a borrower wishes to reverse his or her direct debit payment, such funds must be re-transferred to the borrower.

2) There are no listed market prices for shares reported at acquisition value. Neither can the fair value of these shares be calculated reliably with valuation techniques. The shares are held for strategic purposes and are not intended for sale in the near future. See Note 30 for additional information on credit quality.

# Note 14 Acquired loan portfolios

| | GROUP | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| Opening balance | 8,586,782 | 5,997,935 |
| Acquisitions | 4,370,259 | 3,226,795 |
| Translation differences | –315,835 | 505,071 |
| **Changes in value** | | |
| Based on opening balance forecast (amortisation) | –1,587,651 | –1,128,103 |
| Based on revised estimates (revaluation) | –38,856 | –14,916 |
| **Carrying value** | **11,014,699** | **8,586,782** |
| **Profit/loss revaluations reported in income statement** | **–1,626,507** | **–1,143,020** |

**Of which, at fair value**

| | GROUP | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| Opening balance | 1,460,229 | 1,607,061 |
| Translation differences | –53,671 | 94,594 |
| **Changes in value** | | |
| Based on opening balance forecast (amortisation) | –167,331 | –188,953 |
| Based on revised estimates (revaluation) | –61,419 | –52,473 |
| **Carrying value** | **1,177,808** | **1,460,229** |
| **Profit/loss revaluations reported in income statement** | **–228,750** | **–241,426** |

The Group acquires portfolios of financial assets primarily from banks, insurance companies and other companies and institutions. These receivables are mostly comprised of unsecured consumer loans and also include consumer invoices. These loan portfolios were acquired at a significant discount relative to the capital claim, corresponding to the discounted value of anticipated collections and the Group's required rate of return.

The fair value measurement principle is applied to portfolios acquired prior to 1 July 2011 (SEK 1,178 million, corresponding to 11 per cent) whereas portfolios acquired after that date (SEK 9,837 million, corresponding to 89 per cent) are valued/measured at amortised cost. For additional information on accounting principles in accordance with the IFRS, please refer to the Accounting Principles section.

## Portfolio overview

The portfolios are comprised of a large number of loans. The debtors have varying characteristics, including payers, partial payers and non-payers. There is some degree of mobility between debtor categories, with non-payers becoming payers and vice versa. The Group divides its portfolios into different categories, defined as follows:

**Countries:** Countries in which portfolio seller and debtors are located.

**Age:** Primary claims are acquired by the Group up to 180 days following withdrawal of credit by the seller, secondary claims between 180 and 720 days, and tertiary claims after 720 days.

**Asset class:** The type of contract under which the claim against the debtor originated.

**Acquisition type:** A spot portfolio is a one-time acquisition. A forward flow portfolio involves regular monthly acquisitions; a framework agreement is signed at inception and deliveries subject to a defined model are purchased.

Classification into primary, secondary and tertiary portfolios reflects the portfolios' characteristics as at time of acquisition.

## Net collection forecast

The Group values its portfolios based on estimated future net cash flows for the next ten years. Collection costs are monitored closely. Forecast collection costs are based on standard cost curves, for which an analysis of actual collection costs for a standard portfolio is carried out taking into consideration collection in relation to the character and age of the receivables. These curves are applied in the value calculation for all portfolios. In cases where collection is outsourced or when a portfolio is of significant size, actual collection cost (or an estimate thereof) is applied.

Cash flow forecasts are regularly monitored during the year and updated based on factors such as achieved collection results and instalment plan agreements with debtors. A new carrying value is calculated for the portfolios based on the updated forecasts. The difference is reported as income or expense in the income statement and specified in Note 1 (SEK –1,627 million).

## Portfolios at fair value through profit or loss

The Group has chosen to categorise portfolios acquired prior to 1 July 2011 as valued at fair value through profit or loss, as these financial assets are managed and their performance evaluated on a fair value basis in accordance with the Group's risk management policies. Information on the portfolios is provided internally to the Group's Executive Management Team on that basis. The underlying concept for the fair value at profit or loss method is to determine an asset's carrying value by using the best available price for the asset. Because loan portfolios are not normally traded publicly, no market prices are available. However, most industry players apply similar pricing methods for portfolio acquisitions and calculate the present value of future cash flows – this corresponds to the portfolio's market price.

The three main influencing factors in calculating fair value are: (i) the gross collections forecast, (ii) the cost level, and (iii) the market discount rate. Each month, the Group looks at the forward ten years' net collection forecasts for all portfolios and discounts the forecasts to present value, which serves as the basis for calculating the reported fair value for each portfolio.

The insights that Hoist Finance, as one of the industry's biggest players, gains from the many portfolio transactions the Company participates in or has knowledge of form an important component in estimating a market discount rate. The discount rate corresponding to the market's required return is updated regularly and reflects actual return on relevant and comparable transactions in the market. Portfolios are currently valued at an IRR of 12 per cent over a ten-year period.

The estimated market discount rate is only applied to the portion of the portfolios valued at fair value. For the portfolios valued at amortised cost, the IRR at which the original acquisition was carried out is applied and the revenues are expensed at this effective interest rate.

## Revaluations

The Group monitors and regularly evaluates actual collections in relation to the forecast that served as the basis for portfolio valuation during the same period. In the event of negative deviations, the Group first takes additional operational measures to reduce the risk of deviation in future periods. If additional operational measures do not have or are not anticipated to have the intended effect, a revised forecast is done for future collections. The forecast is adjusted upwards in cases where portfolio collections are regularly determined to exceed the current forecast. Forecast adjustments are analysed in consultation

## Note 14 Acquired loan portfolios, continued

with the Investment Committee, and are decided on at the Group level. Forecast revisions are implemented by the resources directly subordinate to the Chief Financial Officer. Forecast adjustments and their impact on earnings are disclosed internally and externally. Portfolio valuation is independently audited by the Risk Control function.

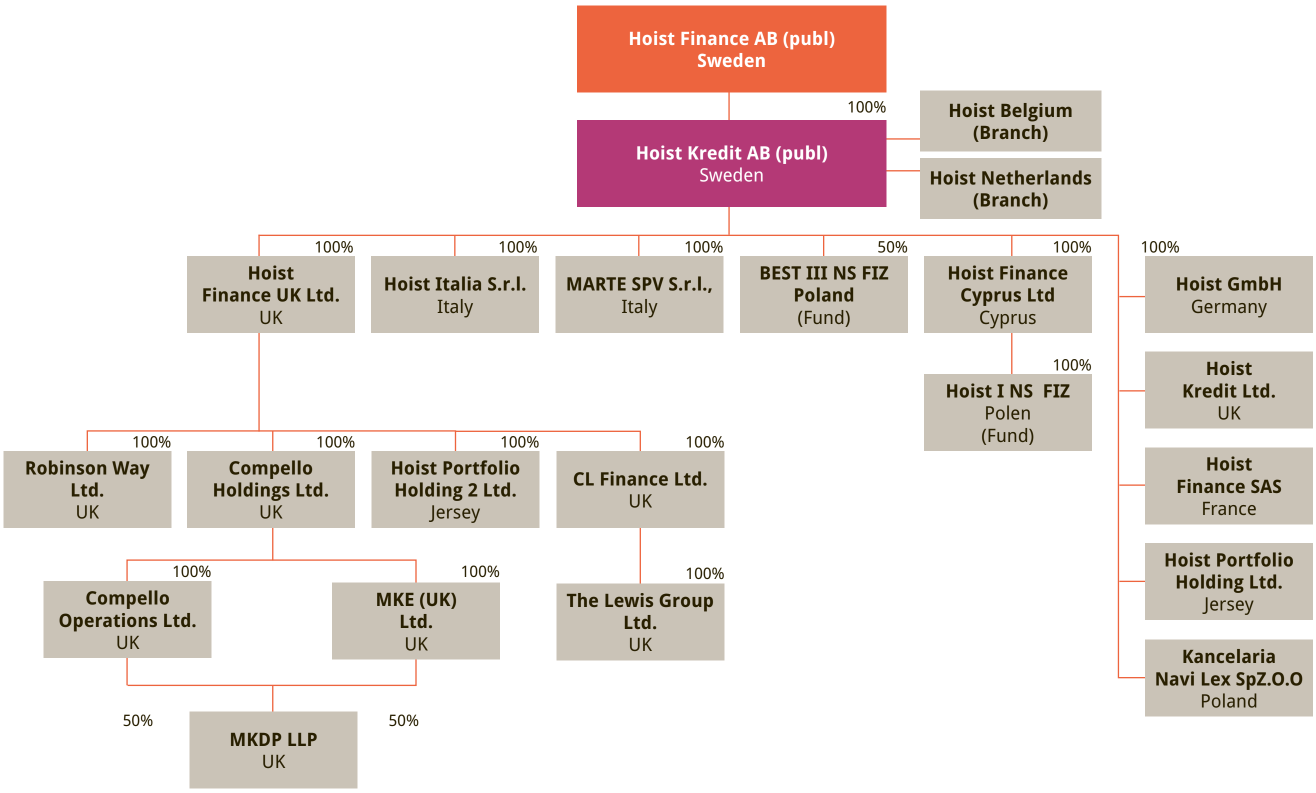
### Sensitivity analysis

While Hoist Finance considers the assumptions made in assessing fair value to be reasonable, the application of other methods and assumptions may produce a different fair value. For Level 3 fair value, a reasonable change in one or several assumptions would have the following impact on earnings:

| | GROUP | |
|---|---|---|
| **SEK thousand** | **2015** | **2014** |
| **Carrying value of loan portfolios** | **11,014,699** | **8,586,782** |
| A 5% increase in estimated cash flow over the forecast period (10 years) would increase the carrying value by | 540,638 | 424,369 |
| *of which, valued at fair value* | *58,890* | *72,804* |
| A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by | –540,638 | –424,369 |
| *of which, valued at fair value* | *–58,890* | *–72,804* |
| **Carrying value of loan portfolios acquired prior to 1 July 2011** | **1,177,808** | **1,460,229** |
| A 1% decrease in the market rate of interest would increase the carrying value by | 34,774 | 46,058 |
| A 1% increase in the market rate of interest would reduce the carrying value by | –32,880 | –43,483 |
| Shortening the forecast period by 1 year would reduce the carrying value by | –33,073 | –48,622 |
| Lengthening the forecast period by 1 year would increase the carrying value by | 21,424 | 43,413 |

## Note 15 Group companies

The Hoist Finance Group with the most important subsidiaries and branches as at 31 December 2015.



# Note 15 Group companies, continued

Hoist Finance AB (publ), corporate identity number 556012-8489 and with its registered office in Stockholm, is the Parent Company of the Group. The list of Group subsidiaries is provided below.

| SEK thousand | Corp. ID no. | Domicile | Ownership, % | Total revenue | Profit before tax | Tax on earnings |
|---|---|---|---|---|---|---|
| **Swedish** | | | | | | |
| Hoist Kredit AB (publ) | 556329–5699 | Stockholm | 100 | 473,954 | 304,372 | –4,113 |
| Hoist Finance Services AB[1] | 556640–9941 | Stockholm | 100 | –5,768 | 145 | –31 |
| **Foreign** | | | | | | |
| Hoist Finance SAS | 444611453 | Lille | 100 | 105,531 | 3,814 | –377 |
| Hoist GmbH | HRB 7736 | Duisburg | 100 | 318,425 | 8,909 | –3,474 |
| HECTOR Sicherheiten-Verwaltungs GmbH | HRB 74561 | Duisburg | 100 | – | –93 | – |
| Hoist Portfolio Holding Ltd. | 101438 | St. Helier | 100 | 172,130 | –71,542 | 6,346 |
| Hoist Portfolio Holding 2 Ltd. | 111085 | St. Helier | 100 | 304,450 | 55,002 | –12,100 |
| Hoist Poland SpZ.O.O.[1] | 284313 | Warsaw | 100 | 2,661 | 152 | –31 |
| HOIST I NS FIZ[2] | RFI702 | Warsaw | 100 | 268,430 | 206,960 | – |
| Hoist Kredit Ltd. | 7646691 | London | 100 | 29,284 | 1,394 | 70 |
| Hoist Finance UK Ltd. | 8303007 | London | 100 | 50,255 | –47,073 | – |
| C L Finance Ltd. | 01108021 | West Yorkshire | 100 | – | – | – |
| Robinson Way Ltd. | 6976081 | Manchester | 100 | 219,095 | –6,230 | 9,419 |
| The Lewis Group Ltd. | SC127043 | Glasgow | 100 | –1,804 | –15,246 | 3,483 |
| Compello Holdings Ltd.[3] | 8045571 | Milton Keynes | 100 | – | – | – |
| Compello Operations Ltd.[3] | 98045559 | Milton Keynes | 100 | – | 38,988 | – |
| MKE (UK) Ltd.[3] | 7042157 | Milton Keynes | 100 | – | 35,345 | – |
| MKDP LLP[3] | OC349372 | Milton Keynes | 100 | 118,626 | – | – |
| Marte SPV S.R.L | 4634710265 | Conegliano | 100 | 234,017 | 45,294 | –9,965 |
| Hoist Italia S.R.L | 12898671008 | Rome | 100 | 117,000 | –7,322 | 246 |
| Hoist Finance Cyprus Ltd. | HE 338570 | Nicosia | 100 | –75,951 | 106,769 | – |
| Kancelaria Navi Lex SpZ.O.O [4] | 0000536257 | Wroclaw | 100 | 39,993 | 12 | 83 |

1) Company is being liquidated. 2) Polish Sec. fund. 3) Acquired during the year. 4) Changed name to Hoist Polska SpZ.O.O after end of financial year.

Ownership percentage corresponds to share of voting power. All shares are unlisted. Hoist Kredit AB (publ) is a registered credit institution. Information on number of shares in Group companies is available upon request.

| SEK thousand | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Hoist Kredit AB (publ) | 1,687,989 | 928,986 |
| **Total carrying value** | **1,687,989** | **928,986** |
| **Accumulated cost** | | |
| **Opening balance** | **928,986** | **396,034** |
| New share issue | – | 432,952 |
| Shareholders' contribution | 759,003 | 100,000 |
| **Closing balance** | **1,687,989** | **928,986** |

## Business combinations

### Compello Holdings Ltd.

On 1 July 2015 Hoist Finance acquired a substantial, diversified loan portfolio in the UK by acquiring all shares in Compello Holdings Ltd., a debt restructuring company with self-owned portfolios operating in the UK and headquartered in Milton Keynes.

The acquisition will further strengthen Hoist Finance's market position in the British market. The total purchase price of SEK 1,256 million was paid in cash upon completion of the acquisition. The portfolio value at acquisition was SEK 1,502 million and the outstanding capital claim totalled SEK 33 billion.

**Acquired company's net assets at acquisition date:[1]**

| SEK thousand | |
|---|---|
| Cash and cash equivalents | 23,306 |
| Tangible assets | 3,964 |
| Accounts receivable and other receivables | 1,506,716 |
| Accounts payable and other liabilities | –131,159 |
| Non-current liabilities to Group companies | –146,419 |
| **Total identifiable net assets** | **1,256,408** |

1) The acquisition balance sheet is preliminary.

The acquisition balance sheet included SEK 1,256 million in net assets, including SEK 23 million in cash and cash equivalents. Acquisition-related expenses total SEK 18 million and include a stamp tax of SEK 6 million. Compello Holdings Ltd. had SEK 104 million in income during the first six months of 2015 and SEK 119 million for the full year. The company's operating profit was SEK 26 million prior to the merger and SEK 74 million for the full year. The acquisition will not give rise to any acquisition goodwill, as the entire purchase price is related to the debt portfolios and other current receivables. Compello Holdings Ltd. has been consolidated into Hoist Finance Group as of July 2015.

### Kancelaria Navi Lex SpZ.O.O.[1]

In December 2014 Hoist Kredit AB (publ) acquired 100 per cent of the shares in Kancelaria Navi Lex SpZ.O.O ("Navi Lex") at a purchase price of SEK 67 million, of which SEK 59 million was paid in cash upon the completion of the transaction. Additional purchase price may range between SEK 0 million and SEK 81 million during the period 2015-18.

1) Changed name to Hoist Polska SpZ.O.O.

# Note 15 Group companies, continued

Management's assessment is that the maximum additional purchase price will be payable, which is why SEK 81 million is referenced in the acquisition analysis in 2015. This amount discounted, gives an additional surplus value of SEK 76 million. The entire amount is attributable to goodwill. The adjustment of deferred tax valuation in 2015 increased previously reported goodwill by SEK 2 million. In 2015 a total amount of SEK 18 million of the purchase price has been paid in cash. Navi Lex revenue for 2015 amounted to SEK 40 million and operating profit to SEK 0 million.

Goodwill is primarily attributable to the Group's base and organisation being well suited for further expansion on the Polish NPL market. Navi Lex has an experienced management team and an efficient organisation with excellent market knowledge and a network of contacts for acquiring portfolios and managing collection operations. The Navi Lex collection system and call centre infrastructure is also well invested. External collection agencies were used for the Polish portfolios prior to the acquisition; this is now done internally via Navi Lex, which significantly reduces collection costs.

**Final acquisition balance sheet, Navi Lex:**

| SEK thousand | |
|---|---|
| Intangible assets | 10,710 |
| Tangible assets | 1,284 |
| Accounts receivables and other receivables | 6,550 |
| Cash and cash equivalents | 9,115 |
| Accounts payables and other liabilities | –12,724 |
| **Total identifiable net assets** | **14,935** |

### Minority shareholding Hoist Finance UK Ltd.

During financial year 2015, Hoist Kredit AB (publ) acquired a 10 per cent minority share in subsidiary Hoist Finance UK Ltd. The purchase price totalled SEK 40 million, of which SEK 33 million was paid in cash.

# Note 16 Intangible assets

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK thousand** | **31 Dec 2015** | **31 Dec 2014** | **31 Dec 2015** | **31 Dec 2014** |
| **Goodwill** | | | | |
| Acquisition value, opening balance | 106,155 | 54,237 | – | – |
| Investments for the year | 76,433 | – | – | – |
| Acquired companies[1] | – | 50,355 | – | |
| Translation differences | –1,135 | 1,563 | – | – |
| **Acquisition value, closing balance** | **181,453** | **106,155** | **–** | **–** |
| Accumulated depreciation, opening balance | –55,800 | –54,237 | – | – |
| Translation differences | –2,690 | –1,563 | – | – |
| **Accumulated depreciation, closing balance** | **–58,490** | **–55,800** | **–** | **–** |
| **Carrying value** | **122,963** | **50,355** | **–** | **–** |
| **Licences and software** | | | | |
| Acquisition value, opening balance | 199,200 | 119,494 | 57,995 | 51,373 |
| Investments for the year | 31,584 | 42,817 | 15,101 | 6,622 |
| Investments for the year, acquired companies[1] | – | 34,618 | – | – |
| Reclassification | 9,692 | – | – | – |
| Disposals | –10,463 | –2,330 | –30,169 | – |
| Translation differences | –3,802 | 4,601 | – | – |
| **Acquisition value, closing balance** | **226,211** | **199,200** | **42,927** | **57,995** |
| Accumulated depreciation, opening balance | –78,507 | –55,212 | –26,124 | –20,240 |
| Reclassification | –10,120 | – | – | – |
| Accumulated depreciation, acquired companies | – | –2,425 | – | – |
| Impairments | – | 756 | – | – |
| Depreciation of the year | –35,813 | –18,955 | –6,115 | –5,884 |
| Disposals | 8,787 | – | 8,787 | – |
| Translation differences | 2,111 | –2,671 | – | – |
| **Accumulated depreciation, closing balance** | **–113,542** | **–78,507** | **–23,452** | **–26,124** |
| **Carrying value** | **112,669** | **120,693** | **19,475** | **31,871** |
| **Intangible assets** | **235,632** | **171,048** | **19,475** | **31,871** |

1) Refers to acquired company Kancelaria Navi Lex SpZ.O.O.

All licences and software are acquired externally.

# Note 16 Intangible assets, continued

### Impairment test for goodwill

The Group conducted a SEK 123 million (50) impairment test of goodwill in 2015. This was identified as belonging to the cash-generating entity Poland. The impairment test of goodwill was based on the cash-generating entity's useful value. Based on adopted business plans, Management produced estimated cash flows for the cash-generating unit. Cash flows for the first three years are based on anticipated distributable funds as per the business plan. The model does not anticipate any growth in subsequent periods; accordingly, cash flow for year three has been discounted through year 100. The discounting factor of 9.72 per cent net represents the Group's minimum requirement for return on capital for the referenced business.

The following cash generating unit was tested for impairment:

#### Poland

The Polish business was tested with regard to the part of the cash-generating entity of the Hoist Finance Group operations that manages acquired loan portfolios in Poland.

**Term:** Three-year dividend model with a useful value of 100 years.

**Tax rate:** Polish.

**Growth:** Anticipated growth and margins are adapted to the relevant entity's business plan for the first three years; no growth in subsequent years.

**Impairment:** There is no impairment requirement for goodwill. The useful value of the Polish business well exceeds the contribution of the Polish operations to Group equity.

The Polish operations performed in line with the plans established when Navi Lex was acquired and the acquisition goodwill arose. Collections from loan portfolios as well as expenses are in line with plans. The anticipated collection forecast therefore justifies the surplus that arose upon the acquisition of Navi Lex, and there is no impairment requirement.

# Note 17 Tangible assets

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK thousand** | **31 Dec 2015** | **31 Dec 2014** | **31 Dec 2015** | **31 Dec 2014** |
| **Machinery** | | | | |
| Acquisition value, opening balance | 114,057 | 95,608 | 4,498 | 3,924 |
| Investments for the year | 20,123 | 13,403 | 1,965 | 574 |
| Investments for the year, acquired companies | 3,946 | 11,635 | – | – |
| Divestments and disposals | –5,654 | –12,629 | – | – |
| Translation differences | –4,091 | 6,040 | – | – |
| Reclassification | 428 | – | – | – |
| **Acquisition value, closing balance** | **128,809** | **114,057** | **6,463** | **4,498** |
| Accumulated depreciation, opening balance | –82,057 | –60,828 | –2,266 | –1,388 |
| Divestments and disposals | 5,654 | 3,235 | – | – |
| Accumulated depreciation, acquired companies - opening balance | – | –9,551 | – | – |
| Depreciation of the year | –13,636 | –11,327 | –1,055 | –878 |
| Translation differences | 2,853 | –3,586 | – | – |
| **Accumulated depreciation, closing balance** | **–87,186** | **–82,057** | **–3,321** | **–2,266** |
| **Carrying value** | **41,623** | **32,000** | **3,142** | **2,232** |
| **Equipment** | **41,623** | **32,000** | **3,142** | **2,232** |

# Note 18 Other assets

| SEK thousand | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 |
|---|---|---|
| Non-current financial assets | 286 | 296 |
| Non-current receivables | 1,774 | 1,843 |
| Derivatives[1)] | 314,680 | – |
| Preliminary tax paid | 20,149 | 19,030 |
| VAT receivables | 43,560 | 62,785 |
| Accounts receivable | 25,574 | 57,872 |
| Other current receivables | 95,039 | 68,115 |
| **Total other assets** | **501,062** | **209,941** |

1) See Note 29.

# Note 19 Prepayments and accrued income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| SEK thousand | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| Prepaid expenses | 45,937 | 48,675 | 7,467 | 17,174 |
| Other accrued income | 26,447 | 9,517 | – | – |
| **Total** | **72,384** | **58,192** | **7,467** | **17,174** |

# Note 20 Other liabilities

| SEK thousand | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 |
|---|---|---|
| Non-current liabilities | 69,427 | 49,051 |
| Accounts payable | 92,439 | 59,386 |
| Derivatives[1)] | 1,651 | 246,724 |
| Employee withholding tax on deposit interest | 49,035 | 54,812 |
| Employee withholding tax | 14,396 | 15,180 |
| Other current liabilities | 130,336 | 130,033 |
| **Total** | **357,284** | **555,186** |

1) See Note 29.

# Note 21 Accrued expenses and deferred income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| SEK thousand | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| Accrued personnel expenses | 56,067 | 30,754 | – | – |
| Accrued interest expenses | 30,106 | 30,116 | – | – |
| Accrued fee & commission expense | 23,553 | 13,236 | – | – |
| Other accrued expenses | 71,215 | 50,691 | 3,983 | 2,773 |
| **Total** | **180,941** | **124,797** | **3,983** | **2,773** |

# Note 22 Provisions

| SEK thousand | Pension provision 31 Dec 2015 | Pension provision 31 Dec 2014 | Restructuring reserve 31 Dec 2015 | Restructuring reserve 31 Dec 2014 | Other non-current employee benefits 31 Dec 2015 | Other non-current employee benefits 31 Dec 2014 | Other provisions 31 Dec 2015 | Other provisions 31 Dec 2014 | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Opening balance** | 27,086 | 26,511 | 19,381 | 65,965 | 17,969 | – | 4,268 | 2,161 | 68,704 | 94,637 |
| Provision | – | 1,919 | 7,569 | 24,023 | 2,768 | 1,051 | 5,469 | 1,965 | 15,806 | 28,958 |
| Provision through acquisition | – | – | – | – | – | 16,411 | – | – | – | 16,411 |
| Amount released | –233 | –4,698 | –18,382 | –65,710 | –3,148 | –1,429 | –5,556 | –1,610 | –27,319 | –73,447 |
| Change in value | –2,451 | 3,354 | –145 | 4,271 | –2,278 | 1,936 | –201 | 189 | –5,075 | 9,750 |
| Other changes | – | – | –1,386 | –9,168 | – | – | 1,386 | 1,563 | – | –7,605 |
| **Closing balance** | **24,402** | **27,086** | **7,037** | **19,381** | **15,311** | **17,969** | **5,366** | **4,268** | **52,116** | **68,704** |

## Restructuring

2014 restructuring provisions refer primarily to expenses associated with staff cuts at Hoist SAS. The original provision was SEK 13 million, none of which had been utilised as at year-end 2014. The provision was utilised during 2015. An additional restructuring provision of SEK 7 million was made for expenses associated with staff cuts at Hoist SAS, none of which had been utilised as at year-end 2015. SEK 6 million of the provision is expected to be utilised during 2016, and the remaining SEK 1 million during 2017.

## Pensions

The Group has defined-benefit pension schemes for Hoist Finance AB (publ) and Hoist GmbH, based on employees' pensionable remuneration and length of service. Pension commitments are determined using the Projected Unit Credit Method, which includes current pensions, vested rights and future increases in these parameters in the valuation.

| SEK thousand | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 | PARENT COMPANY 31 Dec 2015 | PARENT COMPANY 31 Dec 2014 |
|---|---|---|---|---|
| **Net pension provision, reported in the balance sheet** | | | | |
| Defined-benefit commitment | 27,330 | 30,233 | 35 | 49 |
| Fair value of plan assets | 2,928 | 3,147 | – | – |
| **Net pension provision** | **24,402** | **27,086** | **35** | **49** |
| | | | | |
| **Pension commitments** | | | | |
| Opening balance | 30,233 | 29,081 | 49 | 77 |
| Expenses for services performed during current period | 24 | 1 | 7 | –15 |
| Interest expense | 702 | 755 | 1 | 1 |
| Pension payments | –855 | –887 | –12 | –14 |
| Actuarial gains (-)/losses (+) | –1,577 | 2,029 | – | – |
| Currency effects, etc. | –1,187 | –747 | – | – |
| Other | –10 | – | –10 | – |
| **Closing balance** | **27,330** | **30,233** | **35** | **49** |
| | | | | |
| **Assets under management** | | | | |
| Plan assets | 3,147 | 2,570 | – | – |
| Opening balance | 74 | 74 | – | – |
| Interest income | 843 | 872 | – | – |
| Employer-contributed funds | –843 | –872 | – | – |
| Benefits paid | –169 | 319 | – | – |
| Actuarial gains (+)/losses (–) | –124 | 183 | – | – |
| **Closing balance** | **2,928** | **3,147** | **–** | **–** |

All plan assets are invested in investment funds.

# Note 23 Subordinated liabilities

| | GROUP | |
|---|---|---|
| **SEK thousand** | **31 Dec 2015** | **31 Dec 2014** |
| Subordinated bond loan | 336,892 | 332,796 |
| **Total** | **336,892** | **332,796** |

In 2013 Hoist Kredit AB (publ) issued a ten-year subordinated bond loan (nominal amount of SEK 350 million), with a maturity date of 27 September 2023. The subordinated bond loan is included in the own funds as Tier 2 capital. The earliest redemption date is 27 September 2018. The annual interest rate is 12 per cent. The bond loan is per definition a subordinated loan and may be redeemed provided that Hoist decides on premature redemption or the occurrence of a "credit event". Hoist Kredit AB (publ) repays the nominal amount (including any accrued interest) for all outstanding bond loans on the maturity date.

# Note 24 Shareholders' equity

**Share capital.** The Hoist Finance AB (publ) Articles of Association specify that the Company's share capital shall total a minimum of SEK 15 million and a maximum of SEK 60 million.

| | GROUP | |
|---|---|---|
| **Number of shares** | **2015** | **2014** |
| **Opening balance** | **21,661,628** | **15,488,282** |
| 1:3 share split | 43,323,256 | – |
| New share issue | 13,547,800 | 1,719,008 |
| Non-cash issue | – | 3,441,458 |
| Warrants | – | 381,959 |
| Preferential rights issue | – | 630,921 |
| **Closing balance** | **78,532,684** | **21,661,628** |

**The quota value** is SEK 0.33 per share**.**

**The total number of shares** at 31 December 2014 was 21,661,628, all of which were ordinary shares. Additional shares were issued in 2015 through a share split and a new share issue. The total number of shares at 31 December 2015 was 78,532,684. All shares are fully paid.

**The translation reserve** comprises all exchange differences arising through translation of foreign operations less hedging effects.

**Other contributed equity** refers to equity, other than share capital, contributed by the shareholders. Hoist Kredit AB (publ) issued perpetual convertible debt instruments ("Convertibles") in 2012 and 2013 (total nominal amount of SEK 200 million). The Convertibles are Additional Tier 1 capital instruments with share conversion options (as specified in the Companies Act, 2005:551 ch. 15), and are subordinated to all current and future depositors, creditors and all subordinated liabilities of Hoist Kredit AB (publ). In 2014, Convertibles with a total nominal value of SEK 100 million (i.e., half of the Convertibles) were converted into 111,111 new shares in Hoist Kredit AB (publ); accordingly, the nominal value of outstanding Convertibles per 31 December 2015 is SEK 100 million.

**The Convertibles** are perpetual non-amortisable loans and can only be repaid in the event of liquidation of Hoist Kredit, and only after all other debts are settled. The Convertibles carry a 15 percent annual interest rate (to be paid from capital, not from profit) through the date of conversion. As from 23 April 2018, Hoist Kredit AB is entitled to redeem the convertibles and repay the outstanding capital contribution following approval by the Swedish Financial Supervisory Authority. At the request of Hoist Kredit or the Swedish Financial Supervisory Authority, the Convertibles may under some circumstances be converted to cover losses. The Convertibles may only be converted on the holder's initiative in the event Hoist Kredit decides not to pay interest (due to a decision by Hoist Finance or the Swedish Financial Supervisory Authority or to general legal regulations) or, in certain circumstances, in the event no funds are available in Hoist Kredit for distribution or the company no longer meets its own funds requirement. Upon conversion, Hoist Kredit's share capital will be increased by a maximum of SEK 11,111,100, which corresponds to a dilutive effect of the company's current share capital of 14.3 per cent in total. The terms and conditions of the Convertibles include customary translation provisions. The conversion rate may be recalculated depending on the occurrence of certain events, such as preferential rights issues, mergers or a decrease in share capital, but not to compensate for potential change in the Company's value up to the time when conversion for cover against loss occurs.

Hoist Finance AB (publ) issued warrants as resolved at the extraordinary general meetings held on 6 December 2013 and 22 October 2014, for which it received a total of SEK 5 million. SEK 4 million of this amount has been repaid through Hoist Finance AB (publ)'s repurchase and cancellation of certain warrants. Each warrant entitles the holder to subscribe for three newly issued shares. Upon full exercise of all warrants, Hoist Finance AB's share capital will increase by a total of SEK 0.9 million.

**Retained earnings** are comprised of accrued earnings in the Parent Company, subsidiaries and joint ventures. For financial year 2015 the Board will propose distribution of a dividend of SEK 0.75 per share, corresponding to a total of SEK 58,899,513.

# Note 25 Audit fee

| SEK thousand | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 | PARENT COMPANY 31 Dec 2015 | PARENT COMPANY 31 Dec 2014 |
|---|---|---|---|---|
| **KPMG** | | | | |
| Audit engagements | –9,980 | –4,358 | –3,765 | –1,254 |
| Audit-related engagements | –4,164 | –642 | –4,164 | –642 |
| Tax-related services | –5,894 | –156 | –3,655 | – |
| Other non-audit-related engagements | –295 | –1,713 | –295 | – |
| **Total** | **–20 333** | **–6 869** | **–11,879** | **–1,896** |

Expenses specified above are included in 'Consultancy services' in Note 6.

# Note 26 Commitments

## Forward flow agreements

Forward flow agreements are agreements with financial institutions to purchase loan portfolios on an ongoing basis. The Group estimates the purchase price of these contracts at SEK 484 million for the coming year. The equivalent amount was SEK 230 million at 31 December 2014.

# Note 27 Lease contracts

The Group leases office space, office and IT equipment and vehicles under financial and operational lease contracts.

**Most of the lease contracts cover:**

– Equipment, furniture and leased premises: 2–5 years
– IT hardware: 2–3 years
– Vehicles: 3 years

**Financial leasing[1)]**

| | GROUP | | | |
|---|---|---|---|---|
| | Nominal value | Present value | Nominal value | Present value |
| **SEK thousand** | **31 Dec 2015** | **31 Dec 2015** | **31 Dec 2014** | **31 Dec 2014** |
| Future minimum lease payments | | | | |
| Within 1 year | 402 | 366 | 212 | 212 |
| Years 1–5 | 659 | 622 | 296 | 296 |
| **Total** | **1,061** | **988** | **508** | **508** |
| Less financial expenses | –73 | | – | |
| **Net present value** | **988** | **988** | **508** | **508** |

The carrying value of leased non-current assets totalled SEK 1 million as at the balance sheet date.
No variable fees were charged to net profit for the year.

**Operational leasing[1)]**

| SEK thousand | GROUP 31 Dec 2015 | GROUP 31 Dec 2014 | PARENT COMPANY 31 Dec 2015 | PARENT COMPANY 31 Dec 2014 |
|---|---|---|---|---|
| Payment obligations under non-cancellable lease contracts | | | | |
| Within 1 year | 25,133 | 27,352 | 7,513 | 5,126 |
| Years 1–5 | 58,589 | 68,101 | 15,026 | 15,377 |
| Year 5 and thereafter | 37,071 | 8,075 | – | – |
| **Total** | **120,793** | **103,528** | **22,539** | **20,503** |

1) Comparative figures were adjusted following the reclassification of operational leasing contracts to financial leasing contracts.

The Group's lease expenses total SEK 23 million (24). The corresponding figure for the Parent Company is SEK 5 million (4). No variable fees were charged to net profit for the year.

# Note 28 Financial instruments

### Carrying value and fair value of financial instruments

GROUP, 31 December 2015

| SEK thousand | Assets/liabilities at fair value through profit or loss: Held for trading | Assets/liabilities at fair value through profit or loss: Identified | Loans and receivables | Financial assets available for sale | Derivative hedging instruments | Other liabilities | Total carrying value | Fair value |
|---|---|---|---|---|---|---|---|---|
| Cash and bank balances | | | 281 | | | | 281 | 281 |
| Treasury bills and treasury bonds | | 3,077,827 | | | | | 3,077,827 | 3,077,827 |
| Lending to credit institutions | | | 858,516 | | | | 858,516 | 858,516 |
| Lending to the public | | | 77,994 | | | | 77,994 | 77,994 |
| Acquired loan portfolios | | | | | | | | |
| *of which, at fair value* | | *1,177,808* | | | | | *1,177,808* | *1,177,808* |
| *of which, at amortised cost* | | | *9,836,891* | | | | *9,836,891* | *10,014,382* |
| Bonds and other securities | | 1,278,214 | | 25,000 | | | 1,303,214 | 1,303,214 |
| Derivatives[1] | 312,990 | | | | 1,690 | | 314,680 | 314,680 |
| Other financial assets | | | 164,460 | | | | 164,460 | 164,460 |
| **Total** | **312,990** | **5,533,849** | **10,938,142** | **25,000** | **1,690** | | **16,811,671** | **16,989,162** |
| Deposits from the public | | | | | | 12,791,377 | 12,791,377 | 12,791,377 |
| Portfolio acquisitions | | | | | | 24,746 | 24,746 | 24,746 |
| Derivatives[1] | 1,651 | | | | | | 1,651 | 1,651 |
| Senior unsecured debt | | | | | | 1,238,469 | 1,238,469 | 1,268,327 |
| Subordinated liabilities | | | | | | 336,892 | 336,892 | 407,558 |
| Other financial liabilities | | | | | | 330,887 | 330,887 | 330,887 |
| **Total** | **1,651** | | | | | **14,722,371** | **14,724,022** | **14,824,546** |

1) See Note 29.

### Carrying value and fair value of financial instruments

GROUP, 31 December 2014

| SEK thousand | Assets/liabilities at fair value through profit or loss: Held for trading | Assets/liabilities at fair value through profit or loss: Identified | Loans and receivables | Financial assets available for sale | Derivative hedging instruments | Other liabilities | Total carrying value | Fair value |
|---|---|---|---|---|---|---|---|---|
| Cash and bank balances | | | 340 | | | | 340 | 340 |
| Treasury bills and treasury bonds | | 2,316,110 | | | | | 2,316,110 | 2,316,110 |
| Lending to credit institutions | | | 1,292,711 | | | | 1,292,711 | 1,292,711 |
| Lending to the public | | | 157,232 | | | | 157,232 | 157,232 |
| Acquired loan portfolios | | | | | | | | |
| *of which, at fair value* | | *1,460,229* | | | | | *1,460,229* | *1,460,229* |
| *of which, at amortised cost* | | | *7,126,553* | | | | *7,126,553* | *7,311,207* |
| Bonds and other securities | | 1,926,241 | | 25,000 | | | 1,951,241 | 1,951,241 |
| Other financial assets | | | 189,069 | | | | 189,069 | 189,069 |
| **Total** | | **5,702,580** | **8,765,905** | **25,000** | | | **14,493,485** | **14,678,139** |
| Deposits from the public | | | | | | 10,987,289 | 10,987,289 | 10,987,289 |
| Portfolio acquisitions | | | | | | 10,808 | 10,808 | 10,808 |
| Derivatives[1] | 243,700 | | | | 3,024 | | 246,724 | 246,724 |
| Senior unsecured debt | | | | | | 1,493,122 | 1,493,122 | 1,681,899 |
| Subordinated liabilities | | | | | | 332,796 | 332,796 | 386,750 |
| Other financial liabilities | | | | | | 297,654 | 297,654 | 297,654 |
| **Total** | **243,700** | | | | **3,024** | **13,121,669** | **13,368,393** | **13,611,124** |

1) See Note 29.

# Note 28 Financial instruments, continued

## Fair value measurement

### Group

The Group uses observable data to the greatest possible extent when determining the fair value of an asset or liability. Fair values are categorised in different levels based on the input data used in the valuation approach, as per the following:

**Level 1)** Quoted prices (unadjusted) on active markets for identical instruments.

**Level 2)** Based on directly or indirectly observable market inputs not included in Level 1. This category includes instruments valued based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments traded on markets that are not active, or other valuation techniques in which all important input data is directly or indirectly observable in the market.

**Level 3)** According to inputs that are not based on observable market data. This category includes all instruments for which the valuation technique is based on data that is not observable and has a substantial impact on the valuation.

GROUP, 31 December 2015

| SEK thousand | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Treasury bills and treasury bonds | 3,077,827 | – | – | 3,077,827 |
| Acquired loan portfolios | – | – | 1,177,808 | 1,177,808 |
| Bonds and other fixed income instruments | 1,278,214 | – | – | 1,278,214 |
| Derivatives | – | 314,680 | – | 314,680 |
| **Total assets** | **4,356,041** | **314,680** | **1,177,808** | **5,848,529** |
| Derivatives | – | 1,651 | – | 1,651 |
| **Total liabilities** | **–** | **1,651** | **–** | **1,651** |

GROUP, 31 December 2014

| SEK thousand | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Treasury bills and treasury bonds | 2,316,110 | – | – | 2,316,110 |
| Acquired loan portfolios | – | – | 1,460,229 | 1,460,229 |
| Bonds and other fixed income instruments | 1,926,241 | – | – | 1,926,241 |
| **Total assets** | **4,242,351** | **–** | **1,460,229** | **5,702,580** |
| Derivatives | – | 246,724 | – | 246,724 |
| **Total liabilities** | **–** | **246,724** | **–** | **246,724** |

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity for material changes thereto are described in the Accounting Principles section and in Note 14.

Derivatives used for hedging (see Note 29) were model-valued using interest and currency market rates as input data.

Treasury bills and treasury bonds, and bonds and other fixed income instruments, are valued based on quoted rates.

The fair value of liabilities in the form of issued bonds and other subordinated liabilities was determined with reference to observable market prices quoted by external market players/places. In cases where more than one market price observation is available, fair value is determined at the arithmetic mean of the market prices.

Carrying values for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying value due to the limited impact of discounting.

# Note 29 Derivative instruments

The Group continuously hedges its assets denominated in foreign currencies. As at 31 December 2015 the Group had exposures in EUR, GBP and PLN, all of which are hedged using currency forward agreements.

All outstanding derivatives are valued at fair value and gains/losses are reported in the income statement for each annual statement.

GROUP

| | 31 Dec 2015 | | 31 Dec 2014 | |
|---|---|---|---|---|
| SEK thousand | Assets | Liabilities | Assets | Liabilities |
| Interest rate swaps | 9,949 | – | – | 38,033 |
| Currency forward contracts - fair value | 304,731 | 1,651 | – | 208,691 |
| **Total** | **314,680** | **1,651** | **–** | **246,724** |

All foreign currency forward contracts had a remaining maturity of less than one month. The interest rate swap had a maximum remaining maturity of 36 months.

# Note 30 Risk management

## Introduction

The risks that originate in the Group's operational activities are primarily attributable to Group assets in the form of acquired loan portfolios and the payment capacity of the Company's debtors. These risks are mitigated by a historically strong and predictable cash flow and through the continuous monitoring and evaluation of portfolio development. The Group is also exposed to operational risks as part of its daily operational activities and associated with the Group's rapid growth. These risks are managed using a framework for managing operational risks that is based on continuous improvements to procedures and processes, duality in all important transactions and analyses, and a clear division of responsibilities. The Group is also exposed to exchange rate and interest rate fluctuations. These two market risks are managed through the use of derivatives to hedge exchange rates and interest rates. The Group has adopted policies, regulations and instructions on the management, analysis, evaluation and monitoring of risks.

The Group's Risk Control function is responsible for working independently from Management to analyse, monitor and report all significant risks to the CEO and Board of Directors. This ensures that duality is achieved, as all significant risks are analysed, reported and monitored by the business operations as well as the independent Risk Control function. Risks within the Group are managed and limited in accordance with policies and instructions adopted by the Board. The Risk Control function is responsible for reporting any deviations to the CEO and the Board.

Risk exposures are calculated, analysed and compared with anticipated revenue to ensure achievement of an attractive risk-adjusted return. Once defined, the Group's risk profile is assessed and evaluated. Assessment and evaluation include the following steps:

**1) Assessment of each risk category**

Each risk category is individually assessed. The risk assessment is documented and always results in a qualitative assessment of the risk, as well as a quantifiable amount when possible.

**2) Stress testing: Assessment of unforeseen events**

Unforeseen events are defined as events that are possible but highly unlikely. Such events may be designated as "stress test events" and their consequences simulated and documented. Simulation results are reviewed against the Group's capital and liquidity. Unforeseen events may be based on historical experience or hypothetical scenarios.

**3) Assessment of how risks can be minimised and monitored**

Although not all risks can be quantified, an analysis is done to detail the way in which risks can be minimised and monitored. Assessment of the effects of Management's actions may also be simulated in connection with this analysis and, for instance, the effects of stress test events may be revised in light of realistic possible actions by Management.

The most significant risks identified by the Group as relevant to its business are: (i) credit risk, (ii) operational risk, (iii) market risk (foreign exchange risk and interest rate risk) and (iv) liquidity risk.

## 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:**

- Acquired loan portfolios
- Lending to credit institutions
- Bonds and other securities
- Counterparty risk towards institutions with which the Group conducts derivative transactions to hedge the Group's FX and interest rate exposure

The non-performing loans are acquired in portfolios at prices that typically vary from 10 per cent to 35 percent of the face value (principal amount) outstanding at the time of acquisition. The price depends on the portfolios' specific characteristics and composition in terms of loan size, age, type, etc. as well as debtor age, location, type, etc. Credit risk in the portfolios relates primarily to the Group overpaying for a portfolio – i.e., recovering less from the portfolio than expected – resulting in higher than expected portfolio carrying amount impairments and lower revenue. Total credit risk exposure is equal to the carrying value of the assets. The carrying value of Hoist Finance's portfolios at year-end was SEK 11,279m (8,921). The majority of these loans are unsecured, although a limited number of portfolios have properties as collateral. These portfolios had a carrying value of SEK 131m (300).

Information on the loan portfolios' geographic distribution is presented in Note 1. Other information on acquired loan portfolios is presented in Note 14. Hoist does not disclose any age analyses of non-performing loans as such information is not particularly relevant from a risk perspective, considering that essentially all of Hoist Finance's portfolios are non-performing. A more important parameter for Hoist Finance's credit risk management is cash flow forecast, presented below.

Anticipated net cash flow for Group's loan portfolios at 31 Dec 2015

| | 31 Dec 2015 | | | | |
|---|---|---|---|---|---|
| **SEK thousand** | **<1 year** | **1-2 years** | **2-5 years** | **>5 years** | **Total** |
| Acquired loan portfolios | 2,973,708 | 2,819,509 | 5,841,424 | 4,827,855 | 16,462,496 |
| **Total assets** | **2,973,708** | **2,819,509** | **5,841,424** | **4,827,855** | **16,462,496** |

Comparative table, anticipated net cash flow for Group's loan portfolios at 31 Dec 2014

| | 31 Dec 2014 | | | | |
|---|---|---|---|---|---|
| **SEK thousand** | **<1 year** | **1-2 years** | **2-5 years** | **>5 years** | **Total** |
| Acquired loan portfolios | 2,519,211 | 2,244,943 | 4,627,211 | 4,095,440 | 13,486,805 |
| **Total assets** | **2,519,211** | **2,244,943** | **4,627,211** | **4,095,440** | **13,486,805** |

The risk of loan portfolios failing to pay as expected is regularly monitored by the business operations and the Risk Control function, with yield outcome compared against forecasts. This analysis is also used to assess potential impairment requirements for portfolio values.

The credit risk associated with exposures 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. Restrictions include limits on exposures given counterparty credit rating.

# Note 30 Risk management, continued

The table below shows S&P's credit rating for Group exposure to credit institutions at 31 December 2015 as compared with 31 December 2014.

**Rating**

| % | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| AAA | 46.7 | 39.7 |
| AA+ | 36.2 | 35.4 |
| AA | 0.0 | 1.6 |
| AA- | 0.4 | 0.0 |
| A+ | 3.7 | 0.9 |
| A | 4.8 | 15.1 |
| A- | 2.8 | 4.2 |
| BBB+ | 0.8 | 0.7 |
| BBB | 0.0 | 0.9 |
| BBB- | 0.0 | 0.0 |
| BB+ | 0.0 | 0.0 |
| BB | 0.0 | 0.0 |
| BB- | 0.5 | 0.0 |
| B+ | 0.0 | 0.0 |
| B | 0.0 | 0.0 |
| B- | 0.0 | 0.0 |
| N/A | 4.2 | 1.5 |
| **Total, SEK thousand** | **5 155 240** | **5 351 494** |
| ***of which, in liquidity portfolio*** | ***4 356 041*** | ***4 242 351*** |

As at 31 December 2015, the weighted average maturity for liquidity portfolio assets was 1.57 years (1.65) and the modified duration was 0.30 years (0.38). Maturity and modified duration are important measures for evaluating the Company's credit spread risks and interest rate risks.

Credit risks arising from bond holdings or derivative transactions are treated in the same way as other credit risks – i.e., they are analysed, managed and limited.

## Counterparty risk

The Group has counterparty risk towards the institutions with which it conducts derivative transactions, which are done solely for the purpose of reducing FX and interest rate risks in the Group.

Group Treasury manages counterparty risk in accordance with the Treasury Policy, under the terms of which Hoist Finance is required to contact the Risk Control function whenever it wants to conclude a contract with a new counterparty. The team member responsible for this contact ensures that the Risk Control function has access to counterparty details and draft agreements. The Risk Control function examines the documents received from the counterparty and monitors counterparty risk on an ongoing basis in accordance with the Risk Policy and risk instructions.

The Group uses FX and interest rate derivatives to hedge its exchange rate and interest rate exposure (see Note 29). To avoid counterparty risks associated with these derivatives, the Group uses ISDA and CSA agreements for all derivative counterparties. These agreements allow for netting and daily settlement of credit risk and, accordingly, counterparty risk with derivative counterparties corresponds at most to a one-day fluctuation of the derivative's value. The CSA agreement is backed by cash collateral. Derivative transactions are only conducted with stable counterparties with a minimum credit rating of A-, which also serves to limit the counterparty risk.

**Information per type of financial instrument**

Financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements.

**31 Dec 2015**

| SEK thousand | Gross amount of financial liabilities | Amount offset in the balance sheet | Net amount presented in the balance sheet | Related amounts not offset in the balance sheet: Cash collateral | Net amount |
|---|---|---|---|---|---|
| Assets | | | | | |
| Derivatives | 314,680 | – | 314,680 | –250,900 | 63,780 |
| Liabilities | | | | | |
| Derivatives | 1,651 | – | 1,651 | – | 1,651 |
| **Total** | **313,029** | **–** | **313,029** | **–250,900** | **62,129** |

**31 Dec 2014**

| SEK thousand | Gross amount of financial liabilities | Amount offset in the balance sheet | Net amount presented in the balance sheet | Related amounts not offset in the balance sheet: Cash collateral | Net amount |
|---|---|---|---|---|---|
| Assets | | | | | |
| Derivatives | – | – | – | – | – |
| Liabilities | | | | | |
| Derivatives | 246,724 | – | 246,724 | –276,600 | –29,876 |
| **Total** | **246,724** | **–** | **246,724** | **–276,600** | **–29,876** |

See also Note 29, Derivative Instruments.

## Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, IT systems or from external events, including legal and compliance risk.

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

- Unauthorised activities and internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, Products and Business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, Delivery and Process Management

The Group manages operational risk by continuously improving its internal procedures and day-to-day control routines. The Group also applies the dual-control principle, i.e., the principle that a business flow or transaction must always be managed by at least two independent units/persons. Hoist Finance also applies the segregation of duties to ensure that a transaction is never managed start to finish by one single person.

To identify and mitigate operational risks within the Group, the Risk Control function in each country has established routines, including the following:

1. All employees are required to submit incident reports via an online tool. These reports are monitored by Management and the Risk Control function. Reported incidents are included in the Risk Report submitted to the Board.

# Note 30 Risk management, continued

2. Annual Self-Assessments are arranged by the Risk Control function in each country. This is a process to identify, quantify, analyse and mitigate operational risks at Hoist Finance. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be. Assessments are not made by a single person – they are done in workshops, as discussion and different perspectives are vital to the identification of relevant risks.
3. New Product Approval Process (NPAP) is the process for quality assurance for new and amended products, services, markets, processes, IT systems and major changes in Hoist Finance's operations and organisation.
4. Business Continuity Management (BCM) provides a framework for planning for and responding to events and business disruptions to ensure the continuation of business operations at an acceptable predefined level. Hoist Finance's BCM is comprised of Disruption and Crisis Management:
   - Disruptions are managed with Business Continuity Plans
   - Crises are managed by a predefined Crisis Management Team
5. Key Risk Indicators are reported to Management and the Board on a regular basis in order to follow up measurable operational risks and provide early warning when risks have increased.
6. Regular training in operational risks is conducted in key areas.

## Market risk

### Foreign exchange risk

Foreign exchange risk that has an adverse impact on the Group's income statement, balance sheet and/or cash flow arises primarily as a result of:

- Use of different currencies in the consolidated financial statements and the subsidiary's financial statements (translation risk)
- Certain income and expense items arising in different currencies (transaction risk).

Group Treasury has overall responsibility for continuous management of these risks.

### Translation risk:

The Group's presentation currency is SEK, while the majority of its functional currency is EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currency, while the Group's deposits from the public (liabilities) are denominated in SEK, which gives rise to a translation risk (balance sheet risk).

Hoist Finance calculates the Group's unhedged exposure to the aggregate value of net assets denominated in currencies other than SEK. The Group's translation exposure is then managed on a regular basis through derivative contracts (mainly forward agreements).

### Transaction risk :

In each country, all income and most operating expenses are in local currency. Currency fluctuations therefore have only a limited impact on the Company's operating profit in local currency. Income and expenses in national currency are also hedged in a natural way, which limits the transaction risk exposure.

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 tables also present a sensitivity analysis of a 10 per cent exchange rate fluctuation between SEK and each currency.

| Group FX risk in EUR | 31 Dec 2015 | 31 Dec 2014 | Impact on equity |
|---|---|---|---|
| Net assets on the balance sheet, EUR M | 596 | 533 | |
| Currency forwards, EUR M | –594 | –529 | |
| Net exposure, EUR M | 2 | 4 | |
| A 10% increase in EUR/SEK FX rate impacts Group results by (SEK thousand) | 1,394 | 4,203 | <1% |
| A 10% decrease in EUR/SEK FX rate impacts Group results by (SEK thousand) | –1,394 | –4,203 | –<1% |

| Group FX risk in GBP | 31 Dec 2015 | 31 Dec 2014 | Impact on equity |
|---|---|---|---|
| Net assets on the balance sheet, GBP M | 279 | 159 | |
| Currency forwards, GBP M | –279 | –152 | |
| Net exposure, GBP M | 0 | 7 | |
| A 10% increase in GBP/SEK FX rate impacts Group results by (SEK thousand) | –335 | 8,298 | ± <1% |
| A 10% decrease in GBP/SEK FX rate impacts Group results by (SEK thousand) | 335 | –8,298 | ± <1% |

| Group FX risk in PLN | 31 Dec 2015 | 31 Dec 2014 | Impact on equity |
|---|---|---|---|
| Net assets on the balance sheet, PLN M | 860 | 625 | |
| Currency forwards, PLN M | –854 | –619 | |
| Net exposure, PLN M | 6 | 6 | |
| A 10% increase in PLN/SEK FX rate impacts Group results by (SEK thousand) | 1,263 | 1,256 | <1% |
| A 10% decrease in PLN/SEK FX rate impacts Group results by (SEK thousand) | –1,263 | –1,256 | –<1% |

Hoist Finance has strict limits for exposure to each currency. The limits for an open FX position are 4–5 per cent of the gross currency exposure amount.

# Note 30 Risk management, continued

## Interest rate risk

The Group's interest rate risk arises from two sources: the risk that net interest income is adversely affected by fluctuations in prevailing interest rates, and the risk of losses due to the effect of interest rate changes on the values of assets and liabilities.

The difference between the Group's interest income and cost of funding (net interest income) may result in weaker earnings. A sudden and permanent interest rate increase may adversely impact the Group's profit to the extent interest rates and interest expense for loans and deposits from the public are affected more by the increase than are revenues from loan portfolios.

Other interest rate risk arises from fluctuations in the fair value of balance sheet items, primarily the Group's liquidity portfolio. The objective concerning the liquidity portfolio is to achieve a high level of financial flexibility to satisfy future liquidity requirements, while also limiting interest rate risk. Investments are therefore made in interest-bearing securities with short maturities and high liquidity. See the 'Credit risk' section above.

Group Treasury mitigates both of the interest rate risks described above by continuously hedging the Group's interest rate exposure through interest rate swaps in SEK.

The table below shows the effect on various assets and liabilities of a sudden and permanent parallel shift of 100 basis points in the market rate.

### Group interest rate risk, items at fair value

| Total items at fair value incl. derivatives (SEK thousand) | Impact on profit/loss 31 Dec 2015 | | Impact on equity, % | Impact on profit/loss 31 Dec 2014 | |
|---|---|---|---|---|---|
| | –100 bps | +100 bps | | –100 bps | +100 bps |
| Bond portfolio | 13,226 | –13,226 | | 16,066 | –16,066 |
| Interest rate swaps | –61,245 | 61,245 | | –50,000 | 50,000 |
| **Total** | **–48,019** | **48,019** | **2.10** | **–33,934** | **33,934** |

A discount rate sensitivity analysis for portfolios at fair value is presented in Note 14.

The impact of interest rate change on earnings is presented in the table below.

| Total impact on net interest income over 1 year (SEK thousand) | Impact on profit/loss 31 Dec 2015 | | Impact on equity, % | Impact on profit/loss 31 Dec 2014 | |
|---|---|---|---|---|---|
| | –100 bps | +100 bps | | –100,bps | +100,bps |
| Impact on net interest income (over 1 year) | 63,985 | –56,083 | | 48,105 | –48,105 |
| Impact on derivatives (instantaneous impact) | –61,245 | 61,245 | | –50,000 | 50,000 |
| **Total impact of change in short-term interest rate** | **2,740** | **5,162** | **0.23** | **–1,895** | **1,895** |

Hoist Finance has strict limits for maximum allowed interest rate exposure. These regulate the maximum impact on earnings that can be tolerated given a parallel shift of 100 basis points.

## Liquidity risk

Liquidity risk is the risk of difficulties in obtaining funding, and thus being unable to meet payment obligations, without a significant increase in the cost of obtaining means of payment.

Because the Group's revenues and costs are relatively stable, liquidity risk is primarily associated with the Group's funding which is based on deposits from the public and the risk of major outflows of deposits on short notice.

The overall objective of the Group's liquidity management is to ensure that the Group maintains control over its liquidity risk situation, with sufficient amounts of liquid assets or immediately saleable assets to ensure timely satisfaction of its payment obligations without incurring high additional costs.

The Group has a diversified funding base with a diversified maturity structure[1)], in the form of both deposits from the public and the issuance of senior unsecured bonds. Although the majority of deposits from the public are payable on demand (flexible), the Group deems that, based on historical customer behaviour, a large portion of deposits can be treated as being of longer duration. Approximately 36 per cent (31) of the Group's deposits from the public are locked into longer maturities ("term deposits") ranging from 12 to 36 months. The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the deposit guarantee scheme.

1) Maturity analysis tables of the Group's liabilities are not discounted. See Note 12 for assets and liabilities.

# Note 30 Risk management, continued

### Funding

| SEK thousand | Hoist Finance consolidated situation 31 Dec 2015 | Hoist Finance consolidated situation 31 Dec 2014 | Hoist Kredit AB (publ) 31 Dec 2015 | Hoist Kredit AB (publ) 31 Dec 2014 |
|---|---|---|---|---|
| Deposits from the public, flexible | 8,226,925 | 7,559,043 | 8,226,925 | 7,559,043 |
| Deposits from the public, fixed | 4,564,452 | 3,428,246 | 4,564,452 | 3,428,246 |
| Senior unsecured debt | 1,238,469 | 1,493,122 | 1,238,469 | 1,493,122 |
| Convertible debt instruments | 93,000 | 93,000 | 93,000 | 93,000 |
| Subordinated liabilities | 336,892 | 332,796 | 336,892 | 332,796 |
| Shareholders' equity | 2,195,760 | 1,304,190 | 2,037,994 | 1,182,658 |
| Other | 795,979 | 851,432 | 555,407 | 503,268 |
| **Balance sheet total** | **17,451,477** | **15,061,829** | **17,053,139** | **14,592,133** |

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity totalled SEK 5,156 million (5,352) at 31 December, exceeding the limit and the target level by a significant margin.

In addition to having a diversified funding structure, the Group has taken a number of measures to minimise liquidity risk:

- **Centralised liquidity management:** Management of liquidity risk is centralised and handled by Group Treasury. Liquidity control results are reported regularly to the Board.
- **Independent analysis:** The Group's Risk Control function serves as a central unit for independent liquidity analysis. Internal Audit is responsible for inspecting the Group's liquidity control tools.
- **Continuous monitoring:** The Group uses short- and long-term liquidity forecasts to monitor liquidity position and reduce liquidity risk. These forecasts are presented to Management and the Board.
- **Stress testing:** The Group conducts stress tests of the liquidity situation. These tests vary in nature to demonstrate the risk from multiple angles and to preclude negative results due to defects in stress test methodology.
- **Interest rate adjustment:** The size of deposits from the public can be managed by adjusting quoted interest rates.
- **Liquidity portfolio:** Liquidity investments are made in low-risk, high-liquidity interest-bearing securities on the overnight market (i.e., a well-functioning second-hand market), which allows for cash conversion if needed.

Hoist Finance's liquidity reserve is comprised mainly of bonds, issued by the Swedish government and Swedish municipalities, and covered bonds; see table below.

### Liquidity reserve

| SEK thousand | 31 Dec 2015 | 31 Dec 2014 |
|---|---|---|
| Cash and holdings in central banks | 281 | 340 |
| Deposits in other banks available overnight | 799,199 | 1 109,144 |
| Securities issued or guaranteed by sovereigns, central banks or multilateral development banks | 1,181,728 | 670,853 |
| Securities issued or guaranteed by municipalities or other public sector entities | 1,896,099 | 1,645,257 |
| Covered bonds | 1,268,214 | 1,926,241 |
| Securities issued by non-financial corporates | – | – |
| Securities issued by financial corporates | 10,000 | – |
| Other | – | – |
| **Total** | **5,155,521** | **5,351,834** |

Hoist Finance has a contingency funding plan for managing liquidity crises. This identifies specific events that may trigger the contingency plan and actions to be taken. These events may include:

- An outflow from HoistSpar of over 20% of total deposits over a 30-day period
- Termination or revocation of funding sources in excess of SEK 50 million

## Internal capital and liquidity adequacy assessment processes

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP ) are ongoing processes carried out by Management, which review, evaluate and quantify risks to which the Group is exposed in carrying out its business operations. The capital and liquidity adequacy assessment processes are developed and reviewed at least once per year. The annual review focuses on ensuring that the processes are always relevant to the current risk profile and the Group's operations. The Board decides on any changes to the processes, and Internal Audit verifies that the processes are carried out pursuant to the Board's instructions.

The processes start with Management's plans for the near future and its views of the market in which the Company operates. This is formalised into a forecast for the forthcoming year. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

### ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that Hoist has sufficient capital to meet the risks faced by the Company in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the amount of losses the Company is capable of incurring under extremely adverse circumstances. This loss figure is compared to the Pillar 1 capital requirement and, if the simulated losses exceed the Pillar 1 amount, the excess is covered with additional Pillar 2 capital.

The evaluation of operational risks is done in a series of workshops led by the Group's Risk Control function. Qualitative and quantitative methods are used in these workshops to evaluate and quantify all significant operational risks in the Group. Once the operational risks are quantified, the next step is calculation of the amount of capital required to cover all unexpected losses arising from the identified risks. Here as well, the calculated capital requirement is compared to the Pillar 1 capital requirement and any excess loss risk is covered with additional Pillar 2 capital.

The above-detailed process is designed to verify that regulatory capital requirements reflect all of the Company's significant risks. In addition to this, Hoist Finance conducts sensitivity analyses of the business plan, under ICAAP and on an ongoing basis in the operations, to ensure that the Group maintains a strong financial position in relation to regulatory capital requirements under extremely adverse internal and external market conditions.

## Note 30 Risk management, continued

The aggregate capital requirement produced by ICAAP is used by Management as a decision-making tool when making future plans for the Group. ICAAP thus adds a further dimension to the Group's decision-making, above and beyond strategic and day-to-day planning – before being made, strategic plans, future forecasts and immediate management decisions are always reviewed against the background of capital requirements. Decisions and implementation thereof form the basis for new forecasts and, when these are completed, the process starts again.

The Company's own funds is sufficient to meet the unexpected financial results of the risk exposures to which the Company is exposed.

### ILAAP

ILAAP is Hoist Finance's internal evaluation to ensure that the Group maintains sufficient levels of liquidity buffers and sufficient funding in light of the liquidity risks that exist. The process identifies, verifies, plans and stress-tests Hoist Finance's future funding and liquidity requirements.

Hoist Finance uses ILAAP to define the size of the liquidity buffer the Group needs to maintain to prevent identified liquidity risks from affecting the Group's capacity to meet regulatory requirements (LCR/NSFR) and the limits set by the Board of Directors.

According to ILAAP, the Group's total liquidity reserve during the year was well in excess of the requirement.

## Note 31 Capital adequacy assessment

The information in this Note includes information that is required to be disclosed pursuant to FFFS 2008:25 regarding annual reports for credit institutions and FFFS 2014:12 concerning supervisory requirements and capital buffers. The information refers to the Hoist Finance AB (publ) consolidated situation ("Hoist Finance") and Hoist Kredit AB (publ), the regulated entity. For additional information on the legal entities included in the consolidated situation, see Note 15. The only 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. The following laws and regulations were applied when establishing the Company's statutory capital requirements: Regulation (EU) No 575/2013 of the European Parliament and Council on prudential requirements for credit institution and investment firms; Swedish law 2014:968, Supervision of credit institutions and securities companies; and Swedish law 2014:966 on capital buffers. These laws are aimed at ensuring that the regulated entity and its consolidated situation manages its risks and protects its customers.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the Company's Pillar 3 report available on the Group's website: www.hoistfinance.com.

# Note 31 Capital adequacy assessment, continued

## Own funds

The table below shows own funds used to cover the capital requirements for Hoist Finance and the regulated entity Hoist Kredit.

| Own funds, SEK thousand | Hoist Finance consolidated situation | | Hoist Kredit AB (publ) | |
|---|---|---|---|---|
| | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| Capital instruments and the related share premium accounts | 1,286,805 | 529,971 | 482,963 | 482,963 |
| Retained earnings | 316,687 | 194,909 | 232,259 | 390,695 |
| Accumulated comprehensive income and other reserves | 361,363 | 399,206 | 1,062,749 | 304,267 |
| Independently reviewed interim profits net of any foreseeable charge or dividend[1)] | 161,366 | 175,103 | 190,866 | 4,734 |
| Intangible assets (net of related tax liability) | –235,632 | –171,048 | –42,278 | –45,273 |
| Deferred tax assets that rely on future profitability | –62,688 | –70,885 | –2,224 | –1,249 |
| **Common Equity Tier 1 capital** | **1,827,901** | **1,057,257** | **1,924,335** | **1,136,136** |
| Capital instruments and related share premium accounts | 93,000 | 93,000 | 93,000 | 93,000 |
| **Additional Tier 1 capital** | **93,000** | **93,000** | **93,000** | **93,000** |
| **Tier 1 capital** | **1,920,901** | **1,150,257** | **2,017,335** | **1,229,136** |
| Capital instruments and related share premium accounts | 336,892 | 332,796 | 336,892 | 332,796 |
| Regulatory adjustments | – | –106,655 | – | –111,815 |
| **Tier 2 capital** | **336,892** | **226,141** | **336,892** | **220,981** |
| **Total own funds for capital adequacy purposes** | **2,257,793** | **1,376,398** | **2,354,227** | **1,450,118** |

1) Regulatory dividend deduction is calculated at 30 per cent of net profit for the year, the maximum dividend allowed under the Group's internal Dividend Policy.

As presented in the above table, issued Tier 1 capital instruments and Tier 2 capital instruments are both used in calculating the Group's own funds. These instruments are described briefly below.

## Additional Tier 1 capital

Additional Tier 1 capital is comprised of convertibles with a nominal amount of SEK 100 million. The convertibles were issued to improve Hoist Kredit's Tier 1 capital ratio. The instruments are perpetual non-amortisable loans and can only be repaid in the event of liquidation of Hoist Kredit, and only after all other debts are settled. The convertibles carry a 15 per cent annual interest rate.

## Tier 2 capital instruments

A subordinated loan of SEK 350 million was issued during 2013 with a maturity in 2023. The loan is constructed as a Tier 2 capital instrument and has a fixed coupon rate of 12 per cent for the first five years and a variable rate thereafter.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the Company's Pillar 3 report available on the Group's website: www.hoistfinance.com.

## Revaluation reserve

The own funds for Hoist Kredit includes a revaluation reserve of SEK 64 million in other reserves and relates to a revaluation of shares in subsidiary Hoist Finance UK Ltd in 2013.

## Risk exposure amounts and own funds requirements

The tables below shows the risk exposure amounts and own funds requirements per risk category for Hoist Finance and the regulated entity Hoist Kredit.

| Risk exposure amounts, SEK thousand | Hoist Finance consolidated situation | | Hoist Kredit AB (publ) | |
|---|---|---|---|---|
| | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| Exposures to central governments or central banks | 0 | 0 | 0 | 0 |
| Exposures to regional governments or local authorities | 0 | 0 | 0 | 0 |
| Exposures to institutions | 339,617 | 489,562 | 195,897 | 116,172 |
| *of which, counterparty credit risk* | *89,598* | *21,268* | *89,598* | *21,268* |
| Exposures to corporates | 136,601 | 146,279 | 8,789,030 | 5,316,830 |
| Retail exposures | 43,774 | 102,772 | 43,774 | 98,109 |
| Exposures in default | 11,244,739 | 8,837,997 | 2,646,612 | 2,925,471 |
| Exposures in the form of covered bonds | 126,821 | 192,624 | 126,821 | 192,624 |
| Other items | 320,316 | 233,012 | 707,979 | 1,749,196 |
| **Credit risk (standardised approach)** | **12,211,868** | **10,002,246** | **12,510,113** | **10,398,402** |
| **Market risk (foreign exchange risk - standardised approach)** | **26,573** | **137,565** | **26,573** | **137,565** |
| **Operational risk (basic indicator approach)** | **2,600,728** | **1,167,241** | **755,709** | **513,107** |
| **Credit valuation adjustment (standardised approach)** | **664** | **–** | **664** | **–** |
| **Total risk exposure amount** | **14,839,833** | **11,307,052** | **13,293,059** | **11,049,074** |

# Note 31 Capital adequacy assessment, continued

| Own funds requirements, SEK thousand | Hoist Finance consolidated situation 31 Dec 2015 | Hoist Finance consolidated situation 31 Dec 2014 | Hoist Kredit AB (publ) 31 Dec 2015 | Hoist Kredit AB (publ) 31 Dec 2014 |
|---|---|---|---|---|
| **Pillar 1** | | | | |
| Exposures to central governments or central banks | 0 | 0 | 0 | 0 |
| Exposures to regional governments or local authorities | 0 | 0 | 0 | 0 |
| Exposures to institutions | 27,169 | 39,165 | 15,672 | 9,294 |
| *of which, counterparty credit risk* | *7,168* | *1,701* | *7,168* | *1,701* |
| Exposures to corporates | 10,928 | 11,702 | 703,122 | 425,346 |
| Retail exposures | 3,502 | 8,222 | 3,502 | 7,849 |
| Exposures in default | 899,579 | 707,039 | 211,729 | 234,038 |
| Exposures in the form of covered bonds | 10,146 | 15,410 | 10,146 | 15,410 |
| Other items | 25,625 | 18,643 | 56,637 | 139,935 |
| **Credit risk (standardised approach)** | **976,950** | **800,181** | **1,000,808** | **831,872** |
| **Market risk (foreign exchange risk – standardised approach)** | **2,126** | **11,005** | **2,126** | **11,005** |
| **Operational risk (basic indicator approach)** | **208,058** | **93,379** | **60,457** | **41,049** |
| **Credit valuation adjustment (standardised approach)** | **53** | **–** | **53** | **–** |
| **Total own funds requirement – Pillar 1** | **1,187,188** | 904,564 | **1,063,445** | **883,926** |
| **Pillar 2** | | | | |
| Concentration risk | 82,671 | 9,360 | 82,671 | 9,360 |
| Interest rate risk in the banking book | 71,453 | 37,550 | 71,453 | 37,550 |
| Pension risk | 5,358 | – | – | – |
| Other Pillar 2 risks | 23,656 | 21,541 | 24,421 | 21,541 |
| **Total own funds requirement – Pillar 2** | **183,138** | **68,451** | **178,546** | **68,451** |
| **Capital buffers, SEK thousand** | | | | |
| Capital conservation buffer | 370,996 | 282,676 | 332,326 | 276,227 |
| Countercyclical buffer | 2,456 | – | 5,876 | – |
| **Total own funds requirement – Capital buffers** | **373,452** | **282,676** | **338,202** | **276,227** |
| **Total own funds requirements** | **1,743,777** | **1,255,691** | **1,580,193** | **1,228,604** |

The own funds for the Company's consolidated situation totalled SEK 2,258 million (1,376) as at 31 December 2015, exceeding the own funds requirements by a good margin.

## Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent, and a total capital ratio (capital in relation to risk exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers. Hoist Finance is currently required to maintain an institution-specific capital conservation buffer of 2.5 per cent of the total risk exposure amount and a countercyclical buffer of 0.02 percent of the total risk exposure amount. The table below shows CET1, Tier 1 capital and the total capital ratio for Hoist Finance and for the regulated entity Hoist Kredit. The table also shows the institution specific CET1 capital requirements.

All capital ratios exceed the minimum requirements and capital buffer requirements by a good margin of safety.

# Note 31 Capital adequacy assessment, continued

| Capital ratios and capital buffers, % | Hoist Finance consolidated situation 31 Dec 2015 | Hoist Finance consolidated situation 31 Dec 2014 | Hoist Kredit AB (publ) 31 Dec 2015 | Hoist Kredit AB (publ) 31 Dec 2014 |
|---|---|---|---|---|
| Common Equity Tier 1 capital ratio | 12.32 | 9.35 | 14.48 | 10.28 |
| Tier 1 capital ratio | 12.94 | 10.17 | 15.18 | 11.12 |
| Total capital ratio | 15.21 | 12.17 | 17.71 | 13.12 |
| Institution specific CET1 requirements | 7.02 | 7.00 | 7.04 | 7.00 |
| *of which, capital conservation buffer requirement* | *2.50* | *2.50* | *2.50* | *2.50* |
| *of which, countercyclical buffer requirement* | *0.02* | – | *0.04* | – |
| **Common Equity Tier 1 capital available to meet buffers[1)]** | **6.94** | 4.17 | **9.18** | 5.12 |

1) CET1 ratio as reported, less minimum requirement of 4.5 per cent (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

### Internally assessed capital requirement

The internally assessed capital requirement for Hoist Finance consolidated situation totalled SEK 1,370 million at 31 December 2015 (973), of which 183 million (68) is attributable to Pillar 2. The Swedish Financial Supervisory Authority introduced in 2015 new methods for assessing credit-related concentration risk, interest rate risk in the banking book and pension risk. This has entailed an increase in Pillar 2 capital requirements.

# Note 32 Critical estimates and assumptions

The Management and the Board of Directors have discussed the developments, choices and disclosures regarding the Group's critical accounting principles and estimates as well as the application of these principles and estimates. They have also discussed and assessed future assumptions and other important sources of uncertainty in the assumptions as per balance sheet date that may represent a substantial risk for material restatements of the reported amounts in the financial statements in the coming financial years. Certain critical estimates have been made through the application of the Group's accounting principles described below.

### Valuation of acquired loan portfolios

As indicated in Note 14, the recognition of purchased receivables is based on the Group's own forecast of future cash flows from acquired portfolios. Although the Group historically has had good forecast accuracy with regard to cash flows, future deviations cannot be ruled out. The Group applies internal rules and a formalized decision-making process for the adjustment of previously adopted cash flow forecasts. The internal rules are based on a constant ten-year period. Currently, a 12% IRR over a period of ten years, which is in line with current and relevant transactions within the industry, is applied on portfolios acquired prior to 1 July 2011.The calculation is based on an established WACC model (Weighted Average Cost of Capital). Portfolios acquired post 1 July 2011 are measured at amortised cost and the IRR is based on the acquisition date for specific portfolios. The effect of these principles is that during the first year that a portfolio is owned, the cash flow forecast is adjusted only on an exceptional basis. All amendments in cash flow forecasts are finally subject to decisions. For a sensitivity analysis, please refer to Note 14.

### Changes in tax expenses

Hoist Finance operates across borders and manages its consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is therefore exposed to potential tax risks that arise from the interpretation and implementation of existing laws, treaties, regulations, and guidance on taxation varies, inter alia, income tax and VAT.

# Note 33 Related-party transactions

The information below, presented from Hoist Finance's perspective, shows the way in which Hoist Finance's financial information has been affected by transactions with related parties.

| | GROUP Other related parties | |
|---|---|---|
| SEK thousand | 31 Dec 2015 | 31 Dec 2014 |
| **Assets** | | |
| Other assets | 468 | – |
| **Liabilities** | | |
| Other liabilities | – | 58 |

| | GROUP Other related parties | |
|---|---|---|
| SEK thousand | 2015 | 2014 |
| **Operating income** | | |
| Interest income | 11 | 153 |
| **Operating expense** | | |
| Other expenses[1] | 3,666 | 2,519 |

| | PARENT COMPANY | | | |
|---|---|---|---|---|
| | Group companies | | Other related parties | |
| SEK thousand | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2015 | 31 Dec 2014 |
| **Current receivables** | | | | |
| Receivables, Group companies | 209,519 | 47,506 | – | – |
| **Non-current liabilities** | | | | |
| Intra-Group loans | 40,100 | 40,100 | – | – |
| **Current liabilities** | | | | |
| Liabilities, Group companies | 213,443 | 103,535 | – | – |

| | PARENT COMPANY | | | |
|---|---|---|---|---|
| | Group companies | | Other related parties | |
| SEK thousand | 2015 | 2014 | 2015 | 2014 |
| **Net sales** | 148,458 | 171,684 | – | – |
| **Operating expense** | | | | |
| Other external expenses | 95,269 | 121,904 | 1,973 | – |
| **Profit from financial items** | | | | |
| Interest expense | 925 | 1,262 | – | – |
| **Earnings from participations in Group companies** | | | | |
| Group contribution | 182,890 | – | – | – |

**[1] Specification of other expenses**

| | GROUP Other related parties | |
|---|---|---|
| SEK thousand | 2015 | 2014 |
| Alpha Leon AB | 683 | 86 |
| Co Go Consulting AB | 2,865 | – |
| Lindenau, Prior & Partner GbR | 117 | 1,235 |
| European Digital Capital Ltd | – | 1,198 |

# Not 34 Subsequent events

To the best of the Board's knowledge, no significant events have occurred after the balance sheet date that are expected to have a material impact on business operations.

# Proposed appropriation of profits

**According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:**

| | SEK |
|---|---|
| Paid-in capital | 1,661,136,643 |
| Losses carries forward | –18,775,286 |
| Net profit for the year | 77,692,098 |
| **Total** | **1,720,053,455** |

**The Board of Directors proposes that unappropriated earnings be distributed as follows:**

| | SEK |
|---|---|
| Dividend to shareholders, SEK 0.75 per share | 58,899,513 |
| *Carried forward to:* | |
| Paid-in capital | 1,661,136,643 |
| Retained earnings | 17,299 |
| **Total** | **1,720,053,455** |

The total proposed dividend, totalling SEK 59 million is based on the number of shares as at 31 December 2015. The total dividend amount, can alter until the date fom the right to receive dividend due to subscription of new shares. It is the Board's assessment that the proposed dividend is justifiable in view of the requirements imposed on consolidated equity by the Group's operations, scope and risks, and in the view of the Group's need for consolidation, liquidity and financial position in other respects.

## Certification of the Board of Directors

The Board of Directors and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and the consolidated accounts in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and consolidated accounts provide a true and fair presentation of the Parent Company's and the Group's financial position and performance. The Parent Company's and the Group's Administration Reports provide a true and fair account of the development of the respective entities' business, financial position and performance, and accurately describe the significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 17 March 2016

**Ingrid Bonde**
Chair of the Board

**Liselotte Hjorth**
Board member

**Annika Poutiainen**
Board member

**Per-Eric Skotthag**
Board member

**Costas Thoupos**
Board member

**Gunilla Wikman**
Board member

**Jörgen Olsson**
CEO
Board member

# Auditor's report

**TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF HOIST FINANCE AB (PUBL), CORP. ID 556012-8489**

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Hoist Finance AB (publ) for the year 2015, except for the corporate governance statement on pages 45–55. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37–106.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 45–55. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Hoist Finance AB (publ) for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 45–55 has been prepared in accordance with the Annual Accounts Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained as above is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 18 March 2016

KPMG AB
**Anders Bäckström**
Authorized Public Accountant

# Definitions

**Acquired loans**
The total of acquired loan portfolios, run-off consumer loan portfolios and shares and participations in joint ventures.

**Acquired loan portfolios**
An acquired loan portfolio consists of a number of defaulted consumer loans/debts and SME loans that arise from the same originator.

**AT1 (Additional Tier 1 capital)**
Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the Tier 1 capital.

**Average number of employees**
Average number of employees during the year converted to full-time posts. The calculation is based on the total average number of employees per month divided by the year's twelve months.

**Basic earnings per share**
Net profit for the year divided by the weighted average number of outstanding shares.

**Own funds**
The sum of Tier 1 and Tier 2 capital.

**Own funds requirement – Pillar 1**
Minimum capital requirements for credit risk, market risk and operational risk.

**Own funds requirement – Pillar 2**
Capital requirements apart from Pillar 1 requirements.

**CET1 (Common Equity Tier 1) capital**
Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council, and other equity items that may be included in CET1 capital, less regulatory dividend deduction and deductions for items such as goodwill and deferred tax assets.

**CET1 (Common Equity Tier 1) ratio**
CET1 capital as a percentage of the total risk-weighted exposure amount

**Diluted earnings per share**
Net profit for the year divided by the weighted average number of outstanding shares after full dilution.

**EBIT**
Earnings Before Interest and Tax.

**EBIT margin**
EBIT (operating earnings) divided by total revenue.

**Expenses/Gross collections on acquired loan portfolios**
Operating expenses less fee and commission income and other income, divided by the sum of gross collections on acquired loan portfolios and income from the run-off consumer loan portfolios.

**Fee and commission income**
Commission generated from third-party collection services.

**Gross collections on acquired loan portfolios**
Gross cash flow from the Group's customers on loans included in the Group's acquired loan portfolios.

**Gross 120-month ERC**
"Estimated Remaining Collections" - i.e. the estimated remaining gross collection amount on acquired loan portfolios for the coming 120 months.

**Legal collection**
Legal collections relate to the cash received following the initiation of Hoist Finance's Litigation process. This process assesses those customers with the means to pay and is followed through a regulatory environment and court enforcement process.

**Net revenue from acquired loans**
The sum of gross collections on acquired loan portfolios and income from the run-off consumer loan portfolio, less portfolio amortisation and revaluation.

**Non-performing loans**
An originator's loan is non-performing as at the balance sheet date if it is past due or will be due shortly.

**Portfolio amortisation**
The share of gross collections that will be used for amortising the carrying value of acquired loan portfolios.

**Portfolio revaluation**
Changes in the portfolio value based on revised estimated remaining collections for the portfolio.

**Return on assets**
Net profit for the period divided by average total assets.

**Return on shareholders' equity**
Net profit for the period divided by average shareholders' equity during the period.

**Risk-weighted exposure amount**
The risk weight of each exposure multiplied by the exposure amount.

**SME**
A company that employs fewer than 250 people and has either annual sales of EUR 50 million or less or a balance sheet total of EUR 43 million or less.

**Tier 1 capital**
The sum of CET1 capital and AT1 capital.

**Tier 1 capital ratio**
Tier 1 capital as a percentage of the total risk-weighted exposure amount.

**Tier 2 capital**
Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the own funds.

**Total capital ratio**
Own funds as a percentage of the total risk-weighted exposure amount.

**Total revenue**
Sum of net revenue from acquired loans, fee and commission income, profit from shares and participations in joint ventures and other income.

# Guide to reading our financial statements

The subsidiary Hoist Kredit AB (publ) is a credit market company, licensed and supervised by the Swedish Financial Supervisory Authority *(Sw. Finansinspektionen).*

## Operating income statement

| SEK thousand | 2015 | 2014 |
|---|---|---|
| Gross collections on acquired loan portfolios | 3,631,032 | 2,541,311 |
| Portfolio amortisation and revaluation | –1,626,508 | –1,143,020 |
| Interest income from run-off consumer loan portfolio | 10,176 | 38,180 |
| **Net revenue from acquired loan portfolios** | **2,014,700** | **1,436,471** |
| Fee and commission income | 166,705 | 153,222 |
| Profit from shares and participations in joint ventures | 54,839 | 58,662 |
| Other income | 10,629 | 12,219 |
| **Total revenue** | **2,246,873** | **1,660,574** |
| Personnel expenses | –651,354 | –473,200 |
| Other operating expenses | –874,016 | –627,467 |
| Depreciation and amortisation of tangible and intangible assets | –46,866 | –30,281 |
| **Total operating expenses** | **–1,572,236** | **–1,130,948** |
| **EBIT** | **674,637** | **529,626** |
| **Funding** | | |
| Interest income excl. run-off consumer loan portfolio | –7,497 | 51,551 |
| Interest expense | –361,370 | –344,969 |
| Net income from financial transactions | –20,639 | –17,719 |
| **Total financial items** | **–389,506** | **–311,137** |
| **Profit before tax** | **285,131** | **218,489** |

One effect of Hoist Kredit AB (publ) being a regulated credit company is that we prepare our financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

We regard acquisition and management of acquired loan portfolios as our core operational activity. Deposit-taking in HoistSpar is thus part of our financing activity. An outline guide is presented to the left in order to assist understanding of our financial development based on the statutory financial statements as presented in this Annual Report.

### Operating income statement

In an analysis of Hoist Finance's EBIT we regard income and expenses attributable to the acquisition and management of acquired loan portfolios, run-off consumer loan portfolio, servicing income and profit in joint venture as well as general administration as our operational activity.

Interest expenses for deposit-taking are regarded as financing.

## Statutory consolidated income statement

| SEK thousand | 2015 | 2014 |
|---|---|---|
| Net revenue from acquired loan portfolios | 2,004,524 | 1,398,291 |
| Interest income | 2,679 | 89,731 |
| Interest expense | –361,370 | –344,969 |
| **Net interest income** | **1,645,833** | **1,143,053** |
| Fee and commission income | 166,705 | 153,222 |
| Net income/expense from financial transactions | –15,341 | –17,719 |
| Other income | 10,629 | 12,219 |
| **Total operating income** | **1,807,826** | **1,290,775** |
| General administrative expenses | | |
| Personnel expenses | –651,354 | –473,200 |
| Other operating expenses | –874,016 | –627,467 |
| Depreciation and amortisation of tangible and intangible assets | –46,866 | –30,281 |
| **Total operating expenses** | **–1,572,236** | **–1,130,948** |
| **Profit before credit losses** | **235,590** | **159,827** |
| Net credit losses | –5,298 | – |
| Profit from shares and participations in joint venture | 54,839 | 58,662 |
| **Profit before tax** | **285,131** | **218,489** |

# Shareholder information

## Annual General Meeting

The AGM of the shareholders of Hoist Finance AB (publ) will be held on Friday 29 April 2016, at 3 CET at the IVA Conference Centre, Grev Turegatan 16, Stockholm. Registration will open at 2 p.m.

### Notification of attendance

Shareholders who wish to attend the AGM must, firstly, be listed in the shareholders' register maintained by Euroclear Sweden AB no later than Friday 22 April 2016 and secondly, notify the company of their intention to attend no later than Monday 25 April 2016.

The notification must include the shareholder's name, address, phone number, the number of shares held and the number of assistants attending (maximum of two).

The notification should be sent to:
**Hoist Finance AB (publ)**
*Annual General Meeting*
Box 7848
103 99 Stockholm
Sweden, or
arsstamma2016@hoistfinance.com

To be entitled to attend, the shareholders whose shares are registered in the name of a nominee must temporarily register the shares in their own names in the shareholders' register maintained by Euroclear Sweden AB. This procedure must have effect on Friday 22 April 2016 and the shareholders should notify their nominees well in advance of this date.

### Proposed dividend

The Board of Directors proposes a dividend of SEK 0,75 per share for 2016. The record date for the right to receive dividends is 3 May 2016. If the proposal is accepted by the AGM, dividends are expected to be distributed by Euroclear Sweden AB on 9 May 2016.

### Annual report

The company will, as it is the first year as a listed company, distribute printed versions of the Annual Report to shareholders approximately one week before the AGM. Going forward, the printed version of the annual report will only be distributed upon request, this due to environmental reasons.

## Investor Relations

Hoist Finance's Investor Relations department is responsible for providing relevant information to – and being available for talks and meetings with – shareholders, investors, analysts and the media. During the year Hoist Finance conducted a number of international road shows and participated in numerous capital market activities. The Company also held regular analyst meetings.

### Analysts who continuously monitor Hoist Finance

| | |
|---|---|
| **Carnegie** | Viktor Lindeberg<br>Peter Kessiakoff |
| **Citibank** | Haley A Tam |
| **Morgan Stanley** | Anil Sharma<br>Bruce Hamilton |
| **Nordea** | Rickard Henze |

### Contact

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Group Head of IR
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Hoist Finance AB (publ)
Box 7848, 103 99 Stockholm
Ph: +46 (0) 8-555 177 90

The year-end report and investor presentation are available at **www.**hoistfinance.com

## Financial calendar 2016

**Interim report January–March,** 29 April 2016
**Interim report January–June,** 28 July 2016
**Interim report January–September,** 28 October 2016

## Financial calendar 2015

**Interim report January–March,** 6 May 2015
**Interim report January–June,** 31 July 2015
**Interim report January–September,** 29 October 2015

# Addresses


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Hoist Finance