

# Own Funds, Capital Requirements and Liquidity Position as of March 31, 2015

**Hoist Kredit AB (publ)**  
**Corp.id.no. 556329-5699**

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

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



## Capital Adequacy

### Own funds

The table below shows Hoist Kredit's and the Hoist Finance on a consolidated basis own funds which are used to cover the own funds requirements. If the own funds in the respective capital categories are divided by the Risk Exposure Amount the capital ratios are derived which are shown under the heading "Capital ratios and capital buffers".

#### Own funds, TSEK

	Hoist Finance on a consolidated basis		Hoist Kredit AB (publ)	
	31 mar 2015	31 mar 2014	31 mar 2015	31 mar 2014
Total equity in capital adequacy	1 995 937	647 642	1 877 457	552 920
Intangible assets	-249 524	-63 085	-47 895	-22 937
Deferred tax assets	-66 045	-56 607	-3 696	-1 990
Interim results not eligible	-	-38 504	-	-21 155
Foreseeable dividend	-1 092	-1 250	-	-
<b>Common Equity Tier 1 capital</b>	<b>1 679 276</b>	<b>488 197</b>	<b>1 825 867</b>	<b>506 839</b>
Additional Tier 1 capital instruments	93 000	193 000	93 000	193 000
Regulatory adjustments	-	-64 155	-	-71 350
<b>Additional Tier 1 capital</b>	<b>93 000</b>	<b>128 845</b>	<b>93 000</b>	<b>121 650</b>
<b>Tier 1 capital</b>	<b>1 772 276</b>	<b>617 041</b>	<b>1 918 867</b>	<b>628 489</b>
Tier 2 capital instruments	333 768	330 076	333 768	330 076
Regulatory adjustments	-99 426	-158 283	-110 110	-167 876
<b>Tier 2 capital</b>	<b>234 342</b>	<b>171 793</b>	<b>223 658</b>	<b>162 200</b>
<b>Total capital</b>	<b>2 006 618</b>	<b>788 834</b>	<b>2 142 525</b>	<b>790 689</b>

### Own funds requirements

The table below shows Hoist Kredit's and the Hoist Finance on a consolidated basis capital requirement and Risk Exposure Amounts:

#### Own funds requirements, TSEK

	Hoist Finance on a consolidated basis		Hoist Kredit AB (publ)	
	31 mar 2015	31 mar 2014	31 mar 2015	31 mar 2014
Institutions	58 261	37 745	41 493	31 807
<i>-of which: arising from counterparty credit risk</i>	<i>1 482</i>	<i>1 088</i>	<i>1 482</i>	<i>1 088</i>
Corporates	10 307	12 051	519 612	294 745
Retail	6 419	10 446	6 419	11 848
Exposures in default	699 378	518 757	225 837	214 389
Other items	19 781	12 915	50 509	53 084
<b>Credit risk (standardised approach)</b>	<b>794 146</b>	<b>591 914</b>	<b>843 870</b>	<b>605 873</b>
<b>Operational risk (basic indicator approach)</b>	<b>140 220</b>	<b>93 379</b>	<b>47 761</b>	<b>41 049</b>
Foreign exchange risk	3 002	1 828	3 002	1 828
Credit valuation adjustment	-	51	-	51
<b>Total own funds requirement</b>	<b>937 367</b>	<b>687 172</b>	<b>894 632</b>	<b>648 800</b>
<b>Total risk exposure amount</b>	<b>11 717 092</b>	<b>8 589 655</b>	<b>11 182 898</b>	<b>8 110 005</b>

## Capital ratios and capital buffers

When the Capital Requirements Regulation entered into force on the first of January 2014 credit institutions became required to uphold at least 4,5% Common Equity Tier 1 Capital, 6% Tier 1 Capital and 8% Total Capital, as a percentage of the Risk Exposure Amount. On the second of August 2014, when the Swedish implementation of the Capital Requirements Directive entered into force, credit institutions became required to also uphold certain capital buffers. Currently Hoist Finance is required to uphold a capital conservation buffer of 2,5% of the Risk Exposure Amount. The table below shows Hoist Kredit's and Hoist Finance on a consolidated basis Common Equity Tier 1-, Tier 1- and Total Capital as a percentage of the Risk Exposure Amount. It also shows the total regulatory requirements in each capital tier.

### Capital ratios and buffers, %

	Hoist Finance on a consolidated basis		Hoist Kredit AB (publ)	
	31 mar 2015	31 mar 2014	31 mar 2015	31 mar 2014
Common Equity Tier 1 Capital ratio	14,33%	5,68%	16,33%	6,25%
Tier 1 Capital ratio	15,13%	7,18%	17,16%	7,75%
Total Capital ratio	17,13%	9,18%	19,16%	9,75%
Institution specific CET1 buffer requirement	7,00%	4,50%	7,00%	4,50%
of which: pillar I capital requirement	4,50%	4,50%	4,50%	4,50%
of which: capital conservation buffer requirement	2,50%	-	2,50%	-
of which: countercyclical buffer requirement	-	-	-	-
Pillar II CET1 requirement	0,65%	0,18%	0,68%	0,19%
<b>Total CET1 requirement</b>	<b>7,65%</b>	<b>4,68%</b>	<b>7,68%</b>	<b>4,69%</b>
Surplus of Common Equity Tier 1 Capital	6,68%	1,00%	8,65%	1,56%
Surplus of Tier 1 Capital	5,98%	1,00%	7,98%	1,56%
Surplus of Total Capital	5,98%	1,00%	7,98%	1,56%

## Pillar II risks

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

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

This practice of validation of Pillar I risks has the sole purpose of checking the relevancy of the Pillar I capital requirements since they are calculated according to standardised methods as stipulated by regulation. Pillar II capital requirement can also result as a consequence of identification of risk categories that are not considered in the Pillar I capital requirements. These risks are also stressed to a magnitude of what one could observe once in a 100 year period. Capital is thereafter reserved to cover the outcome of the test.

The Pillar II risks below are expressed as a capital requirement figure which is to be covered with CET1-capital.

### Pillar II risks, TSEK

	Hoist Finance on a consolidated basis		Hoist Kredit AB (publ)	
	31 mar 2015	31 mar 2014	31 mar 2015	31 mar 2014
Credit risk	-	-	-	-
Market risk (FX risk)	437	489	437	491
Liquidity risk	-	-	-	-
Concentration risk	20 880	-	20 880	-
Reputation risk	15 316	1 089	15 316	1 089
Interest rate risk	36 113	13 804	36 113	13 804
Strategic risk	3 300	332	3 300	332
Operational risk	-	-	-	-
<b>Capital requirement pillar II</b>	<b>76 047</b>	<b>15 714</b>	<b>76 047</b>	<b>15 716</b>

## Liquidity Risk

Liquidity risk is the risk of difficulties in obtaining financing and thus, not being able to meet payment obligations at maturity without significant higher financing costs. Liquidity risk in Hoist stems first and foremost from the risk of unexpected outflow of deposits while not being able to refinance the asset side of the balance sheet. Liquidity risk in Hoist is low due to the fact that (i) deposits are well diversified, (ii) more than 99% of deposits are under state guaranteed deposit insurance, (iii) the amount of deposits is managed by altering given interest rates and (iv) term-funding cover Hoist's fixed assets (credit portfolios) to more than 90%.

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

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

Pursuant to Hoist's Treasury Policy, the Hoist Finance Group shall maintain an available liquidity (liquidity available within three business days) of 30 % and a liquidity reserve (liquidity available within one business day) of 10% of Hoist Finance's deposits. As per March 31, 2015, the Hoist Finance Group's total available liquidity amounted to 61,11% and the liquidity reserve amounted to 58,31%. The liquidity difference between available liquidity and liquidity reserve mainly consist of investments in highly rated bank bonds with good liquidity and cash available at institutions, which could be withdrawn within a few days.

## Liquidity Position

### Liquidity Position, TSEK

	Hoist Finance on a consolidated basis		Hoist Kredit AB (publ)	
	31 mar 2015	31 mar 2014	31 mar 2015	31 mar 2014
Deposits	12 317 254	9 099 543	12 317 254	9 099 543
Liquidity Reserve, minimum 10 % of Deposits*	58,31%	42,81%	50,16%	39,14%
Available Liquidity, minimum 30% of Deposits**	61,11%	48,23%	52,96%	44,55%

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

\*\*\*) Defined as liquidity available within three days

## Liquidity Funding

### Liquidity Funding, TSEK

	Hoist Finance on a consolidated basis		Hoist Kredit AB (publ)	
	31 mar 2015	31 mar 2014	31 mar 2015	31 mar 2014
Flex Deposits	7 454 529	6 761 168	7 454 529	6 761 168
Term Deposits	4 862 725	2 338 375	4 862 725	2 338 375
Senior Unsecured Debt	1 463 821	729 037	1 463 821	729 037
Tier 1 instruments	93 000	193 000	93 000	193 000
Tier 2 instruments	333 768	330 076	333 768	330 076
Equity	2 032 654	655 142	1 913 791	522 401
Other	608 343	459 871	285 834	363 352
<b>Balance Sheet Total</b>	<b>16 848 840</b>	<b>11 466 669</b>	<b>16 407 468</b>	<b>11 237 410</b>