Hoist Finance

Risk, Liquidity and Capital Management

– Information according to Pillar 3

2015

Hoist Kredit AB (publ)

Corp.id.no. 556329-5699

Hoist Finance

CONTENTS

1 INTRODUCTION

1.1 Hoist Finance

Hoist Finance AB (publ) is a pan-European financial group ("The Group") active within debt purchasing and receivables management. Hoist Finance is a leading debt-restructuring partner to international banks. Present in eight countries across Europe, Hoist Finance offer a broad spectrum of flexible and tailored solutions for the acquisition and management of non-performing unsecured consumer loans. In Sweden, Hoist Finance offer the HoistSpar retail deposit service with approximately 62,000 active accounts. The subsidiary to Hoist Finance AB (publ), Hoist Kredit AB (publ) ("Hoist Kredit"), is licensed and regulated as a "Credit Market Company" (Sw. Kreditmarknadsbolag) by the Swedish Financial Supervisory Authority.

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

1.2 Pillar 3 report

This Pillar 3 report provides information about risk management, capital and liquidity adequacy. The report is in reference to the information that shall be disclosed on a yearly basis in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, Commission Implementing Regulation (EU) No 1423/2013, 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 (see chapter 11) as well as Hoist Kredit on an institutional level.

Additional information on "Corporate governance", "The remuneration policy and remuneration systems" and "Information on recruitment and diversity" is disclosed on the Group's web: www.hoistfinance.com.

1.3 Hoist Finance's risk profile

The table below describes the major risks Hoist Finance is exposed to and how they are managed.

Description	Risk profile	Risk management
Credit risk The risk arising from a customer or another counterparty failing to repay principal or interest.	The credit risk relates mostly to acquired non-performing unsecured consumer loans and the risk of receiving lower collections than forecasted. Other credit risk exposures are (i) cash deposits with banks, (ii) investments in fixed income instruments, and (iii) counterparty credit risk relating to hedging of FX and interest rate risks.	Credit risk in the loan portfolios is monitored, analysed and controlled by management in each country as well as by the business control unit. Other credit risks are analysed and managed by the Treasury function. Group Risk Control analyses and verifies all risk exposures.
Operational risk 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 the operations, it is impossible and not cost effective to try to eliminate all operational risks. The goal is instead to minimise operational risks.	Routines for company-wide incident reporting, tracking of key risk indicators and regular risk-assessment workshops. A "four-eye principle" is applied to critical decisions, all backed by back-up routines, e.g. in the form of a ratified business continuity plan.
Market risk Risks arising from adverse movements in exchange rates and interest rates.	The main FX risk is holdings in EUR, PLN and GBP portfolios (assets), while the majority of liabilities are denominated in SEK. The interest rate risk is a negative effect on net interest income following changes in the level of interest rates.	All market risks are hedged continuously by the Group's Treasury Function.
Liquidity risk The risk of difficulties in obtaining funding and thereby not being able to meet payment obligations without significantly higher funding costs.	As revenues and costs are relatively stable, the liquidity risk is linked primarily to the deposits from the public and the risk of large redemptions occurring at short notice.	Hoist holds a significant liquidity reserve to cover potential outflows of liquidity.

1.4 Risk Development 2015

The carrying value of Hoist Finance's acquired loans is SEK 11,279 million, representing an increase of SEK 2,358 million since 2014. The increase in loan portfolios is mainly attributable to portfolio acquisitions in Italy and the UK. Expansion during the year was primarily financed by cash flow surpluses generated by the business and, to a lesser extent, increased deposits from the public.

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 loan portfolios in 2015. With high-quality valuations, the credit risk – defined as the probability of significant revaluations of loan 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 Group'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 Group's rapid expansion, although the rate of operational risk growth is deemed to be lower than the Group's growth rate. The primary reasons for the absolute increase are deemed to be increased risks associated with the integration of acquired companies (systems integration and differences in corporate culture) and legal and tax-related risks 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 management of unacceptable risks.

Market risks were low during the year, as Hoist Finance continuously hedges 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 government bonds. Foreign exchange risk remained low during the year, as the Group'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 Group is therefore better able to absorb unanticipated events without jeopardising its solvency, and the Group is well prepared for continued growth.

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

2 THE BOARD'S RISK DECLARATION AND RISK STATEMENT

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

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

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

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

3 RISK MANAGEMENT

3.1 Introduction

Risk is an inherent part of any business operation. Without taking risk, it is impossible for a commercial venture to be profitable in the longer term. Hoist acquires and manages non-performing unsecured consumer loans and thereby actively exposes itself to credit risk. This is the core business of Hoist, which the Group has been successful in for the last 20 years.

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

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 Group'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.

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.

3.2 Risk management framework

The goal of Hoist Finance's risk management is to manage variability in financial performance. It also serves to secure the survival of the Group through maintaining sufficient capital and liquidity levels. This will create and maintain confidence in the Group amongst stakeholders, and thereby achieving sustainable shareholder value.

To fulfil this goal the Board of Directors has adopted a framework for how the Group in its day-to-day operations shall manage, analyse, control and report risks. The Group Risk Control Function assists the Board and the CEO in continuously evaluating risk developments and recommends improvements to the risk framework.

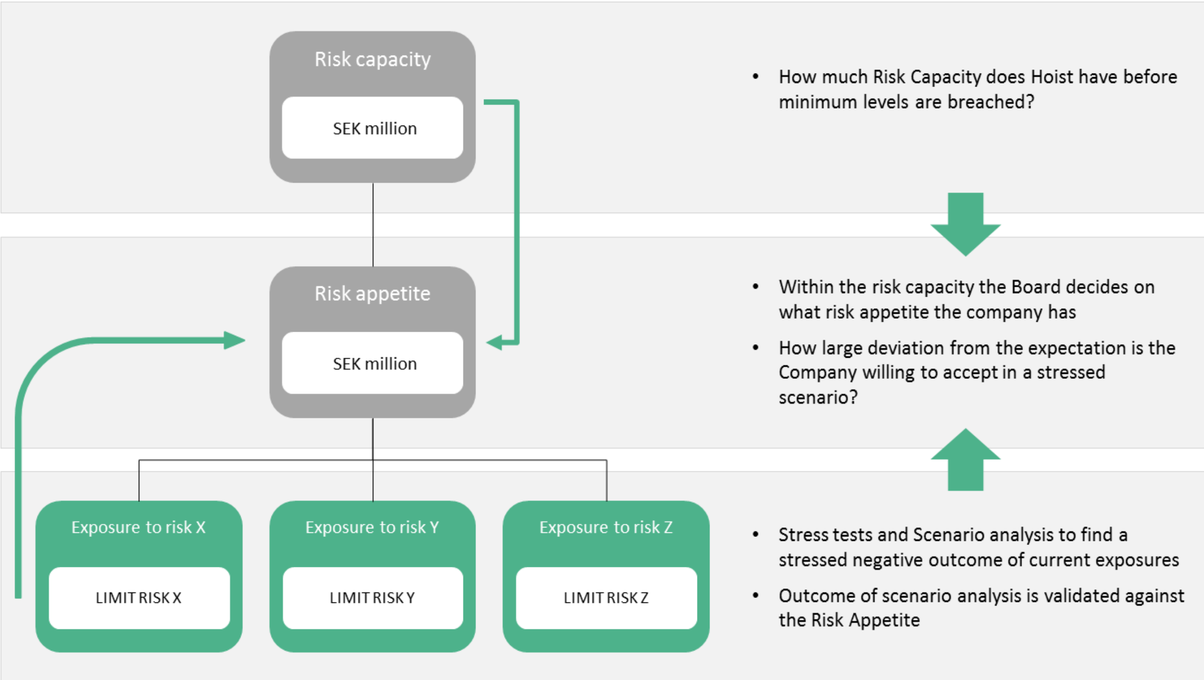
The Board of Directors has set a risk strategy, which entails the type and size of risks that the Group wants to expose itself to, to reach the business goals. It also includes how the risks shall be governed and controlled. The risk strategy makes a distinction between the kind of risks that are desired and the kind of risks that are undesired, but nevertheless might be inevitable.

The core business is to take credit risk in a controlled manner by investing in non-performing loans and collect the debts. 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 inevitable. They should however be minimized as far is economically justifiable.

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

Given the Group's capacity to assume risk, the risk appetite is determined by the Board of Directors. By considering potential returns and potential risks in the business plan, the Board can decide on an appropriate risk and return level for the Group, the risk appetite. Hoist Finance's risk appetite is thereafter broken down into risk limits to be used in the day-to-day business activities and in the monitoring of risk development. The Group Risk Control Function continuously monitors that the Group do not assume any risks, which are exceeding the Group's appetite and capacity to take on risk.

These principles are summarised in the figure below.



The method described above is used for both Risks to capital and Liquidity risks:

Risk Type	Risk Capacity	Risk Appetite	Limits
Risks to capital	The size of capital which can absorb losses without the Group breaching minimum regulatory own funds requirements	How large of a financial loss is the Group willing to face in a stressed scenario? This is operationalised as an accepted deviation from the budget.	Limits for e.g. credit, market and operational risk
Liquidity risks	The size of liquidity outflow the Group can withstand without breaching minimum liquidity requirements	How large liquidity outflow is the Group willing to face in a stressed scenario?	Limits for e.g. minimum liquidity level

3.3 Governance and internal control

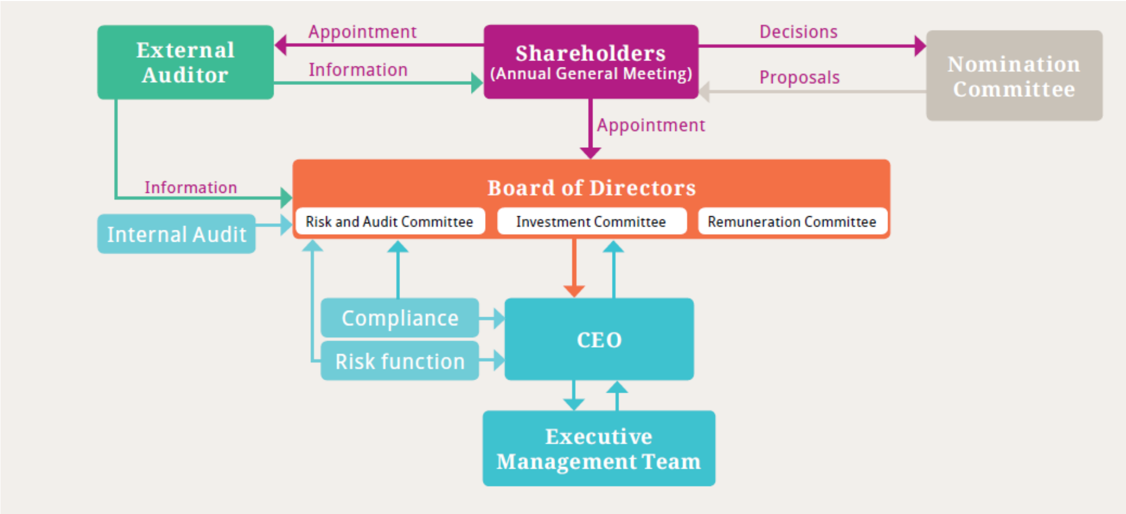
The Group's risk management is built on three lines of defence, clear goals, policies and guidelines, an efficient operating structure and transparent reporting and monitoring. The Board of Directors' risk policy details the risk management framework, roles and responsibilities as well as guidelines on the size of the capital and liquidity buffer maintained as protection against economic adversity.

1st Line of Defence: The Board of Directors, the CEO as well as the co-workers. The business units and subsidiaries bear full responsibility for the risks that arise in the daily operations. The co-workers have the best understanding, as they are closer to the customer and the specific markets. The first line of defence is responsible for managing the Group's risks and for following all the rules and regulations.

2nd Line of Defence: The Risk Control function and the Compliance function, both of which are independent control functions. The risk organisation is responsible for independent identification, quantification, analysis and reporting of all risks.

3rd Line of Defence: The internal audit function provides an independent review of the first two lines of defence and is directly subordinate to the Board of Directors.

The figure below shows Hoist Finance governance structure.



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

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

For further information on corporate governance and the risk organisation, see the corporate governance report disclosed on the Group's web: www.hoistfinance.com.

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4 OWN FUNDS AND OWN FUNDS REQUIREMENTS

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

4.1 Own funds

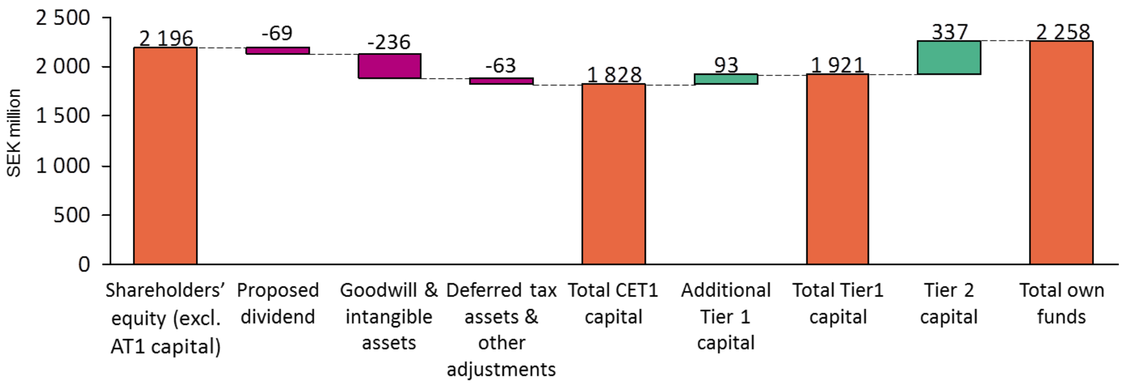
The table below shows the Hoist Finance consolidated situation's and Hoist Kredit's own funds which are used to cover the own funds requirements.

Own funds, SEK thousand	Hoist Finance consolidated situation 31 dec 2015	Hoist Kredit AB (publ) 31 dec 2015
Capital instruments and the related share premium accounts	1 286 805	482 963
Retained earnings	316 687	232 259
Accumulated comprehensive income and other reserves	361 363	1 062 749
Independently reviewed interim profits net of any foreseeable charge or dividend[1]	161 366	190 866
Intangible assets (net of related tax liability)	-235 632	-42 278
Deferred tax assets that rely on future profitability	-62 688	-2 224
Common Equity Tier 1 capital	**1 827 901**	**1 924 335**
Capital instruments and the related share premium accounts	93 000	93 000
Additional Tier 1 capital	**93 000**	**93 000**
Tier 1 capital	**1 920 901**	**2 017 335**
Capital instruments and the related share premium accounts	336 892	336 892
Tier 2 capital	**336 892**	**336 892**
Total own funds	**2 257 793**	**2 354 227**

[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.*

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

Common Equity Tier 1 capital mainly comprises shareholder equity after various adjustments, while Additional Tier 1 capital and Tier 2 capital are mainly made up of perpetual convertible debentures and subordinated loans. A link between shareholders' equity and the regulatory total capital is presented below. Further information about the capital instruments included in total capital is disclosed in Annex II – Main feature of capital instruments included in own funds.



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

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4.2 Balance sheet reconciliation

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

SEK thousand	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Kredit AB (publ)
ASSETS	**31 Dec 2015**	**31 Dec 2015**	**31 Dec 2015**
Cash	281	281	8
Treasury bills and treasury bonds	3 077 827	3 077 827	3 077 827
Lending to credit institutions	867 492	858 516	78 503
Lending to the public	77 994	77 994	77 994
Aquired loan portfolios	11 243 560	11 014 699	2 646 612
Receivables from affiliated companies	-	-	8 769 553
Bonds and other securities	1 303 214	1 303 214	1 303 214
Shares and participations in subsidiaries	-	-	581 972
Shares and participations in joint venture	-	205 557	49 974
Intangible assets	235 632	235 632	42 278
Tangible fixed assets	41 623	41 623	4 523
Other assets	501 062	501 062	416 615
Deferred tax assets	62 688	62 688	2 224
Prepaid expenses and accrued income	72 389	72 384	1 842
Total assets	**17 483 762**	**17 451 477**	**17 053 139**

LIABILITIES AND SHAREHOLDERS' EQUITY	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Kredit AB (publ)
	31 Dec 2015	**31 Dec 2015**	**31 Dec 2015**
Liabilities			
Deposits and borrowings from the public	12 791 377	12 791 377	12 791 377
Tax liabilities	21 639	21 639	3 550
Other liabilities	389 569	357 284	466 928
Deferred tax liabilities	183 999	183 999	-
Accrued expenses and prepaid income	180 941	180 941	71 103
Provisions	52 116	52 116	132
Senior unsecured loans	1 238 469	1 238 469	1 238 469
Subordinated loans	336 892	336 892	336 892
Total liabilities	**15 195 002**	**15 162 717**	**14 908 451**
Untaxed reserves	-	-	**62 248**
Shareholders' equity			
Share capital	26 178	26 178	66 667
Contributed equity	1 755 676	1 755 676	1 450 918
Reserves	-44 094	-44 094	74 111
Retained earnings including profit of the year	551 000	551 000	490 744
Total shareholders' equity	**2 288 760**	**2 288 760**	**2 082 440**
Total liabilities and shareholders' equity	**17 483 762**	**17 451 477**	**17 053 139**
Pledged assets	639	639	639
Contingent liabilities	483 952	483 952	342 676

4.3 Risk exposure amounts and own funds requirement

The table below shows the risk exposure amounts per risk category for Hoist Finance and the regulated entity Hoist Kredit.

Risk exposure amounts, SEK thousand	Hoist Finance consolidated situation 31 dec 2015	Hoist Kredit AB (publ) 31 dec 2015
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	339 617	195 897
of which counterparty credit risk	*89 598*	*89 598*
Exposures to corporates	136 601	8 789 030
Retail Exposures	43 774	43 774
Exposures in default	11 244 739	2 646 612
Exposures in the form of covered bonds	126 821	126 821
Other items	320 316	707 979
Credit risk (standardised approach)	**12 211 868**	**12 510 113**
Market risk (foreign exchange risk - standardised approach)	**26 573**	**26 573**
Operational risk (basic indicator approach)	**2 600 728**	**755 709**
Credit valuation adjustment (standardised approach)	**664**	**664**
Total risk exposure amount	**14 839 833**	**13 293 059**

The table below shows the own funds requirements per risk category for Hoist Finance and the regulated entity Hoist Kredit.

Own funds requirements, SEK thousand Pillar 1	Hoist Finance consolidated situation 31 dec 2015	Hoist Kredit AB (publ) 31 dec 2015
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	27 169	15 672
of which counterparty credit risk	*7 168*	*7 168*
Exposures to corporates	10 928	703 122
Retail Exposures	3 502	3 502
Exposures in default	899 579	211 729
Exposures in the form of covered bonds	10 146	10 146
Other items	25 626	56 637
Credit risk (standardised approach)	**976 950**	**1 000 808**
Market risk (foreign exchange risk - standardised approach)	**2 126**	**2 126**
Operational risk (basic indicator approach)	**208 058**	**60 457**
Credit valuation adjustment (standardised approach)	**53**	**53**
Total own funds requirement - Pillar 1	**1 187 187**	**1 063 445**
Pillar 2		
Concentration Risk	82 671	82 671
Interest Rate Risk in the Banking Book	71 453	71 453
Pension Risk	5 358	-
Other Pillar 2 Risks	23 656	24 421
Total own funds requirement - Pillar 2	**183 138**	**178 546**
Capital Buffers		
Capital conservation buffer	370 996	332 326
Countercyclical buffer	2 456	5 876
Total own funds requirement - Capital Buffers	**373 452**	**338 202**
Total own funds requirements	**1 743 777**	**1 580 193**

4.4 Capital ratios and buffers

Regulation (EU) 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital ratio of at least 4.5%, Tier 1 capital ratio of at least 6%, and a total capital ratio of at least 8%. The Swedish implementation of the Capital Requirements Directive requires credit institutions to maintain specific capital buffers. Hoist Finance is currently required to maintain a capital conservation buffer of 2.5% of the total risk exposure amount and an institution-specific countercyclical buffer of 0.02% of the total risk exposure amount. The table below shows the CET1 capital ratio, Tier 1 capital ratio and the total capital ratio for Hoist Finance and for the regulated entity Hoist Kredit.

Capital ratios and buffers, %	Hoist Finance consolidated situation	Hoist Kredit AB (publ)
	31 dec 2015	31 dec 2015
Common Equity Tier 1 Capital ratio	12,32	14,48
Tier 1 Capital ratio	12,94	15,18
Total Capital ratio	15,21	17,71
Institution specific CET1 requirement	7,02	7,04
of which: capital conservation buffer requirement	2,50	2,50
of which: countercyclical buffer requirement	0,02	0,04
CET1 capital available to meet buffers[1]	**6,94**	**9,18**

[1] CET1 capital ratio as reported, less minimum requirement of 4.5% (excluding buffer requirements) and less any CET1 items used to meet the Tier 1 and total capital requirements.

Countercyclical buffer

Hoist Finance is currently required to maintain an institution-specific countercyclical buffer of 0.02% of the total risk exposure amount. The table below shows the geographical distribution of Hoist Finance and the regulated entity Hoist Kredit credit exposures relevant for the calculation of the countercyclical capital buffer.

Hoist Finance consolidated situation 31 Dec 2015, SEK thousand

Country	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total	Countercyclical buffer rate
Sweden	24 936			126 821	44 712	**196 469**	**1%**
Other countries	111 666	43 774	11 244 739		275 603	**11 675 782**	**0%**
Total	**136 601**	**43 774**	**11 244 739**	**126 821**	**320 315**	**11 872 251**	**0,02%**

Hoist Kredit AB (publ) 31 Dec 2015, SEK thousand

Country	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total	Countercyclical buffer rate
Sweden	372 552			126 821	44 940	**544 313**	**1%**
Other countries	8 416 479	43 774	2 646 612		663 038	**11 769 903**	**0%**
Total	**8 789 030**	**43 774**	**2 646 612**	**126 821**	**707 978**	**12 314 215**	**0,04%**

4.5 Leverage ratio

The leverage ratio is a monitoring tool, which allows competent authorities to assess the risk of excessive leverage. Detailed information about Hoist Finance leverage ratio is illustrated in Annex III – Disclosure of Leverage Ratio.

The leverage ratio for Hoist Finance consolidated situation is 10.63% as at 31 December 2015. The leverage ratio for Hoist Kredit is 10.91% as at 31 December 2015.

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

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5 FUNDING

Hoist Finance has an efficient and diversified funding structure with retail deposits in Sweden through HoistSpar and issued senior unsecured bonds.

HoistSpar is an attractive and stable savings alternative for retail depositors in Sweden with competitive interest rates, clear and accessible web interface and a straightforward product range, including both overnight and term deposits, with durations of 12, 24 and 36 months. Although most of the deposits from the public are payable on demand, the Group believes, based on past client behaviour that a large portion of deposits can be treated as a longer maturity.

With a subsidiary being a "Credit Market Company" Hoist Finance has the ability to offer retail deposits to the public that are covered by the Swedish Deposit Guarantee Scheme. The maximum total deposited amount at HoistSpar is SEK 1,000,000 per customer, why approximately 99% of the deposits in HoistSpar are covered by the Swedish Deposit Guarantee Scheme, which is set at EUR 100,000.

Funding, SEK thousand	**Hoist Finance consolidated situation** **31 dec 2015**	**Hoist Kredit AB (publ)** **31 dec 2015**
Flex Deposits	8 226 925	8 226 925
Term Deposits	4 564 452	4 564 452
Senior Unsecured Debt	1 238 469	1 238 469
Tier 1 instruments	93 000	93 000
Tier 2 instruments	336 892	336 892
Equity	2 195 760	2 037 994
Other	795 979	555 407
Balance Sheet Total	**17 451 477**	**17 053 139**

5.1 Encumbered assets

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

SEK thousand	**Hoist Finance Group 31 Dec 2015**		**Hoist Kredit AB (publ) 31 Dec 2015**	
	Total assets	**of which: encumbered assets**	**Total assets**	**of which: encumbered assets**
Loans on demand - Other demand deposits	858 516	639	191 810	639
Equity instruments	25 000	-	25 000	-
Debt securities	4 356 041	-	4 356 041	-
Loans and advances other than loans on demand	11 258 927	-	11 380 852	-
Other assets	952 992	-	1 099 436	-
Total assets	**17 451 477**	**639**	**17 053 139**	**639**

6 INTERNAL CAPITAL AND LIQUIDITY ADEQUACY ASSESSMENT PROCESS

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are ongoing processes carried out by Management, which reviews, evaluates and quantifies 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 Group operates. This is formalised into a forecast for the forthcoming years stated in a business plan and a budget. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

6.1 ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that Hoist has sufficient capital to meet the risks faced by the Group in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the capital needs under extremely adverse circumstances. This figure is compared to the Pillar 1 own funds 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 own funds requirement is compared to the Pillar 1 own funds requirement and any excess loss risk is covered with additional Pillar 2 capital.

This practice of validation of Pillar 1 risks for credit, market and operational risk has the sole purpose of checking the relevancy of the Pillar 1 own funds requirements, since they are calculated according to very standardised methods as stipulated by regulation. Pillar 2 own funds requirement can also result as a consequence of identification of risk categories that are not considered in Pillar 1. 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 above-detailed process is designed to verify that the capital in the Group covers all 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 buffer in its financial position in relation to regulatory own funds requirements under extremely adverse internal and external market conditions.

The aggregate own funds 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 own funds requirements. Decisions and implementation thereof form the basis for new forecasts and, when these are completed, the process starts again.

The Group's capital base is sufficient to meet the unexpected financial results of the risk exposures to which the Group is exposed.

6.2 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 (Liquidity Coverage Ratio/Net Stable Funding Ratio) and the limits set by the Board of Directors.

The Group's total liquidity reserve during the year was well in excess of both internal and external requirements.

7 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:

- Loan portfolios
- Lending to credit institutions
- Bonds and other interest-bearing securities
- Counterparty credit 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% to 35% 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 11,279 million. 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 131 million.

Hoist Finance 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.

The table below shows expected net cash flow for the Group's acquired loan portfolios at 31 December 2015.

SEK thousand	<1 years	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**

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

The table to the right shows S&P's credit rating for Group exposure to credit institutions at 31 December 2015.

Rating	31 Dec 2015
AAA	46,7%
AA+	36,2%
AA	0,0%
AA-	0,4%
A+	3,7%
A	4,8%
A-	2,8%
BBB+	0,8%
BBB	0,0%
BBB-	0,0%
BB+	0,0%
BB	0,0%
BB-	0,5%
B+	0,0%
B	0,0%
B-	0,0%
N/A	4,2%
Total, SEK thousand	**5 155 240**
of which liquidity portfolio	***4 356 041***

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.

As at 31 December 2015, the weighted average maturity for liquidity portfolio assets was 1.57 years and the modified duration was 0.30 years. Maturity and modified duration are important measures for evaluating the Group'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.

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7.1 Counterparty credit risk

The Group has counterparty credit 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.

The Group uses FX and interest rate derivatives to hedge its exchange rate and interest rate exposure. To avoid counterparty credit 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 credit 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 credit risk.

The table below gives information per type of financial instrument.

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

			Related amounts not offset in the balance sheet		
	Gross amounts of financial assets and liabilities	Amounts off-set in the balance sheet	Net amounts accounted for in the balance sheet	Cash collateral	Net amount
Assets					
Derivatives	314 680	0	314 680	-250 900	63 780
Liabilities					
Derivatives	1 651	0	1 651	0	1 651
Total	**313 029**	**0**	**313 029**	**-250 900**	**62 129**

7.2 Credit risk exposures

Hoist Finance consolidated situation, SEK thousand

31 Dec 2015	Original exposure	Exposure amount	of which: off-balance sheet items	Average exposure amount	Risk exposure amount after SME supporting factor	Average risk weight %	Capital requirement
Sovereign and central banks	1 245 437	1 245 437	-	545 057	-	0%	-
Municipalities	1 896 099	1 896 099	-	1 902 121	-	0%	-
Institutions	1 640 207	1 640 207	-	2 483 388	339 617	30%	27 169
Corporates	141 346	141 346	-	213 771	136 601	73%	10 928
of which: SME	*19 929*	*19 929*	-	*24 972*	*19 026*	*76%*	*1 522*
Retail	58 365	58 365	-	81 769	43 774	75%	3 502
of which: SME	-	-	-	*5 247*	*3 935*	*75%*	*315*
Exposures in default	11 244 739	11 244 739	-	9 889 563	11 244 739	100%	899 579
of which: SME	*335 574*	*335 574*	-	*335 574*	*335 574*	*100%*	*26 846*
Covered bonds	1 268 214	1 268 214	-	1 963 768	126 821	10%	10 146
Other items	791 313	320 595	180 346	311 624	320 315	100%	25 625
Total	**18 285 721**	**17 815 003**	**180 346**	**17 391 062**	**12 211 867**	**65%**	**976 949**

Hoist Kredit AB (publ), SEK thousand

31 Dec 2015	Original exposure	Exposure amount	of which: off-balance sheet items	Average exposure amount	Risk exposure amount after SME supporting factor	Average risk weight %	Capital requirement
Sovereign and central banks	1 199 699	1 199 699	-	496 369	-	0%	-
Municipalities	1 896 099	1 896 099	-	1 902 121	-	0%	-
Institutions	964 478	964 478	-	1 235 037	195 897	28%	15 672
Corporates	8 793 775	8 793 775	-	8 064 758	8 789 030	99%	703 122
of which: SME	*19 929*	*19 929*	-	*24 972*	*19 026*	*76%*	*1 522*
Retail	58 365	58 365	-	81 769	43 774	75%	3 502
of which: SME	-	-	-	*5 247*	*3 935*	*75%*	*315*
Exposures in default	2 646 612	2 646 612	-	2 743 211	2 646 612	100%	211 729
Covered bonds	*990 969*	*707 986*	-	*1 963 768*	*707 978*	*10%*	*56 638*
Other items	1 268 214	1 268 214	1 268 214	588 891	126 821	100%	10 146
Total	**17 818 212**	**17 535 229**	**1 268 214**	**17 075 925**	**12 510 113**	**70%**	**1 000 809**

7.3 Geographical breakdown on exposure amount

Hoist Finance consolidated situation, SEK thousand

31 Dec 2015	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total
Sweden	1 245 437	1 896 099	844 766	27 864	-	-	1 268 214	44 712	**5 327 092**
Germany	-	-	111 508	12 684	58 365	2 006 974	0	119 607	**2 309 138**
UK	-	-	227 038	10 338	-	3 386 835	0	56 164	**3 680 375**
Poland	-	-	240 844	6 593	-	1 671 955	0	26 229	**1 945 621**
France	-	-	4 899	2 285	-	496 054	0	23 433	**526 672**
Netherlands	-	-	65 325	67 020	-	1 346 206	0	23 492	**1 502 043**
Belgium	-	-	7 009	287	-	234 831	0	2 331	**244 457**
Italy	-	-	138 817	14 276	-	2 062 759	0	1 768	**2 217 620**
Other countries	-	-	-	-	-	39 125	0	22 860	**61 985**
Total	**1 245 437**	**1 896 099**	**1 640 207**	**141 346**	**58 365**	**11 244 739**	**1 268 214**	**320 595**	**17 815 003**

Hoist Kredit AB (publ), SEK thousand

31 Dec 2015	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total
Sweden	1 199 699	1 896 099	884 802	375 480	-	-	1 268 214	44 940	**5 669 234**
Germany	-	-	1 132	22 793	58 365	2 006 974	0	70 517	**2 159 781**
UK	-	-	574	3 185 623	-	0	0	371 342	**3 557 539**
Poland	-	-	503	1 506 653	-	19 000	0	147 367	**1 673 523**
France	-	-	0	496 054	-	0	0	27 058	**523 113**
Netherlands	-	-	65 325	1 068 923	-	346 682	0	23 492	**1 504 423**
Belgium	-	-	7 678	0	-	234 831	0	2 331	**244 840**
Italy	-	-	4 463	2 137 952	-	0	0	20 928	**2 163 343**
Other countries	-	-	-	297	-	39 125	0	9	**39 432**
Total	**1 199 699**	**1 896 099**	**964 478**	**8 793 775**	**58 365**	**2 646 612**	**1 268 214**	**707 986**	**17 535 229**

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7.4 Maturity analysis on exposure amount

Hoist Finance consolidated situation, SEK thousand

31 Dec 2015	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Treasury bills	-	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**
Acquired loan portfolios[1]	-	-	-	-	-	11 244 739	**11 244 739**
Derivatives	-	304 988	244	9 448	-	-	**314 680**
Other assets	281	713 727	-	2 056	-	41 623	**757 687**
Off-balance sheet items	-	24 198	72 593	83 556	-	-	**180 347**
Total	**858 157**	**4 247 136**	**230 044**	**1 155 862**	**12 442**	**11 311 362**	**17 815 003**

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

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

31 Dec 2015	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Acquired loan portfolios	-	720 487	2 253 221	8 660 933	4 827 855	-	**16 462 496**
Total	**-**	**720 487**	**2 253 221**	**8 660 933**	**4 827 855**	**-**	**16 462 496**

Hoist Kredit AB (publ), SEK thousand

31 Dec 2015	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Treasury bills	-	3 077 827	-	-	-	-	**3 077 827**
Lending to credit institutions	77 864	639	-	-	-	-	**78 503**
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**
Acquired loan portfolios[2]	-	-	-	-	-	2 646 612	**2 646 612**
Receivables from affiliated companies	113 307	265 399	15 559	6 266 716	2 108 572	-	**8 769 553**
Derivatives	-	304 988	244	9 448	-	-	**314 680**
Other assets	8	551 478	-	287	-	636 470	**1 188 243**
Off-balance sheet items	-	17 032	51 095	10 476	-	-	**78 603**
Total	**191 179**	**4 343 120**	**224 105**	**7 347 729**	**2 121 014**	**3 308 082**	**17 535 229**

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

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

31 Dec 2015	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Acquired loan portfolios	-	255 396	666 125	2 216 688	1 145 248	-	**4 283 455**
Total	**-**	**255 396**	**666 125**	**2 216 688**	**1 145 248**	**-**	**4 283 455**

7.5 Past due loans and impairments

Hoist Finance specialises in acquiring portfolios of unsecured non-performing loans originated by large international banks and other financial institutions with whom Hoist Finance has strong and long-term relationships. These loan portfolios have been acquired at a significant discount relative to the face value. The price corresponds to the discounted value of expected collections and fulfil the Group's required rate of return.

Many or all of the contracts in the portfolios that Hoist Finance buy are older than one year when the transactions are made and Hoist Finance categorize the non-performing portfolios as past due more than one year. A financial asset is past due (in default) when a counterparty has failed to make a payment when contractually due. In the table "Geographical breakdown on exposure amount" the heading Exposures in default shows the geographical breakdown of Hoist Finances' past due loans, which amounts to SEK 11 245 million as of 31 December 2015.

An impairment is recognised when the carrying value of an asset or a cash generating unit exceeds its recoverable value. The Hoist Finance portfolios are subject to revaluations and amortisation, and hence, excluded from impairment testing.

The Group monitors and evaluates actual collections in relation to forecasts, which are the basis for portfolio valuation during the same period. Should negative deviations occur, the Group first take additional operational measures in order to reduce the risk of deviations in future periods. In the event that additional operational measures do not have, or it is believed that they will not have, the intended effect a revised forecast is done for future collections. The forecast is also adjusted upwards in cases where the portfolios exhibit collections that are estimated to sustainably exceed the current forecast. Forecast adjustments are analysed in consultation with the Investment Committee, and are decided on the Group level.

7.6 Exposures in equities not included in the trading book

In 2013, Hoist Finance Services AB (previously Konstruktur Development AB), reg no 556640-9941, (”HFS”) acquired unlisted preferential shares, mainly for strategic reasons (the ”Equity Holdings”). In connection with the acquisition of the Equity Holdings, HFS acquired an option right towards the seller of the Equity Holdings to re-sell the Equity Holding for an amount of at least the original purchase price, being SEK 25 million (the “Price”) (the “Long Put Option”). There is no reason to question the creditworthiness or the ability of the seller granting the Long Put Option to fulfil its obligation. In accordance with the resolution of 2015 annual general meeting in HFS its Equity Holdings were transferred to its sole shareholder, Hoist Kredit, through a dividend in kind.

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

8 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:

- Unauthorized activities and internal fraud
- External fraud
- Employment practices and work place 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 routines and day-to-day control procedures. The Group also applies the dual-control principle, i.e. the principle that a business flow or transaction should always be handled by at least two independent units/persons. Hoist Finance also applies segregation of duties, i.e. to ensure that a single person will never handle an entire transaction from the beginning to the end.

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

1. Incident reporting is required by all employees via an online tool where they are followed up by Management and the Risk Control function. Reported incidents are included in the Risk Report to the Board.

2. Annual Self-Assessments of risks 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 risks probability of occurrence and what the consequences (impact) would be. Assessments are not made by a single person, it is done in workshops, as different perspectives and discussions are vital in the identification and mitigation of relevant risks.

3. New Product Approval Process (NPAP) is the process for quality assurance of new and amended products, services, markets, processes, IT-systems, and major changes in Hoist Finance operations and organisation.

4. Business Continuity Management (BCM) provides a framework to plan for and respond to events and business disruptions in order to continue business operations at an acceptable predefined level.

Hoist Finance BCM consists of Disruption and Crisis Management:

- Disruptions shall be managed with Business Continuity Plans.
- Crises shall be 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 to provide an early warning of when risks have increased.

6. Regular education on operational risks is performed in key areas.

Hoist Finance calculates operational risk capital using the basic indicator approach. Institution’s using the basic indicator approach must hold capital for operational risk equal to the average over the previous three years annual operating income multiplied by a fixed percentage (15%). At the end of December 2015 Hoist Finance’s own funds requirement for operational risk was SEK 208 million.

9 MARKET RISK

Market risk is the risk arising from adverse movements in exchange rates and interest rates.

9.1 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)
- Part of the Group's income and costs arise 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 Group'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. There is, however, a residual risk arising from the fact that Hoist Finance has some expenses in SEK, which are not offset by income in SEK.

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% exchange rate fluctuation between SEK and each currency.

Group's FX risk in EUR

	31 Dec 2015	Impact on shareholders' equity
Net assets on the balance sheet, EUR million	596	
Forward hedge, EUR million	-594	
Net Exposure, EUR million	2	
If the EUR/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1 394	<1%
If the EUR/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-1 394	-<1%

Group's FX risk in GBP

	31 Dec 2015	Impact on shareholders' equity
Net assets on the balance sheet, GBP million	279	
Forward hedge, GBP million	-279	
Net Exposure, GBP million	-0,3	
If the GBP/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	-335	-<1%
If the GBP/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	335	<1%

Group's FX risk in PLN

	31 Dec 2015	Impact on shareholders' equity
Net assets on the balance sheet, PLN million	860	
Forward hedge, PLN million	-854	
Net Exposure, PLN million	6	
If the PLN/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1 263	<1%
If the PLN/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-1 263	-<1%

Hoist Finance has strict limits for the exposure to each currency. The limits for an open FX position are 4-5% of the gross currency exposure amount.

9.2 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 upon the values of assets and liabilities.

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 for 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 rates.

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

Total items valued at fair value including derivatives (SEK thousand)	**Impact on profit or loss Dec 2015**		**Impact on shareholders' equity**
	-100 bps	**+100 bps**	
Liquidity portfolio	13 226	-13 226	
Interest rate swaps	-61 245	61 245	
Total	**-48 019**	**48 019**	**2,10%**

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

Total effect of change in interest rate over one year (SEK thousand)	**Impact on profit or loss Dec 2015**		**Impact on shareholders' equity**
	-100 bps	**+100 bps**	
Efficient net interest income (over one year)	63 985	-56 083	
Efficient derivatives (momentum effect)	-61 245	61 245	
Total effect of change in short interest rate	**2 740**	**5 162**	**0,23%**

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.

10 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.

Since the Group's revenues and costs are relatively cash flow stable, liquidity risk is primarily stemming from the Group's deposits from the public and the risk of major outflows of deposits at short notice.

The overall objective of the Group's liquidity management is to keep the liquidity risk at a low level, to ascertain that the liquidity allows business expansion and to have adequate buffers to assure a continuous good margin to the regulatory requirements.

The Group has a funding base with a diversified maturity structure, 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% 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% of deposits by the deposit guarantee scheme.

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.
- 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, which allows for swift cash conversion if needed.

Hoist Finance has a low appetite for assuming liquidity risk why potential future liquidity gaps are covered by generous liquidity reserves. Hoist Finance's liquidity reserve mainly consists of bonds issued by the state of Sweden and Swedish municipalities as well as covered bonds, see table below.

Liquidity reserve, SEK thousand	31 dec 2015
Cash and holdings in central banks	281
Deposits in other banks available overnight	799 199
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1 181 728
Securities issued or guaranteed by municipalities or other public sector entities	1 896 099
Covered bonds	1 268 214
Securities issued by non-financial corporates	0
Securities issued by financial corporates	10 000
Other	0
Total	**5 155 521**

The Group's Treasury Policy specifies a limit of SEK 2 544 million and a target level of SEK 4 188 million for the liquidity reserve. The liquidity reserve totalled SEK 5 156 million at 31 December, exceeding the limit and the target level by a significant margin.

Hoist Finance has a contingency funding plan for managing liquidity crises in place to identify 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.

11 CONSOLIDATED SITUATION

The table presents companies included in Hoist Finance consolidated situation. Hoist Kredit is a credit market company and is licensed and supervised by the Swedish Financial Supervisory Authority, and is the only regulated entity within the consolidated situation. The parent company is Hoist Finance and is included in the consolidated situation. All subsidiaries are fully consolidated and the joint venture BEST III NS FIZ is consolidated using the proportional method. For an overview of the complete legal structure, please see Hoist Finance's Annual Report.

Company name	Corporate identity number	Domicile	Ownership %
Parent company			
Hoist Finance AB (publ)	556012-8489	Stockholm	
Subsidiaries			
Hoist Kredit AB (publ)	556329-5699	Stockholm	100
Branches of Hoist Kredit AB (publ)			
Hoist Kredit AB, Belgium branch	556329-5699	Brussels	100
Hoist Kredit AB, the Netherlands branch	556329-5699	Amsterdam	100
Subsidiaries of Hoist Kredit AB (publ)			
Hoist Finance Services AB	556640-9941	Stockholm	100
Hoist Finance SAS	444611453	Lille	100
Hoist GmbH	HRB 7736	Duisburg	100
HECTOR Sicherheiten-Verwaltungs GmbH	HRB 74561	Duisburg	100
Hoist Portfolio Holding Ltd	101438	St. Helier	100
Hoist Portfolio Holding 2 Ltd	111085	St. Helier	100
Hoist Poland SpZ.O.O.	284313	Warszawa	100
Hoist Kredit Ltd	7646691	London	100
Hoist Finance UK Ltd	8303007	London	100
C L Finance Ltd	1108021	West Yorkshire	100
Robinson Way Ltd	6976081	Manchester	100
The Lewis Group Ltd	SC127043	Glasgow	100
Marte SPV S.R.L	4634710265	Conegliano	100
Hoist Italia S.R.L	12898671008	Rome	100
Hoist Finance Cyprus Ltd	HE 338570	Nicosia	100
Kancelaria Navi Lex sp. z o.o. *	0000536257	Wroclaw	100
Compello Holdings Ltd	8045571	Milton Keynes	100
Compello Operations Ltd	8045559	Milton Keynes	100
MKE (UK) Ltd	7042157	Milton Keynes	100
MKDP LLP	OC349372	Milton Keynes	100
Funds			
HOIST I NS FIZ	RFI 702	Warszawa	100
Joint venture			
BEST III NS FIZ**	RFI 623	Gdynia	50

** On the 5th of February 2016 Kancelaria Navi Lex sp. z o.o. changed name into Hoist Polska sp. z o.o.*
*** Polish Sec Fund.*

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12 DEFINITIONS

Term	Definition
Additional Tier 1 capital (AT1)	All Tier 1 capital, which does not qualify as Common equity tier 1 capital, e.g. Tier 1 capital instruments.
Capital conservation buffer	A requirement for a capital buffer of 2,5% of total risk exposure amount consisting of Common Equity Tier 1 capital. If the buffer is not complete, the bank must retain a portion of its profit to improve its capital ratio.
Common Equity Tier 1 capital (CET1)	Common shares issued by the institution, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction for deferred tax assets, intangible assets and goodwill.
Common Equity Tier 1 capital ratio	Common Equity Tier 1 capital in relation to total risk exposure amount.
Compliance risk	The current or prospective risk to earnings and/or capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards which can lead to fines, damages and/or the voiding of contracts and can diminish an institution's reputation.
Concentration risk	The vulnerability inherent in the concentration of exposures to a limited number of customers, suppliers, a particular sector or a geographic area.
Control function	An independent function for risk control, compliance or internal audit.
Countercyclical buffer	A buffer calculated as a percentage of total risk exposure amount and depends on the geographical distribution of the Group's credit exposures and the countercyclical values in these different countries as set by local regulators. The Countercyclical Buffer shall regularly be updated and added to or deducted from the Group's capital limits.
Legal risk	The risk that contracts or other legal documents cannot be executed according to specified terms or that legal proceedings are initiated which affect the Group's operations in a negative way.
Limit	An established permitted level for a risk exposure
Own funds	The sum of Tier 1 capital and Tier 2 capital.
Own funds requirements – Pillar 1	Minimum own funds requirements for credit, market and operational risk.
Own funds requirements – Pillar 2	Own funds requirements in addition to the ones in Pillar 1.
Risk Exposure Amount (REA)	The sum of risk weighted assets for credit risk, and risk exposure amounts for market and operational risk.
Risk management	Identifying, analysing, measuring, managing, controlling and reporting significant risks, which the Group is or may be exposed to.
Risk management framework	The Group's strategies, processes, procedures, internal rules, limits, controls and reporting procedures, which govern the Group's risk management processes.
Risk Strategy	A strategy for assuming, steering and exercising control of the risks to which the Group is or could become exposed.
Risks to capital	Risks that, should they materialise, will have a significant impact on the Group's own funds over the next 12 months.
Tier 1 capital (T1)	The sum of Common Equity Tier 1 capital and Additional Tier 1 capital.
Tier 1 capital ratio	Tier 1 capital in relation to total risk exposure amount.
Tier 2 capital (T2)	Subordinated loans as well as fixed-term subordinated loans with certain conditions as set out in Regulation (EU) No 575/2013.
Total capital ratio	Own funds in relation to total risk exposure amount.

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ANNEX I – DISCLOSURE OF TRANSITIONAL OWN FUNDS

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

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 December 2015 SEK thousand	
		Hoist Finance consolidated situation	Hoist Kredit AB (publ)
1	Capital instruments and the related share premium accounts	1 286 805	482 963
	Of which: Paid up capital instruments	25 796	66 667
	Of which: Share premium	1 261 010	416 296
2	Retained earnings	316 687	232 259
3	Accumulated other comprehensive income (and other reserves)	361 364	1 062 749
3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	161 366	190 866
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	2 126 220	1 968 837
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	-235 632	-42 278
9	Empty Set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-62 688	-2 224
11	Fair value reserves related to gains or losses on cash flow hedges		
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined benefit pension fund assets (negative amount)		
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
20b	Of which: qualifying holdings outside the financial sector (negative amount)		
20c	Of which: securitisation positions (negative amount)		
20d	Of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
22	Amount exceeding the 15% threshold (negative amount)		
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Empty set in the EU		
25	Of which: deferred tax assets arising from temporary differences		
25a	Losses for the current financial year (negative amount)		

25b	Foreseeable tax charges relating to CET1 items (negative amount)		
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-298 320	-44 502
29	**Common Equity Tier 1 (CET1) capital**	1 827 901	1 924 335
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	93 000	93 000
31	Of which: classified as equity under applicable accounting standards	93 000	93 000
32	Of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		
35	Of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	93 000	93 000
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
41	Empty set in the EU		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	0
44	**Additional Tier 1 (AT1) capital**	93 000	93 000
45	**Tier 1 capital (T1 = CET1 + AT1)**	1 920 901	2 017 335
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	336 892	336 892
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		
49	Of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustment**	336 892	336 892
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		
56	Empty set in the EU		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	0
58	**Tier 2 (T2) capital**	336 892	336 892
59	**Total capital (TC = T1 + T2)**	2 257 793	2 354 226
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	14 839 832	13 293 058

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	Of which:... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)		
	Of which:...items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities etc)		
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)		
60	**Total risk weighted assets**	14 839 832	13 293 058
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12,32%	14,48%
62	Tier 1 (as a percentage of risk exposure amount)	12,94%	15,18%
63	Total capital (as a percentage of risk exposure amount)	15,21%	17,71%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7,02%	7,04%
65	of which: capital conservation buffer requirement	2,50%	2,50%
66	of which: countercyclical buffer requirement	0,02%	0,04%
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6,94%	9,18%
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
74	Empty set in the EU		
75	Deferred tax assets arising from temporary differences (amount below 10% threshold , net of related tax liability where the conditions in Article 38 (3) are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

ANNEX II – MAIN FEATURE OF CAPITAL INSTRUMENTS INCLUDED IN OWN FUNDS

CAPITAL INSTRUMENTS MAIN FEATURES		SHARE CAPITAL	PERPETUAL CONVERTIBLE DEBENTURES	FIXED TERM SUBORDINATED LOAN NOTES
1	Issuer	Hoist Finance AB (publ)	Hoist Kredit AB (publ)	Hoist Kredit AB (publ)
2	Unique identifier	SE0006887063	N/a	SE0005280591
3	Governing law(s)	Swedish law	Swedish law	Swedish law
Regulatory treatment				
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type	Share capital	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital	SEK 1,287 million	SEK 93 million	SEK 337 million
9	Nominal amount of instrument	SEK 26 million	SEK 100 million	SEK 350 million
9a	Issue price	SEK1,287 million	100 per cent	100 per cent
9b	Redemption price	N/A	100 per cent of nominal amount	100 per cent of nominal amount
10	Accounting classification	Equity	Liability – amortised cost	Equity / Liability – amortised cost
11	Original date of issuance	21 August 1915	23 April 2013	24 June 2013
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	N/a	Perpetual	17 September 2023
14	Issuer call subject to prior supervisory approval	N/a	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/a	23 April 2013 100 per cent of nominal amount	17 September 2018 100 per cent of nominal amount In addition, upon a capital event (104-100 per cent of nominal amount)
6	Subsequent call dates, if applicable	N/a	Any time after first call date	Any specified interest payment date after the optional call date
Coupons / dividends				
17	Fixed or floating dividend/coupon	N/a	Fixed	Fixed to floating
18	Coupon rate and any related index	N/a	15 per cent	Fixed 12 per cent until first call date, thereafter 6M STIBOR plus margin
19	Existence of a dividend stopper	N/a	Yes	No
20a	Fully/partially discretionary or mandatory (in terms of timing)	N/a	Fully discretionary	[Mandatory]
20b	Fully/partially discretionary or mandatory (in terms of amount)	N/a	Fully discretionary	[Mandatory]
21	Existence of step up or other incentive to redeem	N/a	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible	Non-convertible

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

ANNEX III – DISCLOSURE OF LEVERAGE RATIO

Disclosure according to EBA Implementing Technical Standards of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013.

Reference date	2015-12-31	2015-12-31
Entity name	Hoist Kredit AB (publ)	Hoist Kredit AB (publ)
Level of application	Consolidated	Individual

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable Amount	Applicable Amount
1	Total assets as per published financial statements	17 451 476 564	16 903 759 517
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)		
4	Adjustments for derivative financial instruments	698 889 211	698 889 211
5	Adjustments for securities financing transactions (SFTs)		
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	180 346 490	78 602 790
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)		
7	Other adjustments	[264 809 090]	[45 126 185]
8	**Total leverage ratio exposure measure**	18 065 903 175	17 636 125 332

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	17 451 476 564	16 903 759 517
2	(Asset amounts deducted in determining Tier 1 capital)	[264 809 090]	[45 126 185]
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	17 186 667 474	16 858 633 332
	Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	316 358 472	316 358 472
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	131 630 739	131 630 739
EU-5a	Exposure determined under Original Exposure Method		
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	250 900 000	250 900 000
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 4 to 10)**	698 889 211	698 889 211

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Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions)		
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty credit risk exposure for SFT assets		
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b(4) and 222 of Regulation (EU) No 575/2013		
15	Agent transaction exposures		
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	0	0
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	651 064 238	361 585 735
18	(Adjustments for conversion to credit equivalent amounts)	[470 717 748]	[282 982 945]
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	180 346 490	78 602 790
Exempted exposures in accordance with CRR Article 429(7) and (14) (on and off balance sheet)			
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		
EU-19b	(Exposures exempted in accordance with Article 429(14) of Regulation (EU) No 575/2013 (on and off balance sheet))		
Capital and total exposure measure			
20	**Tier 1 capital**	1 920 901 174	1 924 334 764
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	18 065 903 175	17 636 125 332
Leverage ratio			
22	**Leverage ratio**	10,63%	10,91%
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure		
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013		

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR leverage ratio exposures	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	17 451 476 564	16 564 628 951
EU-2	Trading book exposures		
EU-3	Banking book exposures, of which:	17 451 476 564	16 564 628 951
EU-4	Covered bonds	1 268 214 093	1 268 214 093
EU-5	Exposures treated as sovereigns	3 141 536 252	3 095 798 163
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns		
EU-7	Institutions	1 192 217 324	516 488 862
EU-8	Secured by mortgages of immovable properties		
EU-9	Retail exposures	58 364 941	58 364 941
EU-10	Corporate	141 346 411	8 793 775 348
EU-11	Exposures in default	11 244 739 465	2 646 612 371
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	405 058 078	185 375 172

Table LRQua: Free format text boxes for disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	The discussion by regulators has been to impose a leverage ratio of around 3%. Hence, Hoist Finance has significant headroom to these levels and will continue to have so due to that the 100% risk weighting of Hoist Finance's core assets sets an indirect cap on leverage.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	The leverage ratio for both the Hoist Finance consolidated situation's and Hoist Kredit's has improved during the period. The increase of the leverage ratio is mainly attributable to the net proceeds from the IPO which increased the CET1 capital (numerator). This was slightly offset by the period's balance sheet expansion (denominator).