


Year-end Report 2013

Gross cash collections

SEK 1.6 bn 

Portfolio acquisitions

SEK 3.3 bn 

EBIT margin

26%

Capital adequacy ratio

11.62%

Fourth quarter 2013

- Gross cash collections of SEK 519 million (SEK 241 million), up 115 per cent compared to the fourth quarter of 2012.
- Total revenue¹ was SEK 226 million (SEK 114 million), an increase of 148 per cent.
- EBIT (earnings before interest and taxes) totalled SEK 127 million (SEK 22 million) corresponding to an EBIT margin of 26 per cent (10 per cent).
- Portfolio acquisitions of SEK 1,279 million (SEK 1,094 million), an increase of 17 per cent compared to the same period in 2012.
- Cash flow from operating activities totalled SEK -631 million (SEK 420 million).
- Issue of SEK 750 million in senior unsecured bonds in December.

Full year 2013

- Gross cash collections totalled SEK 1,641 million, an increase of 85 per cent compared to 2012 (SEK 887 million).
- Total revenue² was SEK 1,281 million (SEK 643 million), up 99 per cent on 2012.
- EBIT³ for the year totalled SEK 334 million, corresponding to an EBIT margin of 26 per cent. In 2012, EBIT totalled SEK 151 million with a corresponding EBIT margin of 24 per cent.
- Portfolio acquisitions of SEK 3,267 million, an increase of 62 per cent relative to 2012.
- Carrying value at year-end of SEK 5,998 million (SEK 3,364 million), corresponding to Gross 120 month ERC (estimated remaining collections) of SEK 10,673 million (SEK 6,660 million).
- Cash flow from operating activities totalled SEK 1,275 million (SEK 461 million).
- SEK 350 million in subordinated loans issued in September. The bonds were listed on NASDAQ OMX in October.
- SEK 750 million in senior unsecured loans issued in December. The bonds were listed on NASDAQ OMX in January 2014.
- Capital quota of 1.44 (corresponding to 11.62 per cent of REA⁴) as of 31 December 2013 (1.22 and 9.75 per cent of REA as of 31 December 2012).

SEK million	Oct-Dec 2013	Oct-Dec 2012	Change	Full year 2013	Full year 2012	Change
Net revenue from directly owned portfolios adj. for revaluations	408	155	164%	1 083	505	114%
Revenue from servicing	39	18	112%	121	44	172%
Profit from joint venture	8	18	-53%	36	56	-35%
Other income	27	35	734%	41	37	8%
Total revenue adj. for revaluations	482	226	114%	1 281	642	99%
EBIT	127	22	470%	334	151	121%
<i>EBIT margin</i>	<i>26%</i>	<i>10%</i>	<i>+16 pp</i>	<i>26%</i>	<i>24%</i>	<i>+2 pp</i>

¹ Including interest income from run-off consumer loan portfolio, revenue from servicing, profit from joint venture and other income.

² Including interest income from run-off consumer loan portfolio, revenue from servicing, profit from joint venture and other income, excluding portfolio revaluations of SEK -6 million in 2013 and SEK -7 million in 2012.

³ Adjusted for portfolio revaluations.

⁴ Risk Exposure Amount; includes capital requirements for operational, market and credit risks.

Comment from the CEO

Delivering on the growth strategy

Another strong quarter concludes a year of important milestones for Hoist Finance – successful portfolio acquisitions, continued strong revenue growth and stable cash flows demonstrate the strength of our business model. In addition, we have developed the organisation to perpetually improve our internal processes and have continued to diversify our capital base.

There are several underlying drivers of continued growth: the European credit market has matured and grown, which together with increased capital requirements has led banks to further focus their efforts on core operations and optimisation of their credit portfolios. Through long-standing relationships, ability to provide customised solutions for our partners and a proven model for amicable settlements, Hoist Finance is today a trusted debt restructuring partner to global financial institutions across Europe – uniquely positioned to capture future growth opportunities.

Specialisation, experience and a data-driven acquisition strategy allow Hoist Finance to successfully compete for the most attractive portfolios of non-performing unsecured consumer loans. To illustrate this, in 2013 and 2012, Hoist Finance was one of the largest buyers of non-performing unsecured consumer loans in the European market, with an acquisition value of close to SEK 3.3 billion (of which SEK 1.3 billion in the fourth quarter), and the total carrying value of our acquired loan portfolios was SEK 6 billion at year-end.

Our active strategy for growth and balanced geographical diversification has been successful, resulting in a doubling of total revenues to SEK 1.3 billion from last year, and with fourth-quarter revenues increasing by 148 per cent from last year. During the year we strengthened our position in several markets, through ground-breaking acquisitions in the Netherlands, Poland and in the UK.

To complement our growth strategy, we have systematically invested in our organisation and systems to ensure that Hoist Finance is prepared for the consequential demands of our success. Specifically, during the year, a number of initiatives were launched in order to streamline the Group and leverage best practice in all jurisdictions. We took a further step to co-ordinate our HR initiatives across the Group, launched a new collection system in France and strengthened our UK operations by fully integrating the Lewis group Ltd (acquired 2013) into Robinson Way. Despite one-off costs related to growing the business, EBIT doubled to SEK 334 million for the full year and our EBIT margin grew to 26 per cent (24 per cent).

In order to exploit the opportunities materialising from the expected growth in the European non-performing unsecured consumers loans market, one of the key objectives for Hoist Finance is to continue to diversify and strengthen our funding base. At the beginning of December we finalised another bond issue of SEK 750 million in senior unsecured bonds, which attracted considerable interest from Swedish and international institutional investors, and is further testimony to our business model and capacity. The capital adequacy ratio increased from 9.75 per cent as at the end of December in 2012 to 11.62 as at the end of 2013. During 2013 Hoist Finance listed its first bonds on NASDAQ OMX, and followed this with a second bond listing in early January 2014.

Looking back, I am delighted to conclude that we have accomplished a lot over the year, thanks to a large extent to the hard work and enthusiasm of the entire Hoist team. Given the momentum we have created, I am confident that 2014 will be as eventful as 2013 with Hoist continuing to reinforce its position as a leading debt restructuring partner to global financial institutions.

Jörgen Olsson
Chief Executive Officer

October – December 2013

Unless otherwise stated, all comparisons of market, financial and operational data apply to the corresponding period in 2012.

Revenue and financial items

Operating revenue

Gross cash collections on the Group's acquired loan portfolios totalled SEK 519 million in the fourth quarter 2013, which is an increase of 115 per cent from SEK 241 million in the same period 2012. The increase is attributable to the continued high acquisition activity in 2013. Interest income from the run-off consumer loan portfolio, included in interest income in the consolidated income statement, decreased from SEK 34 million in October – December 2012 to SEK 11 million in the same period 2013.

Net revenue from directly-owned portfolios totalled SEK 408 million (SEK 155 million in October – December 2012). Revenue from servicing increased to SEK 39 million (SEK 18 million in the fourth quarter of 2012), mainly attributable to the contingency collection operations within Robinson Way Ltd (acquired in November 2012) and the Lewis group Ltd (acquired in August 2013) in the UK. The Polish joint venture generated profit of SEK 8 million (SEK 18 million), as a result of higher amortisation levels, adjusted to reflect higher future fee levels with an external servicing partner. Other income totalling SEK 70 million (SEK 71 million in October – December 2012) includes intra-group invoicing income from the holding company, Hoist International AB (publ), of SEK 44 million (SEK 36 million in the fourth quarter of 2012). Hoist International AB (publ) operates as the Group's purchasing unit for intra-group and external services. These costs are further invoiced by Hoist International AB (publ) to the other Group companies based on the utilisation of such services and are, therefore, included in the operating expenses of the Hoist Kredit AB (publ) Group at a corresponding amount.

Total revenue, including interest income from the run-off consumer loan portfolio, revenue from servicing and profit from joint venture increased by 114 per cent to SEK 482 million in the fourth quarter of 2013.

Financial items

Net interest expense, which to a large extent consists of interest expenses related to the Group's cost of deposit-taking from the public and interest income from the run-off consumer claim portfolio, totalled SEK -36 million (SEK -16 million in October – December 2012). The corresponding figure excluding the interest income from the run-off consumer claim portfolio totalled SEK -47 million in October – December 2013 and SEK -51 million in the same period of 2012. The higher interest expense is related to the higher deposit volume in 2013 as well as the issue of the Tier 2 capital instrument totalling SEK 350 million in October 2013 and to

some extent, the issue of the unsecured subordinated loans in December 2013.

Net income from financial transactions totalled SEK -7 million compared to SEK +4 million in October – December 2012. Interest rate swaps had a negative effect of approximately SEK 13 million in the fourth quarter 2013.

Operating expenses

Operating expenses totalled SEK 394 million, an increase of 73 per cent over the same period last year. The increase in operating expenses relates to the expansion that took place in the latter part of 2012 and 2013, with the acquisitions of Robinson Way Ltd and the Lewis group Ltd as well as the increased collection costs related to the higher collection volumes. Depreciation and amortisation totalled SEK -5 million compared to SEK -12 million in the same period of 2012. The positive depreciation and amortisation reported in the 2012 Annual Report concerned negative goodwill related to the acquisition of Robinson Way Ltd in 2012. This has been shifted to Other income and restated in 2013 accounts. The operating expenses for the fourth quarter of 2013 include non-recurring costs of approximately SEK 5 million.

Consolidated profit before tax and Net profit

The consolidated profit before tax increased from SEK -24 million in October-December 2012 to SEK 74 million in the fourth quarter of 2013 following increased total revenue and positive margin development. The net revenue for October – December 2012 was negatively impacted by higher portfolio amortisation.

The tax cost for the period was approximately 6 per cent of the consolidated profit before income tax. The positive tax effect in the fourth quarter 2012 relates to the recognition of taxable losses in the Group.

Comprehensive income, including currency translation differences recorded directly in shareholders' equity, was SEK 67 million in October – December 2013, compared to SEK 40 million in October – December 2012.

Portfolio acquisitions

During the last quarter 2013, Hoist Finance continued on the active acquisition track, completing portfolio acquisitions of SEK 1,279 million. The corresponding amount for the fourth quarter 2012 was SEK 1,094 million. In October, Hoist Finance completed a landmark transaction in the Netherlands, representing the largest acquisition of unsecured consumer loans in the Netherlands to date. In connection with the acquisition, Hoist Finance opened an office in Amsterdam. The acquisition adds significant scale and further strengthens Hoist Finance's presence in the Benelux region.

Full Year 2013

Unless otherwise stated, all comparisons of market, financial and operational data apply to the corresponding period in 2012.

Revenue and financial items

Operating revenue

Gross cash collections increased by 85 per cent to SEK 1,641 million, due to the high acquisition activity in the latter part of 2012 and the entire 2013. Net revenue from acquired loan portfolios, adjusted for portfolio revaluations, totalled SEK 1,014 million in 2013, compared to SEK 471 million in 2012. Amortisations in 2013 were positively affected by the acquisition and incorporation of the Lewis Group Ltd and negatively affected by the amortisation of the French book. Interest from the run-off consumer loans portfolio, accounted for in interest income, totalled SEK 69 million (SEK 34 million in 2012). Total net revenue from directly-owned portfolios, adjusted for portfolio revaluations, was thus up 114 per cent to SEK 1,083 million (SEK 505 million in 2012).

With servicing as their main activities, Robinson Way Ltd, which was acquired in late 2012, and the Lewis Group Ltd acquired in August 2013, contributed considerably to the growth in revenue from servicing from SEK 44 million in 2012 to SEK 121 million in 2013. The profit from the joint venture in Poland has been affected negatively by increased amortisation to reflect a higher future fee structure with an external servicing partner and was down 35 per cent to SEK 36 million. The book value of the holding in the joint venture was SEK 192 million at the end of December (SEK 181 million at 31 December 2012).

Other income of SEK 143 million includes income from the holding company, Hoist International AB (publ), of SEK 102 million, with a corresponding amount included in operating expenses. Out of the SEK 119 million in 2012, the intra-group items accounted for SEK 82 million. An adjustment for these has been made accordingly in the comparison figures for 2012, increasing total revenue by SEK 37 million compared to the 2012 report.

Total revenue, including interest income from the run-off consumer loan portfolio, revenue from servicing and profit from joint venture increased to SEK 1,281 million compared to SEK 643 million in 2012.

Financial items

Net interest expense, i.e. the net amount of interest income and interest expenses, which represents the Group's cost for deposit-taking from the public and the placement of excess liquidity with banks and credit institutions, interest income from the run-off consumer loan portfolio and the interest expense related to the subordinated loans issued in October and the senior unsecured loans issued in December, totalled SEK -92 million in 2013, an increase from SEK -29 million in 2012. Excluding the interest income from the run-off consumer loan portfolio, the net interest expense was SEK -161 million and SEK -63 million respectively. The considerable increase in interest expenses relates to the two bond issues as well as the higher deposit volume. The higher excess liquidity has been built up in the deposit base to accommodate expected continued high acquisition volumes.

Net income from financial transactions totalled SEK -5 million in 2013, compared to SEK -27 million in 2012. Interest rate swap positions had a negative full-year effect of SEK 17 million in 2013 as a result of sustained low interest rates. However, lower interest rates will over time accumulate into a corresponding reduction of Hoist Finance's deposit related funding costs. Derivative instruments used to hedge the Group's foreign exchange exposure had a positive effect, offsetting a large part of the interest rate swap effects in 2013.

Operating expenses

Operating expenses, excluding depreciation and amortisation, totalled SEK 1,032 million, an increase of 87 per cent over 2012. During 2013, Hoist Finance has pursued an active and balanced growth strategy, including both, portfolio acquisitions, leading to higher collection costs, and the acquisitions of Robinson Way Ltd and the Lewis Group Ltd. During 2013, the Group has further strengthened its central functions, including legal, compliance, risk, IT, finance and investor relations. Bank fees of SEK 10 million in 2012 that were included in Net income from financial transactions are now part of operating expenses and the operating expenses have, therefore, been restated to be fully comparable.

The operating expenses for 2013 include approximately SEK 10 million related to the integration of the secured operations in Germany, involving the closing of the Eschborn office and transfer of operations to Duisburg. Redundancy payment related to the streamlining of the French operation totalled approximately SEK 5 million in 2013. The acquisition costs and stamp duty associated with the acquisition of the Lewis Group Ltd totalled approximately SEK 18 million. In 2013, a restructuring reserve of SEK 63 million was provided for in the consolidated income statement and included in operating expenses. Following an extensive evaluation and an assessment of several options, it has been decided to integrate the Lewis Group Ltd into Robinson Way Ltd to capitalise on best practice within the Group.

Depreciation and amortisation totalled SEK -16 million (SEK -21 million in 2012, restated as described above).

Consolidated profit before tax and Net profit

The consolidated profit before tax almost tripled to SEK 163 million (SEK 55 million), following the strong operational performance. The reported income tax expense was SEK -35 million, corresponding to approximately 21 per cent of the consolidated profit before tax. The income tax expense in 2012 was SEK -7 million, restated from SEK +3 million, due to previous understatement.

Comprehensive income, including currency translation differences recorded directly in shareholders' equity, was SEK 130 million, up SEK 83 million compared to 2012.

Cash flow and investments

SEK million	Oct-Dec 2013	Oct-Dec 2012	Change	Full year 2013	Full year 2012	Change
Cash flow from operating activities	-631	420	-250%	1 275	461	176%
Cash flow from investing activities	-108	-13	763%	-613	-250	145%
Cash flow from financing activities	606	100	506%	1 017	100	917%
Cash flow for the period	-134	508	-126%	1 679	312	439%

Cash flow operating activities totalled SEK 1,275 million in 2013 compared to SEK 461 million in 2012, driven by the strong gross cash collections and amortisation of the run-off consumer loan portfolio. In the fourth quarter 2014, the cash flow from operating activities was lower due to high portfolio acquisition volumes and the slowdown in growth in the deposit base.

The total cash flow for 2013 totalled SEK 1,679 million, up 439 per cent on 2012. The increase, besides the strong cash flow from operations, was mainly driven by the issuance of the subordinated bond and the senior unsecured bond.

Financing and capital structure

SEK million	31 Dec 2013	31 Dec 2012	Change
Deposits	9,702	6,366	52%
Subordinated loans	329	46	n/m
Senior unsecured loans	676	-	n/m
Total interest-bearing debt	10,707	6,412	67%
Interest-bearing assets	5,219	2,975	75%
Net debt	5,488	3,437	60%
Liquidity reserve	54%	47%	+7pp
Shareholders' equity	825	631	31%

Hoist Finance is actively managing its liquidity position through the HoistSpar deposit service to accommodate expected acquisition volumes. Cash and interest-bearing securities totalled SEK 5,219 million as at 31 December 2013 (SEK 2,975 million for 2012), which by far exceeds Hoist Finance's internal targets for liquidity reserves for its deposit operations of 30 per cent.

In 2013, Hoist Finance completed a Tier 1 capital issue, strengthening the shareholders' equity by SEK 93 million. As at 31 December 2013,

shareholders' equity totalled SEK 825 million, up 31 per cent on 2012. During the year, Hoist Finance continued to diversify and strengthen its capital base through the issuance of a SEK 350 million subordinated loan in September and a SEK 750 million senior unsecured loan in December. Both bonds have subsequently been listed on NASDAQ OMX.

As part of the initiative to continue to diversify and strengthen its capital structure, Hoist Finance has assigned an advisor to evaluate different alternatives.

Acquired loan portfolios

In 2013, Hoist Finance maintained its active acquisition strategy with further geographical diversification and penetration of the existing markets. The acquisition volume totalled SEK 3,267 million in 2013, compared to SEK 2,012 million in 2012. The Group expects continued high transaction volumes in the European market for non-performing loans, given both, the underlying macroeconomic and strategic drivers, and the changing regulatory environment for banks and financial institutions pertaining to the implementation of the Basel III framework.

In August, Hoist Finance acquired the Leeds-based debt collection agency, the Lewis group Ltd, including a portfolio of 690,000 accounts and a principal value of GBP 1.2 billion. The acquisition, together with the successful purchase of Robinson Way Ltd in 2012, represents a strategically important step into the sizeable and growing UK market. In October, Hoist Finance acquired a landmark portfolio in the Netherlands, representing the largest acquisition of unsecured consumer loans in the Netherlands to date, and this will add significant scale and further strengthen Hoist Finance's presence in the Benelux.

SEK million	2013	2012	Change
Portfolio acquisitions	3,267	2,012	62%
Carrying value at year-end	5,998	3,364	78%
Gross ERC 120 months at year-end	10,673	6,660	60%

The run-off consumer loan portfolio is neither included in the carrying value nor in the ERC above.

Financial Statements

CONSOLIDATED INCOME STATEMENT

SEK thousand	Note	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Net revenue from acquired loan portfolios	1	397,604	120,990	1,008,317	464,394
Interest income		37,286	29,746	158,568	151,790
Interest expense		-73,482	-46,302	-250,778	-180,603
Net interest income		361,408	104,434	916,107	435,581
Fee and commission income		38,868	18,338	120,854	44,452
Net income from financial transactions		-6,597	3,916	-4,581	-26,637
Other income		70,198	70,832	142,821	119,221
Total operating income		463,877	197,520	1,175,201	572,617
Personnel expenses		-139,002	-75,702	-386,757	-234,278
Other operating expenses		-254,889	-151,541	-645,494	-318,057
Depreciation and amortisation of tangible and intangible assets		-4,747	-12,292	-16,337	-21,237
Total operating expenses		-398,638	-239,535	-1,048,588	-573,572
Profit from shares and participations in joint venture		8,269	17,697	36,406	55,724
Result before tax		73,508	-24,318	163,019	54,769
Income tax expense		-4,415	46,203	-34,907	-6,967
Net profit for the period		69,093	21,885	128,112	47,802

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Net profit for the period	69,093	21,885	128,112	47,802
Other comprehensive income				
Currency translation differences	-1,752	18,576	1,867	-554
Other comprehensive income for the period, net of tax	-1,752	18,576	1,867	-554
Total comprehensive income for the period	67,341	40,461	129,979	47,248
Attributable to				
Owners of the Parent Company	67,341	40,461	129,979	47,248

CONSOLIDATED BALANCE SHEET

ASSETS

SEK thousand	Note	31 Dec 2013	31 Dec 2012
Cash		197	140
Lending to credit institutions		3,921,199	2,242,260
Lending to the public		328,951	531,594
Acquired loan portfolios	1	5,997,935	3,363,907
Receivables from affiliated companies		79,623	207,539
Bonds and other securities		1,297,677	732,672
Shares and participations in joint venture		192,230	180,843
Intangible assets		33,149	17,803
Machinery and equipment		32,244	40,961
Deferred tax assets		57,306	28,640
Other assets		109,491	60,383
Prepaid expenses and accrued income		24,332	8,435
Total assets		12,074,334	7,415,177

LIABILITIES AND SHAREHOLDERS' EQUITY

SEK thousand		31 Dec 2013	31 Dec 2012
Liabilities			
Deposits from the public		9,701,502	6,366,256
Tax liabilities		66,910	24,863
Other liabilities		269,323	288,046
Deferred tax liabilities		32,720	1,026
Accrued expenses and prepaid income		89,285	25,496
Provisions		94,560	32,305
Senior unsecured loans		665,680	-
Subordinated loans	4	329,231	45,900
Total liabilities and provisions		11,249,211	6,783,892
Shareholders' equity			
Restricted equity			
Share capital		50,000	50,000
Capital reserves		10,000	10,000
Total restricted equity		60,000	60,000
Unrestricted equity			
Other contributed equity		275,631	181,091
Reserves		-12,242	-14,109
Retained earnings		373,622	356,501
Profit for the year		128,112	47,802
Total unrestricted equity		765,123	571,285
Total shareholders' equity		825,123	631,285
Total liabilities and shareholders' equity		12,074,334	7,415,177
Contingent liabilities			
Pledged assets			see note 3

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, GROUP

SEK thousand	Restricted Equity		Unrestricted Equity				Total shareholders' equity
	Share capital	Capital Reserves	Other contributed Equity	Reserves Restatement of foreign operations	Retained earnings	Result for the year	
Balance as at 1 January 2013	50,000	10,000	181,091	-14,109	404,303		631,285
Comprehensive income for the year							
Net profit for the year						128,112	128,112
Other comprehensive income				1,867			1,867
Total comprehensive income for the period				1,867		128,112	129,979
Transactions recorded directly in equity							
Capital contribution			93,000				93,000
Dividend on subordinated loans					-25,073		-25,073
Appropriations					-10,031		-10,031
Tax effect of transactions booked directly in equity			1,540		4,423		5,963
Total transactions recorded directly in equity			94,540		-30,681		63,859
Balance as at 31 December 2013	50,000	10,000	275,631	-12,242	373,622	128,112	825,123

SEK thousand	Restricted Equity		Unrestricted Equity				Total shareholders' equity
	Share capital	Capital Reserves	Other contributed Equity	Reserves Restatement of foreign operations	Retained earnings	Result for the year	
Balance as at 1 January 2012	50,000	10,000	81,091	-13,555	383,265		510,801
Comprehensive income for the year							
Net profit for the year						47,802	47,802
Other comprehensive income				-554			-554
Total comprehensive income for the period				-554		47,802	47,248
Transactions with owners, recorded directly in equity							
Capital contribution			100,000				100,000
Appropriations					-36,315		-36,315
Tax on Group contribution					9,551		9,551
Total transactions with owners, recorded directly in equity			100,000		-26,764		73,236
Balance as at 31 December 2012	50,000	10,000	181,091	-14,109	356,501	47,802	631,285*

* The closing balance as at 31 December 2012, has been adjusted by SEK 9.6 million from SEK 641 million to SEK 631 million with respect to income tax.

CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	Oct-Dec 2013	Oct-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
OPERATING ACTIVITIES				
Cash flow from collections on acquired loan portfolios	519,147	241,078	1,641,007	887,311
Interest income	36,535	29,746	157,817	151,790
Fee and commission income	38,868	18,338	120,854	44,452
Other operating income	70,394	70,832	142,093	119,221
Interest expenses	-177,270	-46,012	-184,953	-180,313
Operating expenses	-428,387	-265,017	-984,435	-579,174
Net cash flow from financial transactions	3,974	10,541	-4,581	-26,637
Profit from joint venture	11,615	2,312	16,481	3,229
Income tax paid	-580	-5,698	-5,806	-28,974
Total	74,296	56,120	898,477	390,905
Increase/decrease in acquired loan portfolios net of revaluations	-1,402,250	-1,154,331	-3,266,718	-1,423,435
Increase/decrease in certificates in joint venture	8,044	10,918	11,697	-
Increase/decrease in lending to the public	201,009	-85,265	330,559	-588,956
Increase/decrease in deposits from the public	531,979	1,374,584	3,288,497	1,870,865
Increase/decrease in other assets	-23,340	7,211	-25,262	36,749
Increase/decrease in other liabilities	-29,201	133,891	-28,755	107,104
Changes in other balance sheet items	8,137	76,948	66,209	68,146
Total	-705,622	363,955	376,227	70,472
Cash flow from operating activities	-631,326	420,076	1,274,704	461,378
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-3,113	-12,436	-37,583	-13,693
Investments in tangible fixed assets	-4,182	-1,168	-10,809	-2,844
Investments in bonds	-100,600	1,099	-564,254	-233,204
Cash flow from investing activities	-107,895	-12,505	-612,646	-249,741
FINANCING ACTIVITIES				
Capital contribution	-	100,000	93,000	100,000
Senior unsecured loans	665,680	-	665,680	-
Subordinated loans	-45,083	-	283,331	-
Paid dividend on subordinated loans	-15,000	-	-25,073	-
Cash flow from financing activities	605,597	100,000	1,016,938	100,000
Cash flow for the period	-133,624	507,571	1,678,996	311,637
Cash at the beginning of the period	4,055,020	1,734,829	2,242,400	1,930,763
Cash at the end of the period	3,921,396	2,242,400	3,921,396	2,242,400

PARENT COMPANY INCOME STATEMENT

SEK thousand	Note	Oct–Dec 2013	Oct–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
Net revenue from acquired loan portfolios	1	116,652	76,168	379,870	238,306
Interest income		68,197	39,993	231,610	179,484
Interest expense		-73,331	-46,840	-252,051	-181,262
Net interest income		111,518	69,321	359,429	236,528
Net income from financial transactions		-8,971	7,455	-10,435	-22,864
Other income		14,823	7,776	28,895	13,394
Total operating income		117,370	84,552	377,889	227,058
Personnel expenses		-19,097	-10,442	-50,589	-32,740
Other operating expenses		-87,541	-47,733	-226,115	-113,974
Depreciation and amortisation of tangible and intangible assets		-1,128	-266	-3,332	-5,117
Total operating expenses		-107,766	-58,441	-280,036	-151,831
Profit from shares and participations in joint-venture		11,615	2,312	16,481	3,229
Write-off of shares in subsidiaries		-	-57,051	-	-57,051
Group contribution		-	-	-	1,875
Tax allocation reserve		18,888	-18,363	-8,207	-18,363
Result before tax		40,107	-46,991	106,127	4,917
Income tax expense		-5,831	5,503	-24,167	-27,124
Net profit for the period		34,276	-41,488	81,960	-22,207

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Oct–Dec 2013	Oct–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
Net result for the period	34,276	-41,488	81,960	-22,207
Other comprehensive income				
Currency translation differences	221	122	270	-308
Other comprehensive income for the period, net of tax	221	122	270	-308
Total comprehensive income for the period	34,497	-41,366	82,230	-22,515

PARENT COMPANY BALANCE SHEET

ASSETS

SEK thousand	Note	31 Dec 2013	31 Dec 2012
Cash		1	0
Lending to credit institutions		3,582,423	1,943,777
Lending to the public		325,788	530,545
Acquired loan portfolios	1	2,546,122	2,393,361
Receivables from affiliated companies		3,493,834	1,074,359
Bonds and other securities		1,272,677	732,672
Shares and participations in subsidiaries		303,145	351,292
Shares and participations in joint venture		78,795	90,492
Intangible assets		21,095	9,901
Machinery and equipment		1,081	934
Deferred tax assets		1,121	533
Other assets		51,452	22,439
Prepaid expenses and accrued income		6,722	1,758
Total assets		11,684,256	7,152,063

LIABILITIES AND SHAREHOLDERS' EQUITY

SEK thousand	Note	31 Dec 2013	31 Dec 2012
Liabilities			
Deposits from the public		9,701,502	6,366,256
Tax liabilities		23,794	17,146
Other liabilities		198,949	176,045
Deferred tax liabilities		2,117	-
Accrued expenses and prepaid income		42,046	13,041
Provisions		100	97
Senior unsecured loans		665,680	-
Subordinated loans	4	329,231	45,900
Total liabilities and provisions		10,963,419	6,618,485
Untaxed reserves		26,569	18,363
Shareholders' equity			
Restricted equity			
Share capital		50,000	50,000
Capital reserves		74,253	10,000
Total restricted equity		124,253	60,000
Unrestricted equity			
Contributed equity		275,631	181,091
Reserves		-222	-492
Retained earnings carried forward		212,646	296,823
Result for the year		81,960	-22,207
Total shareholders' equity		570,015	455,215
Total shareholders' equity		694,268	515,215
Total liabilities and shareholders' equity		11,684,256	7,152,063
Contingent liabilities			
Pledged assets			See note 3

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, PARENT COMPANY

SEK thousand	Restricted Equity		Unrestricted Equity				Total shareholders' equity
	Share capital	Capital Reserves	Other contributed Equity	Reserves Restatement of foreign operations	Retained earnings	Result for the year	
Balance as at 1 January 2013	50,000	10,000	181,091	-492	274,616		515,215
Comprehensive income for the period							
Net profit for the period						81,960	81,960
Other comprehensive income				270			270
Total comprehensive income for the period				270		81,960	82,230
Transactions recorded directly in equity							
Revaluation reserve		64,253					64,253
Capital contribution			93,000				93,000
Dividend on subordinated loan					-25,073		-25,073
Appropriations					-50,145		-50,145
Tax effect of transactions booked directly in equity			1,540		13,248		14,788
Total transactions recorded directly in equity			94,540		-61,970		96,823
Balance as at 31 December 2013	50,000	74,253	275,631	-222	212,646	81,960	694,268

SEK thousand	Restricted Equity		Unrestricted Equity				Total shareholders' equity
	Share capital	Capital Reserves	Other contributed Equity	Reserves Restatement of foreign operations	Retained earnings	Result for the year	
Balance as at 1 January 2012	50,000	10,000	81,091	-184	323,587		464,494
Comprehensive income for the period							
Net result for the period						-22,207	-22,207
Other comprehensive income				-308			-308
Total comprehensive income for the period				-308		-22,207	-22,515
Transactions recorded directly in equity							
Capital contribution			100,000				100,000
Appropriations					-36,315		-36,315
Tax on Group contribution					9,551		9,551
Total transactions with owners, recorded directly in equity			100,000		-26,764		73,236
Balance as at 31 December 2012	50,000	10,000	181,091	-492	296,823	-22,207	515,215*

* The closing balance as at 31 December 2012, has been adjusted by SEK 9.6 million from SEK 641 million to SEK 631 million with respect to income tax.

PARENT COMPANY CASH FLOW STATEMENT

SEK thousand	Oct–Dec 2013	Oct–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
OPERATING ACTIVITIES				
Cash flow from collections on acquired loan portfolios	249,720	145,515	875,817	578,095
Interest income	67,446	39,993	230,859	179,484
Other operating income	14,823	7,776	28,895	15,269
Interest expense	-177,119	-46,550	-186,226	-180,972
Operating expenses	-110,775	-123,565	-256,051	-201,319
Net cash flow from financial transactions	-2,015	12,837	-10,435	-22,864
Profit from joint venture	11,615	2,313	16,481	3,230
Income tax paid	-171	-236	-3,597	-24,890
Total	53,524	38,084	695,743	346,034
Increase/decrease in acquired loan portfolios net of revaluations	-216,854	-568,700	-648,708	-839,167
Increase/decrease in certificates in joint venture	8,044	10,957	11,697	-
Increase/decrease in lending to the public	-906,389	-512,197	-2,214,718	-1,036,520
Increase/decrease in deposits from the public	531,978	1,374,584	3,288,496	1,870,865
Increase/decrease in other assets	-30,952	10,525	-26,618	42,596
Increase/decrease in other liabilities	-120,017	82,587	-27,242	87,040
Changes in other balance sheet items	155	-215,670	228	-215,891
Total	-734,035	182,086	383,135	-91,077
Cash flow from operating activities	-680,511	220,170	1,078,878	254,957
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-4,049	-6,670	-29,977	-10,037
Investments in tangible fixed assets	-102	-35	-338	-35
Investments in bonds	-100,600	1,099	-539,254	-233,204
Investments in subsidiaries	-64,252	1,231	48,147	-
Cash flow from investing activities	-169,003	-4,375	-522,173	-243,276
FINANCING ACTIVITIES				
Capital contribution	-	100,000	93,000	100,000
Senior unsecured loans	665,680	-	665,680	-
Subordinated loans	-45,083	-	283,331	-
Revaluation reserve	64,253	-	64,253	-
Paid dividend on subordinated loans	-15,000	-	-25,073	-
Cash flow from financing activities	669,850	100,000	1,081,191	100,000
Cash flow for the period	-179,664	315,795	1,638,647	111,681
Cash at the beginning of the period	3,762,088	1,627,982	1,943,777	1,832,096
Cash at the end of the period	3,582,424	1,943,777	3,582,424	1,943,777

Accounting Policies

Hoist Kredit AB (publ) is a registered credit market company in Sweden. It is licenced and supervised by the Swedish Financial Supervisory Authority (*Finansinspektionen*).

The consolidated financial accounts for Hoist Kredit AB (publ) are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and related interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission.

In addition, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the RFR 1 "Supplementary rules for Group Accounting" and the supplementary UFR statements issued by the Swedish Financial Reporting Board as well as the accounting regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25) have been applied.

These statements are prepared, in all material aspects, in accordance with the IAS 34 "Interim Financial Reporting".

The accounting policies, basis for calculations and presentations are, in all material aspects, unchanged in comparison to the 2012 Annual Report.

The convertible debenture notes issued in April 2013 are accounted for as shareholders' equity in the consolidated balance sheet. The disbursed interest is accounted for as dividend in shareholders' equity.

Changed accounting policies and presentation

The new standard IFRS 13 "Fair value Measurement" was implemented as from 1 January 2013, but has not had any significant impact on the measurement of assets and liabilities.

The expenses previously accounted for under fee and commission expenses have in total been transferred to General and administrative expenses in the third quarter 2013.

The negative goodwill has been dissolved for the previous year and is accounted for as Other income instead of Depreciation.

Notes

NOTE 1 Wholly-owned acquired loan portfolios

SEK thousand	GROUP		PARENT COMPANY	
	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
Opening balance	3,363,907	2,363,389	2,393,361	1,893,983
Acquisitions	3,265,806	1,511,240	619,136	1,000,479
Disposals	-117,170	-	-	-
Translation differences	118,082	-87,806	29,572	-161,312
Amortisation and revaluation				
Based on opening balance forecast (amortisation)	-627,120	-415,981	-537,483	-358,867
Based on revised estimates (revaluation)	-5,570	-6,935	41,536	19,078
Carrying value	5,997,935	3,363,907	2,546,122	2,393,361
Changes in carrying value recognised in the Income Statement	-632,690	-422,916	-495,947	-339,789

Information per jurisdiction

SEK thousand	GROUP		PARENT COMPANY	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Carrying value per jurisdiction				
Germany	1,794,924	1,744,264	1,794,927	1,744,267
France	478,548	475,613	-	-
Belgium	190,252	153,196	190,252	153,196
The Netherlands	1,103,089	114,818	192,451	114,818
Italy	308,327	371,280	308,327	371,280
UK	1,312,769	383,629	-	-
Poland	778,645	121,107	28,784	9,800
Austria	31,381	-	31,381	-
Total carrying value	5,997,935	3,363,907	2,546,122	2,393,361

SEK thousand	GROUP		PARENT COMPANY	
	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
Net revenue				
Germany	395,495	307,808	195,668	135,432
Austria	8,963	-	3,454	-
France	14,214	43,677	-	-
Belgium	36,961	38,525	36,961	38,525
The Netherlands	58,875	26,605	38,149	26,605
Italy	101,739	37,744	101,739	37,744
UK	209,793	10,015	-	-
Poland	182,277	20	3,899	-
Total net revenue	1,008,317	464,394	379,870	238,306

SEK thousand	GROUP		PARENT COMPANY	
	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Gross cash collections				
Germany	649,004	555,441	449,177	383,065
Austria	18,540	-	13,031	-
France	99,560	105,320	-	-
Belgium	107,789	59,618	107,789	59,618
The Netherlands	131,466	85,193	90,392	85,193
Italy	212,974	50,219	212,974	50,219
UK	250,267	31,499	-	-
Poland	171,407	20	2,454	-
Total gross cash collections	1,641,007	887,310	875,817	578,095

SEK thousand	GROUP		PARENT COMPANY	
	Jan-Dec 2013	Jan-Dec 2012	Jan-Dec 2013	Jan-Dec 2012
Amortisation and revaluation				
Germany	-253,509	-247,633	-253,509	-247,633
Austria	-9,577	-	-9,577	-
France	-85,346	-61,643	-	-
Belgium	-70,828	-21,093	-70,828	-21,093
The Netherlands	-72,591	-58,588	-52,243	-58,588
Italy	-111,235	-12,475	-111,235	-12,475
UK	-40,474	-21,484	-	-
Poland	10,870	-	1,445	-
Total amortisation and revaluation	-632,690	-422,916	-495,947	-339,789

NOTE 2 Acquisitions of operations

On 8 August 2013, Hoist Finance acquired 100 per cent of the share capital in the Lewis group Ltd. The Lewis group Ltd is a Leeds-based debt collection company operating in the UK. The consideration that was paid in connection with the closing of the transaction totalled SEK 743,501 thousand. The portfolio value at acquisition totalled SEK 735,959 thousand and the principal value was SEK 12,261,868 thousand.

Net assets of the acquired company as at the acquisition date

SEK thousand	
Intangible fixed assets	1,933
Tangible fixed assets	9,794
Accounts receivable and other receivables	752,022
Cash and cash equivalents	63,930
Accounts payable and other liabilities	-84,398
Total identifiable net assets	743,281

The acquisition balance sheet includes net assets of SEK 743,281 thousand. The difference between the purchase price and the net assets has been expensed directly in the consolidated income statement.

Acquisition-related costs of SEK 17,644 thousand are included in the administrative expenses in the consolidated income statement for the financial year. SEK 3,604 thousand out of these relate to stamp duties in connection with the acquisition.

The acquired company is consolidated starting as from August 2013 and has contributed to the Group's revenue by SEK 197,481 thousand and to the operating profit by SEK 11,423 thousand. The operating profit includes a provision to a restructuring reserve of SEK 68,196 thousand.

Cash and cash equivalents of SEK 63,930 thousand were included in the consideration. The cash flow-affecting value of the acquisition was SEK -679,571 thousand.

NOTE 3 Contingent liabilities

The contingent liabilities relate to Forward Flow agreements, supplementary consideration for acquired loan portfolios, leasing agreements and guarantees issued by the Parent Company pertaining to certain specific obligations of the subsidiaries.

NOTE 4 Transactions with Related Parties

The subordinated loan of SEK 45,900 thousand issued by Hoist International AB (publ) to Hoist Kredit AB (publ) has been fully repaid. Hoist International AB (publ) has reduced its lending to Hoist Kredit AB (publ) from SEK 86,000 thousand to SEK 40,100 thousand.

NOTE 5 Capital Adequacy

Capital Adequacy Assessment

The information in this Note contains such information as is to be disclosed in accordance with FFFS 2008:25 regarding annual reports for credit institutions and concerns such information as is specified in FFFS 2007:5. The information relates to the Hoist Kredit AB (publ) Financial Group. The Capital Coverage and Large Exposures Act (2006:1371) and FFFS 2007:1 as amended are used to conclude the statutory capital demand. The purpose of the rules is to ensure that the Financial Group is managing its risks and to protect the Group's depositors. The regulations state that the capital base is to cover the capital requirement including the minimum capital requirement (the capital requirement for Credit Risk, Market Risk and Operational Risk) and the capital requirement for all other material risks i.e. Pillar II.

Capital Planning

The capital structure is planned so that the Group is able to continue its operations and generate dividends for its shareholders. The strategies and methods used to obtain this include the management of risks that affect operations.

The Group operates in accordance with the model for the three defence lines, which means that risks are owned and handled by the operations while the Compliance, Risk and Internal audit functions hold a controlling role.

The outcome of the analysis performed by the Compliance, Risk and Internal audit functions is reported to the Board of Directors on a regular basis. These reports allow the Board of Directors to assess the risk level of the Group and, if necessary, take action to reduce the risk.

Financial control is performed by a separate department for controlling that acts on the basis of the instructions provided by the Management with respect to follow-up and reporting of financial performance. The Group's systems allow daily assessments of financial development.

In order to evaluate the capital base and capital requirements, an internal capital assessment (ICAAP) is performed at least once a year. This process aims at ensuring that the Group identifies, values and manages all relevant risks that the Group is exposed to in an explicit and correct manner. The process assesses the internal capital that is required based on the risks that the company is exposed to.

The starting point for the ICAAP is the identification and quantification of risks through various relevant stress tests as well as assessment discussions with the senior management. The method can be briefly described as (i) identification of the risk that affects the operations, (ii) assessment of the probability of the risk incident occurring, (iii) evaluation of policies, routines and other internal actions taken to manage or eliminate the risk, and finally (iv) the amount of capital the Group needs to hold in order to cover these risks. The assessment is done based on the Pillar I requirements, and additional capital is injected in Pillar II if deemed necessary.

An evaluation has been performed concerning the Group's opportunities for expansion providing certain capital scenarios. The ICAAP has been documented and reported to the Swedish Financial Supervisory Authority (*Finansinspektionen*).

The capital situation of the Financial Group can be summarised as follows:

SEK thousand	31 Dec 2013	31 Dec 2012
Total credit exposure	12,014,671	7,220,162
Total risk exposure amount	8,806,511	5,744,942
Pillar I		
Credit Risk (standardised approach)	622,384	377,880
<i>Institutions</i>	82,736	47,870
<i>Retail, past due items</i>	496,413	282,780
<i>Retail</i>	13,162	22,954
<i>Corporate (risk weight 100%)</i>	16,262	14,756
<i>Corporate (risk weight 50%)</i>	-	600
<i>Corporate (risk weight 20%)</i>	864	-
<i>Other</i>	12,947	8,921
Operational Risk (basic indicator approach)	77,789	81,389
Foreign Exchange Risk	4,346	326
Capital requirement Pillar I	704,519	459,596
Capital base	1,023,085	559,887

The minimum capital requirement for the Financial Group at 31 December 2013 was SEK 705 million (SEK 460 million at 31 December 2012), which exceeds the capital requirement by a wide margin. There are no current or foreseen material or legal impediments to the prompt transfer of own funds or repayment of liabilities between the companies and its subsidiaries.

SEK thousand	31 Dec 2013	31 Dec 2012
Financial Group - calculation of capital base		
Total equity in capital adequacy	815,440	639,348
Proposed dividend	-	-14,372
Intangible assets	-64,280	-36,004
Deferred tax assets	-57,306	-29,085
Tier I capital	693,854	559,887
Tier II capital	329,231	-
Capital base	1,023,085	559,887