

Own Funds, Capital Requirements and Liquidity Position as of September 30, 2014

Hoist Kredit AB (publ), Swedish Company Registration No. 556329-5699 (“Hoist ”)

This information is in reference to the information that shall be disclosed on a periodic basis in accordance with the Capital Requirements Regulation (EU, No 575/2013), the Swedish Financial Supervisory Authority’s “Regulation on Prudential Requirements and Capital Buffers” (FFFS 2014:12) and the “Regulation on Management and Disclosure of Liquidity Risks for Credit Institutions and Investment Firms” (FFFS 2010:7). The information regards Hoist Kredit AB (publ) as well as Hoist on a consolidated basis which includes the parent company Hoist International AB (publ), Hoist Kredit AB (publ) and its fully owned subsidiaries, which are all completely consolidated (the “Hoist Finance Group”).



Capital Adequacy

Own funds (TSEK).

The table below shows Hoist's and the Hoist Finance Group's own funds which are used to cover the own funds requirements. If the own funds in the respective capital categories are divided by the Risk Exposure Amount the capital ratios are derived which are shown under the heading "Capital ratios". If one divides the "Own funds in total" with "Total own funds requirements" the results is the capital quota which was frequently used as a capital adequacy measure under Basel II:

	Hoist on a consolidated basis		Hoist Kredit AB (publ)	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Common Equity Tier 1: instruments and reserves	1 055 482	546 665	894 357	490 248
Common Equity Tier 1: regulatory adjustments	-177 978	-114 595	-43 236	-26 011
Common Equity Tier 1 capital	877 504	432 070	851 121	464 237
Additional Tier 1 capital: instruments	194 540	193 000	194 540	193 000
Additional Tier 1 capital: regulatory adjustments	-48 184	-	-57 654	-
Additional Tier 1 capital	146 356	193 000	136 886	193 000
Tier 1 capital	1 023 860	625 070	988 007	657 237
Tier 2 capital: instruments and provisions	331 858	312 535	331 858	328 618
Tier 2 capital: regulatory adjustments	-136 717	-	-149 343	-
Tier 2 capital	195 141	312 535	182 515	328 618
Own funds in total	1 219 001	937 605	1 170 521	985 855
Other eligible Additional Tier 1 capital	48 184	-	57 654	-
Other eligible Tier 2 capital	136 717	-	149 343	-
Total eligible capital	1 403 902	937 605	1 377 519	985 855

Own funds requirements (TSEK).

The table below shows Hoist's and the Hoist Finance Group's Risk Exposure Amounts:

	Hoist on a consolidated basis		Hoist Kredit AB (publ)	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Institutions	607 882	1 040 350	512 777	982 875
Corporates	134 587	209 075	4 390 013	1 806 953
Retail	109 631	190 263	109 631	190 265
Exposures in default	7 462 650	4 927 388	2 937 237	2 539 144
Other items	218 489	131 538	606 419	1 154 759
Credit risk (standardised approach)	8 533 239	6 498 613	8 556 077	6 673 996
Operational risk (basic indicator approach)	1 167 241	972 363	513 107	541 000
Foreign exchange risk	56 556	25 138	56 556	30 815
Total risk exposure amount	9 757 037	7 496 113	9 125 741	7 245 811
Total own funds requirements	780 563	599 689	730 059	579 665

Capital ratios

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

All of Hoist's capital ratios is above the minimum requirements and the capital buffer requirements with a margin of safety.

	Hoist on a consolidated basis		Hoist Kredit AB (publ)	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Common Equity Tier 1 Capital ratio	8,99%	5,76%	9,33%	6,41%
Tier 1 Capital ratio	10,49%	8,34%	10,83%	9,07%
Total Capital ratio	12,49%	12,51%	12,83%	13,61%
Institution specific CET1 buffer requirement	7,00%	-	7,00%	-
of which: pillar I capital requirement	4,50%	-	4,50%	-
of which: capital conservation buffer requirement	2,50%	-	2,50%	-
of which: countercyclical buffer requirement	-	-	-	-
Pillar II CET1 requirement	0,47%	-	0,50%	-
CET1 requirement	7,47%	-	7,50%	-
Tier 1 Capital requirement	8,97%	-	9,00%	-
Total Capital requirement	10,97%	-	11,00%	-
Surplus of Common Equity Tier 1 Capital	1,52%	-	1,83%	-
Surplus of Tier 1 Capital	1,52%	-	1,83%	-
Surplus of Total Capital	1,52%	-	1,83%	-

Pillar II risks

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

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

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

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

	Hoist on a consolidated basis		Hoist Kredit AB (publ)	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Credit risk	-	-	-	-
Market risk (FX risk)	1 993	252	1 702	252
Liquidity risk	-	-	-	-
Concentration risk	9 463	-	9 463	-
Reputation risk	15 316	1 089	15 316	1 089
Interest rate risk	15 758	22 949	15 758	22 949
Strategic risk	3 300	322	3 300	322
Operational risk	-	-	-	-
Capital requirement pillar II	45 831	24 612	45 539	24 612

Liquidity Risk

Liquidity risk is the risk of difficulties in obtaining financing and thus, not being able to meet payment obligations at maturity without significant higher financing costs. Liquidity risk in Hoist stems first and foremost from the risk of unexpected outflow of deposits while not being able to refinance the asset side of the balance sheet. Liquidity risk in Hoist is low due to the fact that (i) deposits are well diversified, (ii) more than 99% of deposits are under state guaranteed deposit insurance, (iii) the amount of deposits is managed by altering given interest rates and (iv) term-funding cover Hoist's fixed assets (credit portfolios) to more than 60%.

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

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

Pursuant to Hoist's Treasury Policy, the Hoist Finance Group shall maintain an available liquidity (liquidity available within three business days) of 30 % and a regulatory liquidity reserve (liquidity available within one business day) of 10% of Hoist Finance's deposits. As per September 30, 2014, the Hoist Finance Group's total available liquidity amounted to 47,1% and the regulatory liquidity reserve amounted to 40,14%. The liquidity difference between available liquidity and regulatory liquidity reserve mainly consist of investments in highly rated bank- and corporate bonds with good liquidity and cash available at institutions, which could be withdrawn within a few days.

Liquidity Position

	Hoist on a consolidated basis		Hoist Kredit AB (publ)	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Deposits	9 979 222	9 283 762	9 979 222	9 283 762
Regulatory Liquidity Reserve, minimum 10 % of Deposits ¹	40,14%	37,80%	35,61%	37,80%
Available Liquidity, minimum 30% of Deposits ²	47,10%	52,78%	42,57%	52,78%

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

2) Defined as liquidity available within three days

Liquidity Funding (TSEK)

	Hoist on a consolidated basis		Hoist Kredit AB (publ)	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
Flex Deposits	7 251 161	7 289 938	7 251 161	7 289 938
Term Deposits	2 728 061	1 993 824	2 728 061	1 993 824
Senior Unsecured Debt	741 353	-	-	-
Tier 1 instruments	194 540	193 000	194 540	193 000
Tier 2 instruments	331 858	312 535	331 858	328 618
Equity	1 055 482	570 105	869 159	462 427
Other	496 395	461 632	960 534	410 117
Balance Sheet Total	12 798 850	10 821 034	12 335 314	10 677 924