

Own Funds, Capital Requirements and Liquidity Position as of September 30, 2015

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

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

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

Capital Adequacy

Own funds

The table below shows own funds for Hoist Finance on a consolidated basis and Hoist Kredit.

Own funds, SEK thousand	Hoist Finance on a consolidated basis			Hoist Kredit AB (publ)		
	30 sep 2015	31 dec 2014	30 sep 2014	30 sep 2015	31 dec 2014	30 sep 2014
Total equity in capital adequacy	2,132,123	1,304,189	1,057,022	2,094,696	1,182,658	895,897
Proposed dividend Tier 1 capital instruments	-3,750	-	-7,500	-3,750	-	-7,500
Intangible assets	-241,999	-171,048	-99,687	-43,603	-45,273	-34,136
Deferred tax assets	-62,668	-70,885	-66,111	-1,523	-1,249	-1,600
Foreseeable dividend	-37,072	-5,000	-3,750	-37,072	-	-
Common Equity Tier 1 capital	1,786,634	1,057,257	879,974	2,008,748	1,136,136	852,661
Additional Tier 1 capital instruments	93,000	93,000	193,000	93,000	93,000	193,000
Regulatory adjustments	-	-	-46,644	-	-	-56,114
Additional Tier 1 capital	93,000	93,000	146,356	93,000	93,000	136,886
Tier 1 capital	1,879,634	1,150,257	1,026,330	2,101,748	1,229,136	989,547
Tier 2 capital instruments	335,814	332,796	331,858	335,814	332,796	331,858
Regulatory adjustments	-60,557	-106,655	-136,717	-71,357	-111,814	-149,343
Tier 2 capital	275,257	226,141	195,141	264,457	220,982	182,515
Total capital	2,154,891	1,376,398	1,221,471	2,366,205	1,450,118	1,172,061
Total risk exposure amount	13,762,833	11,307,052	9,757,037	13,222,858	11,049,076	9,125,741

Own funds requirements

The table below shows the minimum own funds requirements per risk category for Hoist Finance on a consolidated basis and Hoist Kredit.

Own funds requirements, SEK thousand	Hoist Finance on a consolidated basis			Hoist Kredit AB (publ)		
	30 sep 2015	31 dec 2014	30 sep 2014	30 sep 2015	31 dec 2014	30 sep 2014
Institutions	47,575	39,165	33,676	27,596	9,293	26,068
<i>-of which: arising from counterparty credit risk</i>	<i>2,738</i>	<i>1,701</i>	<i>1,583</i>	<i>2,738</i>	<i>1,701</i>	<i>1,583</i>
Corporates	11,606	11,702	10,767	695,688	425,346	351,201
Retail	4,252	8,222	8,771	4,252	7,849	8,771
Exposures in default	847,202	707,040	588,775	219,231	234,038	232,649
Covered bonds	14,612	15,410	14,954	14,612	15,410	14,954
Other items	29,847	18,641	25,465	42,975	139,936	50,591
Credit risk (standardised approach)	955,094	800,180	682,408	1,004,354	831,872	684,234
Operational risk (basic indicator approach)	140,220	93,379	93,379	47,761	41,049	41,049
Foreign exchange risk	5,713	11,005	4,524	5,713	11,005	4,524
Credit valuation adjustment (standardised approach)	-	-	252	-	-	252
Total minimum own funds requirement	1,101,027	904,564	780,563	1,057,829	883,926	730,059

Capital ratios and capital buffers

When the Capital Requirements Regulation entered into force on the first of January 2014 credit institutions became required to uphold at least 4.5% Common Equity Tier 1 Capital, 6% Tier 1 Capital and 8% Total Capital, as a percentage of the Risk Exposure Amount. On the second of August 2014, when the Swedish implementation of the Capital Requirements Directive entered into force, credit institutions became required to also uphold certain capital buffers. Currently Hoist Finance is required to uphold a capital conservation buffer of 2.5% of the Risk Exposure Amount and an institution specific countercyclical buffer of 0.02% of the Risk Exposure Amount. The table below shows capital ratios and capital buffers for Hoist Finance on a consolidated basis and Hoist Kredit.

All capital ratios exceed the minimum requirements and the capital buffer requirements are within a margin of safety.

Capital ratios and buffers, %	Hoist Finance on a consolidated basis			Hoist Kredit AB (publ)		
	30 sep 2015	31 dec 2014	30 sep 2014	30 sep 2015	31 dec 2014	30 sep 2014
Common Equity Tier 1 Capital ratio	12.98%	9.35%	9.02%	15.19%	10.28%	9.34%
Tier 1 Capital ratio	13.66%	10.17%	10.52%	15.89%	11.12%	10.84%
Total Capital ratio	15.66%	12.17%	12.52%	17.89%	13.12%	12.84%
Institution specific CET1 buffer requirement	7.02%	7.00%	7.00%	7.04%	7.00%	7.00%
of which: capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
of which: countercyclical buffer requirement	0.02%	-	-	0.04%	-	-
CET1 capital available to meet buffers ¹	7.66%	4.17%	4.52%	9.89%	5.12%	4.84%

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.

Internally assessed capital requirement

As per 30 September 2015, the internally assessed capital requirement on a consolidated basis amounted to SEK 1,314 million (SEK 826 million at 30 September 2014), of which SEK 213 million (SEK 46 million) is attributable to Pillar 2. Adjusted methods for assessing Pillar 2 capital requirements have increased the capital requirement.

Liquidity

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 Finance 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 Finance 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 Finance's fixed assets (credit portfolios) to more than 80%.

In accordance with the SFSA's regulations regarding management of liquidity risks in credit institutions and investment firms (FFFS 2010:7), Hoist Finance on a consolidated basis and Hoist Kredit 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 Finance on a consolidated basis and Hoist Kredit'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.

Liquidity Position - Key ratios, SEK thousand	Hoist Finance on a consolidated basis			Hoist Kredit AB (publ)		
	30 sep 2015	31 dec 2014	30 sep 2014	30 sep 2015	31 dec 2014	30 sep 2014
Deposits	12,815,397	10,987,289	9,979,222	12,815,397	10,987,289	9,979,222
Liquidity Reserve ¹	5,535,535	5,348,625	4,005,984	4,440,782	4,394,508	3,553,279
Available Liquidity, minimum of SEK 2,544 million ²	5,973,734	5,531,632	4,700,698	4,878,982	4,577,515	4,247,993
Liquidity Reserve/Deposits	43.19%	48.68%	40.14%	34.65%	40.00%	35.61%
Available Liquidity/Deposits	46.61%	50.35%	47.10%	38.07%	41.66%	42.57%

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, SEK thousand	Hoist Finance on a consolidated basis			Hoist Kredit AB (publ)		
	30 sep 2015	31 dec 2014	30 sep 2014	30 sep 2015	31 dec 2014	30 sep 2014
Flex Deposits	7,612,070	7,559,043	7,251,161	7,612,070	7,559,043	7,251,161
Term Deposits	5,203,327	3,428,246	2,728,061	5,203,327	3,428,246	2,728,061
Senior Unsecured Debt	1,296,324	1,493,122	741,353	1,296,324	1,493,122	741,353
Tier 1 instruments	93,000	93,000	193,000	93,000	93,000	193,000
Tier 2 instruments	335,814	332,796	331,858	335,814	332,796	331,858
Equity	2,132,505	1,304,189	1,057,022	2,094,696	1,182,658	895,897
Other	739,192	851,433	496,395	268,529	503,268	193,984
Balance Sheet Total	17,412,232	15,061,829	12,798,850	16,903,760	14,592,133	12,335,314