

Hoist Finance

Risk, Liquidity and Capital Management

Pillar 3 – 2016

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1 INTRODUCTION

1.1 Hoist Finance in brief

Hoist Finance AB (publ) is a pan-European financial group (“Hoist Finance” or the “Group”) active within debt purchasing and receivables management. Hoist Finance is a leading debt-restructuring partner to international banks. Present in eleven 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 61,000 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 (Sw. Finansinspektionen) (the “SFSA”).

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 SFSA’s regulations regarding prudential requirements and capital buffers (FFFS 2014:12) and the SFSA’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 Annex I – Consolidated situation, as well as Hoist Kredit on an institutional level, see Annex II – Hoist Kredit AB (publ).

Additional information on corporate governance and remuneration is disclosed in the annual report and in the separate document “The remuneration policy and remuneration systems”. The information can be found on the Group’s website: 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 to earnings and/or capital arising from a counterparty’s failure to repay principal or interest at the stipulated time or failure to otherwise perform as agreed.	Credit risk refers mainly to acquired loan portfolios and the risk that collection will be lower than forecasted. Other credit risk exposures are (i) cash deposits with banks, (ii) investments in fixed income instruments, and (iii) counterparty risk relating to hedging of FX and interest rate risk.	Credit risk in acquired loan portfolios is monitored, analysed and controlled by the management in each country and by the Group’s Business Control function. Other credit risks are analysed and managed by the Treasury function. The Group’s Risk Control function analyses and verifies all credit 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 due to failures in operations are rare. Given the nature of Hoist Finance’s operations, it is not possible or cost effective to try to eliminate all operational risk. The goal is rather to minimise operational risk.	Routines for group-wide incident reporting, tracking of key risk indicators and regular training courses. The “dual-control” is applied to critical decisions and is supported by back-up routines, e.g., in the form of ratified business continuity plans.
Market risk The risk to earnings, capital or liquidity arising from adverse movements in market prices. This includes FX risk and interest rate risk.	The main FX risks arise from the fact that the loan portfolios (the assets) are denominated in EUR, PLN and GBP, while the reporting currency is SEK and the majority of liabilities are denominated in SEK. Interest rate movements have an effect on net interest income.	Market risks are hedged continuously by the Group’s Treasury function and independently analysed by the Group’s risk control function.
Liquidity risk The risk of difficulties in obtaining funding and thus, not being able to meet payment obligations at maturity without encountering significantly higher financing costs.	Liquidity risk in Hoist Finance stems primarily from the risk of unexpected outflow of deposits and the risk of cash outflow due to mark-to-market of hedging derivatives.	The Group has a significant liquidity reserve to cover potential outflows of liquidity.

1.4 Risk development 2016

During the year Hoist Finance showed improved financial results as well as reduced risk levels in relation to the size of the business and, in several cases, in absolute terms. Primarily, levels of interest rate risk, liquidity risk and credit risks in the liquidity portfolio were reduced. The Group's capital adequacy improved due to the improved financial performance. Relative to regulatory CET1 ratio requirements, Hoist Finance today has a margin of 4.8%. This can be compared to the larger Swedish banks, which exhibit a margin of 1% to 3.8%¹. Swedish banks are amongst the most well-capitalised banks in Europe.

Credit risk from loan portfolios is deemed to have increased proportionally with the volume of acquired loan portfolios during 2016. However, greater risk diversification was achieved in the loan portfolios through entry into new markets and through acquisition of more portfolios. The Group now holds portfolios in Germany, Austria, France, the UK, Belgium, the Netherlands, Italy, Poland and Spain. The liquidity portfolio's credit risk remains low, as investments are made in government, municipal and covered bonds of high credit quality. Relative to the liquidity portfolio's size, credit risk decreased in 2016 due to shorter duration of the portfolio.

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. The Group works continuously to improve the quality of its internal procedures in order to limit operational risks. Hoist Finance has limited these risks with project management routines, strict guidelines for incident reporting, risk identification and improved management of operational risks. A new risk system was implemented during the year to further improve the management of operational risks.

Market risk exposure was at low levels during the year, as Hoist Finance continuously hedge 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. This was achieved through the use of longer-term interest rate hedges and the issuance of fixed-interest bonds. The 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 2,258 million to SEK 2,814 million, and the CET1 ratio from 12.32 to 12.46 per cent. The Group is therefore better able to absorb unanticipated events without jeopardising its solvency, and the Group is well capitalised for continued growth.

Liquidity risk was low during the year, mainly due to the availability of a large liquidity portfolio with highly liquid instruments to alleviate liquidity disturbances, but also due to increased funding duration. Due to its strong liquidity position, the Group is well funded for future acquisitions and growth.

1.5 Significant risks and uncertainties

The Group is governed by many regulations due to the status of the 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.

Hoist Finance is exposed to a number of uncertainties through its business operations and due to its broad geographic presence. New and amended financial regulations may affect the Group directly (e.g. via Basel IV capital and liquidity regulations) and indirectly through the impact of similar regulations on the market's supply of loan portfolios. Due to the Group's substantial deposits from the public, changes to the deposit guarantee scheme, for instance, may impact the Group. In other areas such as consumer protection, new regulations may require the Group to adjust the way in which it operates its collection activities. The Group's loan portfolios are valued based on anticipated future collection levels. Factors that affect the Group's capacity to achieve collection level forecasts sustainably and cost efficiently are therefore uncertainty factors.

During 2016 the UK held a non-binding referendum on EU membership, with the results indicating that the UK will be withdrawing from the EU. This will affect Hoist Finance due to the Group's operations in the UK and gives rise to some uncertainty – e.g. in relation to free trade agreements and legal issues. Currency and interest rate fluctuations will have limited impact in the short-term perspective, as Hoist Finance hedges both FX and interest rate risks.

¹ SFSA Dnr 16-7882, page 4

2 THE BOARD OF DIRECTORS' RISK DECLARATION AND RISK STATEMENT

The Board of Directors of Hoist Finance (the "Board of Directors") 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.

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-minimising activities shall be implemented as long as the associated costs are less than the costs the risk could cause if materialised.

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 of Directors has therefore approved certain market risks within strict limits.

Liquidity risk in Hoist Finance stems primarily from the risk of unexpected outflow of deposits and the risk of cash outflow due to mark-to-market of hedging derivatives. Hoist Finance has a low appetite for assuming liquidity risk why potential outflows are covered by a generous liquidity reserve.

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 assuming risks, it is impossible for a business to achieve a reward and ensuring long-term profitability. Ongoing risk management is a core activity in Hoist Finance and it is fundamental for long-term profitability and stability. Hoist Finance acquires and manages receivables and thereby actively exposes itself to credit risk. This is Hoist Finance's core business, in which the Group has been successful for the last 20 years.

Hoist Finance defines risk as the possibility of a negative deviation from what is expected. This could be a deviation from expected earnings, liquidity levels or capitalisation.

3.2 Risk management framework

The goal of Hoist Finance's risk management is to minimise negative variability in earnings and to secure the survival of the Group by maintaining sufficient capital and liquidity levels. This will create and maintain confidence in Hoist Finance amongst stakeholders, thereby achieving sustainable shareholder value.

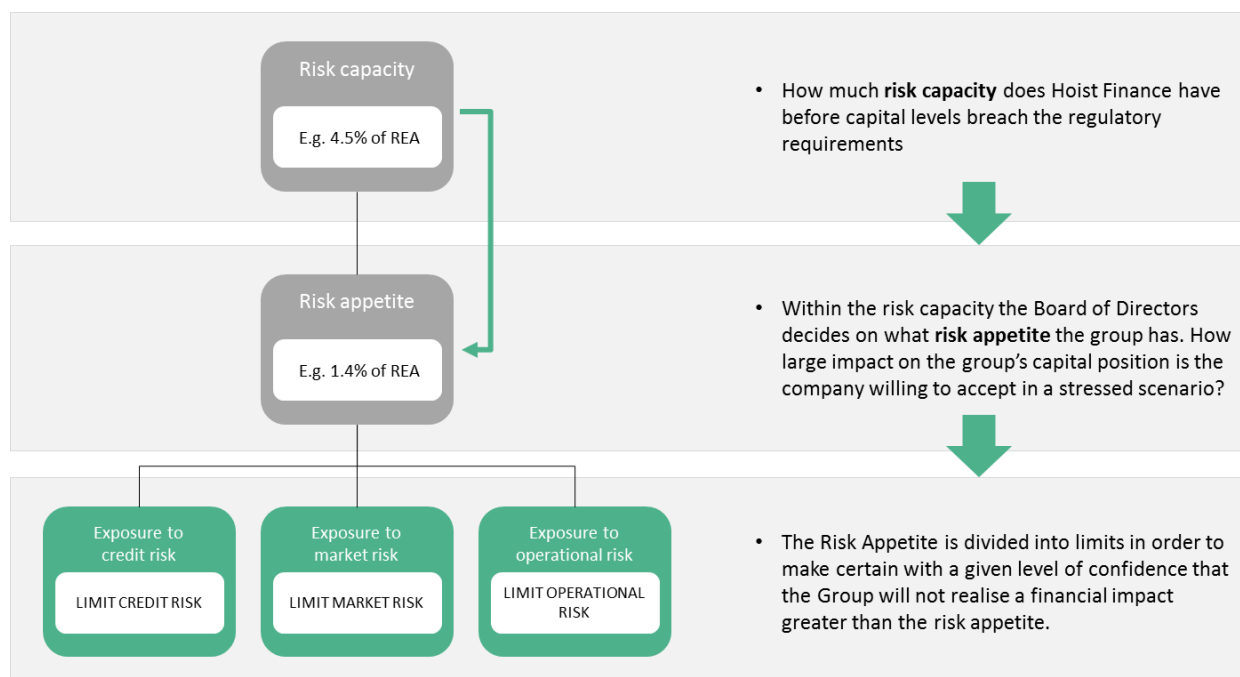
To fulfil this goal, the Board of Directors has adopted a risk management framework comprised of policies and strategies for the Group's management, analysis, control and reporting of risks in day-to-day operations.

Hoist Finance's core business and risk strategy is to generate revenue through controlled exposures to credit risk in the form of non-performing loans, why this type of credit risk is actively pursued. Other types of risk, such as operational risks and market risks are undesired but sometimes unavoidable. These risks are minimised as far as it is economically justifiable.

Risk capacity (capital and liquidity buffers in place before critical regulatory levels are reached) is determined in order to ensure the survival of the Group. The capital risk capacity is the difference between actual capital levels and regulatory minimum levels and shows the capacity to absorb losses and unexpected events before critical levels are reached. Liquidity risk capacity is the size of the liquidity outflows Hoist Finance can manage without breaching regulatory minimum 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 of Directors 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 does 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 regulatory capital requirements	Risk Appetite is an expression of how much capital margin the Group need to the regulatory levels in order to be able to withstand a severe economic downturn	Limits for e.g. credit, market and operational risk
Risks to liquidity	The size of liquidity outflows the Group can withstand without breaching regulatory 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

Hoist Finance's risk management is built on clearly defined goals, policies and guidelines, an efficient operating structure and transparent reporting and monitoring. The Group's risk management policy stipulates the framework, roles and responsibilities for risk management, Risk Appetite, Risk Strategy and the guidelines for ensuring that the objectives of risk management are reached.

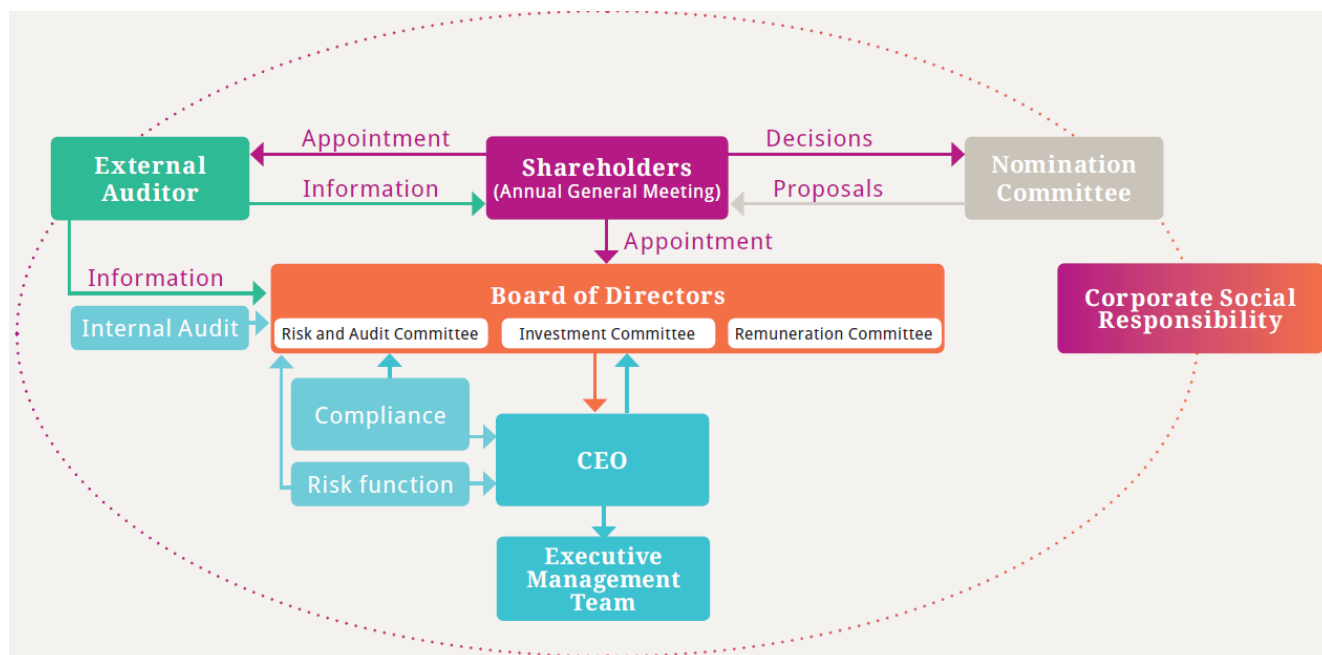
Hoist Finance's risk management distributes roles and responsibilities in accordance with three lines of defence.

1st Line of Defence: The Board of Directors, the CEO and all employees. The business units and subsidiaries bear full responsibility for the risks that arise in day-to-day operations. The local offices have the best knowledge in any given situation, as they are closest to the customers and the various markets. The first line of defence is responsible for management of Hoist Finance's risks and compliance with applicable rules and regulations.

2nd Line of Defence: The risk control and compliance functions, both of which are independent control functions. This means that they are not involved in the business operations and that they report independently from one another to the Board of Directors and the CEO. The second line of defence is responsible for identification, quantification, analysis and reporting of all risks.

3rd Line of Defence: The internal audit function is responsible for conducting an independent review and evaluation of work done in both the first and second lines of defence. The internal audit function reports directly to the Board of Directors.

The figure below shows Hoist Finance’s governance structure.



The Finance function monitors the capital and liquidity adequacy and is responsible for the reporting to the SFSA. The Treasury function manage the credit risk stemming from lending to credit institutions and the liquidity portfolio while the credit risk stemming from the loan portfolios is managed and monitored by the management team in each jurisdiction. Furthermore the performance of the loan portfolios 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 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 regulations and assists in implementing the new regulations within the organisation. 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 of Directors, the Risk and Audit Committee and the CEO is delivered in writing monthly and otherwise when necessary. The operations are also reviewed by the Group Compliance and Group Audit at central and local level. Group Compliance is responsible for the overall assessment of compliance risks.

For further information on corporate governance and the risk organisation, see the corporate governance section in the annual report disclosed on the Group’s webpage: www.hoistfinance.com.

4 OWN FUNDS AND OWN FUNDS REQUIREMENTS

The information in this section regards 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. For further information see Annex 1 – Consolidated situation. 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 ventures in relation to capital adequacy reporting.

4.1 Own funds

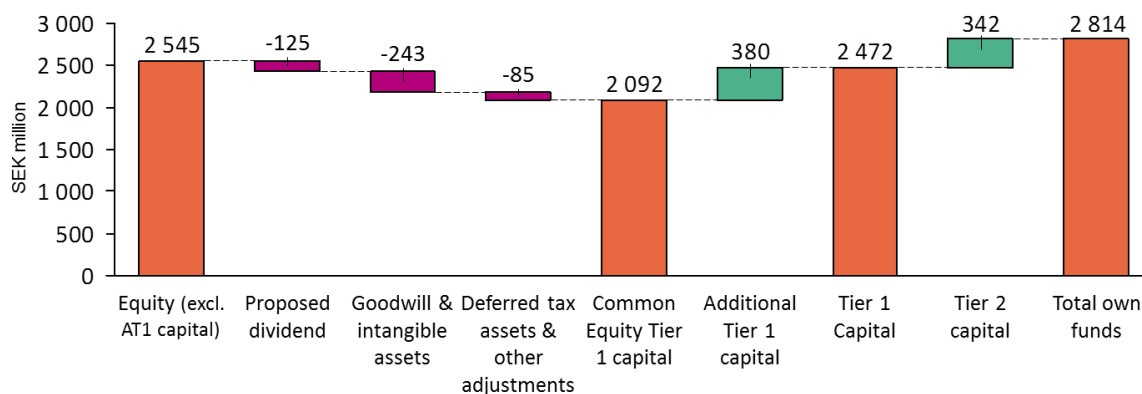
The table below shows the Hoist Finance consolidated situation's own funds which are used to cover the own funds requirements.

Own funds, SEK thousand	Hoist Finance consolidated situation	
	31 Dec 2016	31 Dec 2015
Capital instruments and the related share premium accounts	1 286 805	1 286 805
Retained earnings	472 965	316 687
Accumulated comprehensive income and other reserves	331 293	361 363
Independently reviewed interim profits net of any foreseeable charge or dividend ¹	292 004	161 366
Intangible assets (net of related tax liability)	-243 340	-235 632
Deferred tax assets that rely on future profitability	-47 268	-62 688
Common Equity Tier 1 capital	2 092 459	1 827 901
Capital instruments and the related share premium accounts	379 577	93 000
Additional Tier 1 capital	379 577	93 000
Tier 1 capital	2 472 036	1 920 901
Capital instruments and the related share premium accounts	341 715	336 892
Tier 2 capital	341 715	336 892
Total own funds	2 813 751	2 257 793

¹ Regulatory dividend deduction is calculated at 30 per cent of net profit for the year.

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 equity after various adjustments, while Additional Tier 1 (AT1) capital and Tier 2 capital are mainly made up of perpetual AT1 notes and subordinated loans. A link between equity and the regulatory total capital at 31 December 2016 is presented below. Further information about the capital instruments included in total capital is disclosed in Annex IV – Capital instruments included in own funds.



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

4.2 Risk exposure amounts and own funds requirements

The table below shows the risk exposure amounts per risk category for Hoist Finance. Since Hoist Finance's core business is to acquire non-performing loan portfolios the risk exposure amount for "Exposures in default" is by far the largest.

Risk exposure amounts, SEK thousand	Hoist Finance on a consolidated basis	
	31 Dec 2016	31 Dec 2015
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	261 882	339 617
<i>of which counterparty credit risk</i>	29 036	89 598
Exposures to corporates	199 920	136 601
Retail exposures	24 146	43 774
Exposures in default	13 270 498	11 244 739
Exposures in the form of covered bonds	247 485	126 821
Equity exposures	0	0
Other items	132 315	320 316
Credit risk (standardised approach)	14 136 246	12 211 868
Market risk (foreign exchange risk - standardised approach)	28 858	26 573
Operational risk (basic indicator approach)	-	2 600 728
Operational risk (standardised approach)	2 622 373	0
Credit valuation adjustment (standardised approach)	0	664
Total risk exposure amount	16 787 477	14 839 833

As of 31 December 2016 Hoist Finance started using the standardised approach to calculate the risk exposure amount for operational risk, which can be seen in the table above.

The table below shows the own funds requirements per risk category for Hoist Finance.

Own funds requirements, SEK thousand	Hoist Finance on a consolidated basis	
	31 dec 2016	31 dec 2015
Pillar 1		
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	20 951	27 169
<i>of which counterparty credit risk</i>	2 323	7 168
Exposures to corporates	15 994	10 928
Retail exposures	1 932	3 502
Exposures in default	1 061 640	899 579
Exposures in the form of covered bonds	19 799	10 146
Equity exposures	0	0
Other items	10 583	25 626
Credit risk (standardised approach)	1 130 899	976 950
Market risk (foreign exchange risk - standardised approach)	2 309	2 126
Operational risk (basic indicator approach)	-	208 058
Operational risk (standardised approach)	209 790	-
Credit valuation adjustment (standardised approach)	0	53
Total own funds requirement - Pillar 1	1 342 998	1 187 187
Pillar 2		
Concentration Risk	101 991	82 671
Interest Rate Risk in the Banking Book	30 000	71 453
Pension Risk	4 106	5 358
Other Pillar 2 Risks	794	23 656
Total own funds requirement - Pillar 2	136 891	183 138
Capital Buffers		
Capital conservation buffer	419 686	370 996
Countercyclical buffer	6 370	2 456
Total own funds requirement - Capital Buffers	426 056	373 452
Total own funds requirements	1 905 945	1 743 777

4.3 Capital ratios and buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent, and a total capital ratio (capital in relation to risk exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers, pursuant to the Capital Buffers Act (SFS 2014:966). Hoist Finance is currently required to maintain a capital conservation buffer of 2.5 per cent of the total risk exposure amount and an institution-specific countercyclical buffer of 0.04 per cent of the total risk exposure amount. The table below shows CET1 capital, Tier 1 capital and the total capital ratio for Hoist Finance. The table also shows the institution specific CET1 capital requirements. All capital ratios exceed the minimum requirements and capital buffer requirements by a healthy margin.

Capital ratios and buffers, %	Hoist Finance consolidated situation	
	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 Capital ratio	12,46	12,32
Tier 1 Capital ratio	14,73	12,94
Total Capital ratio	16,76	15,21
Institution specific CET1 buffer requirement	7,04	7,02
<i>of which: capital conservation buffer requirement</i>	2,50	2,50
<i>of which: countercyclical buffer requirement</i>	0,04	0,02
CET1 capital available to meet buffers¹	7,96	6,94

¹CET1 capital ratio as reported, less minimum requirement of 4.5 per cent (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 0.04 per cent of the total risk exposure amount. The table below shows the geographical distribution of Hoist Finance credit exposures relevant for the calculation of the countercyclical capital buffer.

Hoist Finance consolidated situation 31 Dec 2016, SEK thousand

Country	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total	Countercyclical buffer rate
Sweden	87 544	-	-	247 485	15 919	350 948	1,50%
Other countries	112 376	24 146	13 270 498	-	116 396	13 523 415	0
Total	199 920	24 146	13 270 498	247 485	132 315	13 874 363	0,04%

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	1,00%
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%

4.4 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 V – Disclosure of Leverage Ratio.

The leverage ratio for Hoist Finance consolidated situation is 12.57 per cent (10.63 per cent) as at 31 December 2016.

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

5 FUNDING

Hoist Finance has an effective and diversified funding structure through deposits from the public and through the capital markets.

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 estimates, based on past client behaviour that a large portion of deposits can be treated as a longer maturity. The retail deposits 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 per cent of the deposits in HoistSpar are covered by the Swedish Deposit Guarantee Scheme, which is set at SEK 950,000.

In 2016 Hoist Finance's issued, through Hoist Kredit, EUR 250m senior bond loan during the second quarter under a newly established EMTN programme. The bond, listed on the Dublin stock exchange, was expanded during the third quarter with the issuance of an additional EUR 50m. In conjunction with the transaction during the second quarter, a nominal amount of SEK 667m in previously issued senior bonds denominated in SEK and EUR was repurchased through a public offering. The remaining portion of the SEK-denominated bond, totalling SEK 58m, matured during the fourth quarter.

In 2016 Hoist Finance's issued EUR 30 million Additional Tier 1 capital with a coupon of 8.625 per cent. The instrument was issued to optimise Hoist Finance's capital structure.

Funding, SEK thousand	Hoist Finance	
	consolidated situation	
	31 Dec 2016	31 Dec 2015
Flex Deposits	7 582 909	8 226 925
Term Deposits	4 266 047	4 564 452
Senior Unsecured Debt	3 125 996	1 238 469
Tier 1 instruments	379 577	93 000
Tier 2 instruments	341 715	336 892
Equity	2 545 719	2 195 760
Other	907 963	795 979
Balance Sheet Total	19 149 926	17 451 477

5.1 Encumbered assets

Hoist Group has pledged some of its assets as collateral as a result of its hedging activities. Such encumbered assets are not transferrable within the Group. The table below shows the Group's total assets and encumbered assets.

Hoist Finance consolidated situation						
SEK thousand	31 Dec 2016			31 Dec 2015		
	Total assets	of which:		Total assets	of which:	
		encumbered assets			encumbered assets	
Loans on demand - Other demand deposits	1 061 285	478		858 516	639	
Equity instruments	0	-		25 000	-	
Debt securities	4 812 469	-		4 356 041	-	
Loans and advances other than loans on demand	12 576 570	-		11 258 927	-	
Other assets	699 601	-		952 992	-	
Total assets	19 149 926	478		17 451 477	639	
Other collateral received	-	151 300		-	-	

6 INTERNAL CAPITAL AND LIQUIDITY ADEQUACY ASSESSMENT PROCESS

The internal capital and liquidity adequacy assessment process (ICAAP and ILAAP) is an ongoing process carried out by the Management, Treasury and Risk Control, which review, evaluate and quantify risks to which the Group is exposed in carrying out its business operations. This risk analysis forms the basis for ensuring that the Group has sufficient capital, liquidity and financial margin to meet regulatory requirements.

The capital and liquidity assessment process is developed and reviewed at least once per year. The annual review focuses on ensuring that the process and Risk Appetite is always relevant to the current risk profile and the Group's operations. The Board of Directors decides on any changes to the process, and Internal Audit verifies that the process is carried out pursuant to the Board of Directors' instructions.

The processes start with the Management's business plan and budget for the coming three years. These are formalised into a forecast. 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 the Group has sufficient capital to meet the risks in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the amount of losses Hoist Finance is capable of incurring under extremely adverse circumstances. This loss figure is compared to the Pillar 1 capital 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 capital requirement is compared to the Pillar 1 capital 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 requirements 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.

Hoist Finance conducts stress tests and sensitivity analyses of the business plan, under ICAAP and on an ongoing basis in the operations, to ensure that the Group maintains a strong financial position in relation to regulatory capital requirements under extremely adverse internal and external market conditions.

The own funds requirements 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.

The conclusions from this year's ICAAP are that Hoist Finance has sufficient capacity to absorb unexpected events without risking its solvency, and that Hoist Finance is well-capitalised for continued growth.

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 achieve its business plan and meet regulatory requirements (LCR/ NSFR) and the limits set by the Board of Directors.

Results from this year's ILAAP shows that Hoist Finance has sufficient capacity to meet unexpected liquidity risks without risking refinancing problems, and that Hoist Finance maintains a liquidity reserve sufficient to maintain continued growth.

7 CREDIT RISK

Credit risk is the risk to earnings and/or capital arising from a counterparty's failure to repay principal or interest at the stipulated time or failure to otherwise perform as agreed.

7.1 The Group's credit risk profile

Credit risk in the Group stems mainly from:

- Acquired loan portfolios
- The liquidity reserve
- Counterparty credit risk as a result of hedging activities

7.1.1 Credit risk associated with acquired loan portfolios

The loans portfolios are acquired at prices that typically vary between 5 and 35 per cent 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 e.g. loan size, age, and type of loans 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 12,386 million (11,015). 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 226 million (131).

Hoist Finance does not disclose any age analyses of the loan portfolios 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.

Anticipated net cash flow for the Group's loan portfolios at 31 Dec 2016

SEK thousand	<1 years	1-2 years	2-5 years	>5 years	Total
Acquired loan portfolios	3 376 263	3 010 478	6 392 506	5 374 317	18 153 565
Total assets	3 376 263	3 010 478	6 392 506	5 374 317	18 153 565

Comparative table, anticipated net cash flow for the Group's loan portfolios at 31 Dec 2015

SEK thousand	<1 years	1-2 years	2-5 years	>5 years	Total
Acquired loan portfolios	2 973 708	2 819 508	5 841 424	4 827 855	16 462 495
Total assets	2 973 708	2 819 508	5 841 424	4 827 855	16 462 495

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.

7.1.2 Credit risk associated with the liquidity reserve

The credit risk associated with exposures in Hoist Finance's liquidity reserve 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. Hoist Finance's liquidity reserve mainly consists of bonds issued by the state of Sweden and Swedish municipalities as well as covered bonds.

The table to the right shows Standard & Poor's credit rating for exposures in Hoist Finance's liquidity reserve at 31 December 2016 as compared with 31 December 2015.

As at 31 December 2016, the weighted average maturity for liquidity portfolio assets was 1.43 years (1.57) and the modified duration was 0.38 years (0.30). Maturity and modified duration are important

Rating	31 Dec 2016	31 Dec 2015
AAA	69,2%	46,7%
AA+	12,9%	36,2%
AA	0,0%	0,0%
AA-	0,5%	0,4%
A+	0,0%	3,7%
A	13,9%	4,8%
A-	0,6%	2,8%
BBB+	0,8%	0,8%
BBB	0,0%	0,0%
BBB-	1,1%	0,0%
BB+	0,1%	0,0%
BB	0,0%	0,0%
BB-	0,7%	0,5%
B+	0,0%	0,0%
B	0,0%	0,0%
B-	0,0%	0,0%
N/A	0,1%	4,2%
Total, SEK thousand	5 788 574	5 155 521
of which liquidity portfolio	4 748 752	4 356 041

measures for evaluating the Company's credit spread risks and interest rate risks.

7.1.3 Counterparty credit risk as a result of hedging activities

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.

7.2 Additional information on credit risk

7.2.1 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 future collections.

Many of the contracts in the portfolios that Hoist Finance acquires have been terminated for more than one year when the transactions are made, so Hoist Finance categorise the non-performing portfolios as past due more than one year. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

An impairment is recognised when estimated future cash flows are deemed to be lower than previously anticipated. Hoist Finance's 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. Should negative deviations occur, the Group first take additional operational measures in order to reduce the risk of deviations in the future. In the event that additional operational measures do not have, or is believed not to 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 management Investment Committee, and are decided on the Group level.

7.2.2 Credit risk exposures

The tables below present Hoist Finance's credit risk exposures split in different ways.

Credit risk exposures by exposure class

Hoist Finance consolidated situation, SEK thousand

31 Dec 2016	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	1 557 987	1 557 987	-	1 723 028	-	0%	-
Municipalities	745 786	745 786	-	1 432 949	-	0%	-
Institutions	1 246 601	1 246 601	-	1 368 040	261 882	21%	20 951
Corporates	200 776	200 776	-	225 952	199 920	99%	15 994
<i>of which: SME</i>	3 595	3 595	-	8 305	6 327	76%	506
Retail	32 194	32 194	-	42 020	24 146	75%	1 932
<i>of which: SME</i>	-	-	-	-	-	-	-
Exposures in default	14 189 959	13 270 498	646 483	11 978 979	13 270 498	100%	1 061 640
<i>of which: SME</i>	700 530	700 530	-	467 768	467 768	100%	37 421
Covered bonds	2 474 849	2 474 849	-	1 875 458	247 485	10%	19 799
Other items	135 390	135 390	-	135 576	132 316	99%	10 584
Total	20 583 542	19 664 081	646 483	18 782 002	14 136 245	68%	1 130 900

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
<i>of which: SME</i>	19 929	19 929	-	24 972	19 026	76%	1 522
Retail	58 365	58 365	-	81 769	43 774	75%	3 502
<i>of which: SME</i>	-	-	-	5 247	3 935	75%	315
Exposures in default	11 244 739	11 244 739	-	9 889 563	11 244 739	100%	899 579
<i>of which: SME</i>	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

Geographical breakdown of exposure amount

Hoist Finance consolidated situation, SEK thousand

31 Dec 2016	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total
Sweden	1 557 987	745 786	569 877	87 544	-	-	2 474 849	15 919	5 451 962
UK	-	-	173 674	10 731	-	4 167 216	-	24 066	4 375 687
Italy	-	-	173 076	16 519	-	2 888 926	-	2 344	3 080 865
Germany	-	-	17 735	10 514	32 194	2 080 057	-	22 689	2 163 189
Poland	-	-	131 990	10 815	-	1 751 145	-	27 640	1 921 590
Netherlands	-	-	53 067	55 248	-	1 191 954	-	2 247	1 302 516
France	-	-	62 138	1 460	-	519 419	-	3 183	586 200
Spain	-	-	62 088	7 623	-	351 056	-	-	420 767
Belgium	-	-	-	322	-	279 258	-	1 039	280 619
Other countries	-	-	2 956	-	-	41 467	-	36 263	80 686
Total	1 557 987	745 786	1 246 601	200 776	32 194	13 270 498	2 474 849	135 390	19 664 080

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
UK	-	-	227 038	10 338	-	3 386 835	-	56 164	3 680 375
Germany	-	-	111 508	12 684	58 365	2 006 974	-	119 607	2 309 138
Italy	-	-	138 817	14 276	-	2 062 759	-	1 768	2 217 620
Poland	-	-	240 844	6 593	-	1 671 955	-	26 229	1 945 621
Netherlands	-	-	65 325	67 020	-	1 346 206	-	23 492	1 502 043
France	-	-	4 899	2 285	-	496 054	-	23 433	526 672
Belgium	-	-	7 009	287	-	234 831	-	2 331	244 457
Other countries	-	-	-	-	-	39 125	-	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

Maturity analysis of exposure amount

Hoist Finance consolidated situation, SEK thousand

31 Dec 2016	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Treasury bills	-	704 411	1 171 501	397 991	-	-	2 273 903
Lending to credit institutions	1 036 924	43 296	-	-	-	-	1 080 220
Lending to the public	-	-	478	-	-	3 595	4 073
Bonds and other securities	-	86 250	642 989	1 809 327	-	-	2 538 566
Acquired loan portfolios ¹	-	-	-	-	-	12 656 209	12 656 209
Derivatives	-	29 167	-	-	-	-	29 167
Other assets	3 073	389 887	-	1 683	-	40 815	435 458
Off-balance sheet items	-	22 749	68 244	555 491	-	-	646 484
Total	1 039 998	1 275 760	1 883 212	2 764 492	-	12 700 619	19 664 081

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

Anticipated net cash flow for the Group's loan portfolios, SEK thousand

31 Dec 2016	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Acquired loan portfolios	-	868 850	2 507 413	9 402 984	5 374 317	-	18 153 565
Total	-	868 850	2 507 413	9 402 984	5 374 317	-	18 153 565

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 Polish joint venture. See table below for a maturity analysis within the Group, based on net cash flows.

Anticipated net cash flow for the Group's loan portfolios, 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

Exposure values per credit quality step

To set the risk weight for rated counterparties according to the standardised approach Hoist Finance uses their external rating, which is translated to a credit quality step.

The External Credit Assessment Institutions (ECAIs) used by Hoist Finance are Standard & Poor's, Moody's and Fitch. Applicable information from these ECAIs is used for calculating risk weights. Hoist Finance uses external rating from the ECAIs for exposures to central governments, regional governments and institutions. The table below shows the exposure values per credit quality step.

Hoist Finance consolidated situation 31 Dec 2016, SEK thousand

Credit quality step	Central	Regional	Institutions exposure value	Covered bonds exposure value	Total	% of Total
	governments or central banks exposure value	governments or local authorities exposure value				
1	1 557 987	745 786	28 288	2 474 849	4 806 910	80%
2	-	-	848 901	-	848 901	14%
3	-	-	281 246	-	281 246	5%
4	-	-	41 872	-	41 872	1%
5	-	-	-	-	-	-
6	-	-	-	-	-	-

Hoist Finance consolidated situation 31 Dec 2015, SEK thousand

Credit quality step	Central	Regional	Institutions exposure value	Covered bonds exposure value	Total	% of Total
	governments or central banks exposure value	governments or local authorities exposure value				
1	1 245 437	1 896 099	22 177	1 268 214	4 431 927	74%
2	-	-	965 070	-	965 070	16%
3	-	-	529 999	-	529 999	9%
4	-	-	28 579	-	28 579	0%
5	-	-	-	-	-	-
6	-	-	-	-	-	-

8 OPERATIONAL RISK

Operational risk is 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:

- Unauthorised 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 procedures and day-to-day control routines and by training employees in risk management and risk management techniques. The Group also applies the four eyes principle, i.e., the principle that at least two independent units/persons must always manage a business flow or transaction. Hoist Finance also applies the segregation of duties to ensure that a transaction is never managed start to finish by one single person.

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. All employees are required to submit incident reports via a group-wide risk management system, where incidents and measures taken are monitored by the Risk Control function and reported to the Management in the relevant country. Significant reported incidents are included in the Risk Report submitted to the Board of Directors.

2. Annual evaluation and identification of operational risks and controls to reduce risk. This is a process to identify, quantify, analyse and thereby determine measures to reduce operational risks at Hoist Finance to an acceptable level. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be, lists the steps taken by Hoist Finance to manage the risks, and details additional measures that need to be taken. Assessments are not made by a single person – they are done in workshops, as discussion and different perspectives are vital to the identification of relevant risks.

3. Process for approval and quality assurance for new and amended products, services, markets, processes, IT systems and major changes in Hoist Finance's 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's BCM is comprised of Disruption and Crisis Management:

- Disruptions are managed with Business Continuity Plans
- Crises are managed by a predefined Crisis Management Team

5. Key Risk Indicators are reported to the Management and the Board of Directors on a regular basis in order to follow up measurable operational risks and provide early warning when risks have increased.

6. Regular training in operational risks is conducted in key areas.

9 MARKET RISK

Market risk is the risk to earnings, capital or liquidity arising from adverse movements in market prices. This includes FX risk and interest rate risk.

9.1 Foreign exchange risk

Foreign exchange risk ("FX risk") is the risk to earnings or capital arising from adverse movements in FX-prices.

FX risk that has an adverse impact on the Group's income statement, balance sheet and/or cash flow arises primarily as a result of:

- Translation of assets and liabilities in currencies other than the Group's presentation currency into the presentation currency each month (translation risk)
- Certain income and expense items arising in different currencies (transaction risk)

Group Treasury has the 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).

To manage translation 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 through linear derivative contracts.

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 per cent exchange rate fluctuation between SEK and each currency.

Group's FX risk in EUR

	31 Dec 2016	Impact on equity	31 Dec 2015	Impact on equity
Net assets on the balance sheet, EUR million	501		596	
Forward hedge, EUR million	-502		-594	
Net Exposure, EUR million	0		2	
If the EUR/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	-241	-0,01%	1 394	0,06%
If the EUR/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	241	0,01%	-1 394	-0,06%

Group's FX risk in GBP

	31 Dec 2016	Impact on equity	31 Dec 2015	Impact on equity
Net assets on the balance sheet, GBP million	329		279	
Forward hedge, GBP million	-327		-279	
Net Exposure, GBP million	2		-0,3	
If the GBP/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1 854	0,06%	-335	-0,01%
If the GBP/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-1 854	-0,06%	335	0,01%

Group's FX risk in PLN

	31 Dec 2016	Impact on equity	31 Dec 2015	Impact on equity
Net assets on the balance sheet, PLN million	872		860	
Forward hedge, PLN million	-867		-854	
Net Exposure, PLN million	5		6	
If the PLN/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1 032	0,04%	1 263	0,06%
If the PLN/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-1 032	-0,04%	-1 263	-0,06%

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

9.2 Interest rate risk

Interest rate risk is the risk that the net interest income or asset/liability values are negatively impacted as a result of fluctuations in the level of interest rates.

The Group's interest rate risk originates in changes in interest rates that may affect the Hoist Finance's revenues and expenses to varying extents. Changes in interest rates may affect the Hoist Finance's revenues from loan portfolios as well as the liquidity reserve, while the cost of funding these assets may also change.

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 and the liquidity reserve. To ensure that the exposure is within the Group's risk appetite, the Group's Treasury function manages and reduces these interest rate risks by continuously hedging the Group's interest rate exposure over the next three years through linear interest rate derivatives denominated in SEK and EUR.

Pursuant to accounting policies, however, the effects of interest rate changes are taken up as income at different times. For instance, the Group's liquidity reserve and interest derivatives are valued at fair value, so changes in interest rates have an instantaneous impact on Group results. Loan portfolios, on the other hand, are generally valued under the amortised cost principle, so changes in interest rates have an impact over time (rather than an instantaneous impact) on asset value and Group results. The Group's liabilities are not valued at market value, so changes in interest rates have an impact over time (rather than an instantaneous impact) on Group results.

The table below shows the aggregate effect on earnings of a sudden and permanent parallel shift of 100 basis points in the market rates.

Total effect of change in interest rate over three years (SEK thousand)	Impact on profit or loss 31 Dec 2016		Impact on equity	Impact on profit or loss 31 Dec 2015		Impact on equity
	-100 bps	+100 bps		-100 bps	+100 bps	
Efficient net interest income (over three years)	89 788	-77 422		154 834	-137 986	
Efficient derivatives (momentum effect)	-53 935	53 935		-61 245	61 245	
Total effect of change in short interest rate	35 853	-23 487	-0,80%	93 589	-76 741	-3,35%

The table below shows the instantaneous effect on earnings of a sudden and permanent parallel shift of 100 basis points in the market rates.

Total items valued at fair value including derivatives (SEK thousand)	Impact on profit or loss 31 Dec 2016		Impact on equity	Impact on profit or loss 31 Dec 2015		Impact on equity
	-100 bps	+100 bps		-100 bps	+100 bps	
Liquidity portfolio	18 145	-18 145		13 226	-13 226	
Interest rate swaps	-53 935	53 935		-61 245	61 245	
Total	-35 790	35 790	-1,22%	-48 019	48 019	-2,10%

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, not being able to meet payment obligations at maturity without encountering significantly higher financing costs.

The Group's cash flow from acquired loan portfolios is in its nature positive. The group normally receive a cash flow of ca 1.8 times the invested amount, over time. Major cash outflows stem from a deliberate decision to invest in a new portfolio or from unexpected cash outflows. The latter can result from outflow of deposits or from outflow due to mark-to-market of hedging derivatives.

The overall objective of the Group's liquidity management is to ensure that the Group maintains control over its liquidity risk situation, with sufficient amounts of liquid assets or immediately saleable assets to ensure timely satisfaction of its payment obligations without incurring high additional costs.

The Group has a diversified funding base with a diversified maturity structure, mainly in the form of deposits from the public and senior unsecured bonds, own funds instruments and equity. The majority of deposits from the public are payable on demand (flexible), while approximately 36 per cent (35) of the Group's deposits from the public are locked into longer maturities ("term deposits") ranging from 12 to 36 months.

In addition to having a diversified funding structure with respect to funding sources and maturity 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 the Group's Treasury function.
- 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 the Management and the Board of Directors.
- 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 offered interest rates.
- Well-diversified deposit portfolio with no concentration risks: The highest savings amount is SEK 1 million.
- Liquidity portfolio: Liquidity investments are made in low-risk, high-liquidity interest-bearing securities, which allows for swift cash conversion if needed.

The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the deposit guarantee scheme.

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 2016	31 Dec 2015
Cash and holdings in central banks	3 073	281
Deposits in other banks available overnight	1 036 749	799 199
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1 528 116	1 181 728
Securities issued or guaranteed by municipalities or other public sector entities	745 786	1 896 099
Covered bonds	2 474 849	1 268 214
Securities issued by non-financial corporates	-	-
Securities issued by financial corporates	-	10 000
Other	-	-
Total	5 788 573	5 155 521

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity totalled SEK 5,789 million (5,156) at 31 December 2016, exceeding the limit and the target level by a significant margin.

Hoist Finance also uses the Liquidity Coverage Ratio (LCR) to monitor liquidity risk. The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets (a liquidity reserve) to meet its liquidity needs for the next 30-day time horizon under the assumption of a severe liquidity stress scenario. The Group's LCR was 695 per cent at 31 December 2016.

Hoist Finance has a liquidity contingency plan for managing liquidity crises. This identifies specific events that may trigger the contingency plan and actions to be taken. These events may include:

- An outflow from HoistSpar of over 20 per cent of total deposits over a 30-day period.
- Termination or revocation of funding sources in excess of SEK 50 million.

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 per cent 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.
Leverage ratio	Tier 1 capital divided by the total exposure measure calculated in accordance with proposed amendments to Regulation (EU) No 575/2013.
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.

ANNEX I – 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 ventures BEST III NS FIZ and PQH Single Special Liquidation S.A. are consolidated using the proportional method. For further information on the 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	
Subsidiary			
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	Guyancourt	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 Kredit Ltd.	7646691	London	100
Hoist Finance UK Ltd.	8303007	London	100
Robinson Way Ltd.	6976081	Manchester	100
Compello Holdings Ltd.	8045571	Milton Keynes	100
Compello Operations Ltd.	98045559	Milton Keynes	100
MKE (UK) Ltd.	7042157	Milton Keynes	100
MKDP LLP	OC349372	Milton Keynes	100
C L Finance Ltd.	1108021	West Yorkshire	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
Hoist Polska SpZ.O.O	0000536257	Wroclaw	100
Hoist Finance Spain S.L.	B87547659	Madrid	100
Optimus Portfolio Management S.L.	B86959285	Madrid	100
Hoist Hellas S.A.	137777901000	Athens	100
Funds			
HOIST I NS FIZ	RFI 702	Warszawa	100
Joint venture			
BEST III NS FIZ*	RFI 623	Gdynia	50
PQH Single Special Liquidation S.A.	138353201000	Athens	33

* Polish Sec Fund.

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)	Hoist Finance consolidated situation	Hoist Finance Group	Hoist Kredit AB (publ)
	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2015	31 Dec 2015	31 Dec 2015
ASSETS						
Cash	3 075	3 073	-	281	281	8
Treasury bills and treasury bonds	2 273 903	2 273 903	2 273 903	3 077 827	3 077 827	3 077 827
Lending to credit institutions	1 072 256	1 061 285	215 953	867 492	858 516	78 503
Lending to the public	35 789	35 789	35 789	77 994	77 994	77 994
Acquired loan portfolios	12 624 014	12 385 547	2 584 666	11 243 560	11 014 699	2 646 612
Receivables from affiliated companies	-	-	10 055 046	-	-	8 769 553
Bonds and other securities	2 538 566	2 538 566	2 538 566	1 303 214	1 303 214	1 303 214
Shares and participations in subsidiaries	-	-	570 038	-	-	581 972
Shares and participations in joint venture	-	241 276	40 703	-	205 557	49 974
Intangible assets	243 340	243 340	37 647	235 632	235 632	42 278
Tangible fixed assets	40 828	40 815	4 155	41 623	41 623	4 523
Other assets	193 676	193 470	108 139	501 062	501 062	416 615
Deferred tax assets	47 269	47 269	2 734	62 688	62 688	2 224
Prepaid expenses and accrued income	90 315	85 593	1 436	72 389	72 384	1 842
Total assets	19 163 031	19 149 926	18 468 775	17 483 762	17 451 477	17 053 139
LIABILITIES AND EQUITY						
Liabilities						
Deposits and borrowings from the public	11 848 956	11 848 956	11 848 956	12 791 377	12 791 377	12 791 377
Tax liabilities	52 907	52 887	15 476	21 639	21 639	3 550
Other liabilities	445 197	432 865	520 423	389 569	357 284	466 928
Deferred tax liabilities	163 264	163 264	-	183 999	183 999	-
Accrued expenses and prepaid income	204 187	203 442	78 804	180 941	180 941	71 103
Provisions	55 504	55 504	67	52 116	52 116	132
Senior unsecured loans	3 125 996	3 125 996	3 125 996	1 238 469	1 238 469	1 238 469
Subordinated loans	341 715	341 715	341 715	336 892	336 892	336 892
Total liabilities	16 237 725	16 224 629	15 931 437	15 195 002	15 162 717	14 908 451
Untaxed reserves	-	-	80 752	-	-	62 248
Equity						
Share capital	26 906	26 906	66 667	26 178	26 178	66 667
Contributed equity	2 073 215	2 073 215	1 735 956	1 755 676	1 755 676	1 450 918
Reserves	-67 095	-67 095	78 880	-44 094	-44 094	74 111
Retained earnings including profit of the year	892 124	892 271	575 083	551 000	551 000	490 744
Total equity	2 925 151	2 925 297	2 456 586	2 288 760	2 288 760	2 082 440
Total liabilities and equity	19 162 877	19 149 926	18 468 775	17 483 762	17 451 477	17 053 139

ANNEX II – HOIST KREDIT AB (PUBL)

The subsidiary to Hoist Finance AB (publ), Hoist Kredit is licensed and regulated as a “Credit Market Company” (Sw. Kreditmarknadsbolag) by the Swedish Financial Supervisory Authority.

Own funds

Own funds, SEK thousand	Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015
Capital instruments and the related share premium accounts	482 963	482 963
Retained earnings	307 205	232 259
Accumulated comprehensive income and other reserves	1 081 949	1 062 749
Independently reviewed interim profits net of any foreseeable charge or dividend ¹	267 191	190 866
Intangible assets (net of related tax liability)	-37 647	-42 278
Deferred tax assets that rely on future profitability	-2 734	-2 224
Common Equity Tier 1 capital	2 098 927	1 924 335
Capital instruments and the related share premium accounts	379 577	93 000
Additional Tier 1 capital	379 577	93 000
Tier 1 capital	2 478 504	2 017 335
Capital instruments and the related share premium accounts	341 715	336 892
Tier 2 capital	341 715	336 892
Total capital	2 820 219	2 354 227

Risk exposure amounts and own funds requirements

Risk exposure amounts, SEK thousand	Hoist Kredit AB (publ)	
	31 dec 2016	31 dec 2015
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	78 060	195 897
<i>of which counterparty credit risk</i>	<i>29 036</i>	<i>89 598</i>
Exposures to corporates	10 238 303	8 789 030
Retail exposures	24 146	43 774
Exposures in default	2 646 432	2 646 612
Exposures in the form of covered bonds	247 485	126 821
Equity exposures	570 038	581 972
Other items	6 116	126 005
Credit risk (standardised approach)	13 810 580	12 510 113
Market risk (foreign exchange risk - standardised approach)	28 858	26 573
Operational risk (basic indicator approach)	0	755 709
Operational risk (standardised approach)	893 024	0
Credit valuation adjustment (standardised approach)	0	664
Total risk exposure amount	14 732 462	13 293 059

Own funds requirements, SEK thousand	Hoist Kredit AB (publ)	
	31 dec 2016	31 dec 2015
Pillar 1		
Exposures to central governments or central banks	0	0
Exposures to regional governments or local authorities	0	0
Exposures to institutions	6 245	15 672
of which counterparty credit risk	2 323	7 168
Exposures to corporates	819 064	703 122
Retail exposures	1 932	3 502
Exposures in default	211 715	211 729
Exposures in the form of covered bonds	19 799	10 146
Equity exposures	45 603	46 558
Other items	489	10 080
Credit risk (standardised approach)	1 104 847	1 000 808
Market risk (foreign exchange risk - standardised approach)	2 309	2 126
Operational risk (basic indicator approach)	-	60 457
Operational risk (standardised approach)	71 442	0
Credit valuation adjustment (standardised approach)	0	53
Total own funds requirement - Pillar 1	1 178 598	1 063 445
Pillar 2		
Concentration Risk	101 991	82 671
Interest Rate Risk in the Banking Book	30 000	71 453
Pension Risk	0	0
Other Pillar 2 Risks	794	24 421
Total own funds requirement - Pillar 2	132 785	178 546
Capital Buffers		
Capital conservation buffer	368 312	332 326
Countercyclical buffer	10 770	5 876
Total own funds requirement - Capital Buffers	379 082	338 202
Total own funds requirements	1 690 465	1 580 193

Capital ratios and buffers

Capital ratios and buffers, %	Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015
Common Equity Tier 1 Capital ratio	14,25	14,48
Tier 1 Capital ratio	16,82	15,18
Total Capital ratio	19,14	17,71
Institution specific CET1 buffer requirement	7,07	7,04
<i>of which: capital conservation buffer requirement</i>	2,50	2,50
<i>of which: countercyclical buffer requirement</i>	0,07	0,04
CET1 capital available to meet buffers¹	9,75	9,18

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

Countercyclical buffer

Hoist Kredit AB (publ) 31 Dec 2016, SEK thousand							
Country	Corporates	Retail	Exposures in default	Covered bonds	Other items	Total	Countercyclical buffer rate
Sweden	418 029	-	-	247 485	2 756	669 288	1,50%
Other countries	9 820 274	24 146	2 646 432	-	3 360	13 063 233	0
Total	10 238 303	24 146	2 646 432	247 485	6 116	13 732 520	0,07%

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	1,00%
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%

Leverage ratio

Detailed information about Hoist Kredit AB (publ) leverage ratio is disclosed in Annex V – Disclosure of Leverage Ratio.

The leverage ratio for Hoist Kredit AB (publ) is 13.30 per cent (10.91 per cent) as at 31 December 2016.

Credit risk exposures by exposure class

Hoist Kredit AB (publ), SEK thousand

31 Dec 2016	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	1 530 463	1 530 463	-	1 686 593	-	0%	-
Municipalities	745 786	745 786	-	1 432 949	-	0%	-
Institutions	390 299	390 299	-	477 123	78 060	20%	6 245
Corporates	10 239 159	10 239 159	-	9 242 790	10 238 303	100%	819 064
<i>of which: SME</i>	3 595	3 595	-	8 305	6 327	76%	506
Retail	32 194	32 194	-	42 020	24 146	75%	1 932
<i>of which: SME</i>	-	-	-	-	-	-	-
Exposures in default	2 712 169	2 646 432	127 503	2 769 957	2 646 432	100%	211 715
<i>of which: SME</i>	-	-	-	17 450	17 450	100%	1 396
Covered bonds	2 474 849	2 474 849	-	1 875 458	247 485	10%	19 799
Equity exposures	570 038	570 038	-	568 107	570 038	100%	45 603
Other items	6 117	6 117	-	109 731	6 117	100%	488
Total	18 701 074	18 635 337	127 503	18 204 728	13 810 581	71%	1 104 846

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
<i>of which: SME</i>	19 929	19 929	-	24 972	19 026	76%	1 522
Retail	58 365	58 365	-	81 769	43 774	75%	3 502
<i>of which: SME</i>	-	-	-	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	1 268 214	1 268 214	-	1 963 768	126 821	10%	10 146
Other items	990 969	707 986	78 603	588 891	707 978	100%	56 638
Total	17 818 212	17 535 229	78 603	17 075 925	12 510 113	70%	1 000 809

Geographical breakdown of exposure amount

Hoist Kredit AB (publ), SEK thousand

31 Dec 2016	Sovereign and central banks	Municipalities	Institutions	Corporates	Retail	Exposures in default	Covered bonds	Equity exposures	Other items	Total
Sweden	1 530 463	745 786	324 825	418 029	-	-	2 474 849	1 018	2 756	5 497 726
UK	-	-	492	3 658 404	-	-	-	334 949	-	3 993 845
Italy	-	-	2 048	2 947 957	-	-	-	8 860	-	2 958 865
Germany	-	-	1 090	9 989	32 194	1 978 004	-	70 517	-	2 091 794
Poland	-	-	194	1 379 763	-	14 275	-	147 243	-	1 541 475
Netherlands	-	-	53 067	946 373	-	300 829	-	-	2 247	1 302 516
France	-	-	-	486 821	-	-	-	7 183	-	494 004
Spain	-	-	6 248	391 295	-	-	-	29	-	397 572
Belgium	-	-	2 336	-	-	279 258	-	-	1 039	282 633
Other countries	-	-	-	528	-	74 066	-	239	74	74 907
Total	1 530 463	745 786	390 300	10 239 159	32 194	2 646 432	2 474 849	570 038	6 116	18 635 337

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
UK	-	-	574	3 185 623	-	-	-	371 342	3 557 539
Italy	-	-	4 463	2 137 952	-	-	-	20 928	2 163 343
Germany	-	-	1 132	22 793	58 365	2 006 974	-	70 517	2 159 781
Poland	-	-	503	1 506 653	-	19 000	-	147 367	1 673 523
Netherlands	-	-	65 325	1 068 923	-	346 682	-	23 492	1 504 423
France	-	-	-	496 054	-	-	-	27 058	523 113
Belgium	-	-	7 678	-	-	234 831	-	2 331	244 840
Other countries	-	-	-	297	-	39 125	-	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

Maturity analysis of exposure amount

Hoist Kredit AB (publ), SEK thousand

31 Dec 2016	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Treasury bills	-	704 411	1 171 501	397 991	-	-	2 273 903
Lending to credit institutions	215 475	478	-	-	-	-	215 953
Lending to the public	-	-	478	-	-	3 595	4 073
Bonds and other securities	-	86 250	642 989	1 809 327	-	-	2 538 566
Acquired loan portfolios ¹	-	-	-	-	-	2 616 860	2 616 860
Receivables from affiliated companies	-	187 340	4 426 014	2 502 344	-	2 939 241	10 054 939
Derivatives	-	29 167	-	-	-	-	29 167
Other assets	-	224 890	-	322	-	614 897	840 109
Off-balance sheet items	-	331	993	60 443	-	-	61 767
Total	215 475	1 232 867	6 241 975	4 770 427	-	6 174 593	18 635 337

¹ Consists of acquired loan portfolios within Hoist Kredit. See table below for a maturity analysis based on net cash flows.

Anticipated net cash flow for Hoist Kredit's loan portfolios, SEK thousand

31 Dec 2016	Payable on demand	< 3 months	3-12 months	1-5 years	> 5 years	Without fixed maturity	Total
Acquired loan portfolios	-	268 360	603 685	1 837 170	1 146 032	-	3 855 247
Total	-	268 360	603 685	1 837 170	1 146 032	-	3 855 247

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 ¹	-	-	-	-	-	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

¹Consists of acquired loan portfolios within Hoist Kredit. See table below for a maturity analysis based on net cash flows.

Anticipated net cash flow for Hoist Kredit's loan portfolios, 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

ANNEX III – 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).

Own funds disclosure template		(A) 31 December 2016 SEK thousand		(A) 31 December 2015 SEK thousand	
		Hoist Finance consolidated situation	Hoist Kredit AB (publ)	Hoist Finance consolidated situation	Hoist Kredit AB (publ)
Common Equity Tier 1 capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	1 286 805	482 963	1 286 805	482 963
	Of which: Paid up capital instruments	25 796	66 667	25 796	66 667
	Of which: Share premium	1 261 010	416 296	1 261 010	416 296
2	Retained earnings	472 965	347 441	316 687	232 259
3	Accumulated other comprehensive income (and other reserves)	331 293	1 081 949	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	292 004	226 955	161 366	190 866
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	2 383 066	2 139 308	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)	-243 340	-37 647	-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)	-47 268	-2 734	-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)	-290 609	-40 382	-298 320	-44 502
29	Common Equity Tier 1 (CET1) capital	2 092 458	2 098 927	1 827 901	1 924 335
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	379 577	379 577	93 000	93 000
31	Of which: classified as equity under applicable accounting standards	379 577	379 577	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	379 577	379 577	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	0	0
44	Additional Tier 1 (AT1) capital	379 577	379 577	93 000	93 000
45	Tier 1 capital (T1 = CET1 + AT1)	2 472 035	2 478 503	1 920 901	2 017 335
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	341 715	341 715	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	341 715	341 715	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	0	0
58	Tier 2 (T2) capital	341 715	341 715	336 892	336 892
59	Total capital (TC = T1 + T2)	2 813 750	2 820 218	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)	16 787 475	14 732 462	14 839 832	13 293 058

	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	16 787 475	14 732 462	14 839 832	13 293 058
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	12,46%	14,25%	12,32%	14,48%
62	Tier 1 (as a percentage of risk exposure amount)	14,73%	16,82%	12,94%	15,18%
63	Total capital (as a percentage of risk exposure amount)	16,76%	19,14%	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)	7,04%	7,07%	7,02%	7,04%
65	of which: capital conservation buffer requirement	2,50%	2,50%	2,50%	2,50%
66	of which: countercyclical buffer requirement	0,04%	0,07%	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)	7,96%	9,75%	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 IV – CAPITAL INSTRUMENTS INCLUDED IN OWN FUNDS

CAPITAL INSTRUMENTS MAIN FEATURES		SHARE CAPITAL	PERPETUAL AT1 NOTES	PERPETUAL AT1 NOTES	FIXED TERM SUBORDINATED LOAN NOTES
1	Issuer	Hoist Finance AB (publ)	Hoist Kredit AB (publ)	Hoist Kredit AB (publ)	Hoist Kredit AB (publ)
2	Unique identifier	SE0006887063	N/a	N/a	SE0005280591
3	Governing law(s)	Swedish law	Swedish law	English and Swedish law	Swedish law
Regulatory treatment					
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Tier 2
6	Eligible at solo/(sub-) consolidated	Solo & 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	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	EUR 29,95 million	SEK 342 million
9	Nominal amount of instrument	SEK 26 million	SEK 100 million	EUR 30 million	SEK 350 million
9a	Issue price	SEK1,287 million	100 per cent	100 per cent	100 per cent
9b	Redemption price	N/a	100 per cent of nominal amount	100 per cent of nominal amount	100 per cent of nominal amount
10	Accounting classification	Equity	Equity	Equity	Liability – amortised cost
11	Original date of issuance	21 August 1915	23 April 2013	21 December 2016	24 June 2013
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated
13	Original maturity date	N/a	Perpetual	Perpetual	17 September 2023
14	Issuer call subject to prior supervisory approval	N/a	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/a	23 April 2018 100 per cent of nominal amount	21 June 2023 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)
16	Subsequent call dates, if applicable	N/a	Any time after first call date	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	Fixed
18	Coupon rate and any related index	N/a	15 per cent	Fixed 8.625 per cent until first call date, thereafter the rate is reset for a period of 5 years to a rate of 5Y Mid-Swap Rate plus a margin of 8.326 per cent.	Fixed 12 per cent until first call date, thereafter 6M STIBOR plus a margin equal to 12 per cent minus the SEK 5Y Mid-Swap Rate
19	Existence of a dividend stopper	N/a	Yes	Yes	No
20a	Fully/partially discretionary or mandatory (in terms of timing)	N/a	Fully discretionary	Fully discretionary	Mandatory
20b	Fully/partially discretionary or mandatory (in terms of amount)	N/a	Fully discretionary	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	N/a	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible

CAPITAL INSTRUMENTS MAIN FEATURES		SHARE CAPITAL	PERPETUAL AT1 NOTES	PERPETUAL AT1 NOTES	FIXED TERM SUBORDINATED LOAN NOTES
24	If convertible, conversion trigger(s)	N/a	N/a	N/a	N/a
25	If convertible, fully or partially	N/a	N/a	N/a	N/a
26	If convertible, conversion rate	N/a	N/a	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a	N/a	N/a
28	If convertible, instrument type convertible into	N/a	N/a	N/a	N/a
29	If convertible, issuer of instrument it converts into	N/a	N/a	N/a	N/a
30	Write-down features	No	Yes	Yes	No
31	If write-down, write-down 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	If CET1 Ratio falls below 5.125	N/a
32	If write-down, full or partial	N/a	Partial	Partial	N/a
33	If write down, permanent or temporary	N/a	Permanent	Permanent	N/a
34	If temporary write-down, description of write-down mechanism	N/a	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 to all depositors, general creditors and subordinated debt.	Subordinated debt.
36	Non-compliant transitioned features	No	No	No	No
37	If yes, non-compliant features				

ANNEX V – 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.

Leverage ratio disclosure template		31 December 2016 SEK thousand		31 December 2015 SEK thousand	
		Hoist Finance consolidated situation	Hoist Kredit AB (publ)	Hoist Finance consolidated situation	Hoist Kredit AB (publ)
Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures					
		Applicable Amount	Applicable Amount	Applicable Amount	Applicable Amount
1	Total assets as per published financial statements	19 149 926	18 468 775	17 451 477	16 903 760
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	145 178	145 178	698 889	698 889
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)	646 483	61 766	180 346	78 603
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	[277 505]	[40 382]	[264 809]	[45 126]
8	Total leverage ratio exposure measure	19 664 081	18 635 337	18 065 903	17 636 125

Table LRCom: Leverage ratio common disclosure					
		CRR leverage ratio exposures	CRR leverage ratio exposures	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)	19 149 926	18 468 775	17 451 477	16 903 760
2	(Asset amounts deducted in determining Tier 1 capital)	[277 505]	[40 382]	[264 809]	[45 126]
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	18 872 420	18 428 393	17 186 667	16 858 633
Derivative exposures					
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	29 167	29 167	316 358	316 358
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	116 011	116 011	131 631	131 631
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	250 900
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)	145 178	145 178	698 889	698 889
Securities financing transaction exposures					
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions				

Leverage ratio disclosure template		31 December 2016 SEK thousand		31 December 2015 SEK thousand	
		Hoist Finance consolidated situation	Hoist Kredit AB (publ)	Hoist Finance consolidated situation	Hoist Kredit AB (publ)
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	0	0
Other off-balance sheet exposures					
17	Off-balance sheet exposures at gross notional amount	1 565 944	127 503	651 064	361 586
18	(Adjustments for conversion to credit equivalent amounts)	[919 461]	[65 737]	[470 717]	[282 982]
19	Other off-balance sheet exposures (sum of lines 17 to 18)	646 483	61 766	180 346	78 603
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	2 472 035	2 478 503	1 920 901	1 924 335
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	19 664 081	18 635 337	18 065 903	17 636 125
Leverage ratio					
22	Leverage ratio	12,57%	13,30%	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	CRR leverage ratio exposures	CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	19 149 926	18 468 775	17 451 477	16 564 629
EU-2	Trading book exposures				
EU-3	Banking book exposures, of which:	19 149 926	18 468 775	17 451 477	16 564 629
EU-4	Covered bonds	2 474 849	2 474 849	1 268 214	1 268 214
EU-5	Exposures treated as sovereigns	2 303 773	2 276 249	3 141 536	3 095 798
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns				
EU-7	Institutions	1 101 423	815 159	1 192 217	516 489
EU-8	Secured by mortgages of immovable properties				
EU-9	Retail exposures	32 194	32 194	58 365	58 365
EU-10	Corporate	200 776	10 239 159	141 346	8 793 775
EU-11	Exposures in default	12 624 015	2 584 666	11 244 739	2 646 612
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	412 895	46 498	405 058	185 375

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 per cent. Hence, Hoist Finance has significant headroom to these levels and will continue to have so due to that the 100 per cent 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 Hoist Finance consolidated situation and Hoist Kredit has improved during the period. The increase of the leverage ratio is mainly attributable to the increase of Additional Tier 1 capital of EUR 30 million (numerator). In addition to this inclusion of profit contributed to an increase of the CET1 capital (numerator). This was slightly offset by the period's balance sheet expansion (denominator).