STRICTLY CONFIDENTIAL

Hoist Finance AB (publ)

(incorporated in Sweden as a public company with limited liability)

Offering of up to 40,725,246 Shares

This offering memorandum (the "**Offering Memorandum**") relates to the initial public offering (the "**Offering**") of up to 40,725,246 of our shares, each with a quota value of SEK ⅓ per share. We are offering such number of new shares, not to exceed 15,000,000 new shares (the "**New Shares**"), as will raise gross proceeds of SEK 750 million, and Beagle Investments SA, Olympus Investment S.à r.l., Costas Thoupos and funds managed by Toscafund Asset Management LLP ("**Toscafund**") (together, the "**Selling Shareholders**") are offering between 25,725,246 and 26,453,976 shares (the "**Outstanding Shares**" and, together with the New Shares, the "**Firm Shares**").

The total number of Outstanding Shares offered by the Selling Shareholders may be increased. However, in no event will the Selling Shareholders increase the Offering by more than 4,787,058 Outstanding Shares, excluding any shares that may be sold pursuant to the Over-allotment Option described below.

The Offering consists of: (i) a public offering to investors in Sweden; and (ii) private placements to institutional investors in various jurisdictions, including a private placement in the United States to persons who are both "qualified institutional buyers" ("**QIBs**"), as defined in Rule 144A ("**Rule 144A**") of the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, and "qualified purchasers" ("**QPs**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company Act**"). All offers and sales outside the United States will be made in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act.

The Selling Shareholders have granted the Managers an option to purchase 6,826,844 additional shares of the Company (the "**Additional Shares**") at the Offer Price (less agreed commissions) to cover potential over-allotments or other short positions, if any, in connection with the Offering (such option, the "**Over-allotment Option**"). The Over-allotment Option is exercisable, in whole or in part, for a period of 30 days from the first day of trading of the Shares on Nasdaq Stockholm. The Firm Shares and the Additional Shares, if any are sold hereunder, shall be referred to as the "**Offer Shares**" and the term "**Shares**" shall refer to our shares.

The investors listed below (the "**Cornerstone Investors**") have committed to acquire at the final Offer Price (and at any such price throughout the Offer Price Range set forth below) a number of Offer Shares equivalent to the percentage of the Company's Shares following completion of the Offering set out next to its respective name below:

- Carve Capital AB – 9%;
- Lancelot Asset Management AB, on behalf of the fund Lancelot Avalon and discretionary mandates – 5%; and
- Zenit Asset Management AB – 4%.

Each Cornerstone Investor's commitment is subject to certain conditions as described in "*Plan of Distribution—Subscription Undertakings and Expressed Intentions to Purchase Shares in the Offering*." The Cornerstone Investors will not be subject to a lock-up in respect of their allocations.

Prior to the Offering, there has been no public market for our Shares. Application has been made for the admission of our Shares to trading on Nasdaq Stockholm under the trading symbol "HOFI." The first day of trading in, and the official listing of, the Shares is expected to be March 25, 2015.

The Offer Price (the "**Offer Price**") is expected to be set within the range set forth below. The Offer Price and the number of Offer Shares sold is expected to be announced through a press release on or about March 25, 2015.

Offer Price Range: SEK 50 to SEK 60 per Offer Share

Investing in the Offer Shares involves risks. See "Risk Factors" beginning on page 20 for a discussion of certain risks you should consider before investing in the Offer Shares.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to purchase any of the Offer Shares in any jurisdiction to or from any person to whom it would be unlawful to make such an offer in such a jurisdiction.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any securities laws of any state within the United States, and may not be offered or sold in the United States (or to or for the account or benefit of) any U.S. Person except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. The Offer Shares are being offered and sold in the United States in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, only to QIBs who are also QPs, who have each executed and delivered to the Company and the Joint Global Coordinators a U.S. Investment Letter in the form attached to this Offering Memorandum as Appendix A (the "U.S. Investment Letter"). The Offer Shares are being offered and sold outside the United States (including in offshore transactions to U.S. persons who are both QIBs and QPs and who have each executed and delivered a U.S. Investment Letter) in compliance with Regulation S. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on offers and sales, and resale or transfer, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*."

The Managers expect to deliver the Offer Shares on or about March 27, 2015 through the book-entry facilities of Euroclear Sweden AB ("**Euroclear Sweden**"), against payment for the Offer Shares in immediately available funds. The Shares will be eligible for clearing through the facilities of Euroclear Sweden.

Joint Global Coordinators and Joint Bookrunners

Carnegie **Morgan Stanley**

Joint Bookrunner

Citigroup

The date of this Offering Memorandum is March 12, 2015

In this Offering Memorandum, the terms "**we**," "**our**," "**us**," the "**Company**" and "**Hoist Finance**" all refer to either Hoist Finance AB (publ) or Hoist Finance AB (publ) and its subsidiaries, as the context requires, and the "**Group**" refers to Hoist Finance AB (publ) and its subsidiaries. References herein to our status as a regulated "Credit Market Company" (*Sw. Kreditmarknadsbolag*) are to the license granted under the Swedish Banking and Financing Business Act (Sw. *lag (2004:297) om bank- och finansieringsrörelse*) by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") to Hoist Kredit AB ("**Hoist Kredit**"), pursuant to which the business of Hoist Kredit, and indirectly the business of the Group, is subject to regulation and regulatory supervision applicable to the banking sector. References herein to our bonds are to the series of notes issued by Hoist Kredit.

No representation or warranty, express or implied, is made by Carnegie Investment Bank AB ("**Carnegie**") or Morgan Stanley & Co. International plc ("**Morgan Stanley**" and, together with Carnegie, the "**Joint Global Coordinators**") or Citigroup Global Markets Limited ("**Citigroup**" and, together with the Joint Global Coordinators, the "**Managers**") as to the accuracy or completeness of any information contained in this Offering Memorandum. In making an investment decision, investors must rely on their own assessment of us and the terms of this Offering, including the merits and risks involved. No person is or has been authorized to give any information or make any representation in connection with the offer or sale of the Offer Shares other than those contained in this Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholders or the Managers and none of them accept any liability with respect to any such information or representation.

Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. In the event of any changes to the information in this Offering Memorandum that may affect the valuation of the Offer Shares during the period from the date of announcement to the first day of trading, such changes will be announced in accordance with the provisions of Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (1991:980) (Sw. *lag (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"), which, among other things, governs the publication of prospectus supplements.

A separate prospectus in Swedish has been approved by and registered with the SFSA in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Trading Act, implementing the Prospectus Directive. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided herein is correct or complete.

The distribution of this Offering Memorandum and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. No action has been taken by the Company, the Selling Shareholders or the Managers to permit a public offering in any jurisdiction other than Sweden. Persons into whose possession this Offering Memorandum may come are required by the Company, the Selling Shareholders and the Managers to inform themselves about and to observe such restrictions. This Offering Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer. For further information with regard to restrictions on offers and sales of the Offer Shares and the distribution of this Offering Memorandum, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*." Investors agree to the foregoing by accepting delivery of this Offering Memorandum.

The Managers are acting for the Selling Shareholders and us and no one else in relation to the Offering. The Managers will not be responsible to anyone other than the Selling Shareholders and us for providing the protections afforded to clients of the Managers nor for providing advice in relation to the Offering.

IN CONNECTION WITH THE OFFERING, MORGAN STANLEY, AS THE STABILIZING MANAGER, OR ITS AGENTS, ON BEHALF OF THE MANAGERS, MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES FOR UP TO 30 DAYS FROM THE FIRST DAY OF TRADING OF THE SHARES ON NASDAQ STOCKHOLM. SPECIFICALLY, THE MANAGERS MAY OVER-ALLOT SHARES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. THE STABILIZING MANAGER AND ITS AGENTS ARE NOT REQUIRED TO ENGAGE IN ANY OF THESE ACTIVITIES AND, AS SUCH, THERE IS NO ASSURANCE THAT THESE ACTIVITIES

WILL BE UNDERTAKEN; IF UNDERTAKEN, THE STABILIZING MANAGER OR ITS AGENTS MAY END ANY OF THESE ACTIVITIES AT ANY TIME AND THEY MUST BE BROUGHT TO AN END AT THE END OF THE 30-DAY PERIOD MENTIONED ABOVE. SAVE AS REQUIRED BY LAW OR REGULATION, THE STABILIZING MANAGER DOES NOT INTEND TO DISCLOSE THE EXTENT OF ANY STABILIZATION TRANSACTIONS UNDER THE OFFERING. SEE "*PLAN OF DISTRIBUTION*."

IMPORTANT INFORMATION CONCERNING THE OPPORTUNITY TO SELL ALLOCATED SHARES

Please note that the notification to the general public in Sweden of the allocation of Offer Shares will be made through the distribution of contract notes, which are expected to be distributed on March 25, 2015. After funds for the allocated Offer Shares have been drawn by the Managers, Offer Shares paid for will be transferred to the securities account or custody account designated by each respective purchaser. Due to the time required to distribute contract notes, transfer funds and transfer Offer Shares to purchasers, the acquired Offer Shares will not be available to purchasers in their designated securities accounts or custody accounts until on or around March 27, 2015.

Trading in the Shares on Nasdaq Stockholm is expected to commence on or about March 25, 2015. The fact that the Offer Shares will not be available on the purchaser's securities account or custody account before March 27, 2015 means that the purchaser may not be able to sell the Shares on Nasdaq Stockholm from the day that trading in the Shares commences, but only from the day the Shares are available in the securities account or custody account. Purchasers may receive notification of allocation from March 25, 2015.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States (or to or for the account or the benefit of) any U.S. Person except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the U.S. Securities Act. The Company has not been and will not be registered under the U.S. Investment Company Act pursuant to the exemption provided by Section 3(c)(7) thereof, and investors will not be entitled to the benefits of the U.S. Investment Company Act. Accordingly, the Offer Shares are being: (i) offered and sold in the United States in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, only to QIBs who are also QPs, who have each executed and delivered to the Company and the Joint Global Coordinators (and the Company and the Joint Global Coordinators have accepted) a U.S. Investment Letter in the form attached to this Offering Memorandum as Appendix A; and (ii) offered and sold outside the United States (including in offshore transactions to U.S. persons who are both QIBs and QPs and who have each executed and delivered a U.S. Investment Letter) in compliance with Regulation S. For certain restrictions on the sale and transfer of the Offer Shares, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*."

In the United States, this Offering Memorandum is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Offering Memorandum has been provided by us and other sources identified herein. Distribution of this Offering Memorandum to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited. Any reproduction or distribution of this Offering Memorandum in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Offer Shares.

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States. In making an investment decision investors must rely on their own examination of us and the terms of this Offering Memorandum, including the merits and risks involved.

When purchasing the Offer Shares, any U.S. Person will be required to make the acknowledgments, representations, warranties and agreements set out in the U.S. Investment Letter attached as Appendix A. The Offer Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under applicable U.S. federal securities laws and as permitted under the "*Transfer Restrictions*" set forth herein and as set forth in Appendix A.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

In any Member State of the European Economic Area ("**EEA**") other than Sweden that has implemented the Prospectus Directive, this Offering Memorandum is only addressed to, and is only directed at, investors in that EEA Member State who fulfill the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Directive as implemented in each such EEA Member State.

This Offering Memorandum has been prepared on the basis that all offers of Offer Shares, other than the offer contemplated in Sweden, will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of Offer Shares. Accordingly any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the placement contemplated in this Offering Memorandum should only do so in circumstances in which no obligation arises for us, the Selling Shareholders or any of the Managers to produce a prospectus for such offer. Neither we, the Selling Shareholders nor the Managers have authorized, nor do we, the Selling Shareholders or the Managers authorize, the making of any offer of Offer Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer Shares contemplated in this Offering Memorandum.

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, excluding Sweden (a "**Relevant Member State**"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholders or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offered to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

ENFORCEABILITY OF LIABILITIES

The Company is a company limited by shares organized under the laws of the Kingdom of Sweden and its assets are located outside of the United States. In addition, none of the members of the Company’s Board of Directors or officers and other executives of the Company are citizens or residents of the United States and their assets are located primarily or entirely outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or most of such persons, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws or otherwise. The United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages based on civil liability rendered by a U.S. court, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in Sweden. If the party in whose favor the final judgment is rendered brings a new suit in a competent Swedish court, the party may submit to the Swedish court the final judgment that has been rendered in the United States. Such judgment will only be regarded by a Swedish court as evidence of the outcome of the dispute to which the judgment relates, and a Swedish court may choose to rehear the dispute *ab initio*.

ADDITIONAL INFORMATION

For so long as any of the Shares are “restricted securities” within the meaning of the Securities Act, we have agreed that we will, during any period in which we are neither subject to the reporting requirements of Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”), nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "believe," "expect," "anticipate," "intend," "may," "plan," "estimate," "will," "should," "could," "aim" or "might," or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Memorandum, including, without limitation, in the sections entitled "*Summary*," "*Risk Factors*," "*Dividends and Dividend Policy,*" "*Operating and Financial Review,*" "*Industry Overview" and* "*Business Overview*" and include, among other things, statements relating to:

- our strategy, outlook and growth prospects, including on a geographic segment basis;
- our operational and financial targets and dividend policy;
- our liquidity, capital resources and capital expenditure;
- our planned investments, acquisitions and/or divestments;
- the expectations as to future growth in demand for our products and services;
- the impact of regulations on us and our operations;
- the impact of changes in tax regulations that we are subject to; and
- the competitive environment in which we operate.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among others:

- changes in the economic conditions in the markets in which we operate;
- inability to purchase portfolios at sufficient levels, appropriate prices or of sufficient quality due to a lack of supply, lack of funding or decreased willingness of debt originators to sell debt portfolios to us;
- inability to manage our international operations and expansion plans;
- the loss or suspension of our license as a "Credit Market Company" and the potential impairment of our access to funding at similar cost or at all;
- deterioration in the value of our existing portfolios;
- inability to maintain and develop our Data Warehouse or IT systems, including the hosting and security of our retail deposits, or anticipate, manage or adopt technological advances within our industry;
- failure to maintain IT security or protect our Data Warehouse;
- breach of data protection laws;
- reliance on our senior management team and trained employees;
- failure to comply with applicable laws, regulations and codes of practice or changes to the regulatory environment in which we operate; and
- failure of our statistical models and data analysis tools to accurately project remaining cash flows from our portfolios.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*."

These forward-looking statements speak only as of the date of this Offering Memorandum. The Company expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

This Offering Memorandum contains our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union and audited by our independent auditors, KPMG AB, as set forth in their audit report included elsewhere herein.

We present our financial statements in SEK. Amounts included in our financial statements that were not originally denominated in SEK have been translated into SEK using the average exchange rate for the financial period with respect to the income statement and the period-end exchange rate with respect to the statement of financial position items.

Non-IFRS Financial Measures

The following financial measures included in this Offering Memorandum are not measures of financial performance or liquidity under IFRS:

- EBIT means net profit for the period before interest income (excluding interest income from run-off consumer loan portfolio), interest expense, net result from financial transactions and income tax expense.
- EBIT margin represents EBIT as a percentage of total revenue.
- EBITDA means net profit for the period before interest income (excluding interest income from run-off consumer loan portfolio), interest expense, net result from financial transactions, portfolio revaluations, income tax expense and depreciation and amortization of tangible and intangible fixed assets.
- Adjusted EBITDA means EBITDA before amortization on the run-off consumer loan portfolio and portfolio amortization.
- Adjusted EBITDA margin represents adjusted EBITDA divided by income from acquired loan portfolios (gross cash collections).

The measures above are calculated based on the Operating Income Statement as defined and described below. For a reconciliation of our profit and loss for the periods presented to EBITDA and Adjusted EBITDA, see "*Selected Consolidated Financial, Operating and Other Data*."

The non-IFRS financial measures presented herein are not recognized measures of financial performance under IFRS, but measures used by management to monitor the underlying performance of our business and operations. In particular, the non-IFRS financial measures should not be viewed as substitutes for revenue, other income, results from operating activities (EBIT), profit/(loss) for the period, cash flows from operating activities at period end or other income statement or cash flow items computed in accordance with IFRS. The non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirements and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results.

We have presented these non-IFRS measures in this Offering Memorandum because we consider them to be important supplemental measures of our performance and believe that they are widely used by investors comparing performance between companies. Since not all companies compute these or other non-IFRS financial measures in the same way, the manner in which our management has chosen to compute the non-IFRS financial measures presented herein may not be comparable with similarly defined terms used by other companies.

Presentation of Operating Income Statements

Due to our status as a "Credit Market Company," we are required to produce financial statements in accordance with the guidance and format set forth in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (Sw. *lag (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag*) (the "**Statutory Financial Statements**"). The Statutory Financial Statements have been included elsewhere herein and information relating to our income statement and balance sheet, as set forth in "*Selected Consolidated Financial, Operating and Other Data—Selected Income Statement Data*," has been extracted from the Statutory Financial Statements. The income statement in the Statutory Financial Statements is structured to present the

Company as a credit institution. In order for the Board of Directors and management to assess the operational performance of our debt purchasing and collection operations and to facilitate comparison with our competitors in the debt purchasing industry, we supplement the Statutory Financial Statements by producing an "operating income statement" (the "**Operating Income Statement**") as set forth in Note 1 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum, and discussing such Operating Income Statement in "*Operating and Financial Review*." The Operating Income Statement contains no adjustments or amendments compared to, and has been prepared on the basis of the same accounting principles as, the income statements in the Statutory Financial Statements.

Key Operating Metrics

In this Offering Memorandum, we present various key operating metrics. We believe that these metrics are helpful in understanding our performance from period to period and facilitate comparison with our peers. The key operating metrics included in this Offering Memorandum are defined as follows:

- Collection cost ratio: Collection cost ratio means cost to collect on debt portfolios relative to gross collections.
- Cost to collect: Cost to collect is defined as total operating expenses (*i.e.*, personnel expenses and other operating expenses) *less* operating expenses attributable to the segment "central functions and eliminations" *less* cost for third-party collection services. For simplicity reasons, since our third-party collection services carry low margins, our cost for third-party collection services has been calculated to equal revenue from third-party collection services. On a segment basis, cost to collect is defined as total operating expenses (*i.e.*, personnel expenses and other operating expenses) *less* cost for third-party collection services.
- Discount rate: Discount rate means, for portfolios recognized under the fair value method (*i.e.*, portfolios purchased prior to July 1, 2011), the discount rate corresponding to the market's required rate of return for similar assets at any particular point of time (as of the date hereof, a discount rate of 12% is used on a ten-year discount period).
- Estimated Remaining Collections ("**ERC**"): ERC means the sum of future projected gross cash collections on purchased portfolios for a set length of time (we measure ERC over 120 months). ERC excludes estimated collections beyond the referenced period. These projections are based on historical and current portfolio collection performance data, and trends and assumptions about future debt collection rates. We can provide no assurances that we will achieve such collections within the specified time periods, or at all. ERC is a measure that is also often used by other companies in the debt purchasing industry. However, it may be calculated differently by other companies. We present ERC because it represents an estimate of the anticipated future cash collections on our purchased portfolios at any point in time, which is an important supplemental measure used by our management to assess our performance, and underscores the cash generation capacity of the assets backing our business. We use ERC as the business case forecast horizon when purchasing portfolios and we also use it for accounting purposes. In this Offering Memorandum we present ERC, which is our estimated remaining collections on our purchased portfolios over a 120 month period.
- Gross cash-on-cash multiple: Gross cash-on cash multiple means the actual collections before collection costs received on a portfolio to the date that the multiple is measured, plus the 120-month ERC before collection costs from the date of purchase of the portfolio, divided by the total amount paid for the portfolio at the date of purchase.
- Internal rate of return ("**IRR**"): IRR means, for portfolios recognized under the amortized cost method (*i.e.*, portfolios purchased on or after July 1, 2011), the effective interest rate determined at the time of the portfolio purchase pursuant to which the carrying value of such portfolio corresponds to the present value of estimated net future cash flows when discounted by such interest rate. With the projection of future gross cash flows and the purchase price, including transaction costs, as the basis, each portfolio is assigned an IRR at the time of purchase that exactly discounts estimated future cash payments or receipts through the expected life of the portfolio or, when appropriate, a shorter period, to the carrying amount of the portfolio based upon estimated debt collections over the 120 months following purchase. That IRR is then used to discount expected cash flows through the life of the portfolio, even if the portfolio is later revalued due to changes in estimated future cash flows.
- Return on acquired loan portfolios: Return on acquired loan portfolios means our EBIT for the period, excluding costs for central functions, which on an annualized basis is compared to the average book value of our acquired loan portfolios (including our run-off consumer loan portfolio in Germany and

our 50/50 joint venture in Poland) (*i.e.*, start of period + end of period) divided by two. EBIT contributions from services unrelated to our acquired loan portfolios, *i.e.*, revenue from debt servicing, are not excluded for reasons of simplicity. They constitute in general a small part of consolidated revenue and EBIT.

Adjustments

Certain numerical information and other amounts and percentages presented in this Offering Memorandum may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number. As used herein, the symbol "n/m" means "not meaningful" and "n/a" means "not applicable."

Other Information

In this Offering Memorandum, all references to: (i) "**SEK**" are to the lawful currency of the Kingdom of Sweden; (ii) "**EUR**" or "**€**" are to euro, the single currency of the member states (the "**Member States**") of the European Union participating in the European Monetary Union having adopted the euro as its lawful currency; (iii) "**GBP**" or "**£**" are to the lawful currency of Great Britain; (iv) "**PLN**" are to the lawful currency of Poland; and (v) "**USD**" and "**U.S. dollar**" are to the lawful currency of the United States. For certain information regarding rates of exchange between SEK and USD and EUR and USD, see "*Exchange Rate Information and Regulation*." No representation is made that the SEK, EUR or USD amounts referred to herein could have been or could be covered into SEK, EUR or USD, as the case may be, at the rates referred to in "*Exchange Rate Information and Regulation*," at any particular rate, or at all.

Trademarks

We own or have rights to certain trademarks, trade names or service marks that we use in connection with the operation of our business. We assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and service marks.

Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the ™, ® and © symbols.

Certain Terms Used

For definitions of certain terms used in the Offering Memorandum as well as a glossary of other terms used in this Offering Memorandum, *see* "*Definitions and Glossary*."

MARKET DATA

This Offering Memorandum contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to our business and markets. Unless otherwise indicated, such information is based on our analysis of multiple sources, including a market study (the "**Company Market Study**") we commissioned from a leading international third-party consultancy firm (the "**Market Consultancy Firm**") and information otherwise obtained. Such information has been accurately reproduced, and, as far as we are aware from such information, no facts have been omitted which would render the information provided inaccurate or misleading. The Company Market Study is based on primary interviews and field visits conducted with industry experts and participants, secondary market research based on third-party data, such as annual reports and statistics from the International Monetary Fund ("**IMF**"), and internal financial and operational information supplied by, or on behalf of, us.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We have not independently verified and cannot give any assurance as to the accuracy of market data contained in this Offering Memorandum that were extracted or derived from these industry publications or reports. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

This Offering Memorandum also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by us based on third-party sources and our own internal estimates, including the Company Market Study. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that our estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within the industry. Although we believe that our internal market observations are reliable, our own estimates are not reviewed or verified by any external sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings "*Presentation of Financial and Other Information*" and "*Risk Factors*" in this Offering Memorandum.

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SUMMARY

The following summary information does not purport to be complete and is merely an introduction to the more detailed information appearing elsewhere in this Offering Memorandum. You should read the entire Offering Memorandum carefully before investing, including "Risk Factors," "Business Overview," "Operating and Financial Review" and the historical financial statements included herein. For the definitions of certain terms used herein, see "Definitions and Glossary."

Overview

We are a leading debt-restructuring partner to international banks, with operations in nine countries across Europe. We specialize in purchasing unsecured non-performing loans, often referred to as NPLs ("**NPLs**"), originated by large international banks and other financial institutions with whom we have strong and long-term relationships. We follow our key partners across markets and often purchase portfolios in several countries where they have operations. As of December 31, 2014, 94% of the carrying value of our purchased portfolios originated from financial institutions. We also selectively purchase overdue debt from utilities, telecommunications companies and other consumer companies and, in certain markets, opportunistically and selectively purchase performing and secured loans. After purchasing a portfolio, we collect from the customers primarily by agreeing to sustainable payment plans. We largely manage the collections on our purchased portfolios through our ten in-house collection centers across Europe, which are complemented, where appropriate, by carefully selected local external debt servicing partners. For more than 20 years, we have focused exclusively on purchasing debt portfolios. This sets us apart from many of our competitors who have emerged from the third-party debt collection space and have significantly shorter history of debt purchasing activities. This long-term focus and our flexible and tailored product offering have allowed us to develop the expertise and know-how to structure and execute complex transactions.

We were the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014. As of December 31, 2014, we owned approximately 1,570 active loan portfolios, consisting of approximately 6.5 million active claims in eight countries with an aggregate carrying value of SEK 8,587 million. For the year ended December 31, 2014, revenue from purchased portfolios represented 91% of our total revenue. During the years ended December 31, 2014, 2013 and 2012, our gross collections on purchased portfolios were SEK 2,541 million, SEK 1,641 million and SEK 887 million, respectively, and our adjusted EBITDA increased at a compound annual growth rate ("**CAGR**") of 53% from 2012 to 2014. As of December 31, 2014, we had an ERC on our existing portfolios of SEK 15.6 billion, which is 1.8 times the carrying value.

We are a regulated "Credit Market Company" supervised by the SFSA. We believe that our status as a regulated financial institution is a key competitive advantage and has contributed to our ability to become a trusted partner to Europe's large international banks. Since we are subject to the same type of regulation as many of our debt originator clients, we are able to purchase certain claims and handle certain customer information that in some jurisdictions may be handled only by financial institutions, for example, performing loans in Germany. Moreover, our industry is subject to regulatory change, for example in the United Kingdom, where the Financial Conduct Authority ("**FCA**") as of April 1, 2014 is the new regulator of debt collection companies. As a regulated financial institution since 1996, our internal control, risk management, compliance and governance functions have been subject to regulatory scrutiny by the SFSA and we believe that we will have to make less investment and implement fewer new control measures than many of our competitors in response to this and other regulatory changes. As a licensed financial institution, we are able to offer retail deposits to the general public that are covered by the Swedish state-provided deposit insurance scheme, which guarantees an amount of EUR 100,000 for each depositor. This provides us with a cost-efficient, flexible and reliable source of funding that we largely use to fund our portfolio purchases.

We have developed a robust valuation methodology that we consistently apply when reviewing, analyzing and pricing portfolios that we are considering for purchase. The fundamental component in this process is our internal Data Warehouse, which contains granular historical data on portfolios and customers across our markets derived from our debt purchasing activities since 1997 (our "**Data Warehouse**"). Our Data Warehouse combines both an extensive set of historical data with fresh data obtained from portfolio purchases in recent years, during which time we have been one of the most active purchasers in Europe. Our investment and pricing teams work together with our collection operations and use the information in the Data Warehouse to create a "synthetic portfolio" with the same key characteristics as each portfolio being analyzed for purchase. The collection profile for this “synthetic portfolio” is thereafter applied to the analyzed portfolio to develop a collection forecast relevant for such portfolio. We believe that this gives us an accurate and reliable forecast of the expected future performance of purchased portfolios. Due to our experience and track record of generating collections in line with our forecasts, and the extensive data contained in our Data Warehouse, we have historically been able to accurately value portfolios and collect in line with our forecasts. Our Data Warehouse provides the foundation upon which our operations are built. The analytical steering model we employ to maximize the utilization of data in our Data Warehouse is standardized across our operations and integrated in all areas of the business: when forecasting and pricing portfolios that we consider for purchase, when implementing purchased claims into our operations, when allocating resources within our collection operations, and when reporting, monitoring and benchmarking the performance of our purchased portfolios.

In addition to debt purchasing, we also provide debt servicing to collect overdue debt on behalf of third parties in selected European markets. We engineer and implement tailored debt collection strategies and solutions to maximize cash flow streams from overdue debt for clients who have decided to outsource their debt collection function. For the year ended December 31, 2014, revenue from third-party debt servicing and other services represented 9% of our total revenue.

We are present in nine countries across Europe. We undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our headquarters are located in Stockholm, Sweden, where we also raise funding through our retail deposit platform, but where we do not collect debt. In addition, we have offices in London, United Kingdom and Duisburg, Germany, where, in addition to our headquarters in Stockholm, our Group investments function is located. We have a track record of strong revenue growth and achieving growth in EBIT that has exceeded revenue growth. During the period 2012 - 2014, our total revenue increased from SEK 667.2 million to SEK 1,660.6 million, while our EBIT increased from SEK 127.9 million in 2012 to SEK 529.6 million in 2014 and our EBIT margin increased at a CAGR of 29% from 2012 to 2014.

Our Strengths

Strong underlying drivers for growth within the financial institution NPL market

We believe that there are a number of secular factors impacting the industry that will result in strong growth and in increased sales volumes within the financial institution NPL segment over the coming years.

- ***Large post financial crisis NPL backlog - Stock of NPLs has grown by 1.6x since 2008.*** Since the start of the financial crisis in 2008, the total stock of bank originated consumer unsecured NPLs that have been in default for at least 90 days has grown substantially in the European markets where we are currently active, from EUR 49 billion in 2008 to an estimated EUR 81 billion in 2014 according to the Company Market Study. Post the Comprehensive Assessment (“**CA**”) conducted by the European Central Bank (“**ECB**”) (covering NPLs across all European countries and regardless of default period), European banks were required to further increase NPLs by EUR 136 billion, increasing the total stock of NPLs in Europe to EUR 879 billion. We have seen increased NPL volumes resulting in significantly increasing sales volumes compared to historical levels and we expect this to increase further in the future according to the Company Market Study.
- ***Increasing debt sales volumes.*** The ongoing distribution of the post financial crisis NPL backlog, in combination with the implementation of the Basel III Framework and other new regulations, are resulting in significantly increasing sales volumes of unsecured consumer NPLs from financial institutions. Sales volumes increased from EUR 1.1 billion in 2008 to an estimated EUR 2.0 billion in 2014. Based on the Company Market Study, we expect the level of debt sales volumes to slightly increase further over the next five years.
- ***Secular outsourcing trend among European banks.*** The European markets for sales of NPLs are maturing and NPL sales have become an integral part of the European bank eco-system in certain countries with increasing volumes being sold and at an earlier stage of the NPL cycle. This follows a trend that we have already seen in the United States, as well as in some mature European markets such as the United Kingdom, where banks have a longer history of selling NPLs. We believe that this trend will continue, as there is a clear value proposition for banks to sell NPLs. This allows for increased focus on core business activities and helps to improve their balance sheets. Additionally, the collection of defaulted loans requires a substantial amount of resources and know-how. We believe that collections are most efficiently performed by specialized collection services providers.

A leading pan-European debt purchaser with a focused strategy of profitable growth

- ***Pan-European platform established through focused strategy of profitable growth.*** Over the past ten years, we have followed a conscious and focused strategy of expanding into new European markets, while at the same time maintaining profitability. This has allowed us to build a diversified pan-European platform, covering the majority of Europe's large NPL markets. This has also allowed us to become the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014. Our expansion strategy has been prudently executed by only entering new markets that we have monitored over the course of many years. We carefully analyze and evaluate markets of interest against a set of strategic and financial criteria, such as growth prospects and size. Once we feel that we have developed a sufficient understanding of the market, we will enter in scale. For example, we initially entered the United Kingdom in 2011 and then expanded through the acquisitions of Robinson Way Limited ("**Robinson Way**") in 2012 and the lewis group Ltd (the "**lewis group**") in 2013. In Italy and Poland, we originally partnered with local agents and have subsequently developed our own platforms building on that base and by acquiring platforms from such local agents. We intend to continue our European expansion and there are a number of European markets that we are actively monitoring. Subject to market conditions, we plan to continue to expand into new and attractive markets if the appropriate conditions are met.
- ***Diversified geographical presence reduces our exposure to single markets and allows us to follow our key partners across markets.*** We benefit from our pan-European platform in several ways. Our diverse platform mitigates our business risks since it reduces exposure to single markets and clients, both from an origination and risk perspective. The detailed local knowledge we have of the European markets in which we operate is a further source of value for our debt originator clients, and allows us to assist them across a broad geographic footprint.
- ***Largest investor in unsecured consumer NPL portfolios in Europe.*** Our focused strategy of building a pan-European platform has meant that we have purchased NPL portfolios for SEK 8.0 billion in the last three years. As a result, we were the largest pan-European NPL investor by carrying value as of September 30, 2014, which has allowed us to unlock scale benefits. On an operational level, we are able to enjoy economies of scale as we add more portfolios to our existing collection platforms. This improves efficiency and extracts operating leverage. Further, our size is correlated to the amount of data we have access to which in turn enables greater pricing accuracy.

A leading debt-restructuring partner to international banks with a diversified origination network and expertise in structuring complex transactions

- ***Strong value proposition for international banks – credit license is a key differentiating factor.*** We have been under the SFSA's supervision since 1996. As a "Credit Market Company," we are well positioned to assist our key partners, *i.e.*, other banks and financial institutions. Our status as a regulated financial institution means that our debt originator clients do not need to leave the regulated environment and that we, in turn, understand the regulatory environment and related issues that our debt originator clients face. We believe that this facilitates interaction with our debt originator clients as it is a source of comfort to know that both parties share similar compliance thresholds. Furthermore, our regulatory status means that we can complete our full service offering to financial institutions; we are authorized to purchase loans that span the entire credit curve. This allows us to purchase certain portfolio types, such as performing portfolios, which in Germany requires the purchaser to be a financial institution.
- ***Established relationships with Europe's leading banks.*** We have established ourselves as a leading debt restructuring partner to international banks. We were the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014 and have partnered with all of Europe's ten largest banks by total assets within the past eight years. We operate a pan-European platform with a pan-European service model and work with our key partners across markets. Following our key partners across markets is a core pillar of our strategy and we have worked with the majority of our ten top debt originator clients across several markets. This strategy allows us to quickly establish a platform with scale in a new jurisdiction.
- ***Diversified origination network.*** While we focus on servicing Europe's large international banks, we have established a diversified origination network. Since 2011, we have purchased almost 850 portfolios from 111 clients. In 2014, our top five debt originator clients accounted for 49% of the

total purchase price we paid for debt portfolios while 16% were from debt originators from whom we purchased portfolios for less than EUR 5 million. We believe that the combination of a number of large trusted key partners, together with a wide and granular base, helps us to maintain consistency and volume.

- ***Expertise in structuring complex transactions.*** Over the past 20 years, we have focused almost exclusively on purchasing portfolios of defaulted debt. This distinguishes us from many of our pan-European competitors who have emerged from the third-party debt collection space and have significantly shorter history of debt purchasing activities. This long-term focus and our flexible and tailored product offering have allowed us to develop expertise and know-how in structuring and executing complex transactions. In 1999 we completed our first structural outsourcing transaction by taking over Citibank's collection platform in Bremen, Germany, which included 90 employees. We still operate the Bremen platform and since then we have completed a number of complex transactions across many of our markets. Our most recent structural acquisition was in 2012 and 2013 when we acquired Robinson Way and the lewis group in the United Kingdom. We undertook a major restructuring of the companies in 2013 and 2014 and have, as a result, substantially increased collection efficiency since then.

Our business is underpinned by a strong funding model and amicable collection strategy

- ***Highly efficient and diversified funding model providing strategic flexibility.*** We fund ourselves through a mix of retail deposits and unsecured bonds. Our deposit funding is a source of core competitive advantage; it provides us with access to funding at comparatively low costs, and allows us to hold significant liquidity. This enhances our strategic flexibility, which in turn gives us a funding advantage relative to peers who fund themselves with wholesale or bank debt funding, which is typically more expensive and restrictive; thus does not provide the same flexible liquidity. This advantage allows us to target lower risk portfolios with relatively lower returns and also gives us the flexibility to price portfolios more competitively, while at the same time maintaining attractive returns – a valuable operating trait in the current competitive market environment. Additionally, our relatively low reliance on wholesale funding and the significant liquidity position we achieve with our retail deposits provide us with credibility and acquisition capacity to participate in large transactions.
- ***Amicable and solution-oriented in-house collection process ensures steady long-term cash flows.*** We have a solution-orientated and amicable approach to collections aiming to achieve the optimal outcome for both ourselves and our customers. In practice, this means that we focus on helping our customers by setting up sustainable payment plans rather than paying through one-off settlements. In 2014, a weighted average of 87% of our aggregated collections in Germany, the United Kingdom, Italy, Belgium, the Netherlands and France were under payment plans. Furthermore, our in-house collection model allows us to control the process, ensuring that we maintain the highest standards in customer interaction. The benefits of this approach are two-fold: First, the customer is more likely to pay voluntarily, reducing the likelihood of a more costly legal resolution. Second, by agreeing to payment plans with our customers, we maximize cash over time and receive steady cash flows over a longer period of time. Since banks are responsible for their customers even after their debts have been sold, our reputation of ethical and amicable treatment of customers is a key attribute for our bank debt originator clients. In addition, as the macro-economic climate improves, we believe that our customers' personal finances may strengthen and their ability to repay may increase, which could lead to higher collection rates. This is a source of potential upside embedded in the portfolios already on our books.

Extensive and granular Data Warehouse and disciplined purchase process ensure lower risk portfolios with highly attractive characteristics

- ***Data is at the core of our operations and fully integrated throughout pricing and collection.*** In order to win portfolio purchases, we need to balance a competitive price level with internal return requirements. Our Data Warehouse ensures that we can manage this balance as it has allowed us, based on historical experience, to accurately forecast collections. Since its inception in 1997, we have followed a structured approach of gathering, consolidating and segmenting data into our Data Warehouse. Unlike many competitors, this data is primarily based on purchased NPL portfolios, not portfolios outsourced for collection. This means our data is more relevant for purchasing portfolios and should allow us to price with greater accuracy. In addition to having very long data series, we have been the largest NPL purchaser in Europe in the last three years, which has allowed us to build very large volumes of recent data. To further strengthen our Data Warehouse, there is a constant feedback loop between our Data Warehouse, pricing and collection, ensuring that all processes are data-driven and relevant information from the rest of the business is fed into the Data Warehouse.

- ***Strict financial requirements for investments, and standardized and disciplined purchase process.*** Our investment process is standardized and based on strict strategic and financial requirements. This ensures that we at all times maintain discipline in our purchases of debt portfolios. Before a portfolio is priced, it is evaluated based on strategic implications, geographic focus, delivery of our core strengths, and satisfaction of return metrics. By evaluating potential portfolios against these criteria we ensure that we will only purchase portfolios that are value accretive. Once we decide to bid for a portfolio, we have a standardized pricing process carried out by centralized and local pricing teams. These teams work closely with both local management and local collection departments in assessing the portfolio's level of attractiveness. This ensures approval from all parts of the organization and also serves as an operational validation check.

- ***Diversified portfolios with attractive characteristics.*** Our pool of portfolios is highly cash generative and provides us with significant returns. Over the portfolio's lifetime, we aim to collect a multiple of the purchase price, and we typically have a pay-back period of four to five years. Our disciplined purchase process and high pricing accuracy have resulted in actual collections being very close to initial forecasts, which improve the predictability of our performance. We have a diversified portfolio by geography and by type of debt; only approximately 50% of our portfolio is tertiary, while approximately 30% is payer or primary (for definitions of the various debt types, see "*Industry Overview—Overview of Debt Purchasing*"). Due to our focus on amicable collections, a weighted average of 87% of our aggregated collections in Germany, the United Kingdom, Italy, Belgium, the Netherlands and France are under payment plans; this is a further source of stability and visibility for our cash flows. Our back-book provides certainty for the business, because even if we purchase fewer portfolios than planned, we have a significant proportion of cash flow already locked in. This, together with the potential to convert further non-paying claims into paying claims, allows us to maintain cash flows even in periods of lower portfolio supply.

Our Strategy

We see significant opportunities for growth in the markets where we currently operate. In addition, we are constantly evaluating new market entry positions according to their underlying characteristics and strategic fit with our growth plans. As a result of our scale, reputation, long-term client relationships and solid financial position, we believe that we will be able to capitalize on the portfolio volumes that we anticipate will be offered to the market over the next several years.

We aim to continue to strengthen our position as the leading debt restructuring partner to international banks, and, based on this goal, we have developed a core strategy underpinned by the below pillars:

- ***Strengthen and expand in current markets, and grow in select new markets.*** Historically we have been successful in capturing market growth, both organically and through acquisitions, and we expect this trend to continue. Our strategy is to continue capitalizing on this development by leveraging our local knowledge and strong relationships in our current markets. Further to this, we will continue to use these relationships when pursuing new market entry opportunities. We have been successful in following existing clients into new jurisdictions where they have had operations, and we intend to continue implementing this proven strategy. We are currently evaluating a number of new markets where we believe that there are interesting opportunities. Such markets include, for example, Ireland, Greece, Portugal, Romania and Spain. According to the Company Market Study, the aggregate value of unsecured NPL sales in these markets was estimated at EUR 0.7 billion annually in 2013 and 2014, and the aggregate value of unsecured NPL sales in these markets is expected to increase to between EUR 1.1 billion and EUR 1.2 billion annually from 2015 to 2018.

- ***Maintain investment discipline and focus on core assets.*** By leveraging our strong origination network, established position with financial institutions, and our broad geographic profile, we believe that we will be able to grow with the market. Although we will be expanding our operations, in both existing and new markets, we intend to maintain our business and investment discipline. In order to ensure that each portfolio matches our strategic goals, acquisition criteria, and required rate of return, we utilize a stringent evaluation process. We will maintain our focus on servicing financial institutions as well as enhancing our position as a leading debt restructuring partner to international banks. We do not plan to change our core targeted asset class – non-performing unsecured consumer loans.

- ***Build upon our status as a regulated credit institution.*** Our key clients, international banks, and financial institutions, are highly focused on regulatory compliance and reducing reputational risk. Since we have been a regulated credit institution since 1996, we fully understand how to operate in a regulated environment and our clients can take comfort that our operations are designed to comply with the highest standards. We believe that our status as a "Credit Market Company" gives us a unique standing with our clients, and we aim to leverage this core strength in order to solidify our position as a leading debt restructuring partner to international banks.
- ***Develop collection strategies with emphasis on in-house collection.*** We are constantly engaging in the optimization of our collection strategies. We primarily manage collections on our portfolios through our in-house collection centers across Europe. We believe this strategy gives us several benefits, including full control of the collection process, substantial scalability in the business model, and the opportunity to tailor optimal collection strategies based on our long experience and vast access to portfolio and collection data. Infusing our in-house and optimized collection model with new data will remain a core tenant of our operational model.
- ***Leverage existing benefits of scale.*** As we continue to expand our business, we will be able to utilize our embedded operating leverage to further increase efficiency while at the same time take steps to leverage best practices across the organization and to streamline operations as appropriate. Our significant operating leverage and emphasis on efficiency has allowed us to increase our EBIT margin from 19.2% in 2012 to 31.9% in 2014, and we aim to increase our EBIT margin to above 40% in the medium term.
- ***Maintain and develop strong funding base and leverage on solid capital and liquidity positions.*** We have a diversified funding base consisting of a large retail deposit base and listed bonds in SEK and EUR. This funding base has given us access to a flexible and cost-efficient funding platform. We have the lowest cost of funding within the European debt purchasing market. Additionally, we have established solid capital and liquidity positions, which, in combination with flexible and low cost funding, gives us great leverage to drive further business growth.

Recent Developments

The information below is based on our internal management accounts and represents our preliminary expectations with respect to our results to date in 2015. These estimates have been prepared by and are the responsibility of our management and have not been reviewed or audited by an auditor and investors should not place undue reliance on them. While we believe these estimates to be reasonable, our actual results could vary from these estimates and the differences could be material, see "*Forward-Looking Statements*."

Our gross cash collections, EBIT and portfolio purchases during the two months ended February 28, 2015 are in line with the seasonal trends described in "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors Seasonality*" and, consequently, we do not expect that our annual results for 2015 will be evenly realized across the quarters.

Our EBIT during the two months ended February 28, 2015, adjusted to exclude the effect of the non-recurring items discussed below, has been in line with our expectations. Our overall gross cash collections have been somewhat below our expectations. Collections in Poland and France have been lower than expected, while collections are in line or above expectations in remaining markets, with the major portfolio purchased in Italy in December 2014 having been integrated and delivered collections according to plan. While gross cash collections have been lower, this has been off-set by lower than expected collection costs.

The volume of portfolios that we have purchased during the two months ended February 28, 2015 is lower than in the corresponding period of 2014. This portfolio purchase volume is, however, only slightly lower than expected as we intentionally have invested selectively in anticipation of being able to deploy the capital generated by the Offering and as there is traditionally less market activity in the first quarter of the year. We remain confident about our ability to meet our 2015 portfolio investment guidance. See "*Business Overview—Our 2015 Portfolio Investment Expectations and Medium Term Financial Targets.*"

As a result of our acquisition of Navi Lex in Poland, we have been migrating into our own collection systems portfolios that were previously serviced by third-party collection providers, and these portfolios have been assessed in light of our collection strategies. Due to this assessment, in combination with a renegotiated servicing contract with a main third-party collection provider, we recorded a negative revaluation in the two months ended February 28, 2015 of approximately SEK 4 million. Further assessments of the Navi Lex portfolios are ongoing, which may result in additional revaluations before the quarter ended March 31, 2015. For more detailed information on revaluations, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—Revaluations of Acquired Loan Portfolios*."

Market interest rate developments have had an adverse effect on our results through February 2015, continuing the trend from 2014, and we expect this trend to continue through the three months ended March 31, 2015. We realized a loss of approximately SEK 8 million from our interest rate swap in the two months ended February 28, 2015. As our interest rate swap is marked-to-market, additional gains/losses may be recorded before the end of the quarter ended March 31, 2015. In addition, to date, the cash inflow from our retail deposits (primarily our 12 month, 24 month and 36 month term deposits) has been significantly higher than expected despite our decisions to twice reduce our offered interest rates which were effective at the end of January and early March 2015, as similar providers of retail deposits also reduced their interest rates consistent with market developments. The lowered interest rates will not have their full impact in the first quarter of 2015 and despite lower interest rates, our interest expense for the two months ended February 28, 2015 was higher than anticipated, as a result of the high cash inflow from our retail deposits.

We will record certain non-recurring items in the three months ended March 31, 2015. On February 25, 2015, our annual general meeting resolved to carry out a directed share issue to Cruz Industries Ltd ("Cruz"), a company in which Najib Nathoo (head of our operations in the United Kingdom) has an interest as a potential beneficiary to the trust that is the majority owner of Cruz, as further described in "*Shares and Share Capital—Comments to the Share Capital History and Certain Ownership Changes During 2014 and 2015*." The share issue was made in connection with an agreement dated March 3, 2015 between Hoist Kredit and Cruz under which: (i) Hoist Kredit acquired Cruz's 10% minority shareholding in Hoist Kredit's subsidiary, Hoist Finance UK Ltd, and (ii) Cruz agreed to invest the consideration by subscribing for the newly issued Shares in Hoist Finance. The purchase price for Hoist Kredit's acquisition of Cruz's minority stake amounted to SEK 32.6 million, the entire amount of which will be recorded in personnel expenses in the three months ended March 31, 2015.

The transaction costs associated with the Offering charged to the Company are expected to amount to approximately SEK 75 million, including commissions and fees (fixed and discretionary) payable by the Company to the Managers and other advisors, of which approximately 50% is expected to be deducted from the gross proceeds of our sale of New Shares in the Offering and approximately 50% is expected to be recorded as an operating expense in the three months ended March 31, 2015.

Summary of the Offering

Company	Hoist Finance AB (publ), a public limited liability company incorporated under the laws of Sweden.
Selling Shareholders	Beagle Investments SA, Olympus Investment S.à r.l., Costas Thoupos and funds managed by Toscafund Asset Management LLP.
Managers	• *Joint Global Coordinators and Joint Bookrunners:* Carnegie Investment Bank AB and Morgan Stanley & Co. International plc. • *Joint Bookrunner:* Citigroup Global Markets Limited.
The Offering	We and the Selling Shareholders are offering a total of up to 40,725,246 shares in the Offering. We are offering such number of New Shares, not to exceed 15,000,000 New Shares, as will raise gross proceeds of SEK 750 million and the Selling Shareholders are offering between 25,725,246 and 26,453,976 Outstanding Shares (excluding any Shares offered pursuant to the Over-allotment Option). For detailed information regarding the Selling Shareholders and the number of Offer Shares they are offering to sell pursuant to the Offering, see "*Ownership Structure and Selling Shareholders*." To the extent that we, the Selling Shareholders and the Managers determine that there is sufficient demand, the number of Outstanding Shares sold by the Selling Shareholders pursuant to the Offering may be increased, provided that in no event will the Selling Shareholders increase the Offering by more than 4,787,058 Outstanding Shares, excluding any Additional Shares that may be sold upon the exercise of the Over-allotment Option. See "*Plan of Distribution*." The Offering consists of: (i) a public offering of shares in Sweden pursuant to a separate Swedish prospectus; and (ii) private placements to international investors in various jurisdictions, including a private placement in the United States to persons who are both QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, and QPs, as defined in Section 2(a)(51) of the U.S. Investment Company Act. All offers and sales outside the United States will be made in compliance with Regulation S.
Offer Price Range	The Offer Price is expected to be between SEK 50 and SEK 60 per Share. In no event will the Offer Price to retail investors in Sweden exceed SEK 60 per Share. The Offer Price will be determined by a book-building process and will be announced on or about March 25, 2015. See "*Terms and Conditions*" and "*Plan of Distribution*."
Shares Outstanding After the Offering	79,238,014 Shares, of which 30,489,576 Shares will be held by the Selling Shareholders (assuming that the size of the Offering is not increased, that the Over-allotment Option is not exercised and that the issue of New Shares in the Offering has been carried out at an Offer Price of SEK 55, which is the mid-point of the Offer Price Range). If the size of the Offering is increased in full and the Over-allotment Option is exercised in full, then the Selling Shareholders will hold 19,089,697 Shares assuming that the Offering has been carried out at an Offer Price of SEK 55. In connection with the Offering, we will issue such number of New Shares, not to exceed 15,000,000 New Shares, as will raise gross proceeds of SEK 750 million. See "*Shares and Share Capital.*"

The Cornerstone Investors have committed to acquire at the final Offer Price (and at any such price throughout the Offer Price Range) a number of Offer Shares equivalent to the percentage of the Company's Shares following completion of the Offering set out next to its respective name below:

- Carve Capital AB – 9%;
- Lancelot Asset Management AB, on behalf of the fund Lancelot Avalon and discretionary mandates – 5%; and
- Zenit Asset Management AB – 4%.

Each Cornerstone Investor's commitment is subject to certain conditions as described in "*Plan of Distribution—Subscription Undertakings and Expressed Intentions to Purchase Shares in the Offering*." The Cornerstone Investors will not be subject to a lock-up in respect of their allocations.

While the pre-IPO fund through which Toscafund has invested in the Company will be offering Shares in the Offering (see "*Ownership Structure and Selling Shareholders*"), Toscafund has communicated to the Company its intention to place an order in the Offering for certain other funds managed by Toscafund to purchase a number of Offer Shares at least equal to the number of Shares that will be sold by Toscafund in the Offering. However, Toscafund has not made a commitment to place such an order and there can be no assurances that such an order will be placed and, if placed, that such other funds managed by Toscafund will be allocated Offer Shares. Our CEO and board director, Jörgen Olsson, has committed to purchase, through his wholly-owned company Deciso AB, Shares in the Offering in an aggregate amount equivalent to SEK 10 million, such number of Shares to be determined based on the final Offer Price (and at any such price throughout the Offer Price Range). Deciso AB's commitment is subject to the same conditions as the Cornerstone Investors described above and these Shares shall be subject to a lock-up, as described below. Members of our Board of Directors and Group Management have expressed an interest in buying Shares in the Offering. However, these individuals have not made a commitment to place such orders and there can be no assurances that such orders will be placed and, if placed, that such individuals will be allocated Offer Shares.

Over-allotment Option . . . . The Selling Shareholders have granted the Managers an option to purchase up to 6,826,844 Additional Shares at the Offer Price (less agreed commissions) to cover over-allotments or other short positions, if any, in connection with the Offering. See "*Plan of Distribution*." The Over-allotment Option is exercisable by Morgan Stanley, as stabilizing manager, for a period of 30 days from the first day of trading of the Shares on Nasdaq Stockholm.

Share lending to deliver Offer Shares to investors in connection with settlement and payment . . . . The Selling Shareholders have agreed with the Managers that the Selling Shareholders will make available up to 13,847,281 Shares for the purpose of delivering the Offer Shares to investors in connection with the settlement of, and payment for, the Offer Shares, and the Over-allotment Option.

Use of Proceeds	The net proceeds we receive from the offering of New Shares are expected to be approximately SEK 675 million, after deducting underwriting commissions and estimated offering expenses, which are estimated to amount to approximately SEK 75 million. We expect to use the net proceeds from our sale of New Shares to purchase additional debt portfolios in accordance with our business plan. In the short term, until we identify attractive portfolio opportunities, we expect to invest the net proceeds primarily in interest bearing securities with a Standard & Poor's Financial Services LLC's ("**S&P**") of at least A- (or equivalent credit rating of another credit rating firm) and limited exchange rate risk. We will not receive any of the proceeds from the sale of Outstanding Shares by the Selling Shareholders. See "*Background and Reasons for the Offering and Use of Proceeds*" and "*Capitalization and Indebtedness*."
Lock-up	We will agree with the Managers, subject to certain customary exceptions, that we will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise for a period of 180 days after the first date of trading and official listing of the Offer Shares (the "**Closing Date**"), without the prior written consent of the Joint Global Coordinators. See "*Plan of Distribution—Lock-Up Arrangements*" for more details regarding these restrictions. The Selling Shareholders, the directors and certain executives of the Company and certain other shareholders of the Company will each agree with the Managers not to offer, sell, contract to sell, grant or sale of options over, purchase of any option or contract to sell, transfer, charge, pledge, grant of any right or warrant to purchase or otherwise transfer, lend, or dispose of, directly or indirectly, any Shares (with respect to certain executives and certain other holders of warrants, including warrants and Shares subscribed for by exercising held warrants) or any securities convertible into or exercisable or exchangeable for Shares or enter into of any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise or enter into any other disposal or agreement to dispose of any Shares or any announcement or other publication of the intention to do any of the foregoing, for a period of 180 days from the date on which the Offer Price is announced for Beagle Investments SA, Olympus Investment S.à r.l., Toscafund (though not in relation to any Offer Shares purchased in the Offering) and certain other shareholders, and for a period of 360 days from the date on which the Offer Price is announced for directors and executives of the Company and certain entities associated with such individuals. The Cornerstone Investors will not be subject to a lock-up in respect of their allocations. These undertakings are conditional upon the occurrence of the Closing Date. The foregoing shall not apply to: (i) the sale of Offer Shares in the

	Offering; (ii) the lending of Shares under the Underwriting Agreement; (iii) any disposal of Shares to which the Joint Global Coordinators consent; (iv) the disposal of Shares or other securities in connection with a general takeover offer for the Shares; (v) any disposal pursuant to an offer by the Company to all shareholders on identical terms to purchase its own Shares or a scheme of arrangement or reconstruction; (vi) certain disposals of Shares to family members, trustees or affiliates of a shareholder, provided that the transferee agrees to a lock-up; (vii) in relation to certain shareholders whose Shares are pledged, certain disposals of pledged Shares by the lender, provided that the transferee agrees to a lock-up; (viii) disposals of Shares or other securities acquired following admission of the Shares to trading on Nasdaq Stockholm, subject to certain exceptions; (ix) disposals in accordance with any order made by a court of competent jurisdiction or required by law or regulation; (x) in relation solely to Beagle Investments SA's lock-up, in the event that immediately following the later of the Closing Date or Over-allotment Option closing date, as applicable, Beagle Investments SA's holdings of Shares amount to 10% or more of the then outstanding Shares, a single transfer at the Offer Price, promptly following the Offering to the CEO of Beagle Investments SA in his personal capacity (or a company wholly-owned by such person) of such minimum number of Shares required to reduce Beagle Investment SA's holding of Shares to an amount equal to 9.99% of the then outstanding Shares, provided that the transferee agrees to a lock-up; and (xi) certain other enumerated circumstances, subject in each case to certain exceptions. See "*Plan of Distribution—Lock-Up Arrangements*" for more details regarding these restrictions.
Voting Rights	Each Share carries the right to cast one vote on all matters submitted to a vote of our shareholders. See "*Shares and Share Capital*."
Dividends	Provided dividends are declared, holders of our Shares will be entitled to receive future dividends, including any dividends declared in respect of the year ended December 31, 2015 and in respect of any subsequent period. Any dividends declared in respect of the year ended December 31, 2015 will be determined by the annual general meeting in 2016 and will be paid through Euroclear Sweden. Under the dividend policy adopted by our Board of Directors, as we continue to foresee substantial acquisition opportunities in our markets, we will initially aim to distribute around 25-30% of our net profit as dividend over the medium term. Given the historically strong cash flow generation of our business, our long term target is to distribute around 50% of the annual net profit as dividend. There can be no assurances that any dividend will be proposed or declared in any given year. See "*Dividends and Dividend Policy*."
Expenses Relating to the Offering	Our expenses in relation to the Offering, including commissions paid to the Managers, are estimated to be approximately SEK 75 million.
Withdrawal of the Offering	The Offering is conditional and may be withdrawn by the Selling Shareholders, the Company and the Joint Global Coordinators at any time before pricing and allocation of the Offer Shares. Any withdrawal of the Offering will be announced as soon as practically possible by a press release.

Listing and Start of Trading	Prior to the Offering there has been no public market for our Shares. Our Shares have been approved for listing on Nasdaq Stockholm, subject to satisfaction of the requisite number of shareholders. Trading of our Shares is expected to commence on or about March 25, 2015.
Settlement and Clearing	The Managers expect to cause delivery of the Offer Shares to purchasers on or about March 27, 2015 through the facilities of Euroclear Sweden against payment thereof in SEK. The Offer Shares will be eligible for clearing through Euroclear Sweden.
ISIN	SE0006887063
Trading Symbol	HOFI
Transfer Restrictions	Our Shares will be subject to certain restrictions on transfer as described in "*Transfer Restrictions*."

Indicative Timetable	*Application period for institutional investors*	*March 13, 2015 - March 24, 2015*
	Application period for retail investors	*March 13, 2015 - March 23, 2015*
	Listing on Nasdaq Stockholm	*March 25, 2015*
	Settlement date	*March 27, 2015*
Financial Calendar	*Interim report for the period January 1 – March 31, 2015*	*May 6, 2015*
	Interim report for the period January 1 – June 30, 2015	*July 31, 2015*
	Interim report for the period January 1 – September 30, 2015	*October 29, 2015*

Summary of Risk Factors

Before deciding whether to invest in our Shares, investors should carefully consider certain risks, including:

Risks Relating to Our Industry and Business

- The economic conditions in the markets in which we operate affect our business.
- We are subject to credit risk through our portfolio investments and we may not be able to collect the expected amounts on portfolios we purchase, which may lead to deteriorating profits and write-downs.
- We are exposed to credit risks of counterparties in a number of different ways.
- We may not be able to purchase portfolios at appropriate prices or of sufficient quality or volumes.
- We may make acquisitions or pursue strategic goals that prove unsuccessful or strain or divert our resources or we may be restricted from making acquisitions, portfolio investments or pursuing strategic goals due to capital adequacy requirements.
- We are exposed to reputational risk.
- Our operations in multiple markets expose us to local risks in a number of European markets.
- Failure to manage our rapid growth effectively and to maintain effective internal control and financial reporting systems in line with our growth could harm our business.
- A significant amount of the debt we purchase is originated by financial institutions.
- We rely on key relationships to conduct our business and a large portion of our debt portfolio purchases may at any time be concentrated with a small number of debt originators and a loss of any of our current sellers could have a material adverse effect on our business.
- Our senior management team and key employees are important to our continued success: demand in our industry for personnel with the relevant capabilities and experience is high and the loss of one or more members of senior management or key employees could have a material and adverse effect on our business.
- We may not be able to hire and retain enough sufficiently trained personnel to support our operations.
- The statistical models and analytical tools we use to value and price portfolios may prove to be inaccurate.
- We may not be able to successfully maintain and develop our information technology infrastructure platform or Data Warehouse or anticipate, manage or adopt technological advances within our industry.
- We may not be able to prevent a breach or disruption of the security of our information technology infrastructure platform or Data Warehouse.
- Failure to protect our customer data from unauthorized use could negatively affect our business.
- Forward flow agreements may contractually require us to purchase debt portfolios at a higher price than desired.
- We may experience volatility in our reported financial results due to the revaluation of our purchased portfolios.
- Our purchasing patterns, the seasonality of our business and the varying amount of time it takes to begin generating cash flow from, and returns on, purchased portfolios may lead to volatility in our cash flow.
- Historical operating results and quarterly cash collections may not be indicative of future performance.
- Our collections may decrease and/or the timing on when we collect may be delayed if the number of customers becoming subject to personal insolvency procedures increases, if customers have set-off rights related to the collected claims or if we fail to comply with applicable requirements related to the assignment of purchased claims.
- We may be unable to obtain account documents for some of the accounts that we purchase.
- We are exposed to the risk of currency fluctuations.

- We operate in markets that are competitive. We may be unable to compete with businesses that offer higher prices than us for the purchase of debt portfolios, and our competitors may develop competitive strengths that we cannot match.
- We rely on third-party collection providers in most of our markets.
- Our hedges may be ineffective or may not be implemented correctly.
- Increases in labor costs, potential labor disputes and work stoppages could negatively affect our business.
- The financial targets included in this Offering Memorandum may differ materially from our actual results and investors should not place undue reliance on them.

Risks Relating to Regulation

- We rely on our license as a "Credit Market Company" and the loss or suspension of such license could impair or terminate our access to deposit funding and our ability to conduct business.
- We are subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements and changes to the regulatory environment, or any failure to comply with applicable legislation or regulation, could result in the suspension, termination or impairment of our ability to conduct business.
- A decision that our deposits shall no longer be covered by the Swedish state-provided deposit insurance scheme, or changes to the deposit insurance scheme in its current form, could have an adverse effect on our operations.
- As a debt purchasing company, we are subject to applicable regulations in the jurisdictions in which we operate and changes to the regulatory environments, or any failure to comply with applicable laws, regulations and codes of practice, may negatively affect our business.
- Failure to obtain full regulatory authorization for our United Kingdom operations would have a material adverse effect on our business.
- Improper disclosure of our debt originator clients' sensitive data, customer data or a breach of data protection laws could negatively affect our business or reputation.
- We are subject to ongoing risks of legal and regulatory claims.
- We conduct cross-border operations and manage our group tax affairs across companies in several jurisdictions. If this structure is determined by local tax authorities to be inappropriate, or if our interpretation of applicable tax laws, tax treaties and provisions is not fully correct or changes, our tax liability may increase significantly, which could have a material adverse effect on our business, results of operations or financial position.
- Our effective tax rate may increase, we may be subject to audits and we may be subject to a potential new tax or levy on banks and credit institutions currently under discussion.

Risks Relating to Our Funding

- We rely on our retail funding base to fund our debt purchases and a significant decrease in retail deposits would have an adverse effect on our business.
- An interest rate increase may have a negative impact on our profit.
- Negative publicity may have a negative effect on our access to funding.
- An inability to access alternative sources of liquidity and to refinance our existing debt as it falls due and payable or an increase in interest rate levels may have a negative effect on our financial condition.

Risks Relating to the Offering and the Shares

- The Selling Shareholders may continue to exercise considerable influence over us and our operations and the interests of the Selling Shareholders may conflict with those of our other shareholders.
- Future offerings of debt or equity securities by us may adversely affect the market price of the Shares and lead to substantial dilution of existing shareholders.

- Future sales of Shares after the Offering may affect the market price of the Shares.
- The subscription undertakings by the Cornerstone Investors are subject to certain conditions and the Cornerstone Investors are not subject to any formal lock-up arrangement.
- There is a risk that an active and liquid market for our Shares will not develop and the price of the Shares may be volatile.
- Our ability to pay dividends in the future may be constrained and depends on several factors, including legal requirements and restrictive covenants in our issued notes, or shareholders may seek and vote for dividend payments that turn out to be inconsistent with our long-term growth plans and operations.
- Investors with a reference currency other than SEK will become subject to certain foreign exchange risks when investing in the Shares.
- U.S. and other non-Swedish holders of Shares may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers.
- We believe that we are likely to be a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to our U.S. investors.

Summary Consolidated Financial, Operating and Other Data

The summary consolidated financial data as of and for the years ended December 31, 2014, 2013 and 2012 set forth below have been derived from our audited consolidated financial statements, which were audited by KPMG AB, as set forth in their audit report included elsewhere herein. Our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 have each been prepared in accordance with IFRS as adopted by the European Union. The summary operating data set forth below has been derived from our regularly maintained records and operating systems. See "Presentation of Financial and Other Information" and "Definitions and Glossary" for definitions and concepts of certain terms set out in the tables below.

The following information should be read in conjunction with "Operating and Financial Review" and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Summary Income Statement Data

	For the year ended December 31,		
	2014	**2013**	**2012**
		(SEK thousand)	
Net revenue from acquired loan portfolios	1,398,291	1,008,317	464,394
Interest income	89,731	155,988	148,551
Interest expense	(344,969)	(258,176)	(185,653)
Net interest income	**1,143,053**	**906,129**	**427,292**
Fee and commission income	153,222	149,142	46,854
Net result from financial transactions	(17,719)	(4,860)	(26,639)
Other income	12,219	12,152	66,278
Total operating income	**1,290,775**	**1,062,563**	**513,785**
General administrative expenses			
Personnel expenses	(473,200)	(386,757)	(234,277)
Other operating expenses	(627,467)	(540,705)	(250,391)
Depreciation and amortization of tangible and intangible fixed assets	(30,281)	(21,476)	(54,635)
Total operating expenses	**(1,130,948)**	**(948,938)**	**(539,303)**
Profit from shares and participation in joint venture	58,662	36,406	55,724
Profit before tax	**218,489**	**150,031**	**30,206**
Income tax expense	(38,386)	(33,115)	(1,462)
Net profit for the year	**180,103**	**116,916**	**28,744**

Summary Statement of Financial Position Data

	As of December 31,		
	2014	2013	2012
		(SEK thousand)	
Treasury bills and treasury bonds	2,316,110	—	—
Lending to credit institutions(1)	1,292,711	3,926,686	2,245,711
Lending to the public	157,232	328,951	537,613
Acquired loan portfolios(2)	8,586,782	5,997,935	3,363,907
Bonds and other securities	1,951,241	1,297,677	732,672
Shares and participation in joint venture	215,347	192,230	180,843
Other assets(3)	542,406	293,752	180,992
Total Assets	**15,061,829**	**12,037,231**	**7,241,738**
Deposits from the public	10,987,289	9,701,502	6,366,256
Other liabilities(4)	851,432	525,376	236,134
Senior unsecured loans	1,493,122	665,680	—
Subordinated loans	332,796	329,231	—
Total liabilities and provisions	**13,664,639**	**11,221,789**	**6,602,390**
Total shareholders' equity	**1,397,190**	**815,442**	**639,348**
Total liabilities and shareholders' equity	**15,061,829**	**12,037,231**	**7,241,738**

(1) Consists of cash deposited with various banks.

(2) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million and the certificate value of our 50/50 joint venture in Poland of SEK 215.3 million.

(3) Consists of cash, intangible fixed assets, tangible fixed assets, deferred tax assets, prepaid expenses and accrued income and other assets.

(4) Consists of tax liabilities, deferred tax liabilities, accrued expenses and prepaid income, provisions and other liabilities.

Summary Other Financial Information and Operating Data

	As of and for the year ended December 31,		
	2014	2013	2012
		(SEK thousand unless otherwise indicated)	
EBIT(1)(13)	529,626	326,158	127,900
EBIT margin (%)(2)(13)	31.9	25.6	19.2
Adjusted EBITDA(3)(5)(13)	1,793,501	1,143,511	762,737
Adjusted EBITDA margin (%)(4)(13)	70.6	69.7	86.0
Portfolio acquisitions	3,226,795	3,265,806	2,041,085(12)
Carrying value of acquired loans(6)	8,586,782	5,997,935	3,363,907
Gross ERC 120 months	15,576,152	10,672,576	5,980,504
Deposits	10,987,289	9,701,502	6,366,256
CET 1 ratio (%)(7)	9.4	5.6	8.0
Total capital ratio (%)(8)	12.2	11.6	9.7
Available liquidity ratio (%)(9)	50.3	50.4	36.3
Return on equity (%)(10)	16.3	16.1	5.0
Net debt	7,248,400	5,418,229	3,136,860
Return on tangible equity (%)(11)	18.2	17.3	5.4
Growth in risk exposure amount (REA) (%)	28.4	52.9	32.9

(1) We define EBIT as net profit for the period before interest income (excluding interest income from run-off consumer loan portfolio), interest expense, net result from financial transactions and income tax expense.

(2) We define EBIT margin as EBIT as a percentage of total revenue.

(3) We define EBITDA as net profit for the period before interest income (excluding interest income from run-off consumer loan portfolio), interest expense, net result from financial transactions, portfolio revaluation, income tax expense and depreciation and amortization of tangible and intangible fixed assets. Adjusted EBITDA is calculated by adding back amortization on the run-off consumer loan portfolio and portfolio amortization. We use Adjusted EBITDA as a measure of our operating cash flow generation and the liquidity of our business. Neither EBITDA nor Adjusted EBITDA are measures of financial performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information.*"

(4) We define adjusted EBITDA margin as adjusted EBITDA divided by income from acquired loan portfolios (gross cash collections).

(5) The reconciliation of net profit for the years ended December 31, 2014, 2013 and 2012 to EBITDA and Adjusted EBITDA is as follows:

	For the year ended December 31,		
	2014	**2013**	**2012**
	(SEK thousand unless otherwise indicated)		
Net profit for the year	**180,103**	**116,916**	**28,744**
Income tax expense	38,386	33,115	1,462
Portfolio revaluations	14,917	5,570	6,935
Interest income[(a)]	(51,551)	(86,908)	(114,598)
Interest expense	344,969	258,176	185,653
Net result from financial transactions	17,719	4,860	26,639
Depreciation and amortization of tangible and intangible fixed assets	30,281	21,476	54,635
EBITDA	**574,824**	**353,205**	**189,470**
Amortization on our run-off consumer loan portfolio[(b)]	90,574	163,186	157,286
Portfolio amortization	1,128,103	627,120	415,981
Adjusted EBITDA	**1,793,501**	**1,143,511**	**762,737**

(a) Excludes interest income from our run-off consumer loan portfolio.

(b) Amortization on our run-off consumer loan portfolio is calculated as the carrying value at the beginning of the period *less* the carrying value at the end of the period.

(6) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million and the certificate value of our 50/50 joint venture in Poland of SEK 215.3 million.

(7) Defined as Common Equity Tier 1 Capital (CET 1 Capital) as a percentage of the risk exposure amount (REA). CET 1 Capital consists of common shares issued, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction primarily of deferred tax assets, intangible assets and goodwill. The CET 1 ratio presented includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 ratio calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to exclude the capital raised in these share issues, our CET 1 ratio as of December 31, 2014 would have been 5.7%. At the time of our regulatory capital reporting for 2014, the risk exposure amount for operational risk was based on the audited financials for the last three years, which at the time of our reporting were the financial years 2011, 2012 and 2013 (in line with article 315 of the Capital Requirements Regulation (575/2013/EU)). Had audited financials for the financial years 2012, 2013 and 2014 been available at the time of our reporting, the risk exposure amount for operational risk would have been SEK 1,753 million instead of SEK 1,167 million, which would have resulted in a CET 1 ratio of 8.9%, including the effect of the new share issues paid for by cash in May and December 2014, respectively, and had the new share issues paid for by cash in May and December 2014 been excluded, the CET 1 ratio would have been 5.4%. The risk exposure amount for operational risk will be updated annually when audited financials are available.

(8) Defined as total eligible capital as a percentage of Risk Exposure Amount (REA); includes capital requirements for operational, market and credit risk. For an overview of our total eligible capital and REA, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." The total capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to include the capital raised in these share issues in our additional tier 1 capital (additional tier 1 capital of up to 1.5% of the Risk Exposure Amount can be included in the total capital ratio), our total capital ratio as of December 31, 2014 would have been 9.2%.

(9) Defined as cash, lending to credit institutions and bonds and other securities divided by deposits from the public.

(10) Defined as net profit for the period divided by average shareholders' equity for the period.

(11) Defined as net income as a percentage of average tangible equity (tangible equity: shareholders' equity *less* intangible assets).

(12) Includes the purchase of the run-off consumer loan portfolio in Germany for SEK 529.8 million.

(13) Numbers based on the Operating Income Statement presented below.

Summary Operating Income Statement Data

Due to our status as a "Credit Market Company," we are required to produce financial statements in accordance with the guidance and format set forth in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (Sw. lag (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag). The Statutory Financial Statements have been included above under "—Summary Income Statement Data." The income statement in the Statutory Financial Statements is structured to present the Company as a credit institution. In order for the Board of Directors and management to assess the operational performance of our debt purchasing and collection operations and to facilitate comparison with our competitors in the debt purchasing industry, we supplement the Statutory Financial Statements by producing the Operating Income Statement presented below and as set forth in Note 1 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum, and discussing such Operating Income Statement in "Operating and Financial Review." The Operating Income Statement contains no adjustments or amendments compared to, and has been prepared on the basis of the same accounting principles as, the income statements in the Statutory Financial Statements.

	For the year ended December 31,		
	2014	2013	2012
		(SEK thousand)	
Income from acquired loan portfolios (gross cash collections)	2,541,311	1,641,007	887,310
Portfolio amortization and revaluation	(1,143,020)	(632,690)	(422,916)
Interest income from run-off consumer loan portfolio	38,180	69,080	33,953
Net revenue	**1,436,471**	**1,077,397**	**498,347**
Fee and commission income	153,222	149,142	46,854
Profit from shares and participation in joint venture	58,662	36,406	55,724
Other operating income	12,219	12,152	66,278
Total revenue	**1,660,574**	**1,275,097**	**667,203**
Personnel expenses	(473,200)	(386,757)	(234,277)
Other operating expenses	(627,467)	(540,705)	(250,391)
Depreciation and amortization of tangible and intangible fixed assets	(30,281)	(21,476)	(54,635)
EBIT	**529,626**	**326,159**	**127,900**
Interest income	51,551	86,908	114,598
Interest expense	(344,969)	(258,176)	(185,653)
Net result from financial transactions	(17,719)	(4,860)	(26,639)
Profit before tax	**218,489**	**150,031**	**30,206**
Income tax expense	(38,386)	(33,115)	(1,462)
Net profit for the year	**180,103**	**116,916**	**28,744**

RISK FACTORS

You should carefully consider each of the risks described below and all of the other information in this Offering Memorandum before deciding to invest in our Shares. Our business, financial condition and results of operations could be materially adversely affected by any of these risks. The risks described below are not the only ones we believe we are exposed to. Additional risks that are not currently known to us, or that we currently, based on our regular risk assessment, consider to be immaterial, could significantly impair our business activities and have a material adverse effect on our business, financial condition or results of operations. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

This Offering Memorandum also contains forward-looking statements that are based on assumptions and estimates and subject to risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to the risks described below and elsewhere in this Offering Memorandum.

Risks Relating to Our Industry and Business

The economic conditions in the markets in which we operate affect our business.

We are exposed to economic, market and fiscal conditions in the markets in which we operate and any positive or negative developments regarding these conditions. If the economies of our principal markets suffer a material downturn for a prolonged period of time that, in turn, increases the unemployment rate, we may be unable to perform debt collections at a level consistent with our past practice due to the inability of customers to make payments at the same levels or at all. In addition, should the level of inflation increase, the real-term carrying value of our debt portfolios may decrease.

While leading indicators suggest that economic conditions may be improving in the markets in which we operate, with GDP growth in 2015, weighted by country according to the percentage of our revenue in 2014, expected to reach 2.0%, there can be no assurances that this will occur or that it will continue or that the net effect of any change in economic conditions will be positive. An improvement in the economic conditions in the markets in which we operate could impact our business and performance in various ways, including decreasing the volume of debt portfolios that are available for purchase, reducing the number of attractive portfolio opportunities, increasing the competitiveness of the pricing for portfolios that we purchase and increasing interest rate levels affecting our cost of funding. As a result, we believe that a certain amount of cyclicality is beneficial for the debt purchasing industry. There can be no assurances that our business and results of operations will develop positively in a changing economic environment or that the economic environment will be favorable to our business model or industry. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We are subject to credit risk through our portfolio investments and we may not be able to collect the expected amounts on portfolios we purchase, which may lead to deteriorating profits and write-downs.

Our assets mainly consist of portfolios of purchased debt. We generally purchase portfolios at a significant discount to face value and achieving collections that meet or exceed our estimated collection levels is crucial for our business.

When we purchase portfolios, we make assumptions of gross collections and collection costs and the net present value of expected net collections is reflected in the balance sheet carrying value of our portfolios. A decrease, or delay of our expected net collections would result in write-downs of our portfolios, directly impacting our equity, capital adequacy and results of operations.

The price attributed to a portfolio depends on its specific characteristics and composition with respect to, for instance, the size, age and type of the claims, as well as the age, location and type of customers, and a number of other factors, such as the financial strengths and weaknesses of the economies in which the customers are part. Our models are used to assess the collection forecasts, and therefore the price to be paid for these portfolios. It is crucial for our business that we are able to identify portfolios that are of sufficient quality for us to determine that we are likely to collect on the claims at certain levels. There can be no assurances that any of the current or future claims contained in our portfolios will eventually be collected. While we believe that the recoveries on our debt portfolios will be in excess of the amount paid for them, amounts recovered may be less than expected and may even be less than the total amount paid for such portfolios.

A significant increase in insolvencies involving customers or changes in the regulatory framework governing insolvency proceedings in the jurisdictions in which we operate could impact our ability to collect on claims. If we are unable to achieve the levels of forecasted collections, revenue and returns on our purchased portfolios will be reduced, which may result in write-downs and have a negative effect on our capital adequacy. As a consequence, we may have to pay a higher interest rate to finance our operations and the regulatory requirements to maintain a certain capital adequacy could hinder further business expansion, which could have a negative effect on our ability to purchase additional portfolios. Any significant decrease in expected collections may have a material adverse effect on our business, results of operations or financial condition.

We are exposed to credit risks of counterparties in a number of different ways.

The deposits we collect, which form a large part of our liquidity, are deposited with a limited number of European commercial banks. These amounts are well in excess of any government guaranteed deposit insurance, which exposes us to the risk that one or more of such institutions would not be able to meet its obligations under these deposits, for example in the event of a bank run or banking crisis. We also invest surplus liquidity in bonds, resulting in counterparty risk on the issuers of such bonds. For example, we are subject to the risk that changes in credit spreads (*i.e.,* the premium required by the market for a given credit quality), *e.g.*, due to the credit outlook of a specific bond issuer, will affect the value of these bonds. Most such investments are, however, currently held in secured bonds and bonds issued by the Swedish Government. Further, we are exposed to credit risk from hedging activities we conduct with credit institutions. Daily mark-to-market of our derivatives can result in counterparty exposure toward the credit institution in question. Both we and the credit institution post collateral daily to account for this risk. In cases of significant fluctuations, we may have to post substantial amounts of collateral, which cannot be used for purchasing portfolios and may have a negative impact on our operations.

We are also subject to market liquidity risk in relation to our bond portfolio. Our ability to sell these assets at a commercially desirable price or at all may be impaired if other market participants are seeking to sell bonds at the same time or when the market value of bonds is difficult to ascertain due to market volatility or otherwise uncertain market conditions. If one or more of the abovementioned risks materializes, it could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to purchase portfolios at appropriate prices or of sufficient quality or volumes.

As of December 31, 2014, we owned approximately 1,570 active portfolios of overdue debt, consisting of approximately 6.5 million active claims. Our business model requires that we continue to purchase debt portfolios to maintain our aggregated ERC. The availability of portfolios to purchase at prices that generate an appropriate return on purchased portfolios depends on a number of factors, both within and outside of our control, such as the continuation of current growth trends in the levels of overdue debt, volumes of portfolio sales by debt originators, in particular the financial institutions that originate most of our portfolios, and competitive factors affecting potential purchasers and debt originators. Additionally, an increase in demand for portfolios among competitors could result in us not being chosen to purchase portfolios due to more attractive offers from competitors.

As a result of the above, there can be no assurances that we will continuously be able to identify a sufficient volume of portfolios at appropriate prices and that we will meet our investment targets. In addition, we depend on the continued willingness and ability of debt originators to offer their portfolios for sale. While levels of portfolio sales have trended higher in recent years, our business would be adversely affected if our key partners decide to reduce or discontinue the sales of portfolios or if the actual growth of levels of sales is lower than we expect. As the availability of portfolios for purchase may vary period to period, during certain financial reporting periods we may make few or no purchases of debt.

If we are unable to identify sufficient levels of attractive portfolios and generate an appropriate return on purchased portfolios, we may be unable to maintain the cash flow generated from our portfolios, which would adversely affect our ability to purchase additional portfolios as they become available. In addition, we may experience difficulties covering our fixed costs and may, as a consequence, have to reduce the number of our collection personnel or take other measures to reduce costs. These developments could lead to disruptions in our operations, loss of efficiency, low employee morale, fewer experienced employees and excess costs associated with unused space in our facilities. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We may make acquisitions or pursue strategic goals that prove unsuccessful or strain or divert our resources or we may be restricted from making acquisitions, portfolio investments or pursuing strategic goals due to capital adequacy requirements.

During the past three years, we have acquired a number of companies and businesses as part of our growth strategy, such as Robinson Way and the lewis group in the United Kingdom, TRC S.p.A. ("**TRC**") in Italy and, most recently, Kancelaria Navi Lex Sp Z.O.O. ("**Navi Lex**") in Poland. We may consider acquiring further assets, shares or entire companies also in the future, including in our current geographical footprint or in new markets. Such acquisitions are always exposed to a number of risks and considerable uncertainty with respect to ownership, other rights, assets, liabilities, licenses and permits, claims, legal proceedings, restrictions imposed by competition law, financial resources, environmental aspects and other aspects. These risks may be greater, more difficult or more extensive to analyze in certain countries or regions where we are active than would normally be the case. Furthermore, purchases involve risks due to difficulties in integrating different operations, personnel, technology and information technology. In connection with potential future acquisitions, we may incur considerable transaction, restructuring and administrative costs, as well as other integration-related costs and losses (including loss of business opportunities) and acquisitions may also be subject to purchase price adjustments, such as contingency payment arrangements. Any difficulties integrating future acquisitions, including unexpected or additional costs, may have a material adverse effect on our business, results of operations or financial condition.

In addition, we may not be successful in developing and implementing our strategic plans for our businesses, including expanding into selected new geographic markets and continuing to drive operational scale and excellence across countries. We may experience institutional changes and changes in basic market conditions. The ability of the Board of Directors and executive management to plan, organize, follow up on and control the operations and to continuously monitor market conditions is important. If the development or implementation of such plans is not successful we may not produce the revenue, margins, earnings or synergies that we need to be successful and to offset the impact of adverse economic conditions that may exist currently or develop in the future. We may also face delays or difficulties in implementing process and system improvements, which could adversely affect our ability to successfully compete in the markets we serve. In addition, the costs associated with implementing such plans may exceed anticipated amounts and we may not have sufficient financial resources to fund all of the desired or necessary investments required in connection with our plans, including one-time costs associated with our business consolidation and operating improvement plans.

When we purchase portfolios, we make assumptions regarding gross collections and collection costs and the net present value of expected net collections is reflected in the balance sheet carrying value of our portfolios. Should we experience higher collection costs than expected, for example due to lower collection efficiency or efficacy, changing laws or changes in collection practices to more costly collection methods, such as increased use of legal systems, or should we experience materialized credit risk on our portfolios, such that we recover less than expected from our customers, causing gross cash collections on our portfolios to decline, potentially significantly, or should we experience other adverse operational events, these factors could consequently decrease our revenue as well as lower the carrying value of our portfolios. As such, the asset side of our balance sheet would decrease accordingly and impact our capital adequacy. Following any such reduction in our capital, we may have to raise additional capital through the issuance of share capital or capital instruments, which may dilute the holdings of existing shareholders. In addition, any requirement to increase our capital could require us to divert funds from our operations, which may affect our ability to generate a return on capital, pay future dividends, purchase portfolios and pursue acquisitions or other strategic opportunities and may impact our future growth potential. In addition, under the Basel III Framework, we are required to reserve capital adequate to cover our strategic risks, *i.e.*, the current or prospective risk arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. This requirement means that we may be restricted from using certain amounts of our capital for acquisitions or for the pursuit of our strategic goals, which may impede the making of such decisions. Any of these events may have a material adverse effect on our business, results of operations or financial condition.

We are exposed to reputational risk.

We are subject to the risk that an event or circumstance could adversely impact our reputation. Our ability to accurately collect debt and treat customers fairly is critical to our business and our reputation. Our reputation is also fundamental in maintaining our relationships with current and potential debt originator clients, especially financial institutions. As a regulated financial institution, our reputation is also essential in our contact with, and for the perception by, regulators. We are exposed to the risk that negative publicity may arise from the activities of legislators, pressure groups and the media, on the basis of, for example, real or perceived abusive collection practices, attributable either to us, third-party collection providers we engage in certain jurisdictions or the wider debt purchasing industry or regarding other conditions within the Group or our business, which may tarnish our reputation in the market. Negative publicity could cause customers to be more reluctant to pay their debts or to pursue legal action against us, or cause regulators and authorities to form a more negative view, regardless of whether those actions are warranted all of which could impact our ability to collect on the debt portfolios that we purchase. In addition, adverse publicity could potentially have a detrimental impact on our business, *e.g.*, by making it more difficult to attract depositors from the public or buying new portfolios. There can be no assurance that our business would not be adversely affected should unforeseen events relating to reputational risks arise in the future.

The collection of debt, particularly historic debt, involves complex interpretations and calculations of contractual terms that may vary by debt originator and/or country, which may impact the calculation of customers' resulting payment obligations and the collection strategies we employ. Our processes and procedures are designed to ensure accuracy in the collection processes and we review our collection strategies and payment calculations with a goal of ensuring that we apply best practices across our operations. If in these reviews we identify inconsistencies in the collection processes adopted and/or inaccuracies in the payment calculations we have taken, we will aim to take reasonable steps to rectify any such issues. Additionally, from time to time, we have been subject to claims and inquiries from customers and regulators regarding our collection processes and, in some of these cases, we have had to take various operational and organizational actions to address these claims or inquiries. However, any of the foregoing events, or any future instances, in particular if we experience an increase in the number or significance of complaints or inquiries, could result in financial liability for us and could jeopardize our relationships with our debt originator clients, our ability to establish new relationships, have a negative impact on a customer's willingness to pay a debt owed to us, diminish our attractiveness as a counterparty or lead to increased regulations of the debt purchasing industry, which could have a material adverse effect on our business, results of operations or financial condition.

Our operations in multiple markets expose us to local risks in a number of European markets.

We currently undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our business is subject to local risks due to our operations in multiple European markets, including multiple national and local regulatory and compliance requirements relating to collection practices, labor, licensing requirements, consumer credit, data protection, anti-corruption, anti-money laundering and other regulatory regimes, potential adverse tax consequences, antitrust regulations, inability to enforce remedies in certain jurisdictions and geopolitical and social conditions in certain sectors of relevant markets. Any negative impact caused by the foregoing risks could have a material adverse effect on our business, results of operations or financial condition.

Failure to manage our rapid growth effectively and to maintain effective internal control and financial reporting systems in line with our growth could harm our business.

We have experienced rapid growth during the periods under review, including geographical expansion and a substantial increase in the number of purchased portfolios, and we expect to continue to experience growth, in our operations and number of employees. As a result of our growth, the importance of managing operational risk relating to, for example, work processes, personnel, IT-systems, tax structuring and transfer pricing policies, financial reporting, operational infrastructure and the manner in which we address customer complaints or regulatory inquiries, has increased and will continue to increase. To manage our growth effectively, we must continue to maintain, and may need to enhance, our information technology infrastructure, financial and accounting systems and controls and manage expanded operations and employees in geographically diverse locations. In addition, we have, from time to time, relied on external expertise in certain areas where we have not historically had the required competence internally, such as in relation to our tax and transfer pricing framework, and because of our growth we may need to increase our internal resources devoted to such areas. Effective internal control over financial reporting is necessary for us to provide reliable and accurate financial reports. If we are unable to provide reliable financial reports or prevent fraud or other financial misconduct, our business and operating results could be harmed. Effective governance and internal control is also necessary for us to maintain an adequate risk management framework. Failure to manage our growth effectively and to maintain effective internal control and financial reporting systems in line with our growth could have a material adverse effect on our business, results of operations or financial condition.

A significant amount of the debt we purchase is originated by financial institutions.

We have derived, and believe that we will continue to derive, a significant portion of our revenue from debt purchased from financial institutions active in our markets. Debt from financial institutions represented 84%, 93% and 98%, respectively, of the total amount we spent on portfolio purchases for the years ended December 31, 2014, 2013 and 2012, and represented 94%, 98% and 99% of the carrying value of our purchased portfolios as of December 31, 2014, 2013 and 2012, respectively. Adverse economic conditions and uncertainties, and any potential resulting failures or consolidations of financial institutions, may adversely affect us by significantly reducing the activity of debt originators. For example, the departure, or potential risk of departure, from the euro by one or more Eurozone countries could lead to a reduction in market confidence, which could result in constraints on lending in the markets generally, reduced growth and a weakening of financial institutions, all of which could have an adverse effect on collection levels. Additionally, adverse economic conditions could lead to a reduction in the propensity of financial institutions to lend to customers in the markets in which we operate, leading to a reduced supply of debt available for sale, as well as negatively affecting customers by reducing disposable income levels or otherwise impairing their ability to fulfill their payment obligations. Any changes in the volume of portfolios originated by financial institutions could have a material adverse effect on our business, results of operations or financial condition.

We rely on key relationships to conduct our business and a large portion of our debt portfolio purchases may at any time be concentrated with a small number of debt originators and a loss of any of our current sellers could have a material adverse effect on our business.

We rely on key relationships with debt originators to conduct our business and a significant percentage of our debt portfolio purchases may be concentrated with a few large sellers while a limited number of portfolio purchases represent a relatively large part of our balance sheet. A significant decrease in the volume of purchases available from any of the debt originators which we are currently working with, on terms acceptable to us, would make it necessary to further enlarge our network of sellers or the sources of debt to purchase. We cannot be certain that any of our current debt originator clients will continue to sell debt to us on desirable terms or in acceptable quantities or that we could make similar purchases from other sellers. A debt originator's decision to sell debt to us is based on various factors, including the price and terms offered, the quality of our reputation and our compliance history. Any changes to the key relationships that we rely on could have a material adverse effect on our business, results of operations or financial condition.

Our senior management team and key employees are important to our continued success: demand in our industry for personnel with the relevant capabilities and experience is high and the loss of one or more members of senior management or key employees could have a material and adverse effect on our business.

Our future success partially depends on the skills, experience and efforts of our senior management and other key employees and our ability to retain such members of the management team and other key employees. Our operations involve highly qualified personnel and our continued ability to compete effectively and implement our strategy depends on our ability to attract new employees and retain and motivate existing employees. We have a number of employees that possess critical knowledge about our operations, including within our pricing and analytics organization, and an inability to retain these employees could negatively impact our business. The demand in our industry for personnel with the relevant capabilities and experience is high and our success in attracting and retaining employees is not guaranteed. Competition within the financial services industry, including from other financial institutions, as well as from businesses outside the financial services industry, for key employees is intense. There can be no assurances that we will be able to retain our executive officers and key employees or attract additional qualified management or employees in the future. The loss of the services of our senior management or key employees could impair our ability to continue to purchase portfolios or collect on claims and to manage and expand our business, which could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to hire and retain enough sufficiently trained personnel to support our operations.

The debt collection industry is labor intensive and we compete for qualified personnel with companies in our industry and in other industries. There can be no assurances that we will be able to continue to hire, train and retain a sufficient number of qualified personnel or be flexible enough to react to changing market environments. Our growth requires that we continually hire and train new debt collectors. A higher turnover rate among our debt collectors will increase our recruiting and training costs and limit the number of experienced debt collection personnel available to service our portfolios. If this were to occur, we would not be able to service such portfolios effectively and this would reduce our ability to continue our growth and to operate profitably. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

The statistical models and analytical tools we use to value and price portfolios may prove to be inaccurate.

We use internally-developed models to value and price portfolios that we consider for purchase and to project the remaining cash flow generation from our debt portfolios. There can be no assurance that we will be able to achieve the recoveries forecasted by the models used to value the portfolios or that those models will not be flawed. Further, there can be no assurances that the models will appropriately identify or assess all material factors and yield correct or accurate forecasts as our historical collection experience may not reflect current or future realities. In addition, there can be no assurances that our investment and analytics teams will not make misjudgments or mistakes when utilizing our statistical models and analytical tools.

In addition, our statistical models and analytical tools assess information which to some extent is provided to us by third parties, such as credit agencies and other mainstream or public sources, or generated by software products. We have only limited control over the accuracy of such information received from third parties. If such information is not accurate, credits may be incorrectly priced at the time of purchase, the recovery value for our portfolios may be calculated inaccurately, the wrong collection strategy may be adopted and lower collection rates or higher operating expenses may be experienced. Moreover, our historical information about portfolios may not be indicative of the characteristics of subsequent portfolios purchased from the same debt originator or within the same industry due to changes in business practices or economic development. Any of these events may have a material adverse effect on our business, results of operations or financial condition.

We may not be able to successfully maintain and develop our information technology infrastructure platform or Data Warehouse or anticipate, manage or adopt technological advances within our industry.

We rely on our information technology infrastructure platform and, in particular, our Data Warehouse and our ability to integrate these technologies into our business is essential to our competitive position and our success. This subjects us to inherent costs and risks associated with maintaining, upgrading, replacing and changing these systems, including defects in our information technology, substantial capital expenditures and demands on management time. For example, the purchases of Robinson Way and the lewis group in 2012 and 2013, and the purchase of TRC's operations and Navi Lex in 2014, in order to expand in the United Kingdom, Italy and Poland, respectively, required us to upgrade the information technology platform of the newly acquired companies and integrate our Data Warehouse in order to meet our standards, resulting in increased capital expenditures and demands on management time.

Information and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. We may not be successful in implementing improvements of our information technology system or Data Warehouse, and improving operational efficiency through further information technology development, which could result in additional costs. The cost of these improvements could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of our business. We depend on having the capital resources necessary to invest in new technologies to purchase and service claims and there can be no assurances that adequate capital resources will be available to us at the appropriate time. Furthermore, if we become unable to continue to acquire, aggregate or use such information and data in the manner or to the extent in which it is currently acquired, aggregated and used, due to lack of resources, regulatory restrictions, including data protection laws, or any other reason, we may lose a significant competitive advantage. Any of these events could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to prevent a breach or disruption of the security of our information technology infrastructure platform or Data Warehouse.

Any security breach in our information technology infrastructure platform, collection systems or Data Warehouse, or any temporary or permanent failure in these systems, could disrupt our operations. Although we have made investments in the security of our information technology infrastructure platform, collection systems and Data Warehouse, we may need to further enhance capabilities and resilience and we may be subject to future attempts to gain unauthorized access to confidential or sensitive information. Our business continuity and disaster recovery plans cover the majority of our systems and services and our two main data-centers, located in Duisburg, Germany and Manchester, United Kingdom, co-locate and host our critical operating systems. These centers backup for each other to ensure that the infrastructure is protected and available. However, these measures may not be successful in mitigating the effects of a major catastrophic occurrence. Any of these developments could hinder or prevent us from using our information technology infrastructure platform, collection systems or Data Warehouse as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

Failure to protect our customer data from unauthorized use could negatively affect our business.

Failure to protect, monitor and control the use of our customer data could cause us to lose a competitive advantage. We rely on a combination of contractual provisions and confidentiality procedures to protect our customer data and our customer data is stored and protected in our information technology infrastructure platform with access limitations. These measures afford only limited protection and competitors or others may gain access to our customer data. Our customer data could be subject to unauthorized use, misappropriation, or disclosure, despite having required our employees, consultants and partners to enter into confidentiality agreements. There can be no assurances that such confidentiality agreements will not be breached or will be of sufficient duration and that adequate remedies will be available in the event of unauthorized use or disclosure. Policing unauthorized use of such rights can be difficult and expensive and adequate remedies may not be available or available in an acceptable time frame. A failure to protect our customer data from unauthorized use, or to comply with current applicable or future laws or regulations, could have a material adverse effect on our business, results of operations or financial condition.

Forward flow agreements may contractually require us to purchase debt portfolios at a higher price than desired.

We have previously entered, and may in the future enter, into forward flow agreements. Pursuant to forward flow agreements, we agree to buy claims of a certain character at a pre-defined price or price range for a given volume from a debt originator on an ongoing basis. If we enter into a forward flow agreement and the value of purchased portfolios decrease subsequent to entering into the agreement, we may end up paying a higher amount for such portfolios than we would agree at the time of purchase in a spot transaction, which could result in us missing out on higher alternative returns. In addition, under many forward flow agreements we are only contractually permitted to terminate such agreements in certain limited circumstances.

In a more competitive environment, we could be faced with a decision to either decrease our purchasing volume or agree to forward flow agreements at increased prices or with less contractual protection. For a forward flow agreement to be economically advantageous, we must ensure that the nature of claims contained in the portfolios purchased under such agreements remain consistent with those reviewed as part of the due diligence process. When pricing forward flow agreements, we generally take into account potential future fluctuations in the value of the debt that we purchase through such agreements, but the fluctuations in value may exceed our expectations. If we are unable to contractually terminate an agreement we may have to accept claims that are of a lower quality than we intended to purchase, which could result in lower returns.

While the proportion of our business that comes from forward flow agreements is currently small, 13.1% of the total amount we spent on portfolio purchases in 2014, these agreements could potentially grow in size if the supply in the market increases. Should the quality of debt supplied under such agreements vary from our pricing assumptions, we may price the agreements incorrectly, which may have a material adverse effect on our business, results of operations or financial condition.

We may experience volatility in our reported financial results due to the revaluation of our purchased portfolios.

Most of our purchased portfolios are recorded at purchase cost at the time of their purchase and thereafter held at amortized cost. The carrying value of each purchased portfolio corresponds to the present value of all projected future cash flows discounted by the portfolio's internal rate of return ("**IRR**"). The IRR is set to a rate pursuant to which the projected future cash flows equal the purchase price on the purchase date, as well as the timing of the projected future cash flows. The book value of our portfolios is tested regularly. Any revaluation in book value is charged through the profit and loss account at the end of the applicable reporting period. Accordingly, the value of our purchased portfolios as recorded on our balance sheet may fluctuate each time management reassesses forecasted cash flows.

Our forecasted cash flows are based on a number of assumptions, as the projected performance is generated analyzing historic forecasts relative to actual gross collections achieved and accounting operational improvements, among other things. These historically observed forecasts are linked to the underlying collection fundamentals applicable at the time, including, among others, general economic conditions, the collections strategy, collections legislation and customer behavior. In addition, should we experience increased collection costs, for example due to lower collection efficiency or efficacy, changing laws or changes in collection practices to more costly collection methods, such as through legal systems, then gross cash collections on our portfolios would decline and impact the carrying value of the portfolios, potentially significantly. Any changes to these assumptions would result in revaluations, which would have the effect of changing the value of the portfolios on our balance sheet and lead to the inclusion of a corresponding movement in our consolidated profit and loss account. Book value movements are non-cash movements, but are derived from the actual collections achieved in each individual portfolio, and affect amortization rates and subsequently flow through to other profit and loss account line items, including operating profit and the amount of tax on ordinary activities. They also impact our cash outflows for tax payments. Negative revaluations would also negatively impact our equity and our capital adequacy.

We apply the fair value method to portfolios purchased prior to July 1, 2011, and the amortized cost method for portfolios purchased thereafter. A minority of our portfolios are recorded using the fair value method and as of December 31, 2014, 17% of the carrying value of our purchased portfolios were recorded using this accounting method. The difference between this methodology and amortized cost is the applied discount rate. The fair value method applies a discount rate corresponding to the market's required rate of return for similar assets at any particular point of time (as of the date hereof, a discount rate of 12% is used on a ten-year discount period). As a result, the fair value of our purchased portfolios are sensitive to internal factors, such as our collection levels on the portfolios and cost of debt, but also, to a small extent, to changes in various market variables, including interest rates, equity beta, equity market risk premium and portfolio size premium. To the extent there is an adverse change in general market conditions, this could result in significant changes in the fair value of these portfolios and cause us to record revaluations. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Our purchasing patterns, the seasonality of our business and the varying amount of time it takes to begin generating cash flow from, and returns on, purchased portfolios may lead to volatility in our cash flow.

Our business depends on our ability to collect on debt portfolios. Debt collection is to some extent affected by seasonal factors, including the number of work days in a given month, the propensity of customers to take holidays at particular times of the year and annual cycles in disposable income. Furthermore, our debt portfolio purchases are likely to be uneven during the year due to fluctuating supply and demand within the market. Accordingly, collections of portfolios tend to vary quarter on quarter, while our costs are more evenly spread out over the year, resulting in seasonal variation of our margins and profitability between quarters. The combination of seasonal collections and costs and uneven purchases may result in low cash flow at a time when attractive debt portfolios become available. While in the past we have relied on our retail funding base to fund the vast majority of our debt purchases and the availability of funding under our deposits has been very stable, this may change in the future. A lack of cash flow or strains on our capital base could prevent us from purchasing otherwise desirable debt portfolios or prevent us from meeting our obligations under any forward flow agreements we may enter, either of which could have a material adverse effect on our business, results of operations or financial condition.

There is generally a gap between the point in time when we purchase a portfolio and the point in time when we begin earning returns on the purchased portfolio as we do not always have control over when a deal to purchase a portfolio will close and we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on a purchased portfolio. In addition, the time it takes to begin earning returns on a purchased portfolio could vary from our initial estimates. As a result, we may experience difficulties in projecting cash flows and delays in generating income from purchased portfolios. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Historical operating results and quarterly cash collections may not be indicative of future performance.

Our future operating results may not reflect past performance. Our results of operations and financial condition are dependent on our ability to generate collections from purchased portfolios, which in turn is impacted by our ability to continue to purchase debt portfolios and the ability of customers to pay. The ability of customers to refinance their existing debt could result in the reduction in the volume of portfolios available for purchase. Further, increasing interest rates may impact the ability of customers to pay claims that we own as customers may have other debts that would be impacted by rising interest rates, resulting in an adverse effect in our ability to collect on our purchased debt portfolios. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Our collections may decrease and/or the timing on when we collect may be delayed if the number of customers becoming subject to personal insolvency procedures increases, if customers have set-off rights related to the collected claims or if we fail to comply with applicable requirements related to the assignment of purchased claims.

We recover on claims that may become subject to insolvency procedures under applicable laws and we also purchase portfolios containing claims that are currently subject to insolvency proceedings. Various economic trends, in particular downward macroeconomic factors such as those experienced during the financial crisis, and potential changes to existing legislation may contribute to an increase in the number of customers subject to personal insolvency procedures. The portfolios that we purchase are generally unsecured and we are generally unable to collect on such portfolios in an insolvency procedure.

In certain of our markets, a debtor may have a right to set-off a claim that it has against the counterparty seeking to enforce a debt against the debtor. Subject to the relevant requirements being met, each debtor may be entitled to set off amounts due by the relevant seller to the debtor (if any) against amounts the debtor owes in respect of the relevant purchased claims prior to notification of the assignment thereof to us having been made. Such amount can be owed on the basis of contract or tort. As a result of such set-off, a purchased claim may, partially or fully, be extinguished. After assignment of a purchased claim to us and notification thereof to one of our customers, such customer will also have set-off rights vis-à-vis us, provided that the legal requirements for set-off are met and further provided that (i) the counterclaim of the customer results from the same legal relationship as the relevant purchased claim, or (ii) the counterclaim of the customer has been originated and become due prior to the assignment of the purchased claim and notification thereof to the relevant customer.

The transfer of ownership of purchased claims may require certain assignment procedures, for example by means of a deed of assignment executed between the debt originator and us and a notification of the assignment to the relevant customer, or a notarial deed, a registered deed of assignment or similar procedure, without notification of the assignment to the relevant customer being required. Should the transfer of a claim not meet applicable requirements, legal title to the relevant claim will not pass to us, which may result in the loss of such claim. Our ability to successfully collect on portfolios may decline or the timing on when we collect on portfolios may be delayed with an increase in personal insolvency procedures, if customers have set-off rights related to the collected claims or if we fail to comply with applicable transfer requirements, which could have a material adverse effect on our business, results of operations or financial condition.

We may be unable to obtain account documents for some of the accounts that we purchase.

When we commence enforcement actions through legal proceedings, courts may require a copy of the account statements or credit agreement to be attached to the pleadings in order to obtain a judgment against a particular customer. Where we are unable to produce account documents in response to a court's request, that claim would be legally unenforceable. Furthermore, if any of the account documents we do have were found to be legally unenforceable, courts may deny our claims. Any changes to laws, regulations or rules that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on our business and results of operations. Additionally, our ability to collect by means other than legal proceedings may be impacted by laws that require that certain types of account documentation be in our possession prior to the institution of any collection activities, which could also have a material adverse effect on our business, results of operations or financial condition.

We are exposed to the risk of currency fluctuations.

Foreign currency fluctuations may have an adverse impact on our income statement, balance sheet and/or cash flows as a result of the reporting currency used in preparing our balance sheet being SEK, which is different from the reporting currency of our subsidiaries, primarily EUR, GBP and PLN (translation risk), our assets and liabilities being stated in different currencies and certain revenue and costs arising in different currencies (transaction risk). We are exposed to both translation and transaction risk.

We are present in nine countries across Europe. We undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our headquarters are located in Stockholm, Sweden, where we also raise funding through our retail deposit platform, but where we do not collect debt. In addition, we have offices in London, United Kingdom and Duisburg, Germany, where, in addition to our headquarters in Stockholm, our Group investments function is located. The results of, and the financial position of, our subsidiaries are reported in the relevant local currencies, and then translated into SEK at the applicable exchange rates for inclusion in our balance sheet, which are stated in SEK. Our debt portfolios (*i.e.*, our primary assets) are mainly denominated in foreign currencies, while our deposits raised from the public (*i.e.*, our primary liabilities) are denominated in SEK. Furthermore, in each of the jurisdictions in which we are present, all revenue and the major part of the expenses are recorded in local currency.

The exchange rates between these currencies and SEK in recent years have fluctuated significantly and may in the future fluctuate significantly. For the years ended December 31, 2014, 2013 and 2012, all of our total revenue was reported by entities whose functional currencies are different than SEK, namely EUR, GBP and PLN, which accounted for 52.1%, 27.6% and 20.3%, respectively, of our revenue in 2014, 56.4%, 26.5% and 17.1%, respectively, of our revenue in 2013 and 88.2%, 3.4% and 8.3%, respectively, of our revenue in 2012. To determine our currency sensitivity, we deduct our aggregate liabilities from our aggregate assets in a specific currency, the result of which is then compared to our foreign exchange hedge in that currency. To conclude the sensitivity analysis, this net currency exposure is thereafter increased and decreased by 10%. If the currencies to which we had exposure as of December 31, 2014 and as of December 31, 2013, respectively, would have weakened/strengthened by 10% on average against the SEK, everything else being equal, our consolidated net profit for 2014 would have increased/decreased by approximately SEK 14 million and our consolidated net profit for 2013 would have increased/decreased by approximately SEK 5 million. Accordingly, to the extent that foreign exchange rate exposures are not hedged, any significant movements in the relevant exchange rates may have a material adverse effect on our business, results of operations or financial condition.

Since we operate and own portfolios in countries which have EUR, GBP and PLN as their domestic currencies, we are exposed to the risk that the book value of our portfolios translated into SEK will change due to currency movements. Even if the book value of portfolios in local currencies remain unchanged, a potential increased book value in SEK would impact our capital adequacy in a positive or negative way depending on the direction of the currency movements. From a short term capital adequacy perspective, a weak SEK currency will negatively impact our capital position.

With regard to currency instability issues, concerns exist in the eurozone with respect to macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union. Should these concerns materialize, one or more countries where we are currently, or may in the future be, active could exit from the European monetary union and re-introduce individual currencies, which could result in the redenomination of a portion of our euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of our assets, liabilities and cash flows. Any such mismatch, together with the capital market disruption that would likely accompany any such redenomination event, could adversely affect our liquidity position and have a material adverse effect on our business, results of operations or financial condition.

We operate in markets that are competitive. We may be unable to compete with businesses that offer higher prices than us for the purchase of debt portfolios, and our competitors may develop competitive strengths that we cannot match.

We face strong competition in all areas and markets, including from other pan-European competitors and competitors that are active on the local markets. Main competitors are debt purchasing companies, integrated firms operating a wider range of financial service businesses, as well as specialist investors. Some competitors that are active only in a local market and not on a pan-European basis are larger, have greater financial resources and are more active than us in such local market. We compete on the basis of bid prices, the terms we offer, reputation, industry experience and performance. Our current competitors and any new competitors may develop substantially greater financial, technical, personnel or other resources. For example, large and established foreign debt purchasers have recently become active in the U.K. debt purchase market and compete for the purchase of debt portfolios in the United Kingdom, and Portfolio Recovery Associates, Inc. during 2014 closed the acquisition of Norway-based debt purchaser Aktiv Kapital and thereby expanded its presence in Europe. In the future, we may not have the resources or ability to compete successfully with our local or international competitors. There can be no assurance that we will be able to offer competitive bids for debt portfolios or that we will be able to maintain the advantages in having our current strong position and status. If we are unable to develop and expand our business or adapt to changing market needs as well as our current or future competitors are able to do, or at all, or if our competitors are able to operate at a lower cost of capital or make advances in their pricing or collections methods that we are not able to make, we may be unable to purchase portfolios at prices we deem appropriate in order to operate profitably. Any inability to compete effectively may have a material adverse effect on our business, results of operations or financial condition.

We rely on third-party collection providers in most of our markets.

We employ a business model that is designed to deliver operational efficiency based on local market conditions and international best practices. Although approximately two-thirds of our collection operations are conducted in-house, we complement our in-house collections with carefully selected third-party collection providers in seven of the eight countries in which we operate collection activities. Third-party debt collectors are subject to more limited supervision by us than our own local operations. Any failure by these third parties to adequately perform such services for us could materially reduce our cash flow, income and profitability and affect our reputation in the countries where they operate. Any violation of laws or other regulatory requirements by these third parties in their collection efforts could negatively impact our business and reputation or result in penalties being directly imposed on us, as industry regulators generally expect businesses to carefully select such third parties and to take responsibility for any compliance violations. The failure of our third-party debt collectors to perform their services to our standards and any deterioration in or loss of any key relationships may have a material adverse effect on our business, results of operations or financial condition.

Third-party collection providers could commit fraud with respect to the claims that we engage them to service, fail to comply with applicable laws and regulations, such as data protection requirements, or fail to provide us with accurate data on the claims they are servicing. To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us. We may also suffer losses pursuant to our agreements with debt originators who have required, and may require, us to ensure compliance by sub-contractors with applicable laws or other regulatory requirements. Furthermore, we may not become aware of the occurrence of any such violations for a substantial period of time, which could magnify the effect of such violations.

In addition, financially weak third-party collection providers may be unable to continue to fund their activities, including taking steps to actively service claims assigned to them, or continue to build their operations and systems in line with our expectations and servicing volumes, without our support. Such support, and any strategies that we may implement in respect of underperforming third-party collection providers, may not result in anticipated benefits. If one or more of the third-party collection providers were to experience financial difficulties, enter into administration or become insolvent, this could cause disruptions and delays to our cash flows. We may select third-party collection providers based on prior relative performance and there is no guarantee of future performance. Any underperformance on the part of third-party collection providers and other counterparties, whether as a result of failing to meet financial targets required by us or otherwise, could have a material adverse effect on our business, results of operations or financial condition.

Our hedges may be ineffective or may not be implemented correctly.

We are subject to the risk of interest and foreign exchange rate exposures, see risk factors "—*We are exposed to the risk of currency fluctuations*" and "—*Risks Relating to Our Funding—An interest rate increase may have a negative impact upon our profit.*" We continuously hedge our interest and foreign exchange rate exposures and our Group treasury function has the overall responsibility for the continuous management of these exposures. Our foreign exchange rate exposure is hedged through currency swaps. As of December 31, 2014, we had asset exposures in EUR, GBP and PLN. We also use specific hedges when purchasing portfolios in foreign currencies to hedge the effect of any variations in foreign exchange rates between the date of purchase and month-end when the portfolio is recorded on our balance sheet and covered by our regular currency swaps. We have an interest rate swap to primarily hedge the effect of changes in interest rates on our profit and loss account. The hedges are structured so that if interest rates increase, the hedges would have a positive effect on profit and loss, which would at least partially offset the increased funding cost caused by the increased interest rates. Conversely, if interest rates decrease, the hedges would at least partially offset the decreased funding costs through negative effects on the profit and loss. We are subject to the risk that there is a mismatch between the interest swap performance and the change in the underlying funding cost that the hedges are set to hedge. We are also exposed to the risk that our hedges could be implemented incorrectly. Any of these events could cause losses and have a material adverse effect on our business, results of operations or financial condition.

Increases in labor costs, potential labor disputes and work stoppages could negatively affect our business.

Our financial performance is affected by the availability of qualified personnel and the cost of labor. As of December 31, 2014, we had 1,155 employees in total. There are currently collective bargaining agreements in place with certain unions in France, Germany and Italy. If we are unable to maintain satisfactory labor agreements with our unionized employees and works councils, we could experience a disruption of our operations, which could impede our ability to provide services to our clients. In addition, an increased number of unionized employees could cause us to incur additional labor costs. Potential labor disputes could disrupt our operations. Further, an increased demand for our employees from competitors could increase costs associated with employee compensation. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

The financial targets included in this Offering Memorandum may differ materially from our actual results and investors should not place undue reliance on them.

The portfolio investment expectations and financial targets set forth in this Offering Memorandum under "*Business Overview—Our Strategy*" and elsewhere are our expectations for the financial year 2015 and beyond, including medium term profitability and capitalization targets. These financial targets are based upon a number of assumptions (including the success of our business strategies), which are inherently subject to significant business, operational, economic and other risks, many of which are outside of our control. Accordingly, such assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect the actual results that we achieve in future periods whether or not our assumptions relating to the financial year 2015 or future periods otherwise prove to be correct. As a result, our actual results may vary materially from these targets and investors should not place undue reliance on them.

Risks Relating to Regulation

We rely on our license as a "Credit Market Company" and the loss or suspension of such license could impair or terminate our access to deposit funding and our ability to conduct business.

Pursuant to our license as a "Credit Market Company," we are subject to regulation and regulatory supervision applicable to the banking sector. The SFSA is our primary regulator. We have established branches in Belgium and the Netherlands and are hence subject to scrutiny from local regulators in these jurisdictions. We have passported our license to conduct financial business into France, Italy, the Netherlands, Germany and Austria. We are subject to numerous local laws and regulatory supervision, including in relation to capital adequacy, risk control, financial services and business conduct, data protection, anti-corruption, anti-money laundering, antitrust and administrative actions. Any significant changes and/or developments in regulations, regulatory supervision and/or our granted licenses, or changes in oversight by our primary regulator could materially affect our business, the products and services we offer or the value of our assets. Any failure by us to comply with applicable laws and regulations and other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions. Such sanctions could include the revocation by the SFSA of our license as a "Credit Market Company." The loss of our license would mean that we would have to discontinue the offering of deposit savings accounts to the general public. As retail deposits are our principal source of funding, this would adversely affect our liquidity position and impair our ability to fund our business and potentially also impair or materially adversely affect our ability to continue our business as currently conducted. In addition, there can be no assurances that we would be able to obtain other sources of funding within a short time period or at all, or that such alternative funding would be available at similar costs. Other sanctions could include material fines up to 10% of the annual turnover. Any of these events could have a material adverse effect on our business, results of operations or financial condition.

We are subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements and changes to the regulatory environment, or any failure to comply with applicable legislation or regulation, could result in the suspension, termination or impairment of our ability to conduct business.

Due to our status as a "Credit Market Company," we are subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements, including the Basel III Framework. Pursuant to this legislation and regulation, we are required, among other things, to maintain adequate capital resources and to satisfy specified capital and liquidity ratios at all times. This subjects us to regulatory risks, including the effects of new and changing laws, regulations, policies, voluntary codes of practice and interpretations of such in Sweden and in the European Union. In addition, any changes to the assumptions we make when purchasing portfolios may potentially have an impact on the value of our portfolios. When we purchase portfolios, we make assumptions regarding gross collections and collection costs and the net present value of expected net collections is reflected in the balance sheet carrying value of our portfolios. Should we experience higher collection costs than expected, for example due to lower collection efficiency or efficacy, changing laws or changes in collection practices to more costly collection methods, such as increased use of legal systems, or should we experience materialized credit risk on our portfolios, such that we recover less than expected from our customers, causing gross cash collections on our portfolios to decline, potentially significantly, these factors could consequently decrease our revenue as well as lower the carrying value of our portfolios as such changes would trigger revaluations. As such, the asset side of our balance sheet would decrease accordingly and impact our capital adequacy. A market perception or actual shortage of capital could result in regulatory actions, including requirements to raise additional regulatory capital, to retain earnings or suspend dividends or the issuance of a public censure or imposition of sanctions. This may affect our ability to generate a return on capital, pay future dividends, purchase portfolios and pursue acquisitions or other strategic opportunities and may impact our future growth potential. As a result of any such shortage, we may have to raise additional capital through the issuance of share capital or capital instruments, which may dilute the holdings of existing shareholders. In addition, possible sanctions could include the revocation by the SFSA of our license as a "Credit Market Company," see risk factor "*—We rely on our license as a "Credit Market Company" and the loss or suspension of such license could impair or terminate our access to deposit funding and our ability to conduct business."*

We face risks associated with an uncertain and rapidly evolving regulatory environment. Since the global financial and economic crisis in 2008-2010, a number of regulatory initiatives have been taken to amend or implement rules and regulations, which have, and which are likely to continue to have, an impact on our business. Such initiatives include, but are not limited to, the Basel III Framework and other regulatory developments impacting liquidity, capital and leverage positions and handling of counterparty risks, as well as regulatory tools provided to authorities to allow them to intervene in scenarios of distress. As a result of regulatory changes, including further regulation based on Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit instructions and investment firms ("**CRR**") and Directive 2013/36 EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Framework**"), we may in the future be required to meet stricter liquidity and capital requirements. Regulatory changes could also result in our existing regulatory capital ceasing to count either at the same level as present or at all, in changes to the current risk weights of our assets or in us being restricted from holding assets such as non-performing debt portfolios. Any of these events could have a material adverse effect on our business, results of operations or financial condition.

We carried out two ordinary share issues paid for in cash in May and December 2014, respectively, which increased our net paid-up capital by SEK 414 million in the aggregate. Due to an oversight, we did not observe a corrigendum to the CRR published in August 2013, which, *inter alia*, provided that the requirement to obtain permission from the competent authority prior to classifying capital instruments (including ordinary shares) as CET 1 instruments applies for any issuance after June 28, 2013 (instead of after December 31, 2014, as previously contained in the official publication in June 2013). As a result, we did not seek required SFSA approval to include such capital as common equity, and thus permit inclusion of such capital in our CET 1 ratio calculation, until the beginning of 2015 and, accordingly, such paid-in capital did not technically qualify for inclusion in our CET 1 ratio calculation during the year ended December 31, 2014. We have not amended our capital ratios included in the notes to our historical financial statements for 2014 or regulatory filings as the quantitative and qualitative criteria for inclusion of the capital raised in these share issues were met at such time. On March 11, 2015, we obtained the requisite approval from the SFSA for inclusion of the ordinary share capital raised in the above mentioned share issues with respect to financial and regulatory reporting as from that date. The received SFSA approval confirms that these share issues met the criteria for CET 1 capital. While we believe that the timing of the SFSA approval, and the fact that the CET 1 ratio as calculated under the applicable regulations for 2014 was technically lower than previously reported, will not negatively affect our operations or result in any defaults under any contracts, including our outstanding debt instruments, there can be no assurances that our contractual obligations will not be adversely affected or that the SFSA will not impose regulatory sanctions, which could, individually or in the aggregate, have a material adverse effect on our business, results of operations or financial condition.

A decision that our deposits shall no longer be covered by the Swedish state-provided deposit insurance scheme, or changes to the deposit insurance scheme in its current form, could have an adverse effect on our operations.

Due to our license as a "Credit Market Company," we are able to offer retail deposits to the general public that are covered by the Swedish state-provided deposit insurance scheme, which guarantees an amount of EUR 100,000 for each depositor. As such, we are required to establish internal processes to handle operational risk related to the deposits, including managing and securing the data systems utilized to host the deposits. Any failure by us to comply with these requirements could result in intervention by regulators or the imposition of sanctions, including a decision that our deposits shall no longer be covered by the deposit insurance scheme. The loss of coverage by the deposit insurance scheme would likely mean that we would have to discontinue the offering of deposit savings accounts to the general public, which would adversely affect our liquidity position and impair our ability to fund our business and potentially also impair or terminate our ability to continue our business as currently conducted.

In recent years, the relevant regulatory authorities in Sweden and Europe have proposed (and in some cases have commenced implementation of) changes to many aspects of the banking sector, including, among others, deposit insurance schemes. While the impact of these regulatory developments remains uncertain, we expect that the evolution of these and future initiatives could have an impact on our business, including by imposing greater administrative and financial burdens on us. Increased costs may result from, for example, changes to the insurance scheme leading to increased contributions to the schemes by covered financial institutions. Changes could also lead to the guaranteed amounts being lowered. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

As a debt purchasing company, we are subject to applicable regulations in the jurisdictions in which we operate and changes to the regulatory environments, or any failure to comply with applicable laws, regulations and codes of practice, may negatively affect our business.

We are subject to regulations applicable to debt purchasing operations in the jurisdictions in which we operate, including laws and regulations regarding data protection, debt collection, debt purchasing and anti-money laundering and sanctions at the national and supranational level. Adverse regulatory developments under the laws and regulations to which we are subject could expose us to a number of risks. The debt purchasing industry has come under increased scrutiny due to local political factors, which has lead, and could lead to, changes in laws and regulations. Any new laws or regulations that may be adopted, or changes to existing laws or regulations, or changes to their interpretation by supervisory authorities and courts, may reduce our operational flexibility and limit our ability to use our customer data to price portfolios and create efficient debt collection strategies.

On January 25, 2012, the European Commission published its draft EU Data Protection Regulation. The draft regulation proposes substantial changes to the EU data protection regime, which would result in the replacement of the current national data protection laws by a directly applicable EU regulation. If this draft regulation became law in its currently proposed form, it would impose a substantially higher compliance burden on the debt purchase industry and potentially impair our ability to use customer data, for example by restricting our ability to create customer profiles. On March 12, 2014, the European Parliament formally passed a revised proposal of the regulation that further strengthens individuals' rights in this area. In addition, if any of the information or customer data that we use were to become public, including as a result of a change in governmental regulation, or if the countries where we operate were to introduce measures that have the effect of facilitating the tracing of customers, or if the current data processing restrictions were to change such that credit market participants could access credit information before the purchase of portfolios, or if the current data processing restrictions were to change such that we would be prohibited to use customer data in the manner or to the extent in which it is currently used, we could lose a significant competitive advantage and our business could be negatively affected.

From time to time, we may receive inquiries from regulatory authorities and it is our practice to cooperate with such inquiries. We are also subject to regular audits by the regulatory authorities in various countries where we operate. Recently, in connection with contacting the Jersey Financial Services Commission (the "**JFSC**") to discuss a potential increase of our operational presence in Jersey, the JFSC determined, for the purposes of anti-money laundering regulation, that out Jersey subsidiaries have been carrying out "lending activities," and therefore are required to comply with local anti-money laundering regulations. We are currently in discussions with the JFSC regarding the adequacy of our current procedures. In addition, we may be involved in inquiries and audits arising from the actions of our third-party collection providers. An adverse outcome of any such investigation or other inquiries from regulatory authorities may result in: the institution of administrative, civil or criminal proceedings; sanctions and the payment of fines and penalties, including potential suspension or revocation of regulatory licenses depending on the severity and scale of any regulatory issues; changes in personnel; our inability to conduct business due to the loss of our regulatory license or restrictions or conditions being placed on our activities; increased review and scrutiny of our services by debt originators, regulatory authorities and others; and negative media publicity and reputational damage.

Individual employees and our third-party collection providers may act against our instructions and, either inadvertently or deliberately, violate applicable competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or debt originators. Such actions may harm our reputation and subject us to regulatory inquiries and customer complaints and, if we are held responsible, the resulting fines and other sanctions could be substantial. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Failure to obtain full regulatory authorization for our United Kingdom operations would have a material adverse effect on our business.

As of April 1, 2014, the FCA became the new regulator of debt collection companies, who are now subject to FCA's supervisory and regulatory regime. During an initial transition period, debt collection companies in the United Kingdom, including our subsidiaries Hoist Finance UK and Robinson Way, are operating under interim permissions until the FCA makes its final decisions on applications for full FCA authorization. The FCA has assigned firms "application periods" for such authorization, ranging from October 2014 to April 2016. Our application period will be from July 1, 2015 to September 30, 2015. Our interim permission enables us to continue to carry out our current activities during this interim period without having to make an immediate authorization application to the FCA, and provides a partial grace period to allow us to prepare ourselves to be compliant with the FCA requirements. In connection with the application, we will be subject to an assessment process before we will be granted full authorization. As a result of such assessment process, it cannot be excluded that the FCA would ask us to make significant changes to our operations or governance structure, which could be costly and affect our results of operations. There can be no assurances that we will be granted such full authorization and failure to obtain such authorization, or any requirement that we make significant changes to our business in connection with the authorization, could have a material adverse effect on our business, results of operations or financial condition.

In addition, our third-party collection providers in the United Kingdom must also obtain and maintain FCA authorization. Should they fail to maintain the authorization, or should any of our future third-party collection providers not secure FCA authorization, this could require us to find new third-party collection providers with similar experience and track-record, which may be costly and may have a material adverse effect on our ability to collect in the United Kingdom or could materially increase our cost to collect in the United Kingdom, all of which could have a material adverse effect on our business, results of operations or financial condition.

Improper disclosure of our debt originator clients' sensitive data, customer data or a breach of data protection laws could negatively affect our business or reputation.

We handle and process large amounts of potentially sensitive or confidential information and we rely on our Data Warehouse to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our debt collection and for our analysis of potential debt purchases. Our ability to conduct our business, including accurately pricing portfolios, tracing customers and developing tailored repayment plans, depends on our ability to use customer data in our Data Warehouse. Our ability to obtain, retain, share and otherwise process customer data is governed by data protection laws, privacy requirements and other regulatory restrictions, including, for example, that personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, the collected personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept in a form that permits identification of customers for a longer period of time than necessary for the purposes of the collection.

While we continuously work to improve our design and coordination of security and compliance controls across our business, it is possible that our security controls over personal customer data, our training of employees and partners on data protection, and other data protection practices we follow may not prevent the improper disclosure or processing of such sensitive information in breach of applicable laws and contracts. Any material failure to process customer data in compliance with applicable laws could result in the revocation of our licenses to collect debt, monetary fines, criminal charges and breach of contractual arrangements. Failure to comply with applicable data protection laws could have a material adverse effect on our business, results of operations or financial condition.

We are subject to ongoing risks of legal and regulatory claims.

In the ordinary course of our business, we are subject to regulatory oversight and the risk of claims being brought against us by customers from which we collect debt. We carry out operations through a number of legal entities in a number of jurisdictions and we are therefore subject to regulation in each such jurisdiction. In recent years, in a few jurisdictions where we are active, there has been a substantial increase in consumer claims being brought through the courts in attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fuelled by a substantial rise in the number and activity of claims management companies that aggressively advertise for potential claimants and then bring claims in the hope and expectation that they will be paid a portion of any debt written off. Claims could also be brought in relation to other areas of alleged non-compliance, which could affect a large portfolio of agreements.

We are currently not involved in any material litigation or disputes or, to our knowledge, any material regulatory investigations. However, it cannot be ruled out that material litigations, disputes or regulatory investigations may occur in the future and we may in the future be named as defendants in litigation, including under consumer credit, tax, collections, employment, competition and other laws. In addition, claims management companies and consumer rights groups could increase their focus on the debt collection industry and, in particular, the collection of debts owed under credit agreements. Such negative publicity or attention could result in increased regulatory scrutiny and increased litigation against us, including class action suits.

These types of claims and proceedings may expose us to monetary damages, direct or indirect costs, direct or indirect financial loss, civil and criminal penalties, loss of licenses or authorizations, or loss of reputation, as well as the potential for regulatory restrictions on our businesses, all of which could have a material adverse effect on our business, earnings and financial position. Claims against us, regardless of merit, could subject us to costly litigation or proceedings and divert our management personnel from their regular responsibilities. Adverse regulatory actions against us or adverse judgments in litigation to which we are party may lead to us being forced to suspend certain collection efforts or pay damages, being subject to enforcement orders or having our registration with a particular regulator revoked. If any of the foregoing occurs, it may have a material adverse effect on our business, results of operations or financial condition.

We conduct cross-border operations and manage our group tax affairs across companies in several jurisdictions. If this structure is determined by local tax authorities to be inappropriate, or if our interpretation of applicable tax laws, tax treaties and provisions is not fully correct or changes, our tax liability may increase significantly, which could have a material adverse effect on our business, results of operations or financial position.

We have implemented cross-border arrangements within the Group in relation to various aspects of our business, including allocating among certain Group companies, as outsourced functions, support activities regarding the preparation and analysis of investment decisions, purchase of debt portfolios and collection activities relating to debt portfolios. We have also adopted, and regularly update, Group transfer pricing policies setting out the framework for how we price activities carried out within the Group. Similar to many other companies conducting cross-border operations through group companies in several jurisdictions, we are exposed to potential tax risk resulting from the varying applications and interpretations of tax laws, treaties, regulations and guidance, including in relation to corporate income tax and VAT. Although we believe that we have applied and interpreted relevant tax laws and regulations in a correct manner, and that our group transfer pricing policies and other cross-border arrangements have been implemented in accordance with internationally accepted transfer pricing procedures and tax laws in the jurisdictions in which we operate, relevant tax authorities in the jurisdictions in which we operate may disagree with, and subsequently challenge, our positions. As a result, our tax exposure, both on a Group and individual country basis, could change materially if such challenges, if any, were to be successful.

In an effort to clarify the tax exposures that might arise from the conduct of certain of our cross-border operations, Hoist Kredit and Hoist GmbH have initiated an Advance Pricing Agreement ("**APA**") procedure regarding the transfer pricing procedures and approaches adopted by the Group in Germany. An APA allows the taxpayer and the tax authority (in this case Germany and Sweden) to avoid future transfer pricing disputes by entering into a prospective agreement regarding the taxpayer's transfer principles. The Group expects such APA procedure to be finalized during 2016, although there can be no assurances that the procedure will be completed by that time or that a satisfactory agreement will be reached with respect to our current or future transfer pricing policies.

Tax structuring within international groups increasingly has become a Corporate Social Responsibility issue and currently there is strong political pressure to change the international tax environment. In light of the Base Erosion and Profit Shifting ("**BEPS**") Action Plan, launched by the OECD and supported by the EU, and its rapid development, there are indications that there is support for global tax coordination among jurisdictions, which could have a significant impact on the international taxation landscape in which we operate. Recently, tax authorities across the OECD generally have increased their scrutiny of corporate taxation structures and related permanent establishment and transfer pricing matters. Such focus by tax authorities could affect the Group's structure and organization or could lead to increased tax exposure.

The Company has, together with external tax advisors engaged in connection with the Offering, reviewed its current legal and operating structure from a tax perspective covering the last three years. Such review has identified potential tax exposures in various jurisdictions in which the Group operates relating primarily to VAT, transfer pricing, permanent establishment and corporate income tax. Certain identified exposures concern significant amounts individually and the aggregate amount of the risks combined is material. While the Company believes that there are a number of structural and other steps that have been and will be taken to mitigate the effects of such exposures, such as availing relevant companies of potential relief under double-taxation treaties, there can be no assurances that such steps are or will be available or that they would effectively mitigate the exposures. Accordingly, should the Company be subject to adverse tax decisions relating to the identified potential tax exposures, this could result in significantly increased tax liabilities, including accrued interest and penalties, which could have a material adverse effect on our business, results of operations or financial position.

Our effective tax rate may increase, we may be subject to audits and we may be subject to a potential new tax or levy on banks and credit institutions currently under discussion.

As a multinational company, we are subject to taxation in numerous foreign jurisdictions. Our effective tax rate is subject to fluctuation from one period to the next because the income tax rates for each year are a function of many factors, including: (i) taxable income levels and the effects of a mix of profits (losses) earned by us and our subsidiaries in numerous tax jurisdictions with a broad range of income tax rates; (ii) our ability to utilize deferred tax assets; (iii) taxes, refunds, eventual interest or penalties resulting from tax audits; (iv) the magnitude of various credits and deductions as a percentage of total taxable income; and (v) changes in tax laws or the interpretation of such tax laws. Changes in the mix of these items may cause our effective tax rate to fluctuate between periods, which could have a material adverse effect on our business, results of operations or financial condition.

In 2014, the Swedish tax authorities instituted an audit concerning our income subject to corporate income tax and PAYE during the period 2011 to 2013. The tax audit of the Company has, *inter alia*, covered taxation aspects surrounding the conduct of cross-border operations, as well as tax deductibility in relation to certain historic costs. Based on the correspondence with the Swedish tax authority, we expect that the finalization of this tax audit will lead only to minor additional tax costs; however, there can be no assurances that the audit will be finalized in accordance with these expectations.

In Sweden, the government is currently discussing the introduction of a potential new tax or levy on banks and credit institutions. It is not known if, when and in what form any such law may potentially be adopted and, consequently, the level of any such potential tax or levy remains uncertain. However, the introduction of any new tax or levy on banks and credit institutions could have a material adverse effect on our business.

Risks Relating to Our Funding

We rely on our retail funding base to fund our debt purchases and a significant decrease in retail deposits would have an adverse effect on our business.

We rely on our retail funding base to fund the vast majority of our debt purchases. Our online deposit platform in Sweden, HoistSpar, is offered to private individuals. Products include term deposits, with durations of 12, 24 and 36 months, as well as overnight deposits (Flex) from which our customers can withdraw their savings on demand. As of December 31, 2014, 69% of our deposits were Flex deposits. Historically, the availability of funding under our deposits has been very stable with limited outflow, primarily driven by the interest rates we offer, which we are able to adjust in accordance with our liquidity needs. As of January 1, 2015, we are required to hold liquidity equal to a minimum liquidity coverage ratio of 60%. The liquidity coverage ratio is defined as high quality liquid assets (*i.e.*, assets that can be easily and immediately converted into cash at little or no loss of value) relative to the total net cash outflows over the next 30 calendar days. Our liquidity coverage ratio as of December 31, 2014, was 552.0%.

Retail deposits are subject to the risk of large redemptions occurring at short notice and thus that there is a mismatch between our need for funding of our liabilities and our access to liquidity. The outflow of deposits is subject to fluctuation due to a number of factors, many of which are outside of our control, such as general economic conditions, including a substantial increase in insolvencies, unemployment and inflation rates. A perceived increase in the risk of our operations by our depositors may also lead to outflows of deposits. Consequently, there can be no assurances that there will not be significant outflow of deposits within a short period of time. As such, we are subject to the risk that there is mismatch between our short-term funding and our long-term assets. Should there be a substantial outflow of deposits, we may be unable to generate sufficient liquidity from our existing portfolios, which will adversely affect our ability to purchase additional portfolios as they become available and there can be no assurances that we would be able to obtain other sources of funding within a short time period or at all, or that such alternative funding would be available at similar costs. These events could have a material adverse effect on our business, results of operations or financial condition.

An interest rate increase may have a negative impact on our profit.

We are subject to the risk that our net interest income is negatively impacted as a result of increases in prevailing interest rate levels due to a mismatch between the interest rates we pay to borrow funds from our depositors and from investors in the wholesale bond market, and the income we generate from our purchased portfolios. The net effect of changes to our net interest income depends on the relative levels of assets and liabilities that are affected by the changes in interest rates. On the liabilities side, our interest costs are affected by interest rate variations on outstanding loans and deposits from the general public. An interest rate increase would most likely have a negative impact on our profit to the extent that the increase in market rates would affect interest rates and interest expenses on loans and deposits from the general public, at the same time as income from our purchased portfolios remains unchanged. We are particularly exposed to interest rate changes due to the long-term cash flow profile of our assets, which is primarily linked to the income generated from purchased portfolios, relative to the short-term cash flow profile of our liabilities. Because of such duration mismatch between assets and liabilities, the effects of interest rate changes will not be naturally offset against each other. As a result, we enter into derivative transactions to attempt to hedge this exposure. Despite measures to continuously hedge our interest rate exposures through, for example, interest rate swaps in SEK, such mismatch caused by interest rate variations may have a material adverse effect on our business, results of operations or financial condition.

Negative publicity may have a negative effect on our access to funding.

Negative publicity and other events relating to our reputation could adversely affect the relationships with our current or potential deposit customers, which could lead to withdrawals from our deposit accounts and decreased levels of new or additional deposits from the public. The hosting of our deposit platform is outsourced to an external third-party provider to ensure 24/7 connectivity and first-class security. If this third-party provider does not meet the agreed service levels, or if there were to be any breach in the data protection of this third-party provider who may have access to confidential information of our depositors, this could adversely affect our reputation and our relationships with our depositors and may lead to sanctions and increased supervision by the SFSA. Negative publicity could also adversely affect investors in the debt capital markets, which could lead to decreased interest in future bond issuances. Any of these events may have a negative effect on our access to funding, which may impair our ability to purchase debt portfolios and have a material adverse effect on our business, results of operations or financial condition.

An inability to access alternative sources of liquidity and to refinance our existing debt as it falls due and payable or an increase in interest rate levels may have a negative effect on our financial condition.

We have issued three series of notes, SEK 750 million senior unsecured notes due 2016, SEK 350 million subordinated notes due 2023 and EUR 100 million senior unsecured notes due 2017. All three series of notes are listed on Nasdaq Stockholm. A perceived increase in the risk of our operations by investors in our bonds or other potential lenders may lead to reductions in our access to alternative sources of liquidity, such as the debt capital markets or bank financing. At the maturity of our existing financing, we may be unable, should we wish, to successfully refinance the indebtedness or only succeed in borrowing at substantially increased cost. The volume of our sourcing funds, in particular long term financing, may be limited during liquidity pressure in the financial markets. Turbulence in the global financial markets and economy may also adversely affect our ability to refinance, which may result in a higher risk profile. The occurrence of such an event could accordingly have a material adverse effect on our business, results of operations or financial condition.

Risks Relating to the Offering and the Shares

The Selling Shareholders may continue to exercise considerable influence over us and our operations and the interests of the Selling Shareholders may conflict with those of our other shareholders.

Upon completion of the Offering, the Selling Shareholders will hold in the aggregate approximately 24.1% of our Shares (assuming the size of the Offering is increased in full and the Over-allotment Option is exercised in full). While these shareholders are not contractually bound to act together in the future, they, or each Selling Shareholder individually, will be in a position to exercise considerable influence over all matters requiring shareholder approval. These matters include the authorization of any proposed capital increase and profit distribution, corporate mergers and sales involving all or nearly all of our assets. It cannot be ruled out that the interests of the Selling Shareholders may conflict with the interests of other shareholders. This concentration of share ownership could delay, postpone or prevent a change of control in the Company, and impact mergers, consolidations, acquisitions or other forms of combinations, as well as distributions of profit, which may or may not be desired by other investors.

Future offerings of debt or equity securities by us may adversely affect the market price of the Shares and lead to substantial dilution of existing shareholders.

In the future, we may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity could result in a reduction in the market price of the Shares and could dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Although the timing and nature of any future offering will depend on market conditions at the time of such an offering, we cannot predict or estimate the amount, timing or nature of any future offerings. Thus, holders of Shares bear the risk of any future offerings causing a reduction in the market price of the Shares and/or diluting their shareholdings in the Company.

In addition, our subsidiary Hoist Kredit has issued a type of convertible debt securities, so called contingent convertibles, to Roukefok Limited as described in more detail elsewhere in this Offering Memorandum. With the prior consent from the SFSA, Hoist Kredit is entitled to redeem the convertible debt securities and repay the outstanding amount as from April 23, 2018. Furthermore, at the request of Hoist Kredit or the SFSA, the convertible debt securities may in certain situations be converted into equity for loss absorption. The convertible debt securities may only be converted at the initiative of Roukefok Limited should Hoist Kredit stop making interest payments (at the decision of Hoist Kredit, the SFSA or due to a general regulation), or under certain circumstances where there would not be any distributable reserves in Hoist Kredit or should Hoist Kredit cease to fulfil its capital base requirements. Upon a potential conversion, Hoist Kredit's share capital would be increased by a maximum amount of SEK 11,111,100. This would correspond to a dilution of approximately 14.3% of Hoist Kredit's current share capital, which would have an indirect effect on our shareholders due to our status as parent company of the Group.

Future sales of Shares after the Offering may affect the market price of the Shares.

In connection with the Offering, the Selling Shareholders have agreed to a lock-up arrangement with the Managers. In addition, the directors and certain executives of the Company and certain other shareholders of the Company have agreed to a lock-up arrangement with the Managers. When these lock-up arrangements expire, or if they are waived or terminated by the Managers, the Shares that are subject to the lock-up arrangements will be available for sale in the public market or otherwise. Sales of substantial amounts of Shares in the public market following the Offering, or the perception that such sales could occur, could adversely affect the market price of the Shares and may make it more difficult for holders to sell their Shares at a time and price that they deem appropriate.

The Selling Shareholders may have interests that are different from our other shareholders regarding the timing or amounts of Shares that may be sold. After the lock-up arrangements expire, or if they are waived or terminated by the Managers, no assurances can be given whether future sales of Shares will be made or as to the timing or amounts of Shares that may be sold.

The subscription undertakings by the Cornerstone Investors are subject to certain conditions and the Cornerstone Investors are not subject to any formal lock-up arrangement.

The Cornerstone Investors have agreed to acquire at the final Offer Price (and at any such price throughout the Offer Price Range) a number of Offer Shares equivalent to 9%, 5% and 4%, respectively, of the Shares following completion of the Offering. The Cornerstone Investors' undertakings are conditional on, among other things: (i) listing of the Offer Shares occurring no later than April 1, 2015; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) a minimum of 35,000,000 Shares being offered in the Offering, resulting in a minimum of 77,506,412 Shares outstanding after completion of the Offering. If such conditions are not satisfied, the Cornerstone Investors will not be required to acquire their Offer Shares. In addition, the Cornerstone Investors' undertakings have not been secured through a bank guarantee, blocked funds or pledge of collateral or similar arrangement. Accordingly, there is a risk that payment of the purchase price and settlement of the Offer Shares for the Cornerstone Investors may not occur in connection with the closing of the Offering as anticipated, which could have an adverse effect on the completion of the Offering.

In addition, the Cornerstone Investors' shares will not be subject to any formal lock-up arrangement, implying that it is possible that the Cornerstone Investors may divest part or all of their respective shareholdings at any time. Any sales of substantial amount of the Shares could cause the market price of the Shares to decline.

There is a risk that an active and liquid market for our Shares will not develop and the price of the Shares may be volatile.

Prior to the Offering, there has been no public market for our Shares. The Offer Price is being determined by way of the book-building process. There can be no assurances that the Offer Price will correspond to the price at which the Shares will be traded on the stock exchange after the Offering and that, following the listing, liquid trading in our Shares will develop and become established. Investors may not be in a position to sell their shares quickly or at the market price if there is no active trading in our Shares.

After the Offering, the price of the Shares may be subject to considerable fluctuation. In particular, the price of our Shares may be affected by supply and demand for our Shares, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, changes in general economic conditions, changes in regulatory conditions and other factors. Moreover, the general volatility of share prices may create pressure on the share price even if there might be no reason for this in our operations or earnings potential.

Our ability to pay dividends in the future may be constrained and depends on several factors, including legal requirements and restrictive covenants in our issued notes, or shareholders may seek and vote for dividend payments that turn out to be inconsistent with our long-term growth plans and operations.

If declared by a shareholders' meeting after proposal by the Board of Directors, holders of the Shares will be entitled to receive future dividends, including any dividends declared in respect of the financial year beginning 2015 and in respect of any subsequent period. Swedish law, including the Swedish Companies Act and, as we are a regulated entity, also the Capital Buffers Act (2014:966) (Sw. *lag (2014:966) om kapitalbuffertar*), limits our ability to propose and declare dividends of certain funds legally available for that purpose should the payment of such dividend result in non-compliance with applicable capital buffer requirements. Non-compliance with certain capital buffer requirements that apply to us could result in intervention by regulators or the imposition of sanctions, including the revocation of our license as a "Credit Market Company." In addition, as described in more detail elsewhere in this Offering Memorandum, our SEK 750 million senior unsecured notes and our EUR 100 million senior unsecured notes contain certain covenants that may restrict the ability of Hoist Kredit to make dividend payments to Hoist Finance under certain circumstances tied to our capital cover ratio and our interest cover ratio. Should Hoist Kredit not be able to make distributions to Hoist Finance, this will likely affect our ability to make distributions to our shareholders. As the amount of future dividend payments we may make, if any, will depend upon our future earnings, financial condition, cash flows, capital requirements and other factors, such as those described above, there can be no assurances that in any given year a dividend will be proposed or declared. In addition, dividend payments may be made, as approved by the Board of Directors and voted for by the shareholders, that turn out to be inconsistent with our long-term growth plans and operations.

Investors with a reference currency other than SEK will become subject to certain foreign exchange risks when investing in the Shares.

The Company's equity capital is denominated in SEK and all dividends on the Shares will be paid by us in SEK. Investors whose reference currency is a currency other than SEK may be adversely affected by any reduction in the value of SEK relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting SEK into another currency. Investors whose reference currency is a currency other than SEK are therefore urged to consult their financial advisors.

U.S. and other non-Swedish holders of Shares may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers.

Under Swedish law, holders of Shares will have certain pre-emptive rights in respect of certain issues of Shares, unless those rights are disapplied by a resolution of the shareholders at a general meeting or the shares are issued on the basis of an authorization to the Board of Directors under which the Board may disapply the pre-emption rights. Securities laws of certain jurisdictions may restrict our ability to allow participation by shareholders in such jurisdictions in any future issue of the Shares carried out on a pre-emptive basis in a rights offer.

Shareholders in the United States as well as certain other countries may not be able to exercise their pre-emptive rights to participate in a rights offer or a buy-back offer, as the case may be, including in connection with an offering below market value, unless we decide to comply with local requirements, and in the case of the United States, unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. In such cases, shareholders resident in such non-Swedish jurisdictions may experience a dilution of their holding of our Shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. We intend to evaluate at the time of any issue of Shares subject to pre-emptive rights or in a rights offer or a buy-back offer, as the case may be, the cost and potential liabilities associated with complying with any local requirements including any registration statement in the United States, as well as the indirect benefits to us of enabling the exercise of non-Swedish shareholders of their pre-emption rights to the Shares or participation in any rights offer or a buy-back offer, as the case may be, and any other factors considered appropriate at the time, and then to make a decision as to whether to comply with any local requirements, including to file a registration statement in the United States. No assurances are given that local requirements will be complied with or that any registration statement would be filed in the United States so as to enable the exercise of such holders' pre-emptive rights or participation in any rights offer or buy-back offer.

We believe that we are likely to be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to our U.S. investors.

We believe that we are likely to be a PFIC for the current taxable year and for the foreseeable future. If we are a PFIC, U.S. investors could be subject to material adverse U.S. federal income tax consequences, such as being subject to greater or accelerated U.S. federal income tax liability. See "*Taxation—Certain U.S. Federal Income Tax Considerations*."

BACKGROUND AND REASONS FOR THE OFFERING AND USE OF PROCEEDS

After many years under private ownership, during which time our business model has been further developed and our operations have grown substantially, our shareholders and Board of Directors believe that it is now an appropriate time to broaden our shareholder base and to apply for the listing of our Shares on Nasdaq Stockholm.

The Offering is expected to support our future growth and operational strategy and provide us with improved access to capital markets and a diversified base of new Swedish and international shareholders. We also expect that the listing of our Shares on Nasdaq Stockholm will increase the public profile of our company and business. We believe that these factors will further enhance our competitive position, in relation to debt originators selling debt portfolios as well as to the general public using our savings products, and we believe that these factors provide the appropriate platform for our future development.

In order to further strengthen our capital base and achieve the flexibility to generate continued growth through purchase of NPL portfolios, we expect to issue and sell New Shares in the Offering. We expect to receive net proceeds from our sale of New Shares of approximately SEK 675 million, after deducting the Company's transaction costs related to the Offering, including commissions and fees (fixed and discretionary) payable by the Company to the Managers and other advisors, which are estimated to amount to approximately SEK 75 million. Adjusted for the proceeds received from our sale of New Shares, our CET 1 ratio (as defined in "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*" and including the SEK 414 million net paid-up capital from the new ordinary shares issued for cash in May and December 2014, respectively) as of December 31, 2014 would have increased from 9.4% to 15.3%. We expect to use the net proceeds from our sale of New Shares to purchase additional debt portfolios in accordance with our business plan. In the short term, until we identify attractive portfolio opportunities, we expect to invest the net proceeds primarily in interest bearing securities with an S&P credit rating of at least A- (or equivalent credit rating of another credit rating firm) and limited exchange rate risk.

We will not receive any proceeds from any sale of Offer Shares by the Selling Shareholders.

For further information, please refer to the description in this Offering Memorandum, which has been prepared by the Board of Directors of Hoist Finance with regard to the application of listing of the Company's Shares on Nasdaq Stockholm and the Offering made in connection thereto.

The Board of Directors is responsible for the content of this Offering Memorandum. The Board of Directors, hereby declares that, having taken all reasonable care to ensure that such is the case, the information in this Offering Memorandum is, to the best of the Board of Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Stockholm March 12, 2015
Hoist Finance AB (publ)
The Board of Directors

EXCHANGE RATE INFORMATION AND REGULATION

Exchange Rate Information

The following tables sets forth, for the periods indicated, certain information concerning the European Central Bank (the "**ECB**") daily reference rate published by the ECB (the "**ECB Daily Reference Rate**") for SEK, expressed in SEK per EUR, and USD, expressed in USD per EUR, in each case rounded to the nearest four decimal places. The average rate is the average of the daily mid-rates from January 1 of each year up to and including the last trading day of each month. The period end rate represents the mid-rate on the last business day of each applicable period. These exchange rates are provided only for the convenience of the reader. No representation is made that amounts in euro have been, could have been, or could be converted into SEK or USD, or vice versa, at the mid-rate or at any other rate. As of March 10, 2015, the ECB Daily Reference Rates were SEK 9.1849 per EUR 1.00 and USD 1.0738 per EUR 1.00.

	SEK per EUR 1.00			
Year	**Period End**	**Average**	**High**	**Low**
2010	8.9655	9.5373	10.2723	8.9630
2011	8.9120	9.0298	9.3127	8.7090
2012	8.5820	8.7041	9.1356	8.2077
2013	8.8591	8.6515	9.0604	8.2931
2014	9.3930	9.0985	9.6234	8.7661
2015 (through March 10)	9.1849	9,4205	9.6298	9.1849
Month in 2015				
January	9.3612	9.4167	9.5410	9.2895
February	9.3693	9.4901	9.6298	9.3672
March (through March 10)	9.1849	9.2332	9.3436	9.1849

	USD per EUR 1.00			
Year	**Period End**	**Average**	**High**	**Low**
2010	1.3362	1.3257	1.4563	1.1942
2011	1.2939	1.3920	1.4882	1.2889
2012	1.3194	1.2848	1.3454	1.2089
2013	1.3791	1.3281	1.3814	1.2768
2014	1.2141	1.3285	1.3953	1.2141
2015 (through March 10)	1.0738	1.1421	1.2043	1.0738
Month in 2015				
January	1.1305	1.1621	1.2043	1.1198
February	1.1240	1.1350	1.1447	1.1240
March (through March 10)	1.0738	1.1021	1.1227	1.0738

Exchange Control Regulations in Sweden

There are currently no foreign exchange control restrictions in Sweden, other than in certain national crisis situations, that would restrict the payment of dividends to a shareholder outside Sweden, and there are currently no restrictions that would affect the right of shareholders who are not residents of Sweden to dispose of their shares and receive the proceeds from a disposal outside Sweden. There is no maximum transferable amount either to or from Sweden, although transferring banks are required to report to the Swedish tax authorities any payments to or from Sweden exceeding SEK 150,000, or the foreign currency equivalent thereof. Such information may also be forwarded to authorities in the countries where the holders of the shares are resident.

DIVIDENDS AND DIVIDEND POLICY

General

Holders of our Shares will be entitled to receive future dividends, including any dividends declared in respect of the financial year ending December 31, 2015 and in respect of any subsequent period, provided dividends are declared.

Dividend Policy

Under the dividend policy adopted by our Board of Directors, as we continue to foresee substantial acquisition opportunities in our markets, we will initially aim to distribute around 25-30% of our net profit as dividend over the medium term. Given the historically strong cash flow generation of our business, our long term target is to distribute around 50% of the annual net profit as dividend. There can be no assurances that in any given year a dividend will be proposed or declared.

With respect to the financial years 2013 and 2014, no dividend was paid. For the financial year 2012, a total dividend of SEK 14,731,974 was paid, corresponding to an amount of approximately SEK 0.225 per Share (calculated based on the number of outstanding Shares in the Company as of the date hereof).

The information on our policies relating to dividends constitutes forward-looking statements. Forward-looking statements are not guarantees of future financial performance and our actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under "*Forward-Looking Statements*" and "*Risk Factors.*"

Legal and Regulatory Requirements

The declaration of dividend or other capital distributions by Swedish companies is decided upon by the general meeting. Dividends or other capital distributions may only be declared to the extent that there is unrestricted equity (Sw. *fritt eget kapital*) available, meaning that there must be full coverage for the Company's restricted equity (Sw. *bundet eget kapital*) after the distribution. Restricted equity, includes, *inter alia*, the Company's share capital and its statutory reserve.

Furthermore, in addition to the requirement regarding full coverage for the Company's restricted equity, dividends or other capital distributions may only be declared to the extent that such declaration is prudent, taking into consideration:

(i) the demands with respect to the size of the equity which are imposed by the nature, scope and risks associated with the operations of the Company and, if applicable, the Group; and

(ii) the need to strengthen the balance sheet, liquidity and financial position of the Company and, if applicable, the Group.

In addition, as a regulated "Credit Market Company," we are restricted from paying dividends should such payment result in non-compliance with applicable capital buffer requirements. Non-compliance with certain capital buffer requirements that apply to us could result in intervention by regulators or the imposition of sanctions.

For a description of contractual limitations on Hoist Kredit's ability to pay dividends due to its issued notes which in turn would impact our ability to pay dividends, see "*Operating and Financial Review—Liquidity and Capital Resources—Indebtedness—Interest Bearing Securities.*"

Dividends

The shareholders' meeting may, as a general rule, not declare dividends in an amount higher than the Board of Directors proposed or approved.

Under the Swedish Companies Act, minority shareholders that together represent at least 10% of all outstanding shares of the Company have the right to request a payment of dividend (to all shareholders) from the Company's profits. Following such a request, the annual general meeting is required to resolve to distribute 50% of the remaining profit for the relevant year as reported on the statement of financial position adopted at the annual general meeting, after deductions made for: (i) losses carried forward that exceed unrestricted reserves (Sw. *fria fonder*); (ii) amounts which, by law or the articles of association, must be transferred to restricted equity; and (iii) amounts which, pursuant to the articles of association, are to be used for any purpose other than distribution to the shareholders. However, the general meeting is not obliged to declare dividends in excess of 5% of the Company's shareholders' equity. Moreover, the general meeting may not declare dividends to the extent that there will not be full coverage of the Company's restricted equity or in violation of the prudence rule described above.

Dividends will normally be paid to shareholders in cash on a per share basis through Euroclear Sweden, but may also be paid in kind. On the record date established by the general meeting, all shareholders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends.

The Company declares dividends in SEK. Dividends to shareholders who do not have an account for the receipt of dividend (Sw. *avkastningskonto*) in SEK will, following a currency exchange implemented by the Company or Euroclear Sweden, be paid in EUR. Shareholders with nominee registered holdings should contact their nominee regarding dividend payment currency. See "*Risk Factors—Risks Relating to the Offering and the Shares—Investors with a reference currency other than SEK will become subject to certain foreign exchange risks when investing in the Shares.*"

If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of ten years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company's articles of association contain any restrictions regarding dividend rights of shareholders resident outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. For a discussion of withholding taxes on the payment of dividends, see "*Taxation*."

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our capitalization and net indebtedness as of December 31, 2014. The information presented below should be read in conjunction with "*Operating and Financial Review*" and our consolidated financial statements and the notes related thereto included elsewhere in this Offering Memorandum.

	As of December 31, 2014
	(SEK thousand)
Capitalization(1)	
Current liabilities (including current portion of long-term interest-bearing liabilities)	8,143,630
Guaranteed	—
Secured	—
Unguaranteed/unsecured	8,143,630
Long-term interest-bearing liabilities	4,669,576
Guaranteed	—
Secured	—
Unguaranteed/unsecured	4,669,576
Total shareholders' equity	1,397,190
Share capital	21,662
Paid-in capital	1,003,818
Reserves/retained earnings	371,710
Total capitalization	**14,210,396**
Net indebtedness(1)	
[A] Cash	340
[B] Cash equivalents	3,768,890
[C] Current financial investments	1,791,172
[D] Liquidity [A]+[B]+[C]	**5,560,402**
[E] Current financial receivable	**4,404**
[F] Current bank debt	—
[G] Current portion of non-current debt	—
[H] Other current financial debt	8,143,630
[I] Current financial debt [F]+[G]+[H]	**8,143,630**
[J] Net current financial indebtedness [I]-[E]-[D]	**2,578,824**
[K] Non-current bank loans	—
[L] Bonds issued	1,825,918
[M] Other non-current loans	2,843,658
[N] Non-current financial indebtedness [K]+[L]+[M]	**4,669,576**
[O] Net financial indebtedness [J]+[N]	**7,248,400**

(1) "Current" is defined as up to three months and "non-current" is defined as more than three months. Derivatives have been excluded.

As of December 31, 2014, our direct and indirect contingent liabilities, on a consolidated basis, were SEK 229.9 million.

Assuming that the net proceeds from the Offering were available to the Company as of December 31, 2014, the Company's cash would have increased by SEK 675 million. The CET 1 ratio (as defined in "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*" and including the SEK 414 million net paid-up capital from the new ordinary shares issued for cash in May and December 2014, respectively) would have increased from 9.4% to 15.3%.

Except as set forth above or in "*Operating and Financial Review,*" there has not been any significant change to our capitalization or indebtedness since December 31, 2014.

INDUSTRY OVERVIEW

Certain information set forth in this section has been derived from external sources, including the Company Market Study and publicly available industry publications or reports. Industry publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, reports and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness. The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Market Data," "Forward-Looking Statements" and "Risk Factors."

Unless otherwise stated, references in this section to "NPL" and "NPLs" refer to unsecured consumer loans that have been in default for at least 90 days and originated by banks or other financial institutions. References in this section to the European debt purchasing market include companies operating in Austria, Belgium, France, Germany, Italy, the Netherlands, Poland and the United Kingdom.

Introduction

The European market for credit management services and debt purchasing in its current form originated in Norway and Sweden during the late 1980's and early 1990's following the Nordic real estate and banking crisis. Since the inception of the industry, it has become increasingly sophisticated, covering an expanded service offering, and spread to cover the majority of the European continent. In recent years, credit management services and, in particular, debt purchasing have grown significantly. This stems from a large build-up of NPLs on banks' balance sheets following the global financial crisis in 2008-2010, which are now being sold due to stricter regulations for banks; particularly increased capital requirements that are heavily impacted by NPLs.

The industry is of significant size and can be divided into several sub-segments based on *e.g.*, the type of customer (*e.g.*, consumers or businesses), whether the loans are secured or unsecured and the type of originator of the debt. In terms of originators the industry primarily consists of two segments: (i) debt originated by financial institutions, including bank loans, both secured and unsecured, *e.g.*, mortgages, credit card loans, car loans, overdrafts and personal loans, and (ii) debt originated by trade companies, including *e.g.*, overdue consumer bills from telecommunication and utility companies, and retail stores.

We are focused on purchasing, and collecting on, unsecured consumer NPLs originated by financial institutions. We believe this is the most attractive sub-segment due to, among other factors, higher industry growth rates, higher barriers to entry, responsible origination practices and more stable and predictable cash flows, compared to other industry sub-segments.

Overview of Debt Purchasing

Overdue and, eventually, defaulted loans are inherent components of any lending activity. During banks' underwriting processes, loan losses are expected and therefore banks price their credits based on assumed and estimated default rates. Loan losses and debt defaults generally encompass non-paying debts, insolvencies, and paying debts where the customers' payments do not comply with contractual terms, all of which are referred to as non-performing loans, or NPLs, when the loan is considered to be in default.

The lower probability of full repayment of NPLs leads sellers to accept significant discounts to the nominal value, with buyers aiming to collect over time a value greater than the purchase price. A key collection metric for debt purchasers is the Estimated Remaining Collections ("**ERC**"), which measures expected future collections of a portfolio for a certain period of time, and is based on, among other things, historical and current portfolio performance data, trends, and assumptions about future debt collection rates.

Selling NPLs to debt purchasers represents an attractive alternative for banks and financial institutions. This is due to several factors, some of which are outlined below:

Strengthen capital ratios. Sales of NPLs decrease the sellers' risk exposure, release provisions and ultimately strengthen the sellers' capital ratios by reducing risk-weighted assets. We anticipate banks will increase sales of NPLs in the future as regulation, capital adequacy ratios and liquidity requirements increase.

Realize immediate cash proceeds. Debt purchasers typically have long-term collection views and therefore focus on maximizing the ultimate return from a portfolio. For banks, the sale of NPLs translates into an attractive upfront cash payment and improved liquidity position. Furthermore, as NPLs are often already written-off by the originator, selling these implies an immediate positive impact on the selling banks' income statements.

Debt collection is a non-core business. Banks' core operations are typically lending money and taking deposits. Banks are generally not specialists in collecting defaulted claims. Debt collection agencies and debt purchasers with in-house collections specialize in such activities and can leverage significant scale benefits in collection to achieve higher returns on overdue debt than banks themselves. In addition, by selling overdue debt, banks avoid the costs and challenges associated with maintaining in-house debt collection infrastructure.

The majority of NPLs for sale are currently offered to the market through competitive auction processes, but in some cases banks engage in bilateral discussions with trusted partners. When choosing which debt purchaser to sell to, a bank will take several factors into consideration. Selling price is a key factor, but reputation and regulatory compliance are of increasing importance. Debt purchasers will collect from customers who are past or current clients of the banks. Consequently, debt purchasers are often closely associated with the originating lender because they are considered the bank's "extended arm" well past the transfer of ownership of the debt portfolio. As a result, banks primarily engage well-known and well-respected debt purchasers who are fully compliant with all regulatory aspects and have substantiated metrics displaying their proper treatment of customers.

The larger banks commonly sell NPLs to debt purchasers or engage third-party debt collection agencies for debt collection services through so called *panels*; *i.e.*, groups of debt purchasers or debt collection agencies, typically five per panel, which have met the banks' stringent approval criteria and as such are engaged repeatedly. This is done to reduce the oversight burden on banks and to ensure they select the right partners relative to anticipated debt sales, and, with regard to collections, to benchmark the debt purchasers and debt collection agencies against each other.

NPLs being sold are generally categorized into buckets depending on when the debt was classified as in default. These buckets include loans that are payers, fresh, primary, secondary, tertiary, and "garage": a payer debt has a recent history of continuous payments; a fresh debt is a claim that has been in default for between one day and three months, a primary debt for between three and nine months; a secondary debt for between nine months and two years; a tertiary debt for between two and five years; and a garage debt for five years or more after which it is typically fully written-off.

There are several different models for purchasing debt portfolios, including spot agreements, forward flow agreements, as well as full structural outsourcing agreements. In spot agreements, debt purchasers buy portfolios of claims that are transferred in one transaction upon payment. In forward flow agreements, debt purchasers agree to buy a pre-determined volume (fixed or range) of claims at a pre-defined price during a certain time period. In full structural outsourcing agreements, debt purchasers take over a bank's entire collection department, acquire its full stock of NPLs and sign a forward flow agreement that covers future NPLs.

Competitive Landscape

As a consequence of the European debt purchasing market maturing, a few large, well-known and highly regarded debt purchasing companies have emerged, of which we are one. These companies have earned a reputation of being trusted partners to banks and financial institutions over several years and are considered integral components within the credit cycles of banks. We have a long history of focusing purely on debt purchasing, while many of our competitors historically focused on debt collection services and have only recently increased their focus on debt purchasing.

Debt collection activities need to be carefully tailored to local conditions. While most established debt purchasers have a narrow geographical focus, only a few of the large and established debt purchasers, ourselves included, have pan-European presence. Each geographical market typically has one or a few large local market participants and also a large number of small, local debt purchasers and debt collection agencies. We believe we have a strong position in our markets as we are the largest pan-European debt purchaser focused on the Financial Institutions segment and one of the few operating across several markets.

We view ourselves, Lindorff, Intrum Justitia and Portfolio Recovery Associates (due to their acquisition of Aktiv Kapital) as the only true pan-European debt purchasers. Other large debt purchasers that have operations primarily in one or two single markets include, for example, Encore (due to their acquisition of Cabot), Arrow Global, Lowell and Kruk, of which Encore, Arrow Global and Lowell are primarily focused on the United Kingdom.

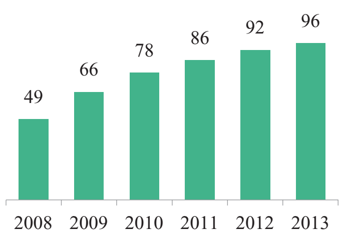
In addition to the above mentioned debt purchasers, portfolio investors such as Cerberus Capital Management, Lone Star Funds, Fortress Investment Group and Deutsche Bank (Distressed Assets Division), are active in the markets. Such investors are however often focused on secured debt and also typically outsource all collection activities, or enter into co-investor agreements with the originator or with a debt purchaser with collection capabilities.

Market development

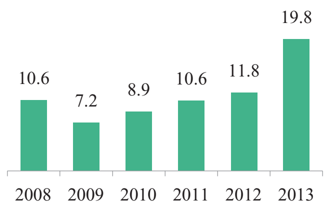
In recent years, the European debt purchasing industry has developed rapidly and is now a well-established structural component of the credit industry. Debt purchasers act as an integrated part of an outsourcing model. Whereas European banks generated significant volumes of NPLs during the financial crisis in 2008-2010, volumes of debt portfolios being sold in the market were limited. This created substantial backlogs of NPLs on banks' balance sheets. However, since 2011 the market has experienced high volumes of NPLs being sold, a trend which, according to the Company Market Study, is expected to continue across Europe over the next few years. New regulations, which require banks to hold adequate capital and apply more stringent definitions of NPLs, increased NPL levels and higher costs of holding such loans are core drivers to the increasing sales volumes.

The total stock of unsecured consumer NPLs originated by banks and financial institutions in the European markets was estimated at EUR 96 billion in 2013, having grown by a CAGR of 14.3% since 2008. In 2013, the face value of the NPLs sold was estimated at EUR 19.8 billion and the market value EUR 1.9 billion, having grown by a CAGR of 13.3% and 12.1%, respectively, since 2008.

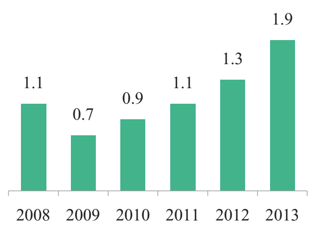
Graph 1—Unsecured Financial Institutions consumer NPL stock in Europe (EURbn)



Graph 2—Face value of unsecured Financial Institutions consumer NPLs sold in Europe (EURbn)



Graph 3—Market value of unsecured Financial Institutions consumer NPL sales in Europe (EURbn)



Source: Company Market Study

According to the Company Market Study, the deal value of the NPLs sold is expected to continue to increase over the years to come, primarily driven by additional markets maturing, higher prices as higher quality (early stage or paying) NPLs are sold, increasing competition and improved collectability due to a more favorable macro environment. According to the Company Market Study, the unsecured financial institution consumer NPL stock in Europe for 2014 was estimated to be EUR 81 billion, the face value of NPLs sold was estimated to be EUR 21.8 billion and the market value for NPL sales was estimated to be EUR 2.0 billion.

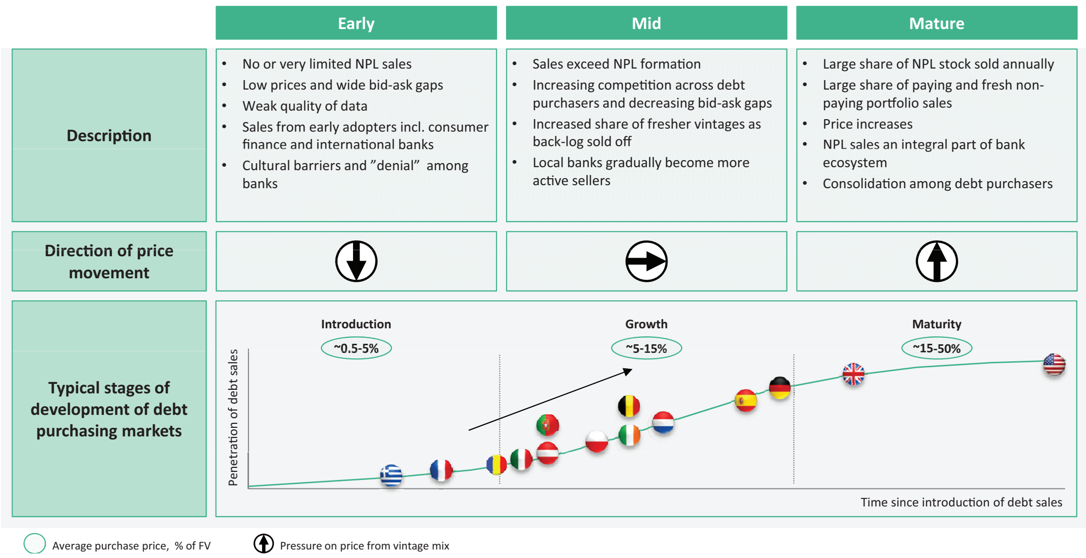
Market maturity

Debt in the earlier stages of the default cycle typically entail a higher likelihood of repayment and are less costly to collect compared to debt in the later stages of default. This particular observation has encouraged banks to prioritize selling old debt in default, while retaining in-house the servicing of fresher debt. As a debt purchasing market matures and becomes increasingly sophisticated, sellers of overdue debt establish structured sales processes. Based on the Company Market Study, sellers of overdue debt in such markets end up selling debt more frequently and at earlier stages in the default cycle. It also leads to sellers and buyers becoming more educated and willing to engage in more complex transaction structures; for example, forward flow agreements tend to be more frequent in mature markets.

Since debt in earlier stages of the default cycle entails high collection rates, front loaded cash flows and lower cost to collect compared to debt in the later stages of default, early stage defaulted debt is typically sold at a higher price measured as a percentage of face value. Consequently, average purchase prices are likely to increase as a market matures and banks sell NPLs in earlier stages. According to the Company Market Study, the fact that banks are increasingly selling NPLs in earlier stages will be a strong driver for market growth beyond the large sell-off of tertiary and garage NPLs expected in the years to come.

There are significant differences in trends observed across jurisdictions based on whether the market is mature or immature. The United Kingdom is a mature market with most banks systematically having early stage NPL sales processes. In contrast, France is an immature market characterized by infrequent sales of NPLs and by fewer banks relative to more developed markets. The figure below illustrates an overview of the different stages, based on our experience, for selected markets. The length of time for an immature market to mature is variable and dependent on a number of variables.

Figure 1—Illustrative overview of development stages for selected markets



Source: Company Market Study

Market Trends and Drivers

According to the Company Market Study, the market for sales of NPLs has grown significantly in recent years and is expected to have a continued high growth rate, driven by several strong underlying trends of which some are discussed below.

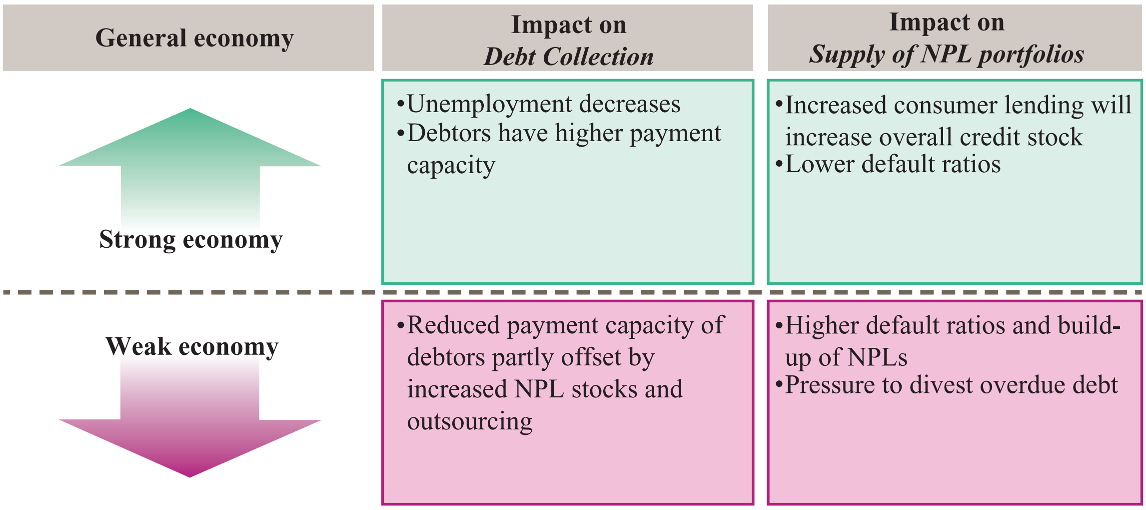
Large NPL stock accumulated in recent years. The markets for debt purchasers are tightly linked to the level of NPLs on banks' balance sheets and the banks' propensity to sell such NPLs. The global financial crisis in 2008-2010 led to a significant build-up of NPLs driven by high default rates and very limited debt sales activity. The stock of European bank NPLs that have been in default for at least 90 days grew from approximately EUR 49 billion in 2008 to approximately EUR 81 billion in 2014 in the European markets where we are currently active. In addition, the CA (covering NPLs across all European countries and regardless of default period) conducted by the ECB, which was completed in October 2014, uncovered EUR 136 billion of additional overdue debt, increasing the total stock of NPLs in Europe to EUR 879 billion.

Shortage of capital among banks due to new bank regulations. Regulatory developments, such as the implementation of the Basel III framework, have put European banks under pressure to delever and reduce substantial amounts of their credit exposure. The results of the CA conducted by the ECB highlighted a capital shortfall estimated at EUR 9.5 billion, which is expected to exert pressure on banks to reduce their NPL levels. New banking regulations target the reduction of banks' leverage and strengthening of banks' capital bases, which are expected to be partly met through increasing levels of NPL sales in the short to medium term.

Secular outsourcing trend among European banks. Collecting on defaulted debt is a non-core business for banks. In recent years, banks have increasingly aimed to lower the risks in their non-core activities and internal debt collection processes have been particularly impacted. In addition to enabling banks to focus on core operations, selling NPLs releases scarce capital and offers additional liquidity and has proven to be an efficient tool to manage their income statements. This, in conjunction with an increased sophistication among both sellers and purchasers of NPLs, has established debt purchasers as an integral part of the credit industry. Increasing maturity and sophistication have historically led to debt being sold more frequently and at earlier stages in the default cycle. According to the Company Market Study, this trend is expected to be a key driver of market growth beyond the large disposal of tertiary and garage NPLs expected in the short to medium term.

Upside in collection rates from macro-economic recovery. In addition to the industry specific drivers outlined above, the overall macroeconomic climate is an important driver for the debt purchasing industry. A macroeconomic recovery in Europe would be expected to, *inter alia*, lead to decreasing unemployment rates and higher disposable incomes. While the creation of new NPLs in an economic upturn may decrease, the collection rates would be likely to increase as the customers' ability to pay will improve. According to the IMF, a slow macroeconomic recovery is expected in Europe, which we believe will be net positive for debt purchasing companies as it represents a potential upside to their existing NPL portfolio holdings.

Figure 2—Illustrative impact from general economic climate



In addition to the above fundamental market drivers, we believe the European debt purchase industry is currently impacted by several trends, primarily related to market maturity. Accordingly, the trends have particularly affected the most mature markets, such as the United Kingdom and Germany. Some of these trends are discussed below.

Increasing regulation for debt purchasers. As markets mature, debt purchasers become a more integral part of the credit industry. This has historically resulted in increased regulation of debt purchasers and debt collection agencies in terms of consumer protection and documentation. We believe this trend will benefit sophisticated debt purchasers with well-established regulatory compliance functions and a focus on amicable collections.

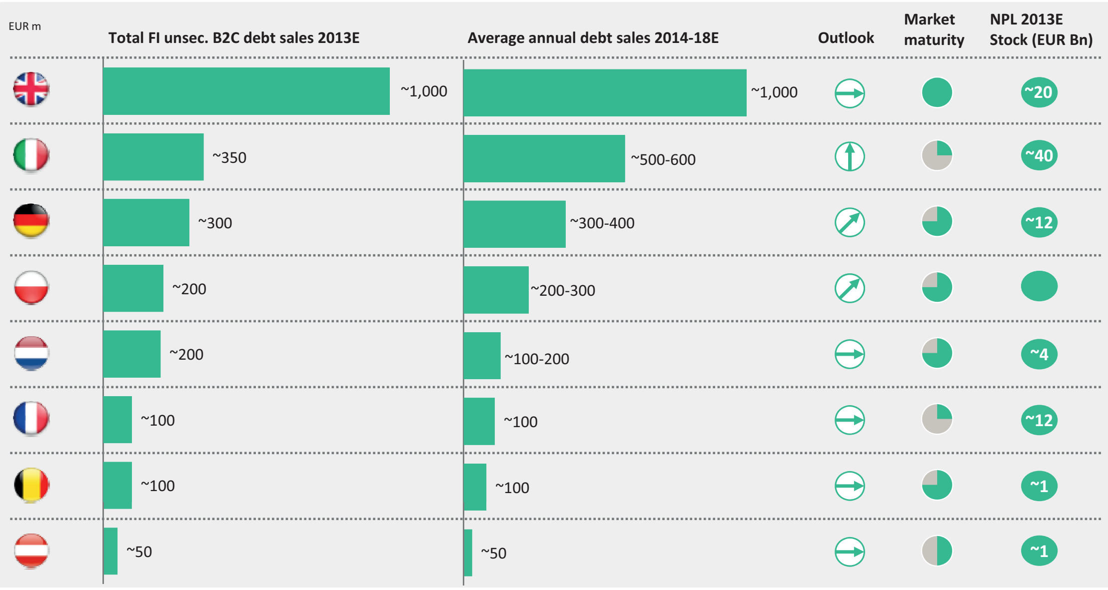
Increasing focus on reputation and relationships. Along with market maturity and sellers of NPLs becoming increasingly sophisticated, such sellers have also become more selective when choosing debt-purchasing partners. We have observed an increasing focus on the reputation of the purchaser as well as on the relationship with the sellers. In our experience, banks that work with panels, *i.e.* a group of debt purchasers which are engaged repeatedly, have transitioned to preferring smaller panels than in previous years. Historically, such trends have been beneficial for debt purchasers with high ethical standards and a focus on regulatory compliance and amicable collection methods, and also for larger debt purchasers with the capacity to execute deals swiftly and the ability to engage in complex transactions.

Size and scale advantages leading to industry consolidation. Debt purchasing is characterized by significant scale advantages. These scale advantages relate to larger databases, centralized support functions (e.g. IT, pricing, analytics, finance, risk, governance and compliance), collection efficiency and the ability to participate in larger, more complex tenders. Scale advantages and a maturing market typically strengthen the rationale for consolidation. This has become evident in many markets, such as the United Kingdom. In recent years there has been an ongoing consolidation trend within the U.K. market driven by debt purchasers aiming to expand in-house debt collections, including for example Arrow Global's acquisition of Capquest and Cabot's acquisition of Marlin. In addition, the maturity of the U.K. market has attracted international players which have entered the market through acquisitions, such as PRA, Encore and ourselves. Similar trends are expected to emerge across other European countries as the markets mature and are expected to benefit larger players with financial capacity to drive consolidation.

Overview of Selected European Markets

We currently operate across eight geographical markets, all of which have different characteristics in terms of NPL stocks, levels of outsourcing, portfolio sales volumes, and regulatory and legal frameworks. The figure below provides an overview of the market characteristics of the European markets where we currently operate. We do not collect debt in Sweden.

Figure 3—Market characteristics of selected European markets according to the Company Market Study



Source: Company Market Study

Below is a further description of the key characteristics and trends for the markets in which we operate.

Italy

Macroeconomic data

Real GDP growth (average)		Unemployment rate		
2009–2013	2014–2018	2008	2013	2018
-1.5%	1.0%	6.8%	12.2%	9.7%

Source: IMF

The Italian economy experienced an economic double dip recession following the financial crisis in 2008-2010 which resulted in high unemployment rates. The economic outlook for the period 2014-2018 is positive although indicating a slow recovery. The macroeconomic climate in Italy resulted in large amounts of overdue debt and Italy has in recent years had one of the largest stocks of NPLs in Europe. According to the Company Market Study, the Italian stock of unsecured consumer NPLs amounted to approximately EUR 40 billion at the end of 2013. The stock of NPLs held by banks in Italy is expected to decrease in the future, mainly due to a significant increase in sales to debt purchasers, but also partly due to a more positive macroeconomic outlook.

According to the Company Market Study, Italian banks sold NPLs for approximately EUR 350 million during 2013. These were primarily garage and tertiary debt. Prospectively, as increasing regulation foments pressure on Italian banks, the major banks in Italy are expected to accelerate debt sales significantly; including both old and fresh debt. The CA, and stress tests in particular, have underlined the requirement to dispose of overdue debt.

The debt purchasing market in Italy is still developing in several aspects even though debt sales have increased significantly in recent years. Overdue consumer debt primarily includes two types of debt; cambiali and non-cambiali debt. Cambiali is overdue debt in a nation-wide system where the customer is legally bound to honor its obligation and has issued promissory notes for a monthly payment equivalent to a pre-determined level of repayment. Cambiali is essentially a legal payment plan. Therefore, the customer has illustrated a willingness and ability to pay and so such debts carry a relatively low level of risk and are consequently sold at higher prices. Non-cambiali debts are sold at lower prices because they are typically non-paying claims with a corresponding higher level of cost and uncertainty, although a segment of the market exists which includes non-cambiali payers.

Collections in Italy are highly regionalized, leading to a fragmented landscape of debt collection agencies ("**DCAs**"). In Italy, these typically consist of doorstep collection agencies. Field agents, often respected professionals such as former policemen, are an important collection tool for DCAs; hence, a common operational model for debt purchasers is to operate in-house call centers reinforced by an outsourced nationwide network of field agents.

United Kingdom

Macroeconomic data

Real GDP growth (average)		Unemployment rate		
2009–2013	2014–2018	2008	2013	2018
-0.1%	2.5%	5.7%	7.6%	5.7%

Source: IMF

The financial crisis in 2008-2010 had a significant impact on the U.K. economy and caused a large number of defaults. A slow economic growth after the financial crisis, in combination with a demand and supply gap in the debt purchasing market, resulted in significant growth of British banks' NPL stocks. According to the Company Market Study, the stock of unsecured consumer NPLs in the United Kingdom was estimated at approximately EUR 20 billion at the end of 2013 and is expected to decrease slightly in the future driven by increasing debt sales as well as decreasing default rates and limited creation of new NPLs. However, the market value of portfolios sold is expected to remain relatively stable, given an anticipated shift in the quality of NPLs sold.

During the last decade, the debt purchasing market in the United Kingdom has grown to be the most mature market in Europe and has expanded rapidly since the financial crisis in 2008-2010. According to the Company Market Study, U.K. banks sold debt portfolios (including payer debt) for approximately EUR 1 billion during 2013 (of which approximately EUR 700 million were NPLs). As the U.K. market has experienced increasing consolidation, the importance of established relationships between originators and debt purchasers has increased and transactions have become more sizeable with a few large debt purchasers, including ourselves, acquiring a larger share of the NPLs sold in the market. Sale of debt portfolios, which also include already paying customers, *i.e.*, customers already on installment plans, is increasing and is evidence of market maturity. Debt portfolios including already paying customers are naturally sold at a lower discount to face value than non-paying, older debt, and prices for paying portfolios are rapidly increasing.

As of April 2014, third-party debt collection companies in the United Kingdom are regulated by the FCA as consumer credit firms, which, for example, mean that authorization from the FCA is required to operate in the market. Banks in the United Kingdom commonly use panels for debt purchasing and for engaging third-party debt collection agencies. The stricter controls on compliance and increasing debt collection regulation have driven banks to refine their panels further with a stronger focus on amicable collection and consumer protection.

Collection methods in the United Kingdom are commonly traditional methods such as calls via predictive dialing, letters and SMS with selective use of litigation. The use of email is growing as debt collection agencies look to improve collection efficiency. The use of data (bureau data and owned databases) is increasingly important.

The U.K. market has in recent years seen a development of new market participants entering the market through acquisitions, as well as consolidation among existing market participants. New market participants which have entered the market through acquisitions include PRA through the acquisition of Aktiv Kapital, Encore through the acquisition of Cabot and ourselves through the acquisitions of Robinson Way and the lewis group. The consolidation trend within the market has been driven by debt purchasers aiming to expand in-house debt collection operations; for example, Arrow Global's acquisition of Capquest and Cabot's acquisition of Marlin.

Germany

Macroeconomic data

Real GDP growth (average)		Unemployment rate		
2009–2013	2014–2018	2008	2013	2018
0.7%	1.5%	7.5%	5.3%	5.2%

Source: IMF

The German economy has been stable in recent years with positive GDP growth and an improving unemployment rate. We believe that stable economic growth and low interest rates will stimulate underlying credit volumes and depress default rates.

According to the Company Market Study, the stock of NPLs in Germany has only experienced moderate growth in recent years due to the stable economy and amounted to approximately EUR 12 billion by the end of 2013. We also expect the strong underlying macroeconomic development to have a positive impact on collection rates as unemployment decreases and disposable income increases. Furthermore, the offset in decreasing default rates attributable to the increasing underlying credit volumes is such that the Company Market Study expects the NPL stock to increase, notwithstanding a slight acceleration of debt sale volumes.

The debt purchasing market in Germany developed into a mature market before the financial crisis and today has a robust legal framework. According to the Company Market Study, German banks sold overdue debt with a market value of approximately EUR 300 million in 2013. The market is characterized by a large proportion of forward flow transactions with many participants in the sales process. Large banks typically sell mixed asset portfolios on a selective basis; however, the core market, which includes the consumer credit, currently tends to sell mainly primary debt. Debt sales decreased during the financial crisis from 2008-2010, but increased from 2011-2013 and is expected to continue to grow due to a second wave of transactions of unsecured consumer NPLs coming to the market. The main drivers of this wave are rising banking regulatory pressure and an increasing focus on achieving better cost efficiency. Regional banks, which generally do not sell NPLs, constitute an additional growth potential embedded in the German market.

Germany has a large network of debt collection agencies and servicing still constitutes a large share of credit market services, especially for regional banks. Although the market is characterized by debt purchasers with in-house collections, DCAs continue to play a significant role in the market. Debt collection in Germany traditionally involves mainly legal enforcement; however, approaches with long-term payment plans outside the legal system are increasingly used.

France

Macroeconomic data

Real GDP growth (average)		Unemployment rate		
2009–2013	2014–2018	2008	2013	2018
0.2%	1.6%	7.8%	10.8%	9.8%

Source: IMF

According to the Company Market Study, the stock of unsecured consumer NPLs in France has been relatively stable in recent years. This is partly an effect of French banks being more selective in granting loans, which is largely due to increased regulatory pressure to deleverage and shed risky assets. Similar to the U.K. market, the historically stable economic climate has also contributed to the stability of the unsecured consumer NPLs stock. According to the Company Market Study, the stock of NPLs was estimated at approximately EUR 12 billion in 2013. We expect French banks' cautious approach to granting consumer loans to continue and, in combination with a better economic environment, keep the creation of new unsecured consumer NPLs stable.

The French market for debt sales is relatively immature; overdue debt is sold at a later stage and of smaller size than, for example, the U.K. and German markets. Consumer finance companies and regional banks are regular sellers of written-off debt and to some extent slightly fresher debt; however, most major banks have not yet started to sell portfolios systematically as they continue to perform the majority of collection and recovery operations in-house. Despite being a relatively immature market, forward flow agreements are established and used by regional banks.

According to the Company Market Study, French banks sold overdue debt with a market value of approximately EUR 100 million in 2013. The debt volumes sold are expected to remain stable at that level going forward. However, the recent regulatory pressure for banks to deleverage and the increasing prevalence of debt purchasing throughout Europe provide significant momentum to drive future market volumes. The Company Market Study suggests that French banks have potential to sell increasingly large and complex portfolios if debt purchasing gains a stronger foothold in the market. We have noticed early signs of a move in this direction as larger tenders are emerging and certain credit institutions are selling NPLs for the first time.

Key market participants are large international debt collectors and debt purchasers. Collection methods mainly include direct contacts through call center activities and/or SMS as well as traditional mail collection activities. Additionally, legal collections have become a key process in the overall collection cycle, which has caused a number of bailiff offices to emerge. One specific feature of the French market relates to skip tracing activities (*i.e.*, tracing customers in case customer data is unavailable or outdated, such as by matching customers against address databases and public registries), as, unlike in other jurisdictions, France does not have credit bureaus for individuals or central registries holding addresses of citizens, which can otherwise be used to help find debtors. Consequently, it is key to have an established and well-functioning skip tracing process, especially when collecting on the written-off portfolios, comprising of old debt and outdated debtor information.

Poland

Macroeconomic data

Real GDP growth (average)		**Unemployment rate**		
2009–2013	2014–2018	2008	2013	2018
2.7%	3.4%	7.1%	10.3%	9.6%

Source: IMF

According to the Company Market Study, the stock of unsecured consumer NPLs in Poland grew significantly during the years following the financial crisis. Based on the Company Market Study, the total stock of unsecured consumer NPLs amounted to approximately EUR 6 billion at the end of 2013. The stock is expected to decline going forward, driven by debt sales volumes and a relatively strong macro-economic outlook.

The Polish debt sales market is relatively mature with frequent transactions; however it remains fragmented with many small and medium-sized debt purchasers. As with many other jurisdictions, the Polish debt sales market still has underdeveloped segments with strong potential for growth; for example, in areas such as primary and fresh banking claims. There is an ongoing industry trend in Poland of new market participants entering the market through acquisitions, as well as consolidation among existing market participants.

Debt sales in Poland have increased steadily in recent years as banks struggle with high NPL ratios and seek to move NPL portfolios off balance sheet. This has led to annual sales volumes of approximately EUR 200 million in 2013 according to the Company Market Study. Over the next several years, sales volumes of unsecured consumer NPLs are expected to increase slightly.

While being a relatively mature market with frequent sales, the debt collection outsourcing market has an even stronger foothold in Poland as banks have a long track record of outsourcing debt collection. Banks have historically sent overdue debt to bailiffs instead of selling to debt purchasers, and, after unsuccessful collections with the bailiffs, write down the debt and eventually sell to debt purchasers. Consequently, written-off and tertiary debt represent the majority of debt sales, but in-bailiff debt (typically fresher and often of a paying nature) as well as fresher debt are gaining in prevalence.

The Netherlands

Macroeconomic data

Real GDP growth (average)		**Unemployment rate**		
2009–2013	2014–2018	2008	2013	2018
-0.7%	1.6%	3.1%	6.9%	5.8%

Source: IMF

In the Netherlands, the stock of unsecured consumer NPLs increased significantly following the financial crisis, driven mainly by negative real GDP growth, increasing unemployment rates and low levels of debt sales. According to the Company Market Study, the stock of unsecured consumer NPLs in the Netherlands is estimated at approximately EUR 4 billion at the end of 2013 and it is expected that the stock will be relatively stable over the next five years as the economy is expected to improve and debt sales are expected to remain low.

Historically, the market for debt sales in the Netherlands has been characterized by a few transactions from the large banks and by small banks not having NPL portfolios large enough to use a debt sale as a strategy. Despite being an immature market, a variety of overdue debt is sold in the Netherlands. According to the Company Market Study, debt sales volumes within the Financial Institutions segment were approximately EUR 200 million in 2013 and are expected to remain fairly stable or decrease slightly in the coming years, and still remain at a low level compared to other markets.

Within the unsecured consumer NPL segment, *i.e.*, bank-originated overdue debt, the market in Netherlands is characterized as immature. However, in the trade segment, especially for the utility and telecommunications sub-segments, the market is mature and debt sale is very common.

The market is highly fragmented, but stricter regulation for consumer protection, which disproportionately impacts smaller market participants, is leading to pressure for consolidation. Debt collection is typically conducted via a combination of in-house call centers reinforced by bailiff organizations. Bailiff organizations are highly regulated and have access to proprietary national databases, registers and collection tools; making them a natural outsourcing partner to banks and debt purchasers.

Belgium

Macroeconomic data

Real GDP growth (average)		**Unemployment rate**		
2009–2013	2014–2018	2008	2013	2018
0.3%	1.3%	7.1%	8.4%	8.3%

Source: IMF

As in many other markets, the Belgian stock for unsecured consumer NPLs increased significantly during the financial crisis due to high default rates and limited debt sales. Belgium also has a large sector of consumer claims originated by utilities. The stable economy is expected to limit the creation of new NPLs, which implies a decreasing total stock of NPLs going forward. According to the Company Market Study, the stock of unsecured consumer NPLs in Belgium was estimated at approximately EUR 1 billion at the end of 2013.

We view the debt purchasing market for NPLs as relatively immature and, in particular, small compared to other markets in Europe. Debt sales within the Financial Institutions segment is however maturing; consumer finance banks have been active for a long time and are advancing their debt sales processes, and major banks are increasingly considering debt sale projects. According to the Company Market Study, Belgium is, however, a small market with only a few large banks and debt purchasers active in the market. Debt sales volumes within the financial institutions segment were estimated to approximately EUR 100 million in 2013. The debt purchasing market is dominated by strong incumbents with close ties and ownership links to banks; for example, Fiducré owned by Groupe ING and EOS Aremas owned by BNP Paribas Fortis.

The Belgian market has a number of features in common with the Dutch market in terms of collection methods. As in the Netherlands, only bailiffs in Belgium have access to the state-registry which is a clear advantage over debt collection companies making them a natural outsourcing partner for banks and debt purchasers.

Austria

Macroeconomic data

Real GDP growth (average)		Unemployment rate		
2009–2013	2014–2018	2008	2013	2018
0.4%	1.6%	3.8%	4.9%	4.5%

Source: IMF

As a consequence of the strong economy, the build-up of NPLs has been limited in Austria compared to other markets. According to the Company Market Study, the stock of NPLs was approximately EUR 1 billion in 2013 and is expected to decrease slightly going forward.

According to the Company Market Study, the Austrian market for debt purchasing is stable and mature, albeit relatively small and with limited number of banks and debt purchasers active in the market. Banks often sell fresh debt for high purchase prices, but the number of participating banks is low. The Company Market Study estimated total volume of NPLs sold, measured in purchase price, to be approximately EUR 50 million in 2013.

Although Austria has a different legal system and competitive environment to Germany, debt collection within the two countries is similar with regard to a long tradition of legal enforcement as the primary collection method, but with an increasing use of amicable solutions and long-term installment plans.

BUSINESS OVERVIEW

Overview

We are a leading debt-restructuring partner to international banks, with operations in nine countries across Europe. We specialize in purchasing unsecured non-performing loans, often referred to as NPLs, originated by large international banks and other financial institutions with whom we have strong and long-term relationships. We follow our key partners across markets and often purchase portfolios in several countries where they have operations. As of December 31, 2014, 94% of the carrying value of our purchased portfolios originated from financial institutions. We also selectively purchase overdue debt from utilities, telecommunications companies and other consumer companies and, in certain markets, opportunistically and selectively purchase performing and secured loans. After purchasing a portfolio, we collect from the customers primarily by agreeing to sustainable payment plans. We largely manage the collections on our purchased portfolios through our ten in-house collection centers across Europe, which are complemented, where appropriate, by carefully selected local external debt servicing partners. For more than 20 years, we have focused exclusively on purchasing debt portfolios. This sets us apart from many of our competitors who have emerged from the third-party debt collection space and have significantly shorter history of debt purchasing activities. This long-term focus and our flexible and tailored product offering have allowed us to develop the expertise and know-how to structure and execute complex transactions.

We were the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014. As of December 31, 2014, we owned approximately 1,570 active loan portfolios, consisting of approximately 6.5 million active claims in eight countries with an aggregate carrying value of SEK 8,587 million. For the year ended December 31, 2014, revenue from purchased portfolios represented 91% of our total revenue. During the years ended December 31, 2014, 2013 and 2012, our gross collections on purchased portfolios were SEK 2,541 million, SEK 1,641 million and SEK 887 million, respectively, and our adjusted EBITDA increased at a CAGR of 53% from 2012 to 2014. As of December 31, 2014, we had an ERC on our existing portfolios of SEK 15.6 billion, which is 1.8 times the carrying value.

We are a regulated "Credit Market Company" supervised by the SFSA. We believe that our status as a regulated financial institution is a key competitive advantage and has contributed to our ability to become a trusted partner to Europe's large international banks. Since we are subject to the same type of regulation as many of our debt originator clients, we are able to purchase certain claims and handle certain customer information that in some jurisdictions may be handled only by financial institutions, for example, performing loans in Germany. Moreover, our industry is subject to regulatory change, for example in the United Kingdom, where the FCA as of April 1, 2014 is the new regulator of debt collection companies. As a regulated financial institution since 1996, our internal control, risk management, compliance and governance functions have been subject to regulatory scrutiny by the SFSA and we believe that we will have to make less investment and implement fewer new control measures than many of our competitors in response to this and other regulatory changes. As a licensed financial institution, we are able to offer retail deposits to the general public that are covered by the Swedish state-provided deposit insurance scheme, which guarantees an amount of EUR 100,000 for each depositor. This provides us with a cost-efficient, flexible and reliable source of funding that we largely use to fund our portfolio purchases.

We have developed a robust valuation methodology that we consistently apply when reviewing, analyzing and pricing portfolios that we are considering for purchase. The fundamental component in this process is our internal Data Warehouse, which contains granular historical data on portfolios and customers across our markets derived from our debt purchasing activities since 1997. Our Data Warehouse combines both an extensive set of historical data with fresh data obtained from portfolio purchases in recent years, during which time we have been one of the most active purchasers in Europe. Our investment and pricing teams work together with our collection operations and use the information in the Data Warehouse to create a "synthetic portfolio" with the same key characteristics as each portfolio being analyzed for purchase. The collection profile for this "synthetic portfolio" is thereafter applied to the analyzed portfolio to develop a collection forecast relevant for such portfolio. We believe that this gives us an accurate and reliable forecast of the expected future performance of purchased portfolios. Due to our experience and track record of generating collections in line with our forecasts, and the extensive data contained in our Data Warehouse, we have historically been able to accurately value portfolios and collect in line with our forecasts. Our Data Warehouse provides the foundation upon which our operations are built. The analytical steering model we employ to maximize the utilization of data in our Data Warehouse is standardized across our operations and integrated in all areas of the business: when forecasting and pricing portfolios that we consider for purchase, when implementing purchased claims into our operations, when allocating resources within our collection operations, and when reporting, monitoring and benchmarking the performance of our purchased portfolios.

In addition to debt purchasing, we also provide debt servicing to collect overdue debt on behalf of third parties in selected European markets. We engineer and implement tailored debt collection strategies and solutions to maximize cash flow streams from overdue debt for clients who have decided to outsource their debt collection function. For the year ended December 31, 2014, revenue from third-party debt servicing and other services represented 9% of our total revenue.

We are present in nine countries across Europe. We undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our headquarters are located in Stockholm, Sweden, where we also raise funding through our retail deposit platform, but where we do not collect debt. In addition, we have offices in London, United Kingdom and Duisburg, Germany, where, in addition to our headquarters in Stockholm our Group investments function is located. We have a track record of strong revenue growth and achieving growth in EBIT that has exceeded revenue growth. During the period 2012—2014, our total revenue increased from SEK 667.2 million to SEK 1,660.6 million, while our EBIT increased from SEK 127.9 million in 2012 to SEK 529.6 million in 2014 and our EBIT margin increased at a CAGR of 29% from 2012 to 2014.

Our Strengths

Strong underlying drivers for growth within the financial institution NPL market

We believe that there are a number of secular factors impacting the industry that will result in strong growth and in increased sales volumes within the financial institution NPL segment over the coming years.

- ***Large post financial crisis NPL backlog—Stock of NPLs has grown by 1.6x since 2008.*** Since the start of the financial crisis in 2008, the total stock of bank originated consumer unsecured NPLs that have been in default for at least 90 days has grown substantially in the European markets where we are currently active, from EUR 49 billion in 2008 to an estimated EUR 81 billion in 2014 according to the Company Market Study. Post the CA (covering NPLs across all European countries and regardless of default period), European banks were required to further increase NPLs by EUR 136 billion, increasing the total stock of NPLs in Europe to EUR 879 billion. We have seen increased NPL volumes resulting in significantly increasing sales volumes compared to historical levels and we expect this to increase further in the future according to the Company Market Study.
- ***Increasing debt sales volumes.*** The ongoing distribution of the post financial crisis NPL backlog, in combination with the implementation of the Basel III Framework and other new regulations, are resulting in significantly increasing sales volumes of unsecured consumer NPLs from financial institutions. Sales volumes increased from EUR 1.1 billion in 2008 to an estimated EUR 2.0 billion in 2014. Based on the Company Market Study, we expect the level of debt sales volumes to slightly increase further over the next five years.
- ***Secular outsourcing trend among European banks.*** The European markets for sales of NPLs are maturing and NPL sales have become an integral part of the European bank eco-system in certain countries with increasing volumes being sold and at an earlier stage of the NPL cycle. This follows a trend that we have already seen in the United States, as well as in some mature European markets such as the United Kingdom, where banks have a longer history of selling NPLs. We believe that this trend will continue, as there is a clear value proposition for banks to sell NPLs. This allows for increased focus on core business activities and helps to improve their balance sheets. Additionally, the collection of defaulted loans requires a substantial amount of resources and know-how. We believe that collections are most efficiently performed by specialized collection services providers.

A leading pan-European debt purchaser with a focused strategy of profitable growth

- ***Pan-European platform established through focused strategy of profitable growth.*** Over the past ten years, we have followed a conscious and focused strategy of expanding into new European markets, while at the same time maintaining profitability. This has allowed us to build a diversified pan-European platform, covering the majority of Europe's large NPL markets. This has also allowed us to become the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014. Our expansion strategy has been prudently executed by only entering new markets that we have monitored over the course of many years. We carefully analyze and evaluate markets of interest against a set of strategic and financial criteria, such as growth prospects and size. Once we feel that we have developed a sufficient understanding of the market, we will enter in scale. For example, we initially entered the United Kingdom in 2011 and then expanded through the acquisitions of Robinson Way in 2012 and the lewis group in 2013. In Italy and Poland, we originally partnered with local agents and have subsequently developed our own platforms building on that base and by acquiring platforms from such local agents. We intend to continue our European expansion and there are a number of European markets that we are actively monitoring. We plan to continue to expand into new and attractive markets if the appropriate market conditions are met.

- ***Diversified geographical presence reduces our exposure to single markets and allows us to follow our key partners across markets.*** We benefit from our pan-European platform in several ways. Our diverse platform mitigates our business risks since it reduces exposure to single markets and clients, both from an origination and risk perspective. The detailed local knowledge we have of the European markets in which we operate is a further source of value for our debt originator clients, and allows us to assist them across a broad geographic footprint.
- ***Largest investor in unsecured consumer NPL portfolios in Europe.*** Our focused strategy of building a pan-European platform has meant that we have purchased NPL portfolios for SEK 8.0 billion in the last three years. As a result, we were the largest pan-European NPL investor by carrying value as of September 30, 2014, which has allowed us to unlock scale benefits. On an operational level, we are able to enjoy economies of scale as we add more portfolios to our existing collection platforms. This improves efficiency and extracts operating leverage. Further, our size is correlated to the amount of data we have access to which in turn enables greater pricing accuracy.

A leading debt-restructuring partner to international banks with a diversified origination network and expertise in structuring complex transactions

- ***Strong value proposition for international banks—credit license is a key differentiating factor.*** We have been under the SFSA's supervision since 1996. As a "Credit Market Company," we are well positioned to assist our key partners, i.e., other banks and financial institutions. Our status as a regulated financial institution means that our debt originator clients do not need to leave the regulated environment and that we, in turn, understand the regulatory environment and related issues that our debt originator clients face. We believe that this facilitates interaction with our debt originator clients as it is a source of comfort to know that both parties share similar compliance thresholds. Furthermore, our regulatory status means that we can complete our full service offering to financial institutions; we are authorized to purchase loans that span the entire credit curve. This allows us to purchase certain portfolio types, such as performing portfolios, which in Germany requires the purchaser to be a regulated financial institution.
- ***Established relationships with Europe's leading banks.*** We have established ourselves as a leading debt restructuring partner to international banks. We were the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014 and have partnered with all of Europe's ten largest banks by total assets within the past eight years. We operate a pan-European platform with a pan-European service model and work with our key partners across markets. Following our key partners across markets is a core pillar of our strategy and we have worked with the majority of our top ten debt originator clients across several markets. This strategy allows us to quickly establish a platform with scale in a new jurisdiction.
- ***Diversified origination network.*** While we focus on servicing Europe's large international banks, we have established a diversified origination network. Since 2011, we have purchased almost 850 portfolios from 111 clients. In 2014, our top five debt originator clients accounted for 49% of the total purchase price we paid for debt portfolios while 16% were from debt originators from whom we purchased portfolios for less than EUR 5 million. We believe that the combination of a number of large trusted key partners, together with a wide and granular base, helps us to maintain consistency and volume.
- ***Expertise in structuring complex transactions.*** Over the past 20 years, we have focused almost exclusively on purchasing portfolios of defaulted debt. This distinguishes us from many of our pan-European competitors who have emerged from the third-party debt collection space and have significantly shorter history of debt purchasing activities. This long-term focus and our flexible and tailored product offering have allowed us to develop expertise and know-how in structuring and executing complex transactions. In 1999, we completed our first structural outsourcing transaction by taking over Citibank's collection platform in Bremen, Germany, which included 90 employees. We still operate the Bremen platform and since then we have completed a number of complex transactions across many of our markets. Our most recent structural acquisition was in 2012 and 2013 when we acquired Robinson Way and the lewis group in the United Kingdom. We undertook a major restructuring of the companies in 2013 and 2014 and have, as a result, substantially increased collection efficiency since then.

Our business is underpinned by a strong funding model and amicable collection strategy

- ***Highly efficient and diversified funding model providing strategic flexibility.*** We fund ourselves through a mix of retail deposits and unsecured bonds. Our deposit funding is a source of core competitive advantage; it provides us with access to funding at comparatively low costs, and allows us to hold significant liquidity. This enhances our strategic flexibility, which in turn gives us a funding advantage relative to peers who fund themselves with wholesale or bank debt funding, which is typically more expensive and restrictive; thus does not provide the same flexible liquidity. This advantage allows us to target lower risk portfolios with relatively lower returns and also gives us the flexibility to price portfolios more competitively, while at the same time maintaining attractive returns – a valuable operating trait in the current competitive market environment. Additionally, our relatively low reliance on wholesale funding and the significant liquidity position we achieve with our retail deposits provide us with credibility and acquisition capacity to participate in large transactions.

- ***Amicable and solution-oriented in-house collection process ensures steady long-term cash flows.*** We have a solution-orientated and amicable approach to collections aiming to achieve the optimal outcome for both ourselves and our customers. In practice, this means that we focus on helping our customers by setting up sustainable payment plans rather than paying through one-off settlements. In 2014, a weighted average of 87% of our aggregated collections in Germany, the United Kingdom, Italy, Belgium, the Netherlands and France were under payment plans. Furthermore, our in-house collection model allows us to control the process, ensuring that we maintain the highest standards in customer interaction. The benefits of this approach are two-fold: First, the customer is more likely to pay voluntarily, reducing the likelihood of a more costly legal resolution. Second, by agreeing to payment plans with our customers, we maximize cash over time and receive steady cash flows over a longer period of time. Since banks are responsible for their customers even after their debts have been sold, our reputation of ethical and amicable treatment of customers is a key attribute for our bank debt originator clients. In addition, as the macro-economic climate improves, we believe that our customers' personal finances may strengthen and their ability to repay may increase, which could lead to higher collection rates. This is a source of potential upside embedded in the portfolios already on our books.

Extensive and granular Data Warehouse and disciplined purchase process ensure lower risk portfolios with highly attractive characteristics

- ***Data is at the core of our operations and fully integrated throughout pricing and collection.*** In order to win portfolio purchases, we need to balance a competitive price level with internal return requirements. Our Data Warehouse ensures that we can manage this balance as it has allowed us, based on historical experience, to accurately forecast collections. Since its inception in 1997, we have followed a structured approach of gathering, consolidating and segmenting data into our Data Warehouse. Unlike many competitors, this data is primarily based on purchased NPL portfolios, not portfolios outsourced for collection. This means our data is more relevant for purchasing portfolios and should allow us to price with greater accuracy. In addition to having very long data series, we have been the largest NPL purchaser in Europe in the last three years, which has allowed us to build very large volumes of recent data. To further strengthen our Data Warehouse, there is a constant feedback loop between our Data Warehouse, pricing and collection, ensuring that all processes are data-driven and relevant information from the rest of the business is fed into the Data Warehouse.

- ***Strict financial requirements for investments, and standardized and disciplined purchase process.*** Our investment process is standardized and based on strict strategic and financial requirements. This ensures that we at all times maintain discipline in our purchases of debt portfolios. Before a portfolio is priced, it is evaluated based on strategic implications, geographic focus, delivery of our core strengths, and satisfaction of return metrics. By evaluating potential portfolios against these criteria we ensure that we will only purchase portfolios that are value accretive. Once we decide to bid for a portfolio, we have a standardized pricing process carried out by centralized and local pricing teams. These teams work closely with both local management and local collection departments in assessing the portfolio's level of attractiveness. This ensures approval from all parts of the organization and also serves as an operational validation check.

- ***Diversified portfolios with attractive characteristics.*** Our pool of portfolios is highly cash generative and provides us with significant returns. Over the portfolio's lifetime, we aim to collect a multiple of the purchase price, and we typically have a pay-back period of four to five years. Our disciplined purchase process and high pricing accuracy have resulted in actual collections being very close to initial forecasts, which improve the predictability of our performance. We have a diversified portfolio by geography and by type of debt; only approximately 50% of our portfolio is tertiary, while approximately 30% is payer or primary. Due to our focus on amicable collections, a weighted average of 87% of our aggregated collections in Germany, the United Kingdom, Italy, Belgium, the Netherlands and France are under payment plans. Our back-book provides certainty for the business, because even if we purchase fewer portfolios than planned, we have a significant proportion of cash flow already locked in. This, together with the potential to convert further non-paying claims into paying claims, allows us to maintain cash flows even in periods of lower portfolio supply.

Our Strategy

We see significant opportunities for growth in the markets where we currently operate. In addition, we are constantly evaluating new market entry positions according to their underlying characteristics and strategic fit with our growth plans. As a result of our scale, reputation, long-term client relationships and solid financial position, we believe that we will be able to capitalize on the portfolio volumes that we anticipate will be offered to the market over the next several years.

We aim to continue to strengthen our position as the leading debt restructuring partner to international banks, and, based on this goal, we have developed a core strategy underpinned by the below pillars:

- ***Strengthen and expand in current markets, and grow in select new markets.*** Historically we have been successful in capturing market growth, both organically and through acquisitions, and we expect this trend to continue. Our strategy is to continue capitalizing on this development by leveraging our local knowledge and strong relationships in our current markets. Further to this, we will continue to use these relationships when pursuing new market entry opportunities. We have been successful in following existing clients into new jurisdictions where they have had operations, and we intend to continue implementing this proven strategy. We are currently evaluating a number of new markets where we believe that there are interesting opportunities. Such markets include, for example, Ireland, Greece, Portugal, Romania and Spain. According to the Company Market Study, the aggregate value of unsecured NPL sales in these markets was estimated at EUR 0.7 billion annually in 2013 and 2014, and the aggregate value of unsecured NPL sales in these markets is expected to increase to between EUR 1.1 billion and EUR 1.2 billion annually from 2015 to 2018.
- ***Maintain investment discipline and focus on core assets.*** By leveraging our strong origination network, established position with financial institutions, and our broad geographic profile, we believe that we will be able to grow with the market. We will do this by increasing our investment levels and we expect our investment levels for 2015 to be somewhat higher than the levels of 2013 and 2014. Although we will be expanding our operations, in both existing and new markets, we intend to maintain our business and investment discipline. In order to ensure that each portfolio matches our strategic goals, acquisition criteria, and required rate of return, we utilize a stringent evaluation process. We will maintain our focus on serving financial institutions as well as enhancing our position as a leading debt restructuring partner to international banks. We do not plan to change our core targeted asset class – non-performing unsecured consumer loans.
- ***Build upon our status as a regulated credit institution.*** Our key clients, international banks, and financial institutions, are highly focused on regulatory compliance and reducing reputational risk. Since we have been a regulated credit institution since 1996, we fully understand how to operate in a regulated environment and our clients can take comfort that our operations are designed to comply with the highest standards. We believe that our status as a "Credit Market Company" gives us a unique standing with our clients, and we aim to leverage this core strength in order to solidify our position as a leading debt restructuring partner to international banks.
- ***Develop collection strategies with emphasis on in-house collection.*** We are constantly engaging in the optimization of our collection strategies. We primarily manage collections on our portfolios through our in-house collection centers across Europe. We believe this strategy gives us several benefits, including full control of the collection process, substantial scalability in the business model, and the opportunity to tailor optimal collection strategies based on our long experience and vast access to portfolio and collection data. Infusing our in-house and optimized collection model with new data will remain a core tenant of our operational model.
- ***Leverage existing benefits of scale.*** As we continue to expand our business, we will be able to utilize our embedded operating leverage to further increase efficiency while at the same time take steps to

leverage best practices across the organization and to streamline operations as appropriate. Our significant operating leverage and emphasis on efficiency has allowed us to increase our EBIT margin from 19.2% in 2012 to 31.9% in 2014, and we aim to increase our EBIT margin to above 40% in the medium term.

- ***Maintain and develop strong funding base and leverage on solid capital and liquidity positions.*** We have a diversified funding base consisting of a large retail deposit base and listed bonds in SEK and EUR. This funding base has given us access to a flexible and cost-efficient funding platform. We have the lowest cost of funding within the European debt purchasing market. Additionally, we have established solid capital and liquidity positions, which, in combination with flexible and low cost funding, gives us great leverage to drive further business growth.

The anticipated Offering will further strengthen and diversify our funding base. Following the Offering, through which we expect to receive net proceeds from our sale of New Shares of approximately SEK 675 million, our CET 1 ratio (including the SEK 414 million net paid-up capital from the new ordinary shares issued for cash in May and December 2014, respectively) is expected to increase from 9.4% to 15.3%. Our proceeds from the Offering will primarily be used to finance continued business expansion, and to have the strategic flexibility to do large portfolio purchases and selective business acquisitions. In the medium term, we aim for our CET 1 ratio to exceed 12% with the potential to temporarily go below as a result of large portfolio investments or acquisitions of businesses that result in recorded goodwill. In the near term we are, however, likely to maintain a CET 1 ratio above this level in order to be able to capture the significant market growth opportunities we anticipate.

Our 2015 Portfolio Investment Expectations and Medium Term Financial Targets

We expect our investment levels for 2015 to be somewhat higher than the levels of 2013 and 2014, reflecting our belief in continued strong markets and our recent expansion into new geographies. Our significant operating leverage and emphasis on efficiency has allowed us to increase our EBIT margin from 19.2% in 2012 to 31.9% in 2014, and we aim to increase our EBIT margin to above 40% in the medium term. In addition, in the medium term, we aim for our CET 1 ratio to exceed 12%, with the potential to temporarily go below as a result of large portfolio investments or acquisitions of businesses that result in recorded goodwill. In the near term we are, however, likely to maintain a CET 1 ratio above this level in order to be able to capture the significant market growth opportunities we anticipate. For more information about our CET 1 ratio and how it is defined, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation.*"

In preparing our 2015 portfolio investment guidance and our medium term financial targets described above and under the section "*—Our Strategy,*" we have in general assumed that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, accounting policies and accounting treatments), which, individually or in the aggregate, would be material to our results of operations; and that we will not become party to any litigation or administrative proceeding that might have a material impact on us of which we are currently unaware. The assumptions, on which we have based the 2015 portfolio investment guidance and medium term financial targets, include the following:

- We expect to be able to maintain or grow our market share in our existing individual markets.
- Although we will evaluate opportunities outside our existing markets and may, when deemed attractive, engage in acquisitions and/or portfolio transactions in new markets, we believe that we will be able to meet our 2015 portfolio investment guidance and our medium term financial targets on the basis of our current operations and geographical footprint.
- We expect our collection efficiency to be sufficient to generate collections in line with current projections for our existing portfolios and, consequently, that negative portfolio revaluations will not be substantial on an aggregate level.
- We expect to be able to purchase sufficient portfolio volumes to maintain a high utilization on our current collection platforms, thereby maintaining or increasing benefits of scale.
- We expect that our recent acquisitions of TRC and Navi Lex will be successfully integrated and generate expected competitive and operational benefits.
- We expect to continue to attract funding through our deposit platform and that the competitiveness of our offer relative to similar providers of retail deposits as well as large banks will remain sufficient to attract customers.

- We expect to be able to access the debt capital markets, both for refinancing of current bonds and for attracting new funding when needed and we expect that the rates we need to offer in order to successfully issue bonds will remain at competitive market rates.
- We expect to continue to adapt funding duration in our funding in such a way that we at all times comply with net stable funding ratio targets under the Basel III Framework.

The assumptions that may also be affected by external factors beyond our control include the following:

- We expect that the overall market for NPLs will grow in accordance with the Company Market Study as described in "*Industry Overview*" and that the market development will support our continued focus on unsecured consumer NPLs originated by large international financial institutions.
- We expect that the competitive landscape will remain similar to current market situation and that margins (*i.e.*, the IRR's) on future NPL portfolios sold in the market will not increase or decrease drastically.
- We expect that the intra-year distribution of portfolio purchase opportunities will remain in line with historic experience.
- We expect that the economic environment, *e.g.*, unemployment rates, will not develop in a negative way to the extent that it has a material impact on our long-term future collections.
- We expect that foreign exchange rates will not change in such a significant way that the current relation between our assets and capital is heavily distorted.
- We expect that there will be no regulatory changes with substantial impact on our ability to collect on our owned portfolios or affecting our ability to outsource parts of our collection activities and that we will remain in compliance with regulations and thereby maintain the licenses required to operate collection activities.
- We expect that there will be no currently unannounced changes in the way capital requirements are defined or implemented and that there will be no regulation which materially affects our ability to attract deposits at relevant rates.

Certain statements in this section, in the section "*Summary—Our Strategy*" and in the section "*—Our Strategy,*" including in particular the investment guidance and the financial targets described immediately above, constitute forward looking statements. These forward looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward looking statements as a result of many factors, including but not limited to those described under "*Forward Looking Statements*" and "*Risk Factors*." Investors are urged not to place undue reliance on any of the statements set forth above.

History

The history of our company dates to 1908, when Swedish entrepreneur Hans Osterman founded a car import and finance company in Stockholm, Sweden, all under the name Hans Osterman Invest Stockholm, or HOIST. From these origins, we have transformed ourselves into a leading pan-European debt purchasing company with operations in nine European countries, specializing in purchasing and managing unsecured NPLs. Below is a summary of the key events in the last 20 years of our history:

1994:	We recognized that the stock of NPLs in Sweden was growing due to the financial crisis in Sweden in the early 90's and anticipated the increased need for financial institutions to manage their balance sheets and focus on their core businesses. We were an early adopter in this changing landscape as we converted into a credit management company, refocused our business to concentrate on purchasing NPL portfolios in Sweden and divested all other activities.
1994-1997:	We completed several large portfolio purchases in Sweden, including from Securum and Retriva.
1996:	Hoist Kredit was authorized by the SFSA under the new rules for credit companies.
1997:	We established our presence in Germany early on through a number of debt purchases managed out of our Swedish operations. We were a pioneer in the German market and have since become one of the market leaders in the country.

1998:	We were listed on the O-list of the Stockholm Stock Exchange.
1999:	We acquired Citibank's collection platform in Bremen, Germany, including 90 FTEs and a portfolio with more than 150,000 claims.
2001:	We entered the French market. Similar to our market entrance in Germany, this was done through a number of debt purchases.
2003:	We divested our operations in Sweden to focus on markets we believed had the greatest growth opportunities.
2004:	We were de-listed from the O-list of the Stockholm Stock Exchange after certain of our current major shareholders acquired a majority of the Company.
2006-2007:	We expanded our operations into Belgium and the Netherlands through the purchase of our first portfolios in these countries. We expanded further in Germany through the acquisition of Union Inkasso GmbH, the German debt collection subsidiary of SEB, including one collection platform, 80 FTEs and a mixed portfolio of secured and unsecured claims.
2009:	Our Swedish retail deposit offering, HoistSpar, was launched and covered by the Swedish state-provided deposit insurance scheme.
2011:	We completed what we believe was the largest NPL purchase in Poland at the time through our 50/50 joint venture with our primary debt collection servicing partner in the country, Best S.A. We also completed our first portfolio purchases in Italy and the United Kingdom.
2012:	We acquired the Manchester-based debt collection company, Robinson Way, including 256 FTEs, two collection platforms, a large data warehouse and a significant portfolio of debt claims.
2013:	We continued our expansion in the United Kingdom by acquiring the lewis group. At the time of the acquisition, the lewis group operated from three collection platforms with 330 FTEs across the United Kingdom (including certain consultants), had developed a large data warehouse and purchased a substantial NPL portfolio. Following our acquisitions in the United Kingdom, we implemented substantial strategic measures, including complex integration plans and operational focus, in order to reach the structure and size we operate today. We completed a major portfolio purchase in the Netherlands, which we believe was the largest NPL transaction in the Netherlands at the time, and established a collection platform in Amsterdam. We made another significant portfolio purchase in Poland, which we believe was the largest NPL purchase in Poland at the time. We re-affirmed our position in the Austrian market with a number of portfolio purchases. We issued a senior unsecured bond and a subordinated unsecured bond, both in SEK, which were listed on Nasdaq Stockholm.
2014:	Toscafund, an asset manager based in London and specializing in global financials, invested in our operations through a private placement. We engaged in further strategic expansion in Italy through the acquisition of TRC's operations, one of our long-term debt servicing partners, and in Poland, through the acquisition of Navi Lex, one of our debt servicing partners. We issued a senior unsecured bond in Euro, which was listed on Nasdaq Stockholm.

Overview of Debt Purchase Transaction Types and Debt Purchased

We primarily purchase portfolios under spot agreements (*i.e.*, one-off transactions), pursuant to which we agree to buy a portfolio of claims that we receive in one transaction upon payment. In the years ended 2014, 2013 and 2012, debt purchased under spot agreements represented 87%, 93% and 88%, respectively, of the total amount we spent on portfolio purchases. To a lesser extent, we purchase portfolios under forward flow agreements, pursuant to which we agree to buy claims at a pre-defined price or price range for a given volume from a debt originator on an ongoing basis. The majority of debt portfolios for sale are currently offered to the market through competitive auction processes. The major debt originators typically have a panel of trusted debt purchasers to whom they offer the opportunity of participating in an auction. During the debt purchase process, we involve a team which, depending on the size of the transaction, includes a combination of country level management, local collection operations, our group-level investment team and senior executive management. We believe that close and early cooperation between our debt collection and investment teams during this process enables cross functional synergies in terms of forecasting anticipated collections levels and related collection costs and thereby determining an appropriate price, see "*—The Debt Purchasing Process*."

We purchase several categories of loans: "garage" claims are loans that are five years or more in default and that are fully written off; tertiary claims are loans that are between two and five years in default; secondary claims are loans that are between nine months and two years in default; primary claims are loans that are between three and nine months in default; fresh claims are loans that are between 1 day and 3 months in default and; payers are loans of any age that have a recent history of continuous payments. We also selectively purchase performing and secured consumer loans in certain jurisdictions. Performing, secured and higher quality loans (*e.g.*, fresher claims and payers) are generally sold at less discount than old NPLs as they entail increased predictability and lower cost to collect. We selectively purchase and collect on such loans in certain jurisdictions where we find it profitable, such as Germany and the United Kingdom. The table below sets forth each claim type as a percentage of total carrying value as of December 31, 2014, 2013 and 2012.

	As of December 31,[2]		
	2014	**2013**	**2012**
		(%)	
Garage and tertiary	55	53	69
Secondary	16	19	7
Primary[1]	13	8	9
Payers	17	20	15
Total	**100**	**100**	**100**

(1) Including fresh claims.

(2) The claims are allocated on a portfolio basis. When a portfolio is purchased, all claims in that portfolio are allocated to the category in which the majority of claims belong. The table excludes our run-off consumer loan portfolio in Germany and our 50/50 joint venture in Poland.

The table below sets forth each claim type as a percentage of the total amount we spent on portfolio purchases for the years ended December 31, 2014, 2013 and 2012.

	For the year ended December 31,[2]		
	2014	**2013**	**2012**
		(%)	
Garage and tertiary	55	34	36
Secondary	15	30	6
Primary[1]	23	10	21
Payers	7	26	36
Total	**100**	**100**	**100**

(1) Including fresh claims.

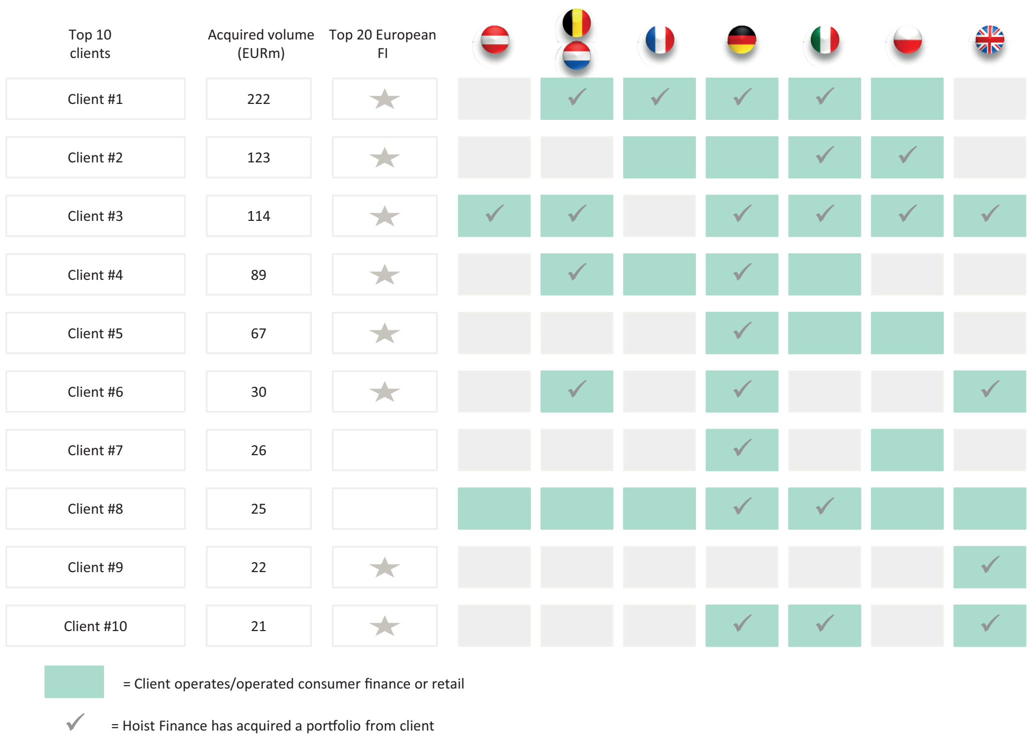
(2) The claims are allocated on a portfolio basis. When a portfolio is purchased, all claims in that portfolio are allocated to the category in which the majority of claims belong. The table excludes our run-off consumer loan portfolio in Germany and our 50/50 joint venture in Poland.

Sales, Origination and Product Offering

Sales and Origination

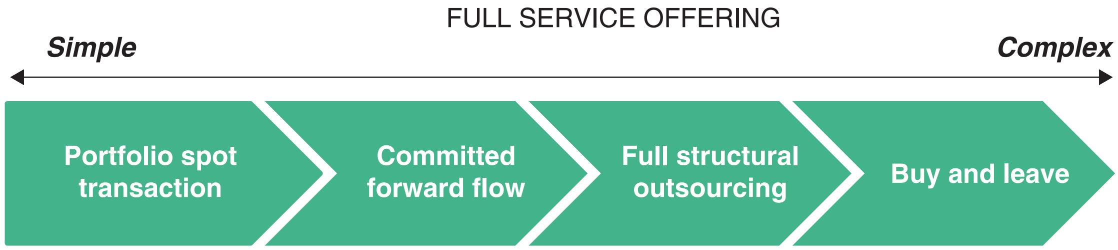
We have worked intensively to design a structured and effective sales organization and process. We coordinate our origination capabilities through close cooperation between Group and local operations. Our Group investments function is located in our headquarters in Stockholm and in our offices in London, United Kingdom and Duisburg, Germany. Group sales is responsible for developing, implementing and steering sales initiatives on a Group level and for overseeing our relationships with key partners, thereby ensuring that we have a consistent approach across our markets. We have implemented a number of initiatives to further increase our sales excellence. These include centralized investment strategy, ensuring that our investment focus and rationale are aligned across our markets, centralized sales strategy, tracking and ensuring that we have the right level of sales coverage across debt originators and regions, and sales tools to enable access for our sales teams to market intelligence and to optimize sales activity. Our Group investments function maintains close relationships on a cross-border level with our major international key partners and is actively involved in our largest transactions with these sellers. We follow our key partners across markets in a structured way. Our local sales managers and their teams maintain close relationships with key partners in their respective countries and manage the day-to-day relationships with our debt originator clients' local teams. From these relationships we are often invited to partake in tenders for portfolios and receive requests for proposals in relation to the potential transactions. We also receive valuable operational and strategic feedback that helps us to develop our local offering to reflect the evolving needs of our debt originator clients.

Our purchased portfolios consist mainly of NPLs originated by leading international banks and other financial institutions, and, to a lesser extent, from utilities providers, telecommunications companies and other consumer companies. As of December 31, 2014, 94% of the carrying value of our purchased portfolios originated from financial institutions. We continually work to increase the diversification of our debt originator client base by entering into new relationships while maintaining existing ones. All of Europe’s ten largest banks by total assets have, on at least one occasion, sold a debt portfolio to us in the past eight years. Several of these banks are among our key partners and we have relationships with individual debt originators that have lasted for multiple years and from which we have bought large numbers of portfolios. While we focus on developing and maintaining strong relationships with large international banks, we have maintained a well-diversified network of debt originators. For each of the years ended 2014, 2013 and 2012, our top five debt originator clients represented 49%, 59% and 52%, respectively, of the total purchase price we paid for debt portfolios (debt originator clients grouped on consolidated level and measured by portfolio numbers excluding platform acquisitions). We have a long history of following our key partners across markets and purchasing portfolios in several countries where they have operations, which is demonstrated by the graph below with respect to a selection of key partners.



Product Offering

We have a competitive position in each of our various markets due to our offering of spot transactions and forward flow agreements, our flexibility to enter into complex structural outsourcing and “buy-and-leave” transactions, and our ability to successfully purchase different types of claims. Most of our portfolios are purchased through traditional spot transactions. Over the past 15 years, we have also purchased a number of NPL portfolios through “buy-and-leave” transactions, in which the selling debt originator continues to service the purchased claims on our behalf under a carefully constructed servicing agreement based on agreed activities and targets, while we maintain control and ownership of the portfolios and assist in developing collection campaigns and strategies. Such transactions are beneficial for and align interest between both parties in cases where we identify an attractive portfolio with high collection potential, while the debt originator already has excellent collection operations, but may wish to free up regulatory capital tied up in NPLs and manage its balance sheet. As we assume ownership of the portfolios, we preserve the benefit of adding these claims to our Data Warehouse. Such transactions are highly sensitive and require a great deal of information-sharing and trust. As such, we believe that our experience and regulatory status provides our debt originator clients with the comfort they need to enter into such transactions. We have also purchased debt portfolios in connection with structural outsourcing transactions with financial institutions, meaning that we acquire entire collection platforms from these institutions, including employees and the portfolios serviced and managed from the collection platform. These outsourcings allow us to expand our Data Warehouse, improve our local collection knowledge and generate additional steady streams of revenue. These transactions are also beneficial for the seller, in particular in cases where it may have multiple collection units or lay-offs are very expensive or otherwise sensitive. The graph below illustrates our product offering and the complexity levels of the various transaction structures.



With a highly flexible and tailored product offering, and 20 years of experience in successfully purchasing and managing debt portfolios, we believe that we have the operational ability and experience to structure and execute more complex transactions than many of our competitors. This positions us well in a market in which we believe there is a trend of increasingly large and more complex transactions and smaller debt-purchasing panels containing only those participants that are able to manage the complex dynamics of increasing regulation, the mix of loan assets for sale and larger volumes. Due to our experience and substantial scale, we have the operational and financial capacity to buy large portfolios. For example, in 2013, we purchased a significant portfolio in Poland, which we believe was the largest NPL transaction in Poland at the time. We fund our portfolio purchases through a two-tiered strategic funding model, consisting of retail deposits and bonds. The retail deposit funding base is unique in the industry and provides a cost efficient, flexible and reliable source of funding. For more information about our retail deposits, see "—*Savings Products*."

In the current market, with maturity levels and transaction type preferences varying greatly between countries, we believe that we have the sales organization, network of debt originators and expertise in complex and large transactions required to generate a diverse and sustainable supply of business opportunities over time.

Data Warehouse and Analytical Steering

We have a proprietary Data Warehouse, which contains granular historical data on portfolios and customers across our markets. The Data Warehouse is managed and compiled centrally to ensure consistency and control of the data and is at the core of our operations, providing a strong competitive advantage in all stages of our operations: portfolio analysis and valuation, pricing, reporting and performance analysis, data mining and debt collection management. The characteristics of the debt purchase market provide a competitive advantage to participants with the strongest data sets and analytical capabilities.

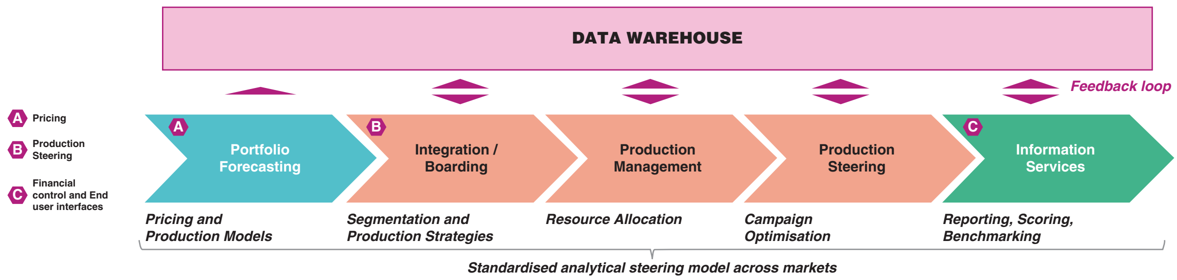
The Data Warehouse contains granular customer and credit information from the purchase of debt portfolios and collections on such portfolios since 1997. We were early adopters in the industry of using sophisticated data analytics and storing information on customer behavior in different situations and markets. For example, the Data Warehouse contains 17 years of historical data from Germany, 13 years of historical data from France and eight years of historical data from the Netherlands and Belgium. Through our recent acquisitions we have added several years of high-quality historic debt purchase data from key markets to our Data Warehouse, such as Robinson Way (including data since 1978) and the lewis group (including data since 1991) in the United Kingdom, TRC in Italy (including data since 1970) and Navi Lex in Poland (including data since 2010). Our highly experienced investment and analytics teams have the skills to efficiently employ the data in our Data Warehouse when evaluating and pricing portfolios.

The Data Warehouse is continuously expanded as we gather and save all activities carried out when purchasing and collecting on additional debt portfolios. The number of active portfolios in our Data Warehouse has grown from approximately 200 at the time we decided to intensify our expansion in 2007, to approximately 1,570 active portfolios as of December 31, 2014. The aggregate data set covers multiple asset classes across our geographic markets and contains over 12.5 million claims as of December 31, 2014, of which 6.5 million are active. The table below sets forth the number of active claims in our Data Warehouse for each of the countries/ regions where we have local operations as of December 31, 2014.

Country/Region	As of December 31, 2014
	(million)
Germany / Austria	0.8
Belgium / the Netherlands and France	1.0
United Kingdom	2.9
Poland	1.4
Italy	0.4
Total	**6.5**

We believe that our Data Warehouse and analytical capabilities are core strengths of our business. We are able to make efficient use of the vast and diverse mass of claims contained in our Data Warehouse and analyze this data to assist in the valuation and pricing of potential purchases of portfolios and to devise optimal collection strategies for customers. For example, we use past performance of claims with comparable characteristics to develop forecasts for anticipated collections levels and related collection costs per claim. Additionally, in devising what we believe are optimal debt collection strategies, we can determine what collection methods have been most successful in the past on claims and customers with similar traits. Moreover, it is often the case that customer files in a portfolio contain inaccurate or incomplete information on the customer. This can make it difficult to locate the customer, correctly segment the claim and ultimately to develop optimal collection strategies without access to data of the type that we have accumulated in our Data Warehouse.

Our Data Warehouse provides the foundation upon which our operations are built. As presented in the graph below, the analytical steering model we employ to maximize the utilization of data in our Data Warehouse is standardized across our operations and integrated in all areas of the business: when forecasting and pricing portfolios that we consider for purchase as further described under "—*The Debt Purchasing Process—Pricing and Investment,*" when integrating purchased claims into our operations and tailoring optimal collection strategies and campaigns for customers as further described under "—*Collections on Purchased Portfolios—Customer Management Phase,*" when allocating resources within our collection operations, and when reporting, monitoring and benchmarking the performance of our purchased portfolios.

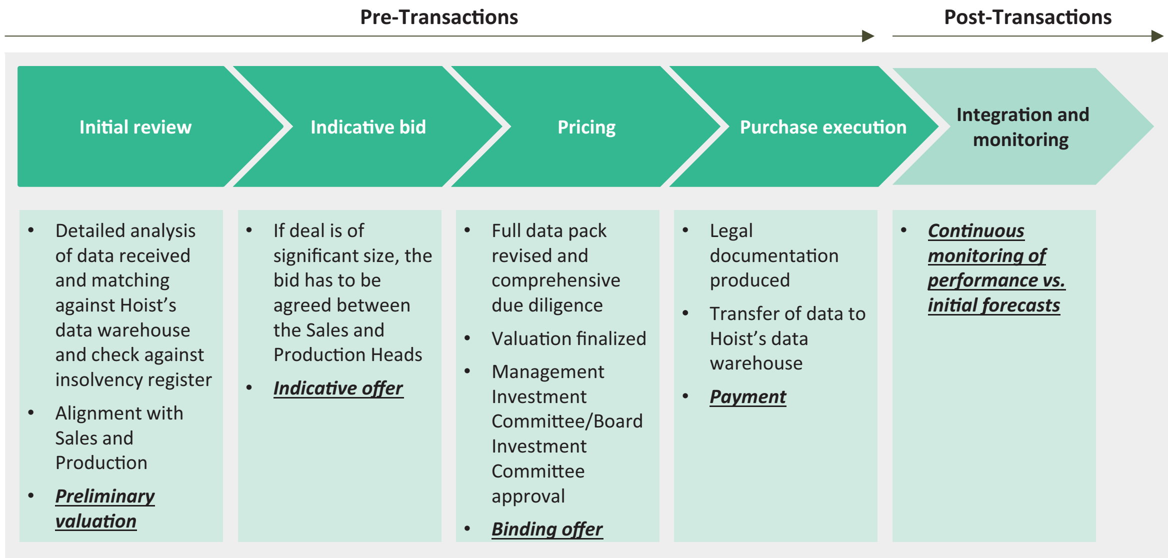


We believe that our Data Warehouse and analytical capabilities enable us to view portfolios, as well as collection strategies, in a different and more proactive way than many of our competitors. Companies that only purchase portfolios and largely rely on third-party collection providers typically have limited access to data on customers and associated payment trends until a portfolio is purchased, when the specific customers in the portfolio can be matched to a credit referencing agency database.

When providing third-party collection services, the service provider does not assume ownership of the serviced claims and consequently does not get full access to the data associated with the claims. Having information in our Data Warehouse from purchases of debt portfolios and collections on such portfolios since 1997, and being the largest pan-European purchaser of debt originated by financial institutions and one of the most active purchasers on the market in recent years, we believe that we have a data intelligence advantage over competitors that to a large extent carry out third-party collection services and do not have such extensive access to large amounts of data on purchased claims over a prolonged period of time.

The Debt Purchasing Process

We have developed, and consistently employ, a robust set of processes and tools when engaging in, reviewing, analyzing, pricing and purchasing debt portfolios. As illustrated by the below graph, a typical portfolio purchase involves an initial review and indicative bid process, a pricing and investment process, a purchase execution process and an integration and monitoring phase. These processes include aspects such as due diligence and valuation and follow a structured, company-specific template, which ensures consistency across our operations.



Initial Review and Indicative Offer

At the inception of a debt purchasing process, we typically receive and review an electronic data tape that includes a representative sample of claims, a sample file, to be purchased in order to determine the indicative bid we should offer for the portfolio. When personal customer data is available, we seek to enhance and supplement this data with the aid of external credit bureau and other information sources, such as available public insolvency registers. Based on the limited data received at this stage, we perform similar segmentation and data analysis, using our Data Warehouse, as we perform during the pricing process described below under "*—Pricing and Investment*" and "*—Analytics and Due Diligence*." This leads to a preliminary valuation that is validated by our local management team (sales and operations) before being informally approved by our Investment Committee or relevant country manager (depending on the transaction size) and communicated to the debt originator as our indicative offer.

Pricing and Investment

If our indicative offer is high enough, we are invited by the seller into the next phase. In order to arrive at a final binding offer, the sample file is supplemented by the seller with more granular data on the claims included in the portfolio to be purchased. Depending on the size of the transaction, the assessment and final pricing of a portfolio involves our sales teams with input from country-level management and operations, our Group investment and analytics teams and senior executives. The analytics and due diligence phase is a key step in the pricing of debt portfolios. The group works together to use the information gathered in the process to prepare the final binding offer, and the relevant country level team uses its knowledge and expertise to provide a current and accurate reflection on the competitive environment in order to ensure that where possible any final bid is aligned with the competing offers the debt originator is likely to receive.

Analytics and Due Diligence

We have developed a number of proprietary tools and processes to price portfolios and to develop accurate collection and cost curves. Business intelligence is fundamental; valuing and pricing portfolios with claims of different types and maturities and from different markets is a complex and extensive process. Significant experience and business intelligence support is required in the evaluation of debt purchasing opportunities in order to identify attractive portfolios and determine the appropriate price. Our fundamental pricing principle is to use the historical activity driven collection performance data contained in our Data Warehouse (which we have gathered as a result of our systematic collection processes) and overlay the costs associated therewith, (such as portfolio transfer and start-up costs and the costs for various collection strategies) to predict net recoveries on potential acquisitions. In addition, we take into account expected future changes to our operational strategy if we believe there will be any material changes from historic practice. For a more detailed description of our Data Warehouse, see "*—Data Warehouse and Analytical Steering*."

We approach the process of pricing portfolios in accordance with predictive modeling methods and predictive analysis methods. First, we assess the quality of the data provided and look at certain characteristics, including the age, size, type, stage and status of the claims in the portfolio and the collection process already undertaken. Thereafter, we segment the customer claims according to the predicted likelihood that the customer will pay, based on criteria such as past payment history, size and type of debt, customer age and previous collection methods employed. For example, claims are segmented into:

- (i) "critical claims" containing claims where customers are deceased or living abroad, which are typically excluded from the pricing analysis and valuation;
- (ii) "payers" containing claims where customers have made recent payments, which is a key driver for future performance;
- (iii) "insolvent payers"; which are treated separately as their payments are sporadic and the period for which they are required to pay is limited; and
- (iv) "non-payers" containing claims where customers do not qualify as payers.

Each segment is analyzed to determine, for example, the probability of payers defaulting (which we have found to depend on factors such as number of regular payments in the past twelve months and the remaining period until the full amount of debt is repaid), and the probability of non-payers transitioning into payers (which we have found to depend on factors, such as the type of institution the debt originates from, the size and age of the debt and the collection activities carried out before the portfolio was sold). We are able to segment and analyze claims in this fashion by using the historical information captured in our Data Warehouse which contains granular historical data on a portfolio individual loan level and granular customer level across our markets. We also enrich and supplement the data we receive (as well as our own data sets) with feeds from external credit bureaus and other information providers. Based on our granular segmentation of each portfolio, forecasting is thereafter carried out by matching each claim to comparable claims in our Data Warehouse. This is done in order to facilitate an accurate collection and cost projection per claim. The projections are aggregated to create a "synthetic portfolio," which has the same key characteristics as each portfolio being purchased. Due to the large numbers of individual claims that comprise a portfolio and the often statistically significant numbers of claims in the granular segments, the historic performance of the "synthetic portfolio" enables an accurate and reliable forecast of the net recovery for the portfolios being purchased, providing us with comfort to place our binding offer. We also make adjustments to these initial observations based on differences in the collection conditions, qualitative differences in the portfolio and quantitative differences outside of the segmentation.

This extensive valuation process is carried out by our expert investment and pricing teams, including representatives from our collection operations. We believe that our model of integrating the debt collection operations into the process of purchasing portfolios is critical to our success in valuing portfolios. Compared to companies that purchase debt portfolios and rely entirely on third-party debt collection agencies, we believe that we have a competitive advantage when we are invited to bid on a portfolio by taking into account our in-house debt collection experience, allowing us to accurately price the portfolio. For more information about our pricing accuracy, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Our Ability to Maintain a Sustainable Supply of Business Opportunities and to Purchase Debt Portfolios at the Right Price—Pricing Accuracy.*"

To optimize pricing accuracy of purchased portfolios, we supplement our Group-wide pricing methodology with bespoke regional-specific processes. For example, in the United Kingdom we have developed a web-based tool for portfolio valuation together with an external debt originator, which encompasses the principles set out above but is designed primarily with the U.K. market in mind. In addition, we adjust our pricing to local circumstances, such as legal requirements, that may affect the typical collection cost profile of a portfolio. In certain newer markets, such as Poland and Italy, where, until recently, we did not have our own collection platforms and the servicing of our portfolios was outsourced to external partners, the valuation of portfolios was performed in close cooperation between our partners and ourselves. We work exclusively with partners who have experience in purchasing portfolios for their own account, which means that they have both the technical skills of pricing portfolios, as well as the comparable historical data to create an accurate forecast. The servicer creates a forecast of collections, external costs and a servicing fee proposal, and we then analyze and validate this valuation based on our own pricing methodology and internal data. Through these bespoke regional-specific processes, we are capable of obtaining detailed and accurate valuation forecasts at an expedited pace across our markets, while at the same time maintaining cohesiveness in our overall pricing and evaluation strategy.

In conjunction with the valuation and pricing process, we typically perform a thorough due diligence on each portfolio prior to making a final binding offer. The purpose of this due diligence process is to validate our pricing assumptions and, where appropriate, to identify any areas of risk that would impact our ability to successfully manage the portfolio if we purchase it. As part of the due diligence process, we request and work to validate certain data fields including claim balances, payment history, details of credit agreements and legal enforceability. The findings of each due diligence are considered and, where appropriate, used to adjust our pricing assumptions and conditions.

Binding offer

The final binding offer is determined based on a sensitivity analysis of various scenarios and is evaluated and approved according to our investment approval procedures before being submitted to the debt originator together with a proposed draft of the sale and purchase agreement ("**SPA**"). Minor portfolio purchases may be approved locally, while other investment decisions must be made by our Management Investment Committee and in certain cases also the Board Investment Committee. Our Management Investment Committee consists of board director Costas Thoupos (Investment Committee Chairman), our regional director for Belgium / the Netherlands, France, Italy and Poland, Charles de Munter, our Chief Financial Officer, Pontus Sardal and our head of corporate development, Peter Hermansson, each with significant industry knowledge. Currently, the Board Investment Committee consists of the following three members: Liselotte Hjorth (chairman), Costas Thoupos and Jörgen Olsson. For further information regarding the Board Investment Committee see "*Corporate Governance—Corporate Governance—Board Committees and Committee work—Hoist Finance.*" Offers larger than EUR 100,000 require approval by our Management Investment Committee while offers exceeding EUR 50 million, or certain complex and/or non-standardized transactions, require the approval from the Board Investment Committee. When a credit institution makes a purchase that exceeds 25% of its capital base, this requires also the approval of the SFSA. The final price that we offer for a portfolio takes into account the return that we require in order to compensate for the risk present in the transaction, the possibility that actual performance of the portfolio may deviate from the expected performance and the level of competition that we face from other bidders in the market. Our standardized process for approving offers and the involvement of various levels of management and our Management Investment Committee in approving offers for portfolios ensures that each offer is properly reviewed and is consistent with our group strategy and pricing discipline. This process is further strengthened by the supervision over the investment process by our Board Investment Committee.

We purchase NPL portfolios at a significant discount to face value. Our focus on purchasing unsecured consumer NPLs, our experience and our data-driven analytics and valuation methodology provides us with confidence that we are able to accurately price portfolios and offer competitive prices, while being able to collect on our purchased portfolios in accordance with forecasts. We also believe that a key driver of our success in debt purchasing is due to our ability to leverage our relationships with our key partners and other debt originator clients. We use these relationships to engage in a dialogue with the seller in order to assist us in putting together a competitive bid. These relationships can also be used to propose alternative structures to those that were initially requested if we believe them to be better suited to the transaction and value accretive to the seller and ourselves; examples include "buy-and-leave" arrangements and structural outsourcing transactions.

Purchase Execution

Upon being chosen as the purchaser of a portfolio, we enter into an SPA. It is our goal to further our relationships with debt originators, and to ensure that we enter SPA negotiations mindful of the ramifications a transaction can have on long-term relationships. We pride ourselves on having a commercial mind-set and we work with sellers to find solutions to problems that arise during this part of the process. We seek to obtain customary representations and warranties and other clauses in the SPAs including representations that claims are legally enforceable, a put-back clause to allow us to return any invalid claims, a minimum threshold for documentation availability, requirements on the timely transfer of data, and data warranties over the information used to value the portfolio. Upon closing of the SPA and payment of the portfolio, the full data set of the portfolio is transferred to us.

Integration and Monitoring

The most significant operational risk we face after purchasing a portfolio is the integration process. We must ensure that claim balances are accurately recorded, that funds paid between the determination date and the closing date by customers are received by us and that customers are diverted to the appropriate phase of the collection process. We also screen individual claims against various databases to determine whether any of the individual claims do not meet the specified criteria and should be returned, if contractually permitted under the SPA. As the claims of the portfolio have been integrated into our operations, we start collecting on the claims and continuously monitor their performance against our initial forecasts. For claims that are not performing according to forecast, we review and amend our collection strategy as required, applying collection measures as described below under "—*Collections on Purchased Portfolios*."

Collections on Purchased Portfolios

Overview

The process of collecting on our purchased portfolios is to a large extent managed through our 10 in-house collection centers across Europe and complemented, where appropriate, by carefully selected local external debt servicing partners. Collection methods and practices vary significantly across markets. We believe that the balance of having strong in-house collection operations and close local servicing partnerships is one of our core strengths as it provides us with the flexibility to adapt to local market practices and optimized collection strategies, in contrast to companies that purchase debt portfolios and entirely rely on third-party debt collection agencies or entirely rely on in-house collection departments. Our understanding of the debt collection process gained from over 20 years of purchasing and collecting debt enables us to tailor customized approaches for each customer and to determine whether we can extract additional value from a customer and uplift on a portfolio by applying different collection methods than were used previously. To this end, we believe that we are able to assume more complex and challenging claims and still extract value from such claims. By managing our debt collection through in-house collection centers and close cooperation with local external debt servicing partners, we also control and have insight into the entire debt collection process and can ensure that customers are treated fairly and with respect. We believe that the efficient, fair and respectful manner in which we conduct our business upon purchasing a portfolio is evident through our many long-standing relationships with debt originator clients and other partners.

Our Debt Collection Strategies

Our collection strategies aim to identify and match a customer's propensity to pay based on individual circumstances and attitudes. Through our model focused on amicable settlements and affordable long-term payments plans, we have historically generated long-term predictable cash flows and our gross cash-on-cash multiple on purchased portfolios as of December 31, 2014 was 2.2x. We collect primarily by agreeing to sustainable payment plans over the lifetime of the claim with the customer and a weighted average of 87% of our aggregated collections in Germany, the United Kingdom, Italy, Belgium, the Netherlands and France are under payment plans. We may also collect through one-off payments on the claim. Such immediate payments have a greater present value than the same amount paid later on in time through an installment and we can therefore offer a discount on the claim in circumstances where we believe this is appropriate. The amicable settlements model is solution-oriented and takes into account each customer's individual circumstances with the aim to establish a sustainable and affordable payment plan in close dialogue with the customer, rather than exploiting short-term collection potential. Our ambition is to find a solution suitable and beneficial for both sides and settlements are often based on small amounts over a long period. Optimizing customer contact at each stage of the collection life cycle is the key to our debt collection strategy. We identify and contact customers to agree on realistic repayment plans or settlements, initially by letter and then followed by the engagement of internal or external collection agents. Our experience is that most customers have the desire, but not the ability, to settle their unpaid debts immediately.

The process typically consists of the following key phases: the tracing and contact phase, the customer management phase and the legal and enforcement phase.

Tracing and Contact Phase

In the initial stage of the debt collection process, we trace customers in case customer data is unavailable or outdated. This is done by matching customers against address databases and public registries. For identified customers, we segment the customers according to the predicted likelihood that they will pay, based on criteria such as past payment history, size and type of debt and customers' age and gender.

We send each customer a letter stating that we have purchased his/her claim from the debt originator. We typically allow the customer at least two weeks, or longer if legally required, to pay the amount outstanding on the claim and offer them a variety of contact options, including telephone, email or online customer portal options. If we determine that it is probable that a customer will pay, we engage in the customer management phase of collecting on the claim. If we determine that it is uncertain that a customer will pay, we will assess which measures are to be taken on a case-by-case basis.

Customer Management Phase

During the customer management phase we seek to agree to a voluntary payment plan or settlement with the customer. This is the key phase of our solution-oriented amicable settlements model. Our goal during the customer management phase is to maximize the amount of resolved claims while minimizing costs. Any repayment arrangements with customers are structured in accordance with specific internal policy guidelines, as well as applicable legal requirements, and are designed to be sustainable and affordable for the customer. To enhance efficiency during the debt collection process, we leverage information in our Data Warehouse in order to tailor an optimal collection strategy for each individual customer. We have the ability to view data from a claim level, such as what collection methods have been more successful in the past for claims with certain characteristics, and on a customer level, such as what collection methods have been more successful in the past for customers with specific characteristics.

Collection methods in the customer management phase include calls, letters, text messages, emails and to some extent personal visits by certified field agents. We believe that the standardization and automation of key aspects of the debt collection process increases the efficiency of our operations by supplementing the use of manual case handling for claims that are in less intense phases. In order to make our debt collection service more efficient and to enable optimal customer contact, we have integrated several automated processes into our debt collection process, such as the use of dialers. They are a key tool in our collection operations and place an automated call to customers at regular intervals to ensure continuous active customer contact. The automated call gives the customers the option of being connected to a debt collector. Ultimately, the combination of collection methods that we use for a specific claim depends on various factors, including the geographical market, the claim size, the applicable laws and regulations and the individual customer. Due to our extensive collection experience, we believe that we are able to implement optimized and more complex debt collection arrangements than many of our competitors. For example, we utilize what we call "campaigns," which is the implementation of certain common sequences of events directed at a group of claims, such as paying customers that recently stopped paying or non-payers that recently started paying. During a period of time, letters or dialers are specifically directed at these customers offering payment plans, settlement or notifying the customer that the claim may be legally enforced if action is not taken. The campaigns are supported by our analytics teams who provide expertise on what measure to implement and when. Campaigns will typically begin around a time when we expect customers to have an enhanced ability to pay.

In order to maximize collections in the customer management phase, our ability to convert customers that have the propensity, but currently not the ability, to pay their claims into "payers" is essential. During this phase, we score and segment customers into various "buckets" where we utilize different collection strategies, such as campaigns or contact methods, in order to optimize collection profitability. We also monitor changes in circumstances of the individual customer in order to determine whether there is an enhanced ability to begin payment. When it appears that a customer has an enhanced ability to begin payment, we look to voluntary solutions to collect on the claim and, in cases where that is not effective, we may move into the legal and enforcement phase.

Legal and Enforcement Phase

In cases where our primary solution-oriented tools are not effective, we have to turn to judicial enforcement procedures. Although our focus is on amicable collection strategies, our business model is designed to deliver operational efficiency based on local market conditions and adapted to cater to the specific needs of local debt characteristics. While we aim to resolve claims by working with customers without relying on legal enforcement, we will direct a customer to the legal and enforcement phase if we believe that this is the optimal strategy. Different cases and markets therefore variably require the involvement of external collection partners, such as lawyers, bailiffs and third-party collection providers. However, in line with our amicable settlements model, should a customer express a willingness to agree to a voluntary solution, we typically direct the customer back to the customer management phase.

A claim moves into the legal and enforcement phase if we determine that the customer is unlikely to voluntarily pay while we analyze that there is potential ability to pay or if we have been unable to agree to a solution with the customer in the customer management phase. The legal and enforcement phase may involve turning to the court system to find a solution to the customer's debt. Some examples of solutions we seek in the legal and enforcement phase include salary attachments, sale of collateral, bankruptcy proceedings and debt-restructuring.

Upon successfully ratifying a legal claim, we then typically utilize bailiffs to enforce claims. Bailiffs typically work on fixed-fee arrangements and have the legal authority to enforce claims on our behalf. Bailiffs assist with seizure of property, wage assignments and other court ordered solutions.

Our Ethical Approach to the Debt Collection Process

Our debt collection process is designed to yield financial results while protecting our reputation. We believe in:

- treating customers with respect and dignity;
- polite persistence, where collection agents take a fair and reasonable stance when interacting with customers; and
- ensuring a fair outcome for the customer, taking into account sustainability and affordability of payments.

We are dependent upon maintaining trusted relationships with debt originators, authorities and society at large. In order to achieve the necessary level of trust, we must act with professionalism, expertise and high ethical standards at all levels. Our internal standards are applicable to all employees and all employees are expected to become acquainted with and comply with these standards, including the third-party collection providers that we engage. These standards mandate that all employees and partners are expected to always work within the law, have sound moral principles and behave in an upright and sincere manner. We have implemented a robust and centrally coordinated compliance-monitoring program, which evaluates and assesses compliance with legal, regulatory and industry best practices, as well as our own stringent internal standards to protect our information technology and data. For more information on compliance, see "*—Governance and Internal Control.*"

Savings Products

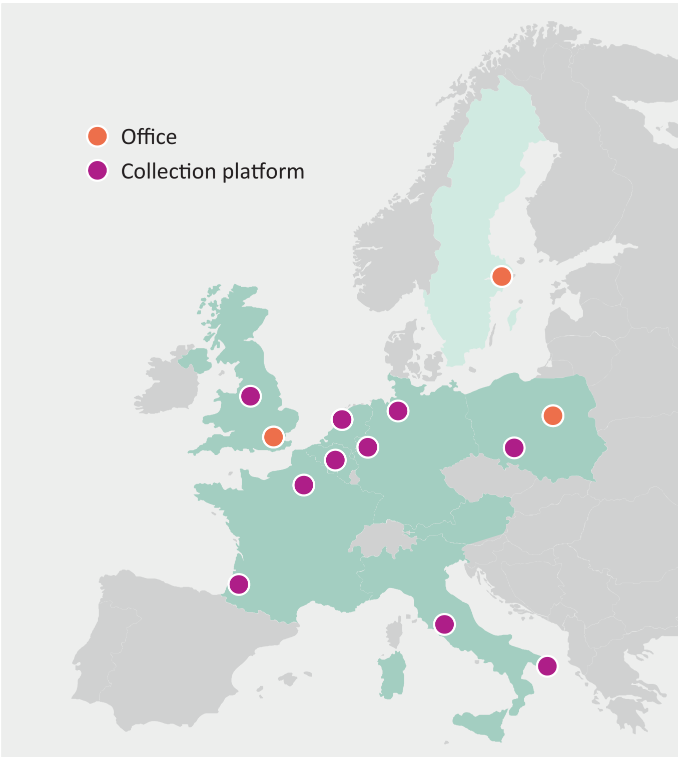
We are regulated and supervised by the SFSA as a "Credit Market Company." As such, we have the ability to offer retail deposits to the general public that are covered by the Swedish state-provided deposit insurance scheme. This scheme guarantees an amount of EUR 100,000 for each depositor should a guarantee-covered provider of deposits enter into bankruptcy or should the SFSA otherwise decide that the guarantee should become effective. We are unique in the industry in using retail deposits to fund a significant portion of our debt portfolios. Our deposit-taking scheme allows us to secure funding at comparatively low costs and gives us access to a substantial source of liquidity. This solid liquidity position has been essential in enabling our high levels of portfolio purchases in recent years.

Our online deposit platform in Sweden, HoistSpar, is offered to private individuals. Products include both overnight (Flex) and term deposits, with fixed maturities of 12, 24 and 36 months, respectively, (with a maximum total deposited amount of SEK 1,000,000 per customer). There are no fees associated with withdrawals from Flex deposits, whereas withdrawals made prior to maturity from the 12 months deposits are charged a 1% fee of the withdrawn amount and 24 and 36 months deposits are charged a 2% fee of the withdrawn amount. Since establishing HoistSpar in 2009 (term deposits launched in late 2012), our depositor base has grown substantially and as of December 31, 2014, consisted of more than 65,000 active accounts with a total deposit balance of SEK 11.0 billion. Historically, the availability of funding under our deposits has been very stable with limited outflow and inflow, primarily driven by the interest rate we offer, which we are able to adjust in accordance with our liquidity needs. Our Group treasury function is responsible for products offered through HoistSpar. Offered interest rates are decided by our Asset and Liability committee and provided to our Group treasury function for execution. The main objective of HoistSpar is to facilitate a low-volatile (with regards to nominal amounts) and cost-effective funding source, while being a well-perceived provider of savings products. For more information about how our retail deposits impact our results of operations, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation"* and for more information about the risks associated with our retail deposits, see

"*Risk Factors—Risks Relating to Our Funding—We rely on our retail funding base to fund our debt purchase and a significant decrease in retail deposits would have an adverse effect on our business.*" For more information on our status as a "Credit Market Company" regulated by the SFSA, see "*—Governance and Internal Control.*"

Geographic Presence

We believe that we have positioned ourselves to be an attractive debt-restructuring partner to international banks and other financial institutions. We are present in nine countries across Europe. We undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our headquarters are located in Sweden, where we also raise funding through our retail deposit platform, HoistSpar, and manage our Group functions for finance, risk control and compliance, but where we do not collect debt. In addition, we have offices in London, United Kingdom and Duisburg, Germany, where, in addition to our headquarters in Stockholm, our Group investments function is located. While our debt purchase process, including sales, origination and analytics, is largely centralized and carried out on Group level, our debt collection activities are carried out locally in each market. We use a structured approach when entering into new markets, backed by our debt purchasing experience and track record of successful expansion. Typically, we evaluate a new market thoroughly for a significant period of time in order to gain relevant market knowledge. When we believe that the time is right, we enter the market in scale through strategic investments in portfolios or acquisitions of platforms from existing partners or local market participants with whom we have established relationships. For a detailed description of the general market conditions in the markets where we have operations, see "*Industry Overview*." The map below provides an overview of our operations across Europe.



(1) Our headquarters are located in Sweden, but we do not collect debt in Sweden. Our Austrian portfolios are managed by our German collection centers.

The table below sets forth the percentage of total carrying value of our portfolios for each of the operating segments (countries/regions) where we have local operations as of December 31, 2014.

Country/Region	As of December 31, 2014
	(%)
Germany / Austria[(1)]	26.0
Belgium / the Netherlands and France	25.6
United Kingdom	20.9
Poland[(2)]	13.8
Italy	13.8
Total	**100.0**

(1) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million.

(2) Excludes the certificate value of our 50/50 joint venture of SEK 215.3 million.

The table below sets forth the percentage of total gross cash collections on our portfolios for each of the operating segments (countries/regions) where we have local operations for the year ended December 31, 2014.

Country/Region	For the year ended December 31, 2014
	(%)
Germany / Austria	28.5
Belgium / the Netherlands and France	28.9
United Kingdom	20.8
Poland	11.6
Italy	10.3
Total	**100.0**

Germany / Austria

We have operated in Germany since 1997 when we established our operations through a number of NPL portfolio purchases managed out of our Swedish operations. We were a pioneer in the German market and have since then become one of the market leaders in Germany. When we entered the German market, we started the build-up of our Data Warehouse and were early in understanding that high-quality data is essential for successful debt purchasing operations. The Data Warehouse has since grown to contain large quantities of granular historical data on portfolios and customers across our markets and become a fundamental component in our operations. We have grown our German operations primarily through two substantial structural outsourcing transactions. In 1999, we acquired Citibank’s collection platform in Bremen, including 90 FTEs and a portfolio with more than 150,000 claims, and in 2006, we expanded further through the acquisition of the German debt collection platform of SEB, including 80 FTEs and a mixed portfolio of secured and unsecured claims.

In Germany, we are positioned as a trusted partner to financial institutions, but we also invest opportunistically in non-banking assets. In S&P’s annual audit of the German loan servicer market for 2013, we received the rating “Strong—outlook: stable,” which is the best possible rating. We operate in-house collections with two collection platforms in Duisburg and Bremen, respectively, and have both debt purchase operations, focusing on unsecured consumer NPLs, and debt servicing operations. The operations in Duisburg and Bremen are integrated and support each other to achieve maximum efficiency. Specialist centers for performing and secured loans are located in Duisburg, as well as Group functions for IT service, analytics and pricing. Our IT operations are supported by two organization within the Group IT service, located in Manchester and Duisburg. We have approximately 300 employees in Germany. During 2013 and 2014, we increased our previously limited presence in Austria by purchasing additional portfolios, which are managed by our German platform, with administrative file-handling managed through a local debt servicing agency, as we currently have no local presence in Austria.

One of our largest transactions in the German market demonstrates the value of our status as a regulated financial institution. In 2012, a debt originator was looking to sell a portfolio that contained performing loans. These features made this a highly complicated and sensitive transaction as performing loans in Germany may only be sold to licensed financial institutions. With our license as a “Credit Market Company,” and the sophisticated internal control, risk management, compliance and governance functions that our regulated status entails, we fulfilled the buyer-profile that the seller was seeking. Building on the transaction in 2012, we have a strategic focus to develop our capabilities in the field of performing loans. We also expect to increase our focus on the Austrian market.

The table below sets forth certain key financial and operating data for Germany / Austria for the years ended December 31, 2014, 2013 and 2012.

	As of and for the year ended December 31,		
	2014	2013	2012
		(SEK thousand)	
Gross cash collections	724,044	666,149	555,442
Carrying value of purchased portfolios	2,231,593	1,826,305	1,744,264
Gross ERC 120 months	3,816,935	3,253,114	3,121,055

Belgium / the Netherlands and France

We have been present in Belgium since 2006 and in the Netherlands since 2007. We entered both markets by purchasing our first portfolios from debt originator clients with whom we had existing relationships in other markets, demonstrating our strong relationships and how we follow our key partners across markets. Since then, we have successfully grown our operations by building collection platforms in both jurisdictions and entering into strategic partnerships with a network of carefully selected debt servicing partners, as well as achieved market-leading position in the sector of consumer claims originated by utilities. In Belgium, our operations were built on the back of this first purchase, which was a structural outsourcing arrangement. We took over a number of employees that a year later formed the foundation when we built our own collection platform in Belgium. In the Netherlands, we bought our first portfolio from one of our key partners in Germany.

Due to the effects of the euro crisis and certain legislative changes, the debt markets in Belgium and the Netherlands have been very active relative to these countries' absolute sizes. In both jurisdictions, our focus is on NPLs originated by financial institutions. The Dutch market is characterized by the efficient and effective bailiff system that is a fundamental component of Dutch debt collection practices. Consequently, in the Netherlands we operate through a hybrid model of in-house and outsourced collections designed to optimize the use of the bailiff system. Our collections in Belgium are mainly conducted in-house. We employ approximately 40 employees in our two collection platforms in Brussels and Amsterdam.

As a result of our purchase in 2013 of a significant NPL portfolio for approximately EUR 100 million, which we believe was the largest NPL transaction in the Netherlands at the time, and our subsequent purchase of a major portfolio from the same debt originator client in 2014, we have achieved a leading position in the Dutch market. We continue to see large potential for additional purchases of major NPL portfolios in the financial sector in both Belgium and the Netherlands. While the sale of NPLs by utilities providers is still in the early adoption phase in both Belgium and the Netherlands, we have achieved a market-leading position in this sector in both countries following a number of spot and forward flow transactions and expect to continue on this path.

We entered the French market in 2001. Similar to our market entrance in Germany, this was done through a number of purchases of NPL portfolios and we have since then invested significantly in optimizing the structure, processes and systems of our French platform, including a minor acquisition of a collection platform in 2006.

The French debt market is smaller in size than Germany and the United Kingdom. Most major banks have not yet systematically sold portfolios and have performed the bulk of their collection and recovery activities in-house. Despite the relative immaturity of the market, forward flow agreements are an established tool used by a variety of regional banks. In France, we have both debt purchase operations, primarily purchasing portfolios from financial institutions, and third-party debt servicing operations and we operate through a hybrid model of in-house collections complemented by third-party collections, including a network of reliable and carefully selected debt collection providers, bailiffs and lawyers. We operate three collection platforms in Bayonne, Paris (Guyancourt) and Lille and currently employ approximately 130 employees.

France is an important market for us as we expect French banks to sell increasingly large and complex portfolios in the coming years and we see clear signs of this market opening up. We recently restructured our French operations by commencing the relocation of our collection platform in Paris (Guyancourt) to Lille, where there is greater access to specialized collection personnel. This process is expected to be completed in the second half of 2015 and will, we believe, enhance our position ahead of the anticipated market growth. In addition, we expect to further develop our hybrid platform and selectively outsource increasing amounts of claims for which we think our collection partners are best positioned to carry out efficient collections.

The table below sets forth certain key financial and operating data for Belgium / the Netherlands and France for the years ended December 31, 2014, 2013 and 2012.

	As of and for the year ended December 31,		
	2014	2013	2012
		(SEK thousand)	
Gross cash collections	733,474	338,130	250,130
Carrying value of purchased portfolios	2,194,000	1,771,888	743,627
Gross ERC 120 months	3,512,134	2,753,063	1,349,013

United Kingdom

In the United Kingdom, we purchased our first portfolio in 2011 and have since grown our operations largely on the back of our acquisitions of Robinson Way in 2012 and the lewis group in 2013. Through the acquisitions of these companies, which both now operate under the Robinson Way brand, we significantly expanded our operations in the United Kingdom, benefiting from economies of scale, recognized brand names and leading collection platforms.

In the United Kingdom, we have both debt purchase and third-party debt servicing operations and operate one of the largest debt purchase and debt servicing platforms in the country. Our debt purchasing operations are complemented by a panel of reliable and carefully selected debt servicing partners. Robinson Way and the lewis group are now fully integrated and operate one single collection platform in Manchester with approximately 300 employees that is fully aligned with our operations and methodologies. Our Manchester office also comprises one of the two IT operations teams within the Group IT service organization.

Our acquisitions in the United Kingdom were highly complex transactions and milestones in our expansion across Europe. The acquisition of Robinson Way included 256 FTEs, one collection platform in two locations, a large data warehouse and a significant portfolio of debt claims. At the time of the acquisition, the lewis group operated from three platforms, with 330 FTEs across the United Kingdom (including certain consultants), had developed a large data warehouse and included a substantial NPL portfolio. The purchase price paid for the lewis group was largely equal to the value of the NPL portfolio that was part of the acquisition, thus attributing only a modest value to the operations and reflecting the operational challenges involved in taking over the business. Following the two acquisitions, we implemented substantial strategic measures, including complex integration plans and operational focus, in order to reach the structure and size of approximately 300 FTEs that we operate as of today. Robinson Way has strong call-center capabilities and is a market leader within debt servicing with a focus on debt owned by third-party clients in the banking sector, and, at the time of the acquisition, the lewis group was one of the leading debt purchasing companies in the United Kingdom, specializing in financial assets and collections through litigation. Following our extensive post-acquisition evaluation and integration process of the lewis group, we decided to integrate the lewis group into Robinson Way, thus implementing and further capitalizing on our best practices and benefiting from economies of scale.

As of April 1, 2014, the FCA became the new regulator of debt collection companies in the United Kingdom, who are now subject to FCA's supervisory and regulatory regime. During an initial transition period, debt collection companies in the United Kingdom, including our subsidiaries Hoist Finance UK and Robinson Way, are operating under interim permissions until the FCA makes its final decisions on applications for full FCA authorization. The FCA has assigned firms "application periods" for such authorization, ranging from October 2014 to April 2016. Our application period will be from July 1, 2015 to September 30, 2015. Our interim permission enables us to continue to carry out our current activities during this interim period without having to make an immediate authorization application to the FCA, and provides a partial grace period to allow us to prepare ourselves to be compliant with the FCA requirements. In connection with the application, we will be subject to an assessment process before we will be granted full authorization.

We have a strong pipeline in the United Kingdom and we believe that it is a transparent market with high visibility. Although there is some price pressure in this market, we believe that attractive returns can still be identified. The new regulations, resulting in more stringent requirements on risk and compliance procedures, have resulted in certain structural changes on the U.K. market where a number of minor market participants in the debt collection industry who did not have sufficient resources and procedures have been eliminated. Our strategic focus in the United Kingdom is to continue participating in larger portfolio purchases and target additional major banks. We foresee that a majority of the pipeline will be from the banking sector, with certain purchases from other selected asset classes.

The table below sets forth certain key financial and operating data for the United Kingdom for the years ended December 31, 2014, 2013 and 2012.

	As of and for the year ended December 31,		
	2014	2013	2012
		(SEK thousand)	
Gross cash collections	527,346	250,267	31,499
Carrying value of purchased portfolios	1,797,520	1,312,769	383,629
Gross ERC 120 months	3,391,345	2,588,411	674,330

Poland

We have had a significant presence in Poland since 2011 when we entered into a 50/50 joint venture with our primary debt-servicing partner and completed what we believe was the largest NPL portfolio purchase in Poland at the time.

Along with strong economic growth, consumer lending in Poland has grown strongly over the past ten years. However, corresponding levels of consumer NPLs have grown exponentially over the same period and Polish banks have been quick to adopt portfolio sales as a standard measure at the end of their credit cycles. Until recently, we fully outsourced our collections in Poland, the majority of which were handled pursuant to a servicing agreement with the financial institution from which we purchased our second major Polish portfolio. We also established an office in Warsaw in 2013 with four employees with the task of closely monitoring our portfolios and managing our relationships with local external debt servicing partners. On December 31, 2014, we acquired Navi Lex, one of our debt servicing partners in Poland. Navi Lex is one of the leading debt collection companies in the Polish market with approximately 130 FTEs, a valuable data warehouse and a significant amount of servicing contracts. The acquisition of Navi Lex strengthens our foothold in Poland. Going from an outsourcing model to a first-hand presence is strategically important for our competitiveness in Poland and will, we believe, increase our local knowledge and thus improve our pricing abilities. In Poland, we expect slightly falling margins, but believe that we will achieve solid growth going forward. As part of the acquisition of Navi Lex, a contingency payment arrangement was agreed. As a result, we may have to pay additional consideration of between SEK 0 and SEK 83 million under certain specified conditions between 2015 and 2018, which would be paid out in relatively even installments during the period and recorded as goodwill. The potential payments are contingent upon several reasonably predictable factors, some of which can be influenced directly by us, while others are dependent upon the efficiency of Navi Lex and external market factors. We have done a preliminary assessment and estimated that the additional consideration may amount to approximately SEK 38 million.

Prior to the acquisition of Navi Lex, we had established ourselves as one of the market leaders in the debt purchasing industry in Poland following a number of recent substantial portfolio purchases. In 2013, we completed a substantial "buy-and-leave" transaction, which is a good example of our ability to do complex and innovative transactions. The debt originator had accumulated significant NPL volumes, while having collection capabilities with good potential. Through a transparent sales process, we were able to contribute our experience and collection strategies and enter into a servicing agreement with the debt originator, with whom we have established a very productive cooperation.

The table below sets forth certain key financial and operating data for Poland for the years ended December 31, 2014, 2013 and 2012.

	As of and for the year ended December 31,		
	2014	2013	2012
		(SEK thousand)	
Gross cash collections	295,619	171,406	20
Carrying value of purchased portfolios	1,182,459	778,646	121,107
Gross ERC 120 months	2,448,983	1,591,686	241,454

Italy

Our entry into the Italian market demonstrates the structured approach with which we enter into new markets. We entered the Italian market by purchasing our first portfolio in 2011. Focusing initially on purchasing tertiary payer claims known as cambiali (Italian bills of exchange that are legally binding payment plans offering stable and predictable cash flows), we successfully built a presence in the Italian market and gained increased market intelligence. Although we have experienced increased competition in portfolio purchases in recent years, we have continued to extend our local relationships and footprint. Historically, we have operated in Italy through an outsourcing model, but we recently decided that the moment was right to invest in scale in our Italian operations. As such, in August 2014 we acquired the operations of our Italian service partner TRC, which has over 30 years of debt purchase and collection experience and is the market leader in Italy for managing and collecting cambiali.

Several banks on the Italian market have recently begun to actively pursue NPL sales. Following our acquisition of TRC's operations, we operate two collection platforms in Lecce and Rome, respectively, with approximately 130 employees in total. Italy is a strategically important market for us as we expect banks to increasingly carry out systematic sales to clear out their backlog of NPLs and to sell claims at an earlier stage of the recovery cycle. We expect to continue to build on this collection platform ahead of this expected growth development. Our newly acquired Italian platform was underutilized until a significant debt portfolio purchase in December, 2014, resulting in a fully utilized platform which we believe provides significant potential for increased collections and scale benefits in 2015.

One of our first significant transactions in Italy involved the purchase of a cambiali portfolio in 2011. This transaction involved a mixed pool of cambiali and non-cambiali NPLs, which, we believed, in aggregate would fail to meet the sellers' price expectations. As such, we worked closely with the seller to design a process and transaction structure that would allow us to purchase the cambiali claims, while creating a pool of non-cambiali claims that would attract sufficient competitive interests to ensure the aggregate transaction would meet the sellers' expectations. This transaction illustrates our solution-driven approach and our ability to operate within complex asset classes.

The table below sets forth certain key financial and operating data for Italy for the years ended December 31, 2014, 2013 and 2012.

	As of and for the year ended December 31,		
	2014	**2013**	**2012**
		(SEK thousand)	
Gross cash collections	260,828	212,537	50,219
Carrying value of purchased portfolios	1,181,210	308,327	371,280
Gross ERC 120 months	2,406,753	486,303	594,652

Debt Servicing

In addition to debt purchasing, we also provide debt servicing to collect overdue debt on behalf of third parties in selected European markets. We engineer and implement tailored debt collection strategies and solutions to maximize cash flow streams from overdue debt for clients who have decided to outsource their debt collection function. We believe that our debt servicing clients benefit from outsourcing their debt collection to us as we can create value for them by lowering the cost of collection and increasing recovery rates. We are able to lower collection costs due to our large scale and automation of the debt collection process and we are able to increase recovery rates by combining a thorough understanding of each local market where we operate and use our Data Warehouse and experience to optimally tailor debt collection strategies. When providing debt servicing, we employ a similar collection process and make similar use of our extensive Data Warehouse as to when we are collecting on our purchased portfolios, see "*—Collections on Purchased Portfolios*" and "*—Data Warehouse and Analytical Steering*."

As of December 31, 2014, we provided debt servicing in Germany, the United Kingdom, Italy, France and Poland (following our recent acquisition of Navi Lex). For the year ended December 31, 2014, 2013 and 2012, our revenue from debt servicing amounted to SEK 153.2 million, SEK 149.1 million and SEK 46.9 million, respectively. For the year ended December 31, 2013, revenue from debt servicing more than doubled compared to 2012 due to our acquisitions of Robinson Way and the lewis group in the United Kingdom.

Governance and Internal Control

We are a regulated "Credit Market Company" supervised by the SFSA. We believe that our status as a regulated financial institution has a number of advantages that contribute to ensure our place on the panels of major debt originators and, in some cases, a status as preferred buyer. It also increases our understanding of the regulated environment in which our debt originator clients operate and reinforces our reputation with the general public. Moreover, our sophisticated compliance and risk control functions serve to lower the risk of our operations generally and provide a robust foundation to manage the risk of entering into new markets, including those with higher risk profiles. Since we are subject to the same type of regulation as many of our debt originator clients, we are able to purchase certain claims and handle certain customer information that in some jurisdictions may be handled only by financial institutions, for example, performing loans. In addition, our industry is subject to regulatory change, for example in the United Kingdom, where the FCA as of April 1, 2014 is the new regulator of debt collection companies who are now subject to FCA's supervisory and regulatory regime. As a regulated financial institution since 1996, our internal control, risk control, compliance and governance functions have been subject to regulatory scrutiny by the SFSA and we believe that we will have to make less investment and implement fewer new control measures than many of our competitors in response to this and other regulatory changes.

Our internal control framework is designed to establish three "lines of defense": management and implementation, control functions and audits. In the first line of defense, our Board of Directors decides on the objectives, strategies and risk levels to be applied in our operations, including issuing policies on our operational governance. Our executive management manages and delegates these decisions to non-executive and mid-level management who, in turn, are responsible for implementing these decisions across our operations. There are reporting procedures in place all the way from local level up to management and board level. These reporting procedures serve to identify and elevate any risk management and compliance issues and thus ensure that our internal governance is effective and that the execution of our objectives and strategies is carried out in compliance with laws and regulations.

In the second line of defense, we have dedicated risk and compliance functions that serve as independent support and provide advice for internal control processes, assess important areas of risk and compliance and follow up specific risk control and compliance measures. Our Group risk control and compliance functions are located at our headquarters in Stockholm, Sweden.

In the third line of defense, we regularly carry out internal, as well as external, audits to test and review the work carried out in the first two lines of defense and to continuously identify areas of improvement.

Risk Management

We manage risk by identifying, analyzing, measuring, managing, controlling and reporting significant risks that we are exposed to or may face. The objective of this process is to manage risks in such a way that we can execute our business strategy and achieve our financial goals in an undisturbed, predictable and controlled manner. We have risk management policies in place to ensure a coherent and sound approach to risk-taking, which is based on an understanding of all the risks that we may be exposed to. We also have procedures in place to ensure that relevant staff are continuously informed and trained to have relevant knowledge about our risk management framework. The risk management perspective is integrated into all significant business decisions in order to contribute to our overall business objectives, while ensuring that these objectives are achieved within the established risk appetite and risk strategy. We have structured our risk management framework to effectively manage key risks and ensure high operational quality with the aim of limiting unexpected and undesired variability in our financial performance. These procedures are also aimed at ensuring that we at each point in time maintain sufficient capital levels and assume appropriate levels of risk, so as to create and maintain confidence in us among stakeholders. Our Group risk control function oversees the entire internal risk control organization. In addition, we have local risk managers in each of our country operations that have direct reporting responsibility to, and work closely together with, our Group risk control function.

Significant risks are limited and managed to control the extent of which such risks are allowed to impact our financial performance. Our risk management organization is structured in accordance with the three "lines of defense" described above. In the first line of defense, our Board of Directors has the ultimate responsibility for the level and quality of risk management in the company, and for determining the appetite, strategy and limits with regards to risks. This includes the establishment of policies and instructions, principles, mandates and other general guidelines used to organize risk management and internal controls within our operations. Except for the risks we actively pursue in our debt purchasing operations, our risk-taking shall be limited and no speculative elements shall be involved in the daily operations. The risk appetite for specific risks is decided by our Board of Directors by the implementation of limits defined in specific policies, such as the investment policy, the treasury policy, the capital policy, the credit policy and the operational risk policy. Our Board of Directors and Chief Executive Officer are also responsible for regularly evaluating if we are managing and controlling our risks in an effective and efficient manner. Our Risk Committee advises the Board of Directors in respect of our current and future risk appetite and risk strategy and assists the Board of Directors in supervising our executive management's implementation of the risk strategy. The business units across our operations are responsible for the day-to-day management and monitoring of risks in accordance with the appetite, strategies and limits as adopted by the Board of Directors in different policies and instructions. The business units are also responsible for promoting risk awareness within their local operations and for introducing risk management objectives into their areas of responsibilities. In the second and third lines of defense, our Group function for risk control and our internal audit function track and analyze the development of these risks on a continuous basis and the results of that analysis are reported to our executive management and Board of Directors for appropriate action. Our Group risk control function works closely together with executive management to ensure that the keys risks are appropriately taken into account in business decisions. However, to ensure its independence, the risk control function never participates in decision-making.

We have identified certain key risk within our business. For a detailed description of our risks, see "*Risk Factors*" and "*Operating and Financial Review—Quantitative and Qualitative Disclosures about Financial Risk*."

Capital Adequacy

As a regulated financial institution, we are required to meet certain capital adequacy ratios and other criteria related to our liquidity. We have limits and goals on our capital position, which stipulate what capital level we need to uphold in order to have a margin of safety relative to applicable capital requirement regulations, while ensuring efficient use of capital in our business. The work to ensure that we maintain adequate capital follows an internal capital adequacy assessment process (the "**ICAAP**"). This is a continuously ongoing process that reviews, assesses and quantifies the risks we are subject to in our operations in relation to our capital position and business plan. The format of the ICAAP is reviewed at least annually to ensure that it captures applicable legislation and current risks. Our Board of Directors decides on any adjustments to the process and our internal audit team ensures that it is carried out in accordance with the Board of Directors' instructions.

ICAAP is primarily the responsibility of our Board of Directors and executive management, including ensuring that we have an updated ICAAP in place, that it is consistent with our risk profile and operating environment and that it is adequately documented. Our Group risk control function, together with our Chief Financial Officer, is responsible for carrying out the day-to-day work with respect to ICAAP, including tracking and calculating our capital requirements. Our internal audit function is responsible for evaluating and assessing that ICAAP and other work streams related to capital adequacy regulations follow the instructions set out in our internal policies and procedures, including verifying that the results from ICAAP are adequately addressed and integrated into our business, for example, that our capital need is appropriately taken into account in connection with investments and business forecasts.

The first step of the ICAAP is that our management formalizes its business plan and budget, as well as its views on the market in which we operate, for the coming year. Our Group risk control function then identifies and assesses the risks inherent in these forecasts. All significant risks are stress-tested rigorously in order to assess the amount of losses that we potentially would incur in the most adverse circumstances following the business plan and budget. For more information on the applicable capital adequacy regulations, see "*Regulatory Overview*" and for more information about how the capital adequacy requirements impact our results of operations, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation.*"

The table below sets forth our capital ratios as of the periods indicated. The capital ratios consist of our capital level in the numerator, either CET 1 capital, tier 1 capital or total capital. In the denominator, all risk exposures are considered, on an aggregated basis, to demonstrate how well our capital position covers our risk exposures.

	As of December 31,		
	2014	**2013**	**2012**
		(%)	
CET 1 ratio(1)(4)	9.4	5.6	8.0
Tier 1 capital ratio(2)(5)	10.2	7.8	9.7
Total capital ratio(3)(6)	12.2	11.6	9.7

(1) Defined as Common Equity Tier 1 Capital (CET 1 Capital) as a percentage of the risk exposure amount (REA). CET 1 Capital consists of common shares issued, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction primarily of deferred tax assets, intangible assets and goodwill. At the time of our regulatory capital reporting for 2014 ,the risk exposure amount for operational risk was based on the audited financials for the last three years, which at the time of our reporting were the

financial years 2011, 2012 and 2013 (in line with article 315 of the Capital Requirements Regulation (575/2013/EU)). Had audited financials for the financial years 2012, 2013 and 2014 been available at the time of our reporting, the risk exposure amount for operational risk would have been SEK 1,753 million instead of SEK 1,167 million, which would have resulted in a CET 1 ratio of 8.9%, including the effect of the new share issues paid for by cash in May and December 2014, respectively, and had the new share issues paid for by cash in May and December 2014 been excluded, the CET 1 ratio would have been 5.4 %. The risk exposure amount for operational risk will be updated annually when audited financials are available.

(2) Defined as tier 1 capital as a percentage of the Risk Exposure Amount (REA). Tier 1 capital is capital of the character of, or close to the character of, paid-up, capital-eligible reserves and a limited portion of subordinated capital loan instruments. Profits may only be included after excluding proposed dividends. Goodwill, deferred tax assets, intangible assets and investments in credit institutions are deducted from Tier 1.

(3) Defined as total eligible capital as a percentage of the Risk Exposure Amount (REA); includes capital requirements for operational, market and credit risk. For an overview of our total eligible capital and REA, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*."

(4) The CET 1 ratio presented includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 ratio calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to exclude the capital raised in these share issues, our CET 1 ratio as of December 31, 2014 would have been 5.7%.

(5) The tier 1 capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to include the capital raised in these share issues in our additional tier 1 capital (additional tier 1 capital of up to 1.5% of the Risk Exposure Amount can be included in the tier 1 capital ratio), our tier 1 capital ratio as of December 31, 2014 would have been 7.2%.

(6) The total capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to include the capital raised in these share issues in our additional tier 1 capital (additional tier 1 capital of up to 1.5% of the Risk Exposure Amount can be included in the total capital ratio), our total capital ratio as of December 31, 2014 would have been 9.2%.

Compliance

Debt originator clients and debt servicing clients regard our ethical behavior and strict compliance with laws and regulations as essential in order for them to utilize our services. The laws and regulations that we operate under have at their core the fair treatment of all customers, which we have sought to embed within our day-to-day operations and culture. We have a clear governance structure across all parts of our organization so that all key components of the business receive appropriate attention.

Our governance and control policy defines, among other things, principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures. On an annual basis, we engage in a comprehensive compliance monitoring process approved by the Board of Directors. In addition, we regularly carry out *ad hoc* compliance reviews based on upcoming needs, such as developing market practices trends or new legislation or at the request of the Board of Directors or the Group function for compliance. These reviews provide the board and our executive management team with an independent assessment of the status of our compliance with regards to official legislation and regulation, as well as internal governance principles, policies and procedures. The findings of the assessment enable senior management to initiate any necessary remedial actions. We handle any customer complaints in accordance with our complaints management policy and we track customer complaints through regular complaints report. These reports help us to identify areas of improvement or any specific adverse developments in the contact with our customers and allow us to take remedial action early on.

As a "Credit Market Company" offering retail deposits, and active within debt purchasing subject to, for example, supervision by the FCA in the United Kingdom, we are subject to regulations and procedures to discover and prevent money laundering and financing of terrorism in the various jurisdictions where we are active. We have robust systems and instructions in place to fulfill these requirements and are very active in notifying relevant authorities of suspect transactions.

We have invested heavily in our compliance systems and controls, as well as the training of our employees, to increase awareness of our regulatory requirements and policies. We provide comprehensive training to employees on legal and regulatory compliance. Through training sessions, it is our goal to provide an insight into, and gain an understanding of, an employee's obligation in ensuring legal and regulatory compliance.

For further information on the regulatory environment that we operate under, see "*Regulatory Overview.*"

Information Security

We are committed to maintaining high standards of data protection, customer information and information security. Protecting our information technology and the data contained in our Data Warehouse is vital for our operations; in relation to customers, debt originator clients and debt servicing clients, as well as to successfully run our business. For example, our operations in Germany have been certified with Schufa-Datenschutzsiegel, a certification that the data is processed in accordance with applicable safety standards. Making sure that the data in our Data Warehouse is correct and available is essential for us to value and price purchased portfolio and collect on our portfolios. Our information management focuses on three key areas:

- *Confidentiality:* ensuring that information is not made available or disclosed to unauthorized parties;
- *Integrity:* ensuring that information is protected from manipulation and unauthorized or unintentional changes;
- *Availability:* ensuring that authorized individuals have access to information at the time and to the extent they need it.

We regularly carry out information security controls to ensure the protection of our data assets from inadvertent or malicious changes, deletions or unauthorized disclosure. These controls are structured according to defined risk areas and are regularly evaluated and tested to ensure constant improvement. Our information security programs and procedures are based on identified business risks or legal or other regulatory requirements.

Our internal information and confidentiality policies and controls are applicable to all our data assets, regardless of format and media, *i.e.*, whether stored on computer media, contained on printouts or spoken verbally and the requirements apply to all our employees. All external entities coming in contact with our information and data assets must comply with all elements of our various information and confidentiality policies and controls.

Technology Infrastructure

We operate a competitive information technology platform, which underpins our ability to convert valuable data into the Data Warehouse that we use in both our debt purchase and collection operations. We have proactively invested in our information technology platform and have developed a platform suitable for future growth. Our information technology platform efficiently connects our source systems (*e.g.*, financial applications), our centralized Data Warehouse and end-user interfaces (*e.g.*, data mining and analytics applications and tools). Our information technology platform is centrally managed and our CIO ultimately manages information in all aspects of our operations, from technology to systems and services. Our technical infrastructure offers mirrored hosting and a leased high-bandwidth network, which enables low operational risk from a technical perspective and allows us to add and release capacity to our local sites in accordance with business demand. Our two main data-centers are located in Duisburg, Germany and Manchester, United Kingdom, and co-locate and host our critical operating systems. These centers backup for each other to ensure that the infrastructure is protected and available. Our information security is based on the applicable clauses of ISO/IEC 27002:2006, which provide guidelines for organizational information security standards and information security management practices. Our strategy for information technology governance is designed to ensure security, while achieving our business strategy.

We maintain our centralized information technology platform through standard systems, outsourcing and vendors. This platform is supplemented by internally developed systems for specific regional needs. We outsource certain IT functions in order to achieve cost savings and increase our ability to scale up or scale down IT operations depending on business demands. For example, the hosting of our deposits is outsourced to an external provider to ensure 24/7 connectivity and first-class security. We also outsource development of software used in our collection operations, which is done in close cooperation with our vendors to ensure control over the end-product and adopt such technology to the specific needs of our operations.

Human Resources

Employees

As of December 31, 2014, we employed 1,077 full-time equivalent employees ("**FTEs**") in total. The table below sets forth the average number of FTEs by function for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the year ended December 31,		
Function	**2014**	**2013**	**2012**
Group functions	39	32	22
Sales/Analytics	49	43	27
Production/Collections	500	362	203
Information technology	37	25	8
Administration	256	250	144
Total	**881**	**712**	**404**

The table below sets forth the average number of employees, excluding temporary employees, we had in each of our local operations for the years ended December 31, 2014, 2013 and 2012, respectively.

	For the year ended December 31,		
Country/Region	**2014**	**2013**	**2012**
Germany / Austria	295	280	246
Belgium / the Netherlands and France	151	110	110
United Kingdom	334	306	38
Poland	14	—	—
Italy	53	—	—
Sweden	34	16	10
Total	**881**	**712**	**404**

During the periods under review, our number of employees has been significantly impacted by acquisitions. In the United Kingdom, the acquisitions of Robinson Way and the lewis group increased our FTEs in 2012 and 2013 by 256 and 330, respectively. As part of the integration of these businesses into our operations, sites in Leeds (Cleckheaton), Glasgow and Belfast were closed and we also carried out certain restructuring measures, leading to redundancies and the numbers of FTEs decreasing to 329 in 2014. In Italy, where we previously operated an outsourcing model, the number of employees increased by 130 following our acquisition of TRC's operations in August 2014, and in Poland, where we also previously operated an outsourcing model, the number of employees increased by 130 following our acquisition of Navi Lex in December 2014. However, as the table above reflects the average number of employees throughout the year, these acquisitions have not yet had full effect on the reported employee numbers for these jurisdictions. Our employees in Belgium / the Netherlands and France increased between 2013 and 2014 primarily due to personnel transferred to us as part of the major portfolio purchased in the Netherlands in the third quarter of 2013 and the build-up of our collection platform in Lille, France. The numbers of employees in Sweden increased during the periods under review due to continued strengthening of Group functions in order to manage our growth, such as finance, IT, risk control and compliance functions. We complement our in-house collections with carefully selected third-party collection providers, who use their own employees when providing these services.

Recruiting and Training

Our approach to hiring and training our debt collection workforce is aligned with our corporate objectives. We seek to hire individuals who not only can collect debt, but who will be flexible when we make changes to account workflows and support our objective of always improving the debt collection process.

Once hired, all new collectors go through a formal training process. This training is often tailored to specific offices in order to meet the needs of particular markets. However, during the training period, all new collectors are generally trained on the legal basics of debt collection, ethical behavior, negotiation skills in line with our amicable settlements model, our internal policies and telephone and communication skills side-by-side together with an experienced collector. Furthermore, new employees are subject to background and credit checks as part of the recruitment process.

We set up incentives to encourage professional growth through development of strong work habits and refined individual skills that will promote long-term success rather than penalize employees for not achieving quick performance levels. We believe this approach motivates debt collectors to both continue learning and improving their performance. Our general debt collector workforce incentive plan has two components, base pay and variable individual compensation, and is designed to motivate good performance, while encouraging ethical behavior and sound customer payment solutions.

We believe that we have positive relations with our employees and the applicable unions and work councils. Approximately 3.5% of our workforce is unionized. We regularly meet with the unions and work councils to update them on the direction of the business and to address any concerns that they may have.

Insurance

Our group-wide insurance policies include insurance to cover risks associated with our business, including general liability, crime insurance, professional liability and directors' and officers' liability insurance. We use an insurance broker to maintain consistency of coverage across jurisdictions. We believe that the types and amounts of insurance coverage that we maintain are consistent with customary industry standards in the jurisdictions where we operate. However, no assurances can be given that we will continue to maintain current levels of insurance coverage. A successful claim of sufficient magnitude that is not covered, or only partially covered, by insurance could have a material adverse effect on us and our financial condition.

Real Property

We lease our headquarter offices, which are located at Sturegatan 6, 114 35 Stockholm, Sweden, as well as our offices in Duisburg, Manchester, London, Guyancourt, Lille, Warsaw, Brussels, Amsterdam and Rome. Except for those mentioned, there is no real property that we consider material for our operations. All of the properties used in our local operations are leased. We have a specific policy and requirements regarding the physical security at all our properties.

Intellectual Property

We hold various trademarks and have registered domain names. In addition, we have internally developed, and hold the proprietary rights to, the algorithms used when pricing and analyzing portfolios based on our Data Warehouse. Except for the proprietary rights to these algorithms, we do not believe that any individual or series of intellectual property is material to our business as a whole.

Legal and Administrative Proceedings

We are from time to time party to various claims and legal proceedings arising in the ordinary course of our business. We have not been within the past twelve months from the date hereof, and we are not currently a party to any governmental, legal, administrative, arbitration or dispute proceedings either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on our financial position or profitability, nor so far as we are aware, are any such proceedings pending or threatened.

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

The selected consolidated financial data as of and for the years ended December 31, 2014, 2013 and 2012 set forth below have been derived from our audited consolidated financial statements, which were audited by KPMG AB, as set forth in their audit report included elsewhere herein. Our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 have been prepared in accordance with IFRS as adopted by the European Union. The selected operating data set forth below has been derived from our regularly maintained records and operating systems. See "Presentation of Financial and Other Information" and "Definitions and Glossary" for definitions and concepts of certain terms set out in the tables below.

The following information should be read in conjunction with "Operating and Financial Review" and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum.

Selected Income Statement Data

	For the year ended December 31,		
	2014	**2013**	**2012**
		(SEK thousand)	
Net revenue from acquired loan portfolios	1,398,291	1,008,317	464,394
Interest income	89,731	155,988	148,551
Interest expense	(344,969)	(258,176)	(185,653)
Net interest income	**1,143,053**	**906,129**	**427,292**
Fee and commission income	153,222	149,142	46,854
Net result from financial transactions	(17,719)	(4,860)	(26,639)
Other income	12,219	12,152	66,278
Total operating income	**1,290,775**	**1,062,563**	**513,785**
General administrative expenses			
Personnel expenses	(473,200)	(386,757)	(234,277)
Other operating expenses	(627,467)	(540,705)	(250,391)
Depreciation and amortization of tangible and intangible fixed assets	(30,281)	(21,476)	(54,635)
Total operating expenses	**(1,130,948)**	**(948,938)**	**(539,303)**
Profit from shares and participation in joint venture	58,662	36,406	55,724
Profit before tax	**218,489**	**150,031**	**30,206**
Income tax expense	(38,386)	(33,115)	(1,462)
Net profit for the year	**180,103**	**116,916**	**28,744**

Selected Statement of Financial Position Data

	As of December 31,		
	2014	2013	2012
	(SEK thousand)		
Treasury bills and treasury bonds	2,316,110	—	—
Lending to credit institutions(1)	1,292,711	3,926,686	2,245,711
Lending to the public	157,232	328,951	537,613
Acquired loan portfolios(2)	8,586,782	5,997,935	3,363,907
Bonds and other securities	1,951,241	1,297,677	732,672
Shares and participation in joint venture	215,347	192,230	180,843
Other assets(3)	542,406	293,752	180,992
Total Assets	**15,061,829**	**12,037,231**	**7,241,738**
Deposits from the public	10,987,289	9,701,502	6,366,256
Other liabilities(4)	851,432	525,376	236,134
Senior unsecured loans	1,493,122	665,680	—
Subordinated loans	332,796	329,231	—
Total liabilities and provisions	**13,664,639**	**11,221,789**	**6,602,390**
Total shareholders' equity	**1,397,190**	**815,442**	**639,348**
Total liabilities and shareholders' equity	**15,061,829**	**12,037,231**	**7,241,738**

(1) Consists of cash deposited with various banks.
(2) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million and the certificate value of our 50/50 joint venture in Poland of SEK 215.3 million.
(3) Consists of cash, intangible fixed assets, tangible fixed assets, deferred tax assets, prepaid expenses and accrued income and other assets.
(4) Consists of tax liabilities, deferred tax liabilities, accrued expenses and prepaid income, provisions and other liabilities.

Selected Other Financial Information and Operating Data

	As of and for the year ended December 31,		
	2014	2013	2012
	(SEK thousand unless otherwise indicated)		
EBIT(1)(13)	529,626	326,158	127,900
EBIT margin (%)(2)(13)	31.9	25.6	19.2
Adjusted EBITDA(3)(5)(13)	1,793,501	1,143,511	762,737
Adjusted EBITDA margin (%)(4)(13)	70.6	69.7	86.0
Portfolio acquisitions	3,226,795	3,265,806	2,041,085(12)
Carrying value of acquired loans(6)	8,586,782	5,997,935	3,363,907
Gross ERC 120 months	15,576,152	10,672,576	5,980,504
Deposits	10,987,289	9,701,502	6,366,256
CET 1 ratio (%)(7)	9.4	5.6	8.0
Total capital ratio (%)(8)	12.2	11.6	9.7
Available liquidity ratio (%)(9)	50.3	50.4	36.3
Return on equity (%)(10)	16.3	16.1	5.0
Net debt	7,248,400	5,418,229	3,136,860
Return on tangible equity (%)(11)	18.2	17.3	5.4
Growth in risk exposure amount (REA) (%)	28.4	52.9	32.9

(1) We define EBIT as net profit for the period before interest income (excluding interest income from run-off consumer loan portfolio), interest expense, net result from financial transactions and income tax expense.
(2) We define EBIT margin as EBIT as a percentage of total revenue.
(3) We define EBITDA as net profit for the period before interest income (excluding interest income from run-off consumer loan portfolio), interest expense, net result from financial transactions, portfolio revaluation, income tax expense and depreciation and amortization of tangible and intangible fixed assets. Adjusted EBITDA is calculated by adding back amortization on the run-off consumer loan portfolio and portfolio amortization. We use Adjusted EBITDA as a measure of our operating cash flow generation and the liquidity of our business. Neither EBITDA nor Adjusted EBITDA are measures of financial performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information.*"
(4) We define adjusted EBITDA margin as adjusted EBITDA divided by income from acquired loan portfolios (gross cash collections).
(5) The reconciliation of net profit for the years ended December 31, 2014, 2013 and 2012 to EBITDA and Adjusted EBITDA is as follows:

	For the year ended December 31,		
	2014	2013	2012
	(*SEK thousand unless otherwise indicated*)		
Net profit for the year	**180,103**	**116,916**	**28,744**
Income tax expense	38,386	33,115	1,462
Portfolio revaluations	14,917	5,570	6,935
Interest income[(a)]	(51,551)	(86,908)	(114,598)
Interest expense	344,969	258,176	185,653
Net result from financial transactions	17,719	4,860	26,639
Depreciation and amortization of tangible and intangible fixed assets	30,281	21,476	54,635
EBITDA	**574,824**	**353,205**	**189,470**
Amortization on our run-off consumer loan portfolio[(b)]	90,574	163,186	157,286
Portfolio amortization	1,128,103	627,120	415,981
Adjusted EBITDA	**1,793,501**	**1,143,511**	**762,737**

(a) Excludes interest income from our run-off consumer loan portfolio.

(b) Amortization on our run-off consumer loan portfolio is calculated as the carrying value at the beginning of the period *less* the carrying value at the end of the period.

(6) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million and the certificate value of our 50/50 joint venture in Poland of SEK 215.3 million.

(7) Defined as Common Equity Tier 1 Capital (CET 1 Capital) as a percentage of the risk exposure amount (REA). CET 1 Capital consists of common shares issued, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction primarily of deferred tax assets, intangible assets and goodwill. The CET 1 ratio presented includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, . although the approval required from the SFSA to include such capital in the CET 1 ratio calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to exclude the capital raised in these share issues, our CET 1 ratio as of December 31, 2014 would have been 5.7%. At the time of our regulatory capital reporting for 2014, the risk exposure amount for operational risk was based on the audited financials for the last three years, which at the time of our reporting were the financial years 2011, 2012 and 2013 (in line with article 315 of the Capital Requirements Regulation (575/2013/EU)). Had audited financials for the financial years 2012, 2013 and 2014 been available at the time of our reporting, the risk exposure amount for operational risk would have been SEK 1,753 million instead of SEK 1,167 million, which would have resulted in a CET 1 ratio of 8.9%, including the effect of the new share issues paid for by cash in May and December 2014, respectively, and had the new share issues paid for by cash in May and December 2014 been excluded, the CET 1 ratio would have been 5.4 %. The risk exposure amount for operational risk will be updated annually when audited financials are available.

(8) Defined as total eligible capital as a percentage of Risk Exposure Amount (REA); includes capital requirements for operational, market and credit risk. For an overview of our total eligible capital and REA, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." The total capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. See "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—The Impact of Capital Adequacy Regulation*." Adjusted to include the capital raised in these share issues in our additional tier 1 capital (additional tier 1 capital of up to 1.5% of the Risk Exposure Amount can be included in the total capital ratio), our total capital ratio as of December 31, 2014 would have been 9.2%.

(9) Defined as cash, lending to credit institutions and bonds and other securities divided by deposits from the public.

(10) Defined as net profit for the period divided by average shareholders' equity for the period.

(11) Defined as net income as a percentage of average tangible equity (tangible equity: shareholders' equity *less* intangible assets).

(12) Includes the purchase of the run-off consumer loan portfolio in Germany for SEK 529.8 million.

(13) Numbers based on the Operating Income Statement presented below.

Selected Operating Income Statement Data

Due to our status as a "Credit Market Company," we are required to produce financial statements in accordance with the guidance and format set forth in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (Sw. lag (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag). The Statutory Financial Statements have been included above under "—Selected Income Statement Data." The income statement in the Statutory Financial Statements is structured to present the Company as a credit institution. In order for the Board of Directors and management to assess the operational performance of our debt purchasing and collection operations and to facilitate comparison with our competitors in the debt purchasing industry, we supplement the Statutory Financial Statements by producing the Operating Income Statement presented below and as set forth in Note 1 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum, and discussing such Operating Income Statement in "Operating and Financial Review." The Operating Income Statement contains no adjustments or amendments compared to, and has been prepared on the basis of the same accounting principles as, the income statements in the Statutory Financial Statements.

	For the year ended December 31,		
	2014	2013	2012
		(*SEK thousand*)	
Income from acquired loan portfolios (gross cash collections)	2,541,311	1,641,007	887,310
Portfolio amortization and revaluation	(1,143,020)	(632,690)	(422,916)
Interest income from run-off consumer loan portfolio	38,180	69,080	33,953
Net revenue	**1,436,471**	**1,077,397**	**498,347**
Fee and commission income	153,222	149,142	46,854
Profit from shares and participation in joint venture	58,662	36,406	55,724
Other operating income	12,219	12,152	66,278
Total revenue	**1,660,574**	**1,275,097**	**667,203**
Personnel expenses	(473,200)	(386,757)	(234,277)
Other operating expenses	(627,467)	(540,705)	(250,391)
Depreciation and amortization of tangible and intangible fixed assets	(30,281)	(21,476)	(54,635)
EBIT	**529,626**	**326,159**	**127,900**
Interest income	51,551	86,908	114,598
Interest expense	(344,969)	(258,176)	(185,653)
Net result from financial transactions	(17,719)	(4,860)	(26,639)
Profit before tax	**218,489**	**150,031**	**30,206**
Income tax expense	(38,386)	(33,115)	(1,462)
Net profit for the year	**180,103**	**116,916**	**28,744**

OPERATING AND FINANCIAL REVIEW

You should read the following commentary together with the "Selected Consolidated Financial and Operating and Other Data" and our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012, as well as the related notes thereto, included elsewhere in this Offering Memorandum. Our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 have been prepared in accordance with IFRS as adopted by the European Union.

This section may contain "forward looking statements." Such statements are subject to risks, uncertainties and other factors, including those set forth under the heading "Risk Factors," which could cause our future results of operations, financial position or cash flows to differ materially from the results of operations, financial position or cash flows expressed or implied in such forward looking statements. See "Forward Looking Statements" for information on risks associated with reliance on forward looking statements.

Overview

We are a leading debt-restructuring partner to international banks, with operations in nine countries across Europe. We specialize in purchasing unsecured non-performing loans, often referred to as NPLs, originated by large international banks and other financial institutions with whom we have strong and long-term relationships. We follow our key partners across markets and often purchase portfolios in several countries where they have operations. We are the largest pan-European purchaser of financial institution NPLs by carrying value as of September 30, 2014. As of December 31, 2014, 94% of the carrying value of our purchased portfolios originated from financial institutions. We also selectively purchase overdue debt from utilities, telecommunications companies and other consumer companies and, in certain markets, opportunistically and selectively purchase performing and secured loans. After purchasing a portfolio, we collect from the customers primarily by agreeing to sustainable payment plans. We largely manage the collections on our purchased portfolios through our ten in-house collection centers across Europe, which are complemented, where appropriate, by carefully selected local external debt servicing partners. For more than 20 years, we have focused exclusively on purchasing debt portfolios. This sets us apart from many of our competitors who have emerged from the third-party debt collection space and have significantly shorter history of debt purchasing activities. This long-term focus and our flexible and tailored product offering have allowed us to develop the expertise and know-how to structure and execute complex transactions.

We are a regulated "Credit Market Company" supervised by the SFSA. We believe that our status as a regulated financial institution is a key competitive advantage and has contributed to our ability to become a trusted partner to Europe's large international banks. Since we are subject to the same type of regulation as many of our debt originator clients, we are able to purchase certain claims and handle certain customer information that in some jurisdictions may be handled only by financial institutions, for example, performing loans in Germany. Moreover, our industry is subject to regulatory change, for example in the United Kingdom, where the FCA as of April 1, 2014 is the new regulator of debt collection companies. As a regulated financial institution since 1996, our internal control, risk management, compliance and governance functions have been subject to regulatory scrutiny by the SFSA and we believe that we will have to make less investment and implement fewer new control measures than many of our competitors in response to this and other regulatory changes. As a licensed financial institution, we are able to offer retail deposits to the general public that are covered by the Swedish state-provided deposit insurance scheme, which guarantees an amount of EUR 100,000 for each depositor. This provides us with a cost-efficient, flexible and reliable source of funding that we largely use to fund our portfolio purchases.

We have developed a robust valuation methodology that we consistently apply when reviewing, analyzing and pricing portfolios that we are considering for purchase. The fundamental component in this process is our internal Data Warehouse, which contains granular historical data on portfolios and customers across our markets derived from our debt purchasing activities since 1997. Our Data Warehouse combines both an extensive set of historical data with fresh data obtained from portfolio purchases in recent years, during which time we have been one of the most active purchasers in Europe. Our investment and pricing teams work together with our collection operations and use the information in the Data Warehouse to create a "synthetic portfolio" with the same key characteristics as each portfolio being analyzed for purchase. The collection profile for this "synthetic portfolio" is thereafter applied to the analyzed portfolio to develop a collection forecast relevant for such portfolio. We believe that this gives us an accurate and reliable forecast of the expected future performance of purchased portfolios. Due to our experience and track record of generating collections in line with our forecasts, and the extensive data contained in our Data Warehouse, we have historically been able to accurately value portfolios and collect in line with our forecasts. Our operations are centered around the Data Warehouse. The analytical steering model we employ to maximize the utilization of data in our Data Warehouse is standardized across our operations and integrated in all areas of the business: when forecasting and pricing portfolios that we consider for purchase, when implementing purchased claims into our operations, when allocating resources within our collection operations, and when reporting, monitoring and benchmarking the performance of our purchased portfolios.

In addition to debt purchasing, we also provide debt servicing to collect overdue debt on behalf of third parties in selected European markets. We engineer and implement tailored debt collection strategies and solutions to maximize cash flow streams from overdue debt for clients who have decided to outsource their debt collection function. For the year ended December 31, 2014, revenue from third-party debt servicing and other services represented 9% of our total revenue.

We are present in nine countries across Europe. We undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our headquarters are located in Stockholm, Sweden, where we also raise funding through our retail deposit platform, but where we do not collect debt. In addition, we have offices in London, United Kingdom and Duisburg, Germany, where, in addition to our headquarters in Stockholm, our Group investments function is located.

Key Factors Affecting Our Results of Operations

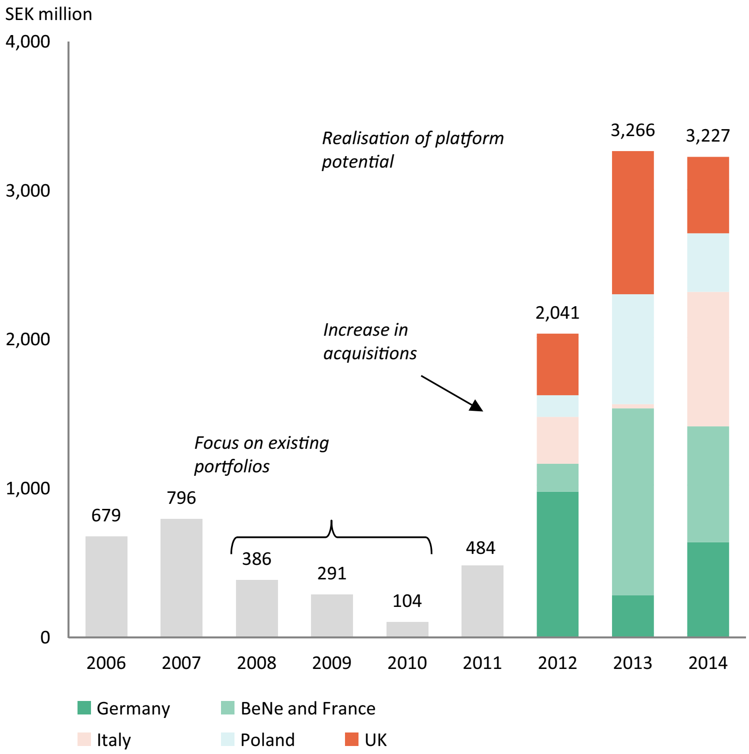
Our business and results of operations, as well as the key operating metrics discussed below, have been, and are expected to continue to be, affected by certain key factors including, in particular, the level of debt portfolios available for purchase and our ability to purchase portfolios as they become available, competition and our ability to capture market volumes, the type of debt portfolios purchased, pricing accuracy, gross collection levels, collection costs and operational efficiency, interest rates, our funding sources and liquidity, seasonality, acquisitions and geographic expansion, the impact of capital adequacy regulation, regulatory considerations, economic conditions and foreign currency effects. We have grouped these key factors into the following key categories: our ability to maintain a sustainable supply of business opportunities and to purchase debt portfolios at the right price, our collections, funding and liquidity reserve and other key factors. Each of the key factors is discussed in more detail below.

Our Ability to Maintain a Sustainable Supply of Business Opportunities and to Purchase Debt Portfolios at the Right Price

The Level of Debt Portfolios Available for Purchase and Our Ability to Purchase Portfolios as They Become Available

Our results of operations are linked to the overall level of debt portfolios available for purchase in the markets and industry sectors in which we operate. During the periods under review, the level of portfolio sales has increased, particularly in relation to NPLs originated by financial institutions, and, based on the Company Market Study, we believe that this development will continue over the next few years. This market growth opportunity has been largely driven by three factors: a large buildup of NPLs by financial institutions, an increased propensity to sell NPLs as regulation has put pressure on financial institutions to delever and strengthen capital ratios and an increase in the number of financial institutions selling debt as financial institutions have refocused their businesses by exiting non-core operations, such as in-house debt collection. For a more detailed description of the industry development, see "*Industry Overview.*" We have built our current platform benefiting from these industry trends and have increased our portfolio purchases (by value paid) from SEK 104.3 million in the year ended December 31, 2010 to SEK 3,226.8 million in the year ended December 31, 2014.

During the global financial crisis, the debt purchasing market was volatile, which led to a decline in activity in the debt purchasing market. This decline was also a natural development following a number of years with high activity and advantageous conditions in the markets generally. In response to this development, we decreased our portfolio purchases significantly between 2008 and 2010 and focused our efforts on optimizing collections on our existing portfolios, streamlining operations, reinforcing key partner relationships and developing our product offering. In 2009, we also launched our service offering of retail deposits. As a result, we accumulated substantial amounts of cash that we used from 2011 and onwards when the markets started to recover again and offer increased levels of attractive portfolios, during which time our portfolio purchases increased substantially. The key underlying factor that affected our results of operations during the periods under review was the substantial growth in our acquired loan portfolios. From January 1, 2012 to December 31, 2014, we invested SEK 8.5 billion in the purchase of debt portfolios, including our run-off consumer loan portfolio in Germany and deliveries under forward flow agreements. The portfolios purchased during this period (excluding our run-off consumer loan portfolio in Germany) have an aggregate face value of SEK 103.5 billion (excluding interest rate and fees). During this period, our portfolio investments consisted of a large number of transactions below EUR 5 million or between EUR 5 million and EUR 25 million, combined with a few major transactions between EUR 25 million and EUR 50 million or more than EUR 50 million. In 2012, we acquired Robinson Way in the United Kingdom, which included a significant portfolio of debt claims. In 2013, we acquired the lewis group in the United Kingdom, which included a significant portfolio of debt claims, a significant NPL portfolio in the Netherlands, which we believe was the largest NPL transaction in the Netherlands at the time, and completed a substantial "buy-and-leave" transaction in Poland, which we believe was the largest NPL purchase in Poland at the time. In 2014, we acquired the assets and operations of our service partner TRC in Italy and our service partner in Poland, Navi Lex. The graph below shows the development in our portfolio purchases before and during the periods under review.



(1) Includes the purchase in 2012 of our run-off consumer loan portfolio in Germany for SEK 529.8 million and the purchase in 2011 of our 50/50 joint venture in Poland for SEK 90.0 million.

As of December 31, 2014, 2013 and 2012, we had ERC of SEK 15.6 billion, SEK 10.7 billion and SEK 6.0 billion, respectively. The resulting carrying value of purchased portfolios on our consolidated balance sheet was SEK 8.6 billion, SEK 6.0 billion and SEK 3.4 billion, respectively, as of December 31, 2014, 2013 and 2012. The table below presents information on the debt portfolios that we purchased during the periods under review. In any period, our purchases of portfolios can vary in age, type and ultimate collectability, which results in period-to-period variation in average prices paid and face value.

	For the year ended December 31,(1)		
	2014	**2013**	**2012**
Purchases of debt portfolios (*SEK thousand*)	3,226,795	3,265,806	1,511,240
Face value of purchased debt purchased during the period (*SEK thousand*)	49,897,212	29,487,991	24,093,054
Total price paid as % of face value	6	11	6

(1) Excludes the run-off consumer loan portfolio in Germany and our 50/50 joint venture in Poland.

Competition and Our Ability to Capture Market Volumes

Competition and pricing levels in the markets in which we operate affect our ability to successfully and profitably purchase debt portfolios. In recent years, we believe that there has been a trend towards increased concentration in the industry, with a small core group of pan-European debt purchasers (which we define as debt purchasers with presence in more than four European markets where no single market represents more than 50% of revenue), such as Intrum Justitia, Lindorff, EOS, Portfolio Recovery Associates (following their acquisition of Aktiv Kapital) and us, expanding in scale as partners, in particular financial institutions, are increasingly placing value on a robust compliance framework, a multi-national presence and long-term relationships with debt purchasers. In addition, there are large single-market focused debt purchasers, such as Encore (following their acquisition of Cabot), Arrow Global, Lowell and Kruk, of which Encore, Arrow Global and Lowell are primarily focused on the United Kingdom. In line with this recent concentration, we believe that there has been an increase in sophistication in the industry, where reputation and ethical behavior have become fundamental competitive advantages in order to maintain relationships with current and potential sellers, especially financial institutions. We believe this is a positive development for the major market participants, including us, as it has forced the industry to generally increase the quality of debt purchasing operations in order to maintain competitiveness and these major market participants have the operational resources to respond to these developments.

As the general level of competition in the debt purchasing industry has increased, the prices for portfolios have increased accordingly. We focus on purchasing portfolios of unsecured consumer NPLs originated by large international banks and other financial institutions. Purchases of this portfolio asset class have become subject to increasingly competitive pricing as financial institutions have taken a strategic view to divest these types of portfolios. As these portfolios have grown in size and value, this has become an attractive sector and existing market participants, together with new market entrants, have intensified competition and pricing. Furthermore, the increased overall price levels are largely due, we believe, to an increasing proportion of claims sold being "fresher," already paying or in an advanced legal stage of collection, as opposed to older, non-paying claims.

Based on the strengths of our business as described in "*Business Overview—Our Strengths,*" we believe that we possess the critical strengths required to remain competitive in the current competitive landscape. Our key strengths include our status as a "Credit Market Company," an efficient and diversified funding model, our ability to accurately price portfolios, offer competitive prices and to ultimately collect on our purchased portfolios in accordance with forecasts. See "*Risk Factors—Risks Relating to Our Industry and Business— We operate in markets that are competitive. We may be unable to compete with businesses that offer higher prices than us for the purchase of debt portfolios, and our competitors may develop competitive strengths that we cannot match.*"

The Type of Debt Portfolios Purchased

Historically, the type of debt offered for sale has been dependent on the maturity of the individual markets in which we operate. As debt originators begin to sell debt, portfolios typically consist of the oldest defaulted claims. These older claims are typically more difficult and costly to collect, so the banks do not focus on them and there is an obvious upside to divest. During the periods under review, a number of major portfolios consisting of older debt were offered for sale to the market. Given the large buildup of NPLs by financial institutions in Europe since 2008, based on the Company Market Study, we expect the volumes of NPL sales in Europe to remain at similar levels over the next few years. As markets mature and the debt originators become more comfortable with debt sales, they offer "fresher" claims (*i.e.*, claims more recently declared overdue), which are typically offered at higher prices. The growth in debt purchasing has been led by mature markets, such as the United Kingdom, but with other European markets now realizing the benefit of engaging a specialist to handle their debt collection needs, we believe there are significant opportunities for us to expand further. See "*Industry Overview—Overview of Selected European Markets*."

The type of debt purchased can have a material impact on portfolio prices and our results of operations. "Higher quality" debt (performing loans and paying, secured and fresher consumer NPLs) benefit from increased predictability and lower cost to collect. These loans typically deliver different gross cash-on-cash multiples and collection curves than "lower quality" debt (older, unsecured, non-paying NPLs) and are consequently priced differently and generally purchased at a lower discount to face value. In addition, portfolios originated by utilities typically have shorter collection curves, front-loaded cash flow profiles and are sold at lower discounts to face value than typical claims originated by financial institutions. As a result, if we purchase a significant amount of "higher quality" financial institution or utility portfolios in a period, we may experience increased purchase prices per portfolio and shorter collection life cycles on such portfolios. This may shorten the amount of time before we need to purchase additional portfolios in order to replace collected loans. During the periods under review, we purchased a portfolio of performing loans in Germany, which is one of our largest transactions in the German market. In addition, we purchased a number of portfolios that contained "higher quality" claims, which contributed to the increase that we experienced during 2013 in total purchase price paid as a percentage of face value, from 6% for the year ended December 31, 2012 to 11% for the year ended December 31, 2013 (excluding the portfolio of performing loans in Germany).

Pricing Accuracy

Our ability to purchase debt portfolios at the right price has been a key driver of our results of operations in the periods under review and will continue to be a key driver going forward. Debt portfolios are purchased at prices significantly below the nominal face value. We expect to achieve collections in excess of the portfolio purchase price, and as of December 31, 2014 our ERC was 1.8 times the carrying value of our purchased portfolios.

When purchasing portfolios, we engage in an extensive portfolio valuation exercise in order to determine the price we should offer the seller, see "*Business Overview—The Debt Purchasing Process—Analytics and Due Diligence.*" Our performance is dependent on our ability to purchase portfolios that meet our investment criteria, particularly at prices that enable us to generate an appropriate return. After purchasing a portfolio, our performance is further dependent on our ability to generate gross collection levels at or in excess of our expectations for that portfolio. The fundamental component in this process is our Data Warehouse, which contains granular historical data on portfolios and customers across our markets derived from our debt purchasing activities since 1997. Our Data Warehouse combines both an extensive set of historical data with fresh data obtained from portfolio purchases in recent years, during which time we have been one of the most active purchasers in the markets in which we operate. Our investment and pricing teams work together with our collection operations and use the information in the Data Warehouse to create a "synthetic portfolio" with the same key characteristics as each portfolio being analyzed for purchase. The collection profile for this "synthetic portfolio" is thereafter applied to the analyzed portfolio to develop a collection forecast relevant for such portfolio. We believe that this gives us an accurate and reliable forecast of the expected future performance of purchased portfolios and the costs associated therewith. Pricing accuracy is impacted by the availability of data that correlates with the portfolio being purchased and collection costs and customer behavior deviating from expectations. Due to our experience and track record of generating collections in line with our forecasts, and the extensive data contained in our Data Warehouse, we have historically been able to accurately value portfolios based on our return criteria and ERC. In addition, through our amicable collection model, pursuant to which we primarily agree to long-term payment plans, we generate long-term cash flows, which produce greater visibility and stability when pricing portfolios. For more detailed information about our Data Warehouse, see "*Business Overview—Data Warehouse and Analytical Steering*" and about our amicable collection model, see "*Business Overview—Collections on Purchased Portfolios*." Moreover, in order to benefit from pricing accuracy and generate significant revenue, it is crucial to control collection costs, see "*—Collections on Our Portfolios—Collection Costs and Operational Efficiency.*"

Collections on Our Portfolios

Gross Collection Levels

We primarily generate revenue from payments received from customers linked to claims in our purchased debt portfolios. The ability and willingness of a customer to pay depends on several factors, such as the customer's employment status, availability of funds and asset ownership. We believe that our business benefits from the quality of the data that we can access and the consequential insight we are afforded into a customer's circumstances. This is primarily based on our Data Warehouse and the analysis we can perform on such data in order to confirm the customer's ability and/or willingness to pay, and ultimately determine the best collections strategy for such customer.

We have a large and diverse collection of portfolios that have delivered consistent and stable revenue over time. As of and for the year ended December 31, 2014, the average face value of the active claims contained, for example, in our German, U.K. and French portfolios was SEK 22,697, the average number of monthly payments made on those portfolios was 439,452 and the average monthly payment was SEK 283.

Revenue generated from claims in our purchased portfolios is impacted by the gross collection levels that we are able to achieve. We largely manage the collections on our purchased portfolios through our ten in-house collection centers across Europe. In certain jurisdictions, we use carefully selected local external debt servicing partners in cases where we believe such collection partners are best positioned to carry out efficient collections, for example, pursuant to our "buy-and-leave" arrangements. However, by primarily managing collections in-house, we are able to retain control over the collection process and can strategically allocate additional resources and costs to optimize collection and increase collection levels. We mainly collect in accordance with our amicable settlements model. This model is solutions-oriented and takes into account each customer's individual circumstances with the aim to establish a sustainable and affordable payment plan in close dialogue with the customer, rather than exploiting short-term collection potential. In 2014, a weighted average of 87% of our aggregated collections in Germany, the United Kingdom, Italy, Belgium, the Netherlands and France were under payment plans. Through this amicable collections approach, customers are more likely to pay voluntarily, which reduces the likelihood of us having to use more costly collection methods, such as legal resolutions. In addition, the model has historically generated long-term predictable cash flows.

In order to maximize collections, our ability to convert customers that have the propensity, but currently not the ability, to pay their claims into "payers" is essential. We score and segment customers into various "buckets" where we utilize different collection strategies, such as campaigns or contact methods, in order to optimize collection profitability. We also monitor changes in circumstances of the individual customer in order to determine whether there is an enhanced ability to begin payment. When it appears that a customer has an enhanced ability to begin payment, we look to voluntary solutions to collect on the claim and, in cases where that is not effective, we may move into the legal and enforcement phase. We believe that our ability to convert non-paying claims into paying claims on our purchased portfolios illustrates the degree of accuracy of our analysis conducted through our Data Warehouse and analytical capabilities and the effectiveness of our amicable collection approach and we further believe that we operate our forecasts with an appropriate balance between prudent pricing and strong collection performance.

Adverse economic conditions typically result in increased pressure on customers' ability to repay their loans, increased collection costs and ultimately decreased net collection levels. However, we believe that these adverse factors are naturally mitigated through our amicable collection model. First, the generally small installments paid by customers pursuant to our long-term payment plans facilitate continued payments even in times of adverse economic conditions. Second, due to the approach of agreeing to long-term payment plans, we adopt solution rates (*i.e.*, expected collection levels relative to the principal amount) when pricing portfolios with long-term repayment profiles. As a result, temporary declines in collections have less impact on our overall long-term results. In addition, our approach of agreeing to long-term payment plans contributes to making our cash flow durable and even if we decided to significantly decrease our portfolios purchases, we believe that we would be able to maintain substantial collection levels and cash flow.

Collection Costs and Operational Efficiency

Optimizing customer contact at each stage of the collection life cycle is the key to our debt collection strategy. The goal of our debt collection process is maximizing the total amount collected over the life of the debt primarily through sustainable payment plans achieved through our amicable and solution-oriented collection approach. Since we focus on debt purchasing and principally collect on portfolios that we own, any effects resulting from allocating additional resources and cost to collect on such portfolios are attributed to us. For companies that to a larger extent provide third-party collection services, additional resources and costs merely produce a marginal increase in commissions and in many cases require the client to accept a higher commission in order for the service provider to benefit from the additional revenue generated. Debt purchasing does not require our debt originator clients to take this risk, but they are able to realize some of the benefit by receiving a more attractive price level.

Acquisitions of collection platforms and companies have significantly increased our costs during the periods under review, primarily due to increased permanent staff costs and increased rent costs resulting from the acquisitions of Robinson Way and the lewis group in the United Kingdom and TRC in Italy. The recent acquisition of Navi Lex in Poland had a limited impact during the periods under review, but will increase our costs for future periods. Our local offices primarily carry out debt collections, while a substantial majority of activities relating to our debt purchase and business management, such as pricing and investment decisions and Group functions, are carried out at Group level and attributed to our segment for central functions and eliminations. Therefore, the costs recorded in our local offices are primarily collection costs. Certain of our collection costs in a given period are variable because they are primarily driven by collection activity performed in such period. Such costs mainly comprise legal fees (including bailiffs), customer information services and tracing of customers, travel and consulting fees and commissions to external debt collectors. Where appropriate, we use carefully selected local external debt servicing partners in cases where we believe such collection partners are best positioned to carry out efficient collections. The aggregate commissions we pay to external debt collectors vary period-on-period. Our collection cost ratio for debt purchases decreased from 35.9% for the year ended December 31, 2012 to 28.9% for the year ended December 31, 2014. This decrease in our collection cost ratio for debt purchases was mainly due to increased scale in some of our markets during the time period. The table below sets forth our collection costs and collection cost ratio for the periods under review.

	For the year ended December 31,		
	2014	2013	2012
	(SEK thousand unless otherwise stated)		
Gross collections(1)	2,541,311	1,641,007	887,310
Cost to collect(2)	(734,214)	(588,100)	(318,904)
Gross collections less cost to collect	**1,807,097**	**1,052,907**	**568,407**
Collection cost ratio (%)(3)	28.9%	35.8%	35.9%

(1) Includes interest income from our run-off consumer loan portfolio in Germany.

(2) Cost to collect is defined as total operating expenses (*i.e.*, personnel expenses and other operating expenses) *less* operating expenses attributable to the segment "central functions and eliminations" *less* cost for third-party collection services. For simplicity reasons, since our third-party collection services carry low margins, our cost for third-party collection services has been calculated to equal revenue from third-party collection services. On a segment basis, cost to collect is defined as total operating expenses (*i.e.*, personnel expenses and other operating expenses) *less* cost for third-party collection services.

(3) Cost to collect relative to gross collections.

Year-on-year trends in our collection cost ratio are not necessarily indicative of our operational efficiency and the return on capital we can achieve on purchased portfolios, as they are impacted by the varying characteristics of the portfolios we purchase in different years and differences in the timing of portfolio purchases during the year. For example, in certain years, the purchase of performing, secured and "fresher" consumer loans may have an impact on collection costs as such loans generally entail lower costs to collect. Specifically, we believe that recent trends in our collection cost ratio during the periods under review have been driven by: (i) significant improvements in the operational efficiency of our collections team, primarily due to our implementation of more efficient collection methods and a well-balanced level of operating expenses; and (ii) changes in the volume, mix and timing of portfolio purchases in each year.

Operational efficiency is key to our business model and a main advantage of our business compared to financial institutions and other debt originators who handle their debt collection in-house. We begin the debt collection process by segmenting or scoring customers according to the predicted likelihood that they will pay, based on criteria such as past payment history, size and type of debt and customers' age and gender. We thereafter determine which collection method to use for the specific claim, such as calls, letters, text messages, emails and to some extent personal visits by agents, depending on various factors, including the geographical market, the claim size, the applicable laws and regulations and the individual customer. We believe that we are able to increase net recovery rates through the use of the comprehensive data sets contained within our Data Warehouse and our analytical capabilities which allow us to optimally tailor debt collection strategies based on past experiences. As a result, we believe that we can optimize collection efficiency over the lifetime of each claim.

We have systematically carried out projects that have had, and that we believe will continue to have, a positive effect on our operations. For example, following the acquisitions in the United Kingdom of Robinson Way and the lewis group, we implemented substantial strategic measures, including complex integration plans and operational initiatives, which we believe have improved the quality of our operations and resulted in efficiencies that facilitated a material reduction in the number of FTEs in the integrated entity. In addition, we recently restructured our French operations by commencing the relocation of our collection platform in Paris (Guyancourt) to Lille, where we have greater access to specialized collection personnel, a process which we expect to be completed in the second half of 2015.

Funding and Liquidity Reserve

Our Funding Sources and Liquidity

We take our overall liquidity needs into account in connection with investments and business forecasts and our ability to purchase portfolios is dependent on our internally generated funding resources and our access to financing at the time portfolios become available for purchase. We currently fund our purchases of portfolios, working capital needs and other expenditures with cash flow generated from our operating activities and through a mix of deposits and debt originated in the debt capital markets. We are unique in the industry in using retail deposits to fund a significant portion of our debt portfolios. Our deposit base allows us to secure funding at comparatively low costs and gives us access to substantial liquidity. This solid liquidity position has been essential in enabling our high levels of portfolio purchases in recent years. For more detailed information about our retail deposits and our bonds, see "*Business Overview—Savings Products*" and "*—Liquidity and Capital Resources*" and see "*Risk Factors—Risks Relating to Our Funding*" for additional information on the risks associated with our funding model.

To a large extent, we are able to control the inflow of funds to our retail deposits by adjusting the interest rates we offer in accordance with our liquidity needs. The tables below set forth certain key information regarding our deposit base for the years ended December 31, 2014, 2013 and 2012.

	For the year ended December 31,		
	2014	**2013**	**2012**
Interest paid to customers		*(SEK thousand)*	
Flex	135,663	171,618	150,743
12 Months	29,451	33,127	141
24 Months	34,452	15,313	127
36 Months	10,137	1,933	22
Total	**209,703**	**221,991**	**151,033**

	For the year ended December 31,		
	2014	**2013**	**2012**
Average volume		*(SEK thousand)*	
Flex	6,989,814	6,957,938	4,846,941
12 Months	1,142,463	1,066,228	4,414
24 Months	1,100,210	456,169	3,667
36 Months	320,452	56,513	625
Total	**9,552,939**	**8,536,847**	**4,855,647**

	For the year ended December 31,		
	2014	**2013**	**2012**
Average interest rate		*(%)*	
Flex	1.9	2.5	3.1
12 Months	2.6	3.1	3.2
24 Months	3.1	3.4	3.5
36 Months	3.2	3.4	3.5
Average interest rate	**2.2**	**2.6**	**3.1**

The table below sets forth the maturity profile of our deposit base as of December 31, 2014.

	As of December 31, 2014			
	Payable on Demand	**Due within three months**	**Due between three months and one year**	**Due between one and five years**
		(SEK thousand)		
Deposits	7,629,030	514,600	1,858,900	984,758

We access additional liquidity by issuing debt instruments in the capital markets. We selectively decide to do so to maintain a longer-term funding alternative and to achieve a currency mix that is aligned with our operations, taking into account our debt purchasing across Europe (which is primarily done in EUR, GBP and PLN), as well as our deposit platform in Sweden (solely denominated in SEK). We believe that the long-term debt (interest-bearing securities) complement our deposit funding base and together provide a diversified funding platform for our portfolio purchases and further growth. We have issued three series of notes, SEK 750 million senior unsecured notes due 2016, SEK 350 million subordinated notes due 2023 and EUR 100 million senior unsecured notes due 2017. All three series of notes are listed on Nasdaq Stockholm.

We have the ability to offer retail deposits to the general public because we are a licensed "Credit Market Company" regulated and supervised by the SFSA. See "*Regulatory Overview.*" As such, our business is subject to substantial regulation relating to liquidity requirements, including the CRR. In order to have sufficient liquidity to fulfill, and to maintain a buffer well above, these requirements, we keep a minimum available liquidity ratio of at least 30% (liquidity ratio is defined as cash, lending to credit institutions (*i.e.*, cash deposited with various banks) and bonds and other securities divided by deposits from the public) in accordance with our treasury policy and internal limits. As of December 31, 2014, our liquidity ratio was 50.3%. We currently hold excess liquidity in order to ensure compliance with applicable regulations and to facilitate the growth aspects of our business plan. While at all times maintaining a prudent liquidity approach, we anticipate lowering our liquidity going forward. In an effort to utilize our liquidity surplus and offset the impact of decreased interest rate developments, in 2014 we opportunistically repurchased securities from the three series of notes that we have issued and listed on Nasdaq Stockholm, and such purchases amounted to SEK 182 million in the aggregate in the year ended December 31, 2014. According to applicable regulation, and our internal policy framework, we are required to meet the following liquidity ratios (as defined in the footnotes to the table below) as of the date hereof:

- Internal minimum liquidity coverage ratio of 100%;
- Regulatory required minimum liquidity coverage ratio of 60%; and
- Minimum available liquidity ratio of 30% (our internal limit; there is no formal regulatory requirement to meet a certain liquidity ratio).

Based on the information at each time available to us, the table below sets forth our liquidity ratios as of the dates indicated.

	As of December 31,		
	2014	**2013**	**2012**
		(%)	
Liquidity coverage ratio[1]	552.0	n/a[3]	n/a[3]
Available liquidity ratio[2]	50.3	50.4	36.3

(1) Liquidity measurement defined by the Capital Requirements Regulation (575/2013/EU) that measures a financial institution's ability to deal with a stressed net outflow of liquidity for 30 days. An LCR of 100% means that a financial institution's liquidity reserve is adequate to enable the institution to manage an unexpected liquidity outflow for 30 days.

(2) Defined as cash, lending to credit institutions and bonds and other securities divided by deposits from the public.

(3) The requirement to meet a liquidity coverage ratio entered into force on January 1, 2015 and was therefore not applicable in the years 2013 and 2012.

In addition, a net stable funding ratio ("**NSFR**") (defined as available stable funding divided by required stable funding) of 100% will be required from 2018. NSFR is a measure of stable funding relative to weighted long term assets and our NSFR is compliant with this requirement.

The table below sets forth our liquidity reserve as of December 31, 2014.

	As of December 31, 2014	
	(SEK thousand)	*(% of total deposits)*
Available liquidity (total)[1]	5,531,632	50.3
Liquidity reserve[2]	5,348,625	48.7
ILAAP total liquidity buffer[3]	1,777,074	—
Current total available liquidity above ILAAP	3,754,558	—

(1) Available liquidity is defined as the amount of liquidity we can make available within three days (including collateral position posted or received under applicable Credit Support Annex ("CSA")) *provided* unstressed market conditions.

(2) Liquidity reserve is defined as cash at credit institutions (including collateral position posted or received under applicable CSA) available the next day and interest bearing instruments that are liquid (repo eligible instruments at the Swedish Central Bank).

(3) ILAAP refers to the internal liquidity adequacy assessment process of an institution. A regulator evaluates qualitative and quantitative elements to determine liquidity requirements for institutions. An institution's ILAAP should adequately reflect sound management of liquidity risk. This measure is not yet adopted as a required limit. The ILAAP framework is under evaluation and review and final evaluation will be conducted during the first half of 2015.

The table below shows the maturity profile of our liquidity reserve as of December 31, 2014.

	As of December 31, 2014						
	Payable on demand	Due within less than three months	Due between three months and one year	Due between one and five years	Due after five years	Without fixed maturity	Total
	(SEK thousand)						
Treasury bills and treasury bonds	—	2,316,110	—	—	—		2,316,110
Lending to credit institutions	1,290,808	1,903	—	—	—		1,292,711
Bonds and other securities	—	160,069	149,340	1,616,832	—	25,000	1,951,241
Total	**1,290,808**	**2,478,082**	**149,340**	**1,616,832**	**—**	**25,000**	**5,560,062**

The investment management of our liquidity reserve is subject to our risk management framework. For example, we apply the following limits with regards to interest-bearing securities:

- Investments may not have an S&P credit rating below "A-";
- Credit exposure to non-government debt may not exceed SEK 300 million for a single credit institute and not exceed SEK 50 million for a single corporate entity;
- The average modified duration may not exceed six months; and
- The maturity for securities may not exceed five years.

Interest Rates

As interest-bearing retail deposits and bonds are our principal sources of funding, prevailing market conditions and interest rates have an impact on our operations. On the liabilities side, our interest costs are affected by interest rate variations on the outstanding bonds and deposits. An interest rate increase would most likely have a negative impact on our profit to the extent that the increase in market rates would affect interest rates and interest expenses on loans and deposits from the general public, at the same time as income from our purchased portfolios remains unchanged. We have implemented measures to continuously hedge our interest rate exposures through, for example, interest rate swaps and our Group treasury function has the overall responsibility for the continuous management of these exposures. Generally, for such interest rate swaps, the maturity is less than 12 months. The average interest rates on our Flex deposits, 12 months deposits, 24 months deposits and 36 months deposits have gone from 3.1%, 3.2%, 3.5% and 3.5%, respectively, for the year ended December 31, 2012, to 1.9%, 2.6%, 3.1% and 3.2%, respectively, for the year ended December 31, 2014. For a description of our interest rate risk exposure, see "*Risk Factors—Risks Relating to Our Funding—An interest rate increase may have a negative impact on our profit.*"

Other Key Factors

Seasonality

The timing of our purchases of debt portfolios is likely to be uneven during a financial year and from year to year due largely to fluctuating supply and demand in the market, with a corresponding impact on collections, cash flow, capital ratios and earnings. During the periods under review, we have generally purchased more portfolios, measured by purchase price, in the fourth quarter (when debt originators in general, and financial institutions in particular, often seek to sell assets) compared to each of the first three quarters of a given year. For example, in the fourth quarter of 2014, 2013 and 2012, we purchased portfolios for SEK 1,543.9 million, SEK 1,339.3 million and SEK 1,118.1 million, respectively, as compared to SEK 433.7 million, SEK 221.1 million and SEK 138.1 million in the first quarter of 2014, 2013 and 2012, respectively, SEK 896.6 million, SEK 800.0 million and SEK 699.3 million in the second quarter of 2014, 2013 and 2012, respectively, and SEK 352.6 million, SEK 905.4 million and SEK 85.6 million in the third quarter of 2014, 2013 and 2012, respectively. However, there may be exceptions in certain years where purchases of major individual portfolios are made in other parts of the year and the timing of portfolio sales may vary significantly by region. Our collection levels, and thus cash flow and results of operations, are related to how many portfolios we purchase and the growth in carrying value of our portfolios. Consequently, our interim results, including revenue, EBIT and profitability for any given quarter, both on a consolidated and segment basis, may be impacted by the timing of the closing of a specific portfolio purchase. Our interim results for a given quarter may also be impacted by seasonal factors, such as whether Easter occurs in the first or second quarter of the year, as customers tend to have other expenses around Easter that they may prioritize as well as collections being generally less active during Easter. We believe that the fourth quarter will likely continue to be the most important quarter for financial institutions' management of their financial positions and thus when our portfolio purchase levels will be highest. The level of seasonal variation is difficult to predict, but may be reduced, we believe, by recent regulatory initiatives.

There is generally a gap between the point in time when we purchase a portfolio and the point in time when we begin earning returns on the purchased portfolio as we do not always have control over when a deal to purchase a portfolio will close and we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on a purchased portfolio. In addition, the time it takes to begin earning returns on a purchased portfolio could vary from our initial estimates. As a result, we may experience difficulties in projecting cash flows and delays in generating income from purchased portfolios.

As a result of our historical purchasing patterns and due to the factors discussed above, our net revenue is generally lowest in the first quarter, with net revenue generally increasing in the second and third quarters, reaching the highest level generally in the fourth quarter, in line with the increased impact from our typically larger portfolio purchases in the fourth quarter. Similarly, we generally realize the majority of our EBIT during the second half of each year.

Debt collection is also to a certain extent affected by seasonal factors related to customers, including the number of work days in a given month, the propensity of customers to take holidays at particular times of the year and annual cycles in disposable income. Our collections are typically lower in the third quarter due to the holiday periods in July and August. Collections within portfolios tend to have seasonal variances, while our costs are more evenly spread out over the year, resulting in some variances of margins and profitability between quarters.

Revaluations of Acquired Loan Portfolios

It is difficult to accurately forecast future collections on purchased portfolios and if we collect less on a portfolio than expected at the date of purchase, we must adjust the valuation of that portfolio downwards. Therefore, we continuously monitor and evaluate our portfolios to adequately track performance fluctuations. A thorough analysis of all portfolios that we have owned for at least six months is carried out at least on an annual basis, through reassessment of the future anticipated cash flow for a ten-year period. The discounted rates remain when an estimated cash flow curve for a purchased portfolio is set to be on track. We consider all factors and data available to us when assessing whether or not a portfolio should be subject to revaluation. Indications of negative revaluation may include a group of customers experiencing significant financial difficulty, default of interest or principal payments, the probability that customers will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When we purchase portfolios, we make assumptions of gross collections and collection costs and the net present value of expected net collections are reflected in the balance sheet carrying value of our portfolios. A decrease in, or delay of our expected net collections, results in write-downs of our portfolios. Revaluations can result in volatility in performance across our markets and over time, which is evident in our historical performance. Conversely, there can also be positive revaluation in the event that a portfolio displays objective evidence of expected cash flows above the current forecast.

Our portfolios purchased after July 1, 2011 are recorded using the amortized cost method with individual IRRs on each portfolio, whereas we apply the fair value method to portfolios purchased prior to July 1, 2011 (see "*—Recognition of Acquired Loan Portfolios, Revenue Recognition and Estimation of Cash Flow Forecasts—Accounting Methods*" and "*Risk Factors—Risks Relating to Our Industry and Business—We may experience volatility in our reported financial results due to the revaluation of our purchased portfolios*"). Our application of the fair value accounting method has developed throughout the years in line with the market maturity and valuation of these types of assets. As a result, substantial profits have been recorded during the years up until June 2011 as reflected below, primarily due to lowered discount rates in the market. We currently apply a 12% discount rate to future net cash flow for portfolios recorded under the fair value method. In 2008, we anticipated less than expected net cash flows from collections as we observed negative trends in one-off payments made by customers and a generally deteriorating economic climate. As a result, we recorded revaluations on a number of portfolios, which had a negative impact of SEK 54.9 million on the carrying value of our portfolios. In 2009, we experienced larger than expected collections and concluded that the decreased collections that we anticipated in 2008 had not materialized and therefore we recorded a positive revaluation of SEK 121.5 million. In 2010, our revaluations had a net positive effect of SEK 179.3 million, as we observed lower IRRs in the market generally and consequently reduced discount rates on our existing portfolios. In 2011, our revaluations had a net positive effect of SEK 312.8 million, due to continuous falling IRRs in the market generally. As a consequence of this, besides reducing discount rates further, we also extended our applied discount period, from between five and seven years to the current discount period of ten years, in order to be aligned with market practice. During the periods under review, we have experienced negative net effects from revaluations, primarily due to lower than expected collections in France resulting from capacity constraints and operational restructurings. Revaluations resulted in a reduction of the carrying value of certain portfolios in 2014 in the aggregate amount of SEK 14.9 million, in 2013 in the aggregate amount of SEK 5.6 million and in 2012 in the aggregate amount of SEK 6.9 million.

The table below sets forth the portfolio revaluations in each of our geographic segments for the years ended December 31, 2014, 2013 and 2012.

	For the year ended December 31,		
Country/Region	**2014**	**2013**	**2012**
	(SEK thousand)		
Germany / Austria	(7,714)	35,774	10,524
Belgium / the Netherlands and France	(31,747)	(44,453)	(18,133)
United Kingdom	14,478	—	—
Poland	435	—	—
Italy	9,632	3,109	674
Total	**(14,917)**	**(5,570)**	**(6,935)**

Acquisitions and Geographic Expansion

We have a strong track record of expanding into new markets and making strategic acquisitions. We have been able to successfully integrate new businesses into our existing operations, achieve our strategic plans and leverage our strong relationships to acquire businesses of local servicing partners across Europe. We use a structured approach when entering into new markets, backed by our debt purchasing experience and track record of successful expansion. Typically, we evaluate a new market thoroughly for a significant period of time in order to gain relevant market knowledge. When we believe that the time is right, we enter the market in scale through strategic investments in portfolios or acquisitions of platforms from existing key partners or local market participants with whom we have established relationships. These acquisitions have allowed us to enhance our access to business intelligence and local collection knowledge and generate additional revenue. For information on the development of our results of operations by segment, see "—*Results of Operations on a Segment Basis.*" Geographic expansion may also serve to diversify our business and enhance our ability to manage the overall balance between various loan assets or maturity levels of different markets.

The key underlying factor that affected our results of operations during the periods under review was our substantial growth, primarily through acquisitions. During these periods, we made four acquisitions of significant scale:

- In November, 2012, we acquired Robinson Way in the United Kingdom. The acquisition included 256 FTEs, two collection platforms, a large data warehouse and a significant portfolio of debt claims.
- In August, 2013, we acquired the lewis group in the United Kingdom. The acquisition included 330 FTEs (including certain consultants), three collection platforms and a significant portfolio of debt claims. For information about the integration and restructuring process carried out in connection with the two acquisitions in the United Kingdom, see "—*Collections on Our Portfolios—Collection Costs and Operational Efficiency*."
- In August, 2014, we acquired the assets and operations of our service partner TRC in Italy. The acquisition included approximately 130 FTEs, two collection platforms and a number of new claims.
- In December, 2014, we acquired our service partner Navi Lex in Poland. The acquisition included approximately 130 FTEs and a significant number of servicing contracts.

We expect to continue to selectively pursue potential opportunities to expand our geographic footprint and to increase our market share in countries where we already operate. See *"Business Overview—Our Strategy."*

The Impact of Capital Adequacy Regulation

As a licensed "Credit Market Company," regulated and supervised by the SFSA, our business is subject to substantial regulation relating to capital adequacy requirements, including the Basel III Framework. Pursuant to this regulation, we are required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. This requirement means that we need to reserve enough capital against unexpected losses resulting from our investments. Capital requirements under Pillar I of the Basel III Framework (includes requirements on minimum regulatory capital to address credit risk, market risk and operational risk) are determined by standardized calculations provided by applicable regulation. We also evaluate if these standardized calculations reflect the actual risks that we are exposed to. If this is not the case, additional capital is reserved under the so-called Pillar II risks of the Basel III Framework (includes requirements to identify risks not captured under Pillar I, which, in our case, includes interest rate risk, exchange rate risk, reputational risk, strategic risk and concentration risk). In addition to the capital base requirements, we must have capital buffers for which we only take into account common equity tier 1 capital. The capital buffers may vary depending on when, how and by whom they are to be applied. We must have a capital conservation buffer, which is a permanent buffer that is required by all credit institutions. We will in the future also need to have a countercyclical buffer, which may vary from time to time, in order to meet cyclical systemic risks.

In addition to the capital requirements under Pillar I and Pillar II, we continuously carry out our internal ICAAP, which is formally documented once a year. This process aims to evaluate our capital adequacy position in relation to the business plan and the regulatory capital levels under various stressed scenarios for the upcoming three years. For more detailed information about ICAAP and how we monitor our capital needs, see "*Business Overview—Governance and Internal Control—Capital Adequacy"* and Note 28 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum. See "*Risk Factors—Risks Relating to Regulation*" for additional information on the risks associated with our regulatory requirements.

As we are subject to capital adequacy requirements, it is crucial that our funding, portfolio purchases and the cash flow we generate through collections together provide a sufficient capital buffer to meet applicable capital ratios. Should the level of applicable ratios increase in the future, we may have to find alternative sources of regulatory capital or reduce our portfolio purchases. During the periods under review, we have consistently had sufficient capital to complete desired portfolio purchases and investments, while meeting applicable capital ratios. According to applicable regulation, we are required to meet the following capital ratios (as defined in the footnotes to the table below) (including the capital conservation buffer described above of 2.5%) as of the date hereof:

- Minimum CET 1 ratio of 4.5% + capital conservation buffer of 2.5%;
- Minimum tier 1 capital ratio of 6.0% + capital conservation buffer of 2.5%; and
- Minimum total capital ratio of 8.0% + capital conservation buffer of 2.5%.

In addition to the above, the Company also reserves capital to take into account Pillar II risks. The table below sets forth our capital ratios as of the dates indicated.

	As of December 31,		
	2014	**2013**	**2012**
		(%)	
CET 1 ratio(1)(4)	9.4	5.6	8.0
Tier 1 capital ratio(2)(5)	10.2	7.8	9.7
Total capital ratio(3)(6)	12.2	11.6	9.7

(1) Defined as Common Equity Tier 1 Capital (CET 1 Capital) as a percentage of the risk exposure amount (REA). CET 1 Capital consists of common shares issued, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction primarily of deferred tax assets, intangible assets and goodwill. At the time of our regulatory capital reporting for 2014, the risk exposure amount for operational risk was based on the audited financials for the last three years, which at the time of our reporting were the financial years 2011, 2012 and 2013 (in line with article 315 of the Capital Requirements Regulation (575/2013/EU)). Had audited financials for the financial years 2012, 2013 and 2014 been available at the time of our reporting, the risk exposure amount for operational risk would have been SEK 1,753 million instead of SEK 1,167 million, which would have resulted in a CET 1 ratio of 8.9%, including the effect of the new share issues paid for by cash in May and December 2014, respectively, and had the new share issues paid for by cash in May and December 2014 been excluded, the CET 1 ratio would have amounted to 5.4 %. The risk exposure amount for operational risk will be updated annually when audited financials are available.

(2) Defined as tier 1 capital as a percentage of the Risk Exposure Amount (REA). Tier 1 capital is capital of the character of, or close to the character of, paid-up, capital-eligible reserves and a limited portion of subordinated capital loan instruments. Profits may only be included after excluding proposed dividends. Goodwill, deferred tax assets, intangible assets and investments in credit institutions are deducted from Tier 1.

(3) Defined as total eligible capital as a percentage of the Risk Exposure Amount (REA); includes capital requirements for operational, market and credit risk. For an overview of our total eligible capital and REA, see *" —The Impact of Capital Adequacy Regulation."*

(4) The CET 1 ratio presented includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 ratio calculation was not applied for until January 2015 and not received until March 2015. Adjusted to exclude the capital raised in these share issues, our CET 1 ratio as of December 31, 2014 would have been 5.7%.

(5) The tier 1 capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. Adjusted to include the capital raised in these share issues in our additional tier 1 capital (additional tier 1 capital of up to 1.5% of the Risk Exposure Amount can be included in the tier 1 capital ratio), our tier 1 capital ratio as of December 31, 2014 would have been 7.2%.

(6) The total capital ratio presented takes into account CET 1 capital that includes the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. Adjusted to include the capital raised in these share issues in our additional tier 1 capital (additional tier 1 capital of up to 1.5% of the Risk Exposure Amount can be included in the total capital ratio), our total capital ratio as of December 31, 2014 would have been 9.2%.

According to article 26.3 of the CRR, share issues paid for in cash may be included in the calculation of CET 1 ratios only if such ordinary share issues have been approved by the SFSA. See "*Regulatory—Banking and Financing Business Related Regulation—Capital Adequacy Regulation.*" Due to an oversight, we did not observe the corrigendum to the CRR published in August 2013, which, *inter alia*, provided that the approval requirement would apply from June 2013, and not from January 2015 as previously communicated through official publications in June 2013. As a result, we did not seek the required SFSA approval of the two share issues paid for in cash carried out in May and December 2014, respectively, until the beginning of 2015 when we became aware of the August 2013 corrigendum. For more information about these share issues, see "*Shares and Share Capital—Share Capital History.*" The requisite approval from the SFSA was obtained on March 11, 2015. As we were unaware of the above-mentioned corrigendum at the time of its publication, we included the SEK 414 million of capital that was raised in these share issues in our external financial and regulatory reporting, including in the audited financial statements included elsewhere herein as reflected in the table above, as well as in our capital base reporting to the SFSA, which resulted in a reported CET 1 ratio as of December 31, 2014 of 9.4%. Adjusted to exclude the capital raised in these share issues, our CET 1 ratio as of December 31, 2014 would have been 5.7%. When granting its approval on March 11, 2015, the SFSA confirmed that these share issues met the criteria for inclusion in CET 1 capital. While we believe that the timing of the SFSA approval, and the fact that the CET 1 ratio as calculated under the applicable regulations for 2014 was technically lower than previously reported, will not negatively affect our operations or result in any defaults under any contracts, including our outstanding debt instruments, there can be no assurances that our contractual obligations will not be adversely affected or that the SFSA will not impose regulatory sanctions. See "*Risk Factors—Risks Relating to Regulation—We are subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements and changes to the regulatory environment, or any failure to comply with applicable legislation or regulation, could result in the suspension, termination or impairment of our ability to conduct business.*" Following the SFSA approval on March 11, 2015, our CET 1 ratio and other capital ratios to be reported as from March 31, 2015 will properly include the capital raised in the 2014 share issues.

For purposes of measuring risk exposure and capital ratios, our assets are weighted according to their associated risk. Our NPL portfolios constitute the major share of our risk exposure amount and we currently ascribe a risk of 100% to these portfolios as they are deemed to be non-performing according to the regulations; however, in practice there are regular payments made on the portfolios. The table below sets forth our risk exposure amount ("**REA**") as of December 31, 2014.

	As of December 31, 2014		
	Gross exposure (SEK thousand)	*Risk weight (%)*	*Risk weighted (SEK thousand)*
NPLs (main credit risk)	8,837,997	~100	8,837,997
Other[(1)]	851,529	~48.2	410,584
Performing loans (run-off consumer loan portfolio)	118,798	~75	89,099
Fixed income portfolio (liquidity reserve)	4,242,351	~5	212,118
Lending to credit institutions (liquidity reserve)	1,292,711	~35	452,449
Risk exposure relating to credit exposure			**10,002,246**
Risk exposure relating to operational risk			**1,167,241**[(2)]
Risk exposure relating to market risk			**137,565**
Total REA			**11,307,052**

(1) Includes off-balance sheet items, *i.e.*, forward-flow agreements.

(2) At the time of our regulatory capital reporting for 2014, the risk exposure amount for operational risk was based on the audited financials for the last three years, which at the time of our reporting were the financial years 2011, 2012 and 2013 (in line with article 315 of the Capital Requirements Regulation (575/2013/EU)). Had audited financials for the financial years 2012, 2013 and 2014 been available at the time of reporting, the risk exposure amount for operational risk had been SEK 1,753 million instead of SEK 1,167 million. The risk exposure amount for operational risk will be updated annually when audited financials are available.

The table below shows the build-up of our capital as of the dates indicated.

	As of December 31,[(1)]		
	2014	2013	2012
		(SEK thousand)	
Equity in capital adequacy	1,304,189[(2)]	622,440	539,348
Proposed dividend	—	—	(14,372)
Goodwill	(50,355)	—	—
Other intangible assets	(120,693)	(64,282)	(36,004)
Deferred tax assets	(70,885)	(62,254)	(29,085)
Regulatory dividend deduction	(5,000)	—	—
CET 1	**1,057,257**[(2)]	**495,904**	**459,887**
Additional Tier 1 capital	93,000[(2)]	193,000	100,000
Tier 1 capital	**1,150,257**[(2)]	**688,904**	**559,887**
Tier 2 capital	226,141	329,231	—
Total own funds for capital adequacy (Total capital)	**1,376,398**[(2)]	**1,018,135**	**559,887**
Other eligible Tier 1 capital	— [(2)]	—	—
Other eligible Tier 2 capital	106,655	—	—
Total eligible capital	**1,483,053**	**1,018,135**	**559,887**

(1) Total capital corresponds to eligible capital. We choose not to apply article 494 of Regulation (EU) 575/2013.

(2) The table reflects the effect of the new share issues paid for by cash in May and December 2014, respectively, which in the aggregate increased our net paid-up capital by SEK 414 million, although the approval required from the SFSA to include such capital in the CET 1 capital calculation was not applied for until January 2015 and not received until March 2015. Adjusted to exclude the capital raised in these share issues, our equity in capital adequacy, CET 1, additional tier 1 capital, tier 1 capital, total own funds for capital adequacy (total capital) and other eligible tier 1 capital, respectively, as of December 31, 2014 would have been: SEK 889.7 million, SEK 642.8 million, SEK 169.6 million, SEK 812.4 million, SEK 1,038.5 million and SEK 337.9 million, respectively.

Regulatory Considerations

Our results of operations are affected by a number of laws and regulations in the jurisdictions in which we operate. We are subject to regulatory and compliance requirements relating to labor, license requirements, consumer credit, debt collection, default interest calculation, statutes of limitation, data protection, anti-corruption, anti-money laundering, tax and VAT, antitrust and administrative actions and other regulatory regimes. While regulations vary across jurisdictions, the general legal framework relevant for companies in the debt purchasing industry is similar across the jurisdictions in which we operate. We have detailed policies and country-specific procedures in place that are designed to ensure that we operate in compliance with applicable law and that compliance issues, if any, are identified and appropriately elevated within the organization. Our policy regarding regulatory compliance defines, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures.

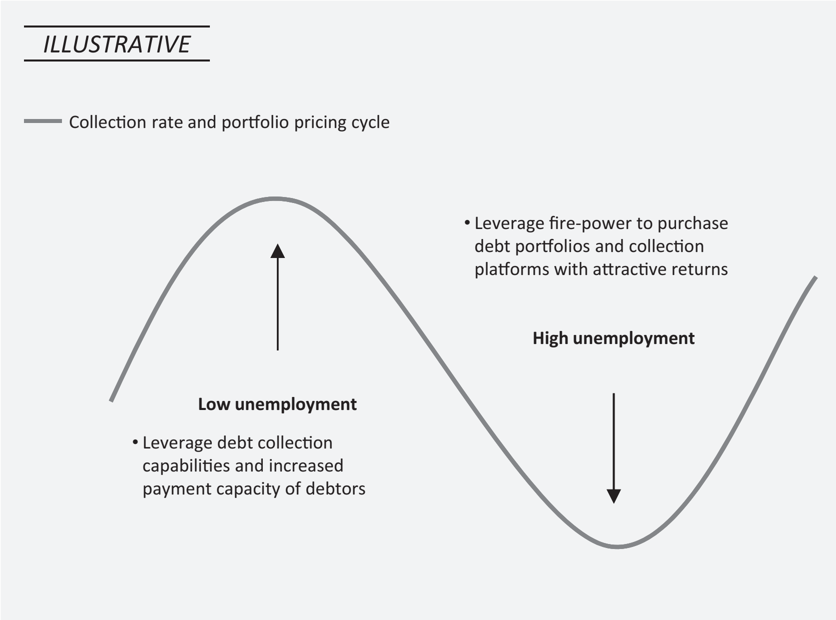
Our industry is subject to regulatory change, for example in the United Kingdom, where the FCA as of April 1, 2014 is the new regulator of debt collection companies who are now subject to FCA's supervisory and regulatory regime. As a regulated financial institution, our internal control, risk management, compliance and governance functions have been subject to regulatory scrutiny by the SFSA and we believe that we will have to make limited investments and new control measures in response to this and other regulatory changes. However, new laws or regulations that may be adopted, as well as changes to existing laws or regulations, in the jurisdictions in which we operate could constrain or prevent our ability to operate. See "*Regulatory Overview*" and "*Risk Factors—Risks Relating to Regulation*."

Economic Conditions

The economic and market conditions in the countries in which we operate can have various effects on our operations. For example, adverse economic conditions and increased levels of unemployment tend to lead to higher default rates on claims, which in turn may increase the stock of portfolios available for us to purchase and positively impact our prospects of purchasing portfolios with attractive returns. However, adverse economic conditions could also materially reduce the ability of customers to repay their debts, our collections, and thus our revenue from purchased portfolios, could decrease. In addition, should we experience higher collection costs than expected, or should we experience materialized credit risk on our portfolios, such that we recover less than expected from our customers, then net cash collections on our portfolios would decline, potentially significantly, and consequently lower the carrying value of our portfolios due to revaluations, which could directly impact our results of operations. Although adverse economic conditions may increase the stock of available portfolios, adverse economic conditions could also reduce debt originators' propensity to sell debt portfolios at the prices prevailing in the market, thereby decreasing the volume of portfolios available for us to purchase and, thereafter, sales by debt originators could increase as they seek to sell portfolios in order to free up capital, thereby increasing the volume of debt portfolios available for us to purchase. This trend has been evident in the latest cycle; the global financial crisis in 2008 and 2009 led to dramatic slowdowns in purchases of portfolios across our markets followed by a significant increase during the periods under review as debt originators sought to free up capital. Unfavorable economic conditions may also impact our ability to obtain funding and thereby our ability to purchase portfolios.

Improved economic conditions are likely to lower default rates on loans, which could negatively impact the growth of the stock of portfolios available for us to purchase. There is a link between gross collection levels and unemployment and generally gross collections improve in times of decreased levels of unemployment. As a result, positive economic conditions could also be beneficial as they would enable customers to increase repayments and enable customers who were previously unable to pay their debts to have new payment plans arranged, thus increasing our revenue from purchased portfolios. Positive economic conditions may also increase the underlying credit stock, driven by higher private consumption and continued low interest rates, in turn driving the amounts of consumer credits.

We believe that a certain amount of cyclicality is beneficial to the debt purchasing industry, as a successful debt purchasing business requires a solid stock of debt portfolios available for purchase, which typically increase during adverse economic conditions, while also requiring high gross collection levels, which typically increase in improved economic conditions. The graph below is illustrative of the cyclicality of the debt purchasing business.



Foreign Currency Effects

We are present in nine countries across Europe. We undertake collections on purchased debt in Germany, Austria, Belgium, the Netherlands, France, the United Kingdom, Poland and Italy. Our headquarters are located in Stockholm, Sweden, where we also raise funding through our retail deposit platform, but where we do not collect debt. In addition, we have offices in London, United Kingdom and Duisburg, Germany, where, in addition to our headquarters in Stockholm, our Group investments function is located. Accordingly, foreign currency fluctuations may have an adverse impact on our income statement, balance sheet and/or cash flows as a result of the reporting currency used in preparing and presenting our consolidated financial statements being SEK, which is different from the reporting currency of our subsidiaries, our assets and liabilities being stated in different currencies and certain revenue and costs arising in different currencies. Our debt portfolios (*i.e.*, our primary assets) are mainly denominated in foreign currencies, while our deposits raised from the public (*i.e.*, our primary liabilities) are denominated in SEK. Furthermore, in each of the jurisdictions in which we are present, all revenue and the major part of the expenses are recorded in local currency.

For those countries with a reporting currency other than SEK, profits and losses are translated into SEK at average exchange rates, and assets and liabilities are translated into SEK at closing exchange rates. Fluctuations in exchange rates against SEK result in period on period differences in our results of operations and can obscure period on period comparisons, for example between the quarterly results of two different years. For the years ended December 31, 2014, 2013 and 2012, all of our total revenue was reported by entities whose functional currencies are different than SEK, namely EUR, GBP and PLN, which accounted for 52.1%, 27.6% and 20.3%, respectively, of our revenue in 2014, 56.4%, 26.5% and 17.1%, respectively, of our revenue in 2013 and 88.2%, 3.4% and 8.3%, respectively, of our revenue in 2012. To determine our currency sensitivity, we deduct our aggregate liabilities from our aggregate assets in a specific currency, the result of which is then compared to our foreign exchange hedge in that currency. To conclude the sensitivity analysis, this net currency exposure is thereafter increased and decreased by 10%. If the currencies to which we had exposure as of December 31, 2014 and as of December 31, 2013, respectively, would have weakened/strengthened by 10% on average against the SEK, everything else being equal, our consolidated net profit for 2014 would have increased/decreased by approximately SEK 14 million and our consolidated net profit for 2013 would have increased/decreased by approximately SEK 5 million. This is the accounting method of measuring foreign currency sensitivity, which on its own may provide an incomplete picture of our foreign exchange rate exposure. We also use other methods and perspectives to assess our foreign exchange rate exposure, including those taking into account the correlation between different currencies and their respective contribution to the overall risk. We continuously hedge our foreign exchange rate exposures and our Group treasury function has the overall responsibility for the continuous management of these exposures. In addition, our foreign exchange rate exposure, provided SEK is the reporting currency, is to a certain extent naturally hedged through our one series of notes that is issued in EUR.

Recognition of Acquired Loan Portfolios, Revenue Recognition and Estimation of Cash Flow Forecasts

The following sections describe how IFRS under the fair value option methodology and the amortized cost methodology, respectively, recognizes the carrying value of purchased portfolios in our consolidated statement of financial position, and the returns generated through debt collections on such portfolios in our consolidated income statement. These IFRS measures are derived from a number of other measures that are not defined in IFRS and which involve a higher degree of judgment or complexity, including IRR and ERC, and these are areas where assumptions and estimates are significant to the consolidated financial statements.

Recognition of Acquired Loan Portfolios

Purchased debt consists mainly of loan portfolios purchased at prices significantly below the nominal face value and which are recognized according to IAS 39 for loans and receivables, *i.e.*, at fair value or at amortized cost. We apply the fair value method to portfolios purchased prior to July 1, 2011, and the amortized cost method for portfolios purchased thereafter. In practice, the main difference between the methodologies is the applied discount rate. For more information about the change in accounting methods, see "—*Accounting Methods*."

The fair value method applies a discount rate corresponding to the market's required rate of return for similar assets at any particular point of time (as of the date hereof, a discount rate of 12% is used to discount a ten-year projected cash flow). As a result, the fair value of our purchased portfolios can be sensitive to internal factors, such as our collection levels on the portfolios and cost of debt, but also, to a small extent, to changes in market variables, including interest rates, equity beta, equity market risk premium and portfolio size premium.

The amortized cost approach applies the effective interest rate method. The effective interest rate is calculated on initial recognition of a loan portfolio and reflects a constant periodic return on the carrying amount of the loan portfolio, It is the rate that exactly discounts estimated future receipts through the expected life of the loan portfolio, or when appropriate a shorter period, to the carrying amount of the loan portfolio on initial recognition. In determining the effective interest rate, also referred to as the IRR, the life of the portfolio is capped to 120 months. Costs directly related to the completion of a transaction is part of the initial carrying value and hence influence the effective interest rate calculation. For portfolios recorded under the amortized cost method, the IRRs we typically apply are largely in line with the discount rate applied for portfolios recorded under the fair value method.

The table below sets forth the sensitivity of our portfolios to changes in estimated future cash flows over the forecast period and changes in IRR, respectively.

	As of December 31,		
	2014	2013	2012
		(SEK thousand)	
Carrying value of all acquired loan portfolios	**8,586,782**	**5,997,935**	**3,363,970**
In case the estimated cash flow over the forecast period (ten years) would increase by 5%, the carrying value would increase by	424,369	297,711	130,731
Of which valued at fair value	72,804	—	—
In case the estimated cash flow over the forecast period would decrease by 5%, the carrying value would decrease by	(424,369)	(297,711)	(130,769)
Of which valued at fair value	(72,804)	—	—
Carrying value of loan portfolios acquired prior to July 1, 2011	**1,460,229**	**1,607,061**	**1,768,134**
In case the IRR would decrease by 1%, the carrying value would increase by	46,058	51,104	54,399
In case the IRR would increase by 1%, the carrying value would decrease by	(43,483)	(48,231)	(51,408)
If the forecast period would be shortened by one year, the carrying value would decrease by	(48,622)	—	—
If the forecast period would be extended by one year, the carrying value would increase by(1)	43,413	—	—

(1) Amount calculated to extend forecast period of one year and under the assumption that the additional year's cash flow is estimated to the same level as the forecast period's entire last year.

Net cash flow projections are monitored over the life of respective loan portfolio and may be revised based on, among other things, internal collection efficiency, changes in quality of the related claims or other factors. If cash flow projections are revised, the carrying amount is recalculated by discounting the new net cash flow projection using the initial IRR or—in the fair value option method—the discount factor used at that point in time. Adjustments in the carrying amount triggered by revised projections may be positive or negative, and are recognized in net revenue. Revised cash flow projections may extend beyond the period considered in the initial determination of effective interest rate. They will however never extend more than 120 months into the future.

From time to time, we also purchase portfolios on a forward flow basis. In a forward flow agreement, we agree to buy claims at a pre-defined price or price range for a given volume and quality from a client on an ongoing basis. Claims under forward flow agreements can be delivered on weekly, monthly or quarterly basis. Although each delivery under a forward flow agreement from an accounting perspective is treated as an individual portfolio purchase, with its own IRR, these claims can be assessed both by delivery and by forward flow agreement. The ability to assess claims by delivery has the advantage that we can monitor performance more closely and react with corrective actions more quickly than would be the case if we could only assess claims by portfolio, in which case we would have to wait until any indication of non-performance would have an impact on the portfolio as a whole.

Recognition of Revenue from Acquired Loan Portfolios

In a certain month the net revenue on a loan portfolio is determined by the actual gross collection reduced by the amortization for that particular loan portfolio. The amortization, in turn, is determined by the change in carrying value (*i.e.*, the difference at two points in time between the net present value of expected net collections under the applicable IRR) of the asset during the month. Consequently, over the life of the loan portfolio the initial carrying value will be entirely amortized bringing the carrying value to zero by the end of the life of the portfolio. Since total collections typically correspond to a multiple of the initial carrying value (the initial purchase price) this means net revenue will be gradually recognized throughout the life of the loan portfolio.

The graph below provides an illustrative example of portfolio revenue recognition and change in portfolio carrying value under the effective interest rate methodology, which is based on German example curves for primary, secondary, tertiary and garage portfolios with payers based on a standard payers curve.

Assumptions						
Invested amount	100					
Gross collections 10Y (times invested amount)	1.94x					
Income statement items	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6-Y10**
Cash flow distribution	*16%*	*15%*	*13%*	*11%*	*10%*	*35%*
1 **Gross cash collections**	**31**	**29**	**25**	**22**	**19**	**69**
2 **Portfolio amortizations**	**-14**	**-13**	**-12**	**-10**	**-9**	**-42**
Amortization rate	*45%*	*46%*	*46%*	*47%*	*49%*	*61%*
3 **Revenue (Collections less amortization)**	**17**	**16**	**13**	**11**	**10**	**27**
4 Cost to collect	-4	-4	-3	-3	-3	-11
EBIT	13	12	10	9	7	16
EBIT margin	*77%*	*76%*	*75%*	*75%*	*72%*	*60%*
Balance sheet items	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6-Y10**
Portfolio in-going value	**100**	**86**	**73**	**61**	**51**	**42**
5 Portfolio amortizations	-14	-13	-12	-10	-9	-42
Portfolio end of period	**86**	**73**	**61**	**51**	**42**	**0**
ROI (EBIT / avg. book value)	*14%*	*15%*	*15%*	*15%*	*15%*	*15%*

1 Amount of cash collected on the portfolio. Typically in total approximately 1.5-2.5x the purchase price.

Portfolio amortization based on a forecasted amortization curve

3 Revenue is the actual collections less amortization (based on amortization curve)

4 Collection cost, typically ~10-20% of gross cash collection depending on asset type

5 Balance sheet items written off based on amortization curve

Estimation of Cash Flow Forecasts

The estimation of total future gross collections (*i.e.*, ERC), its distribution in time and the associated collection cost is a key uncertainty within our policies on revenue recognition of purchased portfolios. The estimates are based on our collection history with respect to portfolios comprising similar attributes and characteristics, such as date of purchase, debt originator, type of receivable, customer payment history, customer location, and the time since the original charge-off, as well as on our experience and the existing schedule of repayment plans on the particular portfolio.

Accounting Methods

Our portfolios purchased after July 1, 2011 are recorded using the amortized cost method with individual IRRs on each portfolio. We believe that the amortized cost method is the most appropriate method for assets, such as our portfolios, that are expected to be held to maturity and that this method reduces volatility in the carrying value of the portfolios. Therefore, we believe that this is the prevailing method for portfolios purchased in the current market and that it better reflects the value of the geographically diverse portfolios that we have developed during our growth in recent years. We apply the fair value method to portfolios purchased prior to July 1, 2011, currently using a discount rate of 12% on a ten-year discount period. Although we believe that the amortized cost method is the most appropriate method to apply, we are prevented due to applicable accounting rules from changing the method applied to these historic portfolios since the classification of the asset is decided at the time of inception on the balance sheet. As of December 31, 2014, 17% of the carrying value of our purchased portfolios were recorded using the fair value method.

Key Operating Metrics for Acquired Loan Portfolios

During the periods under review, we have experienced significant growth in our asset base and cash flow generation, which we believe is the result of: (i) the growing volume of portfolios we have been able to purchase; (ii) our pricing accuracy; and (iii) the efficiency and sophistication of our debt collection operations.

The table below sets forth an overview of our total holdings of purchased portfolios as of and for the periods indicated.

	As of and for the year ended December 31,		
	2014	2013	2012
		(SEK thousand)	
Portfolio acquisitions	3,226,795	3,265,806	2,041,085(2)
Carrying value of acquired loans(1)	8,586,782	5,997,935	3,363,907
Gross ERC 120 months	15,576,152	10,672,576	5,980,504

(1) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million and the certificate value of our 50/50 joint venture in Poland of SEK 215.3 million.

(2) Includes the purchase of the run-off consumer loan portfolio in Germany for SEK 529.8 million.

The table below sets forth the carrying value of our holdings of purchased portfolios by country/region in SEK and as a percentage of the total carrying value of our purchased portfolios as of December 31, 2014.

	As of December 31, 2014	
Country/Region	*(SEK thousand)*	*(%)*
Germany / Austria(1)	2,231,593	26.0
Belgium / the Netherlands and France	2,194,000	25.6
United Kingdom	1,797,520	20.9
Poland(2)	1,182,459	13.8
Italy	1,181,210	13.8
Total	**8,586,782**	**100.0**

(1) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million.

(2) Excludes the certificate value of our 50/50 joint venture of SEK 215.3 million.

The table below sets forth our holdings of secured and unsecured purchased portfolios per sector in SEK and as a percentage of the total carrying value of our purchased portfolios as of December 31, 2014.

	As of December 31, 2014(1)	
Sector	*(SEK thousand)*	*(%)*
Financial institutions	8,089,471	94.2
Trade and other	497,312	5.8
Total	**8,586,782**	**100.0**

(1) Excludes the run-off consumer loan portfolio in Germany of SEK 118.8 million and the certificate value of our 50/50 joint venture in Poland of SEK 215.3 million.

For an overview of the carrying value of our holdings of purchased portfolios by country/region and per sector as of December 31, 2013 and 2012, see our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

The table below sets forth the movement in our carrying value of purchased portfolios for the dates indicated.

	As of December, 31(1),		
	2014	2013	2012
		(SEK thousand)	
Carrying value at the beginning of the period	**5,997,935**	**3,363,907**	**2,363,389**
Purchases of portfolios during the period	3,226,795	3,265,806	1,511,240
Divestments	—	(117,170)(2)	—
Amortization	(1,128,103)	(627,120)	(415,981)
Revaluation	(14,916)	(5,570)	(6,935)
Translation differences	505,071	118,082	(87,806)
Carrying value at the end of the period	**8,586,782**	**5,997,935**	**3,363,907**

(1) Excludes our run-off consumer loan portfolio in Germany and our 50/50 joint venture in Poland.

(2) Includes portfolios initially purchased by us and subsequently sold to our joint venture in Poland and a portfolio in the United Kingdom that was sold to a third party.

As described under *"—Recognition of Acquired Loan Portfolios, Revenue Recognition and Estimation of Cash Flow Forecasts*," the IFRS balance sheet carrying value of purchased portfolios is based on our latest ERC forecast. As a result, we believe it is important to assess our purchased portfolios by analyzing the development of our ERC.

The table below sets forth our ERC on purchased portfolios by vintage as of December 31, 2014.

	Months										120-Month Gross ERC
					(SEK thousand)						
Vintage	**0-12**	**13-24**	**25-36**	**37-48**	**49-60**	**61-72**	**73-84**	**85-96**	**97-108**	**109-120**	
Pre-2012	498,533	380,442	348,877	293,176	276,052	251,925	229,934	211,597	185,822	165,362	2,841,719
2012	378,548	305,641	251,647	210,485	175,039	148,505	127,759	105,572	84,571	71,963	1,859,731
2013	1,044,889	869,572	739,901	619,841	541,973	468,829	401,323	341,693	282,702	224,798	5,535,521
2014	1,171,713	1,014,103	783,633	577,182	475,436	392,190	302,936	241,252	215,872	164,865	5,339,181
Total	**3,093,683**	**2,569,758**	**2,124,058**	**1,700,684**	**1,468,500**	**1,261,449**	**1,061,952**	**900,113**	**768,967**	**626,988**	**15,576,152**

During the periods under review, there have not been any material changes in forecast expectations at the overall portfolio level. Our 120-Month Gross ERC on purchased portfolios grew from SEK 6.0 billion as of December 31, 2012 to SEK 15.6 billion as of December 31, 2014. The key underlying factor that affected our 120-Month Gross ERC during the periods under review was the substantial growth in our acquired loan portfolios. The table below sets forth our 120-Month Gross ERC on purchased portfolios as of the dates indicated.

	As of December 31,(1)		
	2014	2013	2012
		(SEK thousand)	
Gross ERC 120 months	15,576,152	10,672,576	5,980,504

Based on our models, as of December 31, 2014, we estimate that the aggregate principal face value of purchased portfolios of SEK 172.1 billion (as of the time of purchase) would generate SEK 15.6 billion in gross collections over the next 120 months. We expect to receive approximately 19.9% of these collections by the end of 2015 and 16.5% of these collections by the end of 2016. These expectations are based on historical data as well as assumptions about future collection rates. We can provide no assurances that we will achieve such collections within the specified time periods, or at all. The table below sets forth the annual distribution of our ERC and amortization on our portfolios over the next 120 months.

	ERC[(1)]	Amortization
	(*SEK thousand*)	
2015	3,093,683	(1,384,219)
2016	2,569,758	(1,316,346)
2017	2,124,058	(1,097,691)
2018	1,700,684	(862,969)
2019	1,468,500	(784,620)
2020	1,261,449	(714,036)
2021	1,061,952	(645,402)
2022	900,113	(598,861)
2023	768,967	(569,301)
2024	626,988	(522,208)
Total	**15,576,152**	**(8,495,654)**[(2)]

(1) ERC means the sum of future projected gross cash collections on purchased portfolios for a set length of time (we measure ERC over 120 months). Consequently, assumptions regarding collections costs are not taken into account when calculating ERC.

(2) Certain portfolios purchased in December 2014 have not yet been included in the Data Warehouse and assigned with an ERC and amortization curves and are therefore accounted for at their purchase price.

While returns achieved on an individual portfolio can vary, we have generated consistent returns on our aggregate purchased portfolios. We have experienced increased gross cash-on-cash multiples as portfolios mature. The table below sets forth certain data related to our purchased portfolios by vintage, such as purchase price, collections, ERC and gross cash-on-cash multiple as of December 31, 2014.

			120 Months		
Vintage	**Purchase Price**[(1)]	**Collections to Date**[(1)]	**Gross ERC 120 Months**	**Total Estimated Collection**	**Gross Cash-on-Cash Multiple**[(2)]
			(*SEK thousand*)		
Pre-2008	2,250,846	4,882,007	1,801,011	6,683,018	3.0x
2008	371,014	675,307	290,149	965,457	2.6x
2009	256,190	449,739	290,694	740,433	2.9x
2010	104,002	159,047	105,077	264,125	2.5x
2011	338,830	416,854	354,788	771,642	2.3x
2012	1,544,410	1,209,142	1,859,731	3,068,873	2.0x
2013	3,393,682	1,821,791	5,535,521	7,357,312	2.2x
2014	3,271,850	477,223	5,339,181	5,816,404	1.8x
Total[(3)]	**11,530,824**	**10,091,112**	**15,576,152**	**25,667,264**	**2.2x**

(1) For presentation purposes in order to match the "Gross ERC 120 Months" as of December 31, 2014, the amounts included under "Purchase Price" and "Collections to Date" have been translated from EUR into SEK using the applicable exchange rate as of December 31, 2014. Consequently, these numbers may differ from historical purchase and collection data included elsewhere in this Offering Memorandum.

(2) Gross Cash-on-Cash Multiple means the actual collections before collection costs received on a portfolio to the date that the multiple is measured, plus the 120-month ERC before collection costs as of today, divided by the total amount paid for the portfolio at the date of purchase.

(3) The table includes portfolios owned by us as of December 31, 2014 and excludes portfolios that have been divested during the periods.

The table below sets forth our return on acquired loan portfolios as of the periods indicated. During the periods under review, our return on acquired loan portfolios has increased from 8.9% as of December 31, 2012 to 9.9% as of December 31, 2014.

	As of December 31,		
	2014	**2013**	**2012**
		(%)	
Return on acquired loan portfolios[(1)]	9.9	10.2	8.9

(1) Return on acquired loan portfolios means our EBIT year to date, excluding costs for central functions, which on an annualized basis is compared to the average book value of our acquired loan portfolios (including our run-off consumer loan portfolio in Germany and our 50/50 joint venture in Poland) (*i.e.*, start of period + end of period) divided by two. EBIT contributions from services unrelated to our acquired loan portfolios, *i.e.*, revenue from debt servicing, are not excluded for reasons of simplicity. They constitute in general a small part of consolidated revenue and EBIT.

Description of Principal Consolidated Balance Sheet Line Items

The following is a discussion of our key consolidated balance sheet line items.

Acquired Loan Portfolios

Acquired loan portfolios consist of portfolios purchased at prices significantly below the nominal face value, which are recognized at amortized cost or at fair value, as described in more detail under "*Recognition of Acquired Loan Portfolios.*" We apply the fair value method to portfolios purchased prior to July 1, 2011, and the amortized cost method for portfolios purchased thereafter.

Lending to Credit Institutions

Lending to credit institutions consists of cash (excess liquidity) deposited with various banks.

Treasury Bills and Treasury Bonds

Treasury bills and treasury bonds consist of bills and bonds issued by national governments.

Bonds and Other Securities

Bonds and other securities consist of listed bonds and other securities.

Deposits From the Public

Deposits from the public consist of the cash deposited in the retail deposits that we offer to the general public as part of HoistSpar.

Description of Principal Operating Income Statement Line Items

Due to our status as a "Credit Market Company," we are required to produce financial statements in accordance with the guidance and format set forth in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (Sw. *lag (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag*). The Statutory Financial Statements have been included elsewhere herein and information relating to our income statement and balance sheet, as set forth in "*Selected Consolidated Financial, Operating and Other Data—Selected Income Statement Data*," has been extracted from the Statutory Financial Statements. The income statement in the Statutory Financial Statements is structured to present the Company as a credit institution. In order for the Board of Directors and management to assess the operational performance of our debt purchasing and collection operations and to facilitate comparison with our competitors in the debt purchasing industry, we supplement the Statutory Financial Statements by producing the Operating Income Statement as set forth in Note 1 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum. The Operating Income Statement contains no adjustments or amendments compared to, and has been prepared on the basis of the same accounting principles as, the income statements in the Statutory Financial Statements. For the reasons set forth above, we believe that the format of the Operating Income Statement is helpful to investors, and, accordingly, the discussion of our results of operations below is structured according to the Operating Income Statement. The following is a discussion of our key income statement line items as presented in such Operating Income Statement.

Income from Acquired Loan Portfolios (Gross Cash Collections)

Gross cash collections from acquired loan portfolios include payments made by our customers on claims included in our portfolios.

Portfolio Amortization and Revaluation

Portfolio amortization and revaluation includes: (i) amortization of purchased portfolios; and (ii) positive or negative revaluations of purchased portfolios due to such portfolios displaying indications of expected cash flows above or below the current forecast or due to changes in the discount rate applied to our portfolios recorded pursuant to the fair value method.

Interest Income From Run-Off Consumer Loan Portfolio

Interest income from run-off consumer loan portfolio includes interest as of year-end derived from our run-off consumer loan portfolio in Germany of SEK 118.8 million that contains performing loans.

Fee and Commission Income

Fee and commission income includes commission generated from our third-party collection services.

Other Operating Income

Other operating income includes income related to certain one-off items and adjustments, such as release of accruals and transferred expenses.

Profit from Shares and Participation in Joint Venture

Shares and participation in joint venture relate to our holding through Hoist Kredit in "BEST III" Sec Fund, which is a Polish closed-end fund for the purpose of purchasing debt portfolios. The investment is consolidated according to the equity method, pursuant to which the investment is initially recorded on the balance sheet as the net assets value ("**NAV**") of our participation in the joint venture under the line item "Shares and participation in joint venture." Thereafter, changes in the NAV are recorded in the income statement under "Profit from shares and participation in joint venture." For the establishment of the NAV, we apply the same principles that are used by the Sec Fund, which means that portfolios held by the fund are valued at fair market value in accordance with market practice in Poland.

Personnel Expenses

Personnel expenses include the payment of salaries, social security contributions, pensions and other staff-related expenses.

Other Operating Expenses

Other operating expenses include costs directly related to the servicing of purchased portfolios, primarily direct costs for external collection services, such as skip tracing and third-party collection providers. Other operating expenses also include consultancy fees, audit fees, information technology-related expenses, expenses for premises, travel expenses, bank fees and other costs.

Depreciation and Amortization of Tangible and Intangible Fixed Assets

Depreciation and amortization includes the depreciation of tangible fixed assets and amortization of intangible assets for the relevant period, based on the expected economic useful life of the assets. Tangible fixed assets include machinery and equipment. Intangible fixed assets include goodwill and licenses and software.

Interest Income

Interest income includes interest received from credit institutions, interest rate swap ("**IRS**") derivatives and loan receivables.

Interest Expense

Interest expense includes interest paid on our retail deposits, subordinated loans, IRS derivatives and the three series of notes we have issued: SEK 750 million senior unsecured notes due 2016, SEK 350 million subordinated notes due 2023 and EUR 100 million senior unsecured notes due 2017. Interest expense also includes costs for our participation in the Swedish state-provided deposit insurance scheme and the related stability fee.

Net Result From Financial Transactions

Net result from financial transactions includes realized and unrealized profit or losses on financial instruments relating to exchange rate and interest rate exposures and to which hedge accounting is not applied.

Income Tax Expense

Income taxes consist of current and deferred tax. Income taxes are recognized through profit or loss unless the underlying transaction is directly recognized in equity or other comprehensive income, in which case the related tax effect is also recognized in equity or other comprehensive income, respectively. Current tax is the tax paid or received for the current year, applying the tax rates that apply as at the balance sheet date, including adjustments for current tax attributable to previous periods. Deferred income tax is calculated according to the balance sheet method based on temporary differences between the carrying value of assets and liabilities and their value for tax purposes.

Recent Developments

The information below is based on our internal management accounts and represents our preliminary expectations with respect to our results to date in 2015. These estimates have been prepared by and are the responsibility of our management and have not been reviewed or audited by an auditor and investors should not place undue reliance on them. While we believe these estimates to be reasonable, our actual results could vary from these estimates and the differences could be material, see "*Forward-Looking Statements*."

Our gross cash collections, EBIT and portfolio purchases during the two months ended February 28, 2015 are in line with the seasonal trends described in "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—Seasonality*" and, consequently, we do not expect that our annual results for 2015 will be evenly realized across the quarters.

Our EBIT during the two months ended February 28, 2015, adjusted to exclude the effect of the non-recurring items discussed below, has been in line with our expectations. Our overall gross cash collections have been somewhat below our expectations. Collections in Poland and France have been lower than expected, while collections are in line or above expectations in remaining markets, with the major portfolio purchased in Italy in December 2014 having been integrated and delivered collections according to plan. While gross cash collections have been lower, this has been off-set by lower than expected collection costs.

The volume of portfolios that we have purchased during the two months ended February 28, 2015 is lower than in the corresponding period of 2014. This portfolio purchase volume is, however, only slightly lower than expected as we intentionally have invested selectively in anticipation of being able to deploy the capital generated by the Offering and as there is traditionally less market activity in the first quarter of the year. We remain confident about our ability to meet our 2015 portfolio investment guidance. See "*Business Overview—Our 2015 Portfolio Investment Expectations and Medium Term Financial Targets.*"

As a result of our acquisition of Navi Lex in Poland, we have been migrating into our own collection systems portfolios that were previously serviced by third-party collection providers, and these portfolios have been assessed in light of our collection strategies. Due to this assessment, in combination with a renegotiated servicing contract with a main third-party collection provider, we recorded a negative revaluation in the two months ended February 28, 2015 of approximately SEK 4 million. Further assessments of the Navi Lex portfolios are ongoing, which may result in additional revaluations before the quarter ended March 31, 2015. For more detailed information on revaluations, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Other Key Factors—Revaluations of Acquired Loan Portfolios*."

Market interest rate developments have had an adverse effect on our results through February 2015, continuing the trend from 2014, and we expect this trend to continue through the three months ended March 31, 2015. We realized a loss of approximately SEK 8 million from our interest rate swap in the two months ended February 28, 2015. As our interest rate swap is marked-to-market, additional gains/losses may be recorded before the end of the quarter ended March 31, 2015. In addition, to date, the cash inflow from our retail deposits (primarily our 12 month, 24 month and 36 month term deposits) has been significantly higher than expected despite our decisions to twice reduce our offered interest rates which were effective at the end of January and early March 2015, as similar providers of retail deposits also reduced their interest rates consistent with market developments. The lowered interest rates will not have their full impact in the first quarter of 2015 and despite lower interest rates, our interest expense for the two months ended February 28, 2015 was higher than anticipated, as a result of the high cash inflow from our retail deposits.

We will record certain non-recurring items in the three months ended March 31, 2015. On February 25, 2015, our annual general meeting resolved to carry out a directed share issue to Cruz Industries Ltd ("Cruz"), a company in which Najib Nathoo (head of our operations in the United Kingdom) has an interest as a potential beneficiary to the trust that is the majority owner of Cruz, as further described in "*Shares and Share Capital—Comments to the Share Capital History and Certain Ownership Changes During 2014 and 2015.*" The share issue was made in connection with an agreement dated March 3, 2015 between Hoist Kredit and Cruz under which: (i) Hoist Kredit acquired Cruz's 10% minority shareholding in Hoist Kredit's subsidiary, Hoist Finance UK Ltd, and (ii) Cruz agreed to invest the consideration by subscribing for the newly issued Shares in Hoist Finance. The purchase price for Hoist Kredit's acquisition of Cruz's minority stake amounted to SEK 32.6 million, the entire amount of which will be recorded in personnel expenses in the three months ended March 31, 2015.

The transaction costs associated with the Offering charged to the Company are expected to amount to approximately SEK 75 million, including commissions and fees (fixed and discretionary) payable by the Company to the Managers and other advisors, of which approximately 50% is expected to be deducted from the gross proceeds of our sale of New Shares in the Offering and approximately 50% is expected to be recorded as an operating expense in the three months ended March 31, 2015.

Financial Position and Results of Operations

Consolidated Balance Sheet as of December 31, 2014 Compared to December 31, 2013

Acquired Loan Portfolios

Our acquired loan portfolios increased by SEK 2,588.9 million, or 43.2%, from SEK 5,997.9 million as of December 31, 2013 to SEK 8,586.8 million as of December 31, 2014. The increase in our portfolios was driven by our investments in debt portfolios throughout the year, particularly in the fourth quarter in which 47.8% of our total purchases were made, and by positive effect of foreign currency translation. The increase was offset by customary amortization and revaluation of portfolios in the amount of SEK 1,143.0 million.

Liquidity Reserve

Lending to Credit Institutions

Our lending to credit institutions decreased by SEK 2,634.0 million, or 67.1%, from SEK 3,926.7 million as of December 31, 2013 to SEK 1,292.7 million as of December 31, 2014. The decrease in lending to credit institutions was primarily due to a reallocation of our liquidity reserve driven by changed regulatory requirements, as a result of which a smaller part of our liquidity was deposited with various banks.

Treasury Bills and Treasury Bonds

Our treasury bills and treasury bonds increased from SEK 0 million as of December 31, 2013 to SEK 2,316.1 million as of December 31, 2014. The increase in treasury bills and treasury bonds was driven primarily by a reallocation of our liquidity reserve from lending to credit institutions to treasury bills and treasury bonds due to changed regulatory requirements on how to reserve capital for exposures to credit institutions, as a result of which we aimed to further diversify our liquidity portfolio by starting to invest in bills and bonds issued by national governments.

Bonds and Other Securities

Our bonds and other securities increased by SEK 653.6 million, or 50.4%, from SEK 1,297.7 million as of December 31, 2013 to SEK 1,951.2 million as of December 31, 2014. The increase in bonds and other securities was mainly due to a reallocation of our liquidity reserve from lending to credit institutions to bonds and other securities due to changed regulatory requirements on how to reserve capital for exposures to credit institutions.

Deposits From the Public

Our deposits from the public increased by SEK 1,285.8 million, or 13.3%, from SEK 9,701.5 million as of December 31, 2013 to SEK 10,987.3 million as of December 31, 2014. The increase in our deposits was driven primarily by our interest rate levels which remained competitive relative to similar providers of retail deposits, despite a decrease in the average interest rates on our deposits during the year. The average interest rates on our Flex deposits, 12 months deposits, 24 months deposits and 36 months deposits went from 2.5%, 3.1%, 3.4% and 3.4%, respectively, for the year ended December 31, 2013, to 1.9%, 2.6%, 3.1% and 3.2%, respectively, for the year ended December 31, 2014.

Operating Income Statement for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

The table below sets forth our results of operations and the period on period percentage of change for the periods indicated.

	For the year ended December 31,		
	2014	**Change in %**	**2013**
	(*SEK thousand*)		(*SEK thousand*)
Income from acquired loan portfolios (gross cash collections)	2,541,311	54.9	1,641,007
Portfolio amortization and revaluation	(1,143,020)	80.7	(632,690)
Interest income from run-off consumer loan portfolio	38,180	(44.7)	69,080
Net revenue	**1,436,471**	**33.3**	**1,077,397**
Fee and commission income	153,222	2.7	149,142
Profit from shares and participation in joint venture	58,662	61.1	36,406
Other operating income	12,219	0.6	12,152
Total revenue	**1,660,574**	**30.2**	**1,275,097**
Personnel expenses	(473,200)	22.4	(386,757)
Other operating expenses	(627,467)	16.1	(540,705)
Depreciation and amortization of tangible and intangible fixed assets	(30,281)	41.0	(21,476)
EBIT	**529,626**	**62.4**	**326,159**
Interest income	51,551	(40.7)	86,908
Interest expense	(344,969)	33.6	(258,176)
Net result from financial transactions	(17,719)	264.6	(4,860)
Profit before tax	**218,489**	**45.6**	**150,031**
Income tax expense	(38,386)	15.9	(33,115)
Net profit for the year	**180,103**	**54.0**	**116,916**

Total Revenue

Our total revenue increased by SEK 385.5 million, or 30.2%, from SEK 1,275.1 million in the year ended December 31, 2013 to SEK 1,660.6 million in the year ended December 31, 2014. The key underlying factor that affected our results of operations during 2014 was the substantial growth in our acquired loan portfolios. The increase was driven by the factors described in more detail below under: (i) income from acquired loan portfolios (gross cash collections); (ii) portfolio amortization and revaluation; (iii) interest income from run-off consumer loan portfolio; (iv) fee and commission income; (v) other operating income; and (vi) profit from shares and participation in joint venture. For a discussion on our total revenue by segment, see "*—Results of Operations on a Segment Basis—Total Revenue.*"

Income from Acquired Loan Portfolios (Gross Cash Collections)

Our gross cash collections from acquired loan portfolios increased by SEK 900.3 million, or 54.9%, from SEK 1,641.0 million in the year ended December 31, 2013 to SEK 2,541.3 million in the year ended December 31, 2014. The increase was primarily due to increased collections as a result of significant portfolio purchases during 2014, as well as a full year of collections carried out on the significant amount of portfolios purchased throughout 2013.

Portfolio Amortization and Revaluation

Our portfolio amortization and revaluation increased by SEK 510.3 million, or 80.7%, from SEK 632.7 million in the year ended December 31, 2013 to SEK 1,143.0 million in the year ended December 31, 2014. The increase was driven primarily by higher amortization levels due to the increased aggregate value of our portfolios.

Interest Income From Run-Off Consumer Loan Portfolio

Our interest income from run-off consumer loan portfolio decreased by SEK 30.9 million, or 44.7%, from SEK 69.1 million in the year ended December 31, 2013 to SEK 38.2 million in the year ended December 31, 2014. The decrease was driven by the gradual repayment of loans included in the portfolio.

Fee and Commission Income

Our fee and commission income increased by SEK 4.1 million, or 2.7%, from SEK 149.1 million in the year ended December 31, 2013 to SEK 153.2 million in the year ended December 31, 2014. The increase was driven by a slight increase in third-party collection services in the United Kingdom, offset in part by a slight decrease in Germany/Austria.

Other Operating Income

Our other operating income remained stable at SEK 12.2 million in the year ended December 31, 2014 compared to the year ended December 31, 2013.

Profit from Shares and Participation in Joint Venture

Our profit from shares and participation in joint venture increased by SEK 22.3 million, or 61.1%, from SEK 36.4 million in the year ended December 31, 2013 to SEK 58.7 million in the year ended December 31, 2014. The increase in 2014 was primarily due to the negative effect in 2013 of lower profits from our participation in the joint venture as the NAV was reduced because of renegotiated servicing fees for the life of the portfolios with the joint venture's main third-party collection provider. In addition, decreased market rates in 2014 had a slight positive impact on the profit share of our holding. The increase in profit from shares and participation in joint venture was offset in part by continued limited portfolio investments by the joint venture.

Personnel Expenses

Our personnel expenses increased by SEK 86.4 million, or 22.4%, from SEK 386.8 million in the year ended December 31, 2013 to SEK 473.2 million in the year ended December 31, 2014. As a percentage of total revenue, personnel expenses decreased from 30.3% in the year ended December 31, 2013 to 28.5% in the year ended December 31, 2014. The overall increase in personnel expenses was driven primarily by personnel transferred to us as part of certain portfolio purchases and the acquisition of TRC in Italy, a full year effect of employees transferred to us as part of the lewis group acquisition in August 2013, the build-up of our collection platform in Lille, France and generally increased volumes of portfolios to manage. The increase in personnel expenses was offset in part by a reduction in personnel in the United Kingdom due to continued restructuring measures and related redundancies following our acquisition of the lewis group, which normalized our personnel expenses in the United Kingdom when these measures were completed towards the end of the year.

Other Operating Expenses

Our other operating expenses increased by SEK 86.8 million, or 16.1%, from SEK 540.7 million in the year ended December 31, 2013 to SEK 627.5 million in the year ended December 31, 2014. However, as a percentage of total revenue, other operating expenses decreased from 42.4% in the year ended December 31, 2013 to 37.8% in the year ended December 31, 2014, due to the benefits generated from economies of scale as a result of our growth and recent acquisitions. Collection costs (such as legal fees, customer information services and tracing of customers, travel and consulting fees and commissions to external debt collectors) represented 54.6%, IT-related expenses (such as IT consultant fees and IT expenses) represented 6.0%, and other operating expenses (such as professional services, rent, bank fees and other expenses) represented 39.4% of total other operating expenses in the year ended December 31, 2014, compared to 40.9%, 4.6% and 54.5%, respectively, in the year ended December 31, 2013. The increase in other operating expenses was driven by generally higher volumes of portfolios to manage and increased use of third-party collection providers, particularly in the Netherlands where we bought a major portfolio in 2013 that partly is serviced by such external provider. The increase in other operating expenses was also due to continued operational restructurings in France and continued strengthening of Group functions, as well as costs related to the acquisitions of TRC in Italy and Navi Lex in Poland. The increase in other operating expenses was offset in part by normalized cost levels in Poland following a period of substantial initial costs related to large portfolio purchases.

Depreciation and Amortization of Tangible and Intangible Fixed Assets

Our depreciation and amortization of tangible and intangible fixed assets increased by SEK 8.8 million, or 41.0%, from SEK 21.5 million in the year ended December 31, 2013 to SEK 30.3 million in the year ended December 31, 2014. The increase was driven by continued depreciation and amortization of information technology investments made in 2012 and 2014, our acquisition of the assets and operations of TRC and investments related to the build-up of our collection platform in Lille, France.

EBIT

Our EBIT increased by SEK 203.5 million, or 62.4%, from SEK 326.2 million in the year ended December 31, 2013 to SEK 529.6 million in the year ended December 31, 2014. The increase was primarily driven by increased collections as a result of significant portfolio purchases during 2014 and a full year of collections carried out on the significant portfolios purchased throughout 2013. The increase in EBIT was, to a lesser extent, also due to a slight increase in fee and commission income and an increase in profit from shares and participation in joint venture. The increase in EBIT was offset, in part, by increased personnel costs and increased other operating expenses due to increased use of third-party collection providers in certain markets, continued operational restructurings in France and continued strengthening of Group functions. For a discussion on our EBIT by segment, see "*—Results of Operations on a Segment Basis—EBIT*."

Interest Income

Our interest income decreased by SEK 35.4 million, or 40.7%, from SEK 86.9 million in the year ended December 31, 2013 to SEK 51.6 million in the year ended December 31, 2014. The decrease was driven by generally lower market interest rates and increased investments in assets with lower credit risk and lower return as a result of the reallocation of our liquidity reserve due to changed regulatory requirements.

Interest Expense

Our interest expense increased by SEK 86.8 million, or 33.6%, from SEK 258.2 million in the year ended December 31, 2013 to SEK 345.0 million in the year ended December 31, 2014. The increase was mainly attributable to the issuance of our EUR 100 million senior unsecured notes, as well as increased volumes in our retail deposits, partly offset by a decrease in the average interest rates offered on our deposits during the year. The average volume of our deposits for the year ended December 31, 2013 was SEK 8,536.8 million compared to SEK 9,552.9 million for the year ended December 31, 2014. The average interest rates on our Flex deposits, 12 months deposits, 24 months deposits and 36 months deposits went from 2.5%, 3.1%, 3.4% and 3.4%, respectively, for the year ended December 31, 2013, to 1.9%, 2.6%, 3.1% and 3.2%, respectively, for the year ended December 31, 2014.

Net Result From Financial Transactions

Our net result from financial transactions decreased by SEK 12.9 million, from negative SEK 4.9 million in the year ended December 31, 2013 to negative SEK 17.7 million in the year ended December 31, 2014. The decrease was driven by negative financial results from interest rate hedging.

Income Tax Expense

Our income tax expense increased by SEK 5.3 million, or 15.9%, from SEK 33.1 million in the year ended December 31, 2013 to SEK 38.4 million in the year ended December 31, 2014. The increase was driven by the growth of our business. However, our effective tax rate decreased in the year ended December 31, 2014 compared to the year ended December 31, 2013 due primarily to the effect of losses carry forward that were utilized and had not been recorded on the balance sheet and had a positive effect on our reported tax expense of SEK 23.3 million. In addition, non-taxable income included in the consolidated profit and deductible expenses that were not included in the consolidated profit had a slight positive impact on tax expense.

Net Profit for the Year

We recognized a net profit of SEK 180.1 million in the year ended December 31, 2014 and a net profit of SEK 116.9 million in the year ended December 31, 2013.

Adjusted EBITDA

Our Adjusted EBITDA increased by SEK 650.0 million, or 56.8%, from SEK 1,143.5 million in the year ended December 31, 2013 to SEK 1,793.5 million in the year ended December 31, 2014. The increase was primarily driven by increased collections as a result of significant portfolio purchases during 2014 and a full year of collections carried out on the significant portfolios purchased throughout 2013. The increase in Adjusted EBITDA was, to a lesser extent, also due to a slight increase in fee and commission income and an increase in profit from shares and participation in joint venture. The increase in Adjusted EBITDA was offset, in part, by increased personnel costs and increased other operating expenses due to increased use of third-party collection providers in certain markets, continued operational restructurings in France and continued strengthening of Group functions.

Adjusted EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company. For a reconciliation of Adjusted EBITDA to net profit/(loss), see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information and Operating Data*."

Consolidated Balance Sheet as of December 31, 2013 Compared to December 31, 2012

Acquired Loan Portfolios

Our acquired loan portfolios increased by SEK 2,634 million, or 78.3%, from SEK 3,364 million as of December 31, 2012 to SEK 5,998 million as of December 31, 2013. The increase in acquired loan portfolios was driven by our investments in portfolios of NPLs, including a major portfolio purchase in the Netherlands, which we believe was the largest NPL transaction in the Netherlands at the time, a significant portfolio purchase in Poland, which we believe was the largest NPL purchase in Poland at the time, and the acquisition of the lewis group, which included a significant portfolio of debt claims. The increase was offset by customary amortization and revaluation of portfolios in the amount of SEK 632.7 million.

Liquidity Reserve

Lending to Credit Institutions

Our lending to credit institutions increased by SEK 1,681.0 million, or 74.9%, from SEK 2,245.7 million as of December 31, 2012 to SEK 3,926.7 million as of December 31, 2013. The increase in lending to credit institutions was driven primarily by operating cash flow, an increase in cash generated by our retail deposits offered to the general public and the proceeds from our issuances of SEK 750 million senior unsecured notes and SEK 350 million subordinated notes, a large part of which we deposit with various banks.

Bonds and Other Securities

Our bonds and other securities increased by SEK 565.0 million, or 77.1%, from SEK 732.7 million as of December 31, 2012 to SEK 1,297.7 million as of December 31, 2013. The increase in bonds and other securities was mainly due to operating cash flow, an increase in cash deposited in the retail deposits that we offer to the general public and the liquidity from our issuances of SEK 750 million senior unsecured notes and SEK 350 million subordinated notes, part of which we invested in listed bonds and other securities.

Deposits From the Public

Our deposits from the public increased by SEK 3,335.2 million, or 52.4%, from SEK 6,366.3 million as of December 31, 2012 to SEK 9,701.5 million as of December 31, 2013. The increase in our deposits was driven primarily by the introduction to our savings offering of term deposits (12 months, 24 months and 36 months deposits) at the end of 2012, which resulted in growing numbers of opened deposits in 2013. SEK 2,580.9 million was deposited in our term deposits as of December 31, 2013, which represented 26.6% of our total deposits. Despite a decrease in the average interest rates on our deposits during the year, the interest rates remained competitive relative to similar providers of retail deposits. The average interest rates on our Flex deposits, 12 months deposits, 24 months deposits and 36 months deposits went from 3.1%, 3.2%, 3.5% and 3.5%, respectively, for the year ended December 31, 2012, to 2.5%, 3.1%, 3.4% and 3.4%, respectively, for the year ended December 31, 2013.

Operating Income Statement for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

The table below sets forth our results of operations and the period on period percentage of change for the periods indicated.

	For the year ended December 31,		
	2013	Change in %	2012
	(SEK thousand)		*(SEK thousand)*
Income from acquired loan portfolios (gross cash collections)	1,641,007	84.9	887,310
Portfolio amortization and revaluation	(632,690)	(49.6)	(422,916)
Interest income from run-off consumer loan portfolio	69,080	103.5	33,953
Net revenue	**1,077,397**	**116.2**	**498,347**
Fee and commission income	149,142	218.3	46,854
Profit from shares and participation in joint venture	36,406	(34.7)	55,724
Other operating income	12,152	(81.7)	66,278
Total revenue	**1,275,097**	**91.1**	**667,203**
Personnel expenses	(386,757)	65.1	(234,277)
Other operating expenses	(540,705)	115.9	(250,391)
Depreciation and amortization of tangible and intangible fixed assets	(21,476)	(60.7)	(54,635)
EBIT	**326,159**	**155.0**	**127,900**
Interest income	86,908	(24.2)	114,598
Interest expense	(258,176)	39.1	(185,653)
Net result from financial transactions	(4,860)	81.8	(26,639)
Profit before tax	**150,031**	**n/m**	**30,206**
Income tax expense	(33,115)	n/m	(1,462)
Net profit for the year	**116,916**	**n/m**	**28,744**

Total Revenue

Our total revenue increased by SEK 607.9 million, or 91.1%, from SEK 667.2 million in the year ended December 31, 2012 to SEK 1,275.1 million in the year ended December 31, 2013. The key underlying factor that affected our results of operations during 2013 was the substantial growth in our acquired loan portfolios. The increase in revenue was driven by the factors described in more detail below under: (i) income from acquired loan portfolios (gross cash collections); (ii) portfolio amortization and revaluation; (iii) interest income from run-off consumer loan portfolio; (iv) fee and commission income; (v) other operating income; and (vi) profit from shares and participation in joint venture. For a discussion on our total revenue by segment, see "*—Results of Operations on a Segment Basis—Total Revenue.*"

Income from Acquired Loan Portfolios (Gross Cash Collections)

Our gross cash collections from acquired loan portfolios increased by SEK 753.7 million, or 84.9%, from SEK 887.3 million in the year ended December 31, 2012 to SEK 1,641.0 million in the year ended December 31, 2013. The increase was primarily due to increased collections as a result of significant portfolio purchases during 2013, as well as a full year of collections carried out on the significant portfolios purchased throughout 2012.

Portfolio Amortization and Revaluation

Our line item portfolio amortization and revaluation increased by SEK 209.8 million, or 49.6%, from SEK 422.9 million in the year ended December 31, 2012 to SEK 632.7 million in the year ended December 31, 2013. The increase was driven by higher amortization levels due to the increased aggregate value of our portfolios. The increase was also impacted, in part, by negative revaluations of portfolios of SEK 5.6 million, primarily due to lower than expected collections in France resulting from capacity constraints and operational restructurings. The increase in portfolio amortization and revaluation was offset by a one-off positive write-up of SEK 63.6 million due to the acquisition of the lewis group in the United Kingdom below cost; however, the acquisition involved challenges in taking over the business and we incurred restructuring costs in connection with the post-acquisition integration process.

Interest Income From Run-Off Consumer Loan Portfolio

Our interest income from our run-off consumer loan portfolio increased by SEK 35.1 million, from SEK 34.0 million in the year ended December 31, 2012 to SEK 69.1 million in the year ended December 31, 2013. The increase was driven by a full year effect from our run-off consumer loan portfolio in Germany that was purchased in June 2012.

Fee and Commission Income

Our fee and commission income increased by SEK 102.3 million, from SEK 46.9 million in the year ended December 31, 2012 to SEK 149.1 million in the year ended December 31, 2013. The increase was driven by our acquisition in the United Kingdom of Robinson Way in November 2012 and the lewis group in August 2013, which provide significant volumes of third-party collection services.

Other Operating Income

Our other operating income decreased by SEK 54.1 million, or 81.7%, from SEK 66.3 million in the year ended December 31, 2012 to SEK 12.2 million in the year ended December 31, 2013. The decrease in 2013 compared to 2012 was driven by negative goodwill from the acquisition of Robinson Way, which was recorded as other operating income of SEK 62.7 million in 2012.

Profit from Shares and Participation in Joint Venture

Our profit from shares and participation in joint venture decreased by SEK 19.3 million, or 34.7%, from SEK 55.7 million in the year ended December 31, 2012 to SEK 36.4 million in the year ended December 31, 2013. The decrease was due to lower profits from our participation in the joint venture as the NAV was reduced because of renegotiated servicing fees for the life of the portfolios with the joint venture's main third-party collection provider and a declining balance of portfolios in the joint venture due to limited investments.

Personnel Expenses

Our personnel expenses increased by SEK 152.5 million, or 65.1%, from SEK 234.3 million in the year ended December 31, 2012 to SEK 386.8 million in the year ended December 31, 2013. As a percentage of total revenue, personnel expenses decreased from 35.1% in the year ended December 31, 2012 to 30.3% in the year ended December 31, 2013. The overall increase in personnel expenses was driven primarily by the personnel added as part of our acquisitions in the United Kingdom of Robinson Way in 2012 and the lewis group in 2013, increased number of personnel hired to our Group headquarters in order to manage our growth and strengthen our finance, risk control and compliance functions and a one-off cost of SEK 8.4 million related to redundancies and costs to close our office in Eschborn, Germany as the secured assets operations were migrated to our Duisburg platform.

Other Operating Expenses

Our other operating expenses increased by SEK 290.3 million, from SEK 250.4 million in the year ended December 31, 2012 to SEK 540.7 million in the year ended December 31, 2013. As a percentage of total revenue, other operating expenses increased from 37.5% in the year ended December 31, 2012 to 42.4% in the year ended December 31, 2013. Of our total other operating expenses in the year ended December 31, 2013, collection costs (such as legal fees, customer information services and tracing of customers, travel and consulting fees and commissions to external debt collectors) represented 40.9%, IT-related expenses (such as IT consultant fees and IT expenses) represented 4.6%, and other operating expenses (such as professional services, rent, bank fees and other expenses) represented 54.5%. In the year ended December 31, 2012, collection costs, IT-related expenses and other operating expenses represented 38.0%, 7.1% and 54.9%, respectively, of our total other operating expenses. The increase in other operating expenses was driven by increased use of consultants on Group level in relation to legal restructurings, temporary projects and the production of quarterly and annual reports due to our bonds issued during the year. The increase in other operating expenses was also driven by one-off transaction costs and stamp duty related to our acquisition of the lewis group in the United Kingdom, increased fees paid to our debt collection servicing partners in the Netherlands, Italy and Poland and restructuring costs related to our French operations and the provision of SEK 68.5 million for a restructuring reserve in the United Kingdom.

Depreciation and Amortization of Tangible and Intangible Fixed Assets

Our depreciation and amortization of tangible and intangible fixed assets decreased by SEK 33.2 million, or 60.7%, from SEK 54.6 million in the year ended December 31, 2012 to SEK 21.5 million in the year ended December 31, 2013. The decrease in 2013 was primarily due to the one-off impairment of goodwill in the French operations of SEK 39.3 million recorded in 2012, offset by commenced depreciation and amortization of information technology investments made in 2012 and 2013.

EBIT

Our EBIT increased by SEK 198.3 million, from SEK 127.9 million in the year ended December 31, 2012 to SEK 326.2 million in the year ended December 31, 2013. The increase was primarily driven by increased collections as a result of significant portfolio purchases during the year, a full year of collections carried out on the significant portfolios purchased throughout 2012 and increased fee and commission income as a result of our acquisitions in the United Kingdom of Robinson Way in November 2012 and the lewis group in August 2013. The increase was offset by portfolio amortizations and revaluations, increased personnel costs in the United Kingdom and Germany and one-off transaction costs and stamp duty related to our acquisition of the lewis group. The increase in EBIT was also offset by restructuring costs related to our French and U.K. operations and increased fees paid to our debt collection servicing partners due to the increased volumes of serviced portfolios. For a discussion on our EBIT by segment, see "*—Results of Operations on a Segment Basis—EBIT*."

Interest Income

Our interest income decreased by SEK 27.7 million, or 24.2%, from SEK 114.6 million in the year ended December 31, 2012 to SEK 86.9 million in the year ended December 31, 2013. The decrease was driven by generally lower interest rates in the markets, which was not compensated by our higher levels of cash deposited with various banks and our investments in bonds and other securities.

Interest Expense

Our interest expense increased by SEK 72.5 million, or 39.1%, from SEK 185.7 million in the year ended December 31, 2012 to SEK 258.2 million in the year ended December 31, 2013. The increase was mainly attributable to our issuances of the SEK 750 million senior unsecured notes and the SEK 350 million subordinated notes, as well as the increased volumes in our retail deposits, partly offset by a decrease in the average interest rates offered on our deposits during the year. The average volume of our deposits for the year ended December 31, 2012 was SEK 4,855.6 million compared to SEK 8,536.8 million for the year ended December 31, 2013. The average interest rates on our Flex deposits, 12 months deposits, 24 months deposits and 36 months deposits went from 3.1%, 3.2%, 3.5% and 3.5%, respectively, for the year ended December 31, 2012, to 2.5%, 3.1%, 3.4% and 3.4%, respectively, for the year ended December 31, 2013.

Net Result From Financial Transactions

Our net result from financial transactions increased by SEK 21.8 million, or 81.8%, from negative SEK 26.6 million in the year ended December 31, 2012 to negative SEK 4.9 million in the year ended December 31, 2013. The increase was driven by improved financial results from exchange rate hedging.

Income Tax Expense

Our income tax expense increased by SEK 31.7 million, from SEK 1.5 million in the year ended December 31, 2012 to SEK 33.1 million in the year ended December 31, 2013. Our effective tax rate increased from 4.8% in the year ended December 31, 2012 to 22.1% in the year ended December 31, 2013, primarily due to special circumstances in 2012, in which year we had considerable tax exempt income and non-deductible costs that had not been recorded as temporary alterations on the balance sheet.

Net Profit for the Year

We recognized a net profit of SEK 116.9 million in the year ended December 31, 2013 and a net profit of SEK 28.7 million in the year ended December 31, 2012.

Adjusted EBITDA

Our Adjusted EBITDA increased by SEK 380.8 million, or 49.9%, from SEK 762.7 million in the year ended December 31, 2012 to SEK 1,143.5 million in the year ended December 31, 2013. The increase was primarily driven by increased collections as a result of significant portfolio purchases during the year, a full year of collections carried out on the significant portfolios purchased throughout 2012 and increased fee and commission income as a result of our acquisition in the United Kingdom of Robinson Way in November 2012. The increase was offset by increased personnel costs in the United Kingdom and Germany, one-off transaction costs and stamp duty related to our acquisition of the lewis group, restructuring costs related to our French and U.K. operations and increased fees paid to our debt collection servicing partners due to the increased volumes of serviced portfolios.

Adjusted EBITDA is a non-IFRS measure and is not a substitute for any IFRS measure. We use this measure for many purposes in managing and directing our company. For a reconciliation of Adjusted EBITDA to net profit/(loss), see "*Selected Consolidated Financial, Operating and Other Data—Selected Other Financial Information and Operating Data.*"

Results of Operations on a Segment Basis

We have determined our operating segments based on how we manage our business and based on the information we review for purposes of assessing our performance.

Operating Income Statement for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

The table below sets forth our results of operations on a segment basis for the periods indicated.

	For the year ended December 31, 2014						
	Group	**Germany / Austria**	**Belgium / the Netherlands and France**	**United Kingdom**	**Poland**	**Italy**	**Central Functions and Eliminations**
	(*SEK thousand*)						
Income from acquired loan portfolios (gross cash collections)	2,541,311	724,044	733,474	527,346	295,619	260,828	0
Portfolio amortization and revaluation	(1,143,020)	(348,873)	(484,991)	(200,802)	(17,030)	(91,324)	0
Interest income from run-off consumer loan portfolio	38,180	38,180	0	0	0	0	0
Net revenue	**1,436,471**	**413,351**	**248,483**	**326,544**	**278,589**	**169,504**	**0**
Fee and commission income	153,222	17,889	6,989	128,344	0	0	0
Profit from shares and participation in joint venture	58,662	0	0	0	0	0	58,662
Other operating income	12,219	14,294	218	2,686	0	311	(5,290)
Total revenue	**1,660,574**	**445,534**	**255,690**	**457,574**	**278,589**	**169,815**	**53,372**
Personnel expenses	(473,200)	(149,805)	(86,886)	(134,502)	(2,035)	(17,854)	(82,118)
Other operating expenses	(627,467)	(95,259)	(102,656)	(137,601)	(74,812)	(86,026)	(131,113)
Depreciation and amortization of tangible and intangible fixed assets	(30,281)	(5,951)	(4,679)	(4,588)	0	(2,340)	(12,723)
EBIT	**529,626**	**194,519**	**61,469**	**180,883**	**201,742**	**63,595**	**(172,582)**
Interest income	51,551						
Interest expense	(344,969)						
Net result from financial transactions	(17,719)						
Profit before tax	**218,489**						
Income tax expense	(38,386)						
Net profit for the year	**180,103**						

	For the year ended December 31, 2013						
	Group	Germany / Austria	Belgium / the Netherlands and France	United Kingdom	Poland	Italy	Central Functions and Eliminations
				(*SEK thousand*)			
Income from acquired loan portfolios (gross cash collections)	1,641,007	666,149	338,130	250,267	171,406	212,537	2,518
Portfolio amortization and revaluation	(632,690)	(263,025)	(228,155)	(40,474)	10,658	(110,411)	(1,283)
Interest income from run-off consumer loan portfolio	69,080	69,293	0	0	0	0	(213)
Net revenue	**1,077,397**	**472,417**	**109,975**	**209,793**	**182,064**	**102,126**	**1,022**
Fee and commission income	149,142	20,285	6,724	122,133	0	0	0
Profit from shares and participation in joint venture	36,406	0	0	0	0	0	36,406
Other operating income	12,152	13,185	296	5,825	0	0	(7,154)
Total revenue	**1,275,097**	**505,887**	**116,995**	**337,751**	**182,064**	**102,126**	**30,274**
Personnel expenses	(386,757)	(161,650)	(63,263)	(101,005)	(545)	0	(60,294)
Other operating expenses	(540,705)	(81,108)	(57,478)	(185,929)	(63,799)	(22,465)	(129,926)
Depreciation and amortization of tangible and intangible fixed assets	(21,476)	(4,645)	(2,264)	(3,286)	(10)	0	(11,271)
EBIT	**326,159**	**258,484**	**(6,010)**	**47,531**	**117,710**	**79,661**	**(171,217)**
Interest income	86,908						
Interest expense	(258,176)						
Net result from financial transactions	(4,860)						
Profit before tax	**150,031**						
Income tax expense	(33,115)						
Net profit for the year	**116,916**						

Total Revenue

An analysis of our total revenue by segment is set forth below:

Germany / Austria: Our total revenue in Germany / Austria decreased by SEK 60.4 million, or 11.9%, from SEK 505.9 million in the year ended December 31, 2013 to SEK 445.5 million in the year ended December 31, 2014. The decrease was due to an increase in portfolio amortization and revaluation of SEK 85.9 million on aggregate, or 32.6%, from SEK 263.0 million in the year ended December 31, 2013 to SEK 348.9 million in the year ended December 31, 2014, due to the increased aggregate value of our portfolios, as well as negative revaluations of SEK 7.7 million, which had a net negative effect on net revenue of SEK 43.4 million in the year ended December 31, 2014 compared to the year ended December 31, 2013 when we recorded positive revaluations. The decrease in total revenue was also due to a decrease in interest income from our run-off consumer loan portfolio of SEK 31.1 million, or 44.9%, from SEK 69.3 million in the year ended December 31, 2013 to SEK 38.2 million in the year ended December 31, 2014, which was due to the gradual repayment of loans included in the portfolio. The decrease in total revenue was offset in part by an increase in gross cash collections from acquired loan portfolios of SEK 57.9 million, or 8.7%, from SEK 666.1 million in the year ended December 31, 2013 to SEK 724.0 million in the year ended December 31, 2014, due primarily to increased purchases of both secured and unsecured portfolios. Fee and commission income decreased slightly, but remained largely stable.

Belgium / the Netherlands and France: Our total revenue in Belgium / the Netherlands and France increased by SEK 138.7 million, or 118.5%, from SEK 117.0 million in the year ended December 31, 2013 to SEK 255.7 million in the year ended December 31, 2014. The increase was driven by an increase in gross cash collections from acquired loan portfolios of SEK 395.3 million, or 116.9%, from SEK 338.1 million in the year ended December 31, 2013 to SEK 733.4 million in the year ended December 31, 2014, due primarily to increased purchases of portfolios through the year, as well as the full year effect of a major portfolio purchased in the Netherlands in the third quarter of 2013, which we believe was the largest NPL transaction in the Netherlands at the time. Fee and commission income increased slightly, primarily relating to France, but remained largely stable. The increase in total revenue was offset in part by an increase in the line item portfolio amortization and revaluation of SEK 256.8 million on aggregate, or 112.5%, from SEK 228.2 million in the year ended December 31, 2013 to SEK 485.0 million in the year ended December 31, 2014, due to the increased aggregate value of our portfolios. Portfolio revaluation alone was negative SEK 31.7 million, which was a decrease of SEK 12.7 million compared to the year ended December 31, 2013, primarily due to lower than expected collections in France resulting from capacity constraints and operational restructurings.

United Kingdom: Our total revenue in the United Kingdom increased by SEK 119.8 million, or 35.5%, from SEK 337.8 million in the year ended December 31, 2013 to SEK 457.6 million in the year ended December 31, 2014. The increase was driven by an increase in gross cash collections from acquired loan portfolios of SEK 277.0 million, or 110.7%, from 250.3 million in the year ended December 31, 2013 to SEK 527.3 million in the year ended December 31, 2014, due primarily to increased purchases of portfolios through the year, as well as the full year effect of the acquisition of the lewis group in August, 2013. Fee and commission income increased slightly, but remained largely stable. The increase in total revenue was offset in part by an increase in portfolio amortization and revaluation of SEK 160.4 million, from SEK 40.4 million in the year ended December 31, 2013 to SEK 200.8 million in the year ended December 31, 2014. The increase in portfolio amortization and revaluation reflected normalized levels in 2014 following a one-off positive write-up of SEK 63.6 million in 2013 relating to the acquisition of the lewis group below cost; however, the acquisition involved challenges in taking over the business and we incurred restructuring costs in connection with the post-acquisition integration process.

Poland: Our total revenue in Poland increased by SEK 96.5 million, or 53.0%, from SEK 182.1 million in the year ended December 31, 2013 to SEK 278.6 million in the year ended December 31, 2014. The increase was driven by an increase in gross cash collections from acquired loan portfolios of SEK 124.2 million, or 72.4%, from SEK 171.4 million in the year ended December 31, 2013 to SEK 295.6 million in the year ended December 31, 2014, due primarily to strong collections on existing portfolios, increased purchases of portfolios through the year and the full year effect of a significant portfolio purchased in mid-2013, which we believe was the largest NPL transaction in Poland at the time. The increase in total revenue was offset in part by an increase in portfolio amortization and revaluation of SEK 27.7 million, from a positive of SEK 10.7 million in the year ended December 31, 2013 to a negative of SEK 17.0 million in the year ended December 31, 2014. The increase in portfolio amortization and revaluation reflected normalized levels in 2014 following a positive revaluation in 2013, which was an effect of debt portfolio accounting, as the applied accounting method considers collections over the lifetime of the claim and assumes higher costs in the typically cost-intensive initial phase of a purchased portfolio in order to avoid volatility in the income statement, while we early on managed to stabilize our costs on the new portfolio.

Italy: Our total revenue in Italy increased by SEK 67.7 million, or 66.3%, from SEK 102.1 million in the year ended December 31, 2013 to SEK 169.8 million in the year ended December 31, 2014. The key overall factor affecting our results of operations in Italy in 2014 was the acquisition of the assets and operations of our servicing partner TRC in August. As a result of this transaction, we went from an outsourcing model and profit-sharing arrangement to operating our own platform, which impacted our revenue, portfolio amortization and revaluation and operating expenses. The increase in total revenue was driven by an increase in gross cash collections from acquired loan portfolios of SEK 48.3 million, or 22.7%, from SEK 212.5 million in the year ended December 31, 2013 to SEK 260.8 million in the year ended December 31, 2014, due primarily to our acquisitions of the operations of TRC, which included two collection platforms and a number of new claims. Our Italian platform was underutilized until a significant debt portfolio purchase in December. The increase in total revenue was also due to a decrease in portfolio amortization and revaluation of SEK 19.1 million, or 17.3%, from SEK 110.4 million in the year ended December 31, 2013 to SEK 91.3 million in the year ended December 31, 2014. This was a result of the integration into our accounts of the portfolios that were acquired from TRC, in connection with which we went from an outsourcing model under contract with an external provider to our own platform and thus adjusted the cost estimates and assumptions on our portfolios. In addition, the decrease in portfolio amortization and revaluation was due to positive revaluations of SEK 9.6 million, which had a net positive effect on net revenue of SEK 6.5 million in the year ended December 31, 2014 compared to the year ended December 31, 2013.

Central functions and eliminations: Our revenue from central functions and eliminations typically consists of the result from our joint venture in Poland and one-off items. Our total revenue from central functions and eliminations increased by SEK 23.1 million, or 76.3%, from SEK 30.3 million in the year ended December 31, 2013 to SEK 53.4 million in the year ended December 31, 2014. The increase in 2014 was primarily due to the negative effect in 2013 of lower profits from our participation in the joint venture as the NAV was reduced because of renegotiated servicing fees for the life of the portfolios with the joint venture's main third-party collection provider. In addition, decreased market rates in 2014 had a slight positive impact on the profit share of our holding. The increase in profit from shares and participation in joint venture was offset in part by continued limited portfolio investments by the joint venture. The increase in total revenue was offset in part by continued limited portfolio investments by the joint venture.

EBIT

An analysis of our EBIT by segment is set forth below:

Germany / Austria: Our EBIT in Germany / Austria decreased by SEK 64.0 million, or 24.7%, from SEK 258.5 million in the year ended December 31, 2013 to SEK 194.5 million in the year ended December 31, 2014. In addition to the factors discussed above under "*—Total Revenue,*" the decrease in EBIT was driven by an increase in other operating expenses of SEK 14.2 million, or 17.5%, from SEK 81.1 million in the year ended December 31, 2013 to SEK 95.3 million in the year ended December 31, 2014, due to generally higher volumes of portfolios to manage. The decrease in EBIT was offset in part by a decrease in personnel expenses of SEK 11.9 million, or 7.4%, from SEK 161.7 million in the year ended December 31, 2013 to SEK 149.8 million in the year ended December 31, 2014, as personnel expenses normalized in 2014 following a one-off cost in 2013 of SEK 8.4 million related to redundancies and costs to close our platform in Eschborn, Germany which was handling our secured portfolios, as we migrated those operations to our Duisburg platform in an initiative to streamline our operations.

Belgium / the Netherlands and France: Our EBIT in Belgium / the Netherlands and France increased by SEK 67.5 million from negative SEK 6.0 million in the year ended December 31, 2013 to SEK 61.5 million in the year ended December 31, 2014. The increase in EBIT was mainly due to the factors discussed above under "*—Total Revenue.*" The increase in total revenue was in part offset by an increase in personnel expenses of SEK 23.6 million, or 37.3%, from SEK 63.3 million in the year ended December 31, 2013 to SEK 86.9 million in the year ended December 31, 2014, due primarily to personnel transferred to us as part of the major portfolio purchased in the Netherlands in the third quarter of 2013, the build-up of our collection platform in Lille, France and generally increased volumes of portfolios to manage. The increase in total revenue was in part also offset by an increase in other operating expenses of SEK 45.2 million, or 78.6%, from SEK 57.5 million in the year ended December 31, 2013 to SEK 102.7 million in the year ended December 31, 2014, due to increased use of bailiffs in the Netherlands following the major portfolio purchase and restructuring costs of SEK 12.9 million in France relating to the relocation to, and build-up of, our collection platform in Lille.

United Kingdom: Our EBIT in the United Kingdom increased by SEK 133.4 million, or 280.8%, from SEK 47.5 million in the year ended December 31, 2013 to SEK 180.9 million in the year ended December 31, 2014. The increase in EBIT was primarily due to the factors discussed above under "*—Total Revenue.*" The increase in EBIT was also due to a decrease in other operating expenses of SEK 48.3 million, or 26.0%, from SEK 185.9 million in the year ended December 31, 2013 to SEK 137.6 million in the year ended December 31, 2014, as operating expenses normalized following the one-off provisions of SEK 68.5 million that we made in 2013 for the substantial restructuring measures carried out following the acquisitions of the lewis group and Robinson Way. Adjusting for this one-off cost in 2013, our operating expenses increased slightly in 2014 due primarily to one portfolio purchased in 2014 that contained a high degree of litigation claims. The increase in EBIT was offset in part by an increase in personnel expenses of SEK 33.5 million, or 33.2%, from SEK 101.0 million in the year ended December 31, 2013 to SEK 134.5 million in the year ended December 31, 2014, due primarily to personnel transferred to us as part of the lewis group acquisition and generally increased volumes of portfolios to manage. The substantial restructuring measures carried out following the acquisition of the lewis group, including integration plans and personnel reductions, were completed in 2014 and the restructuring reserve fully utilized and our operating expenses in the United Kingdom are expected to stabilize accordingly.

Poland: Our EBIT in Poland increased by SEK 84.0 million, or 71.4%, from SEK 117.7 million in the year ended December 31, 2013 to SEK 201.7 million in the year ended December 31, 2014. The increase in EBIT was mainly due to the factors discussed above under "*—Total Revenue.*" The increase in total revenue was in part offset by an increase in other operating expenses of SEK 11.0 million, or 17.2%, from SEK 63.8 million in the year ended December 31, 2013 to SEK 74.8 million in the year ended December 31, 2014. However, other operating expenses as a percentage of net revenue decreased as cost levels normalized following a period of substantial initial costs related to large portfolio purchases. On December 31, 2014, we acquired our service partner Navi Lex, including approximately 130 FTEs, which resulted in a one-off acquisition cost of SEK 4 million recorded in other operating expenses. Except for that, Navi Lex has not been reflected in the financial results of the segment for 2014. In 2014, Navi Lex generated revenue of SEK 38 million and EBIT of SEK 9 million.

Italy: Our EBIT in Italy decreased by SEK 16.1 million, or 20.2%, from SEK 79.7 million in the year ended December 31, 2013 to SEK 63.6 million in the year ended December 31, 2014. The key overall factor affecting our results of operations in Italy in 2014 was the acquisition of the assets and operations of our servicing partner TRC in August. As a result of this transaction, we went from an outsourcing model and profit-sharing arrangement to operating our own platform, which impacted our revenue, portfolio amortization and revaluation and operating expenses. In addition to the factors discussed above under "*—Total Revenue,*" the decrease in EBIT was driven by an increase in personnel expenses, from SEK 0 million in the year ended December 31, 2013 to SEK 17.9 million in the year ended December 31, 2014, due primarily to the personnel transferred to us as part of the acquisition of TRC's operations. The decrease in EBIT was also due to an increase in other operating expenses of SEK 63.5 million, from SEK 22.5 million in the year ended December 31, 2013 to SEK 86.0 million in the year ended December 31, 2014, due primarily to the integration into our operations of the platform purchased from TRC and the operation of that platform from August.

Central functions and eliminations: Our EBIT from central functions and eliminations decreased by SEK 1.4 million, or 0.8%, from negative SEK 171.2 million in the year ended December 31, 2013 to negative SEK 172.6 million in the year ended December 31, 2014. In addition to the factors discussed above under "*—Total Revenue,*" the decrease in EBIT was driven by an increase in personnel expenses of SEK 21.8 million, or 36.2%, from SEK 60.3 million in the year ended December 31, 2013 to SEK 82.1 million in the year ended December 31, 2014, due to continued strengthening of Group functions in order to manage our growth, such as finance, IT, risk control and compliance functions.

Operating Income Statement for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

The table below sets forth our results of operations on a segment basis for the periods indicated.

	For the year ended December 31, 2013						
	Group	**Germany / Austria**	**Belgium / the Netherlands and France**	**United Kingdom**	**Poland**	**Italy**	**Central Functions and Eliminations**
				(*SEK thousand*)			
Income from acquired loan portfolios (gross cash collections)	1,641,007	666,149	338,130	250,267	171,406	212,537	2,518
Portfolio amortization and revaluation	(632,690)	(263,025)	(228,155)	(40,474)	10,658	(110,411)	(1,283)
Interest income from run-off consumer loan portfolio	69,080	69,293	0	0	0	0	(213)
Net revenue	**1,077,397**	**472,417**	**109,975**	**209,793**	**182,064**	**102,126**	**1,022**
Fee and commission income	149,142	20,285	6,724	122,133	0	0	0
Profit from shares and participation in joint venture	36,406	0	0	0	0	0	36,406
Other operating income	12,152	13,185	296	5,825	0	0	(7,154)
Total revenue	**1,275,097**	**505,887**	**116,995**	**337,751**	**182,064**	**102,126**	**30,274**
Personnel expenses	(386,757)	(161,650)	(63,263)	(101,005)	(545)	0	(60,294)
Other operating expenses	(540,705)	(81,108)	(57,478)	(185,929)	(63,799)	(22,465)	(129,926)
Depreciation and amortization of tangible and intangible fixed assets	(21,476)	(4,645)	(2,264)	(3,286)	(10)	0	(11,271)
EBIT	**326,159**	**258,484**	**(6,010)**	**47,531**	**117,710**	**79,661**	**(171,217)**
Interest income	86,908						
Interest expense	(258,176)						
Net result from financial transactions	(4,860)						
Profit before tax	**150,031**						
Income tax expense	(33,115)						
Net profit for the year	**116,916**						

	For the year ended December 31, 2012						
	Group	**Germany / Austria**	**Belgium / the Netherlands and France**	**United Kingdom**	**Poland**	**Italy**	**Central Functions and Eliminations**
				(SEK thousand)			
Income from acquired loan portfolios (gross cash collections)	887,310	555,442	250,130	31,499	20	50,219	0
Portfolio amortization and revaluation	(422,916)	(247,633)	(141,323)	(21,485)	(105)	(12,475)	105
Interest income from run-off consumer loan portfolio	33,953	33,953	0	0	0	0	0
Net revenue	**498,347**	**341,762**	**108,807**	**10,014**	**(85)**	**37,744**	**105**
Fee and commission income	46,854	24,350	9,703	12,801	0	0	0
Profit from shares and participation in joint venture	55,724	0	0	0	0	0	55,724
Other operating income	66,278	59,928	1,076	0	1	0	5,275
Total revenue	**667,203**	**426,040**	**119,586**	**22,815**	**(84)**	**37,744**	**61,103**
Personnel expenses	(234,277)	(125,614)	(64,151)	(10,118)	0	0	(34,394)
Other operating expenses	(250,390)	(90,472)	(49,765)	(7,949)	(733)	(16,956)	(84,516)
Depreciation and amortization of tangible and intangible fixed assets	(54,635)	(5,566)	(9,434)	(270)	0	0	(39,365)
EBIT	**127,900**	**204,388**	**(3,764)**	**4,478**	**(817)**	**20,788**	**(97,172)**
Interest income	114,599						
Interest expense	(185,653)						
Net result from financial transactions	(26,639)						
Profit before tax	**30,206**						
Income tax expense	(1,462)						
Net profit for the year	**28,744**						

Total Revenue

An analysis of our total revenue by segment is set forth below:

Germany / Austria: Our total revenue in Germany / Austria increased by SEK 79.8 million, or 18.7%, from SEK 426.0 million in the year ended December 31, 2012 to SEK 505.9 million in the year ended December 31, 2013. The increase in total revenue was driven by an increase in gross cash collections from acquired loan portfolios of SEK 110.7 million, or 20.0%, from SEK 555.4 million in the year ended December 31, 2012 to SEK 666.1 million in the year ended December 31, 2013. The increase in gross cash collections from acquired loan portfolios was a result of increased collections due to significant portfolio purchases during the year, as well as a full year of collections carried out on the portfolios purchased throughout 2012. The increase in total revenue was also driven by a full year of interest income from our run-off consumer loan portfolio that was purchased in June 2012, which increased by SEK 35.3 million, from SEK 34.0 million in the year ended December 31, 2012 to SEK 69.3 million in the year ended December 31, 2013. The increase in total revenue was offset by an increase in the line item portfolio amortization and revaluation of SEK 15.4 million on aggregate, or 6.2%, from SEK 247.6 million in the year ended December 31, 2012 to SEK 263.0 million in the year ended December 31, 2013, although portfolio revaluation alone was positive SEK 35.8 million, which had a net positive effect on net revenue of SEK 25.3 million in the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the sale of a secured portfolio asset resulting in the expected future value of the portfolio being entirely realized at the time of sale. The increase in total revenue was offset in small part by a decrease in fee and commission income of SEK 4.1 million, or 16.7%, from SEK 24.4 million in the year ended December 31, 2012 to SEK 20.3 million in the year ended December 31, 2013, which was a result of continued focus on our core business of purchasing and collecting on own debt, leading to less revenue from third-party collection services.

Belgium / the Netherlands and France: Our total revenue in Belgium / the Netherlands and France decreased by SEK 2.6 million, or 2.2%, from SEK 119.6 million in the year ended December 31, 2012 to SEK 117.0 million in the year ended December 31, 2013. The decrease in total revenue was due to an increase in the line item portfolio amortization and revaluation of SEK 86.8 million on aggregate, or 61.4%, from SEK 141.3 million in the year ended December 31, 2012 to SEK 228.2 million in the year ended December 31, 2013. Portfolio revaluation alone was negative SEK 44.5 million, which had a net negative effect on net revenue of SEK 26.3 million in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to lower than expected collections in France resulting from capacity constraints and operational restructurings. The decrease in total revenue was also driven by a decrease in fee and commission income of SEK 3 million, or 30.7%, from SEK 9.7 million in the year ended December 31, 2012 to SEK 6.7 million in the year ended December 31, 2013, which was a result of continued focus on our core business of purchasing and collecting on own debt, leading to less revenue from third-party collection services. The decrease in total revenue was offset by an increase in gross cash collections from acquired loan portfolios of SEK 88 million, or 35.2%, from SEK 250.1 million in the year ended December 31, 2012 to SEK 338.1 million in the year ended December 31, 2013. The increase in gross cash collections from acquired loan portfolios was a result of increased collections due to significant portfolio purchases during 2013, including a major portfolio in the Netherlands, which we believe was the largest NPL transaction in the Netherlands at the time. This portfolio was purchased in the third quarter of 2013 and contributed one full quarter of collections. The increase in gross cash collections from acquired loan portfolios was also driven by larger volumes in Belgium and the Netherlands of portfolios originated by utility companies, as such claims typically have shorter collection curves and faster cash flow profiles than claims originated by financial institutions. The total increase in period-on-period collections were offset by France, where collections in 2013 were negatively impacted by the migration to a new collection system, which caused capacity constraints.

United Kingdom: Our total revenue in the United Kingdom increased by SEK 314.9 million, from SEK 22.8 million in the year ended December 31, 2012 to SEK 337.8 million in the year ended December 31, 2013. Prior to the acquisitions of the lewis group and Robinson Way, we owned only one portfolio in the United Kingdom and provided no third-party collection services. The increase in total revenue was driven by an increase in gross cash collections from acquired loan portfolios of SEK 218.8 million, from SEK 31.5 million in the year ended December 31, 2012 to SEK 250.3 million in the year ended December 31, 2013. The increased gross cash collections from acquired loan portfolios was a result of increased collections due to the acquisition of the lewis group in August, 2013, which included a significant portfolio of debt claims, as well as a full year of collections carried out on the substantial NPL portfolio acquired as part of Robinson Way in November 2012. The increase in total revenue was also driven by an increase in fee and commission income of SEK 109.3 million, from SEK 12.8 million in the year ended December 31, 2012 to SEK 122.1 million in the year ended December 31, 2013, as a result of third-party collection services provided by the two acquired companies.

Poland: Our total revenue in Poland increased by SEK 182.1 million from negative SEK 0.09 million in the year ended December 31, 2012 to SEK 182.1 million in the year ended December 31, 2013. The increase in total revenue was driven by an increase in gross cash collections from acquired portfolios of SEK 171.4 million, from SEK 0.02 million in the year ended December 31, 2012 to SEK 171.4 million in the year ended December 31, 2013. The increase in gross cash collections from acquired loan portfolios was a result of increased collections due to the significant portfolio purchased in mid-2013, which we believe was the largest NPL transaction in Poland at the time. To a lesser extent, the increase in total revenue was driven by positive amortization with a net positive effect of SEK 10.7 million in the year ended December 31, 2013 compared to the year ended December 31, 2012. This was an effect of debt portfolio accounting, as the applied accounting method considers collections over the lifetime of the claim and assumes higher costs in the typically cost-intensive initial phase of a purchased portfolio in order to avoid volatility in the income statement, while we early on managed to stabilize our costs on the new portfolio.

Italy: Our total revenue in Italy increased by SEK 64.4 million, from SEK 37.7 million in the year ended December 31, 2012 to SEK 102.1 million in the year ended December 31, 2013. The increase in total revenue was driven by an increase in gross cash collections from acquired loan portfolios of SEK 162.3 million, from SEK 50.2 million in the year ended December 31, 2012 to SEK 212.5 million in the year ended December 31, 2013. The increase in gross cash collections from acquired loan portfolios was a result of strong collections due to increased purchases of cambiali debt, as this debt typically contributes predictable collections. The increase in total revenue was offset by an increase in portfolio amortization and revaluation of SEK 97.9 million, from SEK 12.5 million in the year ended December 31, 2012 to SEK 110.4 million in the year ended December 31, 2013, although portfolio revaluation alone was positive SEK 3.1 million, which had a net positive effect on net revenue of SEK 2.4 million in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Central functions and eliminations: Our total revenue from central functions and eliminations decreased by SEK 30.8 million, or 50.5%, from SEK 61.1 million in the year ended December 31, 2012 to SEK 30.3 million in the year ended December 31, 2013. The decrease in total revenue was due to lower profits from our participation in the joint venture as the NAV was reduced because of renegotiated servicing fees for the life of the portfolios with the joint venture's main third-party collection provider, resulting in a decrease in profit from shares and participation in joint venture of SEK 19.3 million, or 34.6%, from SEK 55.7 million in the year ended December 31, 2012 to SEK 36.4 million in the year ended December 31, 2013. The decrease in total revenue was also driven by a decrease in other operating income of SEK 12.4 million, from SEK 5.3 million in the year ended December 31, 2012 to negative SEK 7.2 million in the year ended December 31, 2013, due to a one-off adjustment made in 2012 for the negative goodwill in Robinson Way, which increased other operating income by SEK 62.7 million in 2012.

EBIT

An analysis of our EBIT by segment is set forth below:

Germany / Austria: Our EBIT in Germany / Austria increased by SEK 54.1 million, or 26.5%, from SEK 204.4 million in the year ended December 31, 2012 to SEK 258.5 million in the year ended December 31, 2013. The increase in EBIT was primarily due to the factors discussed above under "*—Total Revenue.*" The increase in EBIT was also due to a decrease in other operating expenses of SEK 9.4 million, or 10.4%, from SEK 90.5 million in the year ended December 31, 2012 to SEK 81.1 million in the year ended December 31, 2013, due to certain Group functions that were reallocated to our headquarters in Sweden and such costs therefore recorded in the segment central functions and eliminations. The increase in total revenue was offset in part by an increase in personnel expenses of SEK 36.0 million, or 28.7%, from SEK 125.6 million in the year ended December 31, 2012 to SEK 161.7 million in the year ended December 31, 2013, due to personnel hired in Germany to manage our increased capacity generally, as well as the run-off consumer loan portfolio purchased in 2012. The increase in personnel expenses was also the result of a one-off cost of SEK 8.4 million related to redundancies and costs to close our platform in Eschborn, Germany which was handling our secured portfolios, as we migrated those operations to our Duisburg platform in an initiative to streamline our operations. Other operating expenses remained stable as collections are mainly conducted in-house and the use of third-party collection providers is limited.

Belgium / the Netherlands and France: Our EBIT in Belgium / the Netherlands and France decreased by SEK 2.2 million, or 57.9%, from negative SEK 3.8 million in the year ended December 31, 2012 to negative SEK 6.0 million in the year ended December 31, 2013. In addition to the factors discussed above under "*—Total Revenue,*" the decrease in EBIT was driven by an increase in other operating expenses of SEK 7.7 million, or 15.5%, from SEK 49.8 million in the year ended December 31, 2012 to SEK 57.5 million in the year ended December 31, 2013, due to increased fees paid to our debt collection servicing partners in the Netherlands, since bailiffs are an integral part of the Dutch debt purchasing market and part of the collections on the major portfolio purchased in 2013 are carried out by such bailiffs. The increase in other operating expenses was also due to one-off redundancy payments.

United Kingdom: Our EBIT in the United Kingdom increased by SEK 43.1 million, from SEK 4.5 million in the year ended December 31, 2012 to SEK 47.5 million in the year ended December 31, 2013. The increase in EBIT was mainly due to the factors discussed above under "*—Total Revenue.*" The increase in total revenue was in part offset by an increase in personnel expenses of SEK 90.9 million, from SEK 10.1 million in the year ended December 31, 2012 to SEK 101.0 million in the year ended December 31, 2013, following the personnel added as part of our acquisitions of Robinson Way and the lewis group. The increase in total revenue was further offset by an increase in other operating expenses of SEK 178.0 million, from SEK 7.9 million in the year ended December 31, 2012 to SEK 185.9 million in the year ended December 31, 2013. The increase in other operating expenses was a result of higher collection costs due to the acquisition of the lewis group as well as a full year of collections carried out on the substantial NPL portfolio acquired as part of Robinson Way. The increase in other operating expenses was also due to provisions we made for the substantial restructuring measures carried out following the acquisitions of the lewis group and Robinson Way, including integration plans, migration of data and personnel reductions. In 2013, following the acquisition of the lewis group, we made a provision in other operating expenses of SEK 68.5 million for a restructuring reserve. The remaining amount of the reserve as of December 31, 2013 was SEK 66.0 million, which was used for continued restructuring measures in 2014. This provision was an increase from 2012, in which year we made a provision in other operating expenses of SEK 16.4 million for a restructuring reserve following the acquisition of Robinson Way. The remaining amount of the reserve as of December 31, 2012 was SEK 1.5 million, which was used for continued restructuring measures in 2013. In addition, the increase in other operating expenses was due to one-off items, such as transaction costs and stamp duty of SEK 18 million in the aggregate related to the lewis group acquisition, and increased collections costs, such as for tracing and communicating with customers, following the portfolios added as part of our acquisitions of Robinson Way and the lewis group.

Poland: Our EBIT in Poland increased by SEK 118.5 million, from negative SEK 0.8 million in the year ended December 31, 2012 to SEK 117.7 million in the year ended December 31, 2013. The increase in EBIT was mainly due to the factors discussed above under "*—Total Revenue.*" The increase in total revenue was in part offset by an increase in other operating expenses of SEK 63.1 million, from SEK 0.7 million in the year ended December 31, 2012 to SEK 63.8 million in the year ended December 31, 2013. The increase in other operating expenses was due primarily to fees paid to our debt collection servicing partners, since at the time we were operating an outsourcing model in Poland and our utilization of such third-party collection services increased due to the major portfolio purchased in early 2013.

Italy: Our EBIT in Italy increased by SEK 58.9 million, from SEK 20.8 million in the year ended December 31, 2012 to SEK 79.7 million in the year ended December 31, 2013. The increase in EBIT was mainly due to the factors discussed above under "*—Total Revenue.*" The increase in total revenue was in part offset by an increase in other operating expenses of SEK 5.5 million, or 32.5%, from SEK 17.0 million in the year ended December 31, 2012 to SEK 22.5 million in the year ended December 31, 2013, due to increased fees paid to our debt collection servicing partners, since at the time we were operating an outsourcing model in Italy. However, these fees remained low despite increased purchase activity, as the need for more expensive legal collections was lower than expected. Personnel expenses remained at zero as our Italian operations were entirely managed from our headquarters.

Central functions and eliminations: Our EBIT from central functions and eliminations decreased by SEK 74.0 million, or 76.2%, from negative SEK 97.2 million in the year ended December 31, 2012 to negative SEK 171.2 million in the year ended December 31, 2013. In addition to the factors discussed above under "*—Total Revenue,*" the decrease in EBIT was driven by an increase in personnel expenses of SEK 25.9 million, or 75.3%, from SEK 34.4 million in the year ended December 31, 2012 to SEK 60.3 million in the year ended December 31, 2013, due to increased number of personnel hired to our Group headquarters in order to manage our growth and expand our finance, IT, risk control and compliance functions. The decrease in EBIT was also driven by an increase in other operating expenses of SEK 45.4 million, or 53.7%, from SEK 84.5 million in the year ended December 31, 2012 to SEK 129.9 million in the year ended December 31, 2013. The increase in other operating expenses was a result of increased use of consultants to advise on legal restructurings, temporary projects and the production of quarterly and annual reports related to our bonds issued during the year. The decrease in EBIT in 2013 compared to 2012 was lessened by the one-off impairment of goodwill in the French operations of SEK 39.3 million recorded in 2012, which was recorded in the segment central functions and eliminations.

Liquidity and Capital Resources

Our liquidity requirements consist mainly of interest payments on our retail deposits and bonds, tax servicing requirements and funding of our purchases of portfolios, capital expenditure and working capital. Our principal sources of liquidity are cash generated from our operating activities, our retail deposits and principal amounts generated by our unsecured bonds. Due to our status as a "Credit Market Company," we are subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements, including the Basel III Framework. Pursuant to this legislation and regulation, we are required, among other things, to maintain adequate capital resources and to satisfy specified capital and liquidity ratios at all times. This subjects us to certain regulatory risk, including the effects of new and changing laws, as well as the risk that certain adverse operational events could affect our compliance with such capital adequacy and liquidity requirements and may affect our ability to generate a return on capital, pay future dividends, purchase portfolios and pursue acquisitions or other strategic opportunities and may impact our future growth potential, see "*Risk Factors—Risks Relating to Regulation—We are subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements and changes to the regulatory environment, or any failure to comply with applicable legislation or regulation, could result in the suspension, termination or impairment of our ability to conduct business*" and "*Risk Factors—Risks Relating to Our Industry and Business—We may make acquisitions or pursue strategic goals that prove unsuccessful or strain or divert our resources or we may be restricted from making acquisitions, portfolio investments or pursuing strategic goals due to capital adequacy requirements*."

While our collections have historically been predictable throughout the year, our debt purchase activity can vary greatly from one quarter to the next. This is driven by the timing of one-off debt sales by debt originators during the year, the timing of which we do not control, along with our own desire to purchase a portfolio at a given point in time. This could lead to volatility in our cash balances quarter on quarter. Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section titled "*Risk Factors*." For a more detailed discussion on the seasonality of our business, see "*—Other Key Factors—Seasonality*."

Working Capital

It is our assessment that the available working capital is sufficient to meet our requirements for a period of twelve months from the date of this Offering Memorandum.

Cash Flows

The following table sets forth the principal components of our cash flows for the years ended December 31, 2014, 2013 and 2012.

	For the year ended December 31,		
	2014	**2013**	**2012**
		(*SEK thousand*)	
Cash flow from operating activities	(758,071)	1,246,136	478,225
Cash flow from investing activities	(781,531)	(613,571)	(264,305)
Cash flow from financing activities	1,221,880	1,048,467	100,000
Cash flow for the year	(317,722)	1,681,032	313,920
Cash at the beginning of the year	**3,926.883**	**2,245,851**	**1,931,931**
Cash at the end of the year(1)	**3,609,161**	**3,926,883**	**2,245,851**

(1) Consists of cash, treasury bills and treasury bonds and lending to credit institutions.

Cash flow from operating activities

Our cash flows from operating activities include items that are directly related to our ongoing operating activities, such as collections on purchased portfolios and operating expenses, but also certain financing and investing related activities, such as our retail deposits and portfolio purchases. Our cash flow from operating activities decreased by SEK 2,004.2 million, from a cash inflow of SEK 1,246.1 million in the year ended December 31, 2013 compared to a cash outflow of SEK 758.1 million in the year ended December 31, 2014. The cash outflow from operating activities in the year ended December 31, 2014 was primarily due to increased portfolio purchases (including the effect of foreign currency translation on the carrying value of our portfolios), which increased from SEK 3,266.7 million in the year ended December 31, 2013 to SEK 3,731.9 million in the year ended December 31, 2014, while the cash inflow from our deposits decreased from an inflow of SEK 3,288.5 million in the year ended December 31, 2013 to an inflow of SEK 1,215.8 million in the year ended December 31, 2014. The increase in cash outflow from operating activities was also due to increased operating expenses, which increased from SEK 898.7 million in the year ended December 31, 2013 to SEK 1,093.1 million in the year ended December 31, 2014, due primarily to increased personnel as a result of acquisitions and generally higher volumes of portfolios to manage, continued operational restructurings in France and continued strengthening of Group functions. The cash outflow from operating activities was offset in part by increased collections on purchased portfolios, which increased from SEK 1,641.0 million in the year ended December 31, 2013 to SEK 2,541.3 million in the year ended December 31, 2014.

Our cash inflow from operating activities increased by SEK 767.9 million, from SEK 478.2 million in the year ended December 31, 2012 to SEK 1,246.1 million in the year ended December 31, 2013. The increase in cash inflow from operating activities in the year ended December 31, 2013 was primarily due to the increase in our deposits, the cash inflow of which was SEK 3,288.5 million in the year ended December 31, 2013. However, interest expenses remained stable as accrued interest is paid out upon termination of a deposit and SEK 847.3 million of the increase in deposits related to deposits with maturities in excess of 12 months. This increase in cash inflow from operating activities was also due to increased collections on purchased portfolios, which increased from SEK 887.3 million in the year ended December 31, 2012 to SEK 1,641.0 million in the year ended December 31, 2013. The increase in cash inflow from operating activities was offset by increased portfolio purchases (including the effect of foreign currency translation on the carrying value of our portfolios), which increased from SEK 1,423.4 million in the year ended December 31, 2012 to SEK 3,266.7 million in the year ended December 31, 2013, and increased operating expenses, which increased from SEK 545.8 million in the year ended December 31, 2012 to SEK 898.7 million in the year ended December 31, 2013, due primarily to our acquisition in the United Kingdom of the lewis group, increased fees paid to our debt collection servicing partners in the Netherlands, Italy and Poland due to increased volumes of serviced portfolios and restructuring costs related to our French and U.K. operations.

Cash flow from investing activities

Our investing activities for the purposes of cash flows include, among others, our bond investments. Our cash outflow from investing activities increased by SEK 168.0 million, from SEK 613.6 million in the year ended December 31, 2013 to SEK 781.5 million in the year ended December 31, 2014. The increase in our cash outflow from investing activities was due primarily to an increase in our bond investments, from SEK 564.3 million in the year ended December 31, 2013 to SEK 653.6 million in the year ended December 31, 2014. In addition, our cash outflow from investing activities increased due to our acquisition of Navi Lex in Poland.

Our cash outflow from investing activities increased by SEK 349.3 million from SEK 264.3 million in the year ended December 31, 2012 to SEK 613.6 million in the year ended December 31, 2013. The increase in our cash outflow from investing activities was due primarily to an increase in our bond investments, from SEK 233.2 million in the year ended December 31, 2012 to SEK 564.3 million in the year ended December 31, 2013. The increase in our bond investments was driven by an increase in retail deposits that we offer to the general public, part of which we invest in listed bonds.

Cash flow from financing activities

Our financing activities for the purposes of cash flows include, among others, our three series of notes. Our cash inflow from financing activities was SEK 1,048.5 million in the year ended December 31, 2013 compared to SEK 1,221.9 million in the year ended December 31, 2014. The increase in cash inflow from financing activities was primarily related to the issuance of our EUR 100 million senior unsecured notes, the capital contribution made by Toscafund and certain other capital contributions carried out during the year.

Our cash inflow from financing activities was SEK 100.0 million in the year ended December 31, 2012 compared to SEK 1,048.5 million in the year ended December 31, 2013. The increase in cash inflow from financing activities was primarily related to our issuances of SEK 750 million senior unsecured notes and SEK 350 million subordinated notes.

Capital Expenditure

Our capital expenditure consists mainly of IT equipment, financial reporting tools and collection systems. Our capital expenditure increased by SEK 29.2 million, from SEK 49.3 million in the year ended December 31, 2013 to SEK 78.5 million in the year ended December 31, 2014, due primarily to investments in collection systems and systems for compliance reporting and invoice management.

Our capital expenditure increased by SEK 18.3 million, from SEK 31.0 million in the year ended December 31, 2012 to SEK 49.3 million in the year ended December 31, 2013, due primarily to investments in collection systems and systems for our deposit platform.

Indebtedness

Interest Bearing Securities

Hoist Kredit has issued three series of notes. All three series of notes are listed on Nasdaq Stockholm.

- SEK 350 million subordinated unsecured notes, issued June 27, 2013 and due 2023. The notes are tier 2 compliant capital base debt instruments and have a fixed coupon rate at 12% for the first five years with a variable interest rate thereafter. Hoist Kredit has a call option to redeem the notes on September 27, 2018 (first call date).
- SEK 750 million senior unsecured notes, issued December 18, 2013 and due 2016, secured by a guarantee granted by Hoist Finance. The notes carry an interest rate of three month STIBOR plus 375 basis points per annum with quarterly interest payments in arrears.

- EUR 100 million senior unsecured notes, issued October 2, 2014 and due 2017. The notes carry an interest rate of three month EURIBOR plus 375 basis points per annum with quarterly interest payments in arrears.

The two senior unsecured notes contain similar customary covenants. Such covenants limit, and in some cases prohibit, Hoist Kredit from, among other things, incurring additional indebtedness, creating liens on assets, entering into business combinations or engaging in certain activities with companies within our Group. Bondholders are able to accelerate the maturity and repayment of the notes in case of breach of these covenants, as well as upon certain other events, such as a change of control in Hoist Kredit (excluding the Offering) and in case Hoist Kredit's license to conduct financing business would be withdrawn.

The terms and conditions governing the SEK 750 million senior unsecured notes stipulate that no distributions may be made by Hoist Kredit if and for as long as the Group's capital cover ratio (defined as the Group's total capital base to the legally required total capital base), after *pro forma* adjustment for the contemplated distribution, is less than 1.10:1. The Group's capital cover ratio as of the years ended December 31, 2014 and 2013 was 1.53[(1)] and 1.45, respectively. The terms and conditions governing the EUR 100 million senior unsecured notes stipulate that distributions may only be made by Hoist Kredit if the Group has a capital cover ratio of not less than 1.30:1 and an interest cover ratio (defined as consolidated EBITDA to net finance charges on a Group consolidated basis) greater than 2.75:1. The capital cover ratio and interest cover ratio under the EUR 100 million notes are incurrence based tests, *i.e.*, they are tested only when Hoist Kredit takes a certain action, such as making dividend distributions. Hoist Kredit has not yet taken any action triggering such test and, consequently, the ratios under the EUR 100 million notes have not been measured historically. Should Hoist Kredit not be able to make distributions to Hoist Finance, this will likely affect the ability of Hoist Finance to make distributions to its shareholders. Hoist Kredit must submit compliance certificates to Swedish Trustee AB (publ) as agent before making any dividends and the SEK notes require that a compliance certificate is issued on a quarterly basis.

Convertible Debt Securities (Contingent Convertibles)

At a Hoist Kredit extraordinary general meeting held on April 23, 2013, it was resolved to issue 111,111 of a type of convertible debt securities, so called contingent convertibles, to Roukefok Limited at a principal amount of SEK 100,000,000. The convertible debt securities were issued to strengthen the capital base of Hoist Kredit. The convertible debt securities are perpetual and are only repayable in the event of a potential liquidation of Hoist Kredit, and then subordinated to all other creditors of Hoist Kredit. The convertible debt securities carry interest of 15% per annum, which is paid out through conversion into equity and not through our profit and loss. With the prior consent of the SFSA, Hoist Kredit is entitled to redeem the convertible debt securities and repay the outstanding amount as from April 23, 2018. Furthermore, at the request of Hoist Kredit or the SFSA, the convertible debt securities may, in certain situations, be converted into equity securities for loss absorption. The convertible debt securities may only be converted at the initiative of Roukefok Limited should Hoist Kredit stop making interest payments (at the decision of Hoist Kredit, the SFSA or due to a general regulation), or under certain circumstances where there would not be any distributable reserves in Hoist Kredit or should Hoist Kredit cease to fulfil its capital base requirements. Hoist Kredit's share capital would upon conversion be increased by a maximum amount of SEK 11,111,100, corresponding to a dilution of approximately 14.3% of Hoist Kredit's current share capital. The conversion price is SEK 900. The terms and conditions of the convertible debt securities include customary anti-dilution provisions and if certain events occur, such as rights issues, mergers or reduction of the share capital, the conversion price may be recalculated, however, not to compensate for any changes in the value of the Company up to the time when converting for loss absorption takes place. The convertible debt securities will not be redeemed in connection with, or affected by, the Offering.

Contractual Obligations

For an overview of the maturity profile of our liquidity reserve as of December 31, 2014, see "*Operating and Financial Review—Key Factors Affecting Our Results of Operations—Funding and Liquidity Reserve—Our Funding Sources and Liquidity*."

In addition, we use operating assets through operating lease agreements, including leases for our headquarters and other offices. The table below sets forth aggregated minimum lease payments under our non-cancellable operating leases.

1 The reported capital cover ratio for December 31, 2014 is calculated on the basis that the SEK 414 million net paid-up capital from the new ordinary shares issued for cash in May and December 2014 is included as CET1, although formal approval from the Swedish FSA to include such capital was not applied for until January 2015 and not obtained until March 2015. Excluding such capital, the Group's capital cover ratio for the year ended December 31, 2014 would have been 1.15.

	As of December 31, 2014		
	Due within one year	Due between one year and five years	Due after five years
		(SEK in millions)	
Operating leases	27,564	68,397	8,075

Other Financial Obligations: Pension Obligations

For a description of certain pension plans and obligations, see Note 5 and Note 20 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

Off Balance Sheet Arrangements

We sometimes purchase debt portfolios by way of forward flow agreements, whereby we agree to buy claims at a pre-defined price or price range for a given volume from a debt originator client on an ongoing basis. We estimate the amount of these contractual agreements to be SEK 229.9 million for 2015, see Note 24 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum. While the proportion of our business that comes from forward flow agreements is currently small, these agreements could potentially grow in size if the supply in the market increases, see "*Risk Factors—Risks Relating to Our Industry and Business—Forward flow agreements may contractually require us to purchase debt portfolios at a higher price than desired*."

We lease offices, IT hardware and vehicles under non-cancellable operating lease agreements. As of December 31, 2014, our total obligations for rental payments under these non-cancellable leases was SEK 104.0 million, see Note 25 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

We continuously hedge our assets denominated in foreign currencies. As of December 31 2014, we had exposures in EUR, GBP and PLN, all of which are hedged using currency swaps. All outstanding derivatives are valued at fair value and gains/losses are continuously accounted for in our annual income statement. As of December 31, 2014, the value of derivative instruments related to our assets amounted to SEK 0 million and the value of derivative instruments related to our liabilities amounted to SEK 246.7 million, see Note 27 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

Quantitative and Qualitative Disclosures about Financial Risk

Market Risk

Foreign Exchange Risk

Generally, market risk represents the risk to profit and capital arising from adverse movements in exchange rates and interest rates for risky assets held for trading, such as bonds, securities, commodities or similar. Market risk that has an adverse impact on our income statement, balance sheet and/or cash flows arises mainly as a result of: (i) the currency used in the consolidated financial statement is different from the functional currency of the subsidiaries (translation risk); and (ii) assets and liabilities being stated in different currencies and certain revenue and costs arising in different currencies (transaction risk).

Transaction Risk: In each respective country, all revenue and the major part of the expenses are in functional currency, which means that foreign exchange rate fluctuations only have a minor impact upon our profit in local currency. Income and costs in local currencies are thus hedged in a natural way, which mitigates transaction exposure. We have strict limits for single currency exposures. The maximum limit for an open foreign exchange position is approximately 2.0% to approximately 3.5% (depending on which currency that is assessed) of the exposure amount per currency.

Translation Risk: We operate in nine countries. Our accounts are denominated in SEK, while a majority of our business is carried out in EUR, GBP and PLN. The results and financial position of our subsidiaries are reported in the relevant foreign currencies and later translated into SEK for inclusion in our consolidated financial statements. Furthermore, our receivables portfolios (assets) are mainly denominated in foreign currencies, while our deposits raised from the public (liabilities) are denominated in SEK. Consequently, fluctuations in SEK exchange rates against these currencies affect our revenue and earnings, as well as equity and other items in our financial statements. Group Treasury calculates our unhedged exposure to the aggregate value of assets denominated in currencies other than SEK and not covered by hedge agreements. Thereafter, our translation exposure is hedged continuously using derivative contracts (mainly forward contracts and swap contracts). Our net currency exposure is distributed by currency as follows:

	For the year ended December 31,		
	2014	**2013**	**2012**
	(*SEK thousands*)		
EUR	42,030	30,684	9,837
GBP	82,978	7,438	(8,974)
PLN	12,557	15,758	7,496
Total (positive and negative) exposure	**137,565**	**53,880**	**26,307**

If these currencies would have weakened/strengthened by 10% on average against the SEK, everything else being equal, our consolidated net profit would have increased/decreased by approximately SEK 14 million. This is the accounting method of measuring foreign currency sensitivity, which on its own may provide an incomplete picture of our foreign exchange rate exposure. We also use other methods and perspectives to assess our foreign exchange rate exposure, including those taking into account the correlation between different currencies and their respective contribution to the overall risk.

Interest Rate Risk

Interest rate risk arises from two sources: the risk that the net interest income is affected negatively by fluctuations in the prevailing interest rates and the risk of losses due to the effect of interest rate changes upon the values of assets and liabilities. The difference between interest income and financing cost (net interest income) may result in a weaker profitability. An interest rate increase would have a negative impact upon our profit to the extent interest rates and interest costs on loans and deposits from the general public are affected by the increase in market rates at the same time as income from receivables portfolios remains unchanged.

Other interest rate risk pertains to the fluctuations in fair values of balance sheet items, primarily certain acquired loan portfolios as well as our excess liquidity that has been invested in a bond portfolio. We aim at a high level of financial flexibility in order to satisfy future liquidity requirements. Placements are thus made in interest-bearing securities with short maturities and high liquidity. Group Treasury mitigates interest rate risk by continuously hedging our interest rate exposure through interest rate swaps in SEK. Generally, the maturity of the swaps is less than 12 months. We do not apply hedge accounting according to IFRS with respect to interest rate risk.

Liquidity Risk

Liquidity risk is the risk of being unable to meet our payment obligations due to insufficient availability of cash and cash equivalents or being unable to meet our payment obligations without significantly higher financing costs. Our revenues and costs are relatively stable, therefore liquidity risk is linked primarily to our funding through deposits from the general public and the risk of large redemptions occurring at short notice. The overall objective of our liquidity management is to ensure that we maintain control over our liquidity situation leaning back on sufficient cash and cash equivalents or instantly sellable assets in order to fulfill our payment obligations in due time without incurring high extra costs. During the financial year, we have had a total liquidity reserve that well exceeds the requirements according to our treasury policy.

We have a diversified funding base with varying maturities, both in the form of senior unsecured bonds and through deposits from the public. Although most of the deposits from the general public are payable on demand, based on behavior in the past, we believe a large portion can be treated as longer maturity. In addition, approximately 30% of our deposit base is locked in longer maturities, so-called term deposits, with maturities ranging from 12 to 36 months. In accordance with our treasury policy, we keep “available liquidity” of at least 30% of the total deposit base to reflect the nature of the deposits. As of December 31, 2014, the liquidity reserve was 50.3% of the total deposit volume (50.4% as of December 31, 2013).

We have adopted numerous other strategies complementary to the diversified funding structure with the aim of minimizing liquidity risk. The handling of our liquidity risk is centralized and handled by the Group Treasury. The results of the liquidity management are reported on a regular basis to the Board of Directors. In order to monitor our liquidity position and mitigate liquidity risk, we use weekly/yearly liquidity forecasting systems, which provide ongoing information on imminent, medium-term and long-term liquidity needs, and minimize the risk of facing unforeseen liquidity requirements. We perform stress tests on our liquidity position. Liquidity placements are made in low-risk, high-liquidity interest-bearing securities; *i.e.*, with an established second-hand market which allows for cash conversion if needed, or in the overnight market. Additionally, there is an adopted contingency plan concerning liquidity risk, which, among other things, identifies special events that can trigger the contingency plan and what actions must be taken.

Credit risk

Credit risk is the risk of a negative impact to earnings and capital arising from a customer's failure to repay principal or interest at the stipulated time or other failure to perform as agreed. Credit risk on our balance sheet relates mostly to: portfolios of consumer loans, cash deposits with banks, bonds and other interest-bearing securities, and derivatives transactions entered into with banks for the purpose of hedging our foreign exchange and interest rate exposure.

The non-performing loans are acquired in portfolios at a discount to the face value (principal amount) outstanding at the time of acquisition. The price depends on the specific characteristics and composition of the portfolios with respect to, for instance, the size, age, and type of the receivables, as well as the age, location and type of customers. The credit risk is that we overpay for a portfolio and recover less from the portfolio than expected, ultimately leading to higher than expected impairments of portfolio carrying values. The majority of the loans are unsecured; however, a limited number of portfolios have properties as collateral. These portfolios had a carrying value of SEK 300 million as of December 31, 2014. Information concerning the geographical distribution of portfolios, the analysis of the opening and closing balance and other portfolio-based information is contained in Note 1 and Note 13 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

The risk that the acquired loan portfolios do not pay as expected is monitored on a monthly basis by our business control team as actual returns are compared to forecasts and our risk control function monitors, and independently evaluate, this risk twice a year. From a historical perspective, actual performance has been consistent with forecasts with only a minor aggregated deviation.

The credit risk associated with lending to credit institutions is managed in accordance with our treasury policy, which regulates the share that may be invested in assets issued by individual counterparties. There are, among other things, restrictions on exposures given the credit ratings of the counterparties. In general, counterparties may not have an S&P credit rating below "A-". As of December 31, 2014, the weighted average maturity for the assets of the bond portfolio was 1.65 years and the duration was 3.7 months, see Note 28 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum. The credit risks that arise from fixed income instruments or derivative transactions are handled in the same way as other credit risks; namely, they are co-limited with other exposures and checked against limits.

Significant Accounting Policies

See the section "Accounting Principles" of our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

REGULATORY OVERVIEW

The Group's business is subject to regulation, regulatory supervision and licensing requirements. Regulations include requirements on suitability of qualified owners, organizational structure of the Group and capital adequacy; the latter having a particularly significant effect on the Group's business. The Group's operations are independently subject to regulatory requirements and obligations including financial regulations, and laws regarding debt collection and data protection. The laws that originate from the EU are to a large extent uniform across all jurisdictions within which the Group operates, however national law and regulations vary across jurisdictions. Although Hoist Kredit is the only entity regulated as a Credit Institution, the application of regulations to it will impact the Group as a whole, and thereby impact Hoist Finance's and Hoist Kredit's subsidiaries. In addition to the requirements imposed by the Group's regulator, the Group has adopted several policies and guidelines, which apply also to the subsidiaries' business.

Banking and Financing Business Related Regulation

General

The EU regulatory environment

In recent years, banking and financing business has been subject to increased regulatory measures on an EU level. This has resulted in new regulations and directives, such as **CRR** and **CRD**, both which have had and will continue to have a huge impact not only on the Group but also on the originators from whom the Group acquires its debt portfolios.

In addition to new regulations, new authorities have been established on an EU level, such as for example the European Banking Authority ("**EBA**") which works to ensure effective and consistent prudential regulation and supervision across the EU banking sector and to elaborate an European "Single Rulebook" in banking whose objective is to provide harmonized prudential rules for financial institutions throughout the EU. The EBA also promotes convergence of supervisory practices and is mandated to assess risks and vulnerabilities in the EU banking sector. Under some EU regulations, EBA is mandated to adopt binding technical standards. In addition thereto EBA publishes guidelines, recommendations and opinions. Although non-binding publications are not mandatory to comply with, they do have an effect on the market practice and on the way of interpreting the regulations which in fact are mandatory. One of the EBA guidelines especially worth mentioning is the "Guidelines on internal governance" ("**GL44**") aiming at enhancing and consolidating supervisory expectations and to ultimately improving the sound implementation of internal governance arrangements.

The Swedish regulatory environment

Hoist Kredit has a license from the SFSA to conduct financing business under the Swedish Banking and Financing Business Act (*Sw. lag (2004:297) om bank-och finansieringsrörelse*) (the "**BFBA**"), and is consequently designated a "Credit Market Company" (Sw. *kreditmarknadsbolag*) and a "Credit Institution." Hoist Kredit is thus permitted to conduct regulated business activity such as taking deposits from the general public, lending and collecting on its own debt instruments.

The SFSA supervises, *inter alia,* banks and other Credit Institutions, investment firms and insurance companies in Sweden. Although the main regulatory framework in Sweden is in the form of regulations adopted by the European Parliament and legislation adopted by the Swedish Parliament, generally, the SFSA has a wide mandate to regulate the operations of financial companies with regard to, among other things, capital adequacy under the CRD IV Framework, governance, risk management and control, customer protection and procedures for the prevention of money laundering and terrorism financing in more detail and such regulations are to be found in the SFSA's Regulatory Code (Sw. *författningssamling*).

The SFSA oversees Hoist Kredit's business and to some extent the business conducted by the other members of the Group, and the SFSA performs its supervision in various different ways; Hoist Kredit is obliged to submit reports to the SFSA on a regular basis; several actions, requires the prior consent of the SFSA; Hoist Kredit must give the SFSA such information which the SFSA requests and the SFSA may make on-site visits at Hoist Kredit's premises.

If the SFSA determines that the Group is in breach of its obligations under the BFBA or other applicable laws or regulations, the SFSA may impose administrative sanctions on Hoist Kredit and may ultimately revoke its license to conduct financing business.

The structure of Hoist Finance from a financial regulation perspective

One of the main reasons for harmonizing the banking and financing business within the EU, is to ease the administrative burden for a company that holds a license in one jurisdiction when conducting business in other jurisdictions. Generally, Hoist Kredit is only subject to the Swedish regulatory environment, and not any other national financial regulation, and the SFSA is the primary supervisor.

When a licensed entity wishes to conduct licensed activities in other jurisdictions, this can be done either by establishing a branch or by conducting business itself in such new jurisdiction, the latter is referred to as "passporting the license."

Hoist Kredit has established branches in Belgium and the Netherlands and is thereby subject to scrutiny from local regulators in these jurisdictions in addition to the supervision conducted by the SFSA. Hoist Kredit has also passported its license to conduct financial business into France, Italy, Greece, the Netherlands, Germany and Austria and the SFSA has notified the local regulators in each of these jurisdictions that Hoist Kredit will conduct business there.

A large part of Hoist Kredit's business is conducted through its subsidiaries, and some of the regulations in the BFBA also apply to Hoist Finance as the "parent financial holding company" of Hoist Kredit as well as to the subsidiaries of Hoist Kredit (see " *—Prudential Consolidation*").

Following the acquisition of Navi Lex in Poland, we are licensed by the Polish Financial Supervisory Authority (Pol. *Komisja Nadzoru Finansowego*) to service assets of securitization funds, which is the typical structure used to purchase NPLs in Poland.

Ownership and Management Assessment

Before a shareholder acquires a direct or indirect holding in Hoist Kredit which exceeds certain thresholds (10%, 20%, 30% or 50% of the capital or votes or that Hoist Kredit becomes a subsidiary) or before a shareholder otherwise obtains a direct or indirect substantial influence over Hoist Kredit (in each case, a "qualified shareholder"), such qualified shareholder must seek the permission of the SFSA. Generally, such permission shall be granted if the acquirer is deemed to be suitable and the acquisition is deemed to be financially sound and the assessment will be made based on the acquirer's reputation and capital strength, the suitability of the person directing the business of the acquirer and whether there are reasonable grounds to suspect that the acquisition is in any way related with money laundering or the terrorist financing. Further, the SFSA will consider whether the acquirer will impede, or may be anticipated to impede, the operations of the credit institution from being conducted in a manner compliant with certain applicable laws.

Furthermore, directors, deputy directors, the managing director and the deputy managing director of Hoist Kredit must be approved by the SFSA pursuant to the Swedish rules regarding management assessment. Additionally, the SFSA must provide prior approval before any of the aforementioned persons can become a member of the senior management of a qualified shareholder often referred to as ownership management assessment (Sw. *ägarledningsprövning*) by the SFSA.

Prudential Consolidation

According to CRR and BFBA, although only one entity within a group is regulated, certain regulations may apply to certain other members of such licensed entity's group. This is referred to as "prudential consolidation," and the consolidation does not necessarily take place on an institution level, which the Group is an example of. In the Hoist Group, Hoist is deemed to be a "parent financial holding company" and the consolidation applies in relation to all its current subsidiaries, making the Hoist Group a "Consolidated Situation" (in previous regulations, the term "financial group of undertakings" (Sw. *finansiell företagsgrupp*) was used). Therefore, the various relevant capital requirements (see "*—Capital Adequacy Regulation"*) are generally applied on a consolidated group level and the BFBA stipulates that certain of the provisions in the BFBA will apply to each member of the consolidated situation. Consequently, Hoist Finance and the subsidiaries of Hoist Kredit will have to abide by a stricter regulatory environment than what would otherwise be necessitated by the business which each entity conducts itself.

Although certain regulations will apply on a consolidated group level, the extent to which they apply may vary. Notwithstanding that there may be no strict requirement to apply the regulation primarily applicable to Hoist Kredit, Group-level guidelines and policies have been adopted.

Organizational Structure Requirements

The BFBA stipulates the fundamental conditions that will apply to a Credit Institution, and to some extent also to the entire consolidated group; including provisions regarding financial soundness, risk management and transparency. The SFSA has issued regulations on how these requirements shall be implemented. For example, one of the central regulations are the Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1) (Sw. *Finansinspektionens föreskrifter och allmänna råd om styrning, riskhantering och kontroll i kreditinstitut*), which is based on GL44.

It is the Board of Directors of Hoist Kredit that has the overall responsibility for implementing an appropriate, transparent organizational structure with a clear allocation of functions and areas of responsibility that ensure sound and efficient governance of the regulated entity and enable the SFSA to conduct efficient supervision. The Board of Directors must adopt policies and guidelines to the extent necessary to implement routines to make the regulated entity compliant and the regulated entity must have a risk control function, a compliance function as well as an internal audit function, which each shall supervise and control the day-to-day business. Each such function must report directly to the Board on a regular basis. Due to the prudential consolidation that applies to the entire Group (see "*—Prudential Consolidation*"), many of the policies and guidelines that are adopted by Hoist Kredit, are adopted in respect of the whole Group. Furthermore, the risk control function, the compliance function and the internal audit function also supervise the operations of the subsidiaries and report their observations to the Board of Hoist Kredit.

Business Related Requirements

A Credit Institution may only conduct financing operations and operations naturally connected therewith. Furthermore, the BFBA stipulates that a Credit Institution does not have an unfettered right to hold property; generally, it may only hold property required for the conduct of its operations. The holding of shares and units are specifically regulated in CRR. The aforesaid will apply also in relation to each entity which is part of the consolidated situation (see "*—Prudential Consolidation*").

Subject to prior authorization by the SFSA, a Credit Institution may acquire property where the consideration paid by the Credit Institution corresponds to more than 25% of its own funds (Sw. *kapitalbas*). Although authorization shall be granted unless it can be assumed that the acquisition will result in the violation of the BFBA or other statutes, *i.e.* the SFSA does not assess any commercial aspects, the relevant provision results in an administrative requirement that must be observed. As the acquisition of a debt portfolio is to be seen as an acquisition of property, the acquisition of a debt portfolio may under the abovementioned circumstances require prior written consent by the SFSA.

Capital Adequacy Regulation

As a result of the latest global financial and economic crisis, a number of regulatory measures have been taken to amend or implement rules and regulations, which are likely to have an impact on the financial industry, and will affect also the business of the Group. Such measures include, but are not limited to, requirements for liquidity, capital adequacy and handling of counterparty risks, and regulatory tools provided to authorities to allow them to intervene in scenarios of distress.

On December 16, 2010, the Basel Committee on Banking Supervision published its final guidelines for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions and on January 13, 2011 (the "**January 2011 release**"), it published the minimum requirements for regulatory capital to ensure loss absorbency at the point of non-viability.

The implementation of the Basel III Framework in the EU is accomplished through the CRD IV Framework (pursuant to which the member states shall adopt laws and provisions applicable from December 31, 2013) and CRR, which is effective from January 1, 2014 replacing the Swedish Capital Adequacy and Large Exposures Act (Sw. *lag (2006:1371) om kapitaltäckning och stora exponeringar*) (the "**Abolished Act**"). The CRD IV Framework not only encompasses what was regulated in the Abolished Act, but further enhances the regulatory requirements which shall apply to Credit Institutions. The CRR changed, *inter alia*, the requirements as to the quality of the capital base and the requirements to be fulfilled for a capital instrument to qualify as CET 1, total tier 1 capital and tier 2 capital, respectively. In the CRR published in June 2013, a new requirement was introduced in article 26.3 for CET 1 capital instruments issued after December 31, 2014 to the effect that such instruments must be approved by the national financial supervisory authority prior to being included in an institution's CET 1 capital. In a subsequent corrigendum published separately in August 2013, the implementation date for this new requirement was changed to June 26, 2013.

On May 8, 2014, the Swedish Government submitted legislative proposals for implementation of the directive into Swedish law (prop. 2013/14:228), which were proposed to be made by changing various laws in place but also by way of enacting a new law on capital buffers and a new act on special supervision on credit institutions and securities companies (special supervision). The Capital Buffer Act (2014:966) and the act (2014:968) on credit institutions and securities companies (special supervision) entered into force on August 2 2014, as did a majority of the changes to other regulations proposed by the Government. The Capital Buffer Act stipulates that an institute, in addition to the tier 1 capital requirement stipulated in CRR, shall have a common equity tier 1 capital corresponding to the total combined capital buffer requirement for such institute. The requirements vary from one institute to another and may vary over time. The capital conservation buffer is a permanent increment that applies to all credit institutions and securities companies and shall amount to 2.5% of the total risk-weighted exposure, and shall be complied with both on an institute level and on a group level. Other buffers, such as the countercyclical capital buffer is determined by the SFSA, and the SFSA has determined that the countercyclical capital buffer shall be activated in Sweden and amount to 1% as from 13 September 2015. An institution that does not comply with the combined capital buffer requirements will, *inter alia*, be subject to restrictions on dividends, bonus payments and distributions on additional tier 1 instruments and is required to file a capital conservation plan with the SFSA showing how the institution shall reach the combined buffer requirement.

Further, on June 6, 2012 the European Commission proposed a new Directive on a comprehensive framework for dealing with ailing banks (Proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms, COM(2012) 280/3 (the "**Crisis Management Directive**"). On May 15, 2014 Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was adopted, often referred to as the Bank Recovery and Resolution Directive (the "**BRRD**"). The BRRD, partly codifying the objectives of the Crisis Management Directive, aims to halt public bailouts and introduce so-called bail-ins as a crisis management tool. Bail-ins require creditors of a distressed institution to accept some losses in order to save the relevant institution. The BRRD envisages implementation into national law by January 1, 2015. In Sweden the government financial crisis committee submitted its report (SOU 2014:52) that included legislative proposals for implementation of the BRRD into Swedish law in June 2014. However, the Government has not yet proposed any new legislation to implement BRRD.

Taking Deposits from the General Public

Hoist Kredit may through its license under the BFBA take deposits from the general public. Credit institutions, securities companies and some other institutions that take deposits from the general public may, as regulated in the Deposit Insurance Act (Sw. *lag (1995:1571) om insättningsgaranti*), apply with the Swedish National Debt Office (Sw. *Riksgälden*) that one or several of its saving account types shall be covered by the deposit insurance (Sw. *insättningsgarantin*), which has been established to protect customers should an institution go bankrupt or if the SFSA otherwise decides that the deposit insurance shall become effective. Since October 6, 2008, the deposit insurance covers all types of accounts, regardless if the account is available for immediate withdrawal or not. Should the deposit insurance become effective, each individual will be entitled to a maximum of EUR 100,000 per person and per institution. All covered institutions pay an annual fee. Out of Hoist Kredit's current types of accounts, 98% are covered by the deposit insurance.

The SFSA has issued regulations pertaining to a deposit taking company's information system to manage data relating to deposits and account holders. The SFSA requires companies that take deposits from the general public to identify risks, establish internal processes to handle the identified risks and otherwise establish routines in relation to the processes made in relation to its data systems and programs. Some of the more central requirements in the aforementioned regulations are that Hoist Kredit must have the administrative routines to ensure that only authorized personnel have access to the relevant technical functions and that the depository information is secured, that the information that its data programs compiles is correct and that, if there would be an interruption, the operation of the relevant systems can be restored.

Debt Collection

Debt collection is a regulated business and subject to licensing requirements in several of the countries where the Group operates and provides debt collection services. Each Group subsidiary holds a license, granted by the local supervisory authorities, to offer debt collection services, if required in the relevant jurisdiction.

Debt collection business is regulated on a national level, but not on an EU level, and the regulation may therefore differ between the various jurisdictions where the Group operates. The regulations cover, among other things, the length of time after which an unpaid debt may not be pursued by creditors (the statute of limitations); the ways in which the statute of limitations can be tolled so that a debt can remain collectible; the amount of information about a debtor available to a debt collection company; the ways in which a debtor can be contacted and a debt collected; and the types of fees and costs that can be imposed, and whether those fees and costs are to be passed to the debtor and/or the client.

Also regulations of more general nature will apply, such as for example general civil and commercial rules as well as general consumer protection laws and regulations. In the countries where there is no licensing requirements and/or no specific regulation have been adopted in relation to debt collection operations, the Group has to observe such general regulations.

United Kingdom

As a debt purchaser and provider of debt collection services in the UK, the industry is currently undergoing a process of substantial regulatory change. Regulatory responsibility for debt collection transferred from the Office of Fair Trading ("**OFT**") to the FCA on April 1, 2014. This transition was intended to facilitate stronger consumer protection through enhanced supervision and enforcement powers, at the same time as creating more flexibility to allow the FCA to regulate the diverse business types in the consumer credit sector in a proportionate manner.

FCA Regulatory Regime

The transition means that we, through our subsidiaries Hoist Finance UK and Robinson Way, have become subject to a new statutory regime; namely, the Financial Services and Markets Act 2000 ("**FSMA**"). The FSMA and its related secondary legislation are supported by the detailed FCA Handbook of Rules and Guidance (the "**FCA Rules**") and the associated FCA supervision and enforcement powers. As a result, we will become subject to various detailed conduct of business obligations, as well as requirements for individual FCA assessment and approval from a fitness and propriety perspective of the firm's senior management and controllers. At the same time, however, many of the specific statutory requirements governing consumer credit activity under the pre-existing Consumer Credit Act 1974, as amended, (the "**CCA**") will continue to co-exist alongside the FSMA regime, with the FCA assuming the OFT's former responsibility regarding enforcement of this legislation. Furthermore, the FCA has created a new sector-specific "CONC" rulebook (the "**Rulebook**"), which applies to consumer credit firms such as ourselves. Among other things, the Rulebook incorporates some of the previous CCA provisions and historic OFT guidance.

License Types and New Rules Applicable

The key areas of FCA regulation that apply to us under the FCA regime include, for example, "Threshold Conditions" for authorization (including adequate resources and "suitability" of firms and their affiliates from a fitness and propriety perspective), "Principles for Businesses" (breach of which is enforceable by FCA fines and other enforcement actions), requirements on systems and controls, directors and other senior management/key staff requiring individual FCA approval and being subject at an individual level to FCA principles and enforcement powers, regulatory reporting, complaints handling, and financial crime/anti-money laundering. We are also subject to FCA guidance on "Treating Customers Fairly" ("**TCF**"), which sets out the FCA's expectations in relation to a regulated business treatment of its customers.

Transitional Arrangements

The FCA has provided for certain phase-in arrangements in order to enable existing consumer credit providers such as ourselves to manage the transition from OFT regulation to FCA regulation more effectively. The FCA has split firms into "application periods" between October 2014 and April 2016. We have been informed by the FCA that our application period will be from July 1, 2015 to September 30, 2015. In connection with the application, we will be subject to an assessment process before we will be granted full authorization and an interim permission regime will apply to us until the FCA makes its final decision on our application for full FCA authorization.

Further Ongoing Statutory Obligations

Key ongoing obligations arise under the Unfair Terms in Consumer Contracts Regulations 1999 (as amended, the "**UTCCR**"), and as a result of the interaction of the UTCCR with the CCA. Both the CCA and the UTCCR set out specific requirements for the entry into and ongoing management of consumer credit arrangements.

This legislation applies both to our activities and to those of any initial credit provider with whom we have a relationship. The principal aim of the legislation is consumer protection. These legal requirements oblige creditors, among other things, to: provide customers with credit agreement documentation, containing prescribed provisions, at the outset; enable customers to obtain copies of credit agreement documentation; not take certain recovery, collection or enforcement action unless prescribed forms of post contractual notices have been served and a prescribed period of time has elapsed; and ensure that their credit agreements do not contain unfair terms (any unfair terms are not binding on the customer).

On January 23, 2014, the Consumer Rights Bill (the "**Consumer Rights Bill**") was formally introduced to the House of Commons. The adoption of the Consumer Rights Bill would result in a reform of consumer law in the United Kingdom including the revocation of the UTCCR. The substantive provisions of the UTCCR have, however, been retained in the draft Consumer Rights Bill, which aims to merge the provisions of the UTCCR with the provisions of the (wider scope) Unfair Contract Terms Act 1977 to consolidate and clarify the two regimes. The Consumer Rights Bill is currently making its passage through Parliament and is expected to come into force in 2015.

Anti-Money Laundering and Terrorist Financing

A company that has been licensed under the BFBA must comply with the Money Laundering and Terrorist Financing (Prevention) Act (Sw. *lag (2009:62) om åtgärder mot penningtvätt och finansiering av terrorism*) ("**MLA**") and must, prior to entering into a business relationship with a new customer, verify the identity of such a customer and collect information regarding the purpose of the business relationship. Further, an entity which falls under MLA must review the transactions undertaken by its customers and if the entity has reasons to suspect that a customer may be involved in money laundering or terrorist financing, the entity must notify the police. Further, the entity shall refrain from executing such transactions which it suspects, or has reasonable ground to suspect, may constitute an element of money laundering of terrorist financing. Hoist Kredit has adopted policies and routines in order to ensure compliance with the MLA legislation, and the relevant personnel are trained in these matters on a regular basis.

Anti-money laundering matters are managed at both Group level and local level. For example, entities in Jersey that are carrying out "lending activities" are required to comply with local regulations regarding procedures and appointment of anti-money laundering reporting officers. In connection with contacting the JFSC to discuss a potential increase of our operational presence in Jersey, our two subsidiaries in Jersey have reviewed their existing operations and, as a result of such review and discussions with the JFSC, the JFSC has determined, for purposes of anti-money laundering regulation, that these subsidiaries have been carrying out "lending activities," We are currently in discussion with the JFSC regarding to what extent these subsidiaries can rely on the existing anti-money laundering organization within the Group companies that are managing and collecting on the portfolios held by the Jersey entities. The discussion with the JFSC regarding our anti-money laundering organization and the requirement to implement local anti-money laundering procedures and appoint reporting officers is expected to be finalized during 2015. We do not expect any other consequences from the JFSC's assessment that our Jersey subsidiaries are carrying out "lending activities" beyond the implementation of required local procedures and appointment of reporting officers; however, there can be no assurances that the discussions will be finalized in accordance with these expectations and that we will not be subject to any sanctions. See "*Risk Factors—Risks Relating to Regulation—As a debt purchasing company, we are subject to applicable regulations in the jurisdictions in which we operate and changes to the regulatory environments, or any failure to comply with applicable laws, regulations and codes of practice, may negatively affect our business*."

Data Protection

The processing of personal data is a central part of the Group's business, both in relation to debt portfolios acquired and when taking deposits from the general public as well as to its employees, customers and suppliers. The processing of personal data by companies established within the EU is governed by the EU Data Protection

Directive (95/46/EC), which each member state has implemented into national law. The Data Protection Directive has been translated into national law and may therefore vary across European countries. The Data Protection Directive requires that personal data be collected only for specified, explicit and legitimate purposes and may only be processed in a manner consistent with these purposes. Further, personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed and it must not be kept for a longer period of time than necessary for the purposes of the collection.

The Group is subject to the supervision of local Data Protection Authorities (DPA) in each country where it is established. The Group has established data protection processes in order to comply with the relevant regulatory environments. The Group's data protection processes include established data protection policies, information security policies, data retention policies and procedures for handling data subject requests.

As mentioned above, the protection of personal data is regulated on an EU level. The European Commission published its draft EU Data Protection Regulation on January 25, 2012, which proposed substantial changes to the EU data protection regime. For example, the proposal recommended the replacement of the current national data protection laws by an EU regulation. The regulation will, if implemented, likely strengthen individuals' rights and impose stricter requirements on companies processing personal data. The regulation proposes the implementation of substantial fines of up to EUR 1 million or 2% of the global turnover on a group basis, whichever is greater, for some breaches of the regulation. Furthermore, the regulation proposes stricter requirements and internal processes for the transparency of processed data of individuals, requirements on computer safety measures and controls, increased rights of individuals to demand the deletion of processed data and obligations to demonstrate compliance with the regulation, including submitting data breach notifications to the relevant DPA. On March 12, 2014, the European Parliament formally passed a revised proposal of the regulation that further strengthened individuals' rights and proposed stricter sanctions with fines of up to EUR 100 million or 5% of the global turnover on a group basis, whichever is greater. As a next step, the proposal will be presented to the EU Council of Ministers for the purpose of establishing a common position. The proposal will also require negotiations between the European Commission, the European Parliament and the EU Councils of Ministers before it can come into force (if it will come into force at all). If adopted in its current form, the regulation will become directly applicable throughout the EU after two years. Decisively, if adopted, the regulation will have an impact on the business of the Group, but it is difficult at this stage to know what impact it will have.

BOARD OF DIRECTORS, GROUP MANAGEMENT AND AUDITOR

Board of Directors

According to the Company's Articles of Association, the Board of Directors shall consist of three to nine members elected by the shareholders at a general meeting. The Board of Directors currently consists of seven members elected by the annual general meeting held on February 25, 2015 for the period until the end of the 2016 annual general meeting.

Pursuant to requirements of the Swedish Code of Corporate Governance (the "**Code**") more than half of the members of the Board of Directors elected by the general meeting must be independent of the Company and the Group Management. This requirement does not apply to employee representatives. There is no defined standard as to what is meant by "independent," but the independence of a member of the Board of Directors may be questioned, for example, in cases where the member of the Board of Directors, directly or indirectly, has extensive business contacts or other extensive financial dealings with the Company. An overall assessment of a Board member's relationship to the Company shall be made in each individual case. As regards the composition of the Company's Board of Directors, two members of the Board of Directors are employed by the Company and are thus not independent of the Company. All other members of the Board of Directors are considered independent of the Company and Group Management.

With respect to the independence of the Board of Directors, the Code requires that at least two of the Board members elected by the general meeting must be independent of the Company's principal shareholders. Principal shareholders, as defined in the Code, are shareholders who directly or indirectly control 10% or more of the shares or votes in the Company. See "*Ownership Structure and Selling Shareholders*." Those Board members must also be independent of the Company and the Group Management based on the individual assessment described above. A Board member is not deemed independent of principal shareholders if he or she is employed by or serves as a Board member of a company which is a principal shareholder. When determining whether a Board member is independent of a principal shareholder or not, the extent of the Board member's direct and indirect relations with the principal shareholder is taken into consideration. Those five members of the Board of Directors elected by the annual general meeting who are independent of the Company and Group Management are also independent of the Company's principal shareholders. Thus, the Company meets the requirements of the Code regarding the independence of the Board in relation to the Company, the Group Management and the Company's principal shareholders.

The table below sets forth the members of the Board of Directors, their year of birth, the year of their initial election, their position, whether or not they are considered to be independent as defined in the Code in relation to the Company and the Group Management as well as in relation to principal shareholders and their shareholdings in the Company as of the date hereof.

Name	Year of birth	Member of the Board of Directors since	Position	Independent of the Company and Group Management	Independent of principal shareholders	Shareholding in the Company
Ingrid Bonde	1959	2014	Chairman	Yes	Yes	—
Liselotte Hjorth	1957	2015	Member	Yes	Yes	
Jörgen Olsson	1961	2010	Member	No	Yes	4,623,879
Annika Poutiainen	1970	2014	Member	Yes	Yes	—
Per-Eric Skotthag	1949	2011	Member	Yes	Yes	—
Costas Thoupos	1969	2013	Member	No	Yes	5,194,521
Gunilla Wikman	1959	2014	Member	Yes	Yes	—

Members of the Board of Directors

Ingrid Bonde
Born 1959.
Chairman of the Board of Directors since 2014.

Other current assignments/positions: Deputy Chief Executive Officer and Chief Financial Officer at Vattenfall AB. Member of the board of directors of Loomis AB.

Previous assignments/positions within the past five years: President and Chief Executive Officer of AMF Pensionsförsäkring AB. Chairman and member of the board of directors of S:t Eriks Ögonsjukhus AB. Member of the board of directors of Vattenfall AB, Arbetsförmedlingen, Nasdaq OMX Norden AB, Svensk Försäkring Service AB, PostNord AB and Centre for Business and Policy Studies. Member of European Council of Foreign Relations and member of The Global Commission on the Economy and Climate.

Education: Master of Business Administration, Stockholm School of Economics and studies at New York University.

Holding in the Company: 0 Shares.

Liselotte Hjorth
Born 1957
Member of the Board of Directors since 2015.

Other current assignments/positions: Member of the board of directors of Kungsleden AB, White arkitekter AB, White Intressenter AB and East Capital Explorer AB.

Previous assignments/positions within the past five years: Global Head of Commercial Real Estate and Member of the Management Board, SEB AG, Frankfurt, Germany. Member of the board of directors of German-Swedish Chamber of Commerce, Swedish Chamber of Commerce Düsseldorf and the Swedish National Debt Office.

Education: Bachelor of Science in Business Administration and Economics, Lund University.

Holding in the Company: 0 Shares.

Jörgen Olsson
Born 1961.
Member of the Board of Directors since 2010.

Other current assignments/positions: Member of the board of directors of Deciso AB.

Previous assignments/positions within the past five years: Chairman of the board of directors of TRÅ Fastigheter AB, Herslow & Partners AB, Utvecklingsbolaget Gotland AB and Visby Camping Invest AB.

Education: Bachelor of Science in Business and Economics, Luleå University.

Holding in the Company: 4,623,879 Shares through Deciso AB and 296,192 warrants, entitling to subscribe for 888,576 Shares.

Annika Poutiainen
Born 1970.
Member of the Board of Directors since 2014.

Other current assignments/positions: Industrial Advisor to JKL. Owner, founder and consultant at Alpha Leon AB. Member of the Swedish Securities Council and the Consultative Working Group for Corporate Finance Standing Committee of ESMA.

Previous assignments/positions within the past five years: Head of market supervision in the Nordic region of Nasdaq i Norden. Chairman of the board of directors of the housing co-operative Lindormen nr 2.

Education: Master of Laws, University of Helsinki and Master of Laws, King's college, London.

Holding in the Company: 0 Shares.

Per-Eric Skotthag
Born 1949.
Member of the Board of Directors since 2011.

Other current assignments/positions: Advisor and member of the board of directors of SafeLine Sweden AB. Consultant at Per Eric Skotthag Enskild Firma.

Previous assignments/positions within the past five years: Executive position in Nordea Bank AB. Senior Advisor at Nordea Bank Estonia, Nordea Bank Lithuania and Nets Denmark A/S. Chairman of the board of directors of Golf i Stjärnhov AB. Member of the board of directors of Linq Capital Sweden AB.

Education: Studies in Law, Stockholm University and higher internal education at Skandinaviska Enskilda Banken, including Wallenberg Executive.

Holding in the Company: 0 Shares.

Costas Thoupos
Born 1969.
Member of the Board of Directors since 2013.

Other current assignments/positions: -

Previous assignments/positions within the past five years: Hoist Group Chief Executive Officer and Group Commercial Director.

Education: GCE Advanced Level, the United Kingdom.

Holding in the Company: 5,194,521 Shares and 49,365 warrants, entitling to subscribe for 148,095 Shares.

Gunilla Wikman
Born 1959.
Member of the Board of Directors since 2014.

Other current assignments/positions: Vice Chairman of the board of directors of Svenska Ridsportsförbundet. Member of the board of directors of AMF Fonder AB, SJ AB, Oatly AB, CEBA AB and Flyinge AB. Deputy member of the board of directors of Tiferna AB. Member of the Audit Committee of AMF Fonder AB and SJ AB. Temporary IR Manager at Eltel Networks. Owner, funder and consultant at Carrara Communication AB. Consultant at Gunilla Wikmans Enskilda Firma.

Previous assignments/positions within the past five years: Member of the board of directors of HMS Networks AB and Proffice AB. Deputy board member of the board of directors of Calem Nordic AB. Chairman of the Audit Committee of HMS Networks AB. Member of the Audit Committee of Proffice AB. Consultant at Ekman & Partners AB.

Education: Master of Business Administration, Stockholm School of Economics.

Holding in the Company: 0 Shares.

Group Management

The table below sets forth the name, year of birth, current position, the year each person became a member of the Group Management and their shareholdings in the Company as of the date hereof.

Name	Year of birth	Member of Group Management since	Position	Shareholding in the Company
Jörgen Olsson	1961	2012	Chief Executive Officer	4,623,879
Pontus Sardal	1967	2011	Chief Financial Officer and Deputy Chief Executive Officer	—
Henrik Gustafsson	1976	2014	Managing Director, Group Head of Sales and Investments	—
Anders Wallin	1964	2012	Chief Information Officer	—
Charles de Munter	1973	2013	Regional Director of Benelux, France, Italy and Poland	—
Karin Beijer	1966	2015	Chief HR Officer	—
Anne Rhenman Eklund	1957	2015	Group Head of Communications and IR	—

Members of the Group Management

Jörgen Olsson
Chief Executive Officer since 2012. See "Members of the Board of Directors."

Pontus Sardal
Born 1967.
Chief Financial Officer since 2011 and Deputy Chief Executive Officer since 2014.

Other current assignments/positions: -

Previous assignments/positions within the past five years: CFO of SEB Retail Banking. Member of the board of directors of SEB Internal Supplier AB.

Education: Bachelor of Science in Business and Economics, Karlstad University.

Holding in the Company: 0 Shares. 98,731 warrants, entitling to subscribe for 296,193 Shares.

Henrik Gustafsson
Born 1976.
Managing Director, Group Head of Sales and Investments since 2014.

Other current assignments/positions: Deputy board member of the housing co-operative Fänriken 6 and Bodrum Svenska AB.

Previous assignments/positions within the past five years: Head of Strategy and M&A of Dometic Group AB (publ). Head of M&A of Sandvik Materials Technology.

Education: Bachelor of Science in Management, London School of Economics.

Holding in the Company: 0 Shares. Holds warrants in the warrant program resolved on at the extraordinary general meeting held in 2013.

Anders Wallin
Born 1964.
Chief Information Officer since 2012.

Other current assignments/positions: Partner of LEWA Datakonsult AB.

Previous assignments/positions within the past five years: Chief Information Officer of UC AB.

Education: Master of Business Administration, Stockholm School of Economics.

Holding in the Company: 0 Shares. Holds warrants in the warrant program resolved on at the extraordinary general meeting held in 2013.

Charles de Munter
Born 1973.
Regional Director of Benelux, France, Italy and Poland since 2013.

Other current assignments/positions: -

Previous assignments/positions within the past five years: Chairman of the board of directors of the Dutch entity of EOS Netherlands. Member of the board of directors of French entity of EOS Credirec (France). Regional Director of Benelux & France of EOS Holding.

Education: International Management Program, Vlerick Business School and higher education in Business Management, Mercator Ghent, Belgium.

Holding in the Company: 0 Shares. Holds warrants in the warrant program resolved on at the extraordinary general meeting held in 2013.

Karin Beijer
Born 1966.
Acting Chief HR Officer since 2014. Will become the ordinary Chief HR Officer during the spring 2015. Consultant at Hoist Kredit through the company Co Go Consulting Aktiebolag.

Other current assignments/positions: Chief Executive Officer and deputy board member of Co Go Consulting AB. Deputy board member of A & N Beijer Consulting Aktiebolag.

Previous assignments/positions within the past five years: Member of the board of directors of Luna AB and Swedish Learning Association Ekonomisk förening. Deputy board member of B&B TOOLS Services AB. Chief Administration Officer and HR Director of B&B TOOLS AB.

Education: Organization and Sociology studies and Media and Communication studies, University of Gothenburg.

Holding in the Company: -

Anne Rhenman Eklund
Born 1957.
Group Head of Communications and IR since 2014.

Other current assignments/positions: Member of the board of directors of the non-profit association Sveriges Annonsörer and the housing co-operative Björken 11.

Previous assignments/positions within the past five years: IR and Communication Director of Axfood AB. Chairman of the Swedish Investor Relations Association.

Education: Nordic Executive Investor Relations Program, Helsinki School of Economics and studies in Strategic Communication and Marketing, Berghs School of Communication.

Holding in the Company: 0 Shares. Holds warrants in the warrant program resolved on at the extraordinary general meeting held in 2014.

Other Information on the Board of Directors and Group Management

All members of the Board of Directors and Group Management may be contacted at the Company's address Sturegatan 6, SE-114 35 Stockholm, Sweden.

Jörgen Olsson was Chairman of the board of directors of TRÅ Fastigheter AB (**"TRÅ"**) from September 16, 2008 to January 7, 2010. He was appointed by the owners to implement a restructuring of TRÅ which later resulted in a proper bankruptcy whereby a sale of the property owned by a limited partnership in which TRÅ was the general partner and holder of 99% of the shares took place. The property was, through the limited partnership, TRÅ's greatest asset. TRÅ filed a bankruptcy petition on January 14, 2010 and was liquidated on January 11, 2012. TRÅ did in principal not have any unprioritized creditors and the loss for the prioritized creditors was below SEK 1 million.

With the exemption of the case described in the immediately preceding paragraph, no member of the Board of Directors or member of the Group Management has represented a company which has been declared bankrupt or filed for liquidation in the past five years. No member of the Board of Directors or Group Management has been convicted in any case relating to fraud in the past five years. There are no, and during the past five years there have not been any, allegations and/or sanctions on the part of any authority or professional association under public law against any of these persons. No member of the Board of Directors or Group Management has in the past five years been subject to injunctions against carrying out business. No special arrangement has been entered into between major shareholders, clients, suppliers or other parties according to which any of the members of the Board of Directors or Group Management have been appointed to their present position.

No member of the Board of Directors or Group Management has any private interest that might conflict with the Company's interest. However, several members of the Board of Directors and Group Management have certain financial interest in the Company as a consequence of their holdings, direct or indirect, of Shares and/or warrants in the Company. There are no family ties between members of the Board of Directors or Group Management.

External Auditor

The most recent auditor election was at the 2015 annual general meeting, when KPMG AB with Anders Bäckström (authorized public accountant and member of FAR, the Swedish Institute for Authorized and Approved Public Accountants) as auditor-in-charge, was re-elected for the period until the end of the 2016 annual general meeting. KPMG AB has been the Company's auditor since the 2013 annual general meeting. KPMG AB's office address is Tegelbacken 4A, SE-103 23 Stockholm, Sweden.

For the period between September 2006 and July 2013, PricewaterhouseCoopers AB with Michael Bengtsson (authorized public accountant and member of FAR, the Swedish Institute for Authorized and Approved Public Accountants) as auditor-in-charge was the Company's external auditor. PricewaterhouseCoopers AB's office address is Torsgatan 21, SE-113 97 Stockholm, Sweden.

CORPORATE GOVERNANCE

Corporate Governance

Prior to listing on Nasdaq Stockholm, the corporate governance of the Company has been based upon Swedish law and internal rules and guidelines. Once listed on Nasdaq Stockholm, the Company will also comply with Nasdaq Stockholm's Rule Book for Issuers and the Code. Hoist Kredit has three series of notes listed on Nasdaq Stockholm. Hoist Kredit has therefore complied with the Nasdaq Stockholm's Rule Book for Issuers since October 2013. The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and is to be fully applied from the date of the first annual general meeting held the year after listing. Companies are not obliged to apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they feel are better in the company's particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation in its annual corporate governance report (the "comply or explain" principle). The Company does not intend to deviate from any of the Code rules. Any future deviations will be described in the Company's annual corporate governance report.

General Meetings

Pursuant to the Swedish Companies Act, the general meeting is the Company's supreme decision-making body and shareholders exercise their voting rights at such meetings. The annual general meeting must be held within six months from the end of each financial year. In addition to the annual general meeting, extraordinary general meetings can be convened. The Company's general meetings shall be held in Stockholm, Sweden.

Pursuant to the Articles of Association, notices convening general meetings shall be issued through announcement in the Swedish Gazette (Sw. *Post- och Inrikes Tidningar*) as well as on the Company's website. Announcement to the effect that a notice convening a general meeting has been issued shall be made in *Svenska Dagbladet*. Once Hoist Finance is listed, a press release in Swedish and English with the notice in its entirety will be issued ahead of each general meeting.

Right to Attend General Meetings

All shareholders who are directly recorded in the share register maintained by Euroclear Sweden five weekdays (Saturdays included) prior to the general meeting and who have notified the Company of their intention to participate in the general meeting not later than the date indicated in the notice of the general meeting, are entitled to attend the general meeting and vote for the number of shares they hold.

In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares are temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden, in order to be entitled to participate in the general meeting. Shareholders should inform their nominees well in advance of the record date.

Shareholders may attend general meetings in person or by proxy and may be accompanied by a maximum of two assistants. It will normally be possible for shareholders to register for the general meeting in several different ways, as indicated in the notice of the meeting.

Shareholder Initiatives

Shareholders who wish to have an issue brought before the general meeting must submit a request in writing to the Board of Directors. The request must normally be received by the Board of Directors not later than seven weeks prior to the general meeting.

Nomination Committee

Under the Code, the Company shall have a nomination committee, the purpose of which is to make proposals to the annual general meeting in respect of the chairman at general meetings, Board of Directors, Chairman of the Board of Directors, auditor, remuneration of the Board members (divided between the Chairman of the Board and other Board members, and remuneration for committee work), remuneration to the auditor, and to the extent deemed necessary, proposal for amendments to the instruction for the nomination committee. Up to the end of the annual general meeting held on February 25, 2015, the main tasks of the nomination committee have been carried out by the Selling Shareholders as owners of the Company.

At the annual general meeting held on February 25, 2015, it was resolved that the Nomination Committee, ahead of the annual general meeting, shall be composed of representatives of the three largest shareholders or group of shareholders listed in the shareholders' register maintained by Euroclear Sweden on the last banking day of August the year before the annual general meeting, and on all other reliable information that has been provided to the Company at this point of time, together with the Chairman of the Board. The names of the three shareholder representatives and the names of the shareholders that they represent are to be announced no later than six months before the annual general meeting. The member representing the largest shareholder shall be appointed Chairman of the Nomination Committee, unless the members of the Nomination Committee unanimously do not agree otherwise. If earlier than two months prior to the annual general meeting, one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the three largest shareholders in terms of voting rights, representatives appointed by these shareholders shall resign and the shareholder or shareholders who has then become one of the three largest shareholders in terms of voting rights shall, after having contact with the Chairman of the Nomination Committee, have the right to appoint their representatives. A shareholder that has become one of the three largest shareholders later than two months before an annual general meeting shall, instead of having the right to appoint a member of the Nomination Committee, have the right to appoint a representative that shall be co-opted to the Nomination Committee. A shareholder, which has appointed a member of the Nomination Committee, has the right to dismiss its appointed member and appoint a new member of the Nomination Committee. Changes to the composition of the Nomination Committee must be announced immediately.

The Nomination Committee shall accomplish their duties in accordance with the Code and the Company shall, upon the request of the Nomination Committee, provide the Nomination Committee with personnel resources, such as secretarial services, in order to facilitate for the Nomination Committee's work. In case of need, the Company shall also assist the Nomination Committee with reasonable costs for external consultancy services that the Nomination Committee assesses as necessary in order for the Nomination Committee to be able to complete its assignment.

The Board of Directors' Responsibilities and Work

The duties of the Board of Directors are set forth in the Swedish Companies Act, the Company's Articles of Association and the Code, the latter of which will be applicable to the Company after the listing of the Shares on Nasdaq Stockholm. The duties of the Board of Directors of Hoist Kredit are in addition thereto regulated by the Swedish Banking and Financing Act. In addition to this, the work of the Board is guided by the rules of procedures for the Board of Directors, which the Board of Directors adopts every year. The Instructions for the Board of Directors govern the division of work and responsibility among the Board of Directors, its Chairman and the Chief Executive Officer. The Board of Directors also adopts instructions for the Board committees and the Chief Executive Officer.

The Board of Directors' tasks include adopting strategies, business plans and budgets, interim report and year-end financial statements and setting policies and guidelines. The Board of Directors is also required to follow economic developments and ensure the quality of financial reporting and internal controls and evaluate operations on the basis of the objectives and guidelines set by the Board of Directors. Finally, the Board of Directors decides on major investments and changes in the organization and activities of the Company. The Chairman of the Board of Directors shall, in close collaboration with the Chief Executive Officer, monitor the Company's performance and prepare and chair Board meetings. The Chairman is also responsible for ensuring that the Board of Directors evaluates its work each year and always receives the information necessary to perform its work effectively.

Board Committees and Committee Work

Hoist Finance

The Board of Directors of the Company has three committees: the Remuneration Committee, the Risk and Audit Committee and the Investment Committee.

The main tasks of the Remuneration Committee is to prepare issues relating to compensation and other employment terms for members of the Group Management, monitor and evaluate current remuneration structures, remuneration levels and programs for variable remuneration to such members, as well as to monitor and evaluate the outcome of variable compensation schemes and the Company's compliance with remuneration guidelines adopted by the general meeting. The Remuneration Committee has three members: Gunilla Wikman (chairman), Ingrid Bonde and Per-Eric Skotthag.

The main tasks of the Risk and Audit Committee is to ensure fulfillment of the Board of Directors' supervisory duty in relation to internal control, accounting and financial reporting, audit, internal audit, compliance and risk management. The Risk and Audit Committee shall review procedures and routines for the aforementioned areas and shall also prepare the Board of Directors' report on internal control. In addition, the Risk and Audit Committee shall monitor the impartiality and independence of the auditor, evaluate the audit work and discuss with the auditor the coordination of the external and internal audit. The Risk and Audit Committee has three members: Annika Poutiainen (chairman), Ingrid Bonde and Per-Eric Skotthag.

The main task of the Board Investment Committee is to monitor the quality of our portfolio investments and investment processes. Further, the Board Investment Committee shall verify certain decisions made by the Management Investment Committee. Potential portfolio investments with a value above EUR 50 million or complex non-standard transactions always require the approval of the Board Investment Committee. The Board Investment Committee shall inform the full Board of Directors at each ordinary Board meeting about matters discussed and investment decisions made by the committee. Currently, the Board Investment Committee consists of the following three members; Liselotte Hjorth (chairman) Costas Thoupos and Jörgen Olsson.

The work of each committee is performed in accordance with written instructions and the rules of procedure for the Board of Directors stipulated by the Board of Directors. The work of the Remuneration Committee, the Risk and Audit Committee and partially the Investment Committee is preparatory in nature and does not constitute a delegation of the liability under Swedish law of the Board of Directors for these matters.

Hoist Kredit

The Board of Directors of Hoist Kredit has three committees: the Remuneration Committee, the Risk and Audit Committee and the Investment Committee.

The three committees have the same overall tasks as the three committees in Hoist Finance and consist of the same members. The Risk and Audit Committee in Hoist Kredit shall, in addition to the tasks described above, supervise the efficiency of the work performed by the internal audit function, the risk control function and the compliance function.

The work of each committee is performed in accordance with written instructions and the rules of procedure for the board of directors. The work of the Remuneration Committee, the Risk and Audit Committee and partially the Investment Committee is preparatory in nature and does not constitute a delegation of the liability under Swedish law of the Board of Directors for these matters.

The Board of Directors of Hoist Kredit has, in addition to the Board committees, implemented three other non-Board committees. The work of each committee is performed in accordance with written instructions stipulated by the Board of Directors. These committees are the Management Investment Committee, the Asset and Liability Committee and the Credit Committee and each of the committees have certain decision making powers. The Management Investment Committee is the body responsible for our investment decisions, in accordance with our investment instructions and pricing guidelines, and undertakes controls as to the performance of our portfolios. The Asset and Liability Committee is the body that decides upon the strategic planning of the company's balance sheet and the management of it, including the responsibilities for decision-making in relation to HoistSpar. The Credit Committee has certain decision making power in relation to the lending business of Hoist Kredit in accordance with the limits set by the board of directors.

The Chief Executive Officer and Group Management

The Chief Executive Officer is subordinated to the Board of Directors and is responsible for the everyday management and operations of the Company. The division of work between the Board of Directors and the Chief Executive Officer is set out in the rules of procedure for the Board of Directors and the instructions for the Chief Executive Officer. The Chief Executive Officer is also responsible for the preparation of reports and compiling information to Board meetings and for presenting such material at Board meetings.

According to the instructions for financial reporting, the Chief Executive Officer is responsible for the financial reporting in the Company and consequently must ensure that the Board of Directors receives adequate information for the Board of Directors to be able to evaluate the Company's financial condition.

The Chief Executive Officer must continually keep the Board of Directors informed of developments in the Company's operations, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

Compensation of the Members of the Board of Directors, Chief Executive Officer and Group Management

Compensation of the Members of the Board of Directors and Board Committees

At the annual general meeting held on February 25, 2015, the following compensation amounts were adopted for the current Board of Directors for the period beginning immediately after the annual general meeting until the end of the 2016 annual general meeting: SEK 1,800,000 to be paid to the Chairman of the Board of Directors and SEK 500,000 to each of the other Board members elected by the general meeting not receiving salary from the Company. In addition, it was resolved that compensation for committee work would be paid in the amount of SEK 100,000 to the chairman of the Remuneration Committee and SEK 50,000 to each of the other members of the committee not receiving a salary from the Company, and SEK 100,000 to the chairman of the Audit Committee and SEK 50,000 to each of the other members of the committee not receiving a salary from the Company, SEK 100,000 to the chairman of the Investment Committee and SEK 50,000 to each of the other members of the committee not receiving a salary from the Company. During 2014, the total compensation paid to members of the Board of Directors amounted to SEK 3,908,000.

Guidelines for Remuneration of the Chief Executive Officer and Group Management

Pursuant to the resolution by the annual general meeting held on February 25, 2015, the following guidelines apply for remuneration and other terms of employment for senior executives, which include the Chief Executive Officer and the other members of Group Management.

Remuneration to members of Group Management consists of base salary, variable remuneration, pension and other benefits. The remuneration shall encourage employees to achieve results in line with Hoist Finance's goals, strategy and vision, and encourage employees to act in accordance with Hoist Finance's code of ethics and values. Furthermore, the total remuneration shall ensure that Hoist Finance can attract, retain and motivate competent employees with the right competence.

The variable remuneration shall as a principal not exceed 50% of the base salary and shall be based on various financial and non-financial criteria determined by the Board of Directors and will be connected to the individual performance by the employee and the Group's results.

The variable remuneration shall take into consideration all the risks of Hoist Finance's operations and shall be in proportion to the Group's earning capacity, capital requirements, profits and financial position. Payment of compensation shall not impede the Group's long-term interests. Payment of variable remuneration is conditional upon the member of Group Management being compliant with internal rules and procedures and that the employee has not been responsible for any conduct resulting in significant financial losses for Hoist Finance or the business unit in question.

For members of the Group Management payment of at least 60% of the variable remuneration shall be deferred for a period of at least three years. The variable remuneration, including deferred remuneration, shall only be paid to the employee to an extent justifiable by the Group's financial situation and the performance of the Group, the business unit in question and the employee.

The Board of Directors has the right to deviate from the principles decided at the annual general meeting if there are specific reasons in a particular case.

Information regarding Hoist Finance's pension commitments and other previously resolved compensation which have not become due for payment, is set out in our audited consolidated financial statements as of and for the year ended December 31, 2014, Note 5 and Note 20.

Current Terms of Employment for the Chief Executive Officer and Group Management

Remuneration

Remuneration and other benefits for the Group Management consist of base salary as well as a variable bonus of up to 50% of a yearly salary, of which 60% is postponed with payouts in equal parts during three years. The Chief Executive Officer is currently only entitled to a fixed monthly salary of SEK 600,000.

During 2014, the total remuneration to the Chief Executive Officer amounted to SEK 7,612,000, of which SEK 7,416,000 consisted of salary and SEK 196,000 consisted of other benefits. In addition, the aggregated pension premiums to the Chief Executive Officer, in addition to statutory pensions, amounted to SEK 2,830,000 for 2014.

During 2014, the total remuneration to the Group Management, excluding the Chief Executive Officer, amounted to SEK 16,975,000, of which SEK 13,060,000 consisted of salaries, SEK 3,459,000 consisted of bonus payments and SEK 456,000 consisted of other benefits. In addition, the aggregated pension premiums to the Group Management, excluding the Chief Executive Officer, in addition to statutory pensions, amounted to SEK 1,238,000 for 2014.

Warrant Programs

At an extraordinary general meeting held on December 6, 2013, it was resolved to issue warrants to key executives. 11 employees acquired in total 819,465 warrants within the scope of the employment warrant program for key executives. 57,593 warrants have since been repurchased and cancelled by the Company. Each warrant entitled the holder to subscribe for one new Share at an exercise price of SEK 48.42 per Share. According to the terms and conditions of the warrants, the exercise price and the number of Shares each warrant entitles the holder to subscribe for have been recalculated. Each warrant now entitles the holder to subscribe for three new Shares at an exercise price of SEK 16.14 per Share. The warrants may be exercised as from the first day after the Company's Shares are admitted to trading on Nasdaq Stockholm until December 31, 2016. Upon full exercise of the outstanding warrants the share capital will increase by SEK 761,872. The holders are subject to certain obligations to offer the Company, or any person appointed by the Company, to, under certain circumstances, repurchase some or all warrants or Shares which have been subscribed for by exercising the warrants, as applicable. Upon full exercise of the outstanding warrants, Hoist Finance would receive proceeds amounting to approximately SEK 36.9 million.

At an extraordinary general meeting held on October 22, 2014, it was resolved to issue warrants to key executives. 26 employees acquired in total 222,041 warrants within the scope of the employment warrant program for key executives. Each warrant entitled the holder to subscribe for one new Share at an exercise price of SEK 190.20 per Share for 194,748 of the warrants and at an exercise price of SEK 166.40 per Share for 27,293 of the warrants. According to the terms and conditions of the warrants, the exercise price and the number of Shares each warrant entitles the holder to subscribe for have been recalculated. Each warrant now entitles the holder to subscribe for three new Shares at an exercise price of SEK 63.40 per Share for 194,748 of the warrants and at an exercise price of SEK 55.47 per Share for 27,293 of the warrants. The warrants may be exercised as from the first day after the Company's Shares are admitted to trading on Nasdaq Stockholm until December 31, 2017. Upon full exercise of the warrants the share capital will increase by SEK 222,041. The holders are subject to certain obligations to offer the Company, or any person appointed by the Company, to, under certain circumstances, repurchase some or all warrants or the Shares which have been subscribed for by exercising the warrants, as applicable. Upon full exercise of the outstanding warrants, Hoist Finance would receive proceeds amounting to approximately SEK 41.6 million.

Out of the total number of outstanding warrants issued by the Company, the members of the Group Management hold 637,003 warrants, which entitle the holders to subscribe for a total of 1,911,009 Shares, of which 296,192 warrants are held by the Chief Executive Officer and 98,731 warrants are held by the Deputy Chief Executive Officer.

Pensions and Other Benefits

The Chief Executive Officer and the other members of the Group Management are entitled to pension, health insurance and other benefits. The management is either entitled to pension benefits according to company policy or individual agreement. One member of the Group Management has a so called "gross salary," meaning that no pension or other benefits are paid in addition to the salary. The Chief Executive Officer's pension premium 2015 is 32% of the annual salary.

Notice of Termination

The Chief Executive Officer has a mutual notice period of 12 months.

One member of the Group Management has a mutual notice period of nine months. The other members of the Group Management are entitled to a mutual notice period of six months.

None of the members of the Group Management is entitled to severance pay upon termination of the employment.

Two members of the Group Management have a non-compete clause on six months (of which one is the Chief Executive Officer). One member of the Group Management has a non-compete clause on 12 months and the other members have no non-compete clause.

Auditing

The external audit of the accounts of the Company and a majority of its subsidiaries as well as the management by the Board of Directors and Group Management is conducted in accordance with generally accepted auditing standards in Sweden. The external auditor attends at least one Board meeting per year at which the auditor goes through the audit for the year and discusses the audit with the members of the Board of Directors, without the Chief Executive Officer or any member of the Group Management being present. In the past two financial years, in addition to its auditing work, KPMG AB have performed limited advisory services for the Group companies consisting of tax advice services and other services. The auditor receives compensation for its work in accordance with a resolution by the annual general meeting. For additional information, see Note 23 to our audited consolidated financial statements as of and for the financial year ended December 31, 2014 included in this Offering Memorandum.

OWNERSHIP STRUCTURE AND SELLING SHAREHOLDERS

Our Shareholders

The following table sets forth the Existing Shareholders' holdings at the date of this Offering Memorandum and the number of Shares that the Selling Shareholders expect to sell in the Offering. The number of Shares expected to be sold in the Offering is indicated with alternative outcomes based upon whether the Selling Shareholders and the Managers, respectively, elect: (i) not to increase the size of the Offering and not to exercise the Over-allotment Option; or (ii) to increase the size of the Offering in full and to exercise the Over-allotment Option in full, in each case assuming an Offer Price at the mid-point of the Offer Price Range.

	Number of Shares held on the date of this Offering Memorandum		Number of Shares sold in the Offering if the Offering is not increased and the Over-allotment Option is not exercised	Number of Shares sold in the Offering if the Offering is increased in full and the Over-allotment Option is exercised in full[1]
Shareholders	**Number**	**%**	**Number**	**Number**
Beagle Investments SA[2]	22,972,122	35.0	12,258,351	17,418,252
Olympus Investment S.à r.l[3]	22,271,730	33.9	11,688,464	16,337,915
Funds managed by Toscafund Asset Management LLP[4]	6,173,748	9.4	617,374	1,852,123
Other shareholders	4,365,650	6.7	—	—
Members of the Board of Directors and Group Management				
Deciso AB[5][7]	4,623,879	7.0	—	—
Costas Thoupos[6][7]	5,194,521	7.9	1,558,356	1,914,134
Other members of the Board of Directors and Group Management[7]	—	—	—	—
Total	**65,601,650**	**100.0**	**26,122,545**	**37,522,424**

(1) This column assumes that the Offering has been increased in full by all Selling Shareholders *pro rata* to their current holdings. The Offering may, however, be increased in different proportions by one or more Selling Shareholders.

(2) Beagle Investments SA is controlled by Mikael Wirén. Mr. Wirén has previously, including in the past three years, served on the Board of Directors of the Company and certain of its subsidiaries and has served the Company in an operational capacity. Mr. Wirén resigned from the Board of Directors and ceased to serve in an operational capacity in 2014. The office address of Beagle Investments SA is 4, Rue Dicks, L-1417 Luxembourg, Grand Duchy of Luxembourg.

(3) Olympus Investment S.à r.l. is controlled by a family foundation, which was established by Erik Fällström. Mr. Fällström has previously, including in the past three years, served on the Board of Directors of the Company and certain of its subsidiaries and has served the Company in an operational capacity. Mr. Fällström resigned from the Board of Directors and ceased to serve in an operational capacity in 2014. The office address of Olympus Investment S.à r.l. is 4, Rue Dicks, L-1417 Luxembourg, Grand Duchy of Luxembourg.

(4) The address of Toscafund Asset Management LLP is 7th Floor, 90 Long Acre, London, WC2E 9RA, United Kingdom.

(5) Deciso AB is a company wholly-owned by the Company's CEO and member of the Board of Directors of the Company, Jörgen Olsson. All Shares held by Deciso AB have been pledged to a private bank to secure a loan, which was entered into on December 9, 2014 and has an initial term of two years. Pursuant to the terms of the loan, the lending bank has agreed that it may only enforce its security interest prior to the expiration of the lock-up period of 360 days applicable to Deciso AB if the acquirer of the Shares in such enforcement adheres to the lock-up arrangement. See "*Risk Factors—Risks Relating to the Offering and the Shares—Future sales of Shares after the Offering may affect the market price of the Shares*."

(6) Costas Thoupos is a member of the Board of Directors of the Company. Mr. Thoupos has during the past three years served in an operational capacity of the Company, including as CEO. These assignments were completed during 2014; however, Costas Thoupos remains an employee and maintains an active operational role in the Company, but not at management level. The address of Costas Thoupos is Hoist Kredit Ltd, att. Costas Thoupos, Nuffield House, 1st floor, 41-46 Piccadilly, London W1J ODS, United Kingdom.

(7) Jörgen Olsson, Costas Thoupos and certain members of our Group Management have been awarded warrants pursuant to a warrant program. See "*Corporate Governance—Compensation of the Members of the Board of Directors, Chief Executive Officer and Group Management—Current Terms of Employment for the Chief Executive Officer and Group Management—Warrant Programs*," "*Board of Directors, Group Management and Auditor—Board of Directors—Members of the Board of Directors*," and "*Board of Directors, Group Management and Auditor—Group Management—Members of the Group Management*." The warrants have not been exercised and converted into Shares at the date of this Offering Memorandum and, accordingly, the table above excludes such additional Shares.

The following table sets forth certain information concerning the expected ownership of Shares in the Company following the completion of the Offering. Holdings of Shares following completion of the Offering are indicated with alternative outcomes based upon whether the Selling Shareholders and the Managers, respectively, elect: (i) not to increase the size of the Offering and not to exercise the Over-allotment Option; or (ii) to increase the size of the Offering in full and to exercise the Over-allotment Option in full, in each case assuming an Offer Price at the mid-point of the Offer Price Range. See "*Shares and Share Capital.*"

Shareholders	Number of Shares held after the Offering if the Offering is not increased and the Over-allotment Option is not exercised		Number of Shares held after the Offering if the Offering is increased in full and the Over-allotment Option is exercised in full[1]	
	Number	%	Number	%
Beagle Investments SA	10,713,771	13.5	5,553,870	7.0
Olympus Investment S.à r.l.	10,583,266	13.4	5,933,815	7.5
Funds managed by Toscafund Asset Management LLP[2]	5,556,374	7.0	4,321,625	5.5
Other shareholders	4,365,650	5.5	4,365,650	5.5
Members of the Board of Directors and Group Management				
Deciso AB[3]	4,623,879	5.8	4,623,879	5.8
Costas Thoupos	3,636,165	4.6	3,280,387	4.1
Other members of the Board of Directors and Group Management[4]	—	—	—	—
New shareholders	39,758,909	50.2	51,158,788	64.6
Total	**79,238,014**	**100.0**	**79,238,014**	**100.0**

(1) This column assumes that the Offering has been increased in full by all Selling Shareholders *pro rata* to their current holdings. The Offering may, however, be increased in different proportions by one or more Selling Shareholders.

(2) Certain funds managed by Toscafund Asset Management LLP (other than the funds selling in the Offering) have expressed an interest in buying Shares in the Offering. The table does not include such Shares. See "*Plan of Distribution—Other.*"

(3) Deciso AB is a company wholly-owned by the Company's CEO and member of the Board of Directors of the Company, Jörgen Olsson. Mr. Olsson has, through Deciso AB, committed to purchase Shares in the Offering in an aggregate amount equivalent to SEK 10 million, such number of Shares to be determined based on the final Offer Price (and at any such price throughout the Offer Price Range). Deciso AB's commitment is subject to certain conditions and lock-up restrictions. See "*Plan of Distribution—Other.*"

(4) Members of our Board of Directors and Group Management have expressed an interest in buying Shares in the Offering. The table does not include such Shares. See "*Plan of Distribution—Other.*"

(5) New shareholders include the Cornerstone Investors. See "*Plan of Distribution—Other.*"

Shareholders' Agreement

The Existing Shareholders are party to certain shareholders' agreements with respect to their holdings in the Company, which will terminate in connection with the Offering.

Lock-up

After completion of the Offering, the Selling Shareholders will, assuming an Offer Price at the mid-point of the Offer Price Range, continue to hold, in the aggregate, approximately 24.1% of our Shares and votes (assuming that the Offering is increased in full and the Over-allotment Option is exercised in full). The Selling Shareholders, as well as certain other Existing Shareholders, will agree with the Managers not to divest their remaining Shares for a period of 180 days from the date on which the Offer Price is announced for Beagle Investments SA, Olympus Investment S.à.r.l., Toscafund and certain other shareholders, and for a period of 360 days from the date on which the Offer Price is announced for the directors and executives of the Company and certain entities associated with such individuals (with respect to certain executives and certain other holders of warrants, such restrictions apply also to warrants and Shares subscribed for by exercising held warrants). The Cornerstone Investors will not be subject to a lock-up in respect of their allocations. See "*Plan of Distribution—Lock-up Arrangements.*"

RELATED PARTY TRANSACTIONS

As set out in our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012, related party transactions have been carried out, among others, between the Company and Hoist Kredit, on the one hand, and between parties related to the Selling Shareholders Beagle Investments SA and Olympus Investment S.à.r.l., respectively, on the other hand. All such related party relationships were gradually terminated during 2013 and 2014 up until August 1, 2014, except for transactions which were related to Mikael Wirén's assignment as chairman of the Board of Directors of the Company and Hoist Kredit, which was terminated in November 2014. All such related party transactions have therefore been settled before the end of 2014.

Transactions are made between Group companies as a part of our day-to-day operations. Market terms and pricing are applied to all such intra-group transactions.

For information regarding remuneration to the Board of Directors and Group Management, see "*Corporate Governance—Compensation of the Members of the Board of Directors, Chief Executive Officer and Group Management*" and for information regarding any conflicts of interest, see "*Board of Directors, Group Management and Auditor—Other Information on the Board of Directors and Group Management*."

SHARES AND SHARE CAPITAL

Share Information

Under our Articles of Association, the share capital shall be not less than SEK 15,000,000 and not more than SEK 60,000,000 divided into not fewer than 60,000,000 shares and not more than 240,000,000 shares. We have one class of shares. Our registered share capital as of the date of this Offering Memorandum is SEK 21,867,216.67 represented by 65,601,650 Shares outstanding. In connection with the Offering, the number of shares will change. See *"—Share Capital History."*

The Shares are denominated in SEK and have a quota value of SEK 1/3 per Share. The Shares have been issued in accordance with Swedish law. The Shares have been fully paid and will in connection with the listing of the Company's shares on Nasdaq Stockholm be freely transferrable.

Certain Rights Attached to the Shares

Voting Rights

At general meetings of shareholders, each Share carries one vote and each shareholder is entitled to vote the full number of Shares such shareholder holds in the Company.

Preferential Rights to new Shares

If we issue new Shares, warrants or convertibles in a cash issue or a set-off issue (Sw. *kvittningsemission*), the holders of Shares have preferential rights to subscribe for such securities in proportion to the number of Shares held prior to the issue. Nothing in our Articles of Association restricts our ability to issue new Shares, warrants or convertibles with deviation from the shareholders' preferential rights as provided for in the Swedish Companies Act.

Rights to Dividend and Liquidation Proceeds

All Shares carry equal rights to dividends as well as to the Company's assets and potential surplus in the event of liquidation.

Resolutions regarding dividend are passed by general meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting are entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the limitation period, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Payments to shareholders not resident in Sweden for tax purposes are subject to Swedish withholding tax. See "*Taxation—Certain Tax Considerations in Sweden*."

Share Capital History

The table below summarizes the historic developments since 2000 in our share capital and the changes in the number of Shares and the share capital that will be made in connection with the listing of our Shares on Nasdaq Stockholm.

Year	Event	Change in number of shares	Total number of shares	Change in share capital (SEK)	Share capital (SEK)	Quota value (SEK)
2000	Exercise of warrants	450,000	11,151,280	292,500.00	7,248,332.00	0.65
2000	Bonus issue	0	11,151,280	3,902,948.00	11,151,280.00	1.00
2000	New issue	3,500,000	14,651,280	3,500,000.00	14,651,280.00	1.00
2002	Exercise of warrants	378,000	15,029,280	378,000.00	15,029,280.00	1.00
2002	Exercise of warrants	459,000	15,488,280	459,000.00	15,488,280.00	1.00
2004	Exercise of warrants	2	15,488,282	2.00	15,488,282.00	1.00
2014	New issue	1,719,008	17,207,290	1,719,008.00	17,207,290.00	1.00
2014	New issue	3,441,458	20,648,748	3,441,458.00	20,648,748.00	1.00
2014	Exercise of warrants	381,959	21,030,707	381,959.00	21,030,707.00	1.00
2014	New issue	630,921	21,661,628	630,921.00	21,661,628.00	1.00
2015	Share split(1)	43,323,256	64,984,884	—	21,661,628.00	1/3
2015	New issue	616,766	65,601,650	205,588.67	21,867,216.67	1/3
2015	New issue in connection with the Offering(2)	7,844,563	73,446,213	2,614,854.33	24,482,071.00	1/3
2015	New issue in connection with the Offering(3)	5,791,801	79,238,014	1,930,600.33	26,412,671.33	1/3

(1) The annual general meeting held on February 25, 2015 resolved upon a share split according to which each Share was split in three Shares.

(2) To facilitate the mechanics of settlement, the Shares will be subscribed for by Carnegie at a subscription price of SEK 1/3 per Share. After payment and delivery of Shares on the settlement day to subscribers in the Offering, Carnegie will make a capital contribution to the Company in an amount corresponding to the difference between the finally determined Offer Price and the subscription price paid by Carnegie.

(3) The change in the number of Shares and the share capital is based on an Offer Price at the mid-point of the Offer Price Range.

Comments to the Share Capital History and Certain Ownership Changes During 2014 and 2015

On May 22, 2014, an extraordinary general meeting of Hoist Finance resolved to carry out a share issue, disapplying the shareholders' preferential rights. The issued Shares were almost entirely subscribed for by Toscafund, and the proceeds of the Share issue amounted to approximately SEK 333 million, representing almost 10% of the share capital. In connection with this Share issue, a total amount of 381,959 "anti-dilution protection warrants" with an exercise price of SEK 1 were issued and subscribed for by primarily Toscafund at no additional cost, which could be exercised to subscribe for an aggregate of 381,959 additional shares of Hoist Finance upon full conversion of the convertibles, as described below.

In October 2012, Brondeslev Limited, a company formed by the then current shareholders of Hoist Finance (Beagle Investments S.A, Olympus Investment S.à r.l. and Costas Thoupos) and the Chief Executive Officer (Jörgen Olsson through Deciso AB), made a SEK 100 million perpetual capital injection in Hoist Kredit, which upon the request of Brondeslev could be converted into shares in Hoist Kredit. Deciso AB held an interest in Brondeslev of 27.5%, which, upon conversion, corresponded to approximately 4.5% of the share capital of Hoist Kredit (on a fully diluted basis, taking into account the "anti-dilution protection warrants"). On December 9, 2014, the convertibles held by Brondeslev were acquired (on a pro-rata basis) and thereafter contributed to Hoist Finance in exchange for a new issue of Shares of Hoist Finance to the holders of such convertibles resolved on at an extraordinary general meeting held on December 3, 2014. In connection therewith, Deciso AB contributed convertibles in an aggregate nominal amount of SEK 27,499,920 in exchange for 946,401 new Shares, corresponding to approximately 4.5% of the share capital of Hoist Finance.

Immediately upon becoming the holder of the convertibles, Hoist Finance converted them into additional shares in Hoist Kredit. At the time of conversion, the convertibles represented approximately 17% of the number of shares and the share capital of Hoist Kredit, and by the terms of the exchange, approximately 17% of the share capital of Hoist Finance, or 3,441,458 new shares, were issued to the exchanging holders of the Brondeslev convertibles. In connection with this transaction, the "anti-dilution protection warrants" were exercised and 381,959 new Shares in Hoist Finance were issued.

In connection with the convertible exchange, certain of the Existing Shareholders made transfers among themselves, each at a transaction valuation equivalent to the valuation at which Toscafund had subscribed for shares in May 2014 after taking account of dilution and share capital changes. Through such transfers, in which Deciso AB acquired in the aggregate 275,000 Shares representing approximately 1.3% of the outstanding Shares of Hoist Finance from Beagle Investment SA and in the aggregate 275,000 Shares representing approximately 1.3% of the outstanding Shares of Hoist Finance from Olympus Investments S.à r.l., after which Deciso AB held shares, corresponding to approximately 7.1% of the share capital of Hoist Finance.

On December 15, 2014, an extraordinary general meeting resolved to carry out a preferential rights issue. Shareholders as of such date were entitled to one subscription right per Share, with 100 subscription rights entitling the holder to subscribe for three new Shares at an issue price of SEK 158.58 per share, corresponding to the Toscafund subscription valuation after taking account of dilution and share capital changes. As a result of the rights issue, the Company issued 630,921 new Shares, receiving aggregate proceeds of approximately SEK 100 million. Deciso AB participated in the rights issue and subscribed for its *pro rata* share amounting to 44,892 new Shares.

As a result of the transactions described above, Deciso AB increased its shareholding in Hoist Finance from 0 Shares to 1,541,293 Shares, corresponding to an increase from 0% as of 8 December 2014 to 7.12% as of 17 December 2014 of the outstanding Shares.

On February 25, 2015, the annual general meeting of Hoist Finance resolved to carry out a directed share issue to Cruz, a company in which Najib Nathoo (head of our operations in the United Kingdom) has an interest as a potential beneficiary to the trust that is the majority owner of Cruz, whereby Cruz subscribed for 616,766 Shares, corresponding to approximately 0.94% of the outstanding Shares of Hoist Finance. The share issue was made in connection with an agreement dated March 3, 2015 between Hoist Kredit and Cruz under which (i) Hoist Kredit acquired Cruz's 10% minority shareholding in Hoist Kredit's subsidiary, Hoist Finance UK Ltd, and (ii) Cruz agreed to invest the consideration by subscribing for newly issued Shares in Hoist Finance. The subscription price for the share issue, which amounted to SEK 52.83 per Share (calculated after completion of the share split resolved upon at the same annual general meeting), was determined on the basis of the relative value of Hoist Finance UK Ltd compared to the entire Group, reflecting the same valuation applied when Cruz sold its minority shareholding in Hoist Finance UK Ltd.

Warrant Programs and Convertibles

Warrant Programs

See "*Corporate Governance—Compensation of the Members of the Board of Directors, Chief Executive Officer and Group Management—Current Terms of Employment for the Chief Executive Officer and Group Management—Warrant Programs*."

Convertibles

See "*Operating and Financial Review—Liquidity and Capital Resources—Indebtedness—Convertibles (Contingent Convertibles)*."

Authorization

At the annual general meeting held on February 25, 2015, it was resolved to authorize the Board of Directors to, prior to the next annual general meeting, on one or several occasions, with or without deviating from the shareholder's preferential rights, resolve to issue New Shares, provided, however, that any such share issue must not result in the Company's share capital exceeding the maximum allowed share capital as set out in the articles of association adopted from time to time. The authorization shall only be used for share issues for and in connection with the Offer. Any share issue shall be made to the fair market value as determined by the board of directors, or at quota value if the share issue is made for the purpose of facilitating delivery of shares and settlement in connection with the Offering.

At the annual general meeting held on February 25, 2015, it was further resolved to authorize the Board of Directors to, prior to the next annual general meeting, on one or several occasions, with or without deviating from the shareholder's preferential rights, for a cash payment or through set-off or against consideration in kind, resolve to issue new shares, the number of which may not exceed a total of 10% of the number of shares outstanding at the time of the authorization. The purpose of the authorization is to increase the financial flexibility of the Company and to enable raising of capital for the financing of the Company's business and acquisitions of companies or businesses or other investments.

Future developments of the share capital

Below is a summary of instruments issued by Hoist Finance and Hoist Kredit and other corporate resolutions taken which may result in increases of the share capital. The below is further described elsewhere in this Offering Memorandum.

Hoist Finance

The annual general meeting held on February 25, 2015 has authorized the Board of Directors to resolve on new share issues in connection with the Offering. Such share issues must not result in the Company's share capital exceeding the maximum allowed share capital as set out in the articles of association adopted from time to time.

The annual general meeting held on February 25, 2015 has further authorized the Board of Directors to resolve on new share issues. The number of issued shares may not exceed a total of 10% of the number of shares outstanding at the time of the authorization.

The extraordinary general meeting held on December 6, 2013 has resolved to issue warrants to certain employees. The warrants may be exercised as from the first day after the Company's Shares are admitted to trading on Nasdaq Stockholm until December 31, 2016. Upon full exercise of the outstanding warrants, the share capital would increase by SEK 761,872 and the number of shares will increase by 2,285,616.

The extraordinary general meeting held on October 22, 2014 has resolved to issue warrants to certain employees. The warrants may be exercised as from the first day after the Company's Shares are admitted to trading on Nasdaq Stockholm until December 31, 2017. Upon full exercise of the outstanding warrants, the share capital would increase by SEK 222,041 and the number of shares will increase by 666,123.

Upon full exercise of the outstanding warrants in the warrant programs resolved on at the extraordinary general meeting held on December 6, 2013 and the extraordinary general meeting held on October 22, 2014, the share capital would increase by SEK 983,913 and the number of shares would increase by 2,951,739 shares, which corresponds to a dilution of approximately 4.3% of the outstanding share capital as of the date hereof.

Hoist Kredit

The extraordinary general meeting held on April 23, 2013 has resolved to issue 111,111 convertibles to Roukefok Limited. The share capital would upon conversion be increased by a maximum amount of SEK 11,111,100 and the number of shares would be increased by a maximum of 111,111 shares.

Central Securities Depositary Affiliation

The Shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*). The Shares are cleared through the electronic securities system operated by Euroclear Sweden, the Swedish central securities depository (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). No share certificates are issued with respect to the Shares. The account operator is Carnegie. The ISIN code for the Shares is SE0006887063.

THE SWEDISH SECURITIES MARKET

The following is a description of the Swedish securities markets, including a brief summary of certain provisions of the laws and securities market regulations in Sweden in effect on the date of this Offering Memorandum. The summary is not intended to provide a comprehensive description of all such regulatory matters and should not be considered exhaustive. Moreover, the laws, rules, regulations and procedures summarized below may be amended or reinterpreted.

Nasdaq Stockholm

Nasdaq Stockholm is a regulated market in Sweden, operated by Nasdaq OMX Stockholm AB, and the principal Swedish market on which shares, bonds, derivatives and other securities are traded. One list, the Nordic List, is used for trading shares on Nasdaq Stockholm. Companies on the Nordic List are divided into three segments: Large Cap, Mid Cap and Small Cap. Companies with a market capitalization in excess of EUR 1 billion are included in the Large Cap segment. Companies with a market capitalization exceeding EUR 150 million but not more than EUR 1 billion, such as the Company, are included in the Mid Cap segment, while companies with a market capitalization up to EUR 150 million are included in the Small Cap segment. The segments are normally revised at year-end and the segments are re-set based on average market capitalization in November the year before. Companies with a market capitalization of more than 50% of the minimum or maximum threshold of a segment will be transferred into a new segment with immediate effect. Companies with a market capitalization of less than 50% of the minimum or maximum segment threshold will have a transitional period until the next forthcoming review (or at least 12 months), and thus be subject to one more review before transferring into a new segment. Furthermore, companies are sorted by their industry sector according to the ICB Company Classification Standard. Companies belonging to the same industry sector are placed in the same industry sector segment in alphabetical order.

Trading in Securities on Nasdaq Stockholm

Trading on Nasdaq Stockholm is conducted on behalf of customers by duly authorized Swedish and foreign banks and other securities brokers, as well as the Swedish Central Bank. While banks and brokers are permitted to act as principals in trading both on and off Nasdaq Stockholm, they generally engage in transactions as agents. Clearing and settlement of trades take place through an electronic account-based security system administered by Euroclear Sweden. See "*Securities Registration*."

Nasdaq Stockholm uses the trading platform INET. In INET, bids and offers are entered in the relevant order book and automatically matched to trades when price, volume and other order conditions are met. INET continuously broadcasts all trading information. The information is displayed in real time in the form of order books, market summaries, concluded trades, index information and different kinds of reports. The round lot for all shares traded on Nasdaq Stockholm is one share. A two-day settlement schedule (T+2) applies to share trading.

Nasdaq Stockholm has three principal trading periods: pre-trading, trading and post-trading. For shares, pre-trading begins at 8:00 CET and ends at 8:45 CET. Opening call begins at 8:45 CET and ends at 9:00 CET. Continuous trading begins sequentially after the opening call ends at 9:00 CET when the first share is assigned its opening price and it then becomes subject to continuous trading. Continuous trading takes place from 9:00 CET to 17:25 CET when the closing call is initiated. The closing call ends at approximately 17:30 CET when the closing prices are determined. Post-trading, during which contract transactions for shares can be registered as dealings after trading hours mainly within the price limits based on the trading day, takes place from 17:30 CET to 18:00 CET.

In addition to official trading on Nasdaq Stockholm through automatic order matching in INET, shares may also be traded off Nasdaq Stockholm, *i.e.*, outside INET, during, as well as after, the official trading hours (through "manual trading"). Manual trades during trading hours must normally be entered into at a price within the volume weighted average spread reported in INET at the time of the trade or, as regards manual trades during the closing call, at the time prior to the closing call auction. Outside the trading hours, manual trades must normally be effected at a price within the volume weighted average spread reported in INET at the close of trading hours. However, in the absence of a spread and in situations where there is a change in the market conditions during the closing call or after the close of trading hours, as the case may be, manual trades must take place at a price that takes into account the market situation at the time of the trade. Manual trades which qualify as large scale (EUR 50,000 – EUR 500,000, depending on the average daily turnover in the relevant share) may be effected without regard to any spread. Trading on Nasdaq Stockholm tends to involve a higher percentage of retail clients while trading off Nasdaq Stockholm, whether directly or through intermediaries, often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets, and foreign buyers and sellers purchasing shares from, or selling shares to, Swedish institutions.

All manual trades must normally be reported in INET within three minutes from the time of the trade, although trades outside the official trading hours must be reported during the pre-trading session on the following exchange day and not later than 15 minutes prior to the opening of the trading hours.

Securities Market Regulations

The Nordic List is regulated under EU directives, primarily Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**"), which has been implemented through the Swedish Securities Market Act of 2007 (Sw. *lag (2007:528) om värdepappersmarknaden*) (the "**Securities Market Act**"). Nasdaq Stockholm AB is authorized pursuant to the Securities Market Act to operate a regulated market under the supervision of the SFSA. The SFSA is a governmental agency responsible for, among other things, supervising and monitoring the Swedish securities market and market participants. The SFSA also issues regulations that supplement Swedish securities market laws. Furthermore, pursuant to the Swedish Securities Market Act, Nasdaq Stockholm is required to have rules of its own, governing the trading on Nasdaq Stockholm. The Rule Book for Issuers of Nasdaq Stockholm, based on European standards and EU directives such as MiFID and Directive 2004/109/EC (the "**Transparency Directive**"), sets forth listing requirements and disclosure rules for companies listed on Nasdaq Stockholm. The objective of the regulatory system governing trading on and off Nasdaq Stockholm is to achieve transparency and equality of treatment among market participants. Nasdaq Stockholm records information as to the banks and brokers involved, the issuer, the number of shares, the price and the time of each transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or as principal. All trading information reported in INET is publicly available. Nasdaq Stockholm also maintains a market supervision unit (the "**Trading Surveillance**") that monitors trading on a "real time" basis, as described below.

Trading Surveillance monitors trading data for indications of unusual market activity and trading behavior, and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When Trading Surveillance becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to identify unusual trading activity indicating that persons may be trading on that information.

The Swedish Market Abuse Penal Act of 2005 (Sw. *lag (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument*) (the "**Market Abuse Act**"), implementing in part Directive (2003/6/EC) (the "**Market Abuse Directive**"), provides sanctions for insider trading and unlawful disclosure of insider information. The Market Abuse Act also contains provisions prohibiting market manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments (such as through spreading false or misleading information). Market manipulation may also constitute fraud under Swedish law. The SFSA and the Trading Surveillance enforce compliance with the Market Abuse Act and other insider trading rules. Criminal offenses are enforced in court by the Swedish National Economic Crimes Bureau (Sw. *Ekobrottsmyndigheten*). Moreover, the SFSA may cause the operating license of a bank or broker to be revoked if the bank or broker has engaged in improper conduct, including market manipulation.

Securities Registration

The Shares are registered in the account-based electronic securities system operated by Euroclear Sweden, a central securities depository and clearing organization authorized under the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*) and the Swedish Securities Markets Act. Among other things, Euroclear Sweden maintains the register of shareholders in Swedish companies listed on Nasdaq Stockholm. Shares administered by Euroclear Sweden are registered in book-entry form on securities accounts (VP accounts) and no share certificates are issued. Title to shares is ensured exclusively through registration with Euroclear Sweden. All transactions and other changes to accounts are entered in the system of Euroclear Sweden through banks or other securities institutions that have been approved as account operators by Euroclear Sweden. The register maintained by Euroclear Sweden also contains information on other interests in respect of shares, such as those of a pledgee.

Shares may be registered on VP accounts, and consequently entered in the register of shareholders, either in the name of the beneficial owner (owner registered shares) or in the name of a nominee authorized by Euroclear Sweden (nominee registered shares), in which case a note thereof is made in the securities system. The relationship between the nominee and the beneficial owner is governed by agreement. In order to exercise certain rights, such as participation at a general meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names. Nominees are also required to report the holdings of underlying beneficial owners to Euroclear Sweden on a regular basis.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those holders whose names are recorded in the register of shareholders as of a particular record date, and the dividends are normally distributed to bank accounts as specified by the holders registered with Euroclear Sweden. The relevant record date must be specified in the resolution declaring a dividend or capital increase, or any similar matter in which shareholders have preferential rights. Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in conjunction with rights offerings, as well as new shares subscribed through the exercise of subscription rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

Compensation Scheme for Investors

Investor compensation covers financial instruments such as shares, bonds and various types of derivatives, for instance warrants and futures. Investor compensation is payable only if an institution goes bankrupt and it is impossible for the investor to recover its securities or cash. The investor compensation does not cover financial loss due to changes in value of shares and other securities. Investor compensation covers securities handled by certain securities companies, securities brokers and some other institutions on behalf of customers in the course of providing investment services (such as the purchase, sale and deposition of financial instruments). For the purposes of the scheme, securities means shares, bonds and various types of derivatives. The scheme also covers funds that an institution receives in conjunction with providing an investment service for which it is accountable. Investors may be compensated for lost assets up to a value of SEK 250,000 per institution.

Transactions and Ownership Disclosure Requirements

Under the Trading Act, which implements the Transparency Directive in part, a shareholder is required to notify both the company in which it holds shares and the SFSA, when its holding (including options for shares) reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50, 66⅔ or 90% of the total number of votes and/or shares in a company. The notice is to be made in writing or electronically on the SFSA's website on the trading day immediately following the day of the applicable transaction. The SFSA will announce the contents of the notification no later than 00:00 CET on the trading day following receipt of the notification. When calculating a shareholder's percentage of ownership, a company's treasury shares are to be included in the denominator, while warrants and convertibles are to be excluded. For the purposes of calculating a person's or entity's shareholding, not only the shares and financial instruments directly held by the shareholder are included, but also those held by related parties. The Trading Act contains a list of related parties whose shareholding must be aggregated for the purposes of the disclosure requirements. Related parties include, but are not limited to, subsidiaries, proxies, parties to shareholders' agreements and spouses/co-habitants.

Under the Regulation (EU) 236/2012 on short selling and certain aspects of credit default swaps, a person who has a net short position in a share is required to notify the SFSA when the position either reaches or falls below the following thresholds: 0.2% of the issued share capital of the company concerned and each 0.1% above that. There is also a requirement of public disclosure when the position reaches or falls below the following thresholds: 0.5% of the issued share capital of the company concerned and each 0.1% above that. Further, an investor who wishes to take an uncovered, or "naked," short position in a particular share will be required either: (a) to have borrowed sufficient shares to settle the short trade; (b) to have entered into a binding agreement to borrow the shares; or (c) to have an arrangement with a third party under which that third party has confirmed that the shares have been located and has taken measures *vis-à-vis* third parties necessary to have a reasonable expectation that settlement can be effected when it is due.

In addition, pursuant to the Swedish Act on Reporting Obligations for Certain Holdings of Financial Instruments (Sw. *lag (2000:1087) om anmälningsskyldighet för vissa innehav av finansiella instrument*), directors and certain officers of the issuer as well as individuals who own, directly or indirectly, shares representing 10% or more of the share capital or the voting rights in a publicly traded company must report, in writing or electronically, such ownership and any changes therein to the SFSA, which keeps a public register based on the information contained in such reports.

Mandatory Bids

Pursuant to the Swedish Act on Public Takeovers on the Securities Market (Sw. *lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) (the "**Takeover Act**"), any Swedish or foreign legal entity or natural person who holds less than 30% of the total voting rights in a company listed on a regulated market in Sweden, must make a public offer for the acquisition of all the remaining shares issued by the target company (a mandatory bid) should such legal entity or natural person alone, or together with a related party, obtain 30% or more of the total voting rights in the company. This applies where the increased holding is the result of a purchase, subscription, conversion, or any other form of acquisition of shares in the target company (other than a public offer) or the result of the establishment of a related party relationship. In this context, a related party can be an entity within the same corporate group as the buyer, a spouse or co-habitant, as well as any person or entity that cooperates with the buyer to obtain control over the company or with whom an agreement has been reached regarding the coordinated exercise of voting rights with the object of achieving a long-term controlling influence on the company's management.

The public offer shall be made within four weeks after the acquisition that triggered the mandatory bid requirement unless the acquirer (or the related party) reduces its level of voting share ownership within such time to below 30%. The offer is normally also made to holders of other securities issued by the target company, if the price of such securities could be substantially affected as a result of a de-listing of the target company's shares, such as, for example, warrants and convertibles. Under the Takeover Act, offerors have a duty to undertake to comply with the takeover rules adopted by Nasdaq Stockholm (the "**Takeover Rules**"). By making this undertaking, the offeror agrees to comply not only with the Takeover Rules, but also to comply with statements and rulings by the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) on points of interpretation of the Takeover Act as well as to be subject to any sanctions that may be imposed by Nasdaq Stockholm. Exemptions from the mandatory bid requirement may under certain circumstances, for example in conjunction with rights offerings and underwriting guarantees, be granted by the Swedish Securities Council. The Swedish Securities Council may also grant exemptions from the provisions of the Takeover Rules.

Under the Swedish Companies Act, a shareholder with shares representing more than 90% of all shares in a company has the right to redeem remaining shares in such company. In respect of companies with shares traded on a regulated market, such as Nasdaq Stockholm, the redemption value shall correspond to the market value, unless special reasons (such as following a takeover bid) require otherwise. In addition, any minority shareholder that holds shares that may, pursuant to the Swedish Companies Act, be redeemed by a majority shareholder is entitled to require such majority shareholder to redeem its shares.

TAXATION

*The following is a summary of certain tax consequences that may arise from the Offering and the admission to trading of the Offer Shares on Nasdaq Stockholm for private individuals, limited liability companies that are residents of Sweden for tax purpose and shareholders not resident in Sweden for tax purposes, unless otherwise stated. This summary is intended as general information only. The statements of Swedish tax laws and U.S. federal income tax laws set forth below are based on the laws and regulations as of the date of this Offering Memorandum, including the Convention Between the Government of Sweden and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"). The laws and the Treaty on which these statements are based upon are subject to changes which may have retroactive effect.*

Certain Tax Considerations in Sweden

Below is a summary of certain Swedish tax issues related to ownership of the Offer Shares for private individuals and limited liability companies that are residents of Sweden for tax purposes, and to shareholders that are not resident in Sweden for tax purposes.

The summary does not cover:

- situations where Offer Shares are held as current assets in business operations;
- situations where Offer Shares are held by a limited partnership or a partnership;
- the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds Offer Shares in the Company that are deemed to be held for business purposes (for tax purposes);
- the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;
- the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);
- foreign companies conducting business through a permanent establishment in Sweden; or
- foreign companies that have been Swedish companies.

Further, special tax rules apply to certain categories of shareholders. The tax consequences for each individual shareholder depend to some extent on the particular circumstances at hand. Each shareholder is advised to consult a tax advisor as to the tax consequences relating to the holder's particular circumstances that could arise from the admission to trading of the Offer Shares in the Company on Nasdaq Stockholm, including the applicability and effect of foreign tax legislation and provisions in tax treaties for the avoidance of double taxation.

Private Individuals Resident in Sweden for Tax Purposes

Dividend Taxation

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30%. A preliminary tax of 30% is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is withheld by Euroclear Sweden or, regarding nominee-registered shares, by the Swedish nominee.

Capital Gains Taxation

Upon the sale or other disposal of listed shares, which the Shares are intended to become, a taxable capital gain may arise. Capital gains are taxed as income in the capital income category at a tax rate of 30%. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis (*i.e.* the acquisition cost increased by the improvement costs). The tax basis for all listed shares of the same class and type is calculated in accordance with the average cost method, alternatively, shareholders may choose to use 20% of the sales proceeds after deducting sales costs (Sw. *schablonmetoden*), as the tax basis.

Capital Losses

Capital losses on listed shares may be fully offset against taxable capital gains arising during the same year on listed shares, as well as on listed securities taxed as shares. Capital losses may however not be offset towards gains on mutual funds (Sw. *värdepappersfonder*) and hedge funds (Sw. *specialfonder*) containing Swedish receivables only (Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70% in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30% of the net loss that does not exceed SEK 100,000 and 21% of any excess loss. A net loss cannot be carried forward to future tax years.

Allotments of Shares to Employees

Normally, the allotment of shares is not a taxable event. For employees allotment of shares may in certain situations give rise to taxation of benefits. Taxation of benefits should, however, not occur if the employees (including Directors and alternate Directors), on the same terms and conditions as others, acquire not more than 20% of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.

Investment savings account and endowment insurance

In case the Offer Shares are held in a Swedish investment savings account (*Sw. Investeringssparkonto*) or a Swedish endowment insurance (*Sw. Kapitalförsäkring*) the taxation will differ from what have been described above.

The holder of a *Swedish investment savings account* can only be a private individual or the estate of a deceased individual. No tax is due on the results of an investment savings account. Instead a standard amount is taxed as capital income. The standard amount of income is calculated by the party that provides the account *e.g.* a bank, investment firm and this is reported as income of capital in the tax return of the person liable to pay tax. The standard amount is calculated in two steps. First the capital base is calculated and thereafter a standard amount of income is calculated which is reported as capital income. The capital base is calculated annually and in somewhat simplified terms comprises one quarter of the value of the assets on the account at the beginning of each quarter. The capital base must be increased by a value equivalent to the deposits to the account and the transfers of securities to the account during the respective quarter. The standard amount of income is derived by multiplying the capital base, as described above, by the government borrowing rate at the end of November the year before the fiscal year. The standard amount of income is reported as capital income and taxed at 30%.

The holder of a Swedish *endowment insurance* is not liable to pay special tax on returns (*Sw. avkastningsskatt*). Instead it is the life insurance company providing the insurance that is liable for any special tax on returns. However, a holder of a foreign endowment insurance may be obliged to pay special tax on returns in Sweden. This depends on the country of residence of the assurer and if the assurer has a permanent establishment in Sweden. Special tax on returns is not charged on the capital gains, but on a standard calculated amount. The standard calculated amount used for endowment insurance purposes is calculated in two steps. First a capital base is calculated and thereafter a standard amount on this capital is calculated. The capital base constitutes, somewhat simplified, the value of the insurance at the beginning of the fiscal year. The capital base must be increased by a value equivalent to the sum of any premiums paid during the fiscal year. When calculating this amount, only half of the premiums paid during the second half of the fiscal year should be included. The standard calculated amount is derived by multiplying the capital base, as described above, by the average government borrowing rate at the end of November the year before the fiscal year. The special tax on returns amounts to 30% of the standard calculated amount.

Limited Liability Companies Resident in Sweden for Tax Purposes

Dividend and Capital Gains Taxation

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22%.

Capital losses

Capital losses on listed shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilized during the year of the loss, may be carried forward and offset against taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to so-called group contributions with fiscal effect and both companies request this for a tax year having the same filing date for each company. Special tax rules may apply to certain categories of companies or certain legal persons, *e.g.*, investment companies.

Shareholders Not Resident in Sweden for Tax Purposes

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company such as the Company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, for example payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30%. The tax rate is generally reduced through tax treaties for the avoidance of double taxation. Under the Treaty, the withholding tax on dividends paid to U.S. Holders entitled to the benefits of the Treaty shall not exceed 15%. Under the Treaty, furthermore, the tax rate is reduced to 5% for companies possessing shares representing at least 10% of the total voting rights of the company declaring the dividend. The tax rate for companies and pension funds may be reduced to 0% if certain requirements set out in the Treaty are met.

In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. The withholding tax is carried out provided necessary information is made available to Euroclear Sweden in relation to the person entitled to such dividends. If such information is not made available to Euroclear Sweden and tax is not levied, the person entitled to such dividends may be taxed retroactively. If a 30% withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or in case too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital Gain Taxation

Shareholders not resident in Sweden for tax purposes, which are not conducting business through a permanent establishment in Sweden, are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes remain subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. The applicability of this rule is often limited by the applicable tax treaty for the avoidance of double taxation.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences to U.S. Holders (as defined below) of owning and disposing of the Offer Shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire Offer Shares. Except as provided in "—FATCA" below, this discussion applies only to a U.S. Holder that acquires the Offer Shares in this offering and holds the Offer Shares as capital assets for U.S. federal income tax purposes. This discussion is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions, final, temporary and proposed Treasury Regulations, and the Treaty, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, any aspect of the Medicare contribution tax on "net investment income" and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding Offer Shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the Offer Shares;

- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- “individual retirement accounts” or other tax-deferred accounts;
- certain U.S. expatriates;
- persons that own or are deemed to own ten percent or more of our voting stock; or
- persons holding Offer Shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns the Offer Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning the Offer Shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the Offer Shares.

As used herein, a “U.S. Holder” is a person who, for U.S. federal income tax purposes, is a beneficial owner of the Offer Shares and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of the Offer Shares in their particular circumstances.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation.

Passive income generally includes interest, rents, dividends, royalties and certain capital gains, with certain exceptions for active business income, including an exception under the PFIC rules for certain active banking income (the “PFIC active banking exception”). It is expected that most of our income and assets will be considered to be passive for purposes of the PFIC rules unless an active banking exception applies. Under proposed PFIC regulations, the PFIC active banking exception only applies to certain active banking income earned by non-U.S. banks that meet licensing, deposit-taking, lending and other requirements, which we do not meet. Accordingly, because we do not meet the requirements of the PFIC active banking exception, prospective investors should expect that we will be a PFIC for our current and future taxable years, and the remainder of this discussion so assumes.

We may also, directly or indirectly, hold equity interests in subsidiaries and other entities which are PFICs (collectively “Lower-tier PFICs”). Under attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate shares of Lower-tier PFICs and will be subject to U.S. federal income tax according to the PFIC rules described below on (i) certain distributions to the Company by a Lower- tier PFIC and (ii) a disposition by the Company of shares of a Lower-tier PFIC, in each case as if the U.S. Holder held such shares directly, even though the U.S. Holders have not received the proceeds of those distributions or dispositions directly.

A U.S. Holder who owns Offer Shares (or as discussed above is deemed to own shares of a Lower-tier PFIC) during any taxable year in which we are a PFIC will generally be subject to adverse tax treatment. Except to the extent the U.S. Holder makes a timely and effective "mark-to-market" election as discussed below, gain recognized on a disposition (including, under certain circumstances, a pledge) of Offer Shares by the U.S. Holder (or on an indirect disposition of shares of a Lower-tier PFIC) will be allocated ratably over the U.S. Holder's holding period for the Offer Shares. The amounts allocated to the taxable year of disposition will be taxed as ordinary income. The amounts allocated to each other taxable year will be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the resulting tax liability. Further, to the extent that any distribution received by a U.S. Holder on its Offer Shares (or a distribution by a Lower-tier PFIC to its shareholder that is deemed to be received by a U.S. Holder) exceeds 125% of the average of the annual distributions received (or deemed received) during the preceding three years or the U.S. Holder's holding period, whichever is shorter, the distribution will be subject to taxation in the same manner as gain recognized on a disposition of Offer Shares by the U.S. Holder.

If we are a PFIC for any year during which a U.S. Holder holds Offer Shares, we will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Offer Shares, even if we cease to meet the threshold requirements for PFIC status.

If the Offer Shares are "regularly traded" on a "qualified exchange," a U.S. Holder may make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. The Offer Shares will be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the Offer Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. A foreign exchange is a "qualified exchange" if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service ("IRS") has not identified specific foreign exchanges that are "qualified" for this purpose. U.S. Holders of Offer Shares should consult their tax advisers as to whether Nasdaq Stockholm is a qualified exchange for this purpose. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the Offer Shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the Offer Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the Offer Shares will be adjusted to reflect the income or loss amounts recognized. Any gain recognized on the sale or other disposition of Offer Shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to- market election). If a U.S. Holder makes the mark-to-market election, distributions paid on Offer Shares will be treated as discussed below under "–Taxation of Distributions." Once made, the election cannot be revoked without the consent of the IRS unless the Offer Shares cease to be marketable. U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances. In particular, U.S. Holders should consider carefully the impact of a mark-to-market election with respect to their Offer Shares given that we may own interests in Lower-tier PFICs for which a mark-to-market election may not be available.

We do not intend to provide U.S. Holders with the information necessary to make a qualified electing fund election, which if available could have materially affected the tax consequences of owning and disposing of the Offer Shares.

If a U.S. Holder owns Offer Shares during any year in which we are a PFIC, the U.S. Holder will generally be required to file IRS Form 8621, generally with its federal income tax return for that year. The failure to file such report when required could result in substantial penalties.

U.S. Holders should consult their tax advisers concerning our PFIC status for any taxable year and the tax considerations relevant to an investment in a PFIC.

Taxation of Distributions

Subject to the PFIC rules described above, distributions paid on the Offer Shares (including the amount of any Swedish taxes withheld), other than certain pro rata distributions of shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the shares and thereafter as capital gain.

However, because we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. In light of the discussion in "—Passive Foreign Investment Company" above, non-corporate U.S. Holders should expect that dividends will not constitute "qualified dividend income" eligible for preferential tax rates. Dividends will be included in a U.S. Holder's income on the date of receipt. The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder's tax basis in the foreign currency will equal the U.S. dollar amount included in income. A U.S. Holder may have foreign currency gain or loss, which generally will be U.S. source ordinary income or loss, if the dividend is converted into U.S. dollars after the date of receipt.

Effect of Swedish Withholding Taxes

As discussed in "—Certain Tax Considerations in Sweden," under current law, payments of dividends on the Offer Shares by the Company to investors who are not resident in Sweden for tax purposes are subject to Swedish withholding tax. A U.S. Holder will generally be entitled, subject to certain limitations, some of which vary depending upon the U.S. Holder's circumstances, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Swedish taxes withheld from dividend payments on the Offer Shares by the Company at a rate not exceeding any applicable Treaty rate. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Swedish taxes withheld in excess of the applicable Treaty rate. See "—Certain Tax Considerations in Sweden—Shareholders Not Resident in Sweden for Tax Purposes." For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket.

Prospective investors should consult their tax advisers concerning the foreign tax credit implications of the payment of Swedish withholding taxes, including the impact of the translation of any taxes paid in foreign currency to U.S. dollars.

Sale or other Taxable Disposition of Offer Shares

Subject to the PFIC rules described above, gain or loss realized on the sale or other taxable disposition of Offer Shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has owned the Offer Shares for more than one year. However, if the Company is a PFIC, which we believe to be the case, any such gain will be subject to the PFIC rules, as discussed above, rather than being taxed as capital gain. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the Offer Shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Any gain or loss generally will be treated as arising from U.S. sources. The deductibility of capital losses is subject to limitations.

If the Offer Shares are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS), such U.S. Holder will determine the U.S. dollar value of the amount realized in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the disposition. If a U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realized using the spot rate on the settlement date, it will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of disposition and the U.S. dollar value of the currency received at the spot rate on the settlement date.

A U.S. Holder's initial tax basis in the Offer Shares generally will equal the U.S. dollar cost of such Offer Shares. If the Offer Shares are treated as traded on an established securities market and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, such U.S. Holder will determine the U.S. dollar value of the cost of Offer Shares purchased with foreign currency by translating the amount paid at the spot rate on the settlement date of the purchase.

Information Reporting and Backup Withholding

Payments of dividends and disposition proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless

(i) the U.S. Holder is a corporation or other exempt recipient (and if required, establishes its status as such) or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. Amounts withheld under the backup withholding rules are not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Foreign Financial Assets Reporting

Certain U.S. Holders who are individuals (and, under proposed Treasury Regulations, certain entities) may be required to report information relating to the Offer Shares, subject to certain exceptions (including an exception for Offer Shares held in accounts maintained by certain U.S. financial institutions). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to their ownership and disposition of the Offer Shares.

FATCA

Provisions under the Code and Treasury Regulations thereunder, commonly referred to as "FATCA," may impose a 30% withholding tax on certain "withholdable payments" and "foreign passthru payments" (as defined in the Code) made by a "foreign financial institution" (as defined in the Code) that has entered into an agreement with the IRS to perform certain diligence and reporting obligations with respect to the foreign financial institution's US-owned accounts (each such foreign financial institution, a "Participating Foreign Financial Institution"). Such withholding may be imposed on payments on the Offer Shares to any foreign financial institution (including an intermediary through which a holder holds the Offer Shares) that is not a Participating Foreign Financial Institution or any other investor who does not provide information sufficient to establish that the investor is not subject to withholding under FATCA, unless such foreign financial institution or investor is otherwise exempt from FATCA, but only to the extent such payments are considered foreign passthru payments. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Offer Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before 1 January 2017. The United States has entered into intergovernmental agreements with certain non-US jurisdictions, including Sweden and other jurisdictions in which we currently carry on business, that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements will address foreign passthru payments or whether such intergovernmental agreements will relieve foreign financial institutions of any obligation to withhold on foreign passthru payments. Prospective investors should consult their tax advisers regarding the potential impact of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, on their investment in the Offer Shares.

PLAN OF DISTRIBUTION

On or about March 24, 2015, the Company, the Selling Shareholders, Erik Fällström (in his personal capacity) and the Managers named below expect to enter into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Managers will severally agree, subject to certain conditions, to procure purchasers for, or failing which, to purchase, and each of the Company and the Selling Shareholders will agree to issue, as applicable, and sell to the Managers the aggregate number of Offer Shares sold in the Offering, taking account of the underwriting commitments of each Underwriter as set forth in the table below, at an Offer Price per share to be set forth in the Underwriting Agreement and announced by the Company on or about March 25, 2015.

Manager	Percentage of Offer Shares
Carnegie Investment Bank AB	41.2
Morgan Stanley & Co. International plc	41.2
Citigroup Global Markets Limited	17.6
Total	**100.0**

The Managers' several obligations to purchase the Offer Shares are subject to the fulfillment of certain conditions, including among other things, delivery of legal opinions by legal counsel to the Company and the Selling Shareholders.

The Company and the Selling Shareholders will pay commissions to the Managers based on the total gross proceeds of the Offering including, pursuant to the exercise of the Over-allotment Option. In addition, the Company may choose to pay a discretionary fee to the Managers, a so-called incentive fee, also calculated based on the total gross proceeds of the Offering. The Company will also reimburse the Managers for certain of their expenses in connection with the Offering. The total expenses of the Offering to the Company including base and incentive underwriting commissions and fees are estimated to amount to approximately SEK 75 million.

The Offering consists of: (i) a public offering to retail and institutional investors in Sweden pursuant to a separate prospectus in Swedish (the "**Swedish Prospectus**"); and (ii) private placements to international institutional investors in various jurisdictions, including a private placement in the United States only to persons reasonably believed to be both QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, and who are QPs, as defined in Section 2(a)(51) of the U.S. Investment Company Act. All offers and sales of Shares outside the United States will be made in compliance with Regulation S.

In addition, each initial purchaser of Offer Shares in the Offering that is located within the United States or that is a U.S. Person, prior to any such transaction, will be required to deliver to the Company and the Selling Shareholders (and the Company and Selling Shareholders will have accepted) an executed U.S. Investment Letter in the form attached to the Offering Memorandum as Appendix A. The U.S. Investment Letter will require such initial purchaser to give certain representations, warranties and undertakings.

The Offer Shares have not been, and will not, be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act. The Offer Shares may only be resold outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Any offer and sale in the United States will be made by affiliates of the Underwriters who are broker-dealers registered under the U.S. Exchange Act.

Immediately prior to this Offering, there has been no public market for the Shares. The Offer Price of the Shares will be determined by negotiations among the Company, the Selling Shareholders and the Joint Global Coordinators by way of a book-building process. The factors that will be considered in such determination include, among others, the orders, in terms of price and quantity, received from institutional and retail investors; prevailing market conditions; the Company's historical performance; estimates of the Company's business potential and earnings prospects; and the market valuation of publicly traded common stock of comparable companies.

The Offer Price is expected to be announced through a press release on or about March 25, 2015. The Offer Price range set forth on the cover page of this Offering Memorandum is subject to change as a result of market conditions and other factors, in which case a supplemental offering memorandum would be published. There can be no assurance that an active trading market will develop for the Shares or that the Shares will trade in the public market after the Offering at or above the Offer Price.

The Underwriting Agreement provides that the Offering may be terminated at any time upon the occurrence of certain events such as the suspension of, or material limitations to, trading on Nasdaq Stockholm or certain other stock exchanges, a material adverse change in the condition, results of operations, assets or prospects of the Group, a material breach by the Company or the Selling Shareholders of the Underwriting Agreement, any of the representations and warranties given by each of the Company and the Selling Shareholders becoming inaccurate or misleading, any statement contained in certain Offering documents being untrue, incorrect or misleading, a disruption in specified financial markets, a refusal by Nasdaq Stockholm to list the Shares or the occurrence of certain other events, prior to the listing of the Shares.

In the Underwriting Agreement, the Company, the Selling Shareholders and Erik Fällström (in his personal capacity) make certain customary representations and warranties, including with respect to the Company's business, the Shares, the contents of this Offering Memorandum and the Swedish Prospectus, the use of proceeds from the Offering and, in the case of the Selling Shareholders, in relation to their title to the Shares they are selling in the Offering. The Company and the Selling Shareholders also agree in the Underwriting Agreement to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Offering, including liabilities arising under the Securities Act and other applicable securities laws, any actual or alleged breach by the Company or the Selling Shareholders of their respective obligations, representations, warranties and undertakings set out therein, or to contribute to payments the Managers may be required to make in respect thereof.

In connection with the Offering, each of the Managers and any of their affiliates acting as investors for their own account may take up the Offer Shares and in that capacity may retain, purchase or sell, for their own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering, in each case in accordance with applicable law. Accordingly, references in this Offering Memorandum to the Offer Shares being offered or placed should be read as including any offering or placement of securities to any of the Managers and any affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Lock-up Arrangements

The Company will agree with the Managers, subject to certain customary exceptions, that it will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ordinary shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise for a period of 180 days after the first date of trading and official listing of the Offer Shares, without the prior written consent of the Joint Global Coordinators.

The Selling Shareholders, the directors and certain executives of the Company and certain other shareholders of the Company will each undertake to the Managers not to offer, sell, contract to sell, grant or sale of options over, purchase of any option or contract to sell, transfer, charge, pledge, grant of any right or warrant to purchase or otherwise transfer, lend, or dispose of, directly or indirectly, any Shares (with respect to certain executives and certain other holders of warrants, including warrants and Shares subscribed for by exercising held warrants) or any securities convertible into or exercisable or exchangeable for Shares or enter into of any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise or enter into any other disposal or agreement to dispose of any Shares or any announcement or other publication of the intention to do any of the foregoing, for a period of 180 days from the date on which the Offer Price is announced for Beagle Investments SA, Olympus Investment S.à r.l., Toscafund (though not in relation to any Offer Shares purchased in the Offering) and certain other shareholders, and for a period of 360 days from the date on which the Offer Price is announced for the directors and executives of the Company and certain entities associated with such individuals. The Cornerstone Investors will not be subject to a lock-up in respect of their allocations. These undertakings are conditional upon the occurrence of the Closing Date. The foregoing shall not apply to: (i) the sale of Offer Shares in the Offering; (ii) the lending of Shares under the Underwriting Agreement; (iii) any disposal of Shares to which the Joint Global Coordinators consent; (iv) the disposal of Shares or other securities in connection with a general takeover offer for the Shares; (v) any disposal pursuant to an offer by the Company to all shareholders on identical terms to purchase its own Shares or a scheme of arrangement or reconstruction; (vi) certain disposals of Shares to family members, trustees or affiliates of a shareholder, provided that the transferee agrees to a lock-up; (vii) in relation to certain shareholders whose Shares are pledged, certain disposals of pledged Shares by the lender, provided that the transferee agrees to a lock-up; (viii) disposals of Shares or other securities acquired following admission of the Shares to trading on Nasdaq Stockholm, subject to certain exceptions; (ix) disposals in accordance with any order made by a court of competent jurisdiction or required by law or regulation; (x) in relation solely to Beagle Investments SA's lock-up, in the event that immediately following the later of the Closing Date or Over-allotment Option closing date, as applicable, Beagle Investments SA's holdings of Shares amount to 10% or more of the then outstanding Shares, a single transfer at the Offer Price, promptly following the Offering to the CEO of Beagle Investment SA's in his personal capacity (or a company wholly-owned by such person) of such minimum number of Shares required to reduce Beagle Investmtn SA's holding of Shares to an amount equal to 9.99% of the then outstanding Shares, provided that the transferee agrees to a lock-up; and (xi) certain other enumerated circumstances, subject in each case to certain exceptions.

Over-allotment Option

The Selling Shareholders have granted an Over-allotment Option to the Managers, acting severally and not jointly, to purchase up to an additional 6,826,844 Shares. The Over-allotment Option may be exercised starting from the first day of listing of Shares on the Nasdaq Stockholm and expires 30 days thereafter. The Over-allotment Option may be exercised in whole or in part for the purpose of covering overallotments (if any) and to facilitate stabilization transactions.

Upsizing Option

To the extent that we, the Selling Shareholders and the Managers determine that there is sufficient demand, the number of Outstanding Shares sold by the Selling Shareholders pursuant to the Offering may be increased, provided that in no event will the Selling Shareholders increase the Offering by more than 4,787,058 Outstanding Shares, excluding any Additional Shares that may be sold upon the exercise of the Over-allotment Option. The Offering may be increased by one or more Selling Shareholders in proportions that do not correspond to their *pro rata* shareholdings.

Stabilization

In connection with the Offering, Morgan Stanley, acting as stabilizing manager, or its agents, on behalf of the Managers may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of the listing of the Shares on the Nasdaq Stockholm. Specifically, the Managers, the Company and the Selling Shareholders have agreed that the Managers may over-allot Offer Shares by accepting offers to purchase a greater number of Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Offer Shares available for purchase by the Underwriters under the Over-allotment Option. The Managers can close out a covered short sale by exercising the Over-allotment Option or purchasing Shares in the open market. In determining the source of Shares to close out a covered short sale, the Managers will consider, among other things, the open market price of Shares compared to the price available under the Over-allotment Option. The Managers may also sell Shares in excess of the Over-allotment Option, creating a naked short position. The Managers must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the stabilizing manager is concerned that there may be downward pressure on the price of the Shares in the open market after pricing that could adversely affect investors who purchase in the Offering. As an additional means of facilitating the Offering, the stabilizing manager or its agents may effect transactions to stabilize or maintain the price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares. These activities may support the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Such transactions may be effected on Nasdaq Stockholm, in the over-the-counter markets or otherwise. The stabilizing manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the stabilizing manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, none of the stabilizing manager, any of its agents or the Managers intends to disclose the extent of any stabilization and/or over-allotment transactions in connection with the Offering.

Other

The Managers and their respective affiliates have engaged in transactions with and performed various commercial banking, investment banking, financial advisory and other services for the Company, the Selling Shareholders and their respective affiliates, and they and their respective affiliates are currently providing and may in the future provide such services for the Company, the Selling Shareholders and their respective affiliates. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and our interests.

In addition, Carnegie has provided loans to Olympus Investment S.à r.l., in conjunction with which such Selling Shareholder has pledged shares in the Company to Carnegie. Olympus Investment S.à r.l. intends to settle its loan with Carnegie before or in conjunction with the closing of the Offering.

Subscription Undertakings and Expressed Intentions to Purchase Shares in the Offering

The Cornerstone Investors have agreed to, in aggregate, acquire at the final Offer Price (and at any such price throughout the Offer Price Range) 18% of the Shares following completion of the Offering subject to, among other things: (i) listing of the Offer Shares occurring no later than April 1, 2015; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) a minimum of 35,000,000 Shares being offered in the Offering, resulting in a minimum of 77,506,412 Shares outstanding after completion of the Offering. If such conditions are not satisfied, the Cornerstone Investors will not be required to acquire their Offer Shares. The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made at the final Offer Price. The undertakings are, however, not secured through a bank guarantee, blocked funds or pledge of collateral or similar arrangement.

While the pre-IPO fund through which Toscafund has invested in the Company will be offering Shares in the Offering (see "*Ownership Structure and Selling Shareholders*"), Toscafund has communicated to the Company its intention to place an order in the Offering for certain other funds managed by Toscafund to purchase a number of Offer Shares at least equal to the number of Shares that will be sold by Toscafund in the Offering. However, Toscafund has not made a commitment to place such an order and there can be no assurances that such an order will be placed and, if placed, that such other funds managed by Toscafund will be allocated Offer Shares.

Our CEO and board director, Jörgen Olsson, has committed to purchase, through his wholly-owned Company Deciso AB, Shares in the Offering in an aggregate amount equivalent to SEK 10 million, such number of Shares to be determined based on the final Offer Price (and at any such price throughout the Offer Price Range). Deciso AB's commitment is subject to the same conditions as the Cornerstone Investors described above and these Shares shall be subject to a lock-up, as described above.

Members of our Board of Directors and Group Management have expressed an interest in buying Shares in the Offering. However, these individuals have not made a commitment to place such orders and there can be no assurances that such orders will be placed and, if placed, that such individuals will be allocated Offer Shares.

Selling Restrictions

United States

The Offer Shares have not been, and will not, be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

The Offer Shares may only be resold outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Terms used above shall have the meanings given to them by Regulation S under the U.S. Securities Act.

European Economic Area

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, excluding Sweden (each, a "**Relevant Member State**"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholders or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offered to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "**relevant persons**"). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

General

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Memorandum comes are required by the Company, the Selling Shareholders and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. Neither we, the Selling Shareholders or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

TRANSFER RESTRICTIONS

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

(3) the purchaser is purchasing the Offer Shares pursuant to this Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

(4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, is a non-U.S. person and was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Offer Shares or any economic interest therein to any person in the United States;

(5) the purchaser is not an affiliate of ours or a person acting on behalf of such affiliate;

(6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the United States and under circumstances that will not require the Company to register under the U.S. Investment Company Act. The purchaser understands that the transfer restrictions will remain in effect until the Company determines, in its sole discretion, to remove them, and confirms that the proposed transfer of the Offer Shares is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act;

(7) the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined under Regulation S of the U.S. Securities Act and the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined under Regulation S of the U.S. Securities Act in the United States with respect to the Offer Shares;

(8) the purchaser acknowledges that the Company and the Selling Shareholders shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;

(9) the purchaser agrees, upon a proposed transfer of the Offer Shares, to notify any purchaser of such Offer Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Offer Shares being sold;

(10) we will not recognize any offer, sale, pledge or other transfer of such Offer Shares made other than in compliance with the above-stated restrictions;

(11) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(12) the purchaser (i) acknowledges that the Company and the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements,

representations and agreements and (ii) agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Offer Shares are no longer accurate, it will promptly notify the Company, and if acquiring any of such Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has the full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act will be required to make the acknowledgments, representations, warranties and agreements set out in the U.S. Investment Letter attached as Appendix A and will be deemed to have acknowledged, represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction no subject to, the registration requirements of the U.S. Securities Act;

(3) the purchaser: (i) is a QIB and a QP; (ii) is aware that the sale to it is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act; (iii) was not formed for the purpose of investing in the Offer Shares; and (iv) is acquiring such Offer Shares for its own account or for the account of a QIB/QP with respect to which it exercises sole investment discretion;

(4) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (A) outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the United States and under circumstances that will not require us to register under the U.S. Investment Company Act. The purchaser understands that the restrictions will remain in effect until we determine, in our sole discretion, to remove them;

(6) the purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Offer Shares;

(7) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank;

(8) the purchaser agrees that the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined under Regulation S of the U.S. Securities Act and that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined under Regulation S under the U.S. Securities Act in the United States with respect to the Offer Shares;

(9) the purchaser agrees, upon a proposed transfer of the Offer Shares, to notify any purchaser of such Offer Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Offer Shares being sold;

(10) the purchaser understands and acknowledges that (i) the Company and the Selling Shareholders shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions; (ii) the Company and its agents may require any U.S. person or any person within the United States who is required under these restrictions to be a QP but is not a QP at the time it acquires a beneficial interest in the Offer Shares, to transfer the Offer Shares within thirty (30) days to a person or entity who is within the United States or a U.S. person, in each case who is a QP, or to a non-U.S. person in an offshore transaction complying with the

provisions of Regulation S; and (iii) if the obligation to transfer is not met, the Company is irrevocably authorized to sell the Offer Shares on an offshore stock exchange on such terms as the directors of the Company see fit and in no event will the Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by the Company in connection with the foregoing;

(11) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(12) the purchaser (i) acknowledges that the Company and the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and (ii) agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Offer Shares are no longer accurate, it will promptly notify the Company, and if acquiring any of such Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has the full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Relevant Member State, other than persons receiving offers contemplated in the Swedish Prospectus in Sweden, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Managers, the Selling Shareholders and us that:

(1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

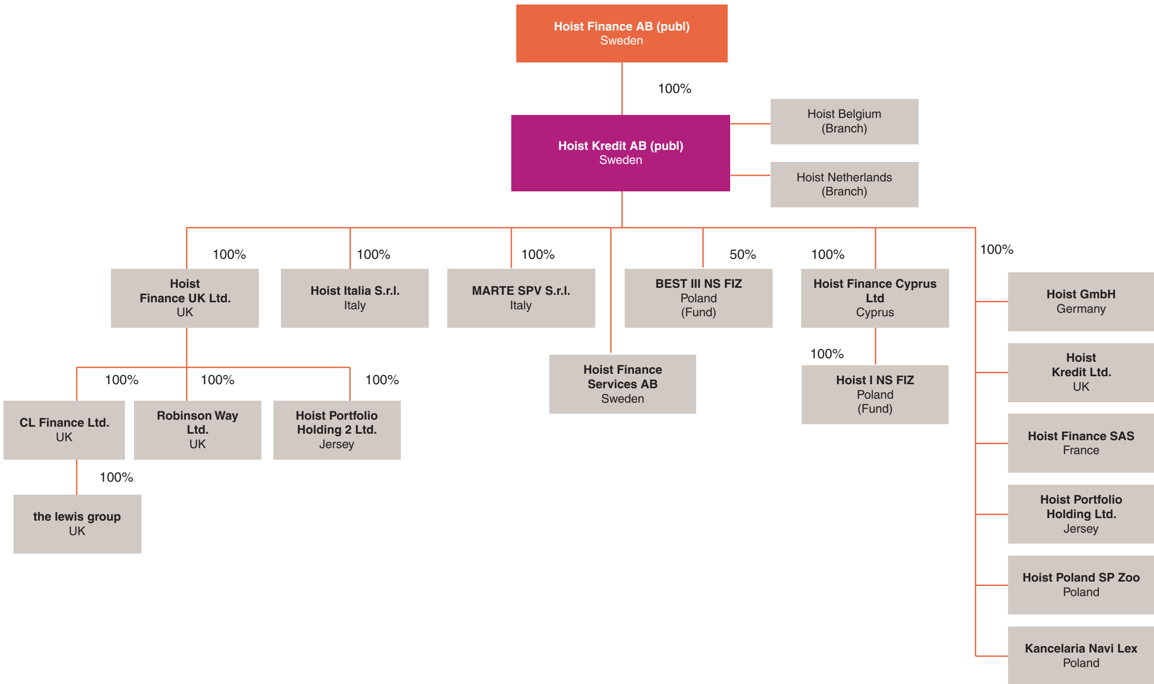
(2) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression “offered to the public” in relation to any of the Offer Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

General Company and Group information

The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) incorporated on August 21, 1915 and registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on November 1, 1915. The Company's current name Hoist Finance AB (publ), was registered on January 8, 2015. The Company has its registered office in Stockholm, Sweden and the Company's corporate identity number is 556012-8489. The business is conducted in accordance with the Swedish Companies Act.

Hoist Finance is the parent company of the Group, which consists of 17 entities with operations in nine countries. The chart below illustrates the Group structure outlining the most important operational entities.



A complete list of our subsidiaries as of December 31, 2014 is set out in Note 14 to our audited consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included elsewhere in this Offering Memorandum.

Material Agreements

Below is a summary of material agreements entered into by the Group during the past two years as well as other agreements entered into by the Group which contain rights or obligations of material importance for the Group.

IT supplier agreements

Agreement with Qualco S.A.

In October 2013, we entered into a framework agreement with Qualco S.A. The agreement concerns the provision of a computer software application (including a non-exclusive, annually renewable and non-transferable license), which is customized for us, for managing collections and recoveries of due debts as well as the maintenance and support of the said application. The agreement is valid for five years and will then automatically be extended for periods of 12 months with a mutual notice period of three months. However, each party is always entitled to, during the initial term, terminate the agreement by giving 24 months written notice.

Agreements with LeanDev AB

Hoist Kredit has entered into three agreements with LeanDev AB. The agreements concern the supply of a deposit system, which is customized for Hoist Kredit ("**Agreement 1**" entered into in August 2012), the development of its functions (“**Agreement 2**” entered into in February 2013) and the support and management of the said system (“**Agreement 3**” entered into in May 2014). Pursuant to the agreements, Hoist Kredit is granted a perpetual license for its own use of the deposit system as well as supplements and adjustments made to it. Agreement 1 is valid until the parties have fulfilled their obligations, whereas Agreement 2 and 3 are valid until further notice with a mutual notice period of three months (Agreement 2) and 12 months (Agreement 3).

Financing Arrangements

For a description of our material financing agreements, see “*Operating and Financial Review—Liquidity and Capital Resources—Indebtedness*.”

Underwriting Agreement

For a description of the underwriting agreement in relation to the Offering, see “*Plan of Distribution*.”

Interests of Advisors

For a description of interests of advisors in connection with the Offering, see “*Plan of Distribution*.”

Documents on Display

Copies of the following documents will be on display during the offer period during ordinary office hours on weekdays at the Company’s offices at Sturegatan 6, 114 35 Stockholm, Sweden:

- the Company’s Articles of Association; and
- the Company’s Annual Reports for the financial years 2014, 2013 and 2012.

The documents will also be available electronically on the Company’s website, www.hoistfinance.com.

Neither the annual reports listed above nor information contained on or referred to on our website form part of and is not incorporated by reference into this Offering Memorandum.

Legal and Other Matters

Please refer to “*Business Overview—Legal and Administrative Proceedings*,” “*Business Overview—Intellectual Property*,” and “*Business Overview—Insurance*” for a description of material legal proceedings and investigations, matters relating to intellectual property and our insurance coverage, respectively.

Merger

We are, in order to simplify the Group structure, contemplating a possible merger between Hoist Finance and Hoist Kredit where Hoist Finance would be the surviving entity. While no actions have yet been taken, a merger process may, however, if proposed by the Board of Directors and approved by the general meeting, be initiated within the next 12 months. A merger would not require any actions by the shareholders of Hoist Finance or affect their holding of Shares in the Company. A merger would, in addition, not affect our business.

ARTICLES OF ASSOCIATION

Articles of Association of Hoist Finance AB (publ), corporate identity number is 556012-8489, adopted at the annual general meeting on February 25, 2015.

§1 Name

The company's name is Hoist Finance AB (publ).

§2 Registered office

The board of directors shall maintain its registered office in Stockholm.

§3 Objects of the company

The company's objects are to:

- own and manage subsidiaries which—or proprietary interest in companies which—conduct business according to the Swedish Banking and Financing Act (2004:297) or similar business, also to conduct said business on its own—mainly to support and complement—and that do not require permit or license according to above mentioned act;
- manage or administrate real estate or other assets, either on its own or through subsidiaries or associated companies;
- provide administrative, consulting and management services mainly to subsidiaries or associated companies; and
- conduct other activities compatible therewith.

§4 Share capital

The share capital of the company shall be no less than SEK 15,000,000 and no more than SEK 60,000,000.

§5 Number of shares

The number of shares shall be no less than 60,000,000 and no more than 240,000,000.

§6 Board of directors

The board of directors shall consist of no less than three (3) and no more than nine (9) members.

§7 Auditors

The company shall have one (1) to two (2) auditors. A registered accounting firm may also be appointed.

§8 Notice

Notice convening a general meeting shall be issued through announcement in the Official Swedish Gazette (Sw. *Post- och Inrikes Tidningar*) as well as on the company's website. Announcement to the effect that notice convening a general meeting has been issued shall be made in Svenska Dagbladet.

A shareholder, who wants to participate in a general meeting must be registered in such a transcription or report of the entire share register as regards the fact five (5) weekdays prior to the meeting, and notify the company not later than on the day specified in the notice of the meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not be earlier than five (5) weekdays prior to the general meeting.

Advisors of shareholders may take part at the general meeting only if the shareholder notifies the number of advisors (no more than two) in the manner described in the paragraph above.

§9 Financial year

The financial year of the company shall be the calendar year.

§10 Record day provision

The company's shares shall be registered in a central securities register pursuant to the Financial Instruments Accounts Act (1998:1479).

DEFINITIONS AND GLOSSARY

The following terms used in this Offering Memorandum have the meanings assigned to them below (unless the context requires otherwise):

"**Articles of Association**"	The articles of association of the Company.
"**Basel III Framework**"	The final guidelines for new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions published by the Basel Committee on Banking Supervision on December 16, 2010 and the minimum requirements for regulatory capital to ensure loss absorbency at the point of non-viability published by the Basel Committee on Banking Supervision on January 13, 2011.
"**Brussels I**"	European Council Regulation (EC) No 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.
"**Board**" and "**Board of Directors**"	The board of directors of the Company.
"**CA**"	Comprehensive Assessment conducted by the European Central Bank.
"**Code**"	The Swedish Corporate Governance Code.
"**Companies Act**" and "**Swedish Companies Act**"	The Swedish Companies Act of 2005 (*aktiebolagslagen 2005:551*).
"**Company**" or "**Hoist Finance**"	Hoist Finance AB (publ).
"**Compound Annual Growth Rate**" or "**CAGR**"	The average annual growth rate calculated over a given period.
"CRR"	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit instructions and investment firms.
"**Data Warehouse**"	Our internal data warehouse, which contains historical data on portfolios and customers across our markets derived from our debt purchasing activities.
"**Fresh claims**"	Loans that are between 1 day and 3 months in default.
"**Hoist Kredit**"	Hoist Kredit AB (publ).
"**DPA**"	A data protection authority.
"**ECB**"	European Central Bank.
"**EU**"	The European Union.
"**Euroclear Sweden**"	Euroclear Sweden AB, the Swedish central securities depository and clearing organization.
"**Europe**" or "**European**"	The European debt purchasing market includes companies operating in Austria, Belgium, France, Germany, Italy, Netherlands, Poland and the United Kingdom.
"**Existing Shareholders**"	The Selling Shareholders together with current shareholders not selling Shares in the Offering.
"**Garage claims**"	Loans that are five years or more in default and that are fully written off.

"**GDP**"	Gross domestic product.
"**Group**"	The Company and its subsidiaries, from time to time.
"**Group Management**"	The management of the Group.
"**KPI**"	Key performance indicator.
"**Lugano II**"	The Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters.
"**Market Abuse Act**"	The Swedish Market Abuse Penal Act of 2005 (*lagen (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument*).
"**MiFID**"	Directive 2004/39/EC on Markets in Financial Instruments.
"**NPL**"	Non-performing loan, what we define as a loan that has been in default for at least 90 days.
"**Payer claims**"	Loans of any age that have a recent history of continuous payments.
"**PD Amending Directive**"	Directive 2010/73/EU of the European Parliament and of the Council.
"**PFIC**"	A passive foreign investment company.
"**PPA**"	A portfolio purchase agreement.
"**Primary claims**"	Loans that are between three and nine months in default.
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council.
"**Prospectus Regulation**"	Commission Regulation (EC) No. 809/2004.
"**RFPs**"	A request for proposal.
"**Secondary claims**"	Loans that are between nine months and two years in default.
"**SEK**"	Swedish kronor, the lawful currency of the Kingdom of Sweden.
"**Selling Shareholders**"	Beagle Investments SA, Olympus Investment S.à r.l., Costas Thoupos and funds managed by Toscafund Asset Management LLP.
"**SFSA**"	The Swedish Financial Supervisory Authority (*Finansinspektionen*).
"**Shares**"	Common shares in the Company, each with a quota value of SEK 1/3.
"**Securities Market Act**"	Swedish Securities Market Act of 2007 (*lagen (2007:528) om värdepappersmarknaden*)
"**Takeover Act**"	Swedish Act on Public Takeovers on the Securities Market (*lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*).
"**Tertiary claims**"	Loans that are between two and five years in default.
"**Trading Act**"	The Swedish Financial Instruments Trading Act of 1991 (*lagen (1991:980) om handel med finansiella instrument*).
"**Treaty**"	Convention Between the Government of Sweden and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income.

"**Underwriting Agreement"**	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Managers, as further described under "*Plan of Distribution*."
"**U.S. Dollar**" or "**U.S.D.**"	United States dollars, the lawful currency of the United States of America.

APPENDIX A

U.S. INVESTMENT LETTER

[on the letterhead of the investor; to be executed prior to purchase of the Offer Shares]

Hoist Finance AB (publ)
P.O. Box 7848
103 99 Stockholm
Sweden

Carnegie Investment Bank AB
Regeringsgatan 56
SE-103 38 Stockholm
Sweden

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Ladies and Gentlemen:

This letter (a "**U.S. Investment Letter**") relates to the (a) offering (the "**Offering**") of Shares (the "**Shares**") of Diamond Finance AB (publ) (the "**Company**") acquired from the Joint Bookrunners (or their affiliates); or (b) subsequent transfer of such Shares. In any case, this letter is to be delivered on behalf of the person acquiring beneficial ownership of the Shares by the investor named below or the accounts listed on the attachment hereto (each, an "**Investor**").

Unless otherwise stated, or the content otherwise requires, capitalized terms in this letter shall have the same meaning as is given to them in the International Offering Memorandum related to the Offering (the "**International Offering Memorandum**").

The Investor agrees, acknowledges, represents and warrants, on its own behalf or on behalf of each account for which it is acting that:

1. the Investor has received a copy of the International Offering Memorandum and understands and agrees that the International Offering Memorandum speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to that date.

2. The Investor hereby confirms that:

   a. the Investor is a "Qualified Institutional Buyer" ("**Qualified Institutional Buyer**") as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and a "Qualified Purchaser" ("**Qualified Purchaser**") as defined in section 2(a)(51) and related rules of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**");

   b. the Investor is not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of unaffiliated issuers;

   c. the Investor is not a participant-directed employee plan, such as a plan described in subsection (a)(1)(i)(D), (E) or (F) of Rule 144A;

   d. no portion of the assets used by the Investor to purchase, and no portion of the assets used by the Investor to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an "employee benefit plan" that is subject to Title I of the US Employee Retirement Income

Security Act of 1974, as amended ("**ERISA**"); (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Tax Code**"); (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii); or (iv) any governmental plan, church plan, non-U.S. Plan or other investor whose purchase or holding of Shares would be subject to any state, local, non-U.S. or other laws or regulations similar to Title I of ERISA or section 4975 of the Tax Code or that would have the effect of the regulations issued by the U.S. Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA (each entity described in preceding clause (i), (ii), (iii) or (iv), a "**Plan Investor**").

e. the Investor is knowledgeable, sophisticated and experienced in business and financial matters and it fully understands the limitations on ownership and transfer and the restrictions on sales of such Shares; and

f. the Investor is able to bear the economic risk of its investment in the Shares and is currently able to afford the complete loss of such investment and the Investor is aware that there are substantial risks incidental to the purchase of the Shares, including those summarized under "Risk Factors" in the International Offering Memorandum.

3. The party signing this U.S. Investment Letter was not formed for the purpose of investing in the Company and is acquiring the Shares for its own account or for the account of one or more Investors (each of which is a Qualified Institutional Buyer and a Qualified Purchaser) on whose behalf the party signing this U.S. Investment Letter is authorized to make the acknowledgments, representations and warranties, and enter into the agreements, contained in this U.S. Investment Letter.

TRANSFER RESTRICTIONS

4. The Investor understands and agrees that the Shares are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

5. The Investor understands and agrees that if in the future the Investor decides to offer, resell, transfer, assign, pledge or otherwise dispose of any Shares, such Shares will be offered, resold, transferred, assigned, pledged or otherwise disposed of by the Investor solely in a transaction (a "**Disposition**") in which either;

   a. at the time such Disposition was originated, the buyer, transferee or pledgee (as applicable) was outside the United States or the Investor and any person acting on its behalf reasonably believed that the buyer, transferee or pledgee (as applicable) was outside the United States; or

   b. such Disposition was executed in, on or through the facilities of a designated offshore securities market as defined in Regulation S (including, for the avoidance of doubt, *a bona fide* sale on Nasdaq Stockholm);

   and neither the Investor nor any person acting on its behalf will pre-arrange such Disposition, or has reason to believe that such Disposition was pre-arranged with a buyer, transferee or pledgee (as applicable) in the United States or known to be a U.S. person.

US INVESTMENT COMPANY ACT

6. The Investor understands and acknowledges that the Company has not registered, and does not intend to register, as an investment company under the Investment Company Act pursuant to sections 7(d) and 3(c)(7) thereof and that the Company has elected to impose the transfer and selling restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exemption provided under section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company even if it were otherwise determined to be an investment company.

7. The Investor understands and acknowledges that, to the extent permitted by applicable law and regulation, (i) the Company and its agents will not be required to accept for registration of transfer any Shares acquired by the Investor made other than in compliance with the restrictions set forth in this U.S. Investment Letter, (ii) the Company may seek to require any U.S. person or any person within the United States who was not a Qualified Purchaser at the time it acquired any Shares or any beneficial interest therein (which for the avoidance of doubt does not include any investor signing this letter who has truthfully made the representations, warranties and agreements herein) to transfer the Shares or any such beneficial interest

immediately in a manner consistent with the restrictions set forth in this U.S. Investment Letter, (iii) pending such transfer, the Company is authorized to suspend the exercise of the meeting and consent rights relating to the relevant Shares and the right to receive distributions in respect of the relevant Shares, and (iv) if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the Shares, as applicable, in a manner consistent with the restrictions set forth in this U.S. Investment Letter and, if such Shares are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

ERISA

8. The Investor understands and acknowledges that, (i) no transfers of the Shares or any interest therein to a person using assets of a Plan Investor to purchase or hold such Shares or any interest therein will be permitted and (ii) if the ownership of Shares by an investor will or may result in the Company's assets being deemed to constitute "**plan assets**" under the Plan Asset Regulations, the Directors may serve a notice upon the holder of such Shares requiring the holder to transfer the Shares to an eligible transferee within 30 days, and if within 30 days, the transfer notice has not been complied with, the Company may seek, subject to applicable laws and regulations, to sell the relevant Shares on behalf of the holder by instructing a member of Nasdaq Stockholm to sell them to an eligible transferee.

THE PLACING

9. The Investor is not subscribing to, or purchasing, the Shares with a view to, or for offer or sale in connection with, any distribution thereof (within the meaning of the Securities Act) that would be in violation of the securities laws of the United States or any state thereof.

10. The Investor became aware of the offering of the Shares by the Company and the Shares were offered to the Investor solely by means of the International Offering Memorandum and the Investor did not become aware of, nor were the Shares offered to the Investor by any other means, including, in each case, by any form of general solicitation or general advertising, and in making the decision to purchase or subscribe to the Shares, the Investor relied solely on the information set forth in the International Offering Memorandum.

11. The Investor understands and acknowledges that, (i) none of the Joint Bookrunners or their affiliates have made or will make any representation or warranty as to the accuracy or completeness of the information in the International Offering Memorandum or any other information provided by the Company; (ii) the Investor has not relied and will not rely on any investigation by any Joint Bookrunner, its affiliates or any person acting on its behalf may have conducted with respect to the Company, or the Shares; and (iii) none of the Joint Bookrunners makes any representation as to the availability of an exemption from the Securities Act for the transfer of the Shares.

12. The Investor agrees, upon a proposed transfer of the Shares, the Investor will notify any purchaser of such Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Shares being sold.

13. The Investor agrees that neither the Investor, nor any of the Investor's affiliates, nor any person acting on the Investor's or their behalf, will make any "directed selling efforts" as defined in Regulation S under the Securities Act in the United States with respect to the Shares.

GENERAL

14. The Investor understands and acknowledges that, notwithstanding anything to the contrary in this letter, the Shares may not be deposited into any unrestricted American depositary receipt facility in respect of the Company's securities, established or maintained by a depositary bank;

15. Each of the Joint Bookrunners, the Company and their respective affiliates are irrevocably authorized to produce this U.S. Investment Letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

16. The Investor understands and acknowledges that, no agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Shares.

The Investor hereby consents to the actions of each of the Joint Bookrunners, and hereby waives any and all claims, actions, liabilities, damages or demands it may have against each Joint Bookrunner in connection with any alleged conflict of interest arising from the engagement of each of the Joint Bookrunners with respect to the sale by the applicable Joint Bookrunner of the Shares to the Investor.

The Investor acknowledges that each of the Joint Bookrunners, the Company and their respective affiliates and others will rely on the acknowledgments, representations and warranties contained in this U.S. Investment Letter as a basis for exemption of the sale of the Shares under the Securities Act, the Investment Company Act, under the securities laws of all applicable states, for compliance with ERISA and for other purposes. The party signing this U.S. Investment Letter agrees to notify promptly to the Company if any of the acknowledgments, representations or warranties set forth herein are no longer accurate.

This U.S. Investment Letter shall be governed by and construed in accordance with the laws of the State of New York.

Where there are joint applicants, each must sign this U.S. Investment Letter. Applications from a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Where there are joint applicants, each must sign this U.S. Investment Letter. Applications from a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitutional documents (and evidence of such authority may be required).

____

(Name of Purchaser)

By:

Title:

Date:

Index to Financial Statements

Independent Auditors' Report on historical financial information

To the Board of Directors of Hoist Finance AB (publ), Corporate Id No 556012-8489

We have audited the financial statements of Hoist Finance AB (publ) on pages F-1 – F-73, comprising the parent company and consolidated balance sheets at December 31, 2014, 2013 and 2012, the parent company and consolidated statements of income, the consolidated statements of comprehensive income, the parent company and consolidated statements of changes in shareholders' equity and the parent company and consolidated cash flow statements for the years ended December 31, 2014, 2013 and 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the Chief Executive Officer's responsibility for the financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the financial statements to provide a fair view of the financial position, financial performance, changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, the Annual Accounts Act for the parent company, the Annual Accounts Act for Credit Institutions and Securities Companies for the group and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Swedish Institute of Authorized Public Accountants, FAR, recommendation RevR 5, *Examination of financial information in prospectuses*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit in accordance with FAR's recommendation RevR 5 *Examination of financial information in prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The procedures selected depend on our assessment of the risks of material misstatements in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the appropriateness of the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Chief Executive Officer and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, the Annual Accounts Act for the parent company, the Annual Accounts Act for Credit Institutions and Securities Companies for the group and additional applicable frameworks, of Hoist Finance AB (publ) and the group's financial position as at 31 December 2014, 2013 and 2012, and the financial performance, changes in shareholders' equity and cash flow for the years ended December 2014, 2013 and 2012.

Stockholm, February 20, 2015

KPMG AB

Anders Bäckström
Authorized Public Accountant

Financial statements

Consolidated income statement

SEK thousand	Note	2014	2013	2012
Net revenues from acquired loan portfolios	1,2	1,398,291	1,008,317	464,394
Interest income	2	89,731	155,988	148,551
Interest expense	2	-344,969	-258,176	-185,653
Net interest income		1,143,053	906,129	427,292
Fee and commission income		153,222	149,142	46,854
Net result from financial transactions	3	-17,719	-4,860	-26,639
Other income	4	12,219	12,152	66,278
Total operating income		1,290,775	1,062,563	513,785
General administrative expenses				
Personnel expenses	5	-473,200	-386,757	-234,277
Other operating expenses	6	-627,467	-540,705	-250,391
Depreciation, amortisation and impairment of tangible and intangible assets	15,16	-30,281	-21,476	-54,635
Total operating expenses		-1,130,948	-948,938	-539,303
Profit from shares and participations in joint venture	7	58,662	36,406	55,724
Profit before tax		218,489	150,031	30,206
Income tax expense	9	-38,386	-33,115	-1,462
Net profit for the period		180,103	116,916	28,744
Attributed to the				
Shareholders of the parent company		180,103	116,916	28,744
Basic earnings per share	10	9.21	6.07	1.86
Diluted earnings per share	10	8.16	5.63	1.74

Consolidated statement of comprehensive income

SEK thousand	2014	2013	2012
Net profit for the period	180,103	116,916	28,744
Other comprehensive income			
Items that will not be reclassified to the profit and loss			
Revaluation of defined pension benefit plans	-1,710		
Revaluation of remuneration after terminated employment	-1,120		
Tax	872		
Total items that may not be reclassified subsequently to the profit and loss	-1,958		
Items that may be subsequently reclassified to the profit and loss			
Currency translation differences on foreign operations	-23,154	48,013	260
Hedging currency risk exposure in foreign operations	32,584	-46,146	
Total items that may be reclassified subsequently to the profit and loss	9,430	1,867	260
Other comprehensive income for the year	7,472	1,867	260
Total comprehensive income for the year	187,575	118,783	29,004
Attributable to			
Shareholders of the Parent Company	187,575	118,783	29,004

Consolidated balance sheet

SEK thousand	Note	31 Dec 2014	31 Dec 2013	31 Dec 2012
ASSETS				
Cash		340	197	140
Treasury bills and treasury bonds	11,12,26	2,316,110		
Lending to credit institutions	11,12,26	1,292,711	3,926,686	2,245,711
Lending to the public	11,12,26	157,232	328,951	537,613
Acquired loan portfolios	11,13,26	8,586,782	5,997,935	3,363,907
Bonds and other securities	11,12,26	1,951,241	1,297,677	732,672
Shares and participation in joint venture	7	215,347	192,230	180,843
Intangible assets	15	171,048	64,282	36,004
Tangible assets	16	32,000	34,780	43,711
Other assets	17	209,941	105,683	63,585
Deferred tax assets	9	70,885	62,254	29,085
Prepaid expenses and accrued income		58,192	26,556	8,467
Total assets		15,061,829	12,037,231	7,241,738
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Deposits from the public	11,26	10,987,289	9,701,502	6,366,256
Tax liabilities	9	52,326	71,858	24,863
Other liabilities	18	555,186	235,910	151,547
Deferred tax liabilities	9	50,419	32,720	1,026
Accrued expenses and prepaid income	19	124,797	90,251	26,304
Provisions	20	68,704	94,637	32,394
Senior unsecured loans	11,26	1,493,122	665,680	0
Subordinated loans	21,26	332,796	329,231	0
Total liabilities and provisions		13,664,639	11,221,789	6,602,390
Shareholders' equity	22			
Share capital		21,662	15,488	15,488
Other contributed equity		1,003,818	590,370	495,830
Reserves		-2,812	-12,242	-14,109
Retained earnings including profit for the year		374,522	221,826	142,139
Total shareholders' equity		1,397,190	815,442	639,348
Total liabilities and shareholders' equity		15,061,829	12,037,231	7,241,738
Pledged assets	12	1,903	5,724	5,515
Contingent liabilities	24	229,944	270,615	163,958

Consolidated statement of changes in shareholders' equity

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings incl. profit for the year	Total share-holders' equity
Opening balance 1 Jan 2014	15,488	590,370	-12,242	221,826	815,442
Other comprehensive income for the year					
Net profit for the year				180,103	180,103
Other comprehensive income			9,430	-1,958	7,472
Total other comprehensive income for the year			9,430	178,145	187,575
Transactions recorded directly in equity					
New share issue	6,174	508,310[1]			514,484
Interest paid on capital contribution				-28,750	-28,750
Paid-in premium for warrants		5,138			5,138
Conversion of convertible bond		-100,000			-100,000
Tax effect on items recorded directly in equity				3,301	3,301
Total transactions recorded directly inequity	6,174	413,448		-25,449	394,173
Closing balance 31 Dec 2014	21,662	1,003,818	-2,812	374,522	1,397,190

1) Nominal amount of SEK 527,160 thousand has been reduced by transaction costs of SEK 18,850 thousand.

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings incl. profit for the year	Total share-holders' equity
Opening balance 1 Jan 2013	15,488	495,830	-14,109	142,139	639,348
Other comprehensive income for the year					
Net profit for the year				116,916	116,916
Other comprehensive income			1,867		1,867
Total other comprehensive income for the year			1,867	116,916	118,783
Transactions recorded directly in equity					
Capital contribution		93,000[1]			93,000
Interest paid on capital contribution				-25,073	-25,073
Dividend				-14,372	-14,372
Tax effect on items recorded directly in equity		1,540		2,216	3,756
Total transactions recorded directly in equity		94,540		-37,229	57,311
Closing balance 31 Dec 2013	15,488	590,370	-12,242	221,826	815,442

1) Nominal amount of SEK 100,000 thousand has been reduced by transaction costs of SEK 7,000 thousand.

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings incl. Profit for the year	Total share-holders' equity
Opening balance 1 Jan 2012	15,488	395,830	-14,369	113,395	510,344
Other comprehensive income for the year					
Net profit for the year				28,744	28,744
Other comprehensive income			260		260
Total other comprehensive income for the year			260	28,744	29,004
Transactions recorded directly in equity					
Dividend					
Capital contribution		100,000			100,000
Total transactions recorded directly in equity		100,000			100,000
Closing balance 31 Dec 2012	15,488	495,830	-14,109	142,139	639,348

Consolidated cash flow statement

SEK thousand	2014	2013	2012
OPERATING ACTIVITIES			
Cash flow from gross cash collection from acquired loan portfolios	2,541,310	1,641,007	887,311
Interest received	89,731	155,237	148,551
Commission received	153,222	149,143	44,452
Other operating income	12,220	11,42 5	68,680
Interest paid	-274,982	-192,350	-178,336
Paid expenses	-1,093,078	-898,742	-545,824
Net cash flow from financial transactions	-17,719	-4,860	-26,639
Capital gain on redemption of certificates in joint venture	27,941	16,481	3,230
Income tax paid	-52,292	-9,533	-31,829
Total	1,386,353	867,808	369,596
Increase/decrease in acquired loan portfolios incl. changes in valuation	-3,731,866	-3,266,718	-1,423,435
Increase/decrease in certificates in joint venture	13,544	11,697	
Increase/decrease in lending to the public	171,719	208,662	-454,225
Increase/decrease in deposits from the public	1,215,800	3,288,496	1,870,865
Increase/decrease in other assets	-94,502	-18,253	120,249
Increase/decrease in other liabilities	307,124	88,119	-27,842
Increase/decrease in provisions	-25,933	62,243	11,848
Changes in other balance sheet items	-310	4,082	11,169
Total	-2,144,424	378,328	108,629
Cash flow from operating activities	-758,071	1,246,136	478,225
INVESTING ACTIVITIES			
Investments in intangible fixed assets	-64,286	-37,920	-25,724
Investments in tangible fixed assets	-14,247	-11,397	-5,377
Acquisitions in businesses	-49,434		
Investments/divestments of bonds and other securities	-653,564	-564,254	-233,204
Cash flow from investing activities	-781,531	-613,571	-264,305
FINANCING ACTIVITIES			
Capital contribution		93,000	100,000
New share issue	414,484		
Paid-in premium for warrants	5,139		
Issued loans	831,007	665,680	
Issued subordinated loans		329,231	
Paid interest on capital contribution	-28,750	-25,073	
Dividend		-14,371	
Cash flow from financing activities	1,221,880	1,048,467	100,000
Cash flow for the year	-317,722	1,681,032	313,920
Cash at the beginning of the year	3,926,883	2,245,851	1,931,931
Cash at the end of the year[1)]	3,609,161	3,926,883	2,245,851

1) Consists of cash, treasury bills/bonds and lending to credit institutions.

Parent company income statement

SEK thousand	Note	2014	2013	2012
Net revenue	4	171,684	144,874	122,046
Other external expenses	6	-151,509	-152,113	-143,637
Depreciation and amortisation	15,16	-6,762	-7,163	-4,096
Total operating expenses		-158,271	-159,276	-147,733
Operating profit		13,413	-14,402	-25,687
Other interest income	2	1,254	2,347	2,761
Interest expense	2	-1,315	-2,957	-3,662
Total income from financial items		-61	-610	-901
Profit from shares in Group companies	8		10,031	36,315
Changes in tax allocation reserve		-535		
Profit/loss before tax		12,817	-4,981	9,728
Income tax expense		-353	30	-4,049
Net profit/loss for the year[1)]	9	12,464	-4,951	5,678

1) The net profit/loss for the year equals the total comprehensive income for the year.

Parent company balance sheet

SEK thousand	Note	Dec.31, 2014	Dec.31, 2013	Dec.31, 2012
ASSETS				
FIXED ASSETS				
Licenses and software	15	31,871	31,133	20,225
Total intangible fixed assets		31,871	31,133	20,225
Equipment	16	2,232	2,536	2,750
Total tangible fixed assets		2,232	2,536	2,750
Shares and participations in subsidiaries	14	928,986	396,034	396,034
Receivables from group companies		0	0	45,900
Loans	11	0	0	6,019
Total financial assets		928,986	396,034	447,953
Total fixed assets		963,089	429,703	470,928
CURRENT ASSETS				
Receivables Group companies		47,506	44,350	145,757
Receivables		0	0	31
Other receivables		4,353	1,727	3,170
Prepaid expenses and accrued income		17,174	2,224	32
Total current receivables		69,033	48,301	148,990
Cash and bank	11	43,519	5,487	3,451
Total current assets		112,552	53,788	152,441
TOTAL ASSETS		1,075,641	483,491	623,369

SEK thousand	Note	31 Dec 2014	31 Dec 2013	31 Dec 2012
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity	22			
Restricted equity				
Share capital		21,662	15,488	15,488
Statutory reserve		3,098	3,098	3,098
Total restricted capital		24,760	18,586	18,586
Unrestricted equity				
Other contributed equity		909,278	395,830	395,830
Retained earnings		-28,062	-23,111	-14,418
Result for the year		12,464	-4,951	5,678
Total unrestricted equity		893,680	367,768	387,090
Total shareholders' equity		918,440	386,354	405,676
Untaxed reserves		535		
Provisions				
Pension provisions	20	49	77	90
Total provisions		49	77	90
Long-term liabilities				
Intra-Group loan	31	40,100	40,100	86,000
Total long-term liabilities		40,100	40,100	86,000
Current liabilities				
Accounts payable		9,856	5,748	4,960
Tax liabilities		353		
Liabilities Group companies		103,535	45,057	121,539
Other current liabilities		0	5,189	4,296
Accrued expenses and prepaid income	19	2,773	966	808
Total current liabilities		116,517	56,960	131,603
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,075,641	483,491	623,369
Pledged assets		None	None	None
Contingent liabilities		None	None	None

Statement of changes in shareholders' equity, parent company

SEK thousand	Restricted equity		**Unrestricted equity**			
	Share capital	Statutory reserves	Other contributed equity	Retained earnings	Result for the year[1)]	Total share-holder's equity
Opening balance 1 Jan 2014	15,488	3,098	395,830	-23,111	-4,951	386,354
Reclassification of result for the previous year				-4,951	4,951	
Comprehensive income for the year						
Net profit for the year					12,464	12,464
Total comprehensive income for the year					12,464	12,464
Transactions recorded directly in equity						
New share issue	6,174		508,310[2)]			514,484
Paid-in premium for warrants			5,138			5,138
Total transactions recorded directly in equity	6,174		513,448			519,622
Closing balance 31 Dec 2014	21,662	3,098	909,278	-28,062	12,464	918,440

1) The net profit for the year equals the total other comprehensive income for the year.
2) The nominal amount of SEK 527,160 thousand has been reduced by transaction costs of SEK 18,850 thousand.

SEK thousand	Restricted equity		Unrestricted equity			
	Share capital	Statutory reserves	Other contributed equity	Retained earnings	Result for the year[1)]	Total share-holder's equity
Opening balance 1 Jan 2013	15,488	3,098	395,830	-14,418	5,678	405,676
Reclassification of result for the previous year				5,678	-5,678	
Comprehensive income for the year						
Net profit for the year					-4,951	-4,951
Total comprehensive income for the year					-4,951	-4,951
Transactions recorded directly in equity						
Dividend				-14,371		-14,371
Total transactions recorded directly in equity				-14,371		-14,371
Closing balance 31 Dec 2013	15,488	3,098	395,830	-23,111	-4,951	386,354

1) The net result for the year equals the total other comprehensive income for the year.

SEK thousand	Restricted equity		Unrestricted equity			
	Share capital	Statutory reserves	Other contributed equity	Retained earnings	Result for the year[1)]	Total share-holder's equity
Opening balance 1 Jan 2012	15,488	3,098	395,830	2,604	-17,022	399,998
Reclassification of result for the previous year				-17,022	17,022	0
Comprehensive income for the year						
Net profit for the year					5,678	5,678
Total comprehensive income for the year					5,678	5,678
Closing balance 31 Dec 2012	15,488	3,098	395,830	-14,418	5,678	405,676

1) The net profit for the year equals the total other comprehensive income for the year.

Parent company cash flow statement

SEK thousand	2014	2013	2012
OPERATING ACTIVITIES			
Interest income received	32	1,621	2,400
Other operating income	171,684	144,874	122,046
Interest expense paid	-1,314	-2,957	-3,662
Paid expenses	-164,652	-154,147	-142,492
Net cash flow from financial transactions	1,221	726	362
Income tax paid	-5	31	-2,984
Total	6,966	-9,852	-24,330
Increase/decrease in lending to the public		6,019	-6,019
Increase/decrease in intra-Group items	55,322	34,956	34,631
Increase/decrease in other assets	-2,621	1,474	4,324
Increase/decrease in other liabilities	-1,081	1,679	8,279
Changes in other balance sheet items	-28	-13	-39
Total	51,592	44,115	41,176
Cash flow from operating activities	58,558	34,263	16,846
INVESTING ACTIVITIES			
Investments in intangible fixed assets	-6,622	-17,271	-12,031
Investments in tangible fixed assets	-574	-586	-2,533
Investments in subsidiaries- net	-432,952		
Cash flow from investing activities	-440,148	-17,857	-14,564
FINANCING ACTIVITIES			
New share issue	414,484		
Paid-in premium for warrants	5,138		
Paid dividend		-14,371	
Cash flow from financing activities	419,622	-14,371	
Cash flow for the period	38,032	2,035	2,282
Cash at the beginning of the period	5,487	3,451	1,169
Cash at the end of the period	43,519	5,486	3,451

Accounting Principles

1 Corporate Information

These financial statements as of 31 December 2014 presents Hoist Finance AB (publ), previously Hoist Finance AB (publ), 556012-8489, which is the Parent company in the Hoist Finance Group. The Parent company is a Swedish limited company, registered in Stockholm, Sweden. The address of the head office is Box 7848,103 99 Stockholm. The Group is licenced and supervised by the Swedish Financial Supervisory Authority (Finansinspektionen).

The consolidated accounts for the financial year 2014 were approved by the Board of Directors on 20 February.

2 Statement of compliance

The Group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretations of the IFRS Interpretations Committee as adopted by the EU.

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

The Parent Company applies the same accounting policies as the Group except in the cases where the application of IFRS for legal entities is not permitted by Swedish Accounting regulations. Please refer to the section below concerning the accounting principles for the Parent Company.

3 Changed accounting policies and amendments from prior periods

New and amended standards adopted in the financial statements

The accounting policies, basis for calculations and presentation are, in all material aspects, unchanged in comparison with the 2012 and 2013 financial statements, apart from IFRS 10, 11,12.

Hoist Finance has applied the new standard IFRS 10 Consolidated Financial Statements as from 1 January 2014, with no impact on the financial statements.

The Swedish Financial Supervisory Authority has in addition issued amendments to FFFS 2008:25 in FFFS 2013:24 and 2014:18, and the Swedish Financial Reporting Board has issued amendments to the Supplementary Rules for Group Accounting (RFR 1).

These amendments were implemented as of 1 January 2014 except for the amendments in FFFS 2014:18 that were implemented in August 2014. The amendments in FFFS 2014:18 require changed capital adequacy disclosures (presented in Note 29 "Capital adequacy"), and certain additional requirement of disclosure per country in the consolidation. The amendments in FFFS 2013:24 and in RFR 1 have not had any significant impact on the financial statements.

IFRS 11 "Joint Arrangements" is applied as of 1 January 2014. It outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified either as joint venture or joint operations. The assessment is based on the structure of the investment, the legal form and other circumstances. According to previous regulation the assessment was only based on the structure of the investment. In addition, IFRS 11 stipulates that for joint ventures, only the equity method is allowed.

Hoist Finance has a joint arrangement classified as a joint venture. This is already accounted for according to the equity method in previous periods.

IFRS 12 "Disclosure of Interests in other Entities" has not had any impact on the financials, however, it is expected to add more disclosures for subsidiaries, joint arrangements, associates and unconsolidated "structured entities". The new standard requires more disclosure on:

- the nature of the interest in another entity;
- assumptions and judgements in determining the nature of its interest in another entity or arrangement;
- the risks associated with the entity's interest in other entities;
- effects of those interests on the entity's financial position and financial performance and cash flows.

There are no other changes in accounting policies which have had a significant impact on the financial reporting in the Group or the Parent company.

Other amendments in classification

In comparancy with the financial statements for 2013, the following reclassifications have been made.

GROUP

SEK thousand	**2012 in 2013 Financial Statements**	**Adjustment Deposit Guarantee Scheme**	**Adjustment fee and commission income**	**2012 in 2014 Financial Statements**
Interest expense	-178,626	-7,027		-185,653
Fee and commission income	44,452			46,854
Other income	68,681		2,402	66,279
Other operating expense	-257,418	7,027	-2,402	-250,391

GROUP

SEK thousand	**2013 in 2013 Financial Statements**	**Adjustment Deposit Guarantee Scheme**	**Adjustment fee and commission income**	**2013 in 2014 Financial Statements**
Interest expense	-249,534	-8,642		258,175
Fee and commission income	120,853		28,289	149,142
Other income	40,441		-28,289	12,153
Other operating expense	549,347	8,642		540,705

Commission income previously accounted for as Other income is reclassified to Fee and commission income.

Fees to the Deposit Guarantee Scheme previously accounted for as Other operating expenses, are not shown under Interest expense.

The ERC (Estimated Remaining Collections) as at December 2012 has in the 2014 annual report been restated in order to reflect the method applied in calculations of 2013 and 2014.

4 New standards, amendments and interpretation not yet adopted

A number of new or amended IFRS standards will be endorsed during the coming financial year and have not been applied at the issuance of these financial statements. News and amendments with future application will not be subject to early application.

IFRS 9 Financial instruments will replace IAS 39 Financial instruments: Recognition and Measurement. IASB has through IFRS 9 issued a package of improvements of the accounting of financial instrument.

The package of improvements includes a new logical model for classification and measurement of financial instruments, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.

The IFRS 9 will come into effect on 1 January 2018 with early application permitted. The EU plans to endorse the standard during 2015.

The company has not yet assessed the impact on the financial statement of the new standard.

IFRS 15 “Revenue from Contracts with Customers”. The purpose of the new standard is to have a single, principles based model to be applied to all contracts with customers in all business sectors. The standard is to replace current revenue standards and interpretations. Business sectors which most possibly will be effected are telecom, software, property, aerospace, defence, building and construction and contract manufacturing. All companies will, however, be affected of the new extensive disclosure requirements. There are three alternative ways to adopt the new standard; the full retrospective approach, the partial retrospective approach or the cumulative effect approach, which requires adjusting equity as per 1 January 2017 for contracts under the old standard (IAS 11/IAS 18).

The standard should be applied in an entity’s IFRS financial statements for annual reporting periods beginning on or after 1 January 2017. Earlier application is permitted, subject to EU endorsement. The EU endorsement is expected during the second quarter 2015.

The IASB has issued the IFRIC 21 “Levies” which includes guidance on debt accounting within IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and has been endorsed by the EU, The interpretation are effective for annual periods beginning on or after 17 June 2014, and clarifies that the company should recognise a liability for the levy at the end of the year, only given that the company conducts banking activities at the end of the year.

The assessment is that the new interpretation will not have any significant impact on the financial statements of Hoist Finance nor the capital adequacy.

There are no other interpretations of IFRS or IFRIC not yet applied which will have a significant impact on the Group.

5 Assumption

The preparation of financial reports in accordance with IFRS requires the Management to make estimates and assumptions that affect the application of the accounting principles and the carrying values of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and a number of other factors that under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying value of assets and liabilities that otherwise is not clearly indicated by other sources. Actual outcomes may deviate from these estimates and assumptions.

Estimates and assumptions are reviewed regularly, and the effect on carrying values is recognised through profit or loss. Changes in estimates are reported in the period in which the change is made, provided it has affected only this period, or the period the change was made and future periods if the change affects both current and future periods.

Estimates made by the Management that have a significant impact on the consolidated financial statements and which could affect the consolidated financial statements in subsequent years, are described in more detail in Note 30.

6 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Parent Company has the power to govern the financial and operating policies. Control is when the Parent Company has control over an investment, is exposed to or has the right to receive variable return on the engagement and is in the position to govern the engagement to decide on the return. When assessing the power to govern, the potential voting rights are taken into account and if de facto control is applicable.

The Group uses the acquisition method of accounting to account for business acquisitions. The Group-wide acquisition value is established by a purchase price allocation in connection with the acquisition. The analysis states both, the acquired identifiable assets and acquired liabilities, as well as contingent liabilities. The acquisition value of the shares in subsidiaries and business operations are determined by the fair values as of the acquisition date for the assets, arising or transferred liabilities and issued equity instruments that have been transferred as consideration in exchange for the acquired net assets. The transaction costs that are directly attributable to the acquisition are directly expensed as incurred. In business acquisitions where the acquisition cost exceeds the net value of the acquired assets and liabilities as well as any possible contingent liabilities, the difference is accounted for as goodwill. When the difference is negative, it is directly recognised in the profit or loss. In the consolidated accounts the contingent consideration is recognised at fair value with the change in value over profit or loss.

Intra-Group receivables and liabilities, revenue and expenses, and unrealised gains and losses that arise from transactions within the Group are eliminated in their entirety in the consolidated financial statements.

Joint ventures

From an accounting point of view joint ventures are entities where the group has joint control through contractual arrangements with one or several parties, has jointly control where the group has the right to the net assets instead of directly rights to assets and obligation to liabilities. In the consolidated accounts the joint venture is accounted for in accordance with the equity method. According to the equity method, the asset is initially accounted for at its acquisition value. The carrying value is increased or decreased subsequently to reflect the profit share in the investment for the owner company. Changes attributable to foreign exchange gains or losses are recognised in other comprehensive income. In the joint venture BEST Ill Sec Fund the portfolios are recognised at fair value.

7 Segment reporting

An operating segment is part of the Group identified on a separate basis and which can generate income and incur cost and which presents its own isolated financial reports. The segment reporting serves as a governance tool and is reviewed on a regularly basis by the chief operating decision makers in order to assess their performance and allocate resources to the segment.

For Hoist Finance the primary segment is geographical and the geographical areas are different countries as well as a set of comparable countries. The geographical segment mirrors the business activities as the portfolios are acquired on a country by country basis. In the context of defining the segments the Company's executive management is the Chief operating decision maker. See note 1 for more information.

8 Foreign currency translation

Functional currency

The functional currency of the Parent Company is SEK which is also the presentation currency of the Group as well as the Parent Company. Group companies prepare their accounts in the local functional currency in the country where they have their operations. All transactions in other currencies are converted into SEK at Balance Sheet day for consolidation purposes. All amounts, unless indicated otherwise, are rounded off to the nearest thousand.

Transactions in foreign currency

Transactions in a currency other than the local functional currency are recognised at the exchange rate in effect on the transaction day. When such transactions are offset or settled, the exchange rate may deviate from the one that applied on the transaction day, in which case a realised exchange rate difference arises. Moreover, monetary assets and liabilities in foreign currency are translated at the exchange rates on each balance sheet date, due to which an unrealised exchange rate difference arises. Both realised and unrealised exchange rate differences of this type are recognised in the consolidated income statement.

Translation of the financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the functional currency of the operations to the Group's reporting currency, at the exchange rate on the balance sheet date. Revenues and expenses are translated at the yearly average rate, which serves as an approximation of the rate that was applied on each transaction date.

Translation differences arise in the translation of subsidiary accounts in part because the balance sheet date rate changes each period and in part because the average rate deviates from balance sheet date rate. Translation differences are recognised in other comprehensive income as a separate component of equity.

9 Financial assets and liabilities

Recognition and derecognition on the balance sheet

Financial assets of liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is recognised on the balance sheet when the company is contractually liable to pay, although an invoice has not been sent.

Receivables, deposits and issued securities as well as subordinated loans are recognised on the balance sheet at the settlement day. An acquisition or sale at sight of financial assets is recognised and withdrawn from the financial report on the trade day.

A financial asset is withdrawn from the balance sheet when the contractual rights to the cash flow from the financial asset cease, or at the transfer of the financial asset and the company simultaneously transfer the risks and advantages which are connected to the ownership of the financial asset. Financial liabilities, or part of a liability, are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

An exchange between the company and an existing lender or between the company and an existing borrower of instruments with different terms and conditions, are recognised as extinguished of the old financial liability or asset, respectively, and a new financial instrument.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Recognition and measurement

Financial instruments are recognised on the balance sheet and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for derivatives and instruments in the category financial assets designated at fair value through profit or loss where transaction costs are expensed in profit or loss.

Financial instruments are initially recognised partly based upon the purpose of the acquisition of the instrument, partly depending on the alternatives in IAS 39.

The classification of financial instruments is based on the initial recognition described below.

Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss consist of financial assets classified as held for trading, derivatives held for trading unless designated as hedging instruments, treasury bills and treasury bonds (held for trading) and loan portfolios acquired prior to 1 July 2011, which upon initial recognition was measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss consist of derivatives held for trading unless designated as hedging instruments.

Loan portfolios acquired thereafter are classified as loans and receivables measured at amortised cost (see below).

The difference between a valuation at "fair value" and "at amortised cost" of acquired loan portfolios is that the former uses a IRR which corresponds to the market expectations for similar assets at a given time.

Derivatives are initially measured at fair value at the date of the agreement, and are subsequently measured at fair value as per the balance sheet date. Derivatives are always recognised as held for trading, as long as they are not identified as hedge instruments.

All changes in fair values in financial assets and liabilities at fair value through profit or loss, are recognized in the income statement in the item “Net income from financial transactions”, except for acquired loan portfolios where the revaluations are recognized in the item “Net revenue from acquired loan portfolios”.

Financial assets available for sale

Investments in equity instruments without a quoted market price in an active market and which fair value cannot be reliably measured are measured at cost, and when applicable net of impairment.

Determination of fair value of financial instruments

Fair value on financial instruments traded on an actively traded market (level 1), defined as financial assets are based on quoted market price. The assets valued at fair value in the balance sheet, and traded on an actively traded market, consist of investments in bonds and other securities.

Financial instruments, not traded on an actively traded market, are valued based on other valuation techniques where all important indata is directly or indirectly observable in the market (level 2) are currencies and interest derivatives. When assets and liabilities have counteracting market risks the mid market price is used to set the fair value. See Note 26.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are valued at amortised cost by using the effective rate method, where the carrying value of each acquired loan portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective interest rate determined on the date the portfolio was acquired, based on the relation between cost and the projected future cash flows on the acquisition date. Changes in the carrying value of the acquired loan portfolios are comprised of amortisation for the period and are recognised in the income statement. In connection with the purchase of each loan portfolio, a projection is made of the portfolio’s cash flows. Projected cash flows include the loan amount and other related fees based on a probability assessment, which are expected to be received from debtors, less forecasted collection costs.

Balance sheet items that are classified as loans and receivables refer to lending to credit institutions, lending to the public and acquired loan portfolios (except the acquired loan portfolios that were acquired prior to 1 July 2011) as well as other assets except derivatives with a positive value.

Acquired loan portfolios consist of portfolios that have been acquired at a discount relative to the capital claim corresponding to a discounted value of expected net collections.

For portfolios recognised at amortised cost an initial IRR is set, based on the acquisition value, including transaction costs, and the initial estimated future cash collection. This initial IRR is used for calculating the cash collections during a ten year period.

Based on the updated estimated future cash collection and the initial IRR, a new carrying value as at balance sheet date is calculated for the portfolios. The net cash collection on the portfolios is monitored continuously during the year and updated regularly based on, for instance achieved collection results, agreements with debtors on instalment plans. The variance is recognised either under Net revenue form acquired loans in the income statement and in a note to the financial statements.

Impairments are recognised net together with revaluations in the income statements. Consequently, no provision is recognized in the balance sheet.

Other liabilities

The Group’s other liabilities comprise deposits and borrowings from the public as well as other liabilities in the consolidated balance sheet. Other liabilities are initially recognised at fair value including transaction costs that are directly attributable to the acquisition or issue of the liability. Subsequent to acquisition, they are carried at amortised cost according to the effective rate method. Liabilities to credit institutions, short-term liabilities and other liabilities are reported as other financial liabilities. Long-term liabilities have an expected maturity exceeding one year and short-term liabilities have a maturity of less than one year. Financial liabilities at fair value through profit or loss, include financial liabilities held for trading (derivatives).

Unidentified income and receivables

The Group receives large volumes of payments from debtors for own use and its clients. There are instances where the sender's reference information is missing or incorrect which makes it difficult to allocate the payment to the right case. There are also situations where payments are received on closed cases. In such instances a reasonable search and attempt is made to contact the payment sender. The unidentified payments are treated as other liabilities. When reasonable search of the payer is failing, the payment is recognised as revenue after five years.

10 Hedge accounting

Derivatives may be used to hedge (purpose to neutralise) interest and exchange rate exposures in the Parent company or in the Group.

Hedge accounting is applied to derivatives to reduce currency risk of a net investment in a foreign operation. When hedge accounting is applied on foreign net investments, and derivative utilised is adequately effective to 80-12 5% when assessed retrospectively, the changes in fair values on the derivatives are recognised in other comprehensive income and are accumulated in (as well as translation effect of net investments) the equity reserve "Translation of foreign operations".

Provided that the hedge is effective to 101-125%, the inefficiency in recognised in the income statement in the item "Net result from financial transactions". For derivatives, not used for hedging, any changes in fair value are recognised in the item "Net result from financial transactions".

11 Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements, on a straight line basis over the period of the lease. Operating leasing is mainly related to office premises contracts and office equipment contracts normal to the business.

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group are classified as financial leases. Finance leases are recognized as assets and liabilities on the balance sheet at the amount equal to the fair value, or if lower, the present value of the minimum lease payments of the leased assets at the inception of the lease. Lease payments are apportioned between finance charge and reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as remaining balance of the liability for each period. The depreciation policy is consistent with that of the assets in own use.

12 Intangible fixed assets

Capitalised expenses for IT development

Expenditures for IT development and maintenance are generally expensed as incurred. Expenditures for software development that can be attributed to identifiable assets under the Group's control and with anticipated future economic benefits are capitalised and recognised as intangible assets.

Additional expenditures for previously developed software etc. are recognised as assets in the consolidated balance sheet if they increase the future economic benefits of the specific asset to which they are attributable, e.g, by improving or extending a computer program's functionality beyond its original use and estimated period of use.

IT development costs that are recognised as intangible assets are amortised using the straight-line method over their useful lives, though not more than five years. The asset is recognised at cost less accumulated amortisation and impairment losses. Costs associated with the maintenance of existing computer software are continuously expensed as incurred.

Goodwill

When the purchase price, any non-controlling interest and fair value at the acquisition date of previous shareholdings exceed the fair value of identifiable net assets acquired, the exceeding amount is recorded as goodwill. Goodwill from acquisitions of subsidiaries is recorded as intangible assets. Goodwill is tested annually, or when there is an indication for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Profit or loss on disposal of an entity includes the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units ("CGU") for the purpose of impairment testing. The allocation is made to the cash generating units, or groups of cash generating units, determined in accordance with the Group's operating segments, expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Other intangible fixed assets are amortised on a straight-line basis over their estimated period of use.

Impairments

The carrying value of the Group's tangible and intangible assets is tested at each balance sheet date for indications of decrease in value. If there are any indications of necessary impairments, the recoverable value of the asset is estimated. Goodwill and other intangible assets with indeterminate periods of use and intangible assets that have not yet come into use, have their recoverable values estimated on an annual basis. If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest level where essentially independent cash flows can be identified- a cash- generating unit (CGU).

An impairment is recognised when the carrying value of an asset or a cash generating unit exceeds its recoverable value. The impairment is recognised in the income statement. Impairments that are attributable to a cash generating unit are primarily allocated to goodwill and subsequently distributed proportionally among other assets in the unit.

The recoverable value for cash generating units is the higher of the carrying value less divestment costs and the value in use. The value in use is calculated by discounting future cash flows using a discount rate that takes into account the risk-free interest rate and the risk that is associated to that particular asset.

Goodwill impairment is not reversed. Impairment of other assets is reversed if there have been changes in the underlying assumptions that were used for the establishment of the recoverable value. Impairments are reversed only to the extent that the carrying value of the assets following the reversal does not exceed the carrying value of the assets in the case the impairment had not been reported.

13 Tangible assets

Tangible assets consist of IT equipment, improvements in rented premises and equipment. Tangible assets are recognised as an asset in the balance sheet if it is likely that the future economic benefits will accrue to the Company and the cost of the asset can be reliably estimated. Tangible assets are recognised at cost less accumulated depreciation and impairments.

Principles for depreciation/amortisation of assets

Depreciation/amortisation is carried out according to the straight-line method over the estimated useful life of the asset. The following depreciation/ amortisation periods are applied:

- Machinery	20 years
- Equipment	2-5 years
- Investments in rented premises	5 years
- Intangible assets	3-5 years

14 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. The amount recognised as an assumption corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

15 Income and expenses

Net revenue from acquired loans

Revenue from acquired loan portfolios is recognised under "Net revenue from acquired loan portfolios" in the income statement.

As net revenue from acquired loan portfolio the following items are included; (i) the unwinding effect of the discount rate, (ii) adjustments of future expectations of cash-flows, (iii) the effect of actual cash-flows deviating from expected cash-flows and. Income from acquired loan portfolios measured at amortised cost are included in (ii) and (iii).

For the acquired loan portfolios measured at amortised cost the IRR remains constant when a projected cash flow curve is determined. Consequently, revaluation effects only occur when the projected cash flow curves are adjusted in arrears.

Interest Income

Interest income in the income statement is recognised partly under "Net revenue from acquired loan portfolios", partly under "Interest income" and are disclosed in a note.

Net revenue from acquired loan portfolios consists of interest income accounted for based on the effective discount rate and payments received on acquired loan portfolios, which can both exceed and be less than the forecasted amounts.

The interest income arising from acquired loan portfolios valued at amortised cost contains interest income arising from the effective rate method, using the initial IRR. Other interest income is generated from lending to credit institutions and to the public, as well as bond investments.

Interest expense

Interest expense consists mainly of costs related to the funding of the Group through deposits from the public.

Fee and commission income

Fee and commission income relates to services rendered to external customer for collection business. The fee and commission income is accounted for when incurred.

Net result from financial transactions

Net result from financial transactions include realised and unrealised exchange rate profit or losses, unrealized changes in value on assets and liabilities recognised as "Assets measured at fair value through profit or loss" (except acquired loan portfolios) and the inefficient part of hedge accounting.

Other operating expenses

Various types of costs directly related to the servicing of the acquired loan portfolios are gathered under "Other operating expenses". Other operating expenses in the Group are mainly direct costs for external collection services. Fee and commission income relates to the income for external services and is recognised when the amount of fee and commission can be reliably measured.

16 Employee benefits

Short term benefits

Short term benefits consist mainly of fixed and variable salary. Both fixed and variable salaries are expensed in the period when the employees have performed services to the Company.

Redundancy payments

Redundancy payment which normally is paid when the employment is terminated prior to retirement or if the employee accepts an offer, and in addition, when the company recognises expenses for restructuring. The redundancy payment is expensed in the period Hoist Finance is liable to pay. Any payments after twelve months are recognized at net present value.

Pensions

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The Group has both defined benefit and defined contribution plans:

- Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or several factors, such as age, years of service and compensation.
- A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the consolidated balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation as at the balance sheet date less the fair value of plan assets, adjusted for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The net interest expense/income on the defined benefit pension obligation/asset is recognised in the result of the year under the financial net. The interest net is based on the discount rate used in calculating the net obligation, i.e. the interest on the obligation, plan assets and interest on effects of any asset restrictions. Other components are recognised in the net operating result.

Actuarial gains and losses arising from adjustments based on earlier experience and changes in actuarial assumptions are charged or credited to other comprehensive income in the consolidated statement of changes in shareholders' equity in the period in which they arise.

Changes or reductions of a defined benefit plan are recognised at the earliest;

a. when the change or reduction in the plan occurs;
b. when the company recognises restructuring costs or redundancy costs.

Changes/reductions are recognised as staff cost directly in the net result of the year.

The special wage tax is part of the actuarial assumptions and is recognised as part of the defined benefit obligation. The part of the special wage tax which is calculated based on the Pension obligation vesting Act in the legal entity, is recognised as an accrued cost instead of part of the defined benefit obligation.

Tax on returns from pension funds is expensed in the net result in the period the tax is referred to, consequently, it is not included in the pension liability. For funded pension plans the tax on returns from plan assets are recognised in other comprehensive income. For non-funded, or partly non-funded plans, the tax is included in the tax expense for the year.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Warrant programme

The warrants have been sold at market price (fair value) to employees. The transactions are in the scope of IFRS 2 Share based payments, as the future value of the warrant is dependent on continued employment. As the employees have acquired the warrants within the scope of the warrant programme for market price (fair value), no charge is recognised. The disclosure requirements in IFRS 2 are applied, when material.

17 Taxes

Corporate taxes consist of current tax and deferred tax. Corporate taxes are recognised through profit or loss unless the underlying transaction is directly recognised in equity or other comprehensive income, in which case the related tax effect is also recognised in equity respectively other comprehensive income. Current tax is the tax paid or received for the current year, applying the tax rates that apply as at balance sheet date, including adjustments for current tax attributable to previous periods. Deferred income tax is calculated according to the balance sheet method based on temporary differences between the carrying value of assets and liabilities and their value for tax purposes. The following temporary differences are not taken into account:

- Temporary differences that arise in the initial reporting of goodwill.
- The initial reporting of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, does not affect either the recognised or taxable result.
- Temporary differences attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future.

The valuation of deferred tax is based on how the carrying values of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set, or essentially are set, as of the balance sheet date.

Deferred tax assets from deductible temporary differences and tax losses carried forward are only recognised if it is likely that they will be utilised within the foreseeable future. The value of deferred tax assets is reduced when they are utilised or when it is no longer considered likely to be utilised.

18 Earnings per share

Basic earnings per share is calculated by dividing the profit of loss attributable to the share holders of Hoist Finance AB (publ) divided by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, consisting of rights to performance shares in the long term incentive programmes.

The potential ordinary shares are only considered to be dilutive, on the balance sheet date, if a conversion to ordinary shares should reduce the earnings per share. The rights are further considered dilutive only when the exercise price, with the addition of future services, is lower than period's average share price.

19 Equity

When a financial instrument is issued in the Group it is recognised as a financial liability or as an equity instrument, in accordance with the financial content of the terms for the instrument. These instruments, or part of an instrument are recognized as a liability when the company has an irrevocable obligation to pay cash. Issued financial instruments where the company does not have an irrevocable obligation to pay cash on interest and nominal amount, is recognized as equity. Return to investors is accounted for as dividend in equity on equity instruments, and as interest expense in the result for the instruments classified as debt instruments.

Dividend

The proposed dividends are recognised as a liability after having been approved by the Annual General Meeting.

20 Related party transactions

Hoist Finance defines related parties as:

- Shareholders with significant influence
- Subsidiaries

- Associated undertakings
- Joint ventures
- Key management personnel
- Other related parties

All transactions with related parties are made on an arm's length basis.

Shareholders with significant influence

Shareholders with significant influence are shareholders that have the power to participate in the financial and operating decisions of Hoist Finance but do not control these policies.

Subsidiaries and Joint ventures

For the definition of subsidiaries and joint venture, see section 6 "Consolidation". Further information on the group undertakings is found in Note 14 "Group undertakings". Group internal transactions between legal entities are performed according to arm's length principles in conformity with OECD requirements. These transactions are eliminated in the consolidated accounts.

Key management personnel

Key management personnel includes the following positions:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Executive Management Team (EMT)

For information about compensation, pensions and other transactions with key management personnel, see Note 5.

Other related parties

Other related parties comprise close family members to individuals in key management personnel. Other related parties also include companies significantly influenced by key management personnel in the Hoist Finance Group as well as companies significantly influenced by close family members to these key management personnel.

Information concerning transactions between Hoist Finance and other related parties is found in Note 31 "Related party transactions".

21 Cash flow statement

The cash flow statement includes changes in the balance of cash and cash equivalents. The Group's cash and cash equivalents consist of cash and lending to credit institutions. Cash flow is divided into cash flows from operating activities, investment activities and financing activities. Cash flow is reported using the direct method.

Cash flow from investing activities includes only actual disbursements for investments during the year.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are reported as cash flow from investing activities, net, after deducting cash and cash equivalents in the acquired or divested company.

22 Parent Company Accounting Policies

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554), and RFR 2 "Accounting for legal entities" issued by the Swedish Financial Reporting Board. RFR 2 requires the Parent Company to use the same accounting principles as for the Group, i.e. IFRS to the extent allowed by Swedish financial regulations. The differences between the accounting principles in the group and the parent company are stated below.

22.1 Group contributions and dividend

Group Contributions

Hoist Finance applies the main rule in RFR 2 IAS 27.2. Group contributions received from group undertakings are recognized as dividend in the income statement. The net of group contributions paid or received for optimising the tax expense in the group is recognised as appropriation in the parent company. Group contribution from the parent company to group undertakings are recognised as an increase in value of the investment in group undertakings, net of tax.

Dividend

Dividends paid to the shareholders of Hoist Finance AB (publ) are recorded as a liability following the approval of the Annual General Meeting. Dividends from group and associated undertakings are recognized on the separate income line "Dividends".

22.2 Subsidiaries

The investments are accounted for according to the acquisition cost method. Investments are carried at cost and only dividends are accounted for in the income statement. An impairment test is performed in accordance with IAS 36 "Impairments of assets" and write-downs are made when permanent decline in value is established.

Transaction costs are included in the carrying value of the subsidiary. In the consolidated accounts the transaction costs related to subsidiaries, are recognised in the net result when incurred.

Contingent considerations are valued at the possibility of payment. Any deviation of the provision/ receivable is reduced/added to the acquisition price.

Acquisitions at low price which corresponds to future expected losses and expenses are reversed during the periods when the losses and expenses incur. Acquisitions at low price incurred due to other factors are recognised as appropriation to the extent which does not exceed the fair value on acquired and identified non-monetary assets. The part which exceeds this amount is directly recognised as income. The part which does not exceed fair value of acquired and identified non-monetary assets is recognised as income systematically over a period of time which is based on the weighted remaining average usage period for the acquired identified depreciable assets. In the consolidated accounts, acquisitions at low price are accounted for in the net result.

22.3 Untaxed reserves

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. In the consolidated financial statements, untaxed reserves are reported in deferred tax liability and as part of equity.

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Note 1 Segment reporting

Consolidated income statement

SEK thousand	2014	2013	2012
Net revenues from acquired loan portfolios	1,398,291	1,008,317	464,394
Where of gross cash collections from acquired loan portfolio	*2,541,311*	*1,641,007*	*887,310*
Where of portfolio amortisation and revaluation	*-1,143,020*	*-632,690*	*-422,916*
Interest income	89,731	155,988	148,551
Where of interest income from run-off portfolio of consumer loans	38,180	69,080	33,953
Where of interest income excl. run-off loan portfolio	51,551	86,908	114,599
Interest expense	-344,969	-258,176	-185,653
Net interest income	**1,143,053**	**906,129**	**427,292**
Fee and commission income	153,222	149,142	46,854
Net income from financial transactions	-17,719	-4,860	-26,639
Other income	12,219	12,152	66,278
Total operating income	**1,290,775**	**1,062,563**	**513,785**
General administrative expenses			
Personnel expenses	-473,200	-386,757	-234,277
Other operating expenses	-627,467	-540,705	-250,391
Depreciation, amortisation and impairment of tangible and intangible assets	-30,281	-21,476	-54,635
Total operating expenses	**-1,130,948**	**-948,938**	**-539,303**
Profit from share and participations in joint venture	58,662	36,406	55,724
Profit before tax	**218,489**	**150,031**	**30,206**

Segment reporting has been prepared to reflect how the executive management monitors operations, which is different from the statutory accounts. The material differences are as follows:

Revenue includes income from:

- acquired loan portfolios;
- run-off portfolio of consumer loans;
- fee and commission income from third parties;
- profit from shares and participations in joint venture;
- certain other income.

Total financial items include interest income from other sources than acquired loans, interest expense and net income from financial transactions.

Operating income statement based on segment reporting

SEK thousand	2014	2013	2012
Gross cash collections	2,541,311	1,641,007	887,310
Portfolio amortisation and revaluation	-1,143,020	-632,690	-422,916
Interest income from run-off consumer loan portfolio	38,180	69,080	33,953
Net revenue from acquired loans	**1,436,471**	**1,077,397**	**498,347**
Fee and commission income	153,222	149,142	46,854
Profit from shares and participation in joint venture	58,662	36,406	55,724
Other income	12,219	12,152	66,278
Total revenue	**1,660,574**	**1,275,097**	**667,203**
Personnel expenses	-473,200	-386,757	-234,277
Other operating expenses	-627,467	-540,705	-250,391
Depreciation, amortisation and impairment of tangible and intangible fixed assets	-30,281	-21,476	-54,635
Total operating expenses	**-1,130,948**	**-948,938**	**-539,303**
EBIT	**529,626**	**326,159**	**127,900**
Interest income excl. run-off portfolio of consumer loans	51,551	86,908	114,598
Interest expense	-344,969	-258,176	-185,653
Net income from financial transactions	-17,719	-4,860	-26,639
Total financial items	**-311,137**	**-176,128**	**-97,694**
Profit before tax	**218,489**	**150,031**	**30,206**

Group expenses containing central and supporting functions are not allocated to the operating segments but reported as Central functions and Eliminations.

A financing cost is allocated to the operating segments based on the acquired loan assets. The difference between the actual financing cost and the standardised cost is included in Central functions and Eliminations.

With respect to the balance sheet, only acquired loan portfolios are monitored, while other assets and liabilities are not monitored on a segment-by-segment basis. These items are of minor importance.

Income statement 2014

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Gross cash collections	733,474	527,346	260,828	295,619	724,044	0	2,541,311
Portfolio amortisation and revaluation	-484,991	-200,802	-91,324	-17,030	-348,873	0	-1,143,020
Interest income from run-off consumer loan portfolio	0	0	0	0	38,180	0	38,180
Net revenue from acquired loans	**248,483**	**326,544**	**169,504**	**278,589**	**413,351**	**0**	**1,436,471**
Fee and commission income	6,989	128,344	0	0	17,889	0	153,222
Profit from shares and participation in joint venture	0	0	0	0	0	58,662	58,662
Other income	218	2,686	311	0	14,294	-5,290	12,219
Total revenue	**255,690**	**457,574**	**169,815**	**278,589**	**445,534**	**53,372**	**1,660,574**
Personnel expenses	-86,886	-134,502	-17,854	-2,035	-149,805	-82,118	-473,200
Other operating expenses	-102,656	-137,601	-86,026	-74,812	-95,259	-131,113	-627,467
Depreciation, amortisation and impairment of tangible and intangible fixed assets	-4,679	-4,588	-2,340	0	-5,951	-12,723	-30,281
Total operating expenses	**-194,221**	**-276,691**	**-106,220**	**-76,847**	**-251,015**	**-225,954**	**-1,130,948**
EBIT	**61,469**	**180,883**	**63,595**	**201,742**	**194,519**	**-172,582**	**529,626**
Interest income excl. run-off portfolio of consumer loans	170	241	1	1	96	51,042	51,551
Interest expense	-90	-179	-2	0	-754	-343,944	-344,969
Net income from financial transactions including financial costs	-100,481	-72,627	-25,292	-52,232	-105,135	338,048	-17,719
Total financial items	**-100,401**	**-72,565**	**-25,293**	**-52,231**	**-105,793**	**45,146**	**-311,137**
Profit before tax	**-38,932**	**108,318**	**38,302**	**149,511**	**88,726**	**-127,436**	**218,489**

Total revenue for the Netherlands of SEK 199,747 thousand is included in the revenue for Belgium, Netherlands and France.

Total revenue for Germany of SEK 437,105 thousand is included in the revenue for Germany and Austria.

Income statement 2013

SEK thousand	**Belgium, the Netherlands and France**	**UK**	**Italy**	**Poland**	**Germany and Austria**	**Central functions and eliminations**	**Group**
Gross cash collections	338,130	250,267	212,537	171,406	666,149	2,518	1,641,007
Portfolio amortisation and revaluation	-228,155	-40,474	-110,411	10,658	-263,025	-1,283	-632,690
Interest income from run-off consumer loan portfolio	0	0	0	0	69,293	-213	69,080
Net revenue from acquired loans	109,975	209,793	102,126	182,064	472,417	1,022	1,077,397
Fee and commission income	6,724	122,133	0	0	20,285	0	149,142
Profit from shares and participation in joint venture	0	0	0	0	0	36,406	36,406
Other income	296	5,825	0	0	13,185	-7,154	12,152
Total revenue	116,995	337,751	102,126	182,064	505,887	30,274	1,275,097
Personnel expenses	-63,263	-101,005	0	-545	-161,650	-60,294	-386,757
Other operating expenses	-57,478	-185,929	-22,465	-63,799	-81,108	-129,926	-540,705
Depreciation, amortisation and impairment of tangible and intangible fixed assets	-2,264	-3,286	0	-10	-4,645	-11,271	-21,476
Total operating expenses	-123,005	-290,220	-22,465	-64,354	-247,403	-201,491	-948,938
EBIT	-6,010	47,531	79,661	117,710	258,484	-171,217	326,159
Interest income excl. run-off portfolio of consumer loans	14	195	0	4,613	7	82,079	86,908
Interest expense	-435	-285	0	0	0	-257,456	-258,176
Net income from financial transactions incl. financial costs	-48,751	-35,289	-16,455	-26,064	-99,753	221,452	-4,860
Total financial items	-49,172	-35,379	-16,455	-21,451	-99,746	46,075	-176,128
Profit before tax	-55,182	12,152	63,206	96,259	158,738	-125,142	150,031

Total revenue for the Netherlands of SEK 58,709 thousand is included in the revenue for Belgium, Netherlands and France.

Total revenue for Germany of SEK 496,950 thousand is included in the revenue for Germany and Austria.

Income statement 2012

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Gross cash collections	250,130	31,499	50,219	20	555,442	0	887,310
Portfolio amortisation and revaluation	-141,323	-21,485	-12,475	-105	-247,633	105	-422,916
Interest income from run- off consumer loan portfolio	0	0	0	0	33,953	0	33,953
Net revenue from acquired loans	108,807	10,014	37,744	-85	341,762	105	498,347
Fee and commission income	9,703	12,801	0	0	24,350	0	46,854
Profit from shares and participation in joint venture	0	0	0	0	0	55,724	55,724
Other income	1,076	0	0	1	59,928	5,274	66,278
Total revenue	119,586	22,815	37,744	-84	426,040	61,103	667,203
Personnel expenses	-64,151	-10,118	0	0	-125,614	-34,394	-234,277
Other operating expenses	-49,765	-7,949	-16,956	-733	-90,472	-84,516	-250,390
Depreciation, amortisation and impairment of tangible and intangible fixed assets	-9,434	-270	0	0	-5,566	-39,365	-54,635
Total operating expenses	-123,350	-18,337	-16,956	-733	-221,652	-158,275	-539,303
EBIT	-3,764	4,478	20,788	-817	204,388	-97,172	127,900
Interest income excl. run-off portfolio of consumer loans	41	0	1	2	5	114,550	114,599
Interest expense	-181	7	0	0	-4	-185,475	-185,653
Net income from financial transactions including financial costs	-35,888	-2,041	-5,556	-3,280	-80,262	100,388	-26,639
Total financial items	-36,028	-2,034	-5,555	-3,278	-80,261	29,463	-97,694
Profit before tax	-39,792	2,444	15,233	-4,095	124,127	-67,709	30,206

Total revenue For the Netherlands of SEK 120,469 thousand is included in the revenue for Belgium, Netherlands and France.

The Austrian portfolio was not acquired until 2013 i.e. Germany and Austria refers 100% to Germany

Acquired loans at 31 Dec 2014

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Run- off portfolio of consumer loans					118,799		118,799
Acquired loan portfolios	2,194,000	1,797,520	1,181, 210	1,182,459	2,231,593		8,586,782
Shares and participations in joint venture						215,347	215, 347
Acquired loans	2,194,000	1,797,520	1,181,210	1,182,459	2,350,392	215,347	8,920,928

Acquired loans at 31 Dec 2013

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Run-off portfolio of consumer loans					209,373		209,373
Acquired loan portfolios	1,771,888	1,312,769	308,327	778,646	1,826,305		5,997,935
Shares and participations in joint venture						192,230	192,230
Acquired loans	1,771,888	1,312,769	308,327	778,646	2,035,678	192,230	6,399,538

Acquired loans at 31 Dec 2012

SEK thousand	Belgium , the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Run- off portfolio of consumer loans					372,559		372,559
Acquired loan portfolios	743,627	383,629	371,280	121,107	1,744,264		3,363,907
Shares and participations in joint venture						180,843	180,843
Acquired loans	743,627	383,629	371,280	121,107	2,116,823	180,843	3,917,309

Note 2 Net interest income

Net interest income

	GROUP			PARENT COMPANY		
SEK thousand	2014	2013	2012	2014	2013	2012
Net revenue from acquired loan portfolios						
whereof amortised cost	1,282,636	738,582	143,494			
whereof fair value	115,655	269,735	320,900			
Net revenue from acquired loan	1,398,291	1,008,317	464,394			
Lending to credit institutions						
Interest income banks	17,375	57,492	35,201	33	26	326
Interest-bearing securities	34,023	21,310	21,120			
Interest rate derivatives		754	52,690			
Loan receivables	38,333	76,432	39,540	1,221	948	361
Loan receivables ICP					1,373	2,074
Interest income	89,731	155,988	148,551	1,254	2,347	2,761
Interest expenses related to deposits from the public	-209,703	-221,991	-151,033			
Other interest expenses related to financial liability						
-at amortised cost	-85,313	-20,359				
-at fair value	-49,953	-15,826	-34,620	-1,315	-2,957	-3,662
Interest expenses	-344,969	-258,176	-185,653	-1,315	-2,957	-3,662
Net interest income	1,143,053	906,129	427,292	-61	-610	-901

Note 3 Net results from financial transactions

SEK thousand	2014	GROUP 2013	2012
Exchange differences	-1,081	12,139	-26,639
Gains/Losses on financial assets and liabilities designated at fair value through profit or loss, net	2,007	-4,257	
Gains/Losses on financial assets and liabilities held for trading, net	-18,645	-12,742	
Total	-17,719	-4,860	-26,639

Note 4 Other income

SEK thousand	2014	GROUP 2013	2012
Reversal of negative goodwill			62,731
Other	12,219	12,152	3,547
Total	12,219	12,152	66,278

SEK thousand	PARENT COMPANY 2014	2013	2012
Intragroup revenues	171,684	144,873	122,046
Other	0	1	0
Total	171,684	144,874	122,046

Note 5 Personnel expenses

Personnel costs

SEK thousand	2014	GROUP 2013	2012
Salaries[1)]	-357,509	-299,555	-177,901
Pensions	-16,803	-16,560	-8,523
Social Security Expenses	-70,471	-50,914	-38,148
Other staff-related expenses	-28,417	-19,728	-9,706
Total	-473,200	-386,757	-234,277

The parent company does not have any employees except for the Chief Executive Officer, who, as at 22 December 2014, is employed by both the parent company and Hoist Kredit AB (publ).

Of which salaries and other remunerations to executives

TSEK	2014	GROUP 2013	2012
To executives[2)]			
-Fixed salaries and benefits	-25,036	-15,252	-11,738
-Performance based compensation	-3,459	-1,385	-680
Total	-28,495	-16,637	-12,418

1) Includes both fixed and variable compensation

2) Senior executives include board members, CEO and Executive management team. Prior board members are included.

Financial Supervisory Authority’s regulations and general guidelines regarding remuneration policy FFFS 2011:2

Further information can be found in a separate report on remuneration published on Hoist Finance’s website (www.hoistfinance.com).

Remunerations to Members of the Board and Executive Management Team

Remuneration to Members of the Board

The Members of the Board of the parent company and the subsidiary Hoist Kredit has in 2014 received remuneration from Hoist Kredit for the overlapping Board work of both companies. At the AGM on 5 May 2014 it was decided that the annual Board remuneration of SEK 550,000 shall be paid to Members of the Board and that the Chairman of the Board will receive an annual remuneration of SEK 2,100,000. In addition, it was decided that an annual remuneration shall be paid to Members of board committees of SEK 50,000 and to Chairman of the Board committees of SEK 150,000.

During the EGM on 16 November 2014 as the new independent Board members were elected to the Board, it was decided to adjust the annual remuneration according to the below. The adjusted figures are in line with the reformation of Board work and the increased number of Board Members.

Chairman of the Board	SEK 1,800,000
Members of the Board	SEK 500,000
Board committee work:	
Chairman of Board committee	SEK 100,000
Members of Board committee	SEK 50,000

The Members of the Board who are employed in Hoist Finance (Jorgen Olsson and Coustas Thoupos) do not receive specific remuneration for their work on the Board. There are no outstanding amounts of redundancy payments or similar to the Members of the Board. From the EGM in 16 November 2014 and onwards no pension obligations remains to any of the Members of the Board.

Remuneration to the Board of Directors"

SEK thousand	2014	2013	2012
Chairman of the Board			
Ingrid Bonde[2]	236		
Mikael Wiren[3]	2,001		
Other Members of the Board			
Annika Poutiainen[4]	68		
Gunilia Wikman[5]	116		
Achim Prior[6]	750	625	431
Per-Eric Skotthag	737	550	620
Erik Fällström[7]			
Jörgen Olsson			
Costas Thoupos			
Total	3,908	1,175	1,051

1) The remuneration to the Board consists of a fixed annual amount and remuneration for committee work consists of a fixed annual amount.
2) Ingrid Bonde was elected Chairman of the Board at the EGM November 16 2014.
3) Mikael Wiren resigned as Chairman of the Board at the EGM on 16 November 2014. Mikael Wiren has received remuneration during 2012 and 2013 of SEK 1,000 thousand and SEK 1,225 thousand respectively from Hoist finance in addition to Board work. The remuneration has during 2012-2013 also been paid out to Beagle Investments S.A., a company related to Mikael Wiren, which is stated in Note 31.
4) Amika Pootlainen was elected as new Member of the Board during the EGM November 16 2014.
5) Gunilla Wikman was elected as a new Board member during the EGM 22 October 2014.
6) Aclhim Prior resigned from the Board in conjunction with the EGM 16 November 2014.
7) Erik Fällström resigned in conjunction with the AGM May 4 2014. Erik Fällström has not received addition remuneration for Board work since he has worked as an advisor to the business. Remuneration for advisory services has been paid out to European Digital Capital Ltd, a company related to Erik Fällström, which is stated in Note 31.

Salaries and other remunerations

	Fixed salary			Variable part			Other remunerations1[1)]			Total		
SEK thousand	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
CEO:												
Jörgen Olsson	7,416	4,494	2,822	0	0	0	196	191	157	7,612	4,685	2,979
Executive Management Team (EMT): 5 persons (2013: 4, 2012: 3) excluding CEO	13,060	9,221	7,612	3,459	1,385	680	456	171	96	16,975	10,777	8,388
Total	20,476	13,715	10,434	3,459	1,385	680	652	362	253	24,587	15,462	11,367

1) Other remunerations have been included in the taxable value of benefits, excluding social costs

CEO

The base salary of the CEO, warrants and other conditions of employment are proposed by the Board's remuneration committee and decided upon by the Board of Directors.

The CEO earned during 2014 SEK 7,416 thousand (2013: SEK 4,494 thousand, 2012: SEK 2,822 thousand), which is in line with Hoist Finance's remuneration policy. The remuneration to CEO is paid in SEK. Other benefits have been included in the taxable fringe benefit. The benefit is mainly consisting of company car.

The CEO has acquired 296 192 warrants within the framework of the company's warrant program, which gives a warrant-to-share ratio of 1:1. The CEO has a notice period of 12 months. No agreement on redundancy payments exists.

Pension (see table below):

Up until October 2014 was 40% of salary set aside for pension. From November, the pension amounts to 32% of fixed salary.

Executive Management Team

The remuneration committee of the Board prepares changes in the levels of remuneration and outcomes of bonus programs, as other changes in the remuneration contracts for member of the Executive Management Team, for the Board of Directors to decide upon. As for the CEO, the other members of the Executive Management Team participated in the first warrant program.

All members of the Executive Management Team, except for one, are offered a variable part of total remuneration, at a maximum of 50% of the fixed annual salary. The other benefits that are received are mainly consisting of company car.

From January 2015, Costas Thoupos has resigned from the Executive Management Team.

Notice period:

One member of the Executive Management Team has a notice period of 12 months, another member has 9 months and three other members have a notice period of 6 months.

No redundancy payments exists except for one member, who is entitled to 50% of gross remuneration for 12 months.

Pension (see table below):

Three of the members follow Hoist Kredit AB's predetermined pension scheme and one member receives 7% of fixed salary as pension payment. The fixed remuneration is applied for pension for these four members. For one of the members, no funds are set aside for pension.

Pension costs[3)]

SEK thousand	**2014**	**2013**	**2012**
Members of the Board:			
Mikael Wiren[1)]	674	568	372
CEO:			
Jörgen Olsson	2,830	1,676	889
Executive Management Team:			
5 persons excluding CEO[2)]	1,238	611	464
Total	4,742	2,855	1,725

1) Mikael Wiren resigned at the EGM November 16 2014, and hence the pension costs has been terminated.
2) The members of Executive Management Team are included during the time they held their position.
3) Pension costs consist of paid fixed pension fees during the year (costs related to employment during the current year and costs regarding employment during previous years as well as adjustments, as defined in IAS 19). Of the total pension costs, 100% stems from defined contribution plans.

Warrant program

Hoist Finance has during 2013 and 2014 issued warrants, which have been acquired by key personnel in leading positions within the Group. See table below:

Possession of warrants by management and key employees (31 December 2014)

	Number of participants	Number of warrants	Number of warrants available for repurchase 31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	Subscription price (SEK)
Warrant program 2013	11	794,782	529,855	264,927			48.42
Warrant program 2014	26	222,041	222,041	148,027	74,014		190.20[1)]

1) The strike price is SEK 166.40 with regarding to 27,293 warrants

It was decided at the EGM on 6 December 2013 that a warrant program was to be introduced, in which a total of 819,465 warrants were issued and a total of 11 persons were chosen among executive management and key employees within the Group to be able to acquire these at market price (fair value) calculated according to Black & Scholes. Each warrant gives the holder the right to one new share in the company at a subscription price of SEK 48.42 per share until 31 December 2016.

The warrant holder is under certain circumstances forced to offer the company the possibility to repurchase some or all warrants or the shares that have been issued through the conversion of the warrants. A total of 24,683 warrants have been repurchased by the company in 2014 and thereafter until the date of this financial report another 32,910 warrants has been repurchased. There are 761,872 warrants in total currently held by executive management and key employees.

At the EGM on 22 October 2014 it was decided to issue additional warrants to key employees in the Group. 26 key employees acquired in total 222,041 warrants within the warrant program at market price (fair value) calculated according to the Black & Scholes model. One warrant entitles the holder to acquire one new share in the company at a subscription price of SEK 190.20 per share for 194,748 of the warrants and at a subscription price of SEK 166.40 per share for 27,293 of the warrants, until 31 December 2017.

The liquid funds for warrants is accounted for in shareholders' equity. At full subscription of all warrants mentioned above held by executive management and key employees, the company's share capital will increase by SEK 983,913 which corresponds to a dilution effect of the company's current equity of 4.3 per cent in total. In accordance with the rules and regulations of the warrants can the subscription price and the number of shares a warrant entitles to be recalculated during some events and the holders can during some circumstances be eligible to offer the company a repurchase of some or all warrants or the shares that has been issued through the execution of the warrants.

Average number of employees

	2014 Men	2014 Women	2014 Total	2013 Men	2013 Women	2013 Total	2012 Men	2012 Women	2012 Total
Sweden	20	14	34	8	8	16	5	5	10
Germany	96	199	295	91	189	280	83	163	246
France	41	73	114	29	58	87	34	56	90
Belgium	8	7	15	7	6	13	5	6	11
The Netherlands	11	11	22	6	4	10	5	4	9
UK	168	166	334	146	160	306	21	17	38
Italy	22	31	53	0	0	0	0	0	0
Poland	5	9	14	0	0	0	0	0	0
Total	371	510	881	287	425	712	153	251	404

Average number of employees refers to the number of full time employees (FTEs). The Group also has contracted consultants. The number of consultants varies during the year depending on needs.

The Group had 1,155 employees corresponding to 1,077 FTEs (number of employees was 967 as at 31 December 2013 in the Group, corresponding to 881 FTEs and 651 as at 31 December 2012 corresponding to 595 FTEs). The main difference between the average number of employees and the number of employees at year-end is explained by the Group's acquisition of Hoist Italia S.R.L. on 1 August 2014 and Kancerlaria Navi Lex Sp. Z.O.O. on 30 December 2014. At the time of the acquisition, Hoist Italia S.R.L. had 137 employees corresponding to 129 FTEs. Kancelaria Navi Lex Sp. Z.O.O. had, at the time of the acquisition, 130 employees corresponding to 128 FTEs.

Gender distribution, executives

The Board of Directors consisted of 100 per cent men during the period 2012 to November 2014. Thereafter, the Board consisted of 60 per cent women and 40 per cent men.

The corresponding number of other management employees was 100 per cent men during the period 2012 to 2014. Board of Directors within the Group is mainly consisting of the Executive Management Team in Parent Company.

Note 6 Other operating expenses

SEK thousand	**GROUP 2014**	**2013**	**2012**	**PARENT COMPANY 2014**	**2013**	**2012**
Collection costs	-342,783	-221,236	-95,194			
Consultancy fees	-128,372	-137,038	-79,236	-14,793	-25,910	-50,125
Group-internal consultancy fees				-116,054	-23,654	-13,112
Other group-internal costs				-5,850	-82,481	-69,228
IT-related expenses	-37,503	-25,096	-17,857	-6,578	-4,482	-1,423
Telecom related expenses	-10,305	-8,011	-2,816	-1,653	-1,050	-310
Expenses for premises	-51,086	-37,727	-22,703	-4,872	-3,290	-2,135
Travel expenses	-18,812	-18,274	-14,861	-312	-81	-3,148
Restructuring expenses	-13,106	-67,255				
Bank expenses	-3,742	-5,709	-3,105	-8	-21	-16
Sales and marketing expenses	-5,197	-3,080	-3,042	-1,094	-234	-65
Other expenses	-16,561	-17,279	-11,577	-295	-10,910	-4,075
Total	-627,467	-540,705	-250,391	-151,509	-152,113	-143,637

For advisory services, see also note 23.

Note 7 Shares and participations in joint venture

Shares and participations in joint venture relate to Hoist KreditAB's (publ) holding (50%) in "BEST Ill" Sec Fund, which is a Polish closed-end fund for the purpose of individual portfolio acquisitions of non-performing loans. The initial investment was PLN 40 M (SEK 90 M) and the investment is consolidated according to the equity method. BEST Ill is located in Gdynia.

SEK thousand	**GROUP 31 Dec 2014**	**31 Dec 2013**	**31 Dec 2012**
Opening balance	192,230	180,843	123,869
Acquisitions	0	12,891	25,102
Divestments	-13,544	-24,588	-25,102
Profit for the year	30,722	19,924	52,494
Currency adjustments	5,939	3,160	4,480
Closing balance	215,347	192,230	180,843

The result from divestments totalled SEK 27,940 thousand. The total profit from shares and participations in joint venture thus totals SEK 58,662 thousand (SEK 27,940 thousand+ SEK 30,722 thousand). The total profit from shares and participations in joint ventures in 2013 was SEK 36,406 thousand and SEK 55,724 thousand in 2012.

Note 8 Profit from shares in Group companies

Group contributions were submitted by Hoist Kredit AB (publ) for Hoist Finance AB (publ) of SEK 10,031 thousand on 31 December 2013 (SEK 36,315 thousand on 31 December 2012).

SEK thousand	31 Dec 2014	BEST Ill 31 Dec 2013	31 Dec 2012
Assets			
Current assets	502,010	509,108	507,113
Cash and bank	23,544	16,416	19,706
Total assets	525,554	525,524	526,819
Liabilities			
Long-term liabilities	75,860	117,394	33,974
Current liabilities	19,016	22,644	131,175
Total liabilities	94,876	140,038	165,149
Net assets	430,678	385,486	361,670
Interest income	185,309	156,571	157,331
Other Expenses	-52,581	-82,915	-51,253
Profit for the year	132,728	73,656	106,078

There are no contingent liabilities pertaining to the Group's holding in this joint venture. Neither does this joint venture have any contingent liabilities.

Note 9 Taxes

SEK thousand	GROUP 2014	2013	2012	PARENT COMPANY 2014	2013	2012
Current tax expense/tax income						
Tax expense for the period	-24,598	-43,273	-13,375	-353		
Tax adjustment pertaining to previous years	-336	836	-4,118		30	-40
Total	-24,934	-42,437	-17,493	-353	30	-40
Deferred tax expense/tax income						
Deferred tax pertaining to temporary differences	-13,452	9,322	16,031			-4,009
Total	-13,452	9,322	16,031			-4,009
Total reported tax expense	-38,386	-33,115	-1,462	-353	30	-4,049

SEK thousand	GROUP 2014	2013	2012	PARENT COMPANY 2014	2013	2012
Pre-tax income	218,489	150,030	30,206	12,817	-4,981	9,728
Tax calculated with a tax rate of 22% (tax rate in Sweden) (26.3% in 2012)	-48,068	-33,007	-7,944	-2,820	1,096	-2,558
Effect of different tax rates in different countries	-4,398	-4,570	1,457			
Non-taxable revenue	4,799	7,486	17,932	1	2	
Non-taxable expenses	-8,366	-12,755	-27,652	-46	-1,098	-2,953
Exercise of not previously capitalised losses carried forward	23,267	10,124	19,944			
Non-capitalised losses carried forward	-7,441		-10,668			
Changes in accrued tax regarding changed tax rate			3,898			
Other	1,821	-393	1,571	2,512	30	1,462
Total tax expenses	-38,386	-33,115	-1,462	-353	30	-4,049

Current tax which is accounted for directly in shareholders' equity in the Group totals SEK 3,301 thousand as at 31 December 2014, relating to taxes on paid interest on capital contribution. In the comprehensive income, tax is included of an amount of SEK 872 thousand regarding revaluation of benefit for pension scheme (SEK 564 thousand) and revaluation of remuneration after terminated employment (SEK 308 thousand). Previous year, current tax relating to items accounted for directly in shareholders' equity totalled SEK 3,756 thousand. Of this amount, SEK 2,216 thousand is related to tax on paid interest on capital contribution and SEK 1,540 thousand related to taxes on transaction costs for capital contribution. There was no taxes during previous year included in other total result.

		GROUP	
SEK thousand	**2014**	**2013**	**2012**
Deferred tax			
Deferred tax receivables	70,885	62,254	29,085
Deferred tax payables	-50,419	-32,720	-1,026
Total	20,466	29,534	28,059

			GROUP, 31 DECEMBER 2014		
SEK thousand	**Opening balance**	**Income statement**	**Comprehensive income**	**Acquired through company acquisitions**	**Closing balance**
Changes in deferred tax					
Losses carried forward	57,049	7,929			64,978
Joint venture	-24,328	-6,758			-31,086
Defined benefit obligations	3,220	416			3,636
Acquired loan portfolios	-20,289	1,564			-18,725
Other	13,882	-16,603	872	3,512	1,663
Total	29,534	-13,452	872	3,512	20,466

			GROUP, 31 DECEMBER 2013		
SEK thousand	**Opening balance**	**Income statement**	**Comprehensive income**	**Acquired through company acquisitions**	**Closing balance**
Changes in deferred tax					
Losses carried forward	45,009	4,184		7,856	57,049
Joint venture	-19,944	-4,384			-24,328
Defined benefit obligations	2,033	1,187			3,220
Acquired loan portfolios		-2,265		-18,024	-20,289
Other	961	10,600		2,321	13,882
Total	28,059	9,322		-7,847	29,534

			GROUP, 31 DECEMBER 2012		
SEK thousand	**Opening balance**	**Income statement**	**Comprehensive income**	**Acquired through company acquisitions**	**Closing balance**
Changes in deferred tax					
Losses carried forward	12,697	24,166		8,146	45,009
Joint venture	-10,037	-9,907			-19,944
Defined benefit obligations	1,393	640			2,033
Other	-398	1,132		227	961
Total	3,655	16,031		8,373	28,059

The deferred tax assets of the Group pertaining to losses carried forward are expected to be fully utilised during the next four years.

Deferred tax assets are only reported as a tax loss carried forward to the extent that a related tax advantage is likely to be realised.

Deferred tax assets and liabilities are offset to the extent there is a legal right to set-off current deferred tax assets against current deferred tax liabilities and when the deferred taxes relate to the same tax authority. Unreported losses carried forward total SEK 37,023 thousand (SEK 105,759 thousand in 2013).

Tax losses carried forward of SEK 42,981 thousand are due in 2015, SEK 131,614 thousand are due in 2016, SEK 27,348 thousand are due in 2017, SEK 63,729 thousand have no due date. Deferred tax assets pertaining to these losses carried forwards have been capitalised.

Note 10 Earnings per share

Basic earnings per share

	2014	2013	2012
Profit attributable to shareholders in Hoist Finance AB (publ), basic			
Profit attributable to shareholders in Hoist Finance AB (publ)	180,103	116,916	28,744
Interest on capital contribution	-25,450	-22,857	0
Result attributable to shareholders in Hoist Finance AB (publ), basic	154,653	94,059	28,744
Basic weighted average number of shares outstanding	16,791,925	15,488,282	15,488,282

Diluted earnings per share

	2014	2013	2012
Result attributable to shareholders in Hoist Finance AB (publ), diluted			
Result attributable to shareholders, basic	154,653	94,059	28,744
Effect of convertible on shares in Hoist Kredit AB	-13,036	-6,864	-1,847
Result attributable to shareholders in Hoist Finance AB (publ), diluted	141,617	87,195	26,897
Diluted weighted average number of shares outstanding			
Basic weighted average number of shares outstanding	16,791,925	15,488,282	15,488,282
Effect of warrants	572,862		
Diluted weighted average number of shares outstanding	17,364,787	15,488,282	15,488,282

The weighted average number of shares outstanding takes into account capital contributions during 2014.

	2014	2013	2012
Basic earnings per share	9.21	6.07	1.86
Diluted earnings per share	8.16	5.63	1.74
Above, the perpetual convertible bond 2013 is not included.			
Including the perpetual convertible bond 2013			
Basic earnings per share	9.21	6.07	1.86
Diluted earnings per share	7.48	5.29	1.74

Instruments which may result in future dilution and changes after the year end.

The Company has two long term Incentive programmes. For further information, see Note 5.

Note 11 Maturity analysis

GROUP, 31 December 2014

SEK thousand	Payable on demand	< 3 months	3-12 months	1-5 years	>5 years	Without fixed maturity	Total
Assets							
Eligible treasury bonds		2,316,110					2,316,110
Lending to credit institutions	1,290,808	1 ,903					1,292 ,711
Lending to the public		4,404	52,430	94,466	5,933		157,232
Bonds and other securities		160,069	149,340	1,616,832		25,000	1,951,241
Total assets with fixed maturities	1,290,808	2,482,486	201,769	1,711,298	5,933	25,000	5,717,294
Acquired loan portfolios[1)]		656,319	1,862,892	6,872,154	4,095,440		13,486,805
Total assets without fixed maturities/expected maturities		656,319	1,862,892	6,872,154	4,095,440		13,486,805
Liabilities							
Deposits from the public[2)]							
-retail	7,479,114	514,600	1,858,900	984,758			10,837,373
-corporate	149,916						149,916
Total deposits from the public	7,629,030	514,600	1,858,900	984,758			10,987,289
Derivatives		208,691		38,033			246,724
Issued bonds				1,493,122			1,493,122
Subordinated loans					332,796		332,796
Total liabilities with fixed maturities/contractual maturities	7,629,030	723,291	1,858,900	2,515,913	332,796		13,059,931

GROUP, 31 December 2013

SEK thousand	Payable on demand	< 3 months	3-12 months	1-5 years	>5 years	Without fixed maturity	Total
Assets							
Lending to credit institutions	3,707,766	218,920					3,926,686
Lending to the public		53,624	83,045	157,187	35,095		328,951
Bonds and other securities		136,462	259,326	876,889		25,000	1,297,677
Derivatives		25,951					25,951
Total assets with fixed maturities	3,707,766	434,957	342,371	1,034,076	35,095	25,000	5,579,266
Acquired loan portfolios[1)]		422,466	1,301,666	4,910,933	3,118,339		9,753,403
Total assets without fixed maturities/expected maturities		422,466	1,301,666	4,910,933	3,118,339		9,753,403
Liabilities							
Deposits from the public[2)]							
-retail	6,947,240	721,593	897,835	959,130			9,525,798
-corporate	175,704						175,704
Total deposits from the public	7,122,944	721,593	897,835	959,130			9,701,502
Derivatives				16,329			16,329
Issued bonds				665,680			665,680
Subordinated loans					329,231		329,231
Total liabilities with fixed maturities/contractual maturities	7,122,944	721,593	897,835	1,641,139	329,231		10,712,742

1) All duration information on acquired loan portfolios is based on net cash flows. For more information on the Group's handling of credit risk, see note 28.

2) All deposits are in Swedishkronor and payable on demand. There is a fee for premature withdrawals from fixed duration accounts.

GROUP, 31 December 2012

SEK thousand	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without fixed maturity	Total
Assets							
Lending to credit institutions	2,035,882	209,829					2,245,711
Lending to the public		250,873	6,019	280,721			537,613
Bonds and other securities		152,007	174,968	405,697			732,672
Derivatives		3,655					3,655
Total assets with fixed maturities	2,035,882	616,364	180,987	686,418			3,519,651
Acquired loan portfolios[1)]		256 569	769 708	2 632 733	1 891 416		5 550 427
Total assets without fixed maturities/ expected maturities		256,569	769,708	2,632,733	1,891,416		5,550,427
Liabilities							
Deposits from the public[2)]							
-retail	5,997,649		100,224	78,014			6,175,887
-corporate	190,369						190,369
Total deposits from the public	6,188,018		100,224	78,014			6,366,256
Derivatives		3,341	3,340				6,681
Total liabilities with fixed maturities/ contractual maturities	6,188,018	3,341	103,563	78,014			6,372,937

1) All duration information on acquired loan portfolios is based on net cash flows. For more information on the Group's handling of credit risk, see note 28.
2) All deposits are in Swedish kronor and payable on demand. There is a fee for pre mature withdrawals from fixed duration accounts.

For more information regarding the Group's handling of liquidity risk, refer to note 28.

PARENT COMPANY, 31 December 2014

SEK thousand	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without fixed maturity	Total
Assets							
Lending to credit institutions	43,519						43,519
Total assets with fixed maturities	43,519						43,519
Liabilities							
Intragroup loans				40,100			40,100
Total liabilities with fixed maturities				40,100			40,100

PARENT COMPANY, 31 December 2013

SEK thousand	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without fixed maturity	Total
Assets							
Lending to credit institutions	5,487						5,487
Total assets with fixed maturities	5,487						5,487
Liabilities							
Intragroup loans			40,100				40,100
Total liabilities with fixed maturities			40,100				40,100

PARENT COMPANY, 31 December 2012

SEK thousand	Payable on demand	<3 months	3-12 months	1-5 years	>5 years	Without fixed maturity	Total
Assets							
Lending to credit institutions	3,451						3,451
Lending to the public			6,019				6,019
Total assets with fixed maturities	3,451		6,019				9,470
Liabilities							
Intragroup loans				86,000			86,000
Total liabilities with fixed maturities				86,000			86,000

Note 12 Financial assets

SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
LOANS TO CREDIT INSTITUTIONS			
	Book value	Book value	Book value
Swedish banks	717,788	3,571,995	1,934,656
Foreign banks	574,923	354,691	311,055
Total, loans to credit institutions	1,292,711	3,926,686	2,245,711
of which collateral[1)]	1,903	5,724	5,515
Interest bearing securities			
Treasury bills	Book value	Book value	Book value
Treasury bills, Swedish government	670,915		
Other treasury bills	1,645,195		
Total, treasury bills	2,316,110		
Bonds and other fixed income securities	Book value	Book value	Book value
Credit institutions		1,097,380	672,121
Mortgage institutions	1,926,241	54,717	
Other		120,580	60,551
Total, bonds and other fixed income securities	1,926,241	1,272,677	732,672
Total, interest bearing securities	4,242,351	1,272,677	732,672
of which unlisted securities			
SHARES AND OTHER EQUITY			
	Book value	Book value	Book value
Unlisted[2)]	25,000	25,000	
Total, shares and other equity	25,000	25,000	

1) This amount relates to collateral (in the form of cash), in favour of Deutsche Bank, to meet any repayment of debts from the public. In case where a borrower would reverse its direct debit payment the money should be returned to the borrower.

2) The unlisted shares have been accounted for at the acquisition price as there are no listed market prices. Fair value of the shares has not been calculated as there is no reliable valuation technique to be used. The shares are not intended to be sold in a near future but is rather held for strategic reasons. Please see note 28 for additional information about credit quality.

Note 13 Acquired loan portfolios

SEK thousand	GROUP 2014	2013	2012
Opening balance	5,997,935	3,363,907	2,363,389
Acquisitions	3,226,795	3,265,806	1,511,240
Divestments		-117,170	
Translation differences	505,071	118,082	-87,806
Changes in carrying value			
Based on the forecast of opening balances (amortisation)	-1,128,103	-627,120	-415,981
Based on revised estimates (revaluations)	-14,916	-5,570	-6,935
Carrying value	8,586,782	5,997,935	3,363,907
Changes in carrying value recognized in the income statement	-1,143,020	-632,690	-422,916

SEK thousand	GROUP 2014	2013	2012
Opening balance	1,607,061	1,768,134	2,077,109
Translation differences	94,594	66,978	-76,697
Changes in carrying value			
Based on the forecast of opening balances (amortisation)	-188,953	-183,013	-206,657
Based on revised estimates (revaluations)	-52,473	-45,038	-25,621
Based on revised discount rate			
Carrying value	1,460,229	1,607,061	1,768,134
Changes in carrying value recognized in the income statement	-241,426	-228,051	-232,278

The Group acquires portfolios of financial assets primarily from banks, insurance companies and other companies and institutions. These claims are mostly unsecured consumer loans. The Group also acquires portfolios of loans originated by utility companies. These loan portfolios have been acquired at a significant discount relative to the capital claim corresponding to the discounted value of expected collections and fulfil the Group's required rate of return.

The valuation principle at market value is applied to portfolios that have been acquired prior to 1 July 2011 (SEK 1,460,229 thousand, corresponding to 17 percent) whereas portfolios acquired post that date (SEK 7,126,553 thousand, corresponding to 83 percent) are valued at a mortised cost. For more information on applied accounting principles in accordance with the IFRS, please refer to the section "Accounting Principles".

Portfolio overview

The portfolios consist of a large number of debtors with varying characteristics, such as payers, partial payers and non-payers. There is, however, a certain versatility within the debtor categories with non-payers becoming payers and vice versa. The Group divides its portfolios within different categories. These are defined as follows:

Countries:	Countries where the seller of the portfolio and the debtors are located.
Age:	Primary claims are purchased by the Group up to 180 days after termination by the seller, secondary between 180 and 720 days and tertiary claims after 720 days.
Asset class:	The type of contract under which the claim against the debtor was originated.
Acquisition type:	A spot portfolio is a one-time purchase, while a forward flow portfolio is determined by monthly purchases on a continuous basis, where at the beginning a frame agreement is signed and deliveries under a defined pattern are purchased

The classification in primary, secondary and tertiary portfolios reflects the properties of the portfolios as of the date of the acquisition.

Net collection forecast

The Group values its portfolios based on estimated future cash collections during the next ten years. Collection costs are monitored closely and forecast collection costs are based upon standard cost curves where analysis of actual collection costs is made on a standard portfolio, taking into consideration collection in relation to the character and age of the claims. These curves are then applied for the calculation of the value for all portfolios. In cases where collection is outsourced, or when a portfolio is of significant size, actual collection cost is applied or estimates thereof.

The cash flow forecast is monitored continuously during the year and updated regularly based on, for instance, achieved collection results and agreements with debtors on installment plans. Based on the updated forecasts, a new carrying value is calculated for the portfolios. The difference is accounted for either as an income or an expense in the income statement and specified in Note 1 (SEK -1,143,020 thousand).

Portfolios valued at fair value through profit or loss

The Group has chosen to categorize portfolios acquired prior to July 1 2011 as valued at fair value through profit or loss as these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with the Group's risk management policies. Information about portfolios is provided internally on that basis to the Group's management team. The underlying concept for valuation at fair value is to assess the book value of an asset by using the best available price for the asset. Loan portfolios are typically not traded publicly and consequently there are no market prices available. Most players in the industry however apply similar pricing methods for portfolio acquisitions and calculate the present value of cash flows that correspond to the market value of a portfolio.

In order to assess fair value, the three main influencing aspects are: (i) the gross collections forecast,(ii) the cost level and (iii) the internal rate of return. Every month, the Group will look at the forward ten years' net collection forecasts for all portfolios and discount the forecasts to present value, which is the basis for the calculation of the fair value for each portfolio.

In the estimation of a market discount rate constituted an important part are the many observations Hoist Finance, acting as one of the industry's biggest players, get from the many portfolio transactions the company participate in or have knowledge of. The discount rate that corresponds to the market rate of return is updated continuously and reflects actual rate of return on relevant and comparable transactions in the market. Portfolios are presently valued at a IRR of 12 percent over a ten year period.

The estimated market discount rate is only applied on the part of the portfolios that are valued at fair value: for the portfolios that are valued at accrued purchase value, the IRR at which the original acquisition was made is applied and the revenues are split at this effective interest rate.

Revaluations

The Group monitors and evaluates actual collections in relation to forecasts, which are the basis for portfolio valuation during the same period. Should negative deviations occur, the Group first take additional operational measures in order to reduce the risk of deviations in future periods. In the event that additional operational measures do not have, or it is believed that they will not have, the intended effect a revised forecast is done for future collections. The forecast is also adjusted upwards in cases where the portfolios exhibit collections that are estimated to sustainably exceed the current forecast. Forecast adjustments are analysed in consultation with the Investment Committee, and are decided on the Group level. Implementation of forecast revisions are implemented by the resources directly under the Chief Financial Officer. Forecast adjustments and earnings effects there of are reported separately, both internally and externally. The valuation of portfolios is independently audited by the Risk Control function.

Sensitivity analysis

Even though Hoist Finance believes that the assumptions made for the assessment of fair value are reasonable, another fair value can be obtained by applying other methods and other assumptions. For a Level 3 fair value, a reasonable change in one or several assumptions would have the following impact upon the result:

SEK thousand	31 Dec 2014	GROUP 31 Dec 2013	31 Dec 2012
Carrying value of acquired loan portfolios	8,586,782	5,997,935	3,363,970
In case the estimated cash flow over the forecast period (10 years) would increase by 5%, the carrying value would increase by	424,369	297,711	130,731
Of which valued at fair value	72,804		
In case the estimated cash flow over the forecast period would decrease by 5%, the carrying value would decrease by	-424,369	-297,711	-130,769
Of which valued at fair value	-72,804		
Carrying value of portfolios acquired prior to 1 July, 2011	1,460,229	1,607,061	1,768,134
In case the IRR would decrease by 1%, the carrying value would decrease by	46,058	51,104	54,399
In case the IRR would increase by 1%, the carrying value would increase by	-43,483	-48,231	-51,408
If the forecast period would be shortened by 1 year, the carrying value should decrease by	-48,622		
If the forecast period would be lengthened by 1 year, the carrying value should increase by[1)]	43,413		

1) Amount calculated to lengthening forecast period of 1 year and under the assumption that the added year's cash flow estimated to the same level as the forecast periods entire last year

Note 14 Group undertakings

Hoist Finance AB (publ), corporate registration number 556012-8489, with its registered office in Stockholm, is the Parent Company of the Group. During 2014, the company changed name from Hoist lnternational AB. The list of subsidiaries in the Group is provided below.

SEK thousand	Corporate registration number	Domicile	Ownership %	Revenue	Profit before tax	Tax on profit
Swedish						
Hoist Kredit AB (publ)	556329-5699	Stockholm	100	365,933	28,560	-23,826
Hoist Finance Services AB[1)]	556640-9941	Stockholm	100	-2,055	261,776	-23,060
Foreign						
Hoist B.V.	17216080	'S-Hertogenbosch	100		85	
Hoist Finance SAS	444611453	Guyancourt	100	119,543	5,278	-312
Hoist GmbH	HRB 7736	Duisburg	100	291,790	7,781	-3,854
HECTOR Sicherheiten-Verwaltungs GmbH	HRB 74561	Duisburg	100		-133	
Hoist Portfolio Holding Ltd	101438	St. Helier	100	303,122	39,614	-8,715
Hoist Portfolio Holding 2 Ltd	111085	St. Helier	90	51,480	-27,347	6,016
Hoist Poland Sp Z.O.O.	284313	Warszawa	100	5,299	403	-170
HOISTI NS FIZ[2)]	RFI702	Warszawa	100	281,236	216,147	28,022
Hoist Kredit Ltd	7646691	London	100	23,771	1,550	306
Hoist Finance UK Ltd	8303007	London	90	-4,775	-36,877	-4,185
CL Finance Ltd	01108021	London	90			
Robinson Way Ltd	6976081	Manchester	90	180,457	-48,345	9,374
the lewis group Ltd	SC127043	Glasgow	90	77,437	-785,458	-2,805
Marte SPV S.R.L[3)]	4634710265	Conegliano	100	57,948	15,012	-3,303
Hoist Italia S.R.L[3)]	12898671008	Rom	100	18,699	-15,383	4,183
Hoist Finance Cyprus Ltd[3)]	HE 338570	Nicosia	100	-4,391	-4.414	
Kancelaria Navi Lex Sp Z.O.O.[3)]	0000536257	Wroclaw	100			

1) The Company has in 2014 changed its name from Konstruktur Development to AB Hoist finance Services AB.
2) Polish sec-fond.
3) Acquired companies during 2014.

The ownership percentage correspond to the percentage of votes. All shares are unlisted. No credit institutions contained. Information about the number of shares in the Group's companies are only available on request.

SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
Hoist Kredit AB (publ)	928,986	396,034	396,034
Total book value	928,986	396,034	396,034
Accumulated acquisition values			
Opening balance	396,034	396,034	396,034
New issue of shares	432,951		
Shareholder contributions	100,000		
Closing balance	928,986	396,034	396,034

Acquisitions of operations

Hoist Italia S.R.L

In July 2014 Hoist KreditAB (publ) established a wholly-owned subsidiary, Hoist Italia Srl. As at 1 August Hoist Italia Srl acquired the operations of the servicing partner TRC SpA through an asset purchase. Hoist Italia operates and co-ordinates collection activities of Hoist Finance in Italy. Hoist Italia has 129 employees with offices in Rome and in Lecce. The acquisition is another important strategic step in expanding Hoist Finance's position in the Italian market.

The consideration paid in connection with the acquisition totalled EUR 1.

The acquired net assets as at the acquisition date

SEK thousand	
Intangible fixed assets	22,451
Tangible fixed assets	876
Accounts receivable and other current receivables	45,873
Accrued expenses	-16,946
Accounts payable and other current liabilities	-50,019
Long-term liabilities	-2,235
Total identifiable net assets	0

The net amount of acquired operations-related assets and liabilities is SEK 0 thousand. No cash or cash equivalents have been taken over in connection with the acquisition. It is anticipated that the acquired loans will be paid in at reported values .

Acquisition-related costs of SEK 1,601 thousand are included in administrative expenses in the consolidated income statement for July-September 2014.

The acquired assets are consolidated starting as from August 2014 and have contributed with SEK 18,699 thousand to the consolidated revenue and with SEK -15,383 thousand to the operating profit.

Since the acquired operations have not previously been disclosed on a stand-alone basis, it is not possible to disclose the effect of the acquisition from January 1 2014. There are other items which have affected Group accounts relating to the fact that the commercial agreement with TRC was terminated. The previous commercial commitment contained conditions on deferred commissions to TRC in exchange for some debt collection goals was to be fulfilled. This resulted in a revaluation of the Group's assets that TRC previously has collected, corresponding to SEK 10 M, which has been accounted for as revenues. An agreement was also met on the deferred part of commissions which was deferred to the time of acquisition and would be paid to TRC in the future, which resulted in a cost of SEK 8 M, accounts for in other operating costs.

The acquisition analysis is preliminary.

Kancelaria Navi Lex Sp Z.O.O.

On December 30 2014, Hoist Kredit AB (publ) acquired 100% of the shares in Kancelaria Navi Lex Sp Z.O.O ("Navi Lex"). Navi Lex is a Polish debt collection company headquartered in Wroclaw. The acquisition will strengthen Hoist Finance's position in the Polish market. The consideration totalled SEK 67,098 thousand, of which SEK 58,549 thousand were paid in cash upon the completion of the transaction. During 2015, the remainder of the purchase price has been paid.

The net assets of the acquired company as at the acquisition date

SEK thousand	
Intangible fixed assets	10,710
Tangible fixed assets	1,284
Accounts receivable and other receivables	6,550
Cash and cash equivalents	9,115
Accounts payable and other liabilities	-10,916
Total identifiable net assets	16,743

The acquisition balance includes net assets of SEK 16,743 thousand. The difference between the acquisition price and the net assets has resulted in goodwill of SEK 50,355 thousand. The goodwill that was created at the acquisition is mainly relating to Hoist Finance maintaining a proper organisation for further expansion on the Polish NPL market. Navi Lex has an experienced management team and efficient organisation with excellent market knowledge and network of relations both in terms of portfolio acquisitions and operations of debt collection agency. Navi Lex' infrastructure for collection systems and call center is also well-invested. Today, Hoist Finance uses external debt collection agencies for its portfolios in Poland. Through the acquisition, these will be managed internally by Navi Lex and Hoist Finance predicts a reduction of collection costs. In addition, a own organisation on the Polish market is acquired, which is expected to give new business opportunities in terms of portfolio acquisitions.

Additional consideration may be paid in a range between 0 and 82 SEK million under certain specified conditions between years 2015-2018. Basis for the potential earn-outs depends on several reasonably predictable factors. Some of these factors can be influenced directly by Hoist Kredit AB (publ), while others are dependent upon the efficiency of Navi Lex, as well as external market factors. The management has done a preliminary judgement that the additional consideration may amount to 38 SEK million.

The purchase price included cash of 9,115 SEK thousand. The net cash flow from the acquisition was -49,434 SEK thousand (-58,549 + 9,115).

Kancelaria Navi Lex Sp Z.O.O's revenue for year 2014 was 37,926 SEK thousand and operating profit was 8,533 SEK thousand.

The acquisition analysis is preliminary.

the lewis group Ltd

On 8 August 2013, Hoist Finance acquired 100 per cent of the share capital in the lewis group Ltd. The lewis group Ltd is a Leeds-based debt collection company operating in the UK. The acquisition, together with the successful purchase of Robinson Way in late 2012, represents a strategically important step into the sizeable and growing UK market.

The consideration that was paid in connection with the closing of the transaction totalled SEK 747,103 thousand. The portfolio value at acquisition totalled SEK 735,959 thousand and the remaining capital claim was SEK 12,261,868 thousand.

Net assets of the acquired company as at the acquisition date

SEK thousand	
Intangible fixed assets	1,933
Tangible fixed assets	9,794
Accounts receivable and other receivables	752,022
Cash and cash equivalents	63,930
Accounts payable and other liabilities	-80,576
Total identifiable net assets	747,103

The acquisition balance sheet includes net assets of SEK 747,103 thousand. The difference between the purchase price and the net assets has been expensed directly in the consolidated income statement.

Acquisition-related costs of SEK 17,644 thousand are included in the general administrative expenses in the consolidated income statement for the financial year 2013. SEK 3,604 thousand out of these relate to stamp duties in connection with the acquisition.

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

Cash and cash equivalents of SEK 63,930 thousand were included in the consideration. The cash flow-affecting value of the acquisition was SEK -679,571 thousand -743,501+63,930).

The revenue of the lewis group for the financial year 2013 totalled SEK 238,193 thousand. If the transaction had not taken place, the profit for the same period would have been SEK 14,286 thousand excluding non-recurring items.

It was decided after the acquisition to restructure and integrate the business into Robinson Way. For this purpose, provisions were made for restructuring of SEK 68 M which were included in the operating costs. Since this restructuring were seen to have a consisting future value, in form of lower costs of collection a revaluation of the credit portfolio were made of SEK 64 M, which is accounted for as a revenue in the Group's income statement.

Robinson Way Ltd

On 9 November 2012, Hoist Kredit AB (publ) acquired 100 per cent of the share capital of Robinson Way Ltd. Robinson Way Ltd. is a debt collection company that operates in the United Kingdom. As a result of the acquisition, the Group will increase its existing operation in the United Kingdom.

Following the acquisition of Robinson Way Ltd, the portfolio was sold to Hoist Portfolio Holding 2 Ltd at market value and the remaining assets were acquired for GBP 1.

In connection with the acquisition, an allocation was made to a restructuring reserve. The allocation refers to the costs associated with staff reductions in Robinson Way Ltd. The original allocation amounted to SEK 16,368 thousand and the remaining amount as at 31 December 2012 was SEK 11,912 thousand. See Note 20.

Net assets less the allocation for restructuring cost amount to SEK 64,159 thousand in the acquisition balance sheet. The acquisition has consequently resulted in a negative goodwill that has been directly reported as income in the consolidated income statement.

Reported amounts for identifiable acquired assets and assumed liabilities, SEK thousand

SEK thousand	
Cash and cash equivalents	23,394
Receivables from Group companies	34,424
Tangible fixed assets	858
Intangible fixed assets	1,705
Deferred tax assets	228
Accounts receivable and other short-term receivables	48,821
Restructuring reserve	-15,671
Accounts payable and other short-term liabilities	-29,600
Total identifiable net assets	**64,159**

Acquisition-related costs of SEK 6,175 thousand are included in the administrative expenses in the consolidated income statement for the 2012 financial year.

The revenue from Robinson Way Ltd that is included in the consolidated income statement since 9 November 2012 totals SEK 13,976 thousand. The profit for Robinson Way Ltd for the same period totalled SEK-253 thousand. The revenues for Robinson Way Ltd for the 2012 financial year totalled SEK 211,533 thousand. The profit for the same period totalled SEK 28,531 thousand.

Hoist Finance Services AB

(previously Konstruktur Development AB)

On 20 December 2012, Ho ist Kredit AB (pub I) acquired 100 per cent of the share capital of Hoist Finance Services AB for SEK 160,350 thousand.

Reported amounts for identifiable acquired assets and assumed liabilities

SEK thousand	
Cash and cash equivalents	151,860
Accounts receivable and other receivables	119
Deferred tax assets	8,146
Accounts payable and other liabilities	226
Total identifiable net assets	**160,350**

The net assets in the acquisition balance sheet amount to SEK 160,350 thousand.

Acquisition-related costs of SEK 2,125 thousand are included in the administrative expenses in the consolidated income statement for the 2012 financial year.

SEK 76 thousand that are attributable to the revenues from Hoist Finance Services AB are included in the consolidated income statement.

Note 15 Intangible assets

	GROUP			PARENT COMPANY		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
Goodwill						
Acquisition cost, opening balance	54,237	53,393	55,569			
Acquired companies[1)]	50,355					
Translation differences	1,563	844	-2,176			
Acquisition cost, closing balance	106,155	54,237	53,393			
Accumulated impairments, opening balance	-54,237	-53,393	-14,782			
Impairment for the year			-39,260			
Translation differences	-1,563	-844	649			
Accumulated impairments, closing balance	-55,800	-54,237	-53,393			
Carrying value	50,355					
Licenses and software						
Acquisition cost, opening balance	119,494	74,219	45,871	51,373	34,102	22,072
Investments	42,817	37,816	25,724	6,622	17,167	12,030
Investments, acquired companies[1)]	34,618	6,465	3,817			
Reclassifications		104			104	
Disposals	-2,330	-724				
Translation differences	4,601	1,614	-1,193			
Acquisition cost, closing balance	199,200	119,494	74,219	57,995	51,373	34,102
Accumulated depreciation, opening balance	-55,212	-38,215	-27,260	-20,240	-13,877	-10,375
Accumulated depreciation, acquired companies-opening balance	-2,425	-4,438	-2,108			
Impairment	756					
Depreciation for the year	-18,955	-11,424	-9,767	-5,884	-6,363	-3,502
Translation differences	-2,671	-1,135	920		0	
Accumulated depreciation closing balance	-78,507	-55,212	-38,215	-26,124	-20,240	-13,877
Carrying value	120,693	64,282	36,004	31,871	31,133	20,225
Intangible assets	171,048	64,282	36,004	31,871	31,133	20,225

1) Acquired companies for 2014 refers to Kancelaria Navi Lex Sp. Z.O.O., acquired companies for 2013 refers to the Lewis group Ltd. and acquired companies for 2012 refers to Robinson Way Ltd.

All licenses and software are acquired externally

Impairment test for goodwill

On 30 December 2014 Hoist Kredit AB (publ) acquired 100% of the shares in Kancerlaria Navi Lex Sp. Z.O.O. In relation to the acquisition, goodwill occurred of SEK 50,355 thousand. No impairment test of the goodwill in Kancelaria Navi Lex Sp. Z.O.O. has been made as of 31 December 2014. For more information regarding the acquisition of Kancelaria Navi Lex Sp. Z.O.O, refer to note 14.

In 2012 the Group evaluated its goodwill item with an impairment test. This was identified to be related to the cash generating unit Hoist Finance SAS in France. The management has, based on past performance and business plans for the next five years, estimated the expected cash flows of the cash generating unit. The discount rate represents the minimum equity return requirements of the Group in the relevant business activity.

The following cash generating unit has been tested for impairment:

Hoist Finance SAS

The French business has been tested with regards to the part of the cash generating unit of the Hoist Group operations that manages non-performing loans in France and the entity that services the French portfolios.

Term:	10-year dividend model with terminal value after year 10.
Tax rate:	Swedish.
Growth	The expected growth and margins are governed by the business plan and budget for the particular entity.
Impairment:	Goodwill has been fully impaired at a value of SEK 39,260 thousand.

The French operations have not performed in line with the expectations that were valid at the time of the acquisition. Collections from receivables portfolios have been lower than expected and costs have been higher. The expected collection forecast has therefore been revised downwards and the carrying value of the portfolio has been fully impaired.

Note 16 Tangible fixed assets

	GROUP			PARENT COMPANY		
	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
			SEK thousand			
Machinery						
Acquisition cost, opening balance		26,803	31,081			
Divestments		-24,954				
Translation differences		-1,849	-4,278			
Acquisition cost, closing balance			26,803			
Accumulated depreciations, opening balance		-3,350	-2,313			
Divestments		6,580				
Depreciation for the year		-3,227	-1,134			
Translation differences		-3	97			
Accumulated depreciations closing balance			-3,350			
Carrying value			23,453			
Equipment						
Acquisition cost, opening balance	95,608	55,668	50,324	3,924	3,338	1,336
Investments	13,403	10,916	5,402	574	586	2,558
Investments, acquired companies	11,635	27,368	2,382			
Divestments and disposals	-12,629	-1,215	-556			-556
Translation differences	6,040	2,871	-1,884			
Acquisition cost, closing balance	114,057	95,608	55,668	4,498	3,924	3,338
Accumulated depreciations, opening balance	-60,828	-35,410	-30,980	-1,388	-588	-526
Divestments and disposals	3,235					
Accumulated depreciation, acquired companies-opening balance	-9,551	-17,095	-1,682			
Depreciations for the year	-11,327	-6,825	-3,943	-878	-800	-62
Translation differences	-3,586	-1,498	1,195			
Accumulated depreciations closing balance	-82,057	-60,828	-35,410	-2,266	-1,388	-588
Carrying value	32,000	34,780	20,258	2,232	2,536	2,750
Tangible fixed assets	32,000	34,780	43,711	2,232	2,536	2,750

Note 17 Other assets

	GROUP		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
Long-term financial assets	296	278	251
Long-term receivables	1,843	1,404	2,387
Derivatives[1)]		25,951	3,655
Short-term tax receivables	19,030	9,276	4,534
VAT receivables	62,785	9,201	4,218
Accounts receivables	57,872	29,585	21,574
Short-term receivables	68,115	29,988	26,966
Total other assets	209,941	105,683	63,585

1) Please refer to note 27.

Note 18 Other liabilities

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012
Long-term Payables to Employees	1,363		
Long-term liabilities	47,689		
Short-term liabilities	103,479	58,521	19,284
Accounts Payable	59,386	55,642	27,138
Deferred payments for purchase of portfolios	10,808	5,212	9,544
Liabilities from service billing	3,087	21,690	23,248
Derivatives[1)]	246,724	16,329	6,681
VAT liabilities	10,189	15,869	13,249
Tax Liabilities on deposit interest	54,812	50,980	43,336
Social security liabilities	15,180	9,586	7,482
Other	2,469	2,081	1,585
Total	555,186	235,910	151,547

1) Please refer to note 27.

Note 19 Accrued expenses and prepaid income

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012	PARENT COMPANY 31 Dec 2014	31 Dec 2013	31 Dec 2012
Accruals for Personnel Expenses	30,754	24,213	10,460	0	19	121
Unallocated income	13,395	17,419				
Accrued interest expenses	30,116	22,636				
Accrued commission expenses	13,236	11,079	1,074			
Accrued consultancy fees	15,059	10,731	1,758	2,773		
Other accrued expenses	22,237	4,173	13,012		947	687
Total	124,797	90,251	26,304	2,773	966	808

Note 20 Provisions

	Pension liabilities			Restructuring reserve			Other long term benefits to employees			Other provisions			Group		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
Opening balance	26,511	19,288	17,657	65,965	11,912					2,161	1,194	2,890	94,637	32,395	20,547
Provision	1,919	2,683		24,023	68,510	16,368	1,051			1,965	963	1,194	28,958	72,156	17,562
Provision through acquisition							16,411						16,411		
Amount released	-4,698			-65,710	-14.457	-4,456	-1.429			-1,610	—	-2,890	-73,447	-14,457	-7,346
Changes in value	3,354	4,540	1,631	4,271			1,936			189			9,750	4,539	1,631
Other changes				-9,167						1,563	4		7,604	4	
Closing balance	27,086	26,511	19,288	19,381	65,965	11,912	17,969			4,268	2,161	1,194	68,704	94,637	32,394

Pension liabilities

The Group has defined pension schemes in Hoist Finance AB (publ) and Hoist GmbH, based on the pensionable remuneration and the length of employee service. Retirement benefit obligations are determined using the so-called "Projected Unit Credit Method", whereby current pensions and vested rights as well as future increases in these parameters are included in the valuation.

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012	PARENT COMPANY 31 Dec 2014	31 Dec 2013	31 Dec 2012
Net outstanding pension liabilities recorded on balance sheet						
Defined benefit obligations	30,233	29,081	19,289	49	77	90
Fair value for asset under management	3,147	2,570				
Outstanding pension liabilities, net	27,086	26,511	19,289	49	77	90

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012	PARENT COMPANY 31 Dec 2014	31 Dec 2013	31 Dec 2012
Outstanding pension obligations						
Opening balance	29,081	19,288	16,885	77	90	129
Costs regarding employment during current period	1	2,647	52	-15	9	
Interest expense	755	769	845	1	1	
Pension payments	-887	-1,365	-988	-15	-22	-40
Actuary gains (-)/ losses(+)	2,029					
Currency effects	-747	7,742	2.495			
Closing balance	30,233	29,081	19,288	49	77	90

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012	PARENT COMPANY 31 Dec 2014	31 Dec 2013	31 Dec 2012
Assets under management						
Opening balance	2,570					
Interest income	74					
Provided funds from employer	872	4,026	948			
Paid benefits	-872	-1,343	-948			
Actuarial profits (+)/ losses(-)	319					
Currency effects	183	-113				
Closing balance	3,147	2,570				

Assets under management are fully placed in investment funds.

Restructuring

Restructuring provisions of 2012 consists of costs for employee cuts in Robinson Way Ltd. Original provision totalled SEK 16,368 thousand and SEK 1,467 thousand remained at year-end 2013. The amount was used during 2014. No new provisions are planned to be made, nor any reversals.

Restructuring provisions of 2013 consists of costs for employee cuts in the lewis Group Ltd. Original provision totalled SEK 68,510 thousand and SEK 65,965 thousand remained at year-end 2013. During 2014, SEK 60,046 thousand was used and the SEK 4,452 thousand remaining is expected to be used during 2015. No new provisions are planned to be made, nor any reversals.

Restructuring provisions of 2014 consists of employee cuts in Hoist SAS. Original provision totalled SEK 12,919 thousand and still remained at year-end 2014. The amount is expected to be used during 2015. No new provisions are planned to be made, nor any reversals.

Note 21 Subordinated loans

SEK thousand	31 Dec 2014	GROUP 31 Dec 2013	31 Dec 2012
Subordinated bond loan	332,796	329,231	
Total	332,796	329,231	

In 2013 Hoist Kredit AB (publ) issued a ten-year subordinated bond (nominal amount of SEK 350,000 thousand), with maturity date on 27 September 2023. The subordinated loan is included in the capital base as Tier 2 capital. It can be redeemed at the earliest on 27 September 2018. The annual interest rate is 12 per cent.

The subordinated bond is per definition a subordinated loan and may be redeemed provided that Hoist decides on premature redemption or that a “credit event” has taken place. Hoist Kredit AB (publ) redeems the nominal amount (including any accrued interest) for all outstanding bonds for the loan as of maturity date.

The cost for the subordinated loan (subordinated debenture) is 12 per cent (annual interest rate).

Note 22 Shareholders equity

Share capital

According to the articles of association of Hoist Finance AB (pubI), the share capital shall total in minimum SEK 10,000 thousand and in maximum SEK 40,000 thousand.

	Number of shares		
	2014	2013	2012
Opening balance	15,488,282	15,488,282	15,488,282
New share issue	1,719,008		
Non-cash issue	3,441,458		
Warrants	381,959		
Preferential rights issue	630,921		
Closing balance	21,661,628	15,488,282	15,488,282

Quota value is SEK 1 per share.

As at December 31 2012 and 31 December 2013 the number of outstanding shares were 15,488,282, of which 4,000,000 preferential shares and 11,488,282 common shares. In 2014, all preferential shares were converted into common shares and the company now only has one class of shares. In 2014, the share increase consisted of a non-cash issue, conversion of warrants and a rights issue and per 31 December 2014 the number of outstanding shares was 21,661,628. All shares are fully paid.

The translation reserve comprises all foreign exchange differences arising on translation of foreign operations reduced by hedging effect.

Other contributed equity relates to equity, other than share capital that has been contributed by the shareholders. Hoist Kredit AB (publ) issued perpetual convertible bonds in 2012 and 2013 (total nominal amount of SEK 200,000 thousand). The convertible bonds are Tier 1 capital contributions with the right to convert to shares (as referred to in Companies Act 2005:551 chapter 15), and are subordinated to all current and future contributors, creditors and all subordinated debt of Hoist Kredit AB (publ). In 2014, convertible bonds of a total nominal value of SEK 100,000 thousand were converted into 111,111 new shares in Hoist Kredit AB (publ), meaning that the nominal value of outstanding convertible bonds per 31 December 2014 is SEK 100,000 thousand.

The convertible bonds are perpetual without maturity and are only repayable in a liquidation of Hoist Kredit AB (publ), and only after all other debts are settled. The convertible bonds have a 15 per cent annual interest rate, which is paid out through conversion into equity and not through profit and loss, until the date of conversion provided the Company decides on payment of interest. Hoist Kredit AB (publ) has the right from 23 April 2018, after approval from to the Swedish Financial Supervisory Authority, to redeem the convertibles and repay the outstanding capital contribution. In addition, the convertibles can be converted to cover losses on the command from Hoist Kredit AB (publ) or Swedish Financial Supervisory Authority. The convertibles can only be converted on the holder’s initiative in the case that Hoist Kredit AB (publ) decides not to pay interest (after decision from Hoist Kredit AB (publ), Swedish Financial Supervisory Authority, or because of changed legislation), or under certain circumstances if there are no funds for dividends in Hoist Kredit AB (publ) or if the company no longer fulfils the capital requirement levels. At conversion, Hoist Kredit AB’s equity will be increased by an amount of a maximum total of SEK 11,111,100, which corresponds to a dilution effect of the company’s current shareholder’s equity of 14.3 per cent in total. The terms and conditions of the convertibles includes customary recalculation conditions and the convertible price can be recalculated depending on if certain events has occurred, such as directed share issues, mergers, or a decrease in shareholder’s equity, but not to compensate for potential change in value of the company until the time when conversion for cover of losses occurs. Capital contributed by shareholders in prior periods are included by SEK 395,830 thousand.

Hoist Finance AB (publ) has, as decided at the extraordinary general meetings held at 6 December 2013 and 22 October 2014, issued warrants for which Hoist Finance AB has received a total of SEK 5,179 thousand, of which SEK 41 thousand was repaid since Hoist Finance AB has repurchased certain warrants. Each warrant entitles the holder to subscribe for one newly issued share and upon full exercise of all warrants Hoist Finance AB’s share capital will increase by a total of SEK 983,913.

Retained earnings consist of earned profits in the Parent Company, subsidiaries and joint venture. In 2013, Hoist Finance AB (publ) issued a dividend of SEK 14,372 thousand. No dividend is proposed for the current fiscal year.

Note 23 Fees to auditors

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012	PARENT COMPANY 31 Dec 2014	31 Dec 2013	31 Dec 2012
Audit assignments	-5,000	-6,621		-1,254	-260	
Audit-related assignments		-30		-642	-30	
Tax services	-156	-338				
Other non-audit-related assignments	-1,713					
KPMG	-6,869	-6,989		-1,896	-290	
Audit assignments		-2,621	-4,915		-2,406	-2,826
Audit-related assignments		-1,378	-1,637		-1,378	-1,209
Tax services		-95	-1,313		0	-533
Other non-audit-related assignments		-35			0	
Other audit firms		-4,129	-7,865		-3,784	-4,568
Total	-6,869	-11,118	-7,865	-1,896	-4,074	-4,568

In 2013 the Group changed its audit firm from PwC to KPMG. The costs as the above are included in consultancy fees in Note 6.

Note 24 Contingent liabilities

Forward Flow agreements

From forward flow agreements with financial institutions there are contractual arrangements to purchase receivables portfolios on an ongoing basis. The Group estimates the amount of these contractual agreement for the next year to SEK 229,944 thousand. The equivalent amount as at 31 December 2013 was SEK 270,615 thousand and as at 31 December 2012 and SEK 163,958 thousand.

Notes 25 Leasing agreements

The Group leases offices, IT hardware and vehicles under non-cancellable operating lease agreements.

Operational leasing

SEK thousand	GROUP 31 Dec 2014	31 Dec 2013	31 Dec 2012	PARENT COMPANY 31 Dec 2014	31 Dec 2013	31 Dec 2012
Obligations for rental payments on non-cancellable leases						
Within 1 year	27,564	25,619	13,082	5,126	3,880	
Year 1-5	68,397	50,921	33,249	15,377	10,335	
Year 5 and thereafter	8,075	1,684	8,406			
Total	104,036	78,224	54,737	20,503	14,215	

The main part of the leasing contracts is related to:
- Equipment, furniture and rented premises: 2 to 5 years
- IT hardware : 2 to 3 years
- Vehicles : 3 years

In 2014 lease expenses in the Group totalled SEK 23,926 thousand (SEK 21,819 thousand in 2013 and SEK 11,305 thousand in 2012). The corresponding figure for the Parent Company was SEK 3,506 thousand (2013: SEK 2,600 thousand and in 2012 SEK 1,452 thousand). There are no variable fees.

Note 26 Financial instruments

Carrying value and fair value on financial instruments

GROUP, 31 DECEMBER 2014

SEK thousand	Financial assets/ liabilities at fair value through profit or loss							
	Held for trading	Identified	Loans and receivables	Financial assets available for sale	Hedge accounting	Other liabilities	Total carrying value	Fair value
Cash			340				340	340
Eligible treasury bonds	2,316,110						2,316,110	2,316,110
Lending to credit institutions			1,292,711				1,292,711	1,292,711
Lending to the public			157,232				157,232	157,232
Acquired loan portfolios								
- of which at fair value		1,460,229					1,460,229	1,460,229
- of which at amortized cost			7,126,553				7,126,553	7,311,207
Bonds and other securities	1,926,241			25,000			1,951,241	1,951,241
Other financial assets			208,098				208,098	208,098
Total	4,242,351	1,460,229	8,784,933	25,000			14,512,513	14,697,167
Deposits from the public						10,987,289	10,987,289	10,987,289
Portfolio acquisitions						10,808	10,808	10,808
Derivatives[1)]	243,700				3,024		246,724	246,724
Senior unsecured loans						1,493,122	1,493,122	1,681,899
Subordinated loans						332,796	332,796	386,750
Other financial liabilities						297,654	297,654	297,654
Total	243,700				3,024	13,121,669	13,368,393	13,611,124

1) Please refer to note 27.

Carrying value and fair value on financial instruments

GROUP, 31 Dec 2013

SEK thousand	Financial assets/ liabilities at fair value through profit or loss							
	Held for trading	Identified	Loans and receivables	Financial assets available for sale	Hedge accounting	Other liabilities	Total carrying value	Fair value
Cash			197				197	197
Lending to credit institutions			3,926,686				3,926,686	3,926,686
Lending to the public			328,951				328,951	328,951
Acquired loan portfolios								
-of which at fair value		1,607,061					1,607,061	1,607,061
- of which at amortized cost			4,390,874				4,390,874	4,532,981
Bonds and other securities		1,272,677		25,000			1,297,677	1,297,677
Derivatives[1)]	25,021				930		25,951	25,951
Other financial assets			78,334				78,334	78,334
Total	25,021	2,879,738	8,725,042	25,000	930		11,655,731	11,797,838
Deposits from the public						9,701,502	9,701,502	9,701,502
Portfolio acquisitions						5,212	5,212	5,212
Derivatives[1)]	16,329						16,329	16,329
Senior unsecured loans						665,680	665,680	676,000
Subordinated loans						329,231	329,231	381,500
Other financial liabilities						214,369	214,369	214,369
Total	16,329					10,915,995	10,932,323	10,994,913

1) Please refer to note 27.

Carrying value and fair value on financial instruments

SEK thousand	Financial assets/ liabilities at fair value through profit or loss		GROUP, 31 Dec 2012				
	Held for trading	Identified	Loans and receivables	Financial assets available for sale	Other liabilities	Total carrying value	Fair value
Cash			140			140	140
Lending to credit institutions			2,245,711			2,245,711	2,245,711
Lending to the public			537,613			537,613	537,613
Acquired loan portfolios							
-of which at fair value		1,768,134				1,768,134	1,768,134
-of which at amortized cost			1,595,773			1,595,773	1,595,773
Bonds and other securities		732,672				732,672	732,672
Derivatives[1)]	3,655					3,655	3,655
Other financial assets			57,542			57,542	57,542
Total	3,655	2,500,806	4,436,779			6,941,240	6,941,240
Deposits from the public					6,366,256	6,366,256	6,366,256
Portfolio acquisitions					9,544	9,544	9,544
Derivatives[1)]	6,681					6,681	6,681
Other financial liabilities					135,322	135,322	135,322
Total	6,681				6,511,122	6,517,803	6,517,803

1) Please refer to note 27.

Fair value measurements

Group

The Group uses observable data to the greatest possible extent when assessing the fair value of an asset or a liability. Fair values are categorized in different levels in a hierarchy affair values based on the in data used in the valuation approach according to the following:

Level 1) Quoted prices (unadjusted) in active markets for identical instruments.

Level 2) Based on directly or indirectly observable market information not included in Level 1. This category includes instruments valued based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments that are traded on markets that are not active or other valuation techniques where all important in data is directly or indirectly observable in the market.

Level 3) Based on in data that is not observable in the market. This category includes all instruments where the valuation technique is based on data that is not observable and has substantial impact upon the valuation.

The following table presents the Group's financial instruments in the balance sheet for information purpose and therefore measured at fair value:

SEK thousand	GROUP, 31 DECEMBER 2014 Level 1	Level 2	Level 3	Total
Acquired loan portfolios			1,460,229	1,460,229
Eligible treasury bonds	2,316,110			2,316,110
Bonds and other interest-bearing securities	1,926,241			1,926,241
Total assets	4,242,351		1,460,229	5,702,579
Derivatives		246,724		246,724
Total liabilities		246,724		246,724

SEK thousand	GROUP, 31 DECEMBER 2013 Level 1	Level 2	Level 3	Total
Acquired loan portfolios			1,607,061	1,607,061
Bonds and other interest-bearing securities	1,272,677			1,272,677
Derivatives		25,951		25,951
Total assets	1,272,677	25,951	1,607,061	2,904,759
Derivatives		16,329		16,329
Total liabilities		16,329		16,329

SEK thousand	GROUP, 31 DECEMBER 2012 Level 1	Level 2	Level 3	Total
Acquired loan portfolios	●	●	●	●
Bonds and other interest-bearing securities	732,672			732,672
Derivatives		3,655		3,655
Total assets	732,672	3,655	1,768,134	2,504,461
Derivatives		6,681		6,681
Total liabilities		6,681		6,681

The valuation technique for the acquired loan portfolios, important in data as well as valuation sensitivity for changes in material in data are described in the accounting principles and in Note 13.

The derivatives used for hedging, refer to Note 27, have been model-valued using indata in the form of market rates for interest and currencies.

Bonds are valued based on quoted rates.

Fair value of financing in terms of issued bonds and other subordinated loans has been determined taking into account observable market rates quoted by external market players. In cases where more than one market price observations are available, the fair value is determined at arithmetic mean of the market quotes.

The carrying values of accounts receivable and accounts payable are assumed to be approximations at fair value. Fair value of short-term loans corresponds to their carrying value since the discount effect is not material.

Note 27 Derivative instruments

The Group continuously hedges its assets denominated in foreign currencies. As at 31 December 2014, the Group had exposures in EUR, GBP and PLN, all of which are hedged using foreign exchange forward agreements. All outstanding derivatives are valued at fair value and gains/losses are continuously accounted for in the income statement for each annual statement.

	GROUP					
	31 Dec 2014		31 Dec 2013		31 Dec 2012	
SEK thousand	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate swaps		38,033		16,329		3,340
Foreign exchange forward agreements-fair value		208,691	25,951		3,655	3,341
Total		246,724	25,951	16,329	3,655	6,681

All foreign exchange forward agreements had a remaining maturity of less than one month. The interest rate swap had a remaining maturity of 15 months.

Note 28 Financial risk and financial policy

Introduction

The financial risks that originate from the Group's operations relate primarily to the Group's assets and liabilities in different currencies as well as the payment capacity of its debtors. The financial risks are however mitigated by a historically strong and predictable cash flow combined with use of derivative instruments in order to mitigate FX risks. The Group's funding and financial risks are managed in the Group in accordance with the Treasury Policy and Risk Management Policy that has been adopted by the Board of Directors. These contains rules for the handling of the financial operations, the assignment of responsibilities, the measurement and identification of financial risks as well as the mitigation of these risks. The internal and external financing operations are concentrated to the Group's finance function (Group Treasury) in Stockholm, Sweden. The Group Treasury function is also allowed to utilise temporary surpluses and deficits within the Group, which minimizes the Group's aggregated interest cost.

The Group's Risk Control function is responsible for analysis, control and to report essential risks to the CEO and to the Board of Directors. This ensures that duality is achieved since all significant risks are analysed, reported and controlled both by the operating business and the independent Risk Control function. Risks within the Group are handled and mitigated according to policies and instructions, which are set by the Board of Directors. The Risk Control function is responsible for reporting any deviations to the CEO and to the Board of Directors.

Risk exposures shall be estimated and analysed and then compared to the expected revenue in order to yield an attractive risk adjusted return. After defining the Group's risk profile, it should be assessed and appraised. The assessment and appraisal include the following steps:

1) Assessment of each risk category

Each defined risk category must be individually assessed. The risk assessment must be documented and always result in a qualitative assessment of the risk, but also in a quantifiable amount when possible.

2) Stress testing: Assessment of extraordinary events

Unforeseen events must be defined, which should take into consideration exceptional, but possible, events. These events may be designated "stress test events" and their consequences should be simulated and documented. The results of the simulations should be reviewed against the Group's capital. The unforeseen events may be based on historical experience or hypothetical scenarios.

3) Assessment of how risks are mitigated and controlled

Although all risks cannot be quantified, an analysis should be prepared that describes how the risks are mitigated and controlled. Assessment of the effects of actions by Management may also be simulated in connection with this assessment, where for instance, the effects of stress test events may be revised in light of realistic possible actions by Management.

The most important risks that the Group has identified as relevant for its business are the following: (i) credit risk, (ii) counterparty risk, (iii) operational risk, (iv) market risk, foreign exchange risk and interest rate risk) and (v) liquidity risk.

Credit risk

Credit risk is the risk of a negative impact to earnings and/or capital arising from a debtor's failure to repay principal or interest at the stipulated time or other failure to perform as agreed.

Credit risk on the Group's balance sheet relates mainly to:

- Portfolios of non-performing consumer loans;
- Lending to credit institutions;
- Bonds and other interest-bearing securities;
- Derivatives transactions entered into with banks for the purpose of hedging the Group's FX and interest rate exposure.

The overdue loans are acquired in portfolios at prices that typically vary from less than 1 percent to 35 percent of the face value (principal amount) outstanding at the time of acquisition. The price depends on the specific characteristics and composition of the portfolios with respect to, for instance, the size, age, and type of the receivables, as well as the age, location and type of debtors, etc. The credit risk is mainly that the Group overpays for a portfolio and recovers less from the portfolio than expected, ultimately leading to higher than expected impairments of portfolio carrying values. The total credit risk is equal to the fair value of the assets. The majority of the loans are unsecured. However, a limited number of portfolios have properties as collateral. These portfolios had a carrying value of SEK 300 M as at 31 December 2014 (SEK 71 M as at 31 December 2013, SEK 87 M as at 31 December 2012). Information concerning the geographical distribution of portfolios, the analysis of the opening and closing balances and other portfolio-related information is contained in Note 13. Hoist Finance does not disclose any age analysis of the overdue loans. This information is considered irrelevant as most of Hoist Finance's portfolios are overdue. A more important parameter in Hoist Finance's management of credit risk is the cash flow forecast that is disclosed below.

Expected cash flow from the Group's acquired loan portfolios as at 31 December 2014

SEK thousand	**Up to 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Acquired loan portfolios	2,519,211	2,244,943	4,627,211	4,095,440
Total assets	2,519,211	2,244,943	4,627,211	4,095,440

Comparison of expected cash flow from the Group's acquired loan portfolios as at 31 December 2013

SEK thousand	**Up to 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Acquired loan portfolios	1,724,132	1,547,590	3,363,343	3,188,339
Total assets	1,724,132	1,547,590	3,363,343	3,188,339

Comparison of expected cash flow from the Group's acquired loan portfolios as at 31 December 2012

SEK thousand	**Up to 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Acquired loan portfolios	1,026,278	878,959	1,753,774	1,891,416
Total assets	1,026,278	878,959	1,753,774	1,891,416

The risk that the acquired loan portfolios do not pay as expected is monitored on a yearly basis by the Risk Management function as actual returns are compared to forecasts. This analysis is also used for the assessment of necessary allocations or portfolio impairments.

The credit risk associated with lending to credit institutions is managed in accordance with the Group's Treasury policy, which regulates the share that may be invested in assets issued by individual counterparties. There are, among other things, restrictions on exposures given the credit ratings of the counterparties.

The table below shows the Standard & Poor's rating for the Group's exposures to credit institutions as at 31 December 2014 compared to 31 December 2013 and 2012:

Rating	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2012**
AAA	39.7%	0.3%	0.0%
AA+	35.4%	1.6%	0.0%
AA	1.6%	0.0%	0.0%
AA-	0.0%	3.6%	12.1%
A+	0.9%	14.8%	2.2%
A	15.1%	13.5%	15.7%
A-	4.2%	58.7%	51.0%
BBB+	0.7%	1.0%	0.3%
BBB	0.9%	0.5%	0.0%
BBB-	0.0%	0.0%	0.0%
BB	0.0%	0.0%	0.0%
B-	0.0%	0.0%	0.0%
N/A	1.5%	6.0%	18.6%
Total, SEK thousand	5,535,061	5,218,876	2,947,932
Whereof bond portfolio	4,242,351	1,297,677	732,672

As at 31 December 2014, the weighted average maturity for the assets of the bond portfolio was 1.65 years (1.38 year as of 31 December 2013 and 1.31 year as of 31 December 2012) and the duration was 3.7 months (2 months 31 December 2013 and 2.3 months as of 31 December 2012). Duration and maturity are important measures for the assessment of the Company's interest rate risks and credit spread risks.

The credit risks that arise from fixed income instruments or derivative transactions are handled in the same way as other credit risks, i.e. they are co-limited with other exposures and checked against limits.

The Company's portfolios of performing loans have been classified with respect to risk, taking into account the expected probability of default according to Hoist Finance's internal scoring model.

Please refer to "Total credit exposure" in Note 29 for information on total maximal credit exposure. Contingent liabilities that entail a credit exposure are covered in Note 24.

Counterparty risk

The Group has counterparty risk against the institutions which the company conducts its hedging activity with. Derivative transactions are performed solely for the purpose of mitigating FX and interest rate risks in the Group.

Group Treasury manages counterparty risk in accordance with the Treasury policy, which means that whenever Hoist Finance wants to enter into an agreement with a new counterparty, it shall first contact the Group's Risk Control function. The member of the team who makes contact shall ensure that the Group's Risk Control has access to information about the counter-party, as well as any draft agreements. Once the counterparty has returned the requested documents, the Group's Risk Control shall review them.

The Risk Control function controls counterparty risks continuously in accordance with the Risk policy and Risk Control instruction.

The Group has entered into both ISDA and CSA agreements with its counterparties concerning derivative transactions. These agreements facilitate offsetting and daily settlement of credit risk. The counterparty risk against derivative counterparties is therefore at the maximum of one-day fluctuation of the derivative value. The CSA agreement is backed by collaterals in the form of cash.

Information by type of financial instrument

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

			Related amounts not offset in the balance sheet		
	Gross amounts of financial liabilities	**Amounts accounted off-set in the balance sheet**	**Net amounts in the balance sheet**	**Cash collateral**	**Net amount**
Liabilities					
Derivatives	246,724	0	246,724	-276,600	-29,876
Total	246,724	0	246,724	-276,600	-29,876

Further information in Note 27, "Derivative Instruments".

Operational risk

Operational risk is the risk for losses as a result of inadequate or failed internal processes, personnel, IT-systems or external incidents, including legal and compliance risks.

Operational risk that Hoist Finance is mainly exposed to can be divided into the following seven categories:

- Unauthorized activities and internal fraud
- External fraud

- Employment practices and work place safety
- Clients, Products and Business practices
- Damage on tangible assets
- Business disruption and system failures
- Transaction, Execution, Delivery and Process Management

Successful management of operational risk on a daily basis requires strong internal controls and quality assurance, which is best achieved by means of having established internal routines and processes as well as a competent management team and staff. The Group manages operational risk by continuously improving its internal routines and day-to-day control procedures, and by recruiting market-leading, experienced specialists for all positions of responsibility within the Group's operations. The Group also applies the "four-eyes principle" and has established back-up routines and processes, for example, in the form of a ratified BCP (business continuity plan).

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

1. Reporting of incidents and a system for the reporting of improvements- employees of the Group have access to an IT-system where all operational incidents are logged and consequently followed-up by the Risk Control function and the Group management. The same system is used for logging suggested improvements in routines and processes in order to mitigate potential operational risks in a proactive manner.
2. Annual self-assessments- the Risk Control function arranges annual training courses in each country that are attended by representatives from all departments in order to jointly identify weaknesses in the organisation, routines and processes that may possibly contain operational risks. The conclusions from these workshops are included in the annual capital assessment and also noted by the management team in order to mitigate the identified risks in the best possible manner.

The Group has a special and independent Internal Audit Function that is responsible for identifying and rectifying improvements for operational processes and internal procedures.

Market risk (foreign exchange risk)

Generally, market risk represents the risk to profit and capital arising from adverse movements in exchange rates and interest rates for risky assets held for trading, such as bonds, securities, and commodities or similar.

Market risk (FX risk) that has an adverse impact on the Group's income statement, balance sheet and/or cash flows arises mainly as a result of:

- The currency used in the consolidated financial statements is different from the functional currency of the subsidiaries (translation risk).

- Assets and liabilities of the Group are stated in different currencies and certain revenue and costs arise in different currencies (transaction risk).

Group Treasury has the overall responsibility for the continuous management of these risks.

Translation risk

The Group's functional as well as presentation currency is SEK, while a majority of the Group's functional currencies are carried out in EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currencies, while the Group's deposits from the public (liabilities) are denominated in SEK, which constitutes a translation risk (balance sheet risk).

Group Treasury calculates the Group's unhedged exposure to the aggregate value of assets denominated in currencies other that SEK and not covered by hedge agreements. Thereafter, the Group's translation exposure is hedged continuously using derivative contracts (mainly forward contracts).

Transaction risk

In each respective country, all revenue and the major part of the expenses are in the functional currency, which means that foreign exchange rate fluctuations only have a minor impact upon the company's profit in local currency. Income and costs in local currencies are thus hedged in a natural way, which mitigates transaction exposure.

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 below tables show the sensitivity analysis of a change of 10 per cent in currency rate between SEK and respective currency.

The Group has strict limits for single currency exposures. The limits for an open FX position is 2.5 -3.5 per cent of the exposure amount per currency.

Group's FX risk in EUR

	31 Dec 2014	31 Dec 2013	31 Dec 2012	Impact on shareholders' equity
Net assets on the balance sheet, MEUR	532.9	485.4	379.1	
Futures, MEUR	-528.5	-482.0	-378.0	
Net exposure, MEUR	4.417	3.431	1.142	
If the EUR/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	4,203	3,069	984	<1%
If the EUR/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-4,203	-3,069	-984	-<1%

Group's FX risk in PLN

	31 Dec 2014	31 Dec 2013	31 Dec 2012	Impact on shareholders' equity
Net assets on the balance sheet, PLN M	624.7	443.9	146.0	
Futures, PLN M	-619.0	-436.5	-142.5	
Net exposure, PLN M	5.676	7.441	3.539	
If the PLN/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1,256	1,576	750	<1%
If the PLN/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-1,256	-1,576	-750	-<1%

Group's FX risk in GBP

	31 Dec 2014	31 Dec 2013	31 Dec 2012	Impact on shareholders' equity
Net assets on the balance sheet, GBP M	158.8	123.7	37.6	
Futures, GBP M	-152.0	-123.0	-38.5	
Net exposure, GBP M	6.836	0.709	-0.855	
If the GBP/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	8,298	744	-897	<1%
If the GBP/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	-8,298	-744	897	-<1%

Market risk (interest rate risk}

The interest rate risk in the Group arises from two sources: the risk that the net interest income is affected negatively by fluctuations in the prevailing interest rates and the risk of losses due to the effect of interest rate changes upon the values of assets and liabilities.

The difference between interest income and financing cost (net interest income) in the Group may result in a risk for weaker profitability. A sudden and permanent interest rate change would have a negative impact on the Group’s profit to the extent interest rates and interest costs on loans and deposits from the public are affected by the increase in market rates at the same time as income from loan portfolios remains unchanged.

Other interest rate risk pertains to the fluctuations in fair values of balance sheet items, primarily the Group’s excess liquidity that has been invested in a bond portfolio. The objective concerning the bond portfolio is to mitigate the interest rate risk at the same time as returns are maximised according to the guidelines in the Treasury policy. In addition, the Group aims at a high level of financial flexibility in order to satisfy future liquidity requirements. Placements are thus made in interest bearing securities with short maturities and high liquidity. Please refer to the section concerning credit risk above.

Group Treasury mitigates both interest rate risks described above to a certain extent by continuously hedging the Group’s interest rate exposure through interest rate swaps in SEK. Generally, the maturity of the swaps is less than 12 months.

The table below shows the effect upon various assets and liabilities of a sudden and enduring parallel shift in the yield curve, of market rate of interest by 100 basis points.

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

Total items valued at fair value including derivatives (SEK thousand)	Impact on profit or loss Dec 2014		Impact on profit or loss Dec 2013		Impact on profit or loss Dec 2012		Impact on shareholders’ equity
	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	
Bond portfolios	16,066	-16,066	2,155	-2,155	27	-27	
Interest rate swaps	-50,000	50,000	-61,333	61,333	-19,356	19,356	
Total	-33,934	33,934	-59,178	59,178	-19,328	19,238	2.5%

A sensitivity analysis is presented in note 13 for portfolios at fair value.

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

Total effect on net interest income over one year	Impact on profit or loss Dec 2014		Impact on profit or loss Dec 2013		Impact on profit or loss Dec 2012		Impact on shareholders’ equity
	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	
Effect of net interest income (over one year)	48,105	-48,105	64,245	-64,245	35,369	-35,369	
Effect of derivatives (momentum effect)	-50,000	50,000	-61,333	61,333	-19,356	19,356	
Total effect of change in short interest rate	-1,895	1,895	2,912	-2,912	16,013	-16,013	0.14%

Hoist Finance has strict limits for maximum allowed interest rate exposure. Currently, no interest rate exposures exceeding a sensitivity of SEK 50 M for 100 bps interest rate curve parallel shift are allowed.

Liquidity risk

Liquidity risk is the risk of the Group being unable to meet its payment obligations due to insufficient availability of cash and cash equivalents in the Group.

The Group’s revenues and costs are relatively stable, therefore Liquidity Risk in the Group is linked primarily to the Group’s funding through deposits from the public and the risk of large redemptions occurring at short notice.

The overall objective for the Group’s liquidity management is to ensure that the Group maintains control over its liquidity situation leaning back on sufficient cash and cash equivalents or available for sale assets in order to fulfil its payment obligations in due time without incurring high extra costs. The size of the liquidity reserve is annually determined by Treasury through the ILAA (Internal Liquidity Adequacy Assessment) process. Through ILAA the liquidity demand is determined under stressed conditions and concludes in an amount the Group needs. During the year, the Group has had a total liquidity reserve that has well exceeded the need according to ILAA.

Receivables are mainly fallen due claims, hence a normal duration profile is not applicable. Given that the claims are not statute barred, they will remain unchanged until the customer has either fully paid or the claim is written off according to a credit decision.

The Group has a diversified funding base with a differentiated maturity structure[1)], both in the form of issued senior unsecured bonds and through deposits from the public. Although most of the deposits from the public are payable on demand, the Group believes, based on past client behaviour that a large portion of deposits can be treated as a longer maturity. In addition, some 31 per cent of the Group's deposits from the public are secured in longer maturities, so-called term deposits, with maturities ranging from 12 to 36 months. In accordance with the Treasury policy, the Group keeps a liquidity reserve of at least 30 per cent of the total deposit base to reflect the nature of the deposits. As at 31 December 2014, the liquidity reserve was 50.3 per cent of the total deposit volume (50.4 per cent as at 31 December 2013 and 36.3% as of 31 December 2012).

Besides a diversified funding structure, the Group conducted a number of activities to minimise liquidity risk:

- Centralised liquidity management: The handling of liquidity risk is centralised and is handled by the Group Treasury. The results of the liquidity management are reported on a regular basis to the Board of Directors.
- Independent analysis: The Group's Risk Management function acts as the central function for independent liquidity analysis, and the Internal Audit function is responsible for auditing the Group's liquidity management tools.
- Continuous monitoring: In order to monitor its liquidity position and mitigate liquidity risk, the Group uses liquidity forecasting systems, which provide on-going information on imminent, medium-term and long-term liquidity needs, and minimise the risk of facing unforeseen liquidity requirements.
- Stress testing: The Group performs stress tests on the liquidity situation. These stress tests vary in nature in order to illustrate the risk from multiple angles and to avoid negative consequences as a result of stress test methodology shortcomings.
- Liquidity reserve: The Group holds a minimum of 30 per cent of the deposits from the public as a liquidity reserve to meet potential short-term redemption requests.
- Liquidity placements are made in low-risk, high-liquidity interest- bearing securities on the overnight market, i.e. with an established second-hand market which allows for cash conversion if needed.

In addition, a contingency plan regarding liquidity risk have been put in place, which among other things identifies special events that can trigger the contingency plan and what actions must be taken. These events may include:

- The aggregate amount of total available liquidity is below 20 per cent of the total deposit base
- An unexpected outflow of more than 20 per cent during a 30-day period.
- Financing sources exceeding SEK 50 M cease or are revoked.

In accordance with an adopted crisis management policy, the crisis management team of the Group jointly decides on the implementation of these instructions.

For the purpose of foreign exchange and interest rate exposure hedging, the Group uses foreign exchange and interest rate derivative instruments (please refer to Note 27). In order to avoid possible liquidity risk and/or counter- party risk in connection with these derivatives, the Group applies ISDA and CSA agreements with all derivative counterparties. CSA agreements regulate the right to collect collaterals in order to eliminate the exposure that arises in connection with derivatives transactions. CSA agreements also include agreements on netting concerning foreign exchange transactions. There are daily settlements of derivative contracts independent of the financial outcome. In such a way, liquidity- and counterparty risks in derivative transactions are minimized.

[1)] Tables of maturity analysis for the Group's liabilities are not discounted. Please refer to Note 11 for asset and liabilities. Possible liquidity effect from CSA agreements totals, according to the latest ILAA, SEK 502 M in a stressed scenario.

Areas of responsibility

The Group has allocated the responsibilities with regards to the risks involved in its business as follows:

The management body

The Internal Capital Adequacy Assessment Process (ICAAP) is the responsibility of the Group's Board of Directors and Management. As such, the Board of Directors is responsible for ensuring that:

- Hoist Finance AB (publ) and the Financial Group of undertaking have an ICAAP.
- The ICAAP is consistent with the Group's risk profile and operating environment.
- The ICAAP is documented.
- The ICAAP is an integral part of the Group's strategy and decision making, and satisfies the usability requirement.
- The ICAAP is reviewed on a regular basis.
- The circumstances under which the process and the calculations in the process shall be reviewed or adjusted are clearly defined.

The Risk Control function

The Risk Control function is responsible for carrying out the daily work with the ICAAP within the Group. This requires the Risk Control function to:

- Participate in the process to calculate the capital need by using the model described in the next section.
- Lead the workshops for risk assessments.
- Quantify the risks in the model in a way that the requirements on the risk assessments to be forward-looking are being met.
- Review the model itself and suggest improvements if necessary (such modifications of the model to be decided by the Board of Directors).
- Perform the self-assessment process at least once a year or when external or internal circumstances so require.

The Compliance function

The Compliance function is responsible for ensuring that the company complies with all legal requirements and guidelines from Basel III rules and regulations. As such, the Compliance function is required to:

- Monitor legal work related to Basel III and the Internal Capital Adequacy Assessment Process.
- Verify that internal documents and instructions meet the requirements of the Basel III guidelines and the Internal Capital Adequacy Assessment Process.
- Take initiative for updating any of the Company's documents related to Basel III and the Internal Capital Adequacy Assessment Process as required.

The Compliance function reports directly to the Board of Directors.

The Internal Audit function

The Internal Audit function is responsible for evaluating and checking that the Group's work relating to Basel III follows the instructions set out in any of the Group's documents related to Basel III. This responsibility means the following:

- Verify that the ICAAP-work is performed as prescribed in this document.
- Verify that the results from the ICAAP are used as an integral part of the business as follows: Plans, investments in new business areas or business ventures, as well as any other actions undertaken by Management and the Group, are evaluated in light of their impact on the Group's capital need.

- Capital needs are taken into account when preparing forecasts for future financial years.

An independent review of the Group's instructions and policies is carried out by the Group's Internal Audit, or in accordance with an audit plan adopted by the Board of Directors. The result of the review is reported to the Board of Directors on a regular basis. Through this reporting, combined with the financial reporting, the Board of Directors is able to constantly judge the risk level in the Group and make required adjustments as and when necessary. The Internal Audit function reports directly to the Board of Directors.

The Financial Control function

The Financial Control function is responsible for ensuring that the Group's Management and Board always have accurate and timely information regarding the Group's performance and operations. The Financial Control function is also responsible for the ICAAP process managing it.

The Financial Control function acts in accordance with instructions set by the Management with regards to monitoring and reporting financial performance. The Group's systems allow for daily monitoring of financial performance, and the Management and the Board of Directors are constantly provided with updated performance measures as and when required.

The Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) is a continuously ongoing process carried out by the Management of the Group, which reviews, assesses and quantifies the risks that the Group is subject to in carrying out its operations. The process and methodology is reviewed at least once a year.

The focus for the annual review of the process is to make sure that the process is always relevant to the current risk profile and business activities of the Group. The Board of Directors decides on any changes in the process and the Internal Audit verifies that the process is carried out according to the instructions given by the Board of Directors.

The process starts with the Management Group's plans for the near future as well as the Management Group's views on the market in which the Company operates, which are formalised into a forecast for the next year. The ICAAP-process takes these forecasts as a starting point and as a first step assesses the risks inherent in these forecasts.

Market risks and credit risks are stress tested rigorously in order to assess the amount of losses that the Company may incur as a result of extremely negative circumstances. This estimated loss is compared to the statutory amount calculated in Pillar I. In the event that the simulated amount exceeds the statutory amount, further provisions are made in Pillar II.

The assessment of the operational risks is conducted through a number of workshops lead by the Risk Control Function of the Group. During the workshops all material risks in the Group are assessed and quantified, using both qualitative and quantitative methods. The methods will vary depending on the specific risk that is being measured and are designed to be properly usable as well as relevant to the Group, its business and its associated risks. Once the operational risks are quantified, the next step is to calculate the capital required to cover all identified risks that need to be provided for. Correlations between different risks are not taken into account unless it is obvious that certain risks cannot exist simultaneously, or that a certain risk would be over- or understated if not adjusted for its correlation with another risk. A comparison between calculated capital requirements and the statutory amount according to Pillar II is made. Any excess risk of losses is covered by additional provisions in Pillar II. It is also at this stage that provisions for possible regulatory buffers are taken into consideration.

The aggregated capital requirement that emanates from the assessment is used by the Management as a decision-making tool in the context of making future plans for the Group. As such, the Internal Capital Adequacy Assessment Process adds a further dimension to the decision making in the Group, in addition to strategic and day-to-day planning; strategic plans, forecasts for the future and immediate management decisions are always reviewed in light of the resulting capital requirements before being implemented. Decisions and their implementations will form the basis for formulating new forecasts; once these are completed the process starts all over again.

The Company has sufficient capital base to meet unexpected financial outcomes with regards to the company's risk exposure.

Note 29 Capital adequacy assessment

Capital cover analysis

The information in this Note contains such information that shall be disclosed in accordance with FFFS 2008:25 regarding annual reports for credit institutions and concerns such information as specified in FFFS 2014:12. The information relates to the Hoist Finance AB (pub I) Group and Hoist Kredit AB (publ) which is the regulated entity. For more information on the legal entities included, see Note 13. The only difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is that the equity method is applied in the consolidated accounts whereas the proportional method is applied for the joint venture in relation to capital adequacy reporting.

When establishing the company's statutory capital requirements the following laws and regulations apply; the EU Regulation No 575/2013 on prudential requirements for credit institution and investment firms, the Swedish law 2014:968 Supervision on credit institutions and securities companies, and the Swedish law 2014:966 on capital buffers. The purpose of these laws and regulations is to ascertain that the licensed institution and its consolidated situation manages its risks and protects its customers. According to the regulations, the capital base shall cover the capital requirements including the minimum capital requirements (the capital requirements for credit risk, market risk and operational risk) and the capital requirements for all other essential risks i.e. Pillar II risks.

The capital situation for the Hoist Finance Group and the regulated Hoist Kredit AB can be summarized as follows:

Total Capital Base

	Hoist Finance consolidated			Hoist Kredit AB (publ)		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
Core primary capital in capital adequacy	1,304,189	622,440	539,348	1,182,658	457,739	438,299
Proposed dividend			-14,372			-14,372
Intangible assets	-171,048	-64,282	-36,004	-45,273	-21,095	-9,901
Deferred tax assets	-70,885	-62,254	-29,085	-1,249	-1,121	-533
Regulatory dividend deduction	-5,000					
Core primary capital	1,057,257	495,904	459,887	1,136,136	435,523	413,493
Additional Tier I capital	93,000	193,000	100,000	93,000	193,000	100,000
Total Tier I capital	1,150,257	688,904	559,887	1,229,136	628,523	513,493
Tier II capital instruments	332,796	329,231		332,796	329,231	36,720
Regulatory adjustments	-106,655			-111,814	-14,969	
Tier II capital	226,141	329,231		220,982	314,262	36,720
Total capital for capital adequacy purpose[1)]	1,376,398	1,018,135	559,887	1,450,118	942,785	550,213

1) Total capital equals Total eligible capital. Hoist Finance has chosen not to apply article 494 of the EU regulation No 575/2013. This means that Hoist Finance conservatively calculate eligible capital and not indude Tier II capital not available for capital adequacy purposes. From the total nominal amount of Tier I and additional Tier I capital contribution transaction costs are deducted, that is why only SEK 93,000 thousand of the total SEK 100,000 thousand is reflected in the table above.

Total Capital

SEK thousand	Hoist Finance consolidated 31 Dec 2014	31 Dec 2013	31 Dec 2012	Hoist Kredit AB (publ) 31 Dec 2014	31 Dec 2013	31 Dec 2012
Institutions	54,575	82,736	47,870	24,704	77,228	42,933
- of which counterparty risk	*1,701*	*1,237*	*696*	*1,701*	*1,237*	*696*
Corporate	11,702	17,126	15,356	425,346	284,215	81,589
Retail	8,222	13,162	22,954	7,849	13,162	22,954
Exposures in default	707,040	496,413	282,780	234,038	209,193	197,908
Other items	18,641	12,947	8,921	139,936	40,477	48,846
Credit risk (standardised approach)	800,180	622,384	377,881	831,872	624,275	394,230
Operational risks (basic indicator approach)	93,379	77,789	81,389	41,049	43,280	43,677
Foreign exchange risk	11,005	4,346	1 387	11,005	3,467	24,143
Credit valuation adjustment (standardised approach)						
Total capital requirement	904,564	704,519	460,657	883,926	671,022	462,050
Total risk-weighted amount	11,307,052	8,806,488	5,758,208	11,049,076	8,387,775	5,775,625

Capital requirement and capital buffers

%	Hoist Finance Group 31 Dec 2014	31 Dec 2013	31 Dec 2012	Host Kredit AB 31 Dec 2014	31 Dec 2013	31 Dec 2012
Common equity Tier I ratio	9.35%	5.63%	7.99%	10.28%	5.19%	7.16%
Tier I capital ratio	10.17%	7.82%	9.72%	11.12%	7.49%	8.89%
Total capital ratio	12.17%	11.56%	9.72%	13.12%	11.24%	9.53%
Institution specific requirement on common equity Tier I capital	7.00%			7.00%		
Whereof: Pillar I common equity Tier I capital requirement	4.50%			4.50%		
of which: Capital conservation buffer requirement	2.50%			2.50%		
of which: Contra cyclical capital buffer requirement						
Pillar II common equity Tier I capital requirement	0.61%			0.62%		
Total common equity Tier I capital requirement	7.61%			7.62%		
Surplus common equity Tier I capital	1.75%			2.66%		
Surplus Tier I capital	1.07%			2.00%		
Surplus total capital	1.07%			2.00%		

Pillar II-risks

SEK thousand	Hoist Finance Group 31 Dec 2014	31 Dec 2013	31 Dec 2012	Hoist Kredit AB 31 Dec 2014	31 Dec 2013	31 Dec 2012
Credit risk						
Market risk (Currency risk)	2,925	1,535	3,258	2,925	1,535	3,258
Liquidity risk						
Concentration risk	9,360			9,360		
Reputational risk	15,316	1,089	601	15,316	1,089	601
Interest rate risk	37,550	5,463	1,768	37,550	5,463	1,768
Strategic risk	3,300	332	315	3,300	332	315
Operational risk						
Capital requirement according to Pillar II	68,451	8,419	5,942	68,451	8,419	5,942

The capital base for the consolidated situation as at December 31 2014 was SEK 1,376 M (SEK 1,018 M as at 31 December 2013, SEK 560 M as at 31 December 2012), which exceeds the capital requirement by a wide margin.

As is presented in the above tables, there are both issued Tier 1 capital instruments and supplementary capital instruments which are calculated in the capital base of the Group. These instruments are described briefly below.

Tier I capital instruments

The tier 1 capital instrument consists of convertibles totalling a nominal amount of SEK 100 M. The convertibles were issued for the purpose of increase Hoist Kredit ABs Tier 1 capital level. The instruments are convertible debentures without amortization and can only be repaid in a potential liquidation of Hoist Kredit, and then after all other creditors in Hoist Kredit. The convertibles are issued with an annual interest rate of 15 per cent.

Supplementary capital instruments

A debenture of SEK 350 M was issued during 2013 with a maturity in 2023. The debenture is constructed as a supplementary capital base instrument and has a fixed coupon of 12 per cent the first five years and a variable interest rate thereafter.

There are no existing or expected actual or legal obstacles for an immediate transaction of liquid funds or repayment of debt between the companies and subsidiaries.

Additional information on capital adequacy is provided in the Company's Pillar III-report that is published on the Group's web: www.hoistfinance.com.

Note 30 Critical estimates and assumptions

The Management and the Board of Directors have discussed the developments, choices and disclosures regarding the Group's critical accounting principles and estimates as well as the application of these principles and estimates. They have also discussed and assessed future assumptions and other important sources of uncertainty in the assumptions as per balance sheet date that may represent a substantial risk for material restate-meats of the reported amounts in the financial statements in the coming financial years.

Certain critical estimates have been made through the application of the Group's accounting principles described below.

Valuation of acquired loan portfolios

As indicated in Note 13, the recognition of purchased receivables is based on the Group's own forecast of future cash flows from acquired portfolios. Although the Group historically has had good forecast accuracy with regard to cash flows, future deviations cannot be ruled out. The Group applies internal rules and a formalized decision-making process for the adjustment of previously adopted cash flow forecasts. The internal rules are based on a constant ten-year period. A 12% IRR is applied on portfolios acquired prior to 1 July 2011. An IRR based on the acquisition date for specific portfolios is used on portfolios acquired post 1 July 2011.

The effect of these principles is that during the first year that a portfolio is owned, the cash flow forecast is adjusted only on an exceptional basis. All amendments in cash flow forecasts are finally subject to decisions. For a sensitivity analysis, please refer to Note 13.

Changes in tax expenses

Hoist Finance operates across borders and manages its consolidated tax issues relating to subsidiaries in several jurisdictions. The Group is therefore exposed to potential tax risks that arise from the interpretation and implementation of existing laws, treaties, regulations, and guidance on taxation varies, inter alia, income tax and VAT.

Ongoing tax audits

In 2014 began the Swedish tax authorities a tax audit of Hoist Finance, but the out-come is not yet known. However, within the scope of the tax audit questions have been raised regarding income taxes and payroll taxes.

Classification of group companies in Jersey

The two group companies located on Jersey, Hoist Portfolio Holding Ltd and Hoist Portfolio Holding 2 Ltd, have an ongoing case with the Financial Supervisory Authority on Jersey, JFCS, regarding to what extent the companies, primarily in money laundering purposes (AML) shall be deemed to be operating in local lending activities. The companies would then have to comply with local requirements and local executives. It is unclear to what extent the companies can rely on the expanded AML organization found in the group companies, which handle the Jersey companies' credit portfolios. The status of the case is, as of the date of our Financial Statements, that the companies need to have local procedures and management and this is being developed in consultation with the JFSC. The local AML-organisation is expected to be in place and be approved by the JFSC in 2015. This is not expected to affect the expected cost or the conduct of their operations to any significant degree. The Group does not expect any other consequences based on the JFSC's assessment. This is supported by the advice in the matter of local legal counsel, and from the positive dialogue with the JFSC.

Note 31 Related party transactions

The information below is presented from Hoist Finance's perspective and shows how Hoist Finance's financial information has been effected by transactions with related parties

	GROUP Other related parties transactions		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
Assets			
Lending to the public		9,915	13,264
Other assets		3,278	1,783
Liabilities			
Other liabilities	58		

	GROUP Other related parties transactions		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
Revenues from business activities			
Interest income	153	1,510	1,724
Other operating income		1,290	1,544
Costs from business activities			
Other costs[1)]	2,433	32,312	20,523

1) See table on next page

	PARENT COMPANY					
	Subsidiaries			Other related party transactions		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
Short-term receivables						
Receivables group companies	47,506	44,350	145,756			
Other receivables					600	1,171
Long-term liabilities						
Group company loans	40,100	40,100	86,000			
Short-term liabilities						
Debt group companies	103,535	45,057	121,539			

	PARENT COMPANY					
	Subsidiaries			**Other related party transactions**		
SEK thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2014	31 Dec 2013	31 Dec 2012
Revenue	171,684	144,873	122,046			
Operating costs						
Other indirect costs	121,904	106,135	81,909		11,286	19,026
Results from financing activities						
Other interest income		1,373	2,071		222	313
Interest expenses	1,262	2,828	3,564			

Specification of other costs

SEK thousand	GROUP Other related party transactions 31 Dec 2014	31 Dec 2013	31 Dec 2012
Tornado Investments S.A. (prev. Hoist Group S.A.)		17,416	1,497
Lindenau, Prior & Partner GbR	1,235	1,574	3,841
Beagle Investments S.A.		4,129	14,885
European Digital Capital Ltd.	1,198	9,193	300
Deciso AB	—	—	300

Note 32 Subsequent Events

To the best of the Board's knowledge, no significant events have occured since the end of the reporting period.

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