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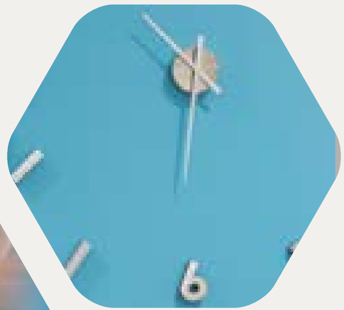
Hoist Kredit AB

Annual Report 2015

A leading debt restructuring partner to international banks

Content financial information



Administration Report

Business overview

Hoist Kredit AB (publ) "Hoist Kredit", corporate identity number 556329-5699 is a regulated credit market company, supervised by the Swedish Financial Supervisory Authority. The company´s registered office is in Stockholm, Box 7848, 103 99 Stockholm.

Hoist Finance is a leading debt-restructuring partner to international banks and other financial institutions, with loan acquisition and management operations in eight countries across Europe. Hoist Finance specialises in the acquisition of non-performing loans ("NPLs") originated by large international banks and other financial institutions with whom Hoist Kredit has strong and long-term relationships. Hoist Kredit follows its key partners across markets and often purchases portfolios in several countries where they have operations. Hoist Kredit is the leading pan-European acquirer of NPLs from financial institutions. The Group also selectively purchases non-performing loans from utilities, telecommunications companies and other consumer companies and, in certain markets, secured amortising loans when appropriate. After purchasing a portfolio, Hoist Kredit's primary method of collecting from its customers is through sustainable payment plan agreements. Most of Hoist Kredit's collection activities are managed through its eleven in-house collection centres across Europe, supplemented in some cases by carefully selected local external debt servicing partners. For over 20 years, Hoist Kredit has focused exclusively on the acquisition of non-performing loan portfolios. This distinguishes Hoist Kredit from many of its competitors, which have evolved from being solely collection companies (i.e., collect on behalf of a third party) and, therefore, have significantly shorter histories in acquiring loans. This long-term focus and the Group's flexible and tailored product offering have allowed Hoist Kredit to develop the expertise and know-how to structure and execute complex transactions.

The Group has operated a traditional internet-based retail deposit service in Sweden since 2009 under the HoistSpar brand. As a licensed and supervised credit company, Hoist Kredit can offer the public a deposit service which is fully covered by the Swedish state deposit guarantee scheme up to an amount of EUR 100,000 for each account. This gives the Group a cost-effective, flexible and reliable source of funding, which is primarily used for the acquisition of non-performing loans.

Market

Hoist Kredit's geographic focus is Europe. The Group has portfolios in Germany, Austria, France, the UK, Belgium, the Netherlands, Italy and Poland and a deposit service in Sweden. By selling their NPLs, banks and other originators can focus on their core business, free up capital as well as management capacity and organisational resources, improve liquidity, limit the risk of doubtful payment profiles and improve key performance ratios. The European market for non-performing loans has grown in recent years, mainly as a result of the underlying market expansion of the consumer credit market and the new capital adequacy (Basel III) regulations. Hoist Finance's main competitors include debt acquisition and collection companies, integrated players offering a wide range of financial services and specialised investors.

Group structure and ownership

Hoist Kredit AB (publ) is 100 per cent owned by Hoist Finance AB (publ) CIN 556012-8489, registered in Stockholm, Sweden. Hoist Finance is listed on NASDAQ Stockholm.

Hoist Kredit acquires and holds most of the Group's loan portfolios and the loans are managed by its subsidiaries and branch offices. These entities also provide management services on a fee and commission basis to external parties. The company conducts business in Brussels and Amsterdam through the foreign branch offices Hoist Kredit AB in Belgium and Hoist Kredit AB in the Netherlands. Note 14, Group companies lists details on the Hoist Kredit Group along with its key subsidiaries and branch offices as at 31 December 2015.

Dividend

The Board of Directors proposes to the AGM that the earnings that are at the disposal of the AGM are carried forward.

Key events in 2015

- Acquisition of debt restructuring company Compello Holdings Ltd. in the UK. The acquisition included a diversified portfolio of claims on banks, comprised of over one million loans from 20 different financial institutions and a well-established call centre.
- The decision was made during the third quarter to divide operational activities into three regions to make the organisation more efficient and strengthen Hoist Kredit's position in Europe. The change came into effect on 1 January 2016 and will involve a new form of segment reporting.
- A large portfolio from Banco Popolare in Italy was acquired during the fourth quarter. With the acquisition, Hoist Finance strengthens its position in the non-performing loan segment for secured and unsecured loans from small and medium enterprises (SMEs).
- A major transaction with an international bank in Poland was conducted at the end of the year, involving the acquisition of loan portfolios and the takeover of employees. Hoist Finance will open a new office in Gdansk during the first six months of 2016 as a result of the transaction.
- The integration of Navi Lex Sp.Z.O.O. (name changed to Hoist Polska Sp.Z.O.O.), in Poland (acquired in late 2014) and Compello Holdings Ltd. (acquired in Q3 2015) proceeded according to plan.
- The Company conducted CSR-focused management development training as part of Hoist Finances Corporate Social Responsibility work.

Developments during 2015 financial year

Operating income and financial items

Due to continued high acquisition activity during the latter part of 2015 and the acquisition of Compello Holdings Ltd. in the UK, gross collections on acquired loan portfolios increased 43 per cent to SEK 3,631 million (2,541). Portfolio amortisation and revaluation totalled –1,627 million (–1,143), of which portfolio revaluation totalled SEK –39 million (–15). Interest income from the run-off consumer loan portfolio decreased during the year in line with portfolio amortisation, and totalled SEK 10 million (38). The run-off consumer loan portfolio's carrying value was SEK 58 million (119) as at 31 December 2015. Net revenue from the run-off consumer loan portfolio thus increased 40 per cent, to SEK 2,015 million (1,436).

Fee and commission income totalled SEK 167 million (153). The change was primarily attributable to an increase in fees and commissions following the acquisition of the Polish company Kancelaria Navi Lex Sp.z.o.o. and a decrease in fees and commissions in the UK. Profit from shares and participations in the joint venture in Poland (BEST III) decreased from SEK 59 million in 2014 to SEK 55 million in 2015, as no further investments will be made within the joint venture's scope. The BEST III holding is reported in accordance with the equity method. The carrying value of Hoist Finance's share in the joint venture totalled SEK 206 million (215) at 31 December 2015.

Other income totalled SEK 18 million (18).

Total revenue increased to SEK 2,254 million (1,666). Total financial items (i.e., the net of interest income and interest expense excluding interest income from the run-off consumer loan portfolio) amounted to SEK –384 million (–311). To accommodate higher anticipated acquisition volumes, Hoist Kredit continued to build and maintain good liquidity during 2015, primarily through increased HoistSpar deposits. In addition, falling market rates resulted in reduced interest income from investments in treasury bills and treasury bonds. Net income from financial transactions including financing costs totalled SEK –16 million (–19) and relates to the effects of currency and interest hedges via derivatives.

Operating expenses

Operating expenses, excluding depreciation and amortisation of tangible and intangible assets, totalled SEK –1,488 million, a year-on-year increase of 32 per cent (–1,126). The increase in operating expenses is largely related to the acquisitions of Compello Holdings Ltd. and Kancerlaria Navi Lex Sp.z.o.o. The remaining increase is attributable to acquisitions and increased business volumes, which include some portfolios with a higher share of legal collection costs. 2015 expenses also included SEK 17 million in personnel costs associated with the reorganisation of operations and SEK 18 million in acquisition costs for the acquisition of Compello Holdings Ltd. in July 2015. Hoist Kredit also strengthened its central functions and internal systems during 2015, which entailed some cost increases. Integration work with Compello Holdings Ltd, including the migration of loan portfolios and personnel, proceeded according to plan.

Depreciation and amortisation of tangible and intangible assets totalled SEK –40 million (–24). The year-on-year increase in amortisation is mainly attributable to the increased amortisation of IT systems. The remainder of the increase is attributable to assets associated with the acquisitions of Kancerlaria Navi Lex Sp.Z.O.O. and Compello Holdings Ltd.

Profit before tax and net income

Profit before tax increased to SEK 343 million (205) due to the Group's continued strong performance. Reported tax expense totalled SEK –65 million (–38), corresponding to approximately 19 per cent of the Group's profit before tax. Tax expense was positively impacted by the utilisation of tax loss carry-forwards that were not reported in the balance sheet. The differing tax rates between countries also had a positive impact on tax expense, although this was off-set by de-recognised loss carry-forwards that matured as well as loss carry-forwards that were not recorded during the financial year.

Total comprehensive income, including currency translation differences, totalled SEK 239 million, a year-on-year increase of SEK 64 million.

Cash flow

SEK M	2015	2014	Change, %
Cash flow from operating activities	–708	–817	–13
Cash flow from investing activities	502	–774	n/a
Cash flow from financing activities	514	1,235	–59
Cash flow for the year	**308**	**–356**	**n/a**

Cash flow from operating activities totalled SEK –708 million (–817). Gross collections on acquired loan portfolios increased to SEK 3,631 million (2,541) due to greater portfolio volumes, and expenses increased along with expansion of the business. Adjusted for translation differences, acquired loans during the year totalled SEK 4,054 million (3,732). HoistSpar's deposits from the public maintained strong inflows, totalling SEK 1,782 million (1,216) during the year. Fixed term deposit inflows were somewhat higher than inflows to variable interest accounts.

Cash flow from investing activities increased to SEK 502 million (–774) due mainly to continued reallocation of the liquidity reserve as a result of the regulatory requirements that took effect in 2014, under which bonds and other securities with higher credit risk were reduced and invested in treasury bills and treasury bonds. Hoist Kredit sold bonds and other securities in 2015 totalling SEK 615 million net. Hoist Kredit therefore maintains liquidity for anticipated future acquisitions.

Cash flow from financing activities totalled SEK 514 million (1,235) as a result of a new share issue associated with the share listing in March. This was mitigated somewhat by the buy-back of issued bonds during the year. The Group continued to optimise its funding structure in 2015 through the buy-back of issued bonds denominated in SEK. Of the original issued amount of SEK 750 million, there remained as at 31 December 2015 SEK 339 million in outstanding bonds denominated in SEK.

Total cash flow for the year totalled SEK 308 million (–356).

Funding and capital structure

SEK M	2015	2014	Change, %
Deposits from the public	12,791	10,987	16
Subordinated liabilities	337	333	1
Senior unsecured liabilities	1,238	1,493	–17
Total interest-bearing liabilities	**14,366**	**12,813**	**12**
Other liabilities	1,036	886	17
Shareholders' equity	**2,209**	**1,407**	**57**
Total liabilities and shareholders' equity	**17,611**	**15,106**	**17**
Cash and interest-bearing assets	5,177	5,517	–6
Other assets	12,434	9,589	30
Total assets	**17,611**	**15,106**	**17**
CET1 ratio, %	12.32	9.35	3 pp
Total capital ratio, %	15.21	12.17	3 pp

Hoist Kredit funds its operations mainly through deposits. As at 31 December 2015, deposits from the public totalled SEK 12,791 million (10,987). Of these deposits, SEK 4,564 million is comprised of 12-, 24-, and 36-month fixed term deposits. In line with the strategy to continue diversifying the Group's funding, a bond issue in EUR was conducted during Q4 2014. As at 31 December 2015, outstanding bond debt totalled SEK 1,238 million.

Shareholders' equity totalled SEK 2,209 million (1,407).

The total capital ratio improved to 15.21 per cent (12.17) and the CET1 ratio to 12.32 per cent (9.35). Hoist Kredit is thus well-capitalised for continued expansion through the acquisition of non-performing consumer loans.

Cash and interest-bearing securities totalled SEK 5,177 million (5,517).

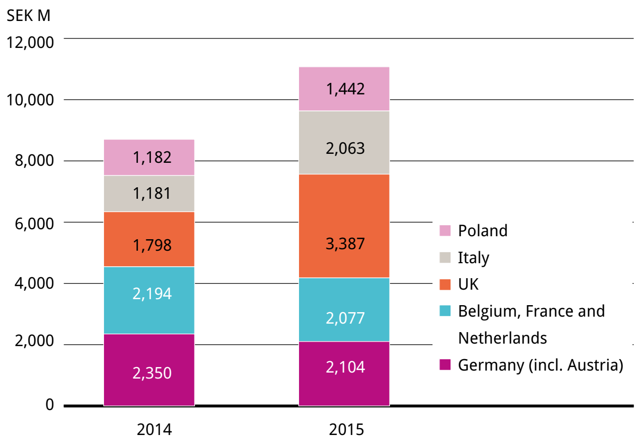
Portfolio acquisitions

SEK M	2015	2014	Change, %
Portfolio acquisitions	4,370	3,227	35
Carrying value of acquired loans	11,279	8,921	26

In 2015, Hoist Kredit's continued active acquisition of loan portfolios resulted in further geographic diversification and penetration on current markets. The total acquisition volume in 2015 was SEK 4,370 million (3,227). The carrying value of acquired loans totalled SEK 11,279 million (8,921) as at 31 December 2015, an increase of 26 per cent.

Among larger acquisitions observed, was the diversified loan portfolio in the UK included with the acquisition of the shares in Compello Holdings Ltd., Additional significant loan portfolio acquisitions were conducted, mainly during Q4 in Italy and the UK.

Geographic distribution of loan portfolios



Segment overview

The table below shows the earnings trend for each operating segment, based on operating income statement exclusive of the segment Central Functions and Eliminations. See Note 1 for additional details.

Germany and Austria

SEK M	2015	2014	Change, %
Gross collections on acquired loan portfolios	871	724	20
Portfolio amortisation and revaluation	–435	–349	25
Interest income from run-off consumer loan portfolio	10	38	–73
Net revenue from acquired loans	**446**	**413**	**8**
Fee and commission income	9	18	–50
Other income	12	14	–17
Total revenue	**467**	**446**	**5**
Personnel expenses	–149	–133	12
Other operating expenses	–99	–85	16
Depreciation and amortisation of tangible and intangible assets	–4	–3	22
Operating expenses	**–251**	**–221**	**13**
EBIT	**216**	**224**	**–4**
EBIT margin, %	46	50	–4 pp
Expenses/Gross collections on acquired loan portfolios, %	26	25	1 pp
Carrying value of acquired loan portfolios[1)]	2,104	2,350	–10

1) Including run-off consumer loan portfolio and portfolios held in joint venture.

Operating income

Gross collections on acquired loan portfolios increased 20 per cent in 2015 to SEK 871 million (724). Performance was positively impacted by the large acquisitions conducted during the first half of the year. Portfolio amortisation and revaluation totalled SEK –435 million (–349) in 2015. The proportionally lower year-on-year portfolio amortisation is due to positive portfolio revaluation effects in 2015 of SEK 53 million (–8), attributable to factors including an increase in legal collections and higher than expected returns for some large portfolios. Income from the run-off consumer loan portfolio decreased from SEK 38 million to SEK 10 million on a full-year basis due to the progressive amortisation of the portfolio. Fee and commission income was lower in 2015 due to the acquisition of a portfolio that Hoist Kredit previously serviced on behalf of a third party and that is now included in gross collections on acquired loan portfolios. Total income increased to SEK 467 million (446).

Operating expenses

Operating expenses increased 13 per cent in 2015 to SEK 251 million (221) due to higher personnel costs relating to acquisitions in 2015. The increased costs are also linked to an increased share of collection via legal processes and external parties.

EBIT

EBIT for the segment totalled SEK 216 million (224) for full-year 2015, with a corresponding EBIT margin of 46 per cent (50). The deterioration in profitability is primarily attributable to lower revenue from the run-off consumer loan portfolio and higher operating expenses.

Acquisitions

Fewer acquisitions were conducted in 2015, despite continued activity on the non-performing loan market. The carrying value of acquired loan portfolios totalled SEK 2,104 million (2,350) as at 31 December 2015.

Belgium, France and the Netherlands

SEK M	2015	2014	Change, %
Gross collections on acquired loan portfolios	892	733	22
Portfolio amortisation and revaluation	–576	–485	19
Net revenue from acquired loans	**316**	**248**	**27**
Fee and commission income	7	7	–1
Other income	0	0	0
Total revenue	**323**	**256**	**26**
Personnel expenses	–90	–87	3
Other operating expenses	–127	–103	24
Depreciation and amortisation of tangible and intangible assets	–2	–5	–49
Operating expenses	**–219**	**–194**	**13**
EBIT	**104**	**61**	**69**
EBIT margin, %	32	24	8 pp
Expenses/Gross collections on acquired loan portfolios, %	24	25	–1 pp
Carrying value of acquired loan portfolios	2,077	2,194	–5

Operating income
Gross collections on acquired loan portfolios increased 22 per cent in 2015 to SEK 892 million (733). The increase was primarily attributable to increased collections in the Netherlands and Belgium, where large VAT recoveries contributed to higher collection levels. Portfolio amortisation and revaluation totalled SEK –576 million (–485). The increase was mainly due to a portfolio revaluation in France.

Operating expenses
Operating expenses totalled SEK –219 million (–194) in 2015. Cost increased as a result of higher collection rates as collections are mostly outsourced to third parties on a variable rate.

EBIT
The segment's EBIT totalled SEK 104 million (61) in 2015, with a corresponding EBIT margin of 32 per cent (24). The improvement is primarily attributable to increased VAT recoveries in the Netherlands.

Acquisitions
Acquisitions activity reduced year-on-year in the Netherlands and Belgium, while France increased its year-on-year loan portfolio acquisition volumes. The carrying value of acquired loan portfolios totalled SEK 2,077 million (2,194) as at 31 December 2015.

UK

SEK M	2015	2014	Change, %
Gross collections on acquired loan portfolios	814	527	54
Portfolio amortisation and revaluation	–204	–201	2
Net revenue from acquired loans	**609**	**327**	**87**
Fee and commission income	108	128	–16
Other income	1	3	–57
Total revenue	**718**	**458**	**57**
Personnel expenses	–184	–135	37
Other operating expenses	–276	–138	100
Depreciation and amortisation of tangible and intangible assets	–5	–5	17
Operating expenses	**–465**	**–277**	**68**
EBIT	**253**	**181**	**40**
EBIT margin, %	35	40	–4 pp
Expenses/Gross collections on acquired loan portfolios, %	44	28	16 pp
Carrying value of acquired loan portfolios	3,387	1,798	88

Operating income
Gross collections on acquired loan portfolios totalled SEK 814 million (527). The increase was primarily the result of the acquisition of Compello Holdings Ltd. during Q3 2015.

Operating expenses
Operating expenses totalled SEK –465 million (–277) in 2015. As with operating income, the increase is mainly attributable to the acquisition of Compello Holdings Ltd., which involved acquisition costs, one more site and increased personnel costs. Other operating expenses increased to SEK –276 million (–138), due primarily to increased legal collections costs. The amortisation rate was on par with 2014 despite the above mentioned acquisition.

EBIT
The segment's EBIT totalled SEK 253 million (181) in 2015, with a corresponding EBIT margin of 35 per cent (40). The improvement is primarily attributable to Compello Holdings Ltd.'s contribution to profit.

Acquisitions
Acquisition activity increased in 2015, with most of the volume increase attributable to the acquisition of Compello Holdings Ltd. The carrying value of acquired loan portfolios totalled SEK 3,387 million (1,798) as at 31 December 2015.

Italy

SEK M	2015	2014	Change, %
Gross collections on acquired loan portfolios	589	261	126
Portfolio amortisation and revaluation	–221	–91	143
Net revenue from acquired loans	**367**	**170**	**117**
Fee and commission income	6	–	–
Other income	1	0	354
Total revenue	**374**	**170**	**121**
Personnel expenses	–57	–18	218
Other operating expenses	–126	–86	47
Depreciation and amortisation of tangible and intangible assets	–6	–2	155
Operating expenses	**–189**	**–106**	**78**
EBIT	**185**	**64**	**191**
EBIT margin, %	49	37	12 pp
Expenses/Gross collections on acquired loan portfolios, %	31	41	–10 pp
Carrying value of acquired loan portfolios	2,063	1,181	75

Operating income
Gross collections on acquired loan portfolios increased 126 per cent to SEK 589 million (261). The increase was primarily the result of the significant acquisition conducted during Q4 2014 and the additional portfolios acquired in 2015. Portfolio amortisation and revaluation totalled SEK –221 million (–91) for full-year 2015 and was mainly attributable to the above-named Q4 2014 acquisition.

Operating expenses
The change in operating expenses, which increased 78 per cent to SEK –189 million (–106), reflects the fact that Hoist Finance has operated its own collection business in Italy, with 146 full-time employees, for the full year 2015. The significant increase was mainly attributable to an increase in 'Other operating expenses' arising largely from expenses related to portfolios acquired during the year.

EBIT
The segment's EBIT totalled SEK 185 million (64) in 2015, with a corresponding EBIT margin of 49 per cent (37).

Acquisitions
2015 acquisition activity continued to be high and was even somewhat higher than previous year's high level. The carrying value of acquired loan portfolios totalled SEK 2,063 million (1,181) as at 31 December 2015.

Poland

SEK M	2015	2014	Change, %
Gross collections on acquired loan portfolios	465	296	57
Portfolio amortisation and revaluation	–190	–17	–
Net revenue from acquired loans	**276**	**279**	**–1**
Fee and commission income	37	–	–
Other income	0	–	–
Total revenue	**313**	**279**	**12**
Personnel expenses	–24	–2	–
Other operating expenses	–75	–75	–
Depreciation and amortisation of tangible and intangible assets	–4	–	–
Operating expenses	**–102**	**–77**	**33**
EBIT	**211**	**202**	**5**
EBIT margin, %	67	72	–5 pp
Expenses/Gross collections on acquired loan portfolios, %	14	26	–12 pp
Carrying value of acquired loan portfolios	1,442	1,182	22

Operating income
Gross collections on acquired loan portfolios increased 57 per cent to SEK 465 million (296). The increase is primarily attributable to loan portfolios acquired in 2015 and to continued stable collections for previously acquired loan portfolios. Portfolio amortisation and revaluation totalled SEK –190 million (–17). This development reflects the normalisation of the rate of amortisation for accumulated loan portfolios in 2015. The low rate of amortisation in 2014 is due to the high initial costs associated with several large loan portfolios that were charged to the period. The normalisation of the amortisation rate should thus be viewed in combination with the increase in cash flow.

Operating expenses
Operating expenses increased 33 per cent to SEK 102 million (77). The increase was mainly attributable to personnel expenses, a result of costs associated with work force growth stemming from acquisition of Kancerlaria Navi Lex SpZ.O.O. in December 2014.

EBIT
The segment's EBIT totalled SEK 211 million (202) in 2015, with a corresponding EBIT margin of 67 per cent (72).

Acquisitions
The carrying value of acquired loan portfolios totalled SEK 1,442 million (1,182) as at 31 December 2015. Hoist Kredit conducted a transaction during Q4 2015 on the Polish market involving loan portfolios and the takeover of personnel, and will open a new office in Gdansk during the first half of 2016. Anticipated loan portfolio acquisitions resulting from this transaction had a minor impact in 2015 and will be completed primarily during 2016.

Parent Company

The Parent Company conducts business operations under the Hoist Kredit Group. The Parent Company's net profit was SEK 260m (125). The Hoist Kredit Group's business operations are largely based in the local legal entities. However, the Parent Company's performance follows the trends in the Group. Revenues on acquired loan portfolios increased by SEK 65m year-on-year, due to the continued rise in acquired volumes. The year-on-year increase in interest income is also related to acquired loan portfolios. Interest expense related to deposits from the public declined despite increased volumes, and is a result of the prevailing interest rates. The partial redemption of senior debt affected the increase in interest expense for the year.

Personnel expenses rose as the staff in central support functions in Stockholm was bolstered. Profit was adversely affected by an impairment of SEK 159m (–) for shares in subsidiaries. The dividend received from subsidiaries was SEK 138m higher in 2015 than in 2014. The company's tax expense totalled SEK – 44m (–24).

The increase in assets primarily pertains to an increase in loans to Group companies. Deposits from the public continued to increase in 2015 and totalled SEK 13m (11) at year-end. Equity in the Parent Company increased and totalled SEK 2,082m (1,227) at 31 December 2015. In 2015, the company received a shareholder contribution of SEK 759m

The Parent Company has foreign branch offices in Belgium and the Netherlands.

Non-financial performance indicators

Employees

The Group is an international group of companies that encompasses a great variety of nationalities, languages, professions and cultures. Group employees come from a wide range of backgrounds, including previous careers in law, finance, research and other professional fields. Sickness absence per country is relatively low. Hoist Kredit also has comparatively low employee turnover in view of the fact that the largest group of employees is comprised of collection agents with working conditions that resemble conditions at call centres, which are generally known to have very high staff turnover. Each country sets goals and makes improvements in the personnel area based on the country's unique requirements. The Group has HR-related policies, including its Remuneration Policy. Additional information on the Remuneration Policy is presented in note 5.

Hoist Kredit acquired debt restructuring company Compello Holdings Ltd. in July 2015.

At 31 December 2015 the number of Group employees totalled 1,246 (881), of which 57 per cent (60) were women.

Corporate Social Responsibility

Hoist Kredit continuously work with Corporate Social Responsibility issues. This work, based on a responsible approach to customers and partners, is described in more detail in the CSR section of the Annual Report.

Hoist Finance Model

The "Hoist Finance Model" involves solution-oriented, amicable mutual agreements in which Hoist Kredit works with its customers to develop constructive and realistic solutions to improve the customers' financial situation. Hoist Kredit has a constructive approach to collection, with the goal of achieving optimal results for the Group as well as for the customers. In practice, this means that Hoist Kredit focuses on helping the customers set up sustainable payment plans as opposed to taking legal action. The Group's in-house collection platforms also ensure that the Group can control the collection process, which ensures good communication with the customers. There are two main advantages to this approach: firstly, the customer is more inclined to pay voluntarily, which reduces the likelihood of a more costly legal solution; secondly, payment plans designed with the customers maximise the Group's cash flow over time and entail a stable cash flow over a longer period. Since banks are responsible for their clients even after the customer's loan has been sold (e.g., to Hoist Kredit), the Group's reputation for ethical behaviour and an accommodating approach is a prerequisite for the debt originators to feel secure in a sale of assets to Hoist Kredit.

Significant risks and uncertainties

The Group is governed by many regulations due to the status of subsidiary Hoist Kredit AB as a credit market company. Since new and amended regulations may have an impact on the Company, Hoist Finance carefully monitors regulatory developments such as Basel IV capital and liquidity regulations and amendments to deposit guarantee scheme regulations.

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

A report on Hoist Kredit's risk management is presented in Note 29, Risk management.

Development of risks

Credit risk from loan portfolios is deemed to have increased proportionally with the volume of acquired loans during 2015. The concentration risk decreased during the year with the acquisition of more portfolios, which resulted in greater risk diversification. The year's largest acquisition – Compello Holdings Ltd. in the UK – is itself a diversified portfolio. The Group holds portfolios in Germany, Austria, France, the UK, Belgium, the Netherlands, Italy and Poland, representing a broad distribution and hence a diversification of credit risks. Hoist Kredit reviewed and, where necessary, revalued its credit portfolios in 2015. With high-quality valuations, the credit risk – defined as the probability of significant revaluations of credit portfolios – is therefore deemed to be low as we enter 2016. The liquidity portfolio's credit risk is low and decreased during the year as more investments were made in government and municipal bonds.

Operational risk has been a prioritised area for the Company's risk management and risk control this year. A number of initiatives have been taken to improve procedures and routines within the Group. Operational risk is considered a risk area that has increased somewhat during the year due to the Company's rapid expansion. The primary reasons for the increase are deemed to be increased risks associated with the integration of acquired companies (systems integration and differences in corporate culture) and risks relating to cross border activities associated with operating businesses in other European countries from headquarters in Sweden. Hoist Kredit has limited these risks with project management, strict guidelines for incident reporting, risk identification and improved management of operational risks.

Market risks were low during the year, as Hoist Finance continuously hedge both interest rate risk and FX risk. Hoist Finance reduced interest rate risk during the year by hedging its funding costs to a greater extent, primarily through longer-term interest rate hedges. The potential financial impact of liquidity portfolio bond revaluations due to changes to the credit spread risk was unchanged during the year. However, the probability of major credit spread fluctuations is deemed to have decreased, as the liquidity portfolio's credit quality improved during the year through the increased number of investments in Swedish Treasury bills. Foreign exchange risk remained low during the year, as the Company's open FX exposure is continuously hedged with currency hedges.

Capitalisation for Hoist Kredit was strengthened during the year. Own funds increased from SEK 1,376 million to SEK 2,258 million, and the CET1 ratio from 9.35 to 12.32 per cent. The Company is therefore better able to absorb unanticipated events without jeopardising its solvency, and the Company is well capitalised for continued growth.

Liquidity risk was low during the year, mainly due to the availability of a large liquidity portfolio with highly liquid instruments to alleviate liquidity disturbances, but also to stable funding comprised primarily of deposits from the public.

Remuneration to senior executives

Information on the most recent guidelines for remuneration to senior executives is presented in Note 5. At the April 2016 AGM, the Board of Directors will propose that the AGM approve the following guidelines. The guidelines are essentially unchanged from previous years.

The complete proposed guidelines for senior executive remuneration of the Board of Directors of Hoist Kredit AB (publ), corp. ID no. 556329-5699.

The term "senior executives" refers to the CEO and other senior executives of Hoist Finance AB (publ) and its subsidiaries.

Remuneration for senior executives is comprised of fixed salary, variable salary, pension and other benefits. Remuneration is designed to encourage employees to deliver results in line with the Company's targets, strategy and vision and to act in accordance with the Company's ethical code and basic principles. It is also designed to enable Hoist Finance to attract, retain and motivate employees who have the requisite skills. Remuneration is structured to encourage good performance, prudent behaviour and risk-taking aligned with customer and shareholder expectations. Salaries are age- and gender-neutral and anti-discriminatory. Hoist Finance views remuneration from a comprehensive perspective and, accordingly, takes all remuneration components into account. Remuneration is weighted in favour of fixed salary, which is based on the position's complexity and level of responsibility, prevailing market conditions and individual performance.

Variable salary for senior executives shall not exceed 50 per cent of fixed salary. Variable remuneration is based on various financial and non-financial criteria determined by the Board of Directors and is linked to the performance of the Group and the relevant business unit as well as to individual targets. No variable remuneration is paid to control function managers (Risk, Compliance and Internal Audit) on the Group level.

Variable remuneration takes into account the risks involved in the Company's operations and is proportional to the Group's earning capacity, capital requirements, profit/loss and financial position. The payment of variable remuneration must not undermine the Group's long-term interests and is contingent upon the recipient's compliance with internal regulations and procedures, including the policy regulating conduct with respect to customers and investors. Variable remuneration is not paid to an employee who has participated in or been responsible for any action resulting in significant financial loss for Hoist Finance or the relevant business unit.

For members of the Executive Management Team, payment of 60 per cent of variable remuneration is deferred for a period of at least three years. The corresponding figure is 40 per cent for other senior executives classified as risk takers under applicable regulations. Variable remuneration, including deferred remuneration, is only paid to the extent warranted by the Group's financial situation and the performance and conduct of the Group, the relevant business unit and the employee. Pensions and insurance are offered pursuant to national laws, regulations and market practices and are structured as collective agreements, company-specific plans or a combination of the two. Hoist Finance has defined-contribution pension plans and does not apply discretionary pension benefits. There are defined-benefit pension plans in Germany, but no provisions are made for pension contributions. A few senior executives receive gross salary; in these instances, the Company does not make pension contributions. Other benefits are designed to be competitive in relation to similar operators in the respective country.

Remuneration for new hires ("sign-on bonuses") are only offered in exceptional cases and then only to compensate for the lack of variable remuneration in the employee's previous employment contract. Sign-on bonuses are paid during the year in which the employee begins work. Decisions on exceptional cases are made in accordance with the decision-making process for variable remuneration.

Issuing loans to employees is not permitted.

Upon the Group's termination of an employment contract, the maximum notice period is twelve months and no redundancy payment is made.

Board Members, elected at General Meetings, in certain cases may receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board. Remuneration may be payable up to SEK 50 000 for a Board Member's work in the board of a subsidiary.

The Board of Directors shall have the right to deviate from the principles decided at the Annual General Meeting if there are specific reasons in a particular case.

Report on the most important elements of the system for internal control and risk management for financial reporting

The Board's report on the most important elements of the system for internal control and risk management for financial reporting for financial year 2015 is presented as a separate section in the Corporate Governance Report.

Subsequent events

No significant events affecting the business occurred after the end of the reporting period.

Outlook

With stricter capital adequacy requirements, European banks will continue to have a great need to divest non-performing credit portfolios to generate return on investment capital. Return requirements cannot be achieved with large portfolios of non-performing loans on the balance sheet – which is the situation for many international banks. Market conditions are therefore deemed to remain favourable going forward. With Hoist Kredit's strong financial position and geographic presence, Hoist Kredit is well positioned to capitalise on the growth potential on the market in the years ahead.

For 2016 the goal is to grow in the same way that has been the foundation of Hoist Kredit's success so far – high efficiency, good cost control and a sustained high rate of acquisition. And Hoist Kredit will continue to actively evaluate opportunities to enter new geographic markets in Europe.

Hoist Kredit will also work to further strengthen its position to ensure that Hoist Kredit is the leading partner of international banks and financial institutions in Europe.

Hoist Kredit's targets for 2016 are an acquisition volume on a par with the previous three years.

Five year summary

Consolidated income statement

SEK thousand	2015	2014	2013	2012	2011
Total operating income	1,820,552	1,296,463	1,068,377	542,371	771,134
whereof net interest income	*1,646,749*	*1,144,335*	*907,465*	*428,554*	*681,429*
Total operating expenses	–1,527,570	–1,149,988	–941,764	–543,325	–395,458
Profit before tax	342,523	205,137	163,019	54,769	22,367
Net profit for the year	**277,562**	**167,222**	**128,112**	**47,802**	**27,504**

Consolidated balance sheet

SEK thousand	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Cash and lending to credit institutions	796,196	1,249,532	3,921,396	2,242,400	1,930,763
Treasury bills and treasury bonds	3,077,827	2,316,110	–	–	–
Lending to the public	77,994	157,232	328,951	531,594	83,388
Acquired loan portfolios	11,014,699	8,586,782	5,997,935	3,363,907	2,363,389
Bonds and other interest-bearing securities	1,303,214	1,951,241	1,297,677	732,672	499,468
Participations in joint ventures	205,557	215,347	192,230	180,843	123,869
Fixed assets	254,639	168,945	65,393	58,764	99,048
Other assets	881,139	461,126	275,700	304,997	176,076
Total assets	**17,611,265**	**15,106,315**	**12,079,282**	**7,415,177**	**5,276,001**
Deposits by credit institutions	62,813	–	–	–	–
Deposit from the public	12,791,377	10,987,289	9,701,502	6,366,256	4,495,101
Other liabilities and provisions	2,547,994	2,711,708	1,552,657	417,636	270,100
Shareholders' equity	2,209,081	1,407,318	825,123	631,285	510,800
Total liabilities and shareholders' equity	**17,611,265**	**15,106,315**	**12,079,282**	**7,415,177**	**5,276,001**

Key ratios

	2015	2014	2013	2012	2011
Gross collections, SEK M	3,631	2,541	1,641	887	688
Total revenues, SEK M	2,254	1,666	1,279	695	843
EBIT, SEK M	727	516	338	151	448
EBIT-margin, %	32.2	31.0	26.4	21.8	53.1
Acquired loan portfolios, SEK M[1]	4,370	3,227	3,266	1,511	289
Total capital ratio, %	15.2	12.2	11.6	9.7	11.4
Common Equity Tier 1 ratio, %	12.3	9.4	5.6	8.0	10.4
ERC 120m, SEK M	19,367	15,576	10,673	5,981	3,836
Return on equity, %	18	15	18	8	6
Average number of employees (FTEs)	1,246	881	712	404	366[2]
Return on assets, %	1.9	1.2	1.3	0.8	0.5

1) Excluding non-matured portfolio of consumer loans and investments in joint venture
2) Average of fiscal years 1 January – 30 June 2011 and 1 July – 31 December 2011

Corporate Governance Report

Good corporate governance aims to create favourable conditions for shareholder involvement. This is done through well-defined and well-balanced assignment of responsibilities between the company's executive and shareholder functions. This ensures that accurate information is being presented to the market. The Corporate Governance report is part of the Company´s administration report and is reviewed by the Company´s auditors.

The aim of corporate governance is to ensure that the Company is run as efficiently and effectively as possible in the interest of its shareholders, and that Hoist Kredit complies with corporate governance and other rules prescribed by regulatory and supervisory authorities. Corporate governance also aims to create order and a systematic approach for the Board of Directors and management. With a clear structure and well-defined rules and procedures, the Board of Directors can ensure that management and employees are focused on developing the business and, accordingly, on creating shareholder value.

Hoist Kredit is a Swedish public limited liability Company with corporate identification number 556329-5699. The Company has its registered office and headquarters in Stockholm.

Application of Swedish Corporate Governance Code

All companies with shares, warrants or debt securities listed for trading on NASDAQ Stockholm or NGM Equity, regardless of market capitalisation, have been required since 1 July 2008 to apply the Swedish Corporate Governance Code. Hoist Kredit has debt securities listed on NASDAQ Stockholm. The Code is based on the "comply or explain" principle, meaning that a company's deviation from the Code's provisions is not deemed a breach thereof if the company explains its reason for doing so. Hoist Kredit currently complies with the Code, with the exception that a Nomination Committee has not been established. However, Hoist Kredit's Parent Company and sole shareholder, Hoist Finance, has established a Nomination Committee and the Board candidates that are presented by the Nomination Committee are also presented as Board members for Hoist Kredit.

Corporate governance within Hoist Kredit

Hoist Kredit is subject to external and internal control systems.

The external control systems, which serve as the framework for Hoist Kredit corporate governance, are the Swedish Companies Act, Annual Accounts Act, Banking and Financing Business Act, the Swedish Financial Supervisory Authority's regulations and general guidelines, NASDAQ Stockholm's Rule Book for Issuers, other relevant laws and regulations, and the Swedish Corporate Governance Code. Governance, management and control are allocated between the shareholders at the Annual General Meeting (AGM), the Board of Directors and the Chief Executive Officer pursuant to Swedish corporate law, the Swedish Corporate Governance Code and the Hoist Finance Articles of Association.

Hoist Kredit's shares are not listed on NASDAQ Stockholm, nonetheless Hoist Kredit has three bonds listed on NASDAQ Stockholm and therefore applies NASDAQ Stockholm's Rule Book for Issuers.

The internal control instruments include the Articles of Association adopted by the AGM. The Board has also adopted policies and instructions that clarify the division of responsibilities within the Group. The following are of particular importance in this context:

- Rules of procedure for the Board;
- Instructions for the CEO;
- Policy for internal governance and control;
- Remuneration policy;
- Risk management policy;
- Policy regarding operational risks;
- Instructions on measures against money laundering and financing of terrorism:
- Instruction for the risk and audit committee;
- Instructions for the remuneration committee;
- Instructions for the board investment committee.

Articles of Association

The Articles of Association are adopted by the general meeting of shareholders and contain basic compulsory information about the Company.

The Articles of Association specify the type of business activities the Company will operate, limits on share capital and the number of shares, and the number of Board members allowed. The Articles include no special provisions for amendments thereto or for the appointment or dismissal of Board members.

Governance structure

Shareholders

As at 31 December 2015 the total number of shares was 666,666 and the share capital was SEK 66,666,666. Each share carries one vote. Hoist Finance is the Company's sole shareholder.

Annual General Meeting

The AGM is the Company's highest decision-making body. All shareholders have an opportunity at the AGM to influence the Company by exercising their voting rights. The Swedish Companies Act and Hoist Kredit's Articles of Association include rules that govern the AGM and its agenda.

Hoist Kredit's financial year runs from 1 January to 31 December. Pursuant to the Swedish Companies Act, notice must be given no more than six weeks and no fewer than four weeks prior to the AGM. The AGM resolves on adoption of the year's balance sheet and income statement, dividends, election of Board members and auditors, fees to Board members and auditors, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association. Shareholders are entitled to participate at the AGM, either in person or by proxy. Every shareholder is entitled to request that a matter be addressed by the AGM.

2015 Annual General Meeting

The most recent AGM was held on 30 March 2015 in Stockholm. All shares and votes were represented at the AGM. Among other things, the AGM resolved:

- To adopt the balance sheet and income statement
- Not to distribute a dividend
- To discharge Board members and the CEO from liability
- To re-elect Board members Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Per-Eric Skotthag, Costas Thoupos and Gunilla Wikman
- That no fees shall be payable for the Board chair and other Board members since remuneration is paid by Hoist Finance
- To re-elect KPMG, represented by Anders Bäckström, as auditor for the period through the close of the next AGM

2016 Annual General Meeting

The 2016 AGM will be held on Friday 29 April 2016.

Nomination Committee

Hoist Kredit does not have a Nomination Committee. However, Hoist Kredit's Parent Company and sole shareholder, Hoist Finance, has established a Nomination Committee and the Board candidates that are presented by the Nomination Committee are also presented as Board members for Hoist Kredit. The Nomination Committee's proposals, account of the Nomination Committee's work ahead of the 2016 annual general meeting and information on proposed Board members will be published in conjunction with the notification of the annual general meeting of Hoist Finance.

Board of Directors

Pursuant to the Articles of Association, Hoist Kredit's Board of Directors shall be comprised of at least three and no more than nine members. Members of the Board are appointed by the AGM for a one-year term. In accordance with the resolution of the 2015 AGM, the Board of Directors is comprised of Ingrid Bonde (chair), Liselotte Hjorth, Jörgen Olsson, Annika Poutiainen, Per-Eric Skotthag, Costas Thoupos and Gunilla Wikman.

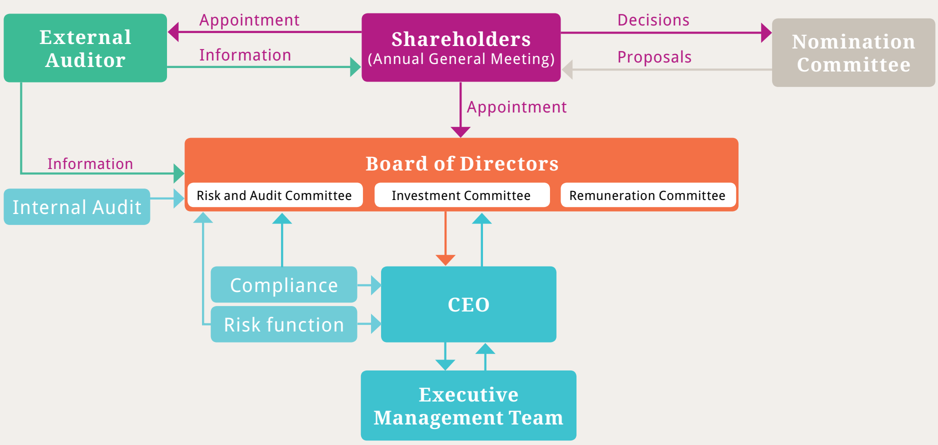
At year-end 2015 the Board had four female and three male members. Two of the seven Board members were employed by the Company with the exception of these two, all Board members were independent in relation to the Company's and major shareholders, the Company and the Company's management.[1] For further information on Board members, please see regarding pages 16-17.

Work of the Board of Directors

The primary task of the Board is to serve the interests of the Company and shareholders. The Board is responsible for the Company's organisation and management of the Company's affairs, and for ensuring that the Group is suitably structured to enable the Board to optimally exercise its ownership responsibilities with respect to Group subsidiaries. The Board is responsible for ensuring that the Company complies with applicable laws and regulations, the Articles of Association and the Swedish Corporate Governance Code. The Board is obliged to regularly assess the Company and Group's financial situation and ensure that the Company's organisation is structured to enable satisfactory monitoring

1) Jörgen Olsson and Costas Thoupos are the two employed Board members. Jörgen Olsson is the company's CEO and is a member of the Executive Management Team. Costas Thoupos has an operational role in the company but is not a member of the Executive Management Team.

Governance structure



of its accounting, management of assets, and general financial situation.

The Board adopts financial targets for the Company, decides on the Company's strategy and business plans and ensures good internal control and risk management.

The Board's duties and working methods are regulated by the Swedish Companies Act, the Articles of Association and the Swedish Corporate Governance Code and the Banking and Financing Business Act (2004:297).

The Board has adopted written rules of procedure and instructions on internal reporting for the Board that deal with:

1. The Board's duties and responsibility
2. Members of the Board
3. Chairman of the Board
4. Board meetings
5. Board committees

Board meetings in 2015

A total of 13 recorded Board meetings were held in 2015: eight ordinary meetings and five special meetings. All Board members attended these meetings, with exception of the Board meeting held on 21 December 2015, in which Annika Poutiainen did not participate. Hoist Kredit's employees and persons reporting on specific issues also participated in Board meetings.

The Board's work follows the presented structure pursuant to the rules of procedure. This may be adjusted, however, depending on the year's events and projects. Ordinary Board meetings also involve the adoption of governance documentation and instructions and reporting from the control functions and respective Board committee.

Board committees

Risk and Audit Committee

The Risk and Audit Committee serves in an advisory capacity and prepares issues for consideration and decision by Hoist Kredit's Board of Directors. The committee is responsible for overseeing and ensuring the quality of financial reporting and the effectiveness of the Company's internal control and tasks performed by the Internal Audit, Risk Control and Compliance functions. The committee also discusses valuation issues and other assessments pertaining to the annual accounts.

The Risk and Audit Committee also reviews and monitors the impartiality and independence of the Company's external auditors and, notwithstanding the Board's other responsibilities and duties, regularly meets with and reviews reports from the Company's external auditors in order to remain informed about the focus and scope of the audit and to discuss the co-ordination of the external and internal audit with the external auditor. The committee assists in the preparation of proposals for the AGM's election of external auditors and decisions on auditors' fees. The committee is required to meet at least four times per financial year.

The Risk and Audit Committee has at least three members appointed by the Board on an annual basis. At least two members must be independent in relation to the Company and the Company's management. One member is elected committee chairman. The chairman must be independent in relation to the Company and the Company's management and may not be the Chairman of the Board of Hoist Kredit. Committee members in 2015 were Annika Poutiainen (chair), Ingrid Bonde and Per-Eric Skotthag. The Company's employees and auditors may be summoned to committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to all Board members. The committee chairman reports to the Board at Board meetings concerning the issues discussed and proposed at committee meetings. The committee held seven meetings in 2015, with all members in attendance at these meetings.

Remuneration Committee

The Remuneration Committee's primary task is to prepare the Board to make decisions on remuneration policies, benefits and other terms of employment for Executive Management Team members and control function employees. The Committee monitors and evaluates ongoing variable remuneration programmes for senior executives and those completed during the year, as well as the application of the remuneration guidelines for senior executives resolved on by the AGM and the Group's remuneration structure and remuneration levels.

The Remuneration Committee has at least two members appointed by the Board on an annual basis. All members must be independent in relation to the Company, the Company's management and the Company's major shareholders. The committee meets at least twice per financial year. In 2015 the committee was comprised of Gunilla Wikman (chair), Ingrid Bonde and Per-Eric Skotthag. Company employees may be summoned to committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to Board members. The committee chairman reports to the Board at all Board meetings concern-

Work of the Board of Directors

January
» Financial report
» Evaluation of the Excecutive Management Team
» Evaluation of Board's work
» Evaluation of CEO
» Planning for annual accounts
» Annual plan for internal audit, risk and compliance

February
» Financial report
» Meeting regarding annual accounts
» Q4 report
» Annual report and meeting with auditors
» Review of external credit facilities
» Yearly plan for external auditors
» Report from internal audit, risk and compliance

March

April
» Financial report
» Q1 report
» AGM and statutory meeting
» ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal liquidity adequacy assessment process)
» Reporting from Remuneration Committee, decision on remuneration

May

June
» Strategy
» General risk discussion
» Report from internal audit and risk

July
» Financial report
» Q2 report
» Report from internal audit, risk and compliance

August

September

October
» Financial report
» Q3 report
» Report from internal audit, risk and compliance

November

December
» Financial report
» Budget
» Corporate calendar

ing the issues discussed and proposed at committee meetings. The committee held five meetings in 2015, with all members in attendance at these meetings, with the exception of the committee meeting on 19 October 2015 in which Per-Eric Skotthag did not participate.

Investment Committee

The Investment Committee is a preparatory and decision-making committee. Its responsibilities include evaluating and approving standard investments valued at EUR 50 million or more, non-standard investments of EUR 15 million or more and investments that require approval of the Swedish Financial Supervisory Authority. The Committee is also responsible for continuous evaluation of the Company's current holdings and evaluation of proposals for potential divestments of holdings. The Investment Committee has at least three members appointed by the Board on an annual basis. The chairman must be independent in relation to the Company and the Company's management, and may not be the chairman of the Board of Hoist Kredit. The Committee meets at least four times per financial year and whenever a Committee decision or recommendation is required as per the Company's Investment Policy. In 2015 the Investment Committee was comprised of Liselotte Hjorth (chair), Jörgen Olsson and Costas Thoupos. Company employees may be summoned to Committee meetings to provide details on specific reports or issues. Committee meeting minutes are recorded and available to all Board members. The committee chairman reports to the Board at all Board meetings concerning the issues discussed, proposed and decided on at Committee meetings. The Committee held eleven meetings in 2015, with all members in attendance at these meetings.

The Investment Committee may delegate its decision-making authority to the Management Investment Committee (comprised of senior executives) when approving standard investments valued at less than 50 MEUR, non-standard investments valued at less than 15 MEUR, or investments that do not require approval of the SFSA.

Chair of the Board

Ingrid Bonde was re-elected Chair of the Board of Hoist Kredit by the AGM held on 30 March 2015. Ingrid Bonde has served in this capacity since 16 November 2014.

The Chairman of the Board supervises the Board's work and fulfilment of its duties, and has specific responsibility for ensuring that the Board's work is well-organised, efficiently run and aligned with operational developments. The Chairman of the Board verifies that Hoist Kredit's Board decisions are effectively executed, and ensures that the Board's work is evaluated annually and that the Nomination Committee is informed of the evaluation results. The purpose of the evaluation is to gain an understanding of the Board members' views on the Board's performance and the measures that can be taken to make the Board's work more efficient.

The Chairman's particular duties are to:

- in consultation with the CEO, decide the matters to be considered by the Board, prepare meeting agendas and issue meeting notices when needed
- organise and lead the Board's work, while overseeing that the Board addresses the matters that rest with the Board pursuant to law, the Articles of Association and the Swedish Corporate Governance Code
- serve as the Board's spokesperson towards shareholders
- ensure that the CEO provides sufficient information for Board decisions and oversee that Board decisions are executed.

Board evaluation

In accordance with the Board's rules of procedure, the Chairman of the Board initiates an evaluation of the Board's performance once per year. For the 2015 evaluation, all Board members were able to give their views on issues including working methods, Board material, work done by the Board and management during the year, and Board and management structure by responding to a written questionnaire sent by the Chairman. The survey is designed to generate understanding of the Board members' views on how the Board's work should be carried out and measures that can be taken to make such work more efficient, as well as the type of issues the Board thinks should be given more scope and areas that may require additional Board expertise. The results of the survey were reported and discussed at the Board meeting held on 15 December 2015 and have been provided to the Nomination Committee in Hoist Finance.

CEO and Executive Management Team

The CEO is appointed by the Board and runs the business in accordance with instructions adopted by the Board. The CEO is responsible for the Company and Group's day-to-day administration pursuant to the Swedish Companies Act. The CEO also works with the Chairman of the Board to decide on matters that will be dealt with at each Board meeting. The Board adopts instructions for the CEO each year and evaluates the CEO's duties on a regular basis.

Jörgen Olsson has been CEO of Hoist Kredit since 2012. For additional information on the CEO and the CEO's shareholdings, see the presentation of the Board of Directors and Executive Management Team and the website www.hoistfinance.com.

Hoist Kredit's CEO heads, sets the meeting schedule for and appoints the members of the Executive Management Team. The Executive Management Team's role is to prepare and implement strategies, manage corporate governance and organisational issues and monitor the Company's financial development.

The CEO is responsible for ensuring that Board members receive essential information and decision data and for presenting reports and proposals at Board meetings on issues dealt with by management. The CEO keeps the Board and Chairman updated on the Company and Group's financial position and development. The CEO's work is evaluated by the Board on a continuous basis.

The CEO's main duties include:

- ensuring that the Company's financial reporting is carried out in accordance with applicable law and that assets are managed prudently
- serving as Group Chief Executive, which involves managing and co-ordinating Group companies in accordance with the Board's guidelines and instructions
- ensuring that Board resolutions are executed and keeping the Board updated on the development of the Company and Group's operations, performance and financial position

See note 5 for details on the CEO's remuneration.

Executive Management Team

Pontus Sardal has been Chief Financial Officer (CFO) of Hoist Kredit since 2011. For information on the CEO and other members of the Executive Management Team, please see regarding pages 18–19.

Auditor

The external auditors are responsible for examining the Company's annual report and accounting records and the Board and CEO's administration of the Company. The auditors submit an Auditor's Report to the AGM at the close of each financial year.

The 2015 AGM re-elected registered public accounting firm KPMG AB as the Company's auditor for the period through the close of the next AGM. Authorised public accountant Anders Bäckström, born in 1966 and the Company's auditor since 2013, is chief auditor.

Financial reporting

The Board of Directors is responsible for ensuring that the Company's organisation is structured in a way that enables its financial situation to be satisfactorily monitored, and that financial reports (i.e. interim reports and annual accounts) to the market are prepared in accordance with applicable law, accounting standards and other requirements. The committee addresses not only the Group's financial reports and significant accounting issues, but also issues concerning internal control, compliance, significant uncertainty in reported values, events after the balance sheet date, changes in estimates and assessments, and other conditions affecting the quality of the financial statements.

Interim reports are handled by the Board's Risk and Audit Committee and are issued by the Board as a whole. The semi-annual reports and the annual report are signed by all Board members and the CEO. The CEO is responsible for ensuring that the Company's accounting is done in compliance with applicable law and that assets are managed prudently. Hoist Kredit's CEO or CFO sits on the boards of all operating subsidiaries. The Group's books are balanced each month. The Board and the Executive Management Team receives information on a continuous basis on the financial situation of the Parent Company as well as the Group. The Board assures the quality of financial reporting through its Risk and Audit Committee.

To safeguard financial reporting within the Group, monthly reports are issued directly to a joint inter-Group accounting system that includes quality controls. Detailed analyses and reconciliations are performed in connection with the periodic reporting. The consolidation process also includes a number of specific reconciliation controls. Hoist Kredit has developed internal accounting and reporting guidelines, the "Hoist Finance Financial Framework".

Internal reports

The Board of Directors monitors the Group's financial development, ensures the quality of financial reporting and internal control, and follows up and evaluates the business on a regular basis. Internal reports (i.e., consolidated financial statements) are regularly prepared and submitted to the Board. An income statement, balance sheet and investment budget are prepared for each financial year and are adopted at the regular Board meeting held in December.

Guidelines for remuneration for senior management, etc.

Guidelines for remuneration for senior management were adopted by the AGM in the Parent Company on 25 February 2015. The guidelines are presented in note 5. The new guidelines proposed by the Board of Directors are presented in the Administration report. Information about salaries and benefits are presented in note 5. Information regarding the warrants program in the parent company Hoist Finance is found in Note 5, Hoist Finance Annual Report regarding personal expenses.

Variable remuneration

The variable remuneration to management employees shall as a principle not exceed 50 per cent of the fixed salary. The variable remuneration shall be based on various financial and non-financial criteria determined by the Board, and is connected to the individual performance by the employee and the Group's results. No variable remuneration is paid to control functions on the Group level.

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 remuneration shall not impede the Group's long-term interests. Payment of variable remuneration is conditional upon the management employee being compliant with internal rules and procedures, including policies regarding conduct toward customers and investors and the employee not being responsible for any conduct resulting in significant financial losses for Hoist Finance or the business unit in question.

For management employees in the Executive Management Team, payment of at least 60 per cent of the variable remuneration shall be deferred for a period of at least three years. For management employees who are classified as employees whose duties have a material impact on the Company's risk profile, payment of at least 40 per cent 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.

Pensions

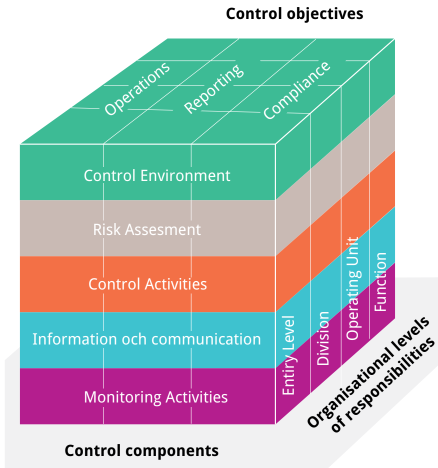
Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or firm-specific plans, or a combination of the two. Hoist Kredit has defined contribution pension plans and does not apply discretionary pension benefits.

Internal governance and control

The internal governance and control process is governed by law and regulations and supervised by the Board of Directors. In Sweden, where the Parent Company is domiciled, internal governance and control are regulated primarily through the Swedish Companies Act, Banking and Financing Business Act and Corporate Governance Code, the Swedish Financial Supervisory Authority's regulations and guidelines, and stock exchange laws regulating internal governance and control.

Hoist Kredit has an internal governance and control framework aimed at creating the environment necessary to enable the entire organisation to promote effective, high quality corporate governance by providing clear definitions, assignments of roles and responsibilities and Group-wide tools and procedures.

Hoist Kredit applies the COSO model for internal control of financial reporting. COSO focuses on developing a framework that can be directly used by a Company's management team to evaluate and improve risk management in three inter-related areas: enterprise risk management (ERM), internal control, and fraud deterrence.



Roles and responsibilities

The Board of Directors and the Risk and Audit Committee are responsible for establishing the main rules and guidelines for internal control.

The committee assists the Board by continuously monitoring the risks that may affect financial reporting and by producing manuals, policies and accounting principles. The committee interacts directly with the external auditors.

The CEO is responsible for the effective design and implementation of internal control within the Group. The CFO is responsible for the design, implementation and correct application of the internal control framework at the central level. Local management is responsible for design, implementation and correct application at the local level.

Hoist Kredit's roles and responsibilities with respect to internal control and risk management are structured in three lines of defence.

The **first line of defence**, comprised of the Board of Directors, the Chief Executive Officer and the business organisation, is responsible for conducting operations in accordance with the adopted internal control and risk management framework and pursuant to rules and regulations applicable to Hoist Kredit.

The first line of defence has a well-functioning governance structure and effective processes to identify, measure, assess, monitor, minimise and report risks.

The **second line of defence** is comprised of the Risk Control function and the Compliance function, independent units that are not involved in business operations and that report independently of each other to the Board and the CEO.

The **third line of defence** is the Internal Audit function, which conducts independent audits and reviews and provides stakeholders with evaluations of internal control and risk management processes.

The three lines of defence jointly form the internal control framework, which is designed to develop and maintain systems that ensure:

- effective and efficient business operations
- adequate risk control
- business management
- reliable reporting of financial and non-financial information (internally and externally)
- compliance with laws, regulations, supervisory authority requirements and internal policies and procedures

Areas of responsibility

Risk Control function

The Risk Control function is responsible for providing relevant and independent information, analyses and expert opinions on the Company's risks. This involves:

- Verifying that all risks that the Group is or can expected to be exposed to are identified and managed by the relevant functions
- Identifying risks arising from deficiencies in the Company's risk management
- Providing information on risks to the Board and CEO on a regular basis
- When the Company develops or changes its risk strategy and risk propensity, providing all relevant information that may constitute decision data for those issues, and evaluating proposed risk strategies and providing recommendations before decisions are made
- Verifying that all relevant internal regulations, procedures and routines are complied with and are appropriate and effective, and proposing changes when necessary
- Identifying, verifying and reporting risks of error in the Company's estimates and assumptions that form the basis of the financial statements
- When the Company submits proposals or makes decisions that give rise to a potential significant increase in risk, evaluating whether these proposals or decisions are compatible with the Company's risk propensity
- Prior to Company decisions on new or substantially changed products, services, markets, processes or IT systems and in the event of major changes to the Company's operations and organisation, assessing the risks these entail and evaluating the anticipated impact on the Company's aggregate risk propensity

Compliance function

The Compliance function is responsible for supporting the Company's compliance with all legal, regulatory and other requirements for its licensed operations. This involves:

- Identifying existing risks of the Company's failure to comply with its legal, regulatory and other duties with respect to its licensed operations, and monitoring and verifying that these risks are managed by the relevant functions
- Overseeing and monitoring compliance with laws, regulations and other rules, as well as with relevant internal regulations
- Providing counsel and support to the Company's personnel, CEO and Board of Directors regarding the laws, regulations and other rules applicable to the licensed operation, and regarding internal regulations
- Informing and training relevant persons regarding new or amended regulations
- Verifying that new or substantial changes to products, services, markets, processes and IT systems and major changes to the Company's operations and organisation comply with legal, regulatory and other requirements applicable to the Company's licensed operation
- Providing recommendations to relevant persons based on the functions' findings

Internal Audit function

The Internal Audit function is responsible for ensuring the independent review and oversight of work done by the first and second lines of defence. This involves the review and evaluation of:

- Whether the Company's organisation, governance processes, IT systems, models and procedures are appropriate and effective
- Whether the Company's internal control is appropriate and effective and whether the operation is run in accordance with the Company's internal regulations
- Whether the Company's internal regulations are adequate and consistent with laws, regulations and other rules
- The reliability of the Company's financial reporting, including off-balance sheet commitments
- The reliability and quality of the work done within the Company's various control functions
- The Company's risk management based on adopted risk strategy and risk propensity

Internal control process

The Board of Directors holds ultimate responsibility for internal control.

Internal control is carried out by the Board of Directors, management and other Hoist Kredit employees. It is designed to provide reasonable assurance regarding goal achievement, the economical and efficient use of resources, the reliability and integrity of operational and financial reporting, compliance with laws and regulations, safeguarding of assets, and risk management.

The internal control process is based on:

- Control environment
- Risk assessment
- Control activities
- Information & Communication
- Monitoring

The Control Environment is the foundation of Hoist Kredit's system of internal control and includes the corporate culture established by the Board of Directors and management, including the following components:

- Commitment to integrity and ethical values
- Independence and oversight
- Establishing structure, authority and responsibility
- Talent management
- Maintaining accountability

Risk Assessment includes processes for identifying and analysing risk. Hoist Kredit risk assessment process is Group-wide and is independent from business activities. Risk assessment also covers the manner in which risks are managed and includes the following components:

- Specification of suitable objectives
- Identification and analysis of risks
- Assessment of fraud risk
- Identification and analysis of significant changes

Control Activities are the activities established by policies and procedures. Designed to reduce risks throughout all levels of the Hoist Finance organisation within business processes and the IT environment, these activities include preventive and detection controls as well as manual and automated activities. Examples of control activities are authorisation manuals, payment instructions, verifications, reconciliations, business performance reviews and division of responsibilities. Components include:

- Defining and developing control activities
- Defining and developing general IT controls
- Deployment through policies and procedures

Information & Communication is both an internal tool to strengthen the internal control environment and a process to ensure accurate external information.

Policies and instructions have been established within the Group for the various areas of responsibility, and the Hoist Finance Financial Framework includes instructions and guidance for accounting and financial reporting.

The policies, instructions and Hoist Finance Financial Framework are regularly updated and available to the entire organisation. Regular meetings are also held with accounting staff and local CFOs to provide information on internal control responsibility and new or updated rules and regulations applicable to Hoist Kredit.

Management obtains, generates and uses relevant, high-quality information to support internal control components and the decision-making process. The key components are:

- Use of relevant information
- Internal communication
- External communication

Monitoring is built into business processes at different levels. A monthly risk report is presented to the Board of Directors, the Risk and Audit Committee and the CEO. Monitoring includes the following components:

- Conducting regular separate evaluations
- Evaluating and communicating deficiencies

Financial reporting competencies

The quality of financial reporting is largely controlled by the organisation's expertise in accounting matters and the way in which the Finance, Accounting and Treasury Departments are staffed and organised. The executive and local management teams are continuously involved in ongoing financial reporting and therefore always have insight into the preparation of financial information. The Finance Department is organised and staffed based on the need to ensure that the Group maintains high accounting standards and complies with accounting laws, regulations and standards. The executive and local management teams work actively to ensure that the Group has employees with the necessary expertise in all key positions and that there are procedures in place to ensure that employees have the requisite knowledge and skills.

The Board of Directors

1 Ingrid Bonde

Chair of the Board
Board member since 2014.

Born: 1959.

Education: Master of Business Administration, Stockholm School of Economics and studies at New York University.

Other assignments: CFO and Deputy CEO of Vattenfall and board member of Loomis.

Previous experience: President and CEO of AMF, Director General of the Swedish FSA, Deputy Director General of the Swedish National Debt Office, Vice President Finance of SAS and foreign currency funding and debt management at the Swedish National Debt Office.

Independent in relation to the company and management and to major shareholders.

Shareholding: 0 shares in Hoist Finance AB (publ).

2 Liselotte Hjorth

Board member
Board member since 2015.

Born: 1957.

Education: Bachelor of Science in Business Administration and Economics, Lund University.

Other assignments: Board member of East Capital Explorer, White Arkitekter/White Intressenter and Kungsleden.

Previous experience: Various positions at SEB Group including Group Credit Officer, Executive VP and most recently Global Head of Commercial Real Estate, Member of Management Board SEB AG, Board member in the Swedish National Debt Office and, the German Swedish Chamber of Commerce and the Swedish Chamber of Commerce Germany.

Independent in relation to the company and management and to major shareholders.

Shareholding: 4,700 shares in Hoist Finance AB (publ).

3 Annika Poutiainen

Board member
Board member since 2014.

Born: 1970.

Education: Master of Laws, University of Helsinki and Master of Laws, King's College, London.

Other assignments: Industrial advisor at JKL Group and board member of Saferoad AS and eQ Oyj.

Previous experience: Head of Market Surveillance at Nasdaq Nordics. Head of Unit (Prospectuses, Exchanges and Clearing Houses) at the Swedish FSA, member of consultative working group for the Corporate Governance Standing Committee of ESMA and member of the Swedish Securities Council.

Independent in relation to the company and management and to major shareholders.

Shareholding: 1,600 shares in Hoist Finance AB (publ).

4 Per-Eric Skotthag

Board member
Board member since 2011.

Born: 1949.

Education: Studies in Law, Stockholm University and higher internal education at Skandinaviska Enskilda Banken, including Wallenberg Executive.

Other assignments: -

Previous experience: Board member and Managing Director at Postgirot Bank, Member of Credit Committee at Nordea Sweden, Head of Cash Management at SEB, board member and Senior Advisor at Safe Line Sweden, Nets Denmark, Nordea Estonia and Nordea Lithuania. Board member at S.W.I.F.T Scrl and Eurogiro.

Independent in relation to the company and management and to major shareholders.

Shareholding: 12,000 shares in Hoist Finance AB (publ).

Auditors

Auditor in charge

Anders Bäckström

Authorized Public Accountant
KPMG AB

Born: 1966.

Other auditing assignments: Handelsbanken, Folksam, Brummer & Partners, Investment AB Öresund.

Shareholding: 0 shares in Hoist Finance AB (publ).

5 Jörgen Olsson

Board member

Board member since 2010.

Born: 1961.

Education: Bachelor of Science in Business and Economics, Luleå University.

Other assignments: –

Previous experience: Head of Corporate Banking at Kaupthing Bank Sweden, senior positions at SEB/Enskilda Corporate and Group Treasurer at Elekta AB.

Not independent in relation to the company and management.

Shareholding: 4,796,293 shares through Deciso AB and 296,192 warrants in Hoist Finance AB (publ).

6 Gunilla Wikman

Board member

Board member since 2014.

Born: 1959.

Education: Master of Business Administration, Stockholm School of Economics.

Other assignments: Board member at Oatly, SJ (Swedish State Railways), AMF Fonder and Head of IR at Resurs Bank. Management, IR and communications consultant.

Previous experience: Board member of HMS Networks and Proffice. Previous positions at SEB, the Swedish Central Bank and the Bank Support Authority as Head of Communication.

Independent in relation to the company and management and to major shareholders.

Shareholding: 2,000 shares through Carrara Communication AB in Hoist Finance AB (publ).

7 Costas Thoupos

Board member

Board member since 2013.

Born: 1969.

Education: GCE Advanced Level, the United Kingdom.

Other assignments: –

Previous experience: CEO (until late 2012) and Group Commercial Director at Hoist Finance. Background in structured finance and investment banking from Barclays Debt Capital Markets and Barclays Capital focusing on the specialty finance sector and in particular strategic funding for the debt purchase area.

Not independent in relation to the company and management.

Shareholding: 3,287,603 shares and 49,365 warrants in Hoist Finance AB (publ).

Executive Management Team

1 Jörgen Olsson

CEO.
Hoist Finance employee since 2012.

Born: 1961.

Education: Bachelor of Science in Business and Economics, Luleå University.

Other assignments: –

Previous experience: Head of Corporate Banking at Kaupthing Bank Sweden, senior positions at SEB/Enskilda Corporate and Group Treasurer at Elekta AB.

Shareholding: 4,796,293 shares through Deciso AB and 296,192 warrants in Hoist Finance AB (publ).

2 Karin Beijer

Group Head of HR.
Consultant at Hoist Finance since 2014.

Born: 1966.

Education: Bachelor of Organization and sociology studies and media and communication studies, University of Gothenburg.

Previous experience: Member of the board of Luna AB and Swedish Learning Association Ekonomisk förening. Chief Administration Officer and HR Director of B&B TOOLS AB.

Shareholding: 4,000 shares through Co Go Consulting AB in Hoist Finance AB (publ).

3 Henrik Gustafsson

Regional Director Central East Europe.
Hoist Finance employee since 2014.

Born: 1976.

Education: Bachelor of Science in Management, London School of Economics.

Previous experience: Group Head of Sales and Investments at Hoist Finance, Head of Strategy and M&A of Dometic Group AB (publ), Head of M&A of Sandvik Material Technology.

Shareholding: 0 shares and 98, 731 warrants in Hoist Finance AB (publ).

4 Charles de Munter

Regional Director Mid Europe.
Hoist Finance employee since 2013.

Born: 1973.

Education: International Management Program, Vlerick Business School and higher education in Business Management, Mercator Gent, Belgium.

Previous experience: Regional Director of France, Benelux, Italy and Poland at Hoist Finance. Various positions at Intrum Justitia, General Manager for Krebes NV, chairman of EOS Netherlands, board member of the supervisory board of EOS Credirec (France) and Regional Director Benelux and France for EOS Holding.

Shareholding: 0 shares and 78,984 warrants in Hoist Finance AB (publ).

5 Najib Nathoo

Regional Director West Europe and Head of Hoist Finance UK.
Hoist Finance employee since 2012.

Born: 1963.

Education: MSc Capital Markets and Risk Management, City University Business School.

Previous experience: President of the UK Credit Services Association 2007–2009 and CEO of 1st Credit and various senior positions at Consolidated Financial Insurance Group (part of GE Capital).

Shareholding: 0 shares in Hoist Finance AB (publ). Has an interest as a potential beneficiary to the trust that is the majority owner of Cruz Industries Ltd., a company that holds shares in Hoist Finance AB (publ).

6 Pontus Sardal

Chief Financial Officer and Deputy Chief Executive Officer.
Hoist Finance employee since 2011.

Born: 1967.

Education: Bachelor of Science in Business and Economics, Karlstad University.

Previous experience: Various positions at SEB, including CFO of SEB Group Retail, Head of Business Support at SEB Finans, Head of Finance SEB BoLån and CFO of the Latvian bank, Latvijas Unibanka.

Shareholding: Own holdings and holdings of closely affiliated persons – 100 shares and 98,731 warrants in Hoist Finance AB (publ).

7 Anders Wallin

Chief Information Officer.
Hoist Finance employee since 2012.

Born: 1964.

Education: Master of Business Administration, Stockholm School of Economics.

Previous experience: CIO at UC AB, Head of UC Decision Solutions at UC AB and CEO of Numenor Consulting Group AB.

Shareholding: 34,483 shares and 49,365 warrants in Hoist Finance AB (publ).

Financial statements

Consolidated income statement

SEK thousand	Note	2015	2014
Net revenues from acquired loan portfolios	1,2	2,004,524	1,398,291
Interest income	2	3,595	90,961
Interest expense	2	–361,370	–344,917
Net interest income		**1,646,749**	**1,144,335**
Fee and commission income		166,705	153,222
Net result from financial transactions	3	–10,861	–19,151
Other income	4	17,959	18,057
Total operating income		**1,820,552**	**1,296,463**
General administrative expenses			
Personnel expenses	5	–642,480	–473,200
Other operating expenses	6	–845,393	–653,268
Depreciation and amortisation of tangible and intangible assets	15,16	–39,697	–23,520
Total operating expenses		**–1,527,570**	**–1,149,988**
Profit before credit losses		**292,982**	**146,475**
Net credit losses	7	–5,298	–
Profit from shares and participations in joint venture	8	54,839	58,662
Profit before tax		**342,523**	**205,137**
Income tax expense	10	–64,961	–37,915
Net profit for the year		**277,562**	**167,222**
Profit attributable to			
Owners of Hoist Kredit AB (publ)		277,562	167,222

Consolidated statement of comprehensive income

SEK thousand	2015	2014
Net profit for the year	**277,562**	**167,222**
Other comprehensive income		
Items that will not be reclassified to the profit and loss		
Revaluation of defined pension benefit plans	1,408	–1,710
Revaluation of remuneration after terminated employment	1,606	–1,120
Tax	–781	872
Total items that may not be reclassified subsequently to the profit and loss	**2,233**	**–1,958**
Items that may be subsequently reclassified to the profit and loss		
Currency translation differences on foreign operations	–35,485	–29,093
Currency translation differences on joint venture	–4,948	5,939
Hedging of currency risk exposure in foreign operations	–849	32,584
Total items that may be reclassified subsequently to the profit and loss	**–41,282**	**9,430**
Other comprehensive income for the year	**–39,049**	**7,472**
Total comprehensive income for the year	**238,513**	**174,694**
Profit attributable to		
Owners of Hoist Kredit AB (publ)	238,513	174,694

Consolidated balance sheet

SEK thousand	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Cash		281	340
Treasury bills and treasury bonds	11,12,27	3,077,827	2,316,110
Lending to credit institutions	11,12,27	795,915	1,249,192
Lending to the public	11,12,27	77,994	157,232
Acquired loan portfolios	11,13,27	11,014,699	8,586,782
Receivables Group companies	32	253,543	143,635
Bonds and other securities	11,12,27	1,303,214	1,951,241
Shares and participation in joint venture	8	205,557	215,347
Intangible fixed assets	15	216,158	139,177
Tangible fixed assets	16	38,481	29,768
Other assets	17	499,992	205,588
Deferred tax assets	10	62,688	70,885
Prepaid expenses and accrued income	18	64,916	41,018
Total assets		**17,611,265**	**15,106,315**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from credit institutions		62,813	–
Deposits from the public	11,27	12,791,377	10,987,289
Tax liabilities	10	5,561	51,855
Other liabilities	19	559,208	592,837
Deferred tax liabilities	10	178,826	50,419
Accrued expenses and prepaid income	20	176,957	122,024
Provisions	21	52,081	68,655
Senior unsecured loans	11,27	1,238,469	1,493,122
Subordinated loans	22,27	336,892	332,796
Total liabilities and provisions		**15,402,184**	**13,698,997**
Shareholders' equity	23		
Share capital		66,667	66,667
Other contributed equity		1,450,918	691,914
Reserves		–44,094	–2,812
Retained earnings including profit for the year		735,590	651,549
Total shareholders' equity		**2,209,081**	**1,407,318**
Total liabilities and shareholders' equity		**17,611,265**	**15,106,315**
Pledged assets			
Cash collateral, Derivatives	29	–	276,600
Cash collateral, Loans from the public	12	639	1,903
Total pledged assets		**639**	**278,503**
Contingent liabilities	25	483,952	229,944

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 shareholders' equity
Opening balance 1 Jan 2015	**66,667**	**691,914**	**–2,812**	**651,549**	**1,407,318**
Other comprehensive income for the year					
Net profit for the year				277,562	277,562
Other comprehensive income			–41,282	2,233	–39,049
Total other comprehensive income for the year			**–41,282**	**279,795**	**238,513**
Transactions recorded directly in equity					
Shareholders' contribution		759,004			759,004
Acquisition of minority interest in subsidiary				–32,584	–32,584
Interest paid on capital contribution				–15,000	–15,000
Paid Group contributions				–182,890	–182,890
Tax effect on items recorded directly in equity				34,720	34,720
Total transactions recorded directly in equity		**759,004**		**–195,754**	**563,250**
Closing balance 31 Dec 2015	**66,667**	**1,450,918**	**–44,094**	**735,590**	**2,209,081**

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings incl. profit for the year	Total shareholders' equity
Opening balance 1 Jan 2014	**50,000**	**275,631**	**–12,242**	**511,734**	**825,123**
Other comprehensive income for the year					
Net profit for the year				167,222	167,222
Other comprehensive income			9,430	–1,958	7,472
Total other comprehensive income for the year			**9,430**	**165,264**	**174,694**
Transactions recorded directly in equity					
New share issue	16,667	416,295			432,962
Conversion of convertible bond		–100,000			–100,000
Shareholders' contribution		99,988			99,988
Interest paid on capital contribution				–28,750	–28,750
Tax effect on items recorded directly in equity				3,301	3,301
Total transactions recorded directly in equity	**16,667**	**416,283**		**–25,449**	**407,501**
Closing balance 31 Dec 2014	**66,667**	**691,914**	**–2,812**	**651,549**	**1,407,318**

Consolidated cash flow statement

SEK thousand	2015	2014
OPERATING ACTIVITIES		
Cash flow from gross cash collection	3,631,031	2,541,310
Interest income	36,529	90,962
Fee and commission income	166,705	153,222
Other operating income	17,958	18,057
Interest expense	–338,949	–274,930
Operating expenses	–1,453,281	–1,108,207
Net cash flow from financial transactions	–10,862	–19,151
Capital gain on redemption of certificates in joint venture	44,404	27,941
Income tax paid	–43,523	–55,886
Total	**2,050,012**	**1,373,318**
Increase/decrease in acquired loan portfolios incl. changes in valuation	–4,054,424	–3,731,866
Increase/decrease in certificates in joint venture	15,277	13,544
Increase/decrease in lending to the public	–39,670	107,707
Increase/decrease in deposits from the public	1,781,668	1,215,800
Increase/decrease in other assets	–289,563	–86,348
Increase/decrease in other liabilities	–232,879	323,514
Increase/decrease in provisions	–16,574	–25,905
Changes in other balance sheet items	71,864	–6,420
Total	**–2,764,301**	**–2,189,974**
Cash flow from operating activities	**–714,289**	**–816,656**
INVESTING ACTIVITIES		
Investments in intangible fixed assets	–37,867	–57,678
Investments in tangible fixed assets	–18,158	–13,629
Acquisitions in subsidiaries	–50,569	–49,434
Investments/divestments of bonds and other securities	615,093	–653,564
Cash flow from investing activities	**508,499**	**–774,305**
FINANCING ACTIVITIES		
Capital contribution	759,004	99,988
New share issue	–	332,962
Issued subordinated loans	–	1,013,053
Repayment of subordinated loans	–229,833	–182,046
Paid interest on capital contribution	–15,000	–28,750
Cash flow from financing activities	**514,171**	**1,235,207**
Cash flow for the year	**308,381**	**–355,754**
Cash at the beginning of the year	3,565,642	3,921,396
Cash at the end of the year[1]	**3,874,023**	**3,565,642**

1) Consists of cash, treasury bills/bonds and lending to credit institutions.

Parent company income statement

SEK thousand	Note	2015	2014
Net revenues from acquired loan portfolios	1,2	357,498	292,227
Interest income	2	424,691	333,550
Interest expense	2	–359,876	–344,592
Net interest income		**422,313**	**281,185**
Net result from financial transactions	3	–22,947	–10,620
Other income	4	74,588	95,368
Total operating income		**473,954**	**365,933**
General administrative expenses			
Personnel expenses	5	–123,377	–104,847
Other operating expenses	6	–204,599	–253,388
Depreciation and amortisation of tangible and intangible assets	15,16	–14,380	–6,060
Total operating expenses		**–342,356**	**–364,295**
Profit before credit losses		**131,598**	**1,638**
Net credit losses	7	–5,298	–
Profit from shares and participations in joint venture	8	44,404	27,941
Profit from shares in Group companies	9	133,668	154,660
Tax allocation reserve		–	–35,679
Profit before tax		**304,372**	**148,560**
Income tax expense	10	–44,349	–23,826
Net profit for the year		**260,023**	**124,734**
Profit attributable to			
Owners of Hoist Kredit AB (publ)		260,023	124,734

Parent company statement of comprehensive income

SEK thousand	2015	2014
Net profit for the year	**260,023**	**124,734**
Other comprehensive income		
Items that may be subsequently reclassified to the		
Currency translation differences on foreign operations	–522	602
Total items that may be reclassified subsequently to the profit and loss	**–522**	**602**
Other comprehensive income for the year	**–522**	**602**
Total comprehensive income for the year	**259,501**	**125,336**
Profit attributable to		
Owners of Hoist Kredit AB (publ)	259,501	125,336

Parent company balance sheet

SEK thousand	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Cash		8	1
Treasury bills and treasury bonds	11,12,27	3,077,827	2,316,110
Lending to credit institutions	11,12,27	78,503	248,384
Lending to the public	11,12,27	77,994	157,232
Acquired loan portfolios	11,13,27	2,646,612	2,860,220
Receivables Group companies	11,27,32	8,769,553	6,449,675
Bonds and other securities	11,12,27	1,303,214	1,926,241
Shares and participations in subsidiaries		581,972	428,846
Shares and participation in joint venture	8	49,974	65,251
Intangible fixed assets	15	42,278	45,273
Tangible fixed assets	16	4,523	4,676
Other assets	17	416,615	78,522
Deferred tax assets	10	2,224	1,249
Prepaid expenses and accrued income	18	1,842	10,453
Total assets		**17,053,139**	**14,592,133**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from credit institutions	11,27	87,723	–
Deposits from the public	11,27	12,791,377	10,987,289
Tax liabilities	10	3,550	28,475
Other liabilities	19	379,205	408,185
Accrued expenses and prepaid income	20	71,103	52,842
Provisions	21	132	71
Senior unsecured loans	11,27	1,238,469	1,493,122
Subordinated loans	22,27	336,892	332,796
Total liabilities and provisions		**14,908,451**	**13,302,780**
Untaxed reserves (tax allocation reserve)		**62,248**	**62,248**
Shareholders' quity	23		
Restricted equity			
Share capital		66,667	66,667
Statuary reserve		10,000	10,000
Revaluation reserve		64,253	64,253
Total restricted equity		**140,920**	**140,920**
Non-restricted equity			
Other contributed equity		1,450,918	691,914
Reserves		–142	380
Retained earings		230 721	269,157
Profit for the year		260 023	124,734
Total non-restricted equity		**1,941,520**	**1,086,185**
Total shareholders' equity		**2,082,440**	**1,227,105**
Total liabilities and shareholders' equity		**17,053,139**	**14,592,133**
Pledged assets			
Cash collateral, Derivatives	29	–	276,600
Cash collateral, Loans from the public	12	639	1,903
Total pledged assets		639	**278,503**
Contingent liabilities	25	342,676	122,517

Statement of changes in shareholders' equity, parent company

SEK thousand	Restricted equity Share capital	 Statutory reserves	 Revaluation reserve	Unrestricted equity RESERVES Translation reserve	 Other contributed equity	 Retained earnings	 Result for the year	Total shareholders' equity
Opening balance 1 Jan 2015	**66,667**	**10,000**	**64,253**	**380**	**691,914**	**269,157**	**124,734**	**1,227,105**
Reclassification of result for the previous year						124,734	–124,734	
Comprehensive income for the year								
Net profit for the year							260,023	260,023
Other comprehensive income				–522				–522
Total comprehensive income for the year				**–522**			**260,023**	**259,501**
Transactions recorded directly in equity								
Shareholder contributions					759,004			759,004
Interest paid on capital contribution						–15,000		–15,000
Group contributions paid						–182,890		–182,890
Tax effect on items recorded directly in equity						34,720		34,720
Total transactions recorded directly in equity					**759,004**	**–163,170**		**595,834**
Closing balance 31 Dec 2015	**66,667**	**10,000**	**64,253**	**–142**	**1,450,918**	**230,721**	**260,023**	**2,082,440**

SEK thousand	Restricted equity Share capital	 Statutory reserves	 Revaluation reserve	Unrestricted equity RESERVES Translation reserve	 Other contributed equity	 Retained earnings	 Result for the year	Total shareholders' equity
Opening balance 1 Jan 2014	**50,000**	**10,000**	**64,253**	**–222**	**275,631**	**212,646**	**81,960**	**694,268**
Reclassification of result for the previous year						81,960	–81,960	
Comprehensive income for the year								
Net profit for the year							124,734	124,734
Other comprehensive income				602				602
Total comprehensive income for the year				**602**			**124,734**	**125,336**
Transactions recorded directly in equity								
New share issue	16,667				416,295			432,962
Conversion of convertible bond					–100,000			–100,000
Shareholder contributions					99,988			99,988
Interest paid on capital contribution						–28,750		–28,750
Tax effect on items recorded directly in equity						3,301		3,301
Total transactions recorded directly in equity	**16,667**				**416,283**	**–25,449**		**407,501**
Closing balance 31 Dec 2014	**66,667**	**10,000**	**64,253**	**380**	**691,914**	**269,157**	**124,734**	**1,227,105**

Parent company cash flow statement

SEK thousand	2015	2014
OPERATING ACTIVITIES		
Cash flow from gross cash collection	1,047,000	972,718
Interest income	457,625	333,550
Other operating income	74,588	95,368
Interest expense	–337,456	–274,605
Operating expenses	–301,093	–351,172
Net cash flow from financial transactions	–22,947	–10,620
Capital gain on redemption of certificates in joint venture	44,404	27,941
Income tax paid	–35,679	–28,819
Total	**926,442**	**764,361**
Increase/decrease in acquired loan portfolios incl. changes in valuation	–475,894	–994,589
Increase/decrease in certificates in joint venture	15,277	13,544
Increase/decrease in lending to the public	–2,245,938	–2,787,285
Increase/decrease in deposits from the public	1,781,668	1,215,800
Increase/decrease in other assets	–337,942	103,659
Increase/decrease in other liabilities	–203,320	200,689
Changes in other balance sheet items	–303	373
Total	**–1,466,452**	**–2,247,809**
Cash flow from operating activities	**–540,010**	**–1,483,448**
INVESTING ACTIVITIES		
Investments in intangible fixed assets	–10,333	–29,477
Investments in tangible fixed assets	–1,068	–4,155
Investments/divestments of bonds and other securities	615,093	–653,564
Investments in subsidiaries	–254,010	–117,152
Dividend from subsidiaries	268,000	34,660
Cash flow from investing activities	**617,682**	**–769,688**
FINANCING ACTIVITIES		
Capital contribution	759,004	99,988
New share issue	–	332,962
Issued bonds	–	1,013,053
Repurchase of issued bonds	–229,833	–182,046
Interest paid on capital contribution	–15,000	–28,750
Cash flow from financing activities	**514,171**	**1,235,207**
Cash flow for the year	**591,843**	**–1,017,929**
Cash at the beginning of the year	2,564,495	3,582,424
Cash at the end of the year [1]	**3,156,338**	**2,564,495**

1) Consists of cash, treasury bills/bonds and lending to credit institutions.

Accounting principles

1 Corporate information

The Annual Report is issued as of 31 December 2015 by Hoist Kredit AB (publ), CIN 556329-5699, the Parent Company of the Hoist Kredit Group. The Parent Company is a Swedish public limited company, registered in Stockholm, Sweden. The address of the head office is Box 7848, 103 99 Stockholm. The Group is licensed and supervised by the Swedish Financial Supervisory Authority.

The consolidated accounts for financial year 2015 were approved by the Board of Directors on 17 March 2016 and will be presented for adoption at the 2016 Annual General Meeting on 29 April 2016.

2 Statement of compliance

The consolidated accounts for Hoist Kredit AB (publ) were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretations issued by the IFRS Interpretation Committee as adopted by the EU.

The Annual Report was prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authority's regulations and guidelines on annual accounts in credit institutions and securities companies (FFFS 2008:25) pursuant to amending regulations FFFS 2009:11, FFFS 2011:54 and FFFS 2013:2. FFFS 2013:24, FFFS 2014:18, and the Swedish Financial Reporting Board's recommendations RFR 1 "Supplementary Accounting Rules for Groups".

The Parent Company applies the Swedish Annual Accounts Act for Credit Institutions and Securities Companies but otherwise the same accounting policies as the Group, except in cases where the application of IFRS for legal entities is not permitted by Swedish accounting regulations. Please refer to the section below for Parent Company accounting principles.

Unless otherwise indicated, the accounting principles specified below were applied consistently to all periods presented in these financial reports.

3 Changed accounting principles

New and amended standards adopted in the financial statements

The accounting principles, bases for calculations and presentation are, in all material aspects, unchanged in comparison with the 2014 Annual Report. The new reporting requirements introduced in 2015 and their impact on Hoist Kredit's reporting is detailed below.

The following new and revised standards and interpretations were implemented as of 1 January 2015 but have not had any significant impact on the financial statements:

- IFRIC 21 Levies
- Amendments to IAS 19 Defined-Benefit Plans

No other changes in accounting principles have had a significant impact on the financial reporting in the Group or the Parent Company.

4 New standards, amendments and interpretations that have not yet been applied

A number of new or amended IFRS standards that will come into effect during the coming financial year were not applied in advance as at the issuance of these financial statements. It is not planned that new or amended IFRS standards applicable in the future will be applied in advance. The anticipated effects on the financial statements of the application of the following new or amended IFRSs are set forth below. No other new or amended IFRSs are expected to have any impact on the financial statements.

IFRS 9 Financial Instruments will replace IAS 39 Financial instruments: Recognition and Measurement. Through IFRS 9, IASB has issued a package of improvements for reporting financial instruments. The package of improvements includes a new basis for classifying and measuring financial instruments, a forward-looking 'expected loss' impairment model and a simplified approach to hedge accounting. IFRS 9 will come into effect on 1 January 2018. Early application is permitted, although EU IFRS9 has not yet been approved by the European Commission.

The categories of financial assets listed in IAS 39 have been replaced with three categories: valuation at either amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Division into these three categories is based on the company's business model for its various holdings and the characteristics of the cash flow generated by the assets. The Fair Value Option can be applied in cases where it eliminates or significantly reduces a mismatch in accounting. For equity instruments, the assumption is that valuation will be at fair value through profit or loss, although there is an option to instead report changes in value that are not held for trading in 'Other comprehensive income'.

With regard to the sections on financial liabilities, most correspond to the previous IAS 39 rules with the exception of financial liabilities voluntarily measured at fair value under the Fair Value Option. For these liabilities, the change in value is divided between changes attributable to own credit rating and those attributable to changes in the reference rate.

Under the new impairment model, anticipated losses for the year will need to be reported in the initial statement of account and, in the event of a substantial increase in credit risk, the impairment amount must correspond to the credit losses expected to arise during the remaining period. The new regulations on hedge accounting involve, among other things, simplification of efficiency tests and an expansion of permissible hedging instruments and hedged items.

The Company's impact assessment on the introduction of IFRS 9 is not yet completed. Hoist Kredit will not apply the standard in advance.

IFRS 15 Revenue from Contracts with Customers. The purpose of the new revenue standard is to apply a single, principles-based model to all industries, replacing existing revenue standards and interpretations. The standard includes greatly expanded disclosure requirements. IFRS 15 takes effect in 2018. Early application is permitted provided the EU approves the standard, which it plans to do during the second quarter 2016.

IFRS 16 Leases. The new standard amends the reporting requirements for lessees. All lease contracts (with the exception of short-term contracts and contracts of minor value) will be reported as an asset with right of use (usufruct) and as a liability in the lessee's balance sheet. Lease payments will be reported as a liability in the lessee's balance sheet, and lease payments as amortisation and interest expense. Reporting requirements for lessors remain unchanged. Other disclosures are also required. The new standard takes effect for financial years beginning 1 January 2019 or later; early application is permitted. The amendments have not yet been approved by the European Commission. Hoist Kredit does not currently intend to apply the amendments in advance. Hoist Kredit's current assessment is that the new standard will affect its financial reporting and balance sheet.

Other new and amended IFRSs that will be applied in future (listed below) are not expected to have any significant impact on Hoist Kredit's financial statements.

- Amended IFRS 10 Consolidated Financial Statements and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amended IFRS 11 Joint Arrangements
- Amended IAS 1 Disclosure initiative
- Amended IAS 19 Employee Benefits

No other IFRCs or IFRIC Interpretations that are not yet effective are expected to have any significant impact on the Group.

5 Assumptions

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 value of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and a number of other factors that are deemed reasonable in the prevailing circumstances. The result of these estimates and assumptions is then used to assess the carrying values of assets and liabilities that are not otherwise 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 the change 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 may affect the consolidated financial statements in subsequent years are described in more detail in Note 31.

6 Consolidation

Subsidiaries

Subsidiaries are entities over which the Parent Company has controlling influence. Controlling influence exists when the Parent Company can exert influence over an investment, is exposed to or has the right to receive variable returns as a result of the investment, and is able to use its influence over the investment to affect returns.

The Group uses the acquisition method of accounting to report business acquisitions. The consolidated acquisition value is determined by an acquisition analysis conducted in connection with the acquisition. The analysis determines the acquired identifiable assets, acquired liabilities and contingent liabilities. The acquisition value of subsidiary shares and operations is comprised of their fair value as at acquisition date for assets, liabilities that arise or are transferred, and issued equity instruments transferred as consideration in exchange for the acquired net assets. Transaction costs directly attributable to the acquisition are expensed as incurred. In business combinations where acquisition cost exceeds the net value of the acquired assets, liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is reported directly in the income statement. The contingent purchase price is reported in the consolidated accounts at fair value through profit or loss. Intra-Group receivables and liabilities, revenue and expenses, and unrealised gains and losses that arise from intra-Group transactions are eliminated in their entirety in the consolidated financial statements.

Joint ventures

For accounting purposes, joint ventures are entities over which the Group has joint controlling influence through contractual arrangements with one or several parties and has a right to the net assets as opposed to a direct right to assets and assumption of liabilities. In the consolidated accounts, joint venture holdings are consolidated in accordance with the equity method, under which the asset is initially reported at acquisition value. The carrying value is subsequently increased or decreased to reflect the owner company's profit share in the investment after the acquisition date. Changes attributable to exchange differences are reported in 'Other comprehensive income'. In the BEST III Sec Fund joint venture, the acquired loan portfolios are reported at fair value.

7 Segment reporting

An operating segment is a part of the Group that operates a business from which it can generate revenue and incur expenses and for which independent financial information is available. This information serves as a governance tool and is reviewed on a regular basis by chief operating decision makers to evaluate performance and allocate resources to the segment.

For Hoist Kredit, geographic regions – comprised of individual countries and groups of comparable countries – are the main basis for division into segments. Geographic segments are an accurate reflection of the Group's business activities, as loan portfolios are acquired on a country-by-country basis. The Company's chief operating decision maker is responsible for defining the segment. See Note 1 for additional information on the operating segments.

8 Foreign currency translation

Functional currency

SEK is the functional currency of the Parent Company and the presentation currency of the Group and the Parent Company. In addition, EUR is used as functional currency in the foreign branches. Group companies prepare their accounts in the functional currency of the country in which they operate. For consolidation purposes, all transactions in other currencies are converted into SEK at balance sheet date. All amounts, unless indicated otherwise, are rounded to the nearest thousand.

Transactions in foreign currency

Transactions in a currency other than the local functional currency are translated at the exchange rate in effect on the transaction date. When such transactions are settled, the exchange rate may deviate from the transaction date rate, in which case a realised exchange difference arises. Monetary assets and liabilities in foreign currency are also translated to functional currency at the balance sheet date exchange rate, which gives rise to unrealised exchange differences. Both realised and unrealised exchange differences of this type are reported in the consolidated income statement.

Translation of foreign operations' financial statements

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the operation's functional currency to the Group's reporting currency at the balance sheet date exchange rate. 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 subsidiaries' accounts because the balance sheet date exchange rate changes each period and because the average rate deviates from the balance sheet date exchange rate. Translation differences are reported in 'Other comprehensive income' as a separate component of equity.

Information on the most important exchange rates is disclosed in the separate section 22 "Exchange rates".

9 Financial assets and liabilities

Recognition and de-recognition

A financial asset or liability is reported in the balance sheet when the company becomes a party to the contractual provisions of the instrument. A receivable is reported in the balance sheet when the company is contractually liable to pay, even if an invoice has not been sent.

Loan receivables, deposits, issued securities and subordinated liabilities are reported in the balance sheet at the settlement day.

A spot purchase or sale of financial assets is reported and removed from the statement of financial position on the trade date.

A financial asset is removed from the balance sheet when contractual rights to cash flow from the financial asset cease or when the financial asset is transferred and the company simultaneously transfers essentially all risks and advantages associated with ownership of the financial asset. A financial liability or portion thereof is de-recognised when the obligation is discharged, cancelled, expired or otherwise extinguished.

An exchange between the company and an existing lender, or an existing borrower of debt instruments with essentially different terms and conditions, is reported as an extinguishment of the old financial liability or asset, respectively, and as a new financial instrument.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legal right to offset transactions and an intention to settle net or realise the asset and settle the liability simultaneously.

Classification and valuation

Financial instruments are initially reported at fair value plus transaction costs, with the exception of derivatives and instruments from the category 'Financial asset at fair value through profit or loss', which are reported at fair value exclusive of transaction costs.

Financial instruments are classified when initially recognised. Classification is based on the purpose of the acquisition of the instrument and on the options provided in IAS 39.

The financial instrument is classified upon initial recognition, as described below.

Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading (derivatives with positive value not designated as hedging instruments, treasury bills and bonds) as well as loan portfolios acquired prior to 1 July 2011 that were initially reported at fair value through profit or loss through application of the fair value option. Financial liabilities at fair value through profit or loss are derivatives with negative value not designated as hedging instruments (held for trading). Loan portfolios acquired thereafter, are classified as loan receivables (see below) and are measured at amortised cost.

The difference between a "fair value measurement" and an "amortised cost measurement" for acquired loan portfolios is that the former uses a discount rate corresponding to the market's IRR for similar assets at a given time.

Derivatives are initially reported at fair value at the date of the derivatives contract, and are subsequently measured at fair value at the end of each reporting period. Derivatives are always classified as held for trading provided they are not identified as hedging instruments.

Changes in fair value for financial assets and liabilities at fair value through profit or loss are reported in the income statement item 'Net income from financial transactions', except for acquired loan portfolios, for which revaluations are reported in the item 'Net revenue from acquired loan portfolios'.

Financial assets available for sale

The Company uses the 'Financial assets available for sale' category for equity instruments for which fair value cannot be reliably determined and are thus reported at acquisition value and, when applicable, net of impairment.

Calculation of fair value

The fair value of financial instruments traded on an active market (level 1) is determined for financial assets based on the current bid price. Assets measured at fair value in the balance sheet and traded on an active market are comprised of investments in bonds and other interest-bearing securities. Financial instruments that are not traded on an active market but which can be measured using other valuation methods, with observable market information as input (level 2), are comprised of currency hedges and interest derivatives. In cases where assets and liabilities have conflicting market risks, the mid-market price is used to determine fair value. See Note 27.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. Loan receivables and accounts receivable are measured at amortised cost using the effective interest method, under which the carrying value of each acquired portfolio corresponds to the present value of all projected future cash flows discounted by an initial effective rate determined on the acquisition date, based on the relation between acquisition cost and projected future cash flows. Changes are reported in the income statement. A cash flow projection is made when each portfolio is acquired. Projected cash flows take into account the loan amount and other fees which, based on a probability assessment, are expected to be received from debtors, less projected collection costs.

Balance sheet items classified as loans and receivables refer to "Lending to credit institutions", "Lending to the public", and "Acquired loan portfolios" (with the exception of loan portfolios acquired prior to 1 July 2011), as well as "Other assets" (excluding derivatives with positive value).

"Acquired loan portfolios" are comprised of non-performing consumer loans acquired at a substantial discount relative to the nominal claim.

For loan portfolios reported at amortised cost, an initial effective interest rate is determined using the initial cash flow projection and acquisition price, including transaction costs, as the basis for each portfolio. This initial effective rate is then used for discounting cash flows over a ten-year period. A new carrying value as at balance sheet date is calculated for the portfolios based on the updated cash flow projections and the initial effective interest rate as determined. Net collection forecasts for the portfolios are monitored continuously during the year and are updated regularly based on factors such as collection results achieved and instalment agreements with debtors. A new carrying value for the loan portfolios is calculated based on the updated forecasts. The variance is reported as income under 'Net revenue from acquired loans' in the income statement.

Impairments are reported together with revaluations in the income statement. Consequently, separate provisions for reserves are not reported in the balance sheet.

Other liabilities

The Group's 'Other liabilities' are comprised of "Deposits from the public" and "Other liabilities" in the consolidated balance sheet. Other liabilities are initially reported at fair value including transaction costs directly attributable to acquisition or issuance of the debt instrument. Subsequent to acquisition, they are carried at amortised cost in accordance with the effective interest method. Liabilities to credit institutions, current liabilities and other liabilities are reported as 'Other financial liabilities'. Non-current liabilities have an expected maturity exceeding one year, and current 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 payments

The Group receives large volumes of payments from debtors on its own behalf and on behalf of Group customers. In cases where the sender's reference information is missing or incorrect, it is difficult to assign payment to the correct account. Payments are also sometimes received on closed accounts. In such instances a reasonable search is conducted and an attempt is made to contact the payment sender. Unidentified payments are treated as 'Other liabilities'. The amounts are recorded as revenue in accordance within a predefined time frame.

10 Hedge accounting

Derivatives are used to hedge (for the purpose of neutralising) interest rate and exchange rate exposure for the Parent Company or the Group.

The Company applies hedge accounting in cases where currency hedges are used to limit exchange rate exposure in foreign net investments. When hedge accounting is used for foreign net investments and the hedge has proven 80–125 per cent effective, changes in the hedging instrument's fair value are reported in 'Other comprehensive income' and accrued (as do translation effects of net investments) in the translation reserve. In cases where the hedge is 101–125 per cent effective, the ineffectiveness is reported in the income statement in the item 'Net income from financial transactions'. Other derivatives to which hedge accounting does not apply report changes in fair value under 'Net income from financial transactions'.

11 Leasing

Lease contracts in which a significant share 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 lease term. Operating leases relate primarily to leases of office premises and office equipment for the Company's normal business operations.

Lease contracts in which a significant share of the risks and rewards of ownership are retained by the Group are classified as finance leases. Finance leases are reported as assets and liabilities in the balance sheet at the amount equal to the leased assets' fair value or, if lower, the present value of future minimum leasing fees as at inception of the lease. Lease payments are allocated between interest and amortisation of the outstanding debt. Interest is distributed over the lease term so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during that period. The depreciation policy for assets acquired under finance leases is consistent with that for comparable own assets.

12 Intangible assets

Intangible assets are identifiable, non-monetary assets that lack physical substance and under Hoist Kredit's control.

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 are under the Group's control and with anticipated future economic benefits are capitalised and reported as intangible assets.

Additional costs for previously developed software, etc. are reported as assets in the consolidated balance sheet if they increase the anticipated future economic benefits of the specific asset to which they are attributable – e.g., by improving or extending a computer programme's functionality beyond its original use and estimated useful life.

IT development costs reported as intangible assets are amortised using the straight-line method over their useful lives, though not more than five years. The asset is reported 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 reported as goodwill. Goodwill from acquisitions of subsidiaries is reported as intangible assets. Goodwill is tested annually, or more often if so indicated, to identify any impairment requirements and is 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 value of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Allocation is made to the cash generating units, or groups of cash generating units, determined in accordance with the Group's operating segments that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Other intangible assets are amortised on a straight-line basis over their period of use.

Impairments

An impairment test is conducted upon indication of depreciation in value, or at least annually when each asset's residual value and remaining period of use are determined.

The recoverable value of the asset is estimated if there are indications of an impairment requirement. For goodwill and other intangible assets with indeterminate periods of use and for intangible assets that have not yet come into use, recoverable values are calculated on an annual basis. If independent cash flows cannot be determined for individual assets, the assets are grouped at the lowest level at which independent cash flows can be identified – a cash-generating unit.

An impairment is reported when the carrying value of an asset or a cash generating unit exceeds its recoverable value. Impairments are reported in the income statement. Impairments attributable to a cash generating unit are primarily allocated to goodwill and are subsequently distributed proportionally among other assets in the unit.

The recoverable value for cash generating units is the fair value less divestment costs or the useful value, whichever is greater. Useful value is calculated by discounting future cash flows using a discounting factor that takes into account the risk-free interest rate and the risk associated with 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 to determine 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 if the impairment had not been reported.

13 Tangible assets

Tangible assets are comprised of IT equipment, improvements to leased premises, and equipment.

Tangible assets are reported as assets in the balance 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 reported at cost less accumulated depreciation and impairments.

Principles for depreciation/amortisation of assets

Assets are depreciated/amortised using the straight-line method over estimated useful life and applying the following periods:

» Equipment	2–5 years
» Investments in leased premises	5 years
» Intangible assets	3–5 years

14 Provisions

Provisions are recognised for existing legal or informal obligations arising from past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation and where the amount can be reliably estimated. The provision is valued at the amount corresponding 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

Income from loan portfolios

All income from acquired loan portfolios is reported under 'Net revenue from acquired loan portfolios' in the income statement.

Income from acquired loan portfolio carried at fair value through profit or loss include: (i) the effect of discount rate changes, (ii) changes to expected future cash flow, and (iii) the discrepancy between expected cash flow and actual cash flows. Income from acquired loan portfolios reported at amortised cost include (ii) and (iii).

For acquired portfolios measured at amortised cost, the discount rate remains constant when a projected cash flow curve for the portfolio 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 reported under 'Net revenue from loan portfolios' and 'Interest income' and is disclosed in a note. 'Net revenue from acquired loan portfolios' is comprised of interest income calculated based on the effective interest method and of payments received on acquired loan portfolios, which may exceed or fall below expected amounts. Interest income calculated using the effective interest method is calculated based on the original effective interest rate, with changes reported at amortised cost. 'Other interest income' is generated through lending to credit institutions and to the public and through investments in bonds.

Interest expense

Interest expense is mainly comprised of expenses associated with the Group's funding via deposits from the public.

Fee and commission income

Fee and commission income is reported when (i) the revenue can be reliably measured, (ii) it is probable that the economic benefits associated with the translation will accrue to the Company, (iii) the degree of completion as at the balance sheet date can be reliably calculated, and (iv) the expenses incurred and the expenses required to complete the transaction can be reliably calculated. Revenue is valued at the fair value of the received or due consideration.

Fees and commissions related to financial services carried out on an ongoing basis and for which the services' degree of completion is achieved progressively are reported and expensed as revenue over the period during which the services are rendered.

Net income from financial transactions

Net income from financial transactions includes realised and unrealised exchange rate fluctuations, unrealised changes in the value of assets and liabilities classified as 'Assets at fair value through profit or loss' (with the exception of acquired loan portfolios), and the inefficient part of hedge accounting.

Other operating expenses

Various types of costs directly related to loan portfolio administration are grouped under 'Other operating expenses'. For the Group, 'Other operating expenses' are mainly direct costs for external collection services. 'Fee and commission income' refers to income for these external services and is recognised when fee and commission amounts can be reliably measured.

Credit losses

In the event an impairment is deemed to be permanent, it is reported as a realised loss and the value of the asset is removed from the balance sheet. Impairments related to 'Other assets' are reported as 'Credit losses'.

16 Employee benefits

All forms of remuneration provided to employees as compensation for services rendered constitute employee benefits.

Short-term benefits

Short-term benefits to employees are settled within twelve months following the close of the reporting period during which the services were rendered. Short-term benefits are mainly comprised of fixed and variable salary, both of which are taken up as income during the period in which the related services are rendered. Post-employment benefits in Hoist Kredit cover only pensions. Benefits that are not expected to be fully settled within twelve months are reported as long-term benefits.

Redundancy payments

Remuneration expense in connection with termination of personnel is reported either when the company is no longer able to withdraw the redundancy offer or when the company reports restructuring costs, whichever occurs sooner. Payments that are expected to be settled after twelve months are reported at present value.

Pensions

Group companies operate various pension schemes, which are generally funded through payments determined by periodic actuarial calculations to insurance companies or trustee-administered funds.

The Group has both defined-benefit and defined-contribution plans:

- Defined-benefit plans normally specify the pension rate to be received by the employee upon retirement, usually dependent on one or several factors, such as age, years of service and salary.
- Under defined-contribution plans, the Group pays fixed contributions into a separate entity. The Group has no legal or informal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service during the current and prior periods.

The liability reported in the consolidated balance sheet with respect to 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. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The net present value of the defined-benefit obligation is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid and with durations approximating the durations of the related pension liability.

Net interest expense/income for the defined-benefit pension obligation/asset is reported in "Net interest income". Net interest income 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 operating income.

Revaluation effects are comprised of actuarial gains and losses, discrepancies between actual return on plan assets and the amount included in net interest income, and any changes to effects of asset restrictions (exclusive of interest included in net interest income). Revaluation effects are reported in 'Other comprehensive income'.

Changes to or reductions of a defined-benefit plan are reported at the earliest either

a. when the change to or reduction in the plan occurs, or

b. when the company reports the associated restructuring costs and redundancy costs, whichever occurs sooner.

Changes/reductions are reported directly as personnel expenses in 'Net profit for the year'.

The special employer's contribution is included in the actuarial assumptions and is reported as part of the net obligation/asset. The portion of the special employer's contribution that is calculated based on the Pension Obligations Vesting Act in the legal entity is reported as an accrued cost rather than as part of the net obligation/asset.

Tax on returns from pension funds is reported in profit or loss for the period the tax relates to, and is thus not included in the liability projection. For funded pension plans, the tax is charged to 'Return on plan assets' and is reported in 'Other comprehensive income'. For unfunded or partially unfunded plans, the tax is charged to 'Net profit 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 reported as employee benefit expense when they fall due. Prepaid contributions are reported as an asset to the extent that a cash refund or a reduction in the future payments is available.

Warrant programme

Warrants have been sold at market price (fair value) to employees. The transactions fall within the scope of IFRS 2 'Share-based payments', as the future value of the warrants are affected by continued employment. There is no expense to report due to the fact that the employees paid market price for the warrants; however, IFRS 2 disclosure requirements are applied when applicable. See Note 5 for additional details.

17 Taxes

Taxes are comprised of current tax and deferred tax. Taxes are reported through profit or loss unless the underlying transaction is directly reported in 'Equity' or in 'Other comprehensive income', in which case the attributable tax effect is also reported in 'Equity' or 'Other comprehensive income', respectively.

Current tax refers to tax paid or received for the current year, using tax rates that apply as at balance sheet date, including adjustments for current tax attributable to previous periods.

Deferred tax is calculated in accordance with 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 reported or taxable profit.
- 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 set as of the balance sheet date.

Deferred tax assets from deductible temporary differences and tax loss carry-forwards 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 deemed likely that they will be utilised.

Current tax, deferred tax, and tax attributable to the previous year are reported under 'Income tax expense'.

18 Equity

When a financial instrument is issued in the Group it is reported as a financial liability or as an equity instrument, in accordance with the financial implications of the instrument's terms. These instruments or sections thereof are reported as liabilities when the Company has an irrevocable obligation to pay cash. Issued financial instruments that do not irrevocably oblige the Company to pay cash on interest and nominal amounts are reported as equity.

Return to investors is reported as a dividend to equity with respect to equity instruments and as an interest expense in profit or loss with respect to debt instruments.

19 Related-party transactions

Hoist Finance

Hoist Finance defines related parties as:

- Shareholders with significant influence
- Group companies
- Associated companies and joint venture
- Key senior management
- Other related parties

All intra-Group transactions between legal entities and transactions with other related parties are conducted pursuant to the arm's length principle in accordance with OECD requirements. Intra-Group transactions are eliminated in the consolidated accounts.

Shareholders with significant influence

Shareholders with significant influence are entitled to take part in decisions on Hoist Kredit's financial and operational strategies, but do not have controlling influence over such strategies.

Group companies and associated companies

A company is defined as a related party if the company and its reporting entity are part of the Hoist Kredit Group.

See section 6, Consolidation, for the definition of "subsidiaries and joint ventures". Further information on Hoist Kredit Group companies is presented in Note 14, Group companies.

Key management personnel

Key senior management includes:

- The Board of Directors
- The Chief Executive Officer (CEO)
- The Executive Management Team (EMT)

See Note 5 for details on compensation, pensions and other transactions with key management personnel.

Other related parties

Other related parties comprise close relatives and family members of key senior management, if that or those person(s) has or have controlling influence, severally or jointly, over the reporting entity. Other related parties are also companies over which Hoist Finance Group key management personnel, or their close relatives, have significant influence.

Information on transactions between Hoist Kredit and other related parties is presented in Note 32, Related party transactions.

20 Cash flow statement

The cash flow statement includes changes in the balance of cash and cash equivalents. The Group's cash and cash equivalents is comprised of cash, treasury bills and lending to credit institutions. Cash flow is divided into cash flow from operating activities, investment activities and financing activities. The direct method is used to report cash flow.

Cash flow from investing activities includes only actual disbursements for investments made 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. For acquired and divested subsidiaries that hold debt portfolios, acquired and divested loan portfolios are reported in 'Operating activities'.

21 Parent Company accounting principles

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's regulations and guidlines on annual accounts in credit institutions and securities companies (FFFS 2008:25) 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 the Group (ie IFRS) to the extent allowed by Swedish accounting legislation.

The differences between the Group's and the Parent Company's accounting principles are stated below.

21.1 Group contributions

Group contributions

Hoist Kredit applies the main rule in RFR2 IAS 27.2. Group contributions received from Group companies are reported in the income statement. Group contributions to the parent company is accounted for in shareholders' equity. The net of Group contributions paid or received for optimising the Group's tax expense is reported as appropriation in the Parent Company.

21.2 Subsidiaries

Parent Company shareholdings and participations in Group companies are reported based on cost of acquisition. Holdings are carried at cost and only dividends are reported in the income statement. Impairment tests are conducted 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 holding in the subsidiary. Transaction costs attributable to subsidiaries are reported directly in profit or loss in the consolidated accounts when incurred.

Contingent purchase prices are valued based on probability of payment. Any changes to the provision/receivable is added to/reduced from the cost of acquisition.

Low-priced acquisitions that match anticipated losses and expenses are reversed during the periods in which the losses and expenses are expected to arise. Low-priced acquisitions resulting from other factors are reported as provisions to the extent they do not exceed the fair values of acquired identifiable non-monetary assets. The portion exceeding this amount is directly taken up as income. The portion that does not exceed the fair value of acquired identifiable non-monetary assets is reported as income systematically over a period of time that is based on the remaining weighted average useful life of the acquired identifiable depreciable assets. In the consolidated accounts, low-priced acquisitions are reported directly in profit or loss.

21.3 Untaxed reserves

In the Parent Company, untaxed reserves are reported as a separate item in the balance sheet. In the consolidated financial statements, untaxed reserves are divided into a 'deferred tax liability' component and an 'equity' component.

22 Exchange rates

	Full year 2015	Full year 2014
1 EUR = SEK		
Income statement (average)	9.3553	9.0930
Balance sheet (at end of the period)	9.1350	9.5155
1 GBP = SEK		
Income statement (average)	12.8908	11.2794
Balance sheet (at end of the period)	12.3785	12.1388
1 PLN = SEK		
Income statement (average)	2.2372	2.1737
Balance sheet (at end of the period)	2.1545	2.2124

Notes

Note 1 Segment reporting

Consolidated income statement

SEK thousand	2015	2014
Net revenue from acquired loan portfolios	2,004,524	1,398,291
Of which, gross collections on acquired loan portfolios	*3,631,032*	*2,541,311*
Of which, portfolio amortisation and revaluation	*–1,626,508*	*–1,143,020*
Interest income	3,595	90,961
Of which, interest income from run-off consumer loan portfolio	10,176	38,180
Of which, interest income excl. run-off consumer loan portfolio	–6,581	52,781
Interest expense	–361,370	–344,917
Net interest income	**1,646,749**	**1,144,335**
Fee and commission income	166,705	153,222
Net income/expense from financial transactions	–10,861	–19,151
Other income	17,959	18,057
Total operating income	**1,820,552**	**1,296,463**
General administrative expenses		
Personnel expenses	–642,480	–473,200
Other operating expenses	–845,393	–653,268
Depreciation and amortisation of tangible and intangible assets	–39,697	–23,520
Total operating expenses	**–1,527,570**	**–1,149,988**
Profit before credit losses	**292,982**	**146,475**
Net credit losses	–5,298	–
Profit from shares and participations in joint ventures	54,839	58,662
Profit before tax	**342,523**	**205,137**

Operating income statement based on segment reporting

SEK thousand	2015	2014
Gross collections on acquired loan portfolios	3,631,032	2,541,311
Portfolio amortisation and revaluation	–1,626,508	–1,143,020
Interest income from run-off consumer loan portfolio	10,176	38,180
Net revenue from acquired loan portfolios	**2,014,700**	**1,436,471**
Fee and commission income	166,705	153,222
Profit from shares and participations in joint ventures	54,839	58,662
Other income	17,959	18,057
Total revenue	**2,254,203**	**1,666,412**
Personnel expenses	–642,480	–473,200
Other operating expenses	–845,393	–653,268
Depreciation and amortisation of tangible and intangible assets	–39,697	–23,520
Total operating expenses	**–1,527,570**	**–1,149,988**
EBIT	**726,633**	**516,424**
Interest income excl. run-off consumer loan portfolio	–6,581	52,781
Interest expense	–361,370	–344,917
Net income from financial transactions	–16,159	–19,151
Total financial items	**–384,110**	**–311,287**
Profit before tax	**342,523**	**205,137**

Segment reporting has been prepared based on the manner in which Executive Management monitors operations. This differs from statutory account preparation; the material differences are as follows:

» Revenue includes income from
  – acquired loan portfolios
  – run-off consumer loan portfolio
  – fee and commission income from third parties
  – shares and participations in joint ventures
  – certain other income
» Total financial items' include interest income from sources other than portfolios, interest expense and net income from financial transactions.

Group costs for central and supporting functions are not allocated to the operating segments but are reported as Central Functions and Eliminations.

A financing cost is allocated to the operating segments based on the acquired loan portfolio 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. 'Other assets and liabilities' are not monitored on a segment-by-segment basis. These items are of a minor nature.

Note 1 Segment reporting, continued

Income Statement 2015

SEK thousand	Germany and Austria[1]	Belgium, France and the Netherlands[2]	UK	Italy	Poland	Central Functions and Eliminations	Group
Gross collections on acquired loan portfolios	871,315	891,864	813,772	588,633	465,448	–	3,631,032
Portfolio amortisation and revaluation	–435,248	–575,823	–204,427	–221,462	–189,548	–	–1,626,508
Interest income from run-off consumer loan portfolio	10,176	–	–	–	–	–	10,176
Net revenue from acquired loan portfolios	**446,243**	**316,041**	**609,345**	**367,171**	**275,900**	**–**	**2,014,700**
Fee and commission income	8,857	6,916	107,931	5,891	37,110	–	166,705
Profit from shares and participations in joint ventures	–	–	–	–	–	54,839	54,839
Other income	11,823	–22	1,145	1,414	353	3,246	17,959
Total revenue	**466,923**	**322,935**	**718,421**	**374,476**	**313,363**	**58,085**	**2,254,203**
Personnel expenses	–148,757	–89,769	–184,346	–56,842	–23,656	–139,110	–642,480
Other operating expenses	–98,897	–127,087	–275,525	–126,380	–75,005	–142,499	–845,393
Depreciation and amortisation of tangible and intangible assets	–3,583	–2,407	–5,351	–5,959	–3,612	–18,785	–39,697
Total operating expenses	**–251,237**	**–219,263**	**–465,222**	**–189,181**	**–102,273**	**–300,394**	**–1,527,570**
EBIT	**215,686**	**103,672**	**253,199**	**185,295**	**211,090**	**–242,309**	**726,633**
Interest income excl. run-off consumer loan portfolio	521	84	117	1	1,599	–8,903	–6,581
Interest expense	–1,476	–76	76	–8	–121	–359,765	–361,370
Net income from financial transactions	–111,204	–105,635	–133,690	–66,290	–68,106	468,766	–16,159
Total financial items	**–112,159**	**–105,627**	**–133,497**	**–66,297**	**–66,628**	**100,098**	**–384,110**
Profit before tax	**103,527**	**–1,955**	**119,702**	**118,998**	**144,462**	**–142,211**	**342,523**

1) Total revenue for Germany of SEK 453 million is included in the revenue for Germany and Austria.
2) Total revenue for the Netherlands of SEK 287 million is included in the revenue for Belgium, France and the Netherlands.

Note 1 Segment reporting, continued

Income Statement 2014

SEK thousand	Germany and Austria[1]	Belgium, France and the Netherlands[2]	UK	Italy	Poland	Central Functions and Eliminations	Group
Gross collections on acquired loan portfolios	724,044	733,474	527,346	260,828	295,619	–	2,541,311
Portfolio amortisation and revaluation	–348,873	–484,991	–200,802	–91,324	–17,030	–	–1,143,020
Interest income from run-off consumer loan portfolio	38,180	–	–	–	–	–	38,180
Net revenue from acquired loan portfolios	**413,351**	**248,483**	**326,544**	**169,504**	**278,589**	**–**	**1,436,471**
Fee and commission income	17,889	6,989	128,344	–	–	–	153,222
Profit from shares and participations in joint ventures	–	–	–	–	–	58,662	58,662
Other income	14,294	218	2,686	311	0	548	18,057
Total revenue	**445,534**	**255,690**	**457,574**	**169,815**	**278,589**	**59,210**	**1,666,412**
Personnel expenses	–133,245	–86,886	–134,502	–17,854	–2,035	–98,678	–473,200
Other operating expenses	–85,272	–102,656	–137,601	–86,028	–74,812	–166,899	–653,268
Depreciation and amortisation of tangible and intangible assets	–2,940	–4,679	–4,588	–2,340	–	–8,973	–23,520
Total operating expenses	**–221,457**	**–194,221**	**–276,691**	**–106,222**	**–76,847**	**–274,550**	**–1,149,988**
EBIT	**224,077**	**61,469**	**180,883**	**63,593**	**201,742**	**–215,340**	**516,424**
Interest income excl. run-off consumer loan portfolio	96	170	241	0	0	52,274	52,781
Interest expense	–678	–90	–179	–2	0	–343,968	–344,917
Net income from financial transactions	–105,135	–100,481	–72,627	–25,292	–52,232	336,616	–19,151
Total financial items	**–105,717**	**–100,401**	**–72,565**	**–25,294**	**–52,232**	**44,922**	**–311,287**
Profit before tax	**118,360**	**–38,932**	**108,318**	**38,299**	**149,510**	**–170,418**	**205,137**

1) Total revenue for Germany of SEK 437 million is included in the revenue for Germany and Austria.
2) Total revenue for the Netherlands of SEK 200 million is included in the revenue for Belgium, France and the Netherlands.

Acquired loan portfolios at 31 Dec 2015

SEK thousand	Germany and Austria	Belgium, France and the Netherlands	UK	Italy	Poland	Central Functions and Eliminations	Group
Run-off consumer loan portfolio	58,364						58,364
Acquired loan portfolios	2,046,099	2,077,091	3,386,835	2,062,759	1,441,915		11,014,699
Shares and participations in joint ventures						205,557	205,557
Acquired loan portfolios	**2,104,463**	**2,077,091**	**3,386,835**	**2,062,759**	**1,441,915**	**205,557**	**11,278,620**

Acquired loan portfolios at 31 Dec 2014

SEK thousand	Germany and Austria	Belgium, France and the Netherlands	UK	Italy	Poland	Central Functions and Eliminations	Group
Run-off consumer loan portfolio	118,799						118,799
Acquired loan portfolios	2,231,593	2,194,000	1,797,520	1,181,210	1,182,459		8,586,782
Shares and participations in joint ventures						215,347	215,347
Acquired loan portfolios	**2,350,392**	**2,194,000**	**1,797,520**	**1,181,210**	**1,182,459**	**215,347**	**8,920,928**

Note 2 Net interest income

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Interest income from acquired loans				
of which, amortised cost	1,940,601	1,282,636	265,539	175,420
of which, fair value	63,923	115,655	91,959	116,807
Income from loan portfolios	**2,004,524**	**1,398,291**	**357,498**	**292,227**
Lending to credit institutions				
Interest income, banks	4,484	17,343	2,638	16,830
Interest-bearing securities	–11,991	34,023	–11,991	34,023
Interest rate derivatives	–	–	–	–
Loan receivables	10,177	38,333	10,177	38,333
Loan receivables, Intra-Group	925	1,262	423,867	244,364
Interest income	**3,595**	**90,961**	**424,691**	**333,550**
Interest expense, deposits from the public	–188,501	–209,703	–188,501	–209,703
Other interest expense, financial liabilities				
at amortised cost	–129 262	–110 119	–129 262	–110 119
at fair value	–43 607	–25 095	–42 113	–24 770
Interest expense	**–361,370**	**–344,917**	**–359,876**	**–344,592**
Net interest income	**1,646,749**	**1,144,335**	**422,313**	**281,185**

Note 3 Net income from financial transactions

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Exchange rate fluctuations	–25,372	–2,513	–37,181	8,023
Profit/Loss from financial assets and liabilities at fair value through profit/loss, net	–5,013	2,007	–5,290	2
Profit/Loss from financial assets and liabilities at amortised cost, net	–6,941	–	–6,941	–
Profit/Loss from financial assets and liabilities held for trading, net	26,465	–18,645	26,465	–18,645
Total	**–10,861**	**–19,151**	**–22,947**	**–10,620**

Note 4 Net sales

GROUP

SEK thousand	2015	2014
Intra-Group income	7 384[1)]	5 837[1)]
Other	10 575	12 220
Total	**17 959**	**18 057**

PARENT COMPANY

SEK thousand	2015	2014
Intra-Group income	73 889	94 954
Other	699	414
Total	**74 588**	**95 368**

1) The Parent company Hoist Finance AB (publ)

Note 5 Personnel expenses

Total personnel expenses and remuneration

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Salaries[1]	–498,202	–357,509	–81,018	–68,115
Pension expenses	–17,841,	–16,803	–12,824	–11,873
Social fees	–88,244	–70,471	–19,725,	–18,024
Other personnel-related expenses	–38,103	–28,417	–9,810	–6,834
Total	**–642,480**	**–473,200**	**–123,377**	**–104,847**

1) Includes fixed and variable remuneration.

Of which, salaries and other compensation to senior executives

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
To senior excecutives[1]				
Fixed salary and benefits	–20,287	–25,036	–18,580	–25,036
Performance-based compensation	–3,066	–3,459	–3,066	–3,459
Total	**–23,353**	**–28,495**	**–21,646**	**–28,495**

1) Senior executives include Board members, the President/CEO and the Executive Management Team. Former Board members are included. Senior executives during the year: 13 (10) individuals, of which Board members 6 (6) and CEO 1 (1).

Financial Supervisory Authority's regulation and general guidelines regarding remuneration policy FFFS 2011:2

Further information can be found in a separate report on remuneration published on Hoist Finance website (www.hoistfinance.com).

Remuneration to Members of the Board and Executive Management Team

Approved guidelines for remuneration for executive officers for 2015

The senior executives consist of the Chief Executive Officer and other management employees in Hoist Kredit AB and its subsidiaries.

The Board of Directors shall have the right to deviate from the principles decided at the Annual General Meeting if there are specific reasons in a particular case.

Remuneration to management employees consists of base salary, variable remuneration, pension and other benefits. The remuneration shall encourage employees to achieve results in line with Hoist Kredit's goals, strategy and vision, and encourage employees to act following Hoist Kredit's code of ethics and values. Furthermore, the total remuneration shall ensure that Hoist Kredit can attract, retain and motivate employees with the right competence. Remuneration shall encourage good performance, healthy behaviour and risk- taking that are in line with the expectations of customers and shareholders. The salary should be gender and age neutral and discrimination may not occur. Hoist Kredit has a holistic approach to remuneration, which means all remuneration components must be considered. The starting point of any remuneration shall be a fixed salary, which is based on responsibility and complexity of the position, current market conditions and the individual's performance.

The variable remuneration to management employees shall as a principle not exceed 50 per cent of the fixed salary, with a few exceptions. The variable remuneration 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. No variable remuneration will be paid to Group Head of control functions (risk, compliance and internal audit) or employees in control functions.

The variable remuneration shall take into consideration all the risks of Hoist Kredit's operations and shall be in proportion to the Group's earning capacity, capital requirements, profits and financial position.

Payment of remuneration shall not impede the Group's long-term interests. Payment of variable remuneration is conditional upon the management employee being compliant with internal rules and procedures, including policies regarding conduct toward customers and investors and the employee not being responsible for any conduct resulting in significant financial losses for Hoist Kredit or the business unit in question.

For management employees in the Executive Management Team, payment of at least 60 per cent of the variable remuneration shall be deferred for a period of at least three years. For management employees who are classified as employees whose duties have a material impact on the company's risk profile payment of at least 40 per cent 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.

Pension and insurance are offered under national laws, regulations and market practices in the form of either collective or firm-specific plans, or a combination of the two. Hoist Finance has defined contribution pension plans and does not apply discretionary pension benefits. There are defined benefit pension plans in Germany but no further contributions are made. A few management employees have gross salaries and the company does not make any pension payments. Other allowances should be competitive in comparison with comparable players in the respective country.

Sign on bonus is offered only in exceptional cases and then only for the purpose of covering forfeited variable remuneration under a previous employment agreement. The sign on bonus shall be paid out during the same year as the employment begins.

Note 5 Personnel expenses, continued

Remuneration to the Board of Directors[1]

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Chair of the Board:				
Ingrid Bonde[2]	–	236	–	236
Mikael Wirén[3]	–	2,001	–	2,001
Other Board members:				
Liselotte Hjorth[4]	67	–	–	–
Annika Poutiainen[5]	83	68	–	68
Per-Eric Skotthag	–	737	–	737
Gunilla Wikman[6]	67	116	–	116
Achim Prior[7]	117	750	–	750
Erik Fällström[8]	–	–	–	–
Jörgen Olsson	–	–	–	–
Costas Thoupos[9]	–	–	–	–
Total	**334**	**3,908**	**–**	**3,908**

1) Board and Committee member fees are comprised of a fixed annual amount, exclusive of social fees.
2) **Ingrid Bonde** took over as Board chair as from the 16 November 2014 extraordinary general meeting.
3) **Mikael Wirén** resigned as Board chairman as at the 16 November 2014 extraordinary general meeting.
4) **Liselotte Hjorth** was elected as new Board member at the 29 December 2014 extraordinary general meeting and joined the Board on 1 January 2015. Also includes remuneration of SEK 67 thousand (0) from subsidiary.
5) **Annika Poutiainen** joined the Board as from the 16 November 2014 extraordinary general meeting. Annika Poutiainen's Board fee was paid to Alpha Leon AB, a related company; see Note 32. Also includes remuneration of SEK 83 thousand (68) from subsidiary.
6) **Gunilla Wikman** joined the Board as at the 22 October 2014 extraordinary general meeting. Also includes remuneration of SEK 67 thousand (116) from subsidiary.
7) **Achim Prior** resigned as of the 16 November 2014 extraordinary general meeting. Includes remuneration from subsidiary.
8) **Erik Fällström** stepped down as Board member as at the 4 May 2014 AGM. Erik Fällström received no separate remuneration for his work on the Board, as he served as advisor for the business through April 2014. Until April 2014, remuneration for advisory services was paid to European Digital Capital Ltd, a related company; see Note 32.
9) **Costas Thoupos** received remuneration from a subsidiary totalling SEK 5,528 thousand (6,208). He resigned from the EMT in January 2015.

Salaries and benefits, group [1]

SEK thousand	Fixed salary 2015	Fixed salary 2014	Performance based compensation 2015	Performance based compensation 2014	Benefits[2] 2015	Benefits[2] 2014	Total 2015	Total 2014
CEO:								
Jörgen Olsson	–7,361	–7,416	–	–	–187	–196	–7,548	–7,612
Executive Management Team:								
6 (5) people[3] excluding CEO	–11,793	–13,060	–3,066	–3,459	–612	–456	–15,471	–16,975
Total	**–19,154**	**–20,476**	**–3,066**	**–3,459**	**–799**	**–652**	–23,019	**–24,587**

Salaries and benefits, parent company[1]

SEK thousand	Fixed salary 2015	Fixed salary 2014	Performance based compensation 2015	Performance based compensation 2014	Benefits[2] 2015	Benefits[2] 2014	Total 2015	Total 2014
CEO:								
Jörgen Olsson	–7,361	–7,416	–	–	–187	–196	–7,548	–7,612
Executive Management Team:								
5 (5) people [3] excluding CEO	–10,420	–13,060	–3,066	–3,459	–612	–456	–14,098	–16,975
Total	**–17,781**	**–20,476**	**–3,066**	**–3,459**	**–799**	**–652**	–21,646	**–24,587**

1) Exclusive of social fees.
2) Benefits included in the taxable fringe benefit, exclusive of social fees.
3) Karin Beijer's remuneration is included and was paid to Co Go Consulting AB, a related company; see Note 32.

If the employment is terminated by the Group, a maximum notice period of 12 months applies. At termination of employment by Hoist Finance, no redundancy payments are paid out. There is currently one exception.

Directors' remuneration

Board members of the Parent Company and subsidiary Hoist Kredit received remuneration in 2015 from Hoist Finance AB (publ) and the subsidiary Hoist Kredit for overlapping work performed for the boards of both companies. In previous years, Board remuneration was paid via Hoist Kredit. The AGM held on 25 February 2015 resolved that annual remuneration shall be paid as follows: SEK 500,000 to Board members, SEK 1,800,000 to the Chair of the Board, SEK 50,000 to members of Board Committees and SEK 100,000 to Chairs of Board Committee. Three Board members each receive annual remuneration of SEK 100,000 for work done on subsidiary boards.

Board members employed by Hoist Kredit (Jörgen Olsson and Costas Thoupos) do not receive specific remuneration for their work on the Board.

There is no outstanding redundancy payment or similar owed to any Board members. As of the AGM held on 16 November 2014, there are no pension obligations with respect to any Board members.

Note 5 Personnel expenses, continued

CEO

The CEO's basic salary, participation in the warrant programme, and other terms of employment are proposed by the Board's Remuneration Committee and adopted by the Board of Directors.

The CEO was paid a salary of SEK 7,361 thousand in 2015 (7,416), in line with Hoist Finance's remuneration policy. The CEO's salary is paid in Swedish kronor. The CEO does not receive any performance based compensation. Benefits, primarily comprised of a company car, were included in the taxable fringe benefit. The CEO acquired 296,192 warrants within the framework of the company's warrant programme, producing a warrant-to-share ratio of 1:3. The CEO has a 12-month notice period. There is no agreement in place on redundancy payments.

Pensions to the CEO (see table below):

Through October 2014, 40 per cent of fixed salary was set aside for pension. As of November 2014, the pension premium is 32 per cent of fixed salary.

Executive Management Team (EMT)

The Board's Remuneration Committee prepares for the Board's decision changes to remuneration rates and bonus programme results and other changes to EMT compensation agreements.

Like the CEO, other EMT members participated in the first warrant programme. The EMT and CEO held a total of 622,003 warrants as at year-end.

All but one EMT members are offered a variable wage component not to exceed 50 per cent of fixed annual salary. Other benefits are primarily comprised of company cars.

Costas Thoupos resigned from the EMT as of January 2015.

In 2015 the EMT consisted of six people, exclusive of the CEO. As from 1 January 2016 a new organisation is launched and the new EMT is presented on pages 18-19.

Notice period

The notice period is nine months for one EMT member and six months for three members. Only one EMT member is eligible for redundancy payments, totalling 50 per cent of gross salary for a 12-month period.

Pensions (see table below):

Four EMT members follow Hoist Finance's predetermined pension scheme, while one member receives 7 per cent of fixed salary. For these four members, fixed salary constitutes pensionable remuneration.

Pension costs

	GROUP		PARENT COMPANY	
SEK thousand	**2015[3]**	**2014[3]**	**2015**	**2014**
Former Chairman of the Board: Mikael Wirén[1]	–	–674	–	–674
CEO: Jörgen Olsson	–2,342	–2,830	–2,342	–2,830
Executive Management Team: 6 (5) people (excluding CEO)[2]	–1,532	–1,238	–1,532	–1,238
Total	**–3,874**	**–4,742**	**–3,874**	**–4,742**

1) Mikael Wirén resigned at the 16 November 2014 extraordinary general meeting; pension expenses ceased on that date.
2) EMT members are included for the periods during which they held their positions.
3) Pension expenses are comprised of written-off pension premiums in defined-benefit pension plans (costs related to services performed during the current and previous years as well as wage regulations, defined in IAS 19). Of total pension expenses, 100 per cent is attributable to defined- benefit pension plans.

Lending to senior executives

SEK thousand	31 Dec 2015	31 Dec 2014
Outstanding at beginning of the period	–	–
– Loans during the period	468	–
Outstanding at end of the period	**468**	–

One Executive Management Team member holds a loan of EUR 50,000.

Number and weighted average exercise price of cash-settled options[1]

	Number of options 2015	Number of options 2014
Outstanding at beginning of the period		
– 2013 warrant programme	794,782	819,465
– 2014 warrant programme	222,041	–
Repurchase (–)/allocated (+) during the period		
– 2013 warrant programme	–57,593	–24,683
– 2014 warrant programme	–29,603	222,041
Outstanding at end of the period		
– 2013 warrant programme	737,189	794,782
– 2014 warrant programme	192,438	222,041

1) A 1:3 share split was conducted in February 2015

Warrant programme

Hoist Finance issued warrants in 2013 and 2014 that were acquired by key management personnel within the Group.

The extraordinary general meeting held on 6 December 2013 resolved to introduce a warrant programme under which a total of 819,465 warrants were issued. A total of 11 selected senior executives and key employees acquired all of these warrants at market price (fair value) as calculated by Black & Scholes.

Thereafter, a total of 82,276 warrants have been repurchased and cancelled by the company. In total 737,189 warrants are held by 9 senior executives and key staff.

Originally, each warrant entitled the holder to subscribe for one new share in the Company, at a subscription price of SEK 48.42 per share. In accordance with the warrants' terms and conditions, the subscription price as well as the number of shares each warrant entitles the holder to subscribe for, has been recalculated in line with the share split 1:3 which was resolved at the AGM on 25 February 2015. Accordingly, each warrant entitles the holder to subscribe for three new shares at a subscription price of 16,14 SEK per share through 31 December 2016. The warrant holder is, however, under certain circumstances obliged to offer the Company the option of repurchasing some or all of the warrants or shares issued through exercise of the warrants.

Note 5 Personnel expenses, continued

The extraordinary general meeting held on 22 October 2014 resolved to issue additional warrants to key Group employees. 26 key employees acquired a total of 222,041 warrants under the warrant programme at market price (fair value) as calculated by Black & Scholes. Thereafter, as at 31 December 2015 a total of 29,603 warrants have been repurchased from three holders and cancelled by the company. In 2015, SEK 4,019 thousand have been paid for these repurchased warrants which are accounted for in shareholders' equity. Originally, each warrant entitled the holder to subscribe for one new share in the Company, at a subscription price of SEK 190.20 per share for all warrants, except for 27,293 which entitled the holder to subscribe one share at a subscription price of 166.40 SEK. In line with the 2013 warrant programme, the subscription price as well as the number of shares each warrant entitles the holder to subscribe for, has been recalculated in accordance with the warrants' terms and conditions. Accordingly, each warrant entitles the holder to subscribe for three new shares at a subscription price of 63.40 SEK per share except for 27,293 warrants which entitles the holder to subscribe three new shares at a subscription price of 55.47 SEK.

The warrants are valid through 31 December 2016 and the holder is under certain circumstances obliged to offer the Company the option of repurchasing some or all of the warrants or shares issued through exercise of the warrants.

Warrant liquidity is reported in 'Shareholders' equity'. The Company's share capital will increase by SEK 929,627 upon the full exercise of all above-mentioned warrants held by senior executives and key employees, corresponding to a 3.4 per cent dilution effect of the Company's current equity in total. In accordance with the warrants' terms and conditions, the subscription price and number of shares each warrant entitles the holder to subscribe for, may be restated under certain circumstances and, in some instances, warrant holders are obliged to offer the Company the option of repurchasing some or all of the warrants or the shares issued through exercise of the warrants.

Average number of employees during the year, group

	2015			2014		
	Men	Women	Total	Men	Women	Total
Sweden	29	18	47	20	14	34
Germany	98	201	299	96	199	295
France	38	63	101	41	73	114
Belgium	10	8	18	8	7	15
The Netherlands	15	13	28	11	11	22
UK	220	203	423	168	166	334
Italy	66	82	148	22	31	53
Poland	61	121	182	5	9	14
Total	**537**	**709**	**1,246**	**371**	**510**	**881**

Average number of employees during the year, parent company

	2015			2014		
	Men	Women	Total	Men	Women	Total
Sweden	29	18	47	20	14	34
Belgium	10	8	18	8	7	15
The Netherlands	15	13	28	11	11	22
Total	**54**	**39**	**93**	**39**	**32**	**71**

The average number of employees is calculated based on full-time employees (FTEs). The Group also has contracted consultants, the number of which varies during the year depending on requirements.

As at 31 December 2015 the Group had 1,246 FTEs (881).

Gender distribution, senior executives

	31 Dec 2015	31 Dec 2015	31 Dec 2014	31 Dec 2014
%	Men	Women	Men	Women
Senior executives	64	36	71	29
Boards of Directors	66	34	79	21
Of which, Parent Company	*43*	*57*	*50*	*50*

Note 6 Other operating expenses

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Collection costs	–498,209	–342,783	–84,539	–90,291
Consultancy services	–112,813	–113,579	–37,278	–66,653
Intra-Group consultancy services	–60,521[1]	–55,407[1]	–47,624[1]	–53,191[1]
Other intra-Group expenses	–22,604[1]	–	–4,654[1]	–10,402[1]
IT expenses	–28,287	–30,925	–11,943	–9,948
Telecom expenses	–12,974	–8,652	–1,161	–1,014
Premises costs	–52,772	–46,214	–4,828	–5,997
Travel expenses	–22,950	–18,500	–7,124	–5,806
Restructuring costs	–2,207	–13,106	–82	–125
Bank charges	–22,273	–3,733	–2,251	–1,204
Sales and marketing expenses	–3,798	–4,103	–1,423	–2,401
Other expenses	–5,985	–16,266	–1,692	–6,356
Total	**–845,393**	**–653,268**	**–204,599**	**–253,388**

1) The Parent company Hoist Finance AB (publ)

Note 7 Credit losses

SEK thousand	GROUP 2015	GROUP 2014
Specific impairment for individually valued loan receivables		
Write-offs for stated credit losses for the year	–5,298	–
Net costs of credit losses for the year	**–5,298**	**–**

The information in this Note also refer to the Parent company.

Note 8 Shares and participations in joint ventures

Shares and participations in joint ventures relate to Hoist Kredit AB's (publ) holding (50%) in "BEST III" Sec Fund, a Polish closed-end fund designated for the acquisition of individual loan portfolios. The initial investment was PLN 40 million (SEK 90 M) and the investment is consolidated pursuant to the equity method. BEST III is located in Gdynia.

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014
Opening balance	**215,347**	**192,230**
Redemption of fund units	–15,277	–13,544
Profit	10,435	30,722
Exchange differences	–4,948	5,939
Closing balance	**205,557**	**215,347**

The Group's profit from shares and participations in joint ventures totals SEK 55 million (59), of which SEK 44 million (28) is attributable to Hoist Kredit AB (publ) for the redemption of fund units.

SEK thousand	BEST III 31 Dec 2015	BEST III 31 Dec 2014
Assets		
Acquired loan portfolios	457,732	502,025
Cash and bank balances	17,952	23,544
Total assets	**475,684**	**525,569**
Liabilities		
Non-current liabilities	45,332	75,860
Current liabilities	19,239	19,016
Total liabilities	**64,571**	**94,876**
Net assets	**411,113**	**430,693**
Interest income	139,525	185,309
Other expenses	–52,807	–52,581
Net profit for the year	**86,718**	**132,728**

There are no contingent liabilities pertaining to the Group's interest in this joint venture, nor does the joint venture have any contingent liabilities.

Note 9 Earnings from participations in Group companies

During the year, Hoist Kredit AB (publ) received a dividend in the amount of SEK 293m from its subsidiary Hoist Finance Services AB, while also making an impairment of its shareholding in the subsidiary in the amount of SEK 159m. In the preceding year, the Parent Company received a dividend from its subsidiary Hoist Finance UK Ltd. in the amount of SEK 35m, as well as a Group contribution of SEK 120m from Hoist Finance Services AB.

Note 10 Tax

	GROUP		PARENT COMPANY	
SEK thousand	**2015**	**2014**	**2015**	**2014**
Current tax expense/revenue				
Tax expense/revenue for the year	–22,910	–24,127	–39,783	–26,070
Tax adjustment attributable to previous years	–5,696	–336	–5,613	–1
Total	**–28,606**	**–24,463**	**–45,396**	–26,071
Deferred tax expense/revenue				
Deferred tax attributable to temporary differences	–36,355	–13,452	1,047	2,245
Total	**–36,355**	**–13,452**	**1,047**	**2,245**
Total reported tax expense	**–64,961**	**–37,915**	**–44,349**	**–23,826**

	GROUP		PARENT COMPANY	
SEK thousand	**2015**	**2014**	**2015**	**2014**
Profit before tax	**342,523**	**205,137**	**304,372**	**148,560**
Tax calculated at 22% (Swedish) tax rate	–75,355	–45,130	–66,962	–32,683
Effect of different tax rates in different countries	13,669	–4,398	–208	–157
Non-taxable revenue	14,996	4,798	64,460	7,626
Non-deductible expenses	–2,721	–8,319	–36,045	–736
Adjustments with reference to previous years	–5,696	–336	–5,613	–1
Utilisation of previously uncapitalised loss carry-forwards	12,541	23,267	–	–
Increase in loss carry-forwards without corresponding capitalisation of deferred tax	–8,955	–7,441	–	–
Decrease in capitalised loss carry-forwards not expected to be utilised	–21,393	–	–	–
Other	7,954	–356	19	2,125
Total tax expense	**–64,961**	**–37,915**	**–44,349**	**–23,826**

The Group's effective tax rate was 18.97 per cent (18.48) at 31 December 2015.

Current tax reported directly in the Group's equity totalled SEK 35 million as at 31 December 2015 and refers to tax on interest paid on capital contributions and tax on group contributions. Last year, current tax on items reported directly in equity in the Group totalled SEK 3 million and referred to tax on interest paid on capital contributions. 'Other comprehensive income' includes tax valued at SEK –1 million (1) related to the revaluation of defined-benefit pension plans and revaluation of post-employment remuneration.

Note 10 Tax, continued

	GROUP	
SEK thousand	31 Dec 2015	31 Dec 2014
Deferred tax		
Deferred tax assets	62,688	70,885
Deferred tax liabilities	–178,826	–50,419
Total	**–116,139**	**20,466**

GROUP, 31 December 2015

SEK thousand	Opening balance	Income statement	Other comprehensive income	Acquired via acquisition of companies	Translation differences	Closing balance
Change in deferred tax						
Loss carry-forwards	64,978	–14,291		16,864	–1,820	65,731
Joint venture	–31,086	–2,296				–33,382
Defined-benefit pension schemes and other employee benefits	3,636		–781		–127	2,728
Acquired loan portfolios	–18,725	3,483		–126,668	5,108	–136,802
Untaxed reserves		–13,695				–13,695
Other	1,663	–9,556		7,350	–176	–719
Total	**20,466**	**–36,355**	**–781**	**–102,454**	**2,985**	**–116,139**

GROUP, 31 December 2014

SEK thousand	Opening balance	Income statement	Other comprehensive income	Acquired via acquisition of companies	Closing balance
Change in deferred tax					
Loss carry-forwards	57,049	7,929			64,978
Joint venture	–24,328	–6,758			–31,086
Defined-benefit pension schemes and other employee benefit	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**

The Group's deferred tax assets attributable to loss carry-forwards are expected to be fully utilised during the next four years. Deferred tax assets are only reported as a tax loss carry-forwards to the extent that a related tax benefit is likely to be realised.

Deferred tax assets and liabilities are offset to the extent there is a legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Unreported loss carry-forwards total SEK 113 million (37).

Tax loss carry-forwards of SEK 53 million are due in 2016, SEK 9 million in 2017, and SEK 70 million in 2018. Tax loss carry-forwards of SEK 197 million have no due date. Deferred tax assets pertaining to these loss carry-forwards have been capitalised.

Note 11 Maturity analysis

GROUP, 31 December 2015

SEK thousand	Payable on demand	< 3 months	3–12 months	1–5 years	> 5 years	No fixed maturity	Total
Assets							
Treasury bills and treasury bonds		3,077,827					3,077,827
Lending to credit institutions	795,275	639					795,915
Lending to the public		7,750	17,199	40,603	12,442		77,994
Bonds and other securities		118,007	140,008	1,020,199		25,000	1,303,214
Derivatives		304,988	244	9,448			314,680
Total assets with fixed/contractual maturity	**795,275**	**3,509,211**	**157,451**	**1,070,250**	**12,442**	**25,000**	**5,569,630**
Acquired loan portfolios[1]		720,487	2,253,221	8,660,933	4,827,855		16,462,496
Total assets with no fixed/anticipated maturity		**720,487**	**2,253,221**	**8,660,933**	**4,827,855**		**16,462,496**
Liabilities							
Deposits from the public[2]							
retail	8,057,969	1,229,886	953,039	2,381,527			12,622,421
corporate	168,956						168,956
Total deposits from the public	**8,226,925**	**1,229,886**	**953,039**	**2,381,527**			**12,791,377**
Deposits from credit institutions	62,813						62,813
Derivatives		1,651					1,651
Issued bonds			335,321	903,148			1,238,469
Subordinated liabilities					336,892		336,892
Total liabilities with fixed/contractual maturity	**8,289,738**	**1,231,537**	**1,288,360**	**3,284,675**	**336,892**		**14,431,201**

GROUP,31,December,2014

SEK thousand	Payable on demand	< 3 months	3–12 months	1–5 years	> 5 years	No,fixed-maturity	Total
Assets							
Treasury bills and treasury bonds		2,316,110					2,316,110
Lending to credit institutions	1,247,289	1,903					1,249,192
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 maturity	**1,247,289**	**2,482,486**	**201,770**	**1,711,298**	**5,933**	**25,000**	**5,673,775**
Acquired loan portfolios[1]		656,319	1,862,892	6,872,154	4,095,440		13,486,805
Total assets with no fixed/anticipated maturity		**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	984,759			10,837,373
corporate	149,916						149,916
Total deposits from the public	**7,629,030**	**514,600**	**1,858,900**	**984,759**			**10,987,289**
Derivatives		208,691		38,033			246,724
Issued bonds				1,493,122			1,493,122
Subordinated liabilities					332,796		332,796
Total liabilities with fixed maturity	**7,629,030**	**723,291**	**1,858,900**	**2,515,914**	**332,796**		**13,059,931**

1) Maturity information for acquired loan portfolios is based on anticipated net cash flows. See Note 29 for additional details on the Group's management of credit risk.
2) All deposits are in Swedish kronor and payable on demand. There is a fee assessed for premature withdrawals from fixed-term deposits.

See Note 29 for information on the Group's management of liquidity risk.

Note 11 Maturity analysis, continued

31 December 2015

PARENT COMPANY

SEK thousand	Payable on demand	< 3 months	3–12 months	1–5 years	> 5 years	No fixed maturity	Total
Assets							
Eligible treasury bonds		3,077,827					3,077,827
Lending to credit institutions	77,864	639					78,503
Lending to the public		7,750	17,199	40,603	12,442		77,994
Intra-Group receivables	113,307	265,399	15,559	6,266,716	2,108,572		8,769,553
Bonds and other securities		118,007	140,008	1,020,199		25,000	1,303,214
Derivatives		304,988	244	9,448			314,680
Total assets with fixed maturities/anticipated maturity	**191,171**	**3,774,610**	**173,010**	**7,336,966**	**2,121,014**	**25,000**	**13,621,771**
Acquired loan portfolios[1]		255,396	666,125	2,216,688	1,145,248		4,283,457
Total liabilities without fixed maturities/anticipated maturity		**255,396**	**666,125**	**2,216,688**	**1,145,248**		**4,283,457**
Liabilities							
Deposits from the public[2]							
– retail	8,057,969	1,229,886	953,039	2,381,527			12,622,421
– corporate	168,956						168,956
Total deposits from the public	**8,226,925**	**1,229,886**	**953,039**	**2,381,527**			**12,791,377**
Deposits from credit institutions	87,723						87,723
Derivatives		1,651					1,651
Issued bonds			335,321	903,148			1,238,469
Subordinated loans					336,892		336,892
Total liabilities with fixed maturities/contractual maturity	**8,314,648**	**1,231,537**	**1,288,360**	**3,284,675**	**336,892**		**14,456,112**

31 December 2014

PARENT COMPANY

SEK thousand	Payable on demand	< 3 months	3–12 months	1–5 years	> 5 years	No fixed maturity	Total
Assets							
Eligible treasury bonds		2,316,110					2,316,110
Lending to credit institutions	246,481	1,903					248,384
Lending to the public		4,404	52,430	94,466	5,933		157,232
Intra-Group receivables		319,750	11,418,600	4,910,038	1,208,468		6,449,675
Bonds and other securities		160,069	149,340	1,616,832			1,926,241
Total assets with fixed maturities	**246,481**	**2,802,236**	**213,188**	**6,621,336**	**1,214,401**		**11,097,642**
Acquired loan portfolios[1]		293,084	717,309	1,999,164	1,228,726		4,238,283
Total liabilities without fixed maturities/contractual maturity		**293,084**	**717,309**	**1,999,164**	**1,228,726**		**4,238,283**
Liabilities							
Deposits from the public[2]							
– retail	7,479,114	514,600	1,858,900	984,759			10,837,373
– corporate	149,916						149,916
Total deposits from the public	**7,629,030**	**514,600**	**1,858,900**	**984,759**			**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	**7,629,030**	**723,291**	**1,858,900**	**2,515,913**	**332,796**		**13,059,930**

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, se note 29.
2) All deposits are in Swedish kronor and payable on demand. There is a fee for premature withdrawals from fixed duration accounts.

See Note 29 for information on the Group's management of liquidity risk.

Note 12 Financial assets

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 dec 2015	PARENT COMPANY 31 dec 2014
Swedish banks	562	665,280	562	150,576
Foreign banks	795,353	583,912	77,941	97,807
Total, lending to credit institutions	**795,915**	**1,249,192**	**78,503**	**248,384**
Of which, pledged assets1)	639	1,903	639	1,903
Interest-bearing securities				
Eligible treasuries, Swedish government	1,181,728	670,853	1,181,728	670,853
Other eligible securities	1,896,099	1,645,257	1,896,099	1,645,257
Total, treasury bills and treasury bonds	**3,077,827**	**2,316,110**	**3,077,827**	**2,316,110**
Bonds and other securities				
Credit institutions	10,000	–	10,000	–
Mortgage institutions	1,268,214	1,926,241	1,268,214	1,926,241
Total bonds and other securities	**1,278,214**	**1,926,241**	**1,278,214**	**1,926,241**
Total interest-bearing securities	**4,356,041**	**4,242,351**	**4,356,041**	**4,242,351**
Of which, unlisted securities	–	–	–	–
Shares and other participating interests				
Unlisted[2)]	25,000	25,000	25,000	–
Total, shares and other participating interests	**25,000**	**25,000**	**25,000**	–

1) Amount refers to pledged assets (cash) in favour of Deutsche Bank to meet potential debt repayments from the public. In the event a borrower wishes to reverse his or her direct debit payment, such funds must be re-transferred to the borrower.

2) There are no listed market prices for shares reported at acquisition value. Neither can the fair value of these shares be calculated reliably with valuation techniques. The shares are held for strategic purposes and are not intended for sale in the near future. See Note 29 for additional information on credit quality.

Note 13 Acquired loan portfolios

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Opening balance	**8,586,782**	**5,997,935**	**2,860,220**	**2,546,122**
Acquisitions	4,370,259	3,226,795	588,333	1,091,392
Intra-Group sales	–	–	–	–262,316
Translation differences	–315,835	505,071	–112,439	165,513
Changes in value				
Based on opening balance forecast (amortisation)	–1,587,651	–1,128,103	–778,855	–663,134
Based on revised estimates (revaluation)	–38,856	–14,916	89,353	–17,357
Carrying value	**11,014,699**	**8,586,782**	**2,646,612**	**2,860,220**
Profit/loss revaluations reported in income statement	**–1,626,507**	**–1,143,020**	**–689,502**	**–680,491**

Of which, at fair value

SEK thousand	GROUP 2015	GROUP 2014	PARENT COMPANY 2015	PARENT COMPANY 2014
Opening balance	**1,460,229**	**1,607,061**	**1,177,466**	**1,295,106**
Translation differences	–53,671	94,594	–43,992	76,806
Changes in value				
Based on opening balance forecast (amortisation)	–167,331	–188,953	–154,700	–173,313
Based on revised estimates (revaluation)	–61,419	–52,473	–4,968	–21,133
Carrying value	**1,177,808**	**1,460,229**	**973,806**	**1,177,466**
Profit/loss revaluations reported in income statement	**–228,750**	**–241,426**	**–159,668**	**–194,446**

Note 13 Acquired loan portfolios, continued

The Group acquires portfolios of financial assets primarily from banks, insurance companies and other companies and institutions. These receivables are mostly comprised of unsecured consumer loans and also include consumer invoices. These loan portfolios were acquired at a significant discount relative to the capital claim, corresponding to the discounted value of anticipated collections and the Group's required rate of return.

The fair value measurement principle is applied to portfolios acquired prior to 1 July 2011 (SEK 1,178 million, corresponding to 11 per cent) whereas portfolios acquired after that date (SEK 9,837 million, corresponding to 89 per cent) are valued at amortised cost. For additional information on accounting principles in accordance with the IFRS, please refer to the Accounting Principles section.

Portfolio overview

The portfolios are comprised of a large number of loans. The debtors have varying characteristics, including payers, partial payers and non-payers. There is some degree of mobility between debtor categories, with non-payers becoming payers and vice versa. The Group divides its portfolios into different categories, defined as follows:

Countries: Countries in which portfolio seller and debtors are located.

Age: Primary claims are acquired by the Group up to 180 days following withdrawal of credit by the seller, secondary claims between 180 and 720 days, and tertiary claims after 720 days.

Asset class: The type of contract under which the claim against the debtor originated.

Acquisition type: A spot portfolio is a one-time acquisition. A forward flow portfolio involves regular monthly acquisitions; a framework agreement is signed at inception and deliveries subject to a defined model are excecuted.

Classification into primary, secondary and tertiary portfolios reflects the portfolios' characteristics as at time of acquisition.

Net collection forecast

The Group values its portfolios based on estimated future net cash flows for the next ten years. Collection costs are monitored closely. Forecast collection costs are based on standard cost curves, for which an analysis of actual collection costs for a standard portfolio is carried out taking into consideration collection in relation to the character and age of the receivables. These curves are applied in the value calculation for all portfolios. In cases where collection is outsourced or when a portfolio is of significant size, actual collection cost (or an estimate thereof) is applied.

Cash flow forecasts are regularly monitored during the year and updated based on factors such as achieved collection results and instalment plan agreements with debtors. A new carrying value is calculated for the portfolios based on the updated forecasts. The difference is reported as income or expense in the income statement and specified in Note 1 (SEK –1,627 million).

Portfolios at fair value through profit or loss

The Group has chosen to categorise portfolios acquired prior to 1 July 2011 as valued at fair value through profit or loss, as these financial assets are managed and their performance evaluated on a fair value basis in accordance with the Group's risk management policies. Information on the portfolios is provided internally to the Group's Executive Management Team on that basis. The underlying concept for the fair value at profit or loss method is to determine an asset's carrying value by using the best available price for the asset. Because loan portfolios are not normally traded publicly, no market prices are available. However, most industry players apply similar pricing methods for portfolio acquisitions and calculate the present value of future cash flows – this corresponds to the portfolio's market price.

The three main influencing factors in calculating fair value are: (i) the gross collections forecast, (ii) the cost level, and (iii) the market discount rate. Each month, the Group looks at the forward ten years' net collection forecasts for all portfolios and discounts the forecasts to present value, which serves as the basis for calculating the reported fair value for each portfolio.

The insights that Hoist Kredit, as one of the industry's biggest players, gains from the many portfolio transactions the Company participates in or has knowledge of form an important component in estimating a market discount rate. The discount rate corresponding to the market's required return is updated regularly and reflects actual return on relevant and comparable transactions in the market. Portfolios are currently valued at an IRR of 12 per cent over a ten-year period.

The estimated market discount rate is only applied to the portion of the portfolios valued at fair value. For the portfolios valued at amortised cost, the IRR at which the original acquisition was carried out is applied and the revenues are expensed at this effective interest rate.

Revaluations

The Group monitors and regularly evaluates actual collections in relation to the forecast that served as the basis for portfolio valuation during the same period. In the event of negative deviations, the Group first takes additional operational measures to reduce the risk of deviation in future periods. If additional operational measures do not have or are not anticipated to have the intended effect, a revised forecast is done for future collections. The forecast is adjusted upwards in cases where portfolio collections are regularly determined to exceed the current forecast. Forecast adjustments are analysed in consultation with the Investment Committee, and are decided on at the Group level. Forecast revisions are implemented by the resources directly subordinate to the Chief Financial Officer. Forecast adjustments and their impact on earnings are disclosed internally and externally. Portfolio valuation is independently audited by the Risk Control function.

Sensitivity analysis

While Hoist Kredit considers the assumptions made in assessing fair value to be reasonable, the application of other methods and assumptions may produce a different fair value. For Level 3 fair value, a reasonable change in one or several assumptions would have the following impact on earnings:

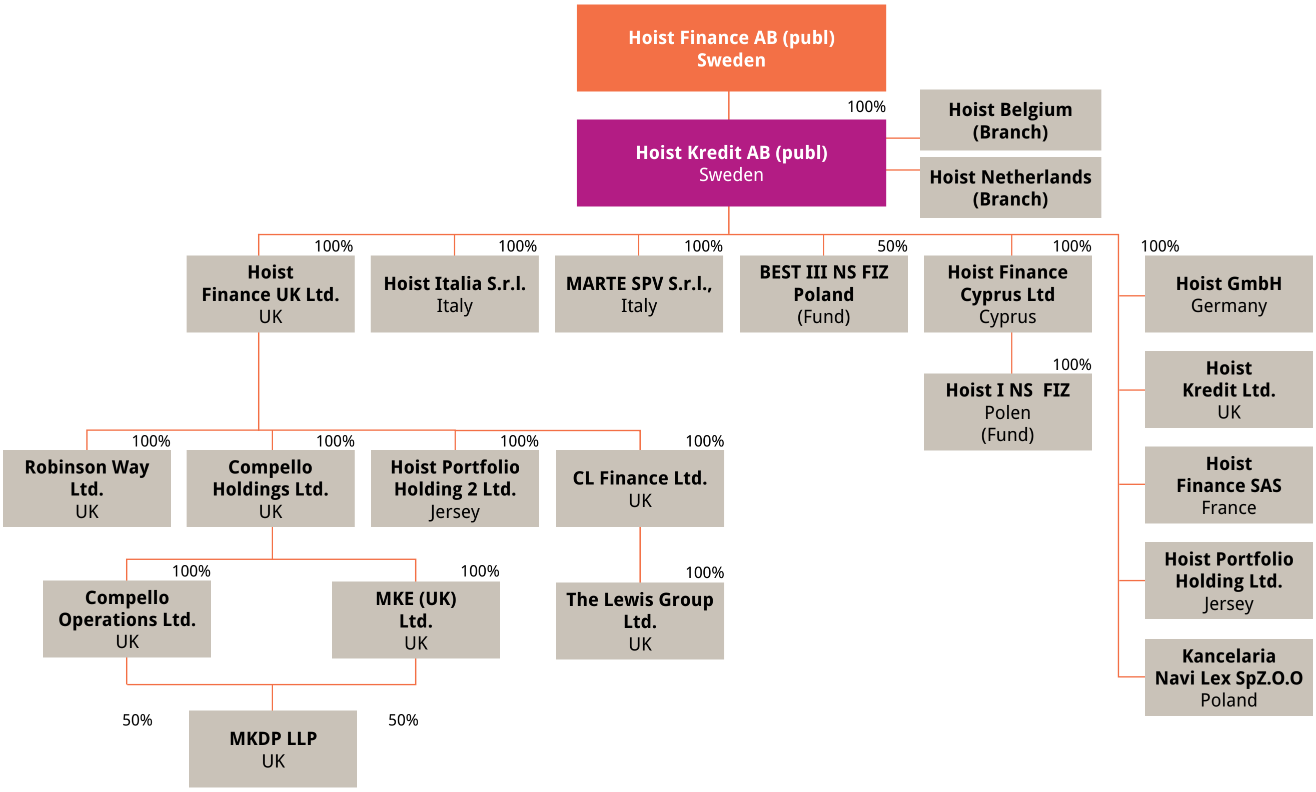
Note 13 Acquired loan portfolios, continued

SEK thousand	GROUP 2015	GROUP 2014
Carrying value of loan portfolios	**11,014,699**	**8,586,782**
A 5% increase in estimated cash flow over the forecast period (10 years) would increase the carrying value by	540,638	424,369
of which, valued at fair value	58,890	72,804
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by	–540,638	–424,369
of which, valued at fair value	–58,890	–72,804

SEK thousand	GROUP 2015	GROUP 2014
Carrying value of loan portfolios acquired prior to 1 July 2011	**1,177,808**	**1,460,229**
A 1% decrease in the market rate of interest would increase the carrying value by	34,774	46,058
A 1% increase in the market rate of interest would reduce the carrying value by	–32,880	–43,483
Shortening the forecast period by 1 year would reduce the carrying value by	–33,073	–48,622
Lengthening the forecast period by 1 year would increase the carrying value by	21,424	43,413

Note 14 Group companies

Legal structure[1]



1) The Hoist Finance Group with the most important subsidiaries and branches as at 31 December 2015.

Note 14 Group companies, continued

Hoist Kredit AB (publ), corporate identity number 556329-5699 and with its registered office in Stockholm, is the Parent Company of the Group. The list of Group subsidiaries is provided below.

SEK thousand	Corp. ID no.	Domicile	Ownership, %	Total revenue	Profit before tax	Tax on earnings
Swedish						
Hoist Finance Services AB[1]	556640–9941	Stockholm	100	–5,768	145	–31
Foreign						
Hoist Finance SAS	444611453	Lille	100	105,531	3,814	–377
Hoist GmbH	HRB 7736	Duisburg	100	318,425	8,909	–3,474
HECTOR Sicherheiten-Verwaltungs GmbH	HRB 74561	Duisburg	100	–	–93	–
Hoist Portfolio Holding Ltd.	101438	St. Helier	100	172,130	–71,542	6,346
Hoist Portfolio Holding 2 Ltd.	111085	St. Helier	100	304,450	55,002	–12,100
Hoist Poland SpZ.O.O. [1]	284313	Warszawa	100	2,661	152	–31
HOIST I NS FIZ[2]	RFI702	Warszawa	100	268,430	206,960	–
Hoist Kredit Ltd.	7646691	London	100	29,284	1,394	70
Hoist Finance UK Ltd.	8303007	London	100	50,255	–47,073	–
C L Finance Ltd.	01108021	West Yorkshire	100	–	–	–
Robinson Way Ltd.	6976081	Manchester	100	219,095	–6,230	9,419
The Lewis Group Ltd.	SC127043	Glasgow	100	–1,804	–15,246	3,483
Compello Holdings Ltd.[3]	8045571	Milton Keynes	100	–	–	–
Compello Operations Ltd.[3]	98045559	Milton Keynes	100	–	38,988	–
MKE (UK) Ltd.[3]	7042157	Milton Keynes	100	–	35,345	–
MKDP LLP[3]	OC349372	Milton Keynes	100	118,626	–	–
Marte SPV S.R.L	4634710265	Conegliano	100	234,017	45,294	–9,965
Hoist Italia S.R.L	12898671008	Rom	100	117,000	–7,322	246
Hoist Finance Cyprus Ltd	HE 338570	Nicosia	100	–75,951	106,769	–
Kancelaria Navi Lex SpZ.O.O[4]	0000536257	Wroclaw	100	39,993	12	83

1) Company is being liquidated. 2) Polish Sec. fund. 3) Acquired during the year. 4) Changed name to Hoist Polska SpZ.O.O after end of financial year.

Carrying value in Hoist Kredit AB (publ)

SEK thousand	2015	2014
Hoist Finance Services AB	1,018	160,350
Hoist Finance SAS, France	7,183	7,183
Hoist GmbH, Germany	70,517	70,517
HECTOR Sicherheiten-Verwaltungs GmbH, Germany	–	–
Hoist Portfolio Holding Ltd, Jersey	–	–
Hoist Portfolio Holding 2 Ltd, Jersey	–	–
Hoist Poland SpZ.O.O. Poland	124	124
HOIST I NS FIZ , Poland	–	–
Hoist Kredit Ltd, UK	–	–
Hoist Finance UK Ltd, UK	334,949	98,924
C L Finance Ltd, UK	–	–
Robinson Way Ltd, UK	–	–
The Lewis Group Ltd, UK	–	–
Compello Holdings Ltd, UK	–	–
Compello Operations Ltd, UK	–	–
MKE (UK) Ltd, UK	–	–
MKDP LLP, UK	–	–
Marte SPV S.R.L, Italy	109	109
Hoist Italia S.R.L	20,820	20,820
Hoist Finance Cyprus Ltd	9	9
Kancelaria Navi Lex SpZ.O.O, Poland	147,243	70,811
Total	**581,972**	**428,846**

Note 14 Group companies, continued

Ownership percentage corresponds to share of voting power. All shares are unlisted. None is a registered credit institution. Information on number of shares in Group companies is available upon request.

SEK thousand	31 Dec 2015	31 Dec 2014
Accumulated acquisition value		
Opening balance	**421,645**	**295,944**
Acquisitions	116,533	73,432
Capital contribution	–	52,977
New share issue	195,925	–
Disposal	–	–708
Closing balance	**734,103**	**421,645**
Accumulated depreciations		
Opening balance	**7,201**	**7,201**
Depreciations	–159,332	–
Closing balance	**–152,131**	**7,201**
Closing balance	**581,972**	**428,846**

Business combinations

Compello Holdings Ltd.

On 1 July 2015 Hoist Kredit acquired a substantial, diversified loan portfolio in the UK by acquiring all shares in Compello Holdings Ltd., a debt restructuring company with self-owned portfolios operating in the UK and headquartered in Milton Keynes.

The acquisition will further strengthen Hoist Kredit's market position in the British market. The total purchase price of SEK 1,256 million was paid in cash upon completion of the acquisition. The portfolio value at acquisition was SEK 1,502 million and the outstanding capital claim totalled SEK 33 billion.

Acquired company's net assets at acquisition date:[1]

SEK thousand	
Cash and cash equivalents	23,306
Tangible assets	3,964
Accounts receivable and other receivables	1,506,716
Accounts payable and other liabilities	–131,159
Non-current liabilities to Group companies	–146,419
Total identifiable net assets	**1,256,408**

1) The acquisition balance sheet is preliminary.

The acquisition balance sheet included SEK 1,256 million in net assets, including SEK 23 million in cash and cash equivalents. Acquisition-related expenses total SEK 18 million and include a stamp tax of SEK 6 million. Compello Holdings Ltd. had SEK 104 million in income during the first six months of 2015 and SEK 119 million for the full year. The company's operating profit was SEK 26 million prior to the merger and SEK 74 million for the full year. The acquisition will not give rise to any acquisition goodwill, as the entire purchase price is related to the debt portfolios and other current receivables. Compello Holdings Ltd. has been consolidated into Hoist Kredit Group as of July 2015.

Kancelaria Navi Lex SpZ.O.O.[1]

In December 2014 Hoist Kredit AB (publ) acquired 100 per cent of the shares in Kancelaria Navi Lex SpZ.O.O ("Navi Lex") at a purchase price of SEK 67 million, of which SEK 59 million was paid in cash upon the completion of the transaction. Additional purchase price may range between SEK 0 million and SEK 81 million during the period 2015–2018. Management's assessment is that the maximum additional purchase price will be payable, which is why SEK 81 million is referenced in the acquisition analysis in 2015. This amount discounted, gives an additional surplus value of SEK 76 million. The entire amount is attributable to goodwill. The adjustment of deferred tax valuation in 2015 increased previously reported goodwill by SEK 2 million. In 2015 a total amount of SEK 18 million of the purchase price has been paid in cash. Navi Lex revenue for 2015 amounted to SEK 40 million and operating profit to SEK 0 million.

Goodwill is primarily attributable to the Group's base and organisation being well suited for further expansion on the Polish NPL market. Navi Lex has an experienced management team and an efficient organisation with excellent market knowledge and a network of contacts for acquiring portfolios and managing collection operations. The Navi Lex collection system and call centre infrastructure is also well invested. External collection agencies were used for the Polish portfolios prior to the acquisition; this is now done internally via Navi Lex, which significantly reduces collection costs.

1) Changed name to Hoist Polska SpZ.O.O.

Final acquisition balance sheet, Navi Lex:

SEK thousand	
Intangible assets	10,710
Tangible assets	1,284
Accounts receivables and other receivables	6,550
Cash and cash equivalents	9,115
Accounts payables and other liabilities	–12,724
Total identifiable net assets	**14,935**

Minority shareholding Hoist Finance UK Ltd.

During financial year 2015, Hoist Kredit AB (publ) acquired a 10 per cent minority share in subsidiary Hoist Finance UK Ltd. The purchase price totalled SEK 40 million, of which SEK 33 million was paid in cash.

Note 15 Intangible assets

	GROUP		PARENT COMPANY	
SEK thousand	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Goodwill				
Acquisition value, opening balance	106,155	54,237	–	–
Investments for the year	76 433	–	–	–
Acquired companies[1]	–	50,355	–	–
Translation differences	–1,135	1,563	–	–
Acquisition value, closing balance	**181,453**	**106,155**	**–**	**–**
Accumulated depreciation, opening balance	–55,800	–54,237	–	–
Translation differences	–2,690	–1,563	–	–
Accumulated depreciation, closing balance	**–58,490**	**–55,800**	–	**–**
Carrying value	**122,963**	**50,355**	**–**	**–**
Licences and software				
Acquisition value, opening balance	151,324	78,240	59,769	30,194
Investments for the year	37 867	36,195	10,333	29,477
Investments for the year, acquired companies[1]	–	34,618	–	–
Reclassification	–428	–	–	–
Disposals	–1 677	–2,330	–	–
Translation differences	–3,802	4,601	–70	98
Acquisition value, closing balance	**183,284**	**151,324**	**70,032**	**59,769**
Accumulated depreciation, opening balance	–62,501	–45,091	–14,496	–9,099
Accumulated depreciation, acquired companies[1]	–	–2,425	–	–
Impairments	–	756	–	–
Depreciation of the year	–29 699	–13,071	–13,317	–5,317
Translation differences	2,111	–2,671	59	–80
Accumulated depreciation, closing balance	**–90,089**	**–62,502**	**–27,754**	**–14,496**
Carrying value	**93,195**	**88,822**	**42,278**	**45,273**
Intangible assets	**216,158**	**139,177**	**42,278**	**45,273**

1) Refers to acquired company Kancelaria Navi Lex SpZ.O.O.

All licences and software are acquired externally.

Impairment test for goodwill

The Group conducted a SEK 123 million (50) impairment test of goodwill in 2015. This was identified as belonging to the cash-generating entity Poland. The impairment test of goodwill was based on the cash-generating entity's useful value. Based on adopted business plans, Management produced estimated cash flows for the cash-generating unit. Cash flows for the first three years are based on anticipated distributable funds as per the business plan. The model does not anticipate any growth in subsequent periods; accordingly, cash flow for year three has been discounted through year 100. The discounting factor of 9.72 per cent net represents the Group's minimum requirement for return on capital for the referenced business.

The following cash generating unit was tested for impairment:

Poland

The Polish business was tested with regard to the part of the cash-generating entity of the Hoist Kredit Group operations that manages acquired loan portfolios in Poland.

Term:	Three-year dividend model with a useful value of 100 years.
Tax rate:	Polish.
Growth:	Anticipated growth and margins are adapted to the relevant entity's business plan for the first three years; no growth in subsequent years.
Impairment:	There is no impairment requirement for goodwill. The useful value of the Polish business well exceeds the contribution of the Polish operations to Group equity.

The Polish operations performed in line with the plans established when Navi Lex was acquired and the acquisition goodwill arose. Collections from loan portfolios as well as expenses are in line with plans. The anticipated collection forecast therefore justifies the surplus that arose upon the acquisition of Navi Lex, and there is no impairment requirement.

Note 16 Tangible assets

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
Machinery				
Acquisition value, opening balance	109,558	91,683	7,013	2,554
Investments for the year	18,158	12,829	1,068	4,155
Investments for the year, acquired companies[1]	3,946	11,635	–	–
Divestments and disposals	–5,654	–12,629	–11	–
Translation differences	–4,091	6,040	–250	304
Reclassification	428	–	–	–
Acquisition value, closing balance	**122,345**	**109,558**	**7,820**	**7,013**
Accumulated depreciation, opening balance	–79,790	–59,439	–2,337	–1,473
Divestments and disposals	5,654	3,235	–	–
Accumulated depreciation, acquired companies - opening balance	–	–9,551	–	–
Depreciation of the year	–12,581	–10,449	–1,063	–743
Translation differences	2,853	–3,586	103	–121
Accumulated depreciation, closing balance	**–83,864**	**–79,790**	**–3,297**	**–2,337**
Carrying value	**38,481**	**29,768**	**4,523**	**4,676**
Equipment	**38,481**	**29,768**	**4,523**	**4,676**

1) During 2015 acquired companies refer to Compello Holdings Ltd, and during 2014 to Kancelaria Navi Lex SpZ.O.O.

Note 17 Other assets

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
Non-current financial assets	287	296	287	296
Non-current receivables	1,774	1,843	–	–
Derivatives[1]	314,680	–	314,680	–
Preliminary tax paid	20,015	18,877	15,591	15,441
VAT receivables	42,679	59,385	2,380	2,448
Accounts receivable	25,520	57,872	50	5,396
Other current receivables	95,037	67,315	83,627	54,941
Total other assets	**499,992**	**205,588**	**416,615**	**78,522**

1) See Note 28.

Note 18 Prepayments and accrued income

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
Prepaid expenses	38,470	31,501	1,828	10,439
Other accrued income	26,446	9,517	14	14
Total	**64,916**	41,018	**1,842**	**10,453**

Note 19 Other liabilities

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
Long-term payables to employees	1,642	1,363	–	–
Long-term liabilites	67,786	47,689	43,912	–
Short-term liabilites	83,226	103,479	218	209
Kortfristiga skulder till koncernföretag	209,519	47,506	205,649	59,371
Accounts Payable	84,843	49,531	51,300	28,503
Purchase of portfolios	24,746	10,808	24,746	9,777
Liabilities from service billing	6,023	3,087	–	–
Derivatives[1)]	1,651	246,724	1,651	246,724
VAT liabilities	8,715	10,189	1,226	6,660
Tax liabilities on deposit interest	49,035	54,812	49,035	54,812
Social security liabilities	14,396	15,180	1,094	868
Other current liabilities, staff	7,626	2,469	374	1,261
Total	**559,208**	**592,837**	**379,205**	**408,185**

1) See Note 28.

Note 20 Accrued expenses and deferred income

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
Accrued personnel expenses	55,727	30,754	21,190	15,021
Accrued interest expenses	30,106	30,116	30,106	30,116
Accrued fee & commission expense	23,553	13,236	6,292	3,267
Other accrued expenses	67,571	47,918	13,515	4,438
Total	**176,957**	**122,024**	**71,103**	**52,842**

Note 21 Provisions

	Pension provision		Restructuring reserve		Other non-current employee benefits		Other provisions		GROUP	
SEK thousand	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Opening balance	27,037	26,434	19,381	65,965	17,969	–	4,268	2,161	68,655	94,560
Provision	–	1,919	7,569	24,023	2,768	1,051	5,469	1,965	15,806	28,957
Provision through acquisition	–	–	–	–	–	16,411	–	–	–	16,411
Amount released	–219	–4,670	–18,382	–65,710	–3,148	–1,429	–5,556	–1,610	–27,305	–73,419
Change in value	–2,451	3,354	–145	4,271	–2,278	1,936	–201	189	–5,075	9,750
Other changes	–	–	–1,386	–9,168	–	–	1,386	1,563	–	–7,605
Closing balance	**24,367**	**27,037**	**7,037**	**19,381**	**15,311**	**17,969**	**5,366**	**4,268**	**52,081**	**68,655**

Restructuring

2014 restructuring provisions refer primarily to expenses associated with staff cuts at Hoist SAS. The original provision was SEK 13 million, none of which had been utilised as at year-end 2014. The provision was utilised during 2015. An additional restructuring provision of SEK 7 million was made for expenses associated with staff cuts at Hoist SAS, none of which had been utilised as at year-end 2015. SEK 6 million of the provision is expected to be utilised during 2016, and the remaining SEK 1 million during 2017.

Pensions

The Group has defined-benefit pension schemes for Hoist GmbH, based on employees' pensionable remuneration and length of service. Pension commitments are determined using the Projected Unit Credit Method, which includes current pensions, vested rights and future increases in these parameters in the valuation.

Note 21 Provisions, continued

	GROUP	
SEK thousand	**31 Dec 2015**	**31 Dec 2014**
Net pension provision, reported in the balance sheet		
Defined-benefit commitment	27,294	30,184
Fair value of plan assets	2,928	3,147
Net pension provision	**24,367**	**27,037**
Pension commitments		
Opening balance	30,184	29,004
Expenses for services performed during current period	18	16
Interest expense	701	754
Pension payments	–843	–872
Actuarial gains (-)/losses (+)	–1,577	2,029
Currency effects, etc.	–1,186	–747
Closing balance	**27,294**	**30,184**
Plan assets		
Opening balance	3,147	2,570
Interest income	74	74
Employer-contributed funds	843	872
Benefits paid	–843	–872
Actuarial gains (+)/losses (–)	–169	319
Currency effects, etc.	–124	183
Closing balance	**2,928**	**3,147**

All plan assets are invested in investment funds.

Note 22 Subordinated liabilities

	GROUP	
SEK thousand	**31 Dec 2015**	**31 Dec 2014**
Subordinated bond loan[1)]	336,892	332,796
Total	**336,892**	**332,796**

1) Parent Company Hoist Kredit AB (publ)

In 2013 Hoist Kredit AB (publ) issued a ten-year subordinated bond loan (nominal amount of SEK 350 million), with a maturity date of 27 September 2023. The subordinated bond loan is included in the own funds as Tier 2 capital. The earliest redemption date is 27 September 2018. The annual interest rate is 12 per cent. The bond loan is per definition a subordinated loan and may be redeemed provided that Hoist decides on premature redemption or the occurrence of a "credit event". Hoist Kredit AB (publ) repays the nominal amount (including any accrued interest) for all outstanding bond loans on the maturity date.

Note 23 Shareholders' equity

Share capital. According to the Articles of Association of Hoist Kredit AB (publ), the share capital shall total in minimum SEK 50 million and in maximum SEK 200 million.

	GROUP	
Number of shares	**2015**	**2014**
Opening balance	**666,666**	**500,000**
New share issue	–	55,555
Conversion of convertible bond	–	111,111
Closing balance	**666,666**	**666,666**

The quota value is SEK 100 per share**.**

The total number of shares at 31 December 2015 was 666,666. All shares are fully paid.

The translation reserve comprises all exchange differences arising through translation of foreign operations less hedging effects. In the parent company it refers to the foreign branches.

Other contributed equity refers to equity, other than share capital, contributed by the shareholders. Hoist Kredit AB (publ) issued perpetual convertible debt instruments ("Convertibles") in 2012 and 2013 (total nominal amount of SEK 200 million). The Convertibles are Additional Tier 1 capital instruments with share conversion options (as specified in the Companies Act, 2005:551 ch. 15), and are subordinated to all current and future depositors, creditors and all subordinated liabilities of Hoist Kredit AB (publ). In 2014, Convertibles with a total nominal value of SEK 100 million (i.e., half of the Convertibles) were converted into 111,111 new shares in Hoist Kredit AB (publ); accordingly, the nominal value of outstanding Convertibles per 31 December 2015 is SEK 100 million.

The Convertibles are perpetual non-amortisable loans and can only be repaid in the event of liquidation of Hoist Kredit, and only after all other debts are settled. The Convertibles carry a 15 percent annual interest rate (to be paid from capital, not from profit) through the date of conversion. As from 23 April 2018, Hoist Kredit AB is entitled to redeem the convertibles and repay the outstanding capital contribution following approval by the Swedish Financial Supervisory Authority. At the request of Hoist Kredit or the Swedish Financial Supervisory Authority, the Convertibles may under some circumstances be converted to cover losses. The Convertibles may only be converted on the holder's initiative in the event Hoist Kredit decides not to pay interest (due to a decision by Hoist Finance or the Swedish Financial Supervisory Authority or to general legal regulations) or, in certain circumstances, in the event no funds are available in Hoist Kredit for distribution or the company no longer meets its own funds requirement. Upon conversion, Hoist Kredit's share capital will be increased by a maximum of SEK 11,111,100, which corresponds to a dilutive effect of the company's current share capital of 14.3 per cent in total. The terms and conditions of the Convertibles include customary translation provisions. The conversion rate may be recalculated depending on the occurrence of certain events, such as preferential rights issues, mergers or a decrease in share capital, but not to compensate for potential change in the Company's value up to the time when conversion for cover against loss occurs.

Retained earnings in the Group consist of earned profits in the Parent Company, subsidiaries and joint venture. A Group contribution in Hoist Kredit AB (publ) of SEK 183 million was paid in the current fiscal year and no dividend is proposed. For the previous fiscal year there were no Group contributions paid and no dividend was proposed.
Retained earnings in the Parent company consist of earned profits. A Group contribution of SEK 183 million was paid for the current fiscal year and no dividend is proposed. For the previous fiscal year there were no Group contributions paid and no dividend was proposed.

The revaluation reserve in the parent company of SEK 64 million refers to the revaluation of shares in Hoist Finance UK Ltd.

Note 24 Audit fee

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
KPMG				
Audit engagements	–6,215	–3,104	–713	–671
Audit-related engagements	–2,239	–156	–	–
Other non-audit-related engagements	–	–1,713	–	–
Total	**–8,454**	**–4,973**	**–713**	**–671**

Expenses specified above are included in 'Consultancy services' in Note 6.

Note 25 Commitments

Forward flow agreements

Forward flow agreements are agreements with financial institutions to purchase loan portfolios on an ongoing basis. The Group estimates the purchase price of these contracts at SEK 484 million for the coming year. The equivalent amount was SEK 230 million at 31 December 2014.

Note 26 Lease contracts

The Group leases office space, office and IT equipment and vehicles under financial and operational lease contracts.

Most of the lease contracts cover:
– Equipment, furniture and leased premises: 2–5 years
– IT hardware: 2–3 years
– Vehicles: 3 years

Financial leasing[1]

SEK thousand	GROUP Nominal value 31 Dec 2015	Present value 31 Dec 2015	Nominal value 31 Dec 2014	Present value 31 Dec 2014
Future minimum lease payments				
Within 1 year	402	366	212	212
Years 1–5	659	622	296	296
Total	**1,061**	**988**	**508**	**508**
Less financial expenses	–73		–	
Net present value	**988**	**988**	**508**	**508**

The carrying value of leased non-current assets totalled SEK 1 million as at the balance sheet date. No variable fees were charged to net profit for the year.

Operational leasing[1]

SEK thousand	GROUP 31 Dec 2015	GROUP 31 Dec 2014	PARENT COMPANY 31 Dec 2015	PARENT COMPANY 31 Dec 2014
Payment obligations under non-cancellable lease contracts				
Within 1 year	17,620	22,227	334	548
Years 1–5	43,563	52,724	1,910	555
Year 5 and thereafter	37,071	8,075	–	–
Total	**98,254**	**83,026**	**2,244**	**1,103**

1) The comparative figures have been adjusted following the reclassification of operational leasing to financial leasing.

The Group's lease expenses total SEK 18 million (20). The corresponding figure for the Parent Company is SEK 2 million (2). No variable fees were charged to net profit for the year.

Note 27 Financial instruments

Carrying value and fair value of financial instruments

GROUP, 31 December 2015

SEK thousand	Assets/liabilities at fair value through profit or loss: Held for trading	Assets/liabilities at fair value through profit or loss: Identified	Loans and receivables	Financial assets available for sale	Derivative hedging instruments	Other liabilities	Total carrying value	Fair value
Cash and bank balances			281				281	281
Treasury bills and treasury bonds		3,077,827					3,077,827	3,077,827
Lending to credit institutions			795,915				795,915	795,915
Lending to the public			77,994				77,994	77,994
Acquired loan portfolios								
of which, at fair value		1,177,808					1,177,808	1,177,808
of which, at amortised cost			9,836,891				9,836,891	10,014,382
Intra-Group receivables			253,543				253,543	253,543
Bonds and other securities		1,278,214		25,000			1,303,214	1,303,214
Derivatives[1]	312,990				1,690		314,680	314,680
Other financial assets			163,524				163,524	163,524
Total	**312,990**	**5,533,849**	**11,128,148**	**25,000**	**1,690**		**17,001,677**	**17,179,168**
Deposits from the public						12,791,377	12,791,377	12,791,377
Portfolio acquisitions						24,746	24,746	24,746
Derivatives[1]	1,651						1,651	1,651
Senior unsecured debt						1,238,469	1,238,469	1,268,327
Subordinated liabilities						336,892	336,892	407,558
Other financial liabilities						532,811	532,811	532,811
Total	**1,651**					**14,924,295**	**14,925,946**	**15,026,470**

1) See Note 28.

Carrying value and fair value of financial instruments

GROUP, 31 December 2014

SEK thousand	Assets/liabilities at fair value through profit or loss: Held for trading	Assets/liabilities at fair value through profit or loss: Identified	Loans and receivables	Financial assets available for sale	Derivative hedging instruments	Other liabilities	Total carrying value	Fair value
Cash and bank balances			340				340	340
Treasury bills and treasury bonds		2,316,110					2,316,110	2,316,110
Lending to credit institutions			1,249,192				1,249,192	1,249,192
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 amortised cost			7 126 553				7 126 553	7 311 207
Intra-Group receivables			143 635				143 635	143 635
Bonds and other securities		1 926 241		25 000			1 951 241	1 951 241
Other financial assets			184 868				184 868	184 868
Total		**5 702 580**	**8 861 820**	**25 000**			**14 589 400**	**14 774 054**
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 debt						1,493,122	1,493,122	1,681,899
Subordinated liabilities						332,796	332,796	386,750
Other financial liabilities						335,305	335,305	335,305
Total	**243,700**				**3,024**	**13,159,320**	**13,406,044**	**13,648,775**

1) See Note 28.

Note 27 Financial instruments, continued

Carrying value and fair value of financial instruments

PARENT COMPANY, 31 December 2015

SEK thousand	Assets/liabilities at fair value through profit or loss		Loans and receivables	Financial assets available for sale	Derivative hedging instruments	Other liabilities	Total carrying value	Fair value
	Held for trading	Identified						
Cash and bank balances			8				8	8
Treasury bills and treasury bonds		3,077,827					3,077,827	3,077,827
Lending to credit institutions			78,503				78,503	78,503
Lending to the public			77,994				77,994	77,994
Acquired loan portfolios								
of which, at fair value		973,806					973,806	973,806
of which, at amortised cost			1,672,806				1,672,806	1,800,397
Intra-group receivables			8,769,553				8,769,553	8,769,553
Bonds and other securities		1,278,214		25,000			1,303,214	1,303,214
Derivatives[1]	312,990				1,690		314,680	314,680
Other financial assets			86,344				86,344	86,344
Total	**312,990**	**5,329,847**	**10,685,208**	**25,000**	**1,690**		**16,354,735**	**16,482,326**
Deposits from the public						12,791,377	12,791,377	12,791,377
Portfolio acquisitions						24,746	24,746	24,746
Derivatives[1]	1,651						1,651	1,651
Senior unsecured debt						1,238,469	1,238,469	1,268,327
Subordinated liabilities						336,892	336,892	407,558
Other financial liabilities						352,807	352,807	352,807
Total	**1,651**					**14,744,291**	**14,745,942**	**14,846,466**

1) See Note 28.

Carrying value and fair value of financial instruments

PARENT COMPANY, 31 December 2014

SEK thousand	Assets/liabilities at fair value through profit or loss		Loans and receivables	Financial assets available for sale	Derivative hedging instruments	Other liabilities	Total carrying value	Fair value
	Held for trading	Identified						
Cash and bank balances			1				1	1
Treasury bills and treasury bonds		2,316,110					2,316,110	2,316,110
Lending to credit institutions			248,384				248,384	248,384
Lending to the public			157,232				157,232	157,232
Acquired loan portfolios								
of which, at fair value		1,177,467					1,177,467	1,177,467
of which, at amortised cost			1,682,753				1,682,753	1,827,451
Intra-group receivables			6,449,675				6,449,675	6,449,675
Bonds and other securities		1,926,241					1,926,241	1,926,241
Other financial assets			63 081				63 081	63 081
Total		**5,419,818**	**8 601 126**				**14 020 944**	**14 165 642**
Deposits from the public						10,987,289	10,987,289	10,987,289
Portfolio acquisitions						9,777	9,777	9,777
Derivatives[1]	243,700				3,024		246,724	246,724
Senior unsecured debt						1,493,122	1,493,122	1,681,899
Subordinated liabilities						332,796	332,796	386,750
Other financial liabilities						151,684	151,684	151,684
Total	**243,700**				**3,024**	**12,974,668**	**13,221,392**	**13,464,123**

1) See Note 28.

Note 27 Financial instruments, continued

Fair value measurement

Group

The Group uses observable data to the greatest possible extent when determining the fair value of an asset or liability. Fair values are categorised in different levels based on the input data used in the valuation approach, as per the following:

Level 1) Quoted prices (unadjusted) on active markets for identical instruments.

Level 2) Based on directly or indirectly observable market inputs 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 traded on markets that are not active, or other valuation techniques in which all important input data is directly or indirectly observable in the market.

Level 3) According to inputs that are not based on observable market data. This category includes all instruments for which the valuation technique is based on data that is not observable and has a substantial impact on the valuation.

GROUP, 31 December 2015

SEK thousand	Level 1	Level 2	Level 3	Total
Treasury bills and treasury bonds	3,077,827	–	–	3,077,827
Acquired loan portfolios	–	–	1,177,808	1,177,808
Bonds and other fixed income instruments	1,278,214	–	–	1,278,214
Derivatives	–	314,680	–	314,680
Total assets	**4,356,041**	**314,680**	**1,177,808**	**5,848,529**
Derivatives	–	1,651	–	1,651
Total liabilities	**–**	**1,651**	**–**	**1,651**

GROUP, 31 December 2014

SEK thousand	Level 1	Level 2	Level 3	Total
Treasury bills and treasury bonds	2,316,110	–	–	2,316,110
Acquired loan portfolios	–	–	1,460,229	1,460,229
Bonds and other fixed income instruments	1,926,241	–	–	1,926,241
Total assets	**4,242,351**	**–**	**1,460,229**	**5,702,580**
Derivatives	–	246,724	–	246,724
Total liabilities	**–**	**246,724**	**–**	**246,724**

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity for material changes thereto are described in the Accounting Principles section and in Note 13.

Derivatives used for hedging (see Note 28) were model-valued using interest and currency market rates as input data.

Treasury bills and treasury bonds, and bonds and other fixed income instruments, are valued based on quoted rates.

The fair value of liabilities in the form of issued bonds and other subordinated liabilities was determined with reference to observable market prices quoted by external market participants/places. In cases where more than one market price observation is available, fair value is determined at the arithmetic mean of the market prices.

Carrying values for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying value due to no material impact of discounting.

Note 28 Derivative instruments

The Group continuously hedges its assets denominated in foreign currencies. As at 31 December 2015 the Group had exposures in EUR, GBP and PLN, all of which are hedged using currency forward agreements. All outstanding derivatives are valued at fair value and gains/losses are reported in the income statement for each annual statement.

GROUP

	31 Dec 2015		31 Dec 2014	
SEK thousand	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	9,949	–	–	38,033
Currency forward contracts - fair value	304,731	1,651	–	208,691
Total	**314,680**	**1,651**	**–**	**246,724**

All foreign currency forward contracts had a remaining maturity of less than one month. The interest rate swap had a maximum remaining maturity of 36 months.

Information in this note also refers to the Parent company.

Note 29 Risk management

Introduction

The risks that originate in the Group's operational activities are primarily attributable to Group assets in the form of acquired loan portfolios and the payment capacity of the Company's debtors. These risks are mitigated by a historically strong and predictable cash flow and through the continuous monitoring and evaluation of portfolio development. The Group is also exposed to operational risks as part of its daily operational activities and associated with the Group's rapid growth. These risks are managed using a framework for managing operational risks that is based on continuous improvements to procedures and processes, duality in all important transactions and analyses, and a clear division of responsibilities. The Group is also exposed to exchange rate and interest rate fluctuations. These two market risks are managed through the use of derivatives to hedge exchange rates and interest rates. The Group has adopted policies, regulations and instructions on the management, analysis, evaluation and monitoring of risks.

The Group's Risk Control function is responsible for working independently from Management to analyse, monitor and report all significant risks to the CEO and Board of Directors. This ensures that duality is achieved, as all significant risks are analysed, reported and monitored by the business operations as well as the independent Risk Control function. Risks within the Group are managed and limited in accordance with policies and instructions adopted by the Board. The Risk Control function is responsible for reporting any deviations to the CEO and the Board.

Risk exposures are calculated, analysed and compared with anticipated revenue to ensure achievement of an attractive risk-adjusted return. Once defined, the Group's risk profile is assessed and evaluated. Assessment and evaluation include the following steps:

1) Assessment of each risk category

Each risk category is individually assessed. The risk assessment is documented and always results in a qualitative assessment of the risk, as well as a quantifiable amount when possible.

2) Stress testing: Assessment of unforeseen events

Unforeseen events are defined as events that are possible but highly unlikely. Such events may be designated as "stress test events" and their consequences simulated and documented. Simulation results are reviewed against the Group's capital and liquidity. Unforeseen events may be based on historical experience or hypothetical scenarios.

3) Assessment of how risks can be minimised and monitored

Although not all risks can be quantified, an analysis is done to detail the way in which risks can be minimised and monitored. Assessment of the effects of Management's actions may also be simulated in connection with this analysis and, for instance, the effects of stress test events may be revised in light of realistic possible actions by Management.

The most significant risks identified by the Group as relevant to its business are: (i) credit risk, (ii) operational risk, (iii) market risk (foreign exchange risk and interest rate risk) and (iv) 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:

- Acquired loan portfolios
- Lending to credit institutions
- Bonds and other securities
- Counterparty risk towards institutions with which the Group conducts derivative transactions to hedge the Group's FX and interest rate exposure

The non-performing loans are acquired in portfolios at prices that typically vary from 10 per cent to 35 percent of the face value (principal amount) outstanding at the time of acquisition. The price depends on the portfolios' specific characteristics and composition in terms of loan size, age, type, etc. as well as debtor age, location, type, etc. Credit risk in the portfolios relates primarily to the Group overpaying for a portfolio – i.e., recovering less from the portfolio than expected – resulting in higher than expected portfolio carrying amount impairments and lower revenue. Total credit risk exposure is equal to the carrying value of the assets. The carrying value of Hoist Kredit's portfolios at year-end was SEK 11,279m (8,921). The majority of these loans are unsecured, although a limited number of portfolios have properties as collateral. These portfolios had a carrying value of SEK 131m (300).

Information on the loan portfolios' geographic distribution is presented in Note 1. Other information on acquired loan portfolios is presented in Note 13. Hoist does not disclose any age analyses of non-performing loans as such information is not particularly relevant from a risk perspective, considering that essentially all of Hoist Kredit's portfolios are non-performing. A more important parameter for Hoist Kredit's credit risk management is cash flow forecast, presented below.

Anticipated net cash flow for Group's loan portfolios at 31 Dec 2015

	31 Dec 2015				
SEK thousand	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Acquired loan portfolios	2,973,708	2,819,509	5,841,424	4,827,855	16,462,496
Total assets	**2,973,708**	**2,819,509**	**5,841,424**	**4,827,855**	**16,462,496**

Comparative table, anticipated net cash flow for Group's loan portfolios at 31 Dec 2014

	31 Dec 2014				
SEK thousand	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Acquired loan portfolios	2,519,211	2,244,943	4,627,211	4,095,440	13,486,805
Total assets	**2,519,211**	**2,244,943**	**4,627,211**	**4,095,440**	**13,486,805**

The risk of loan portfolios failing to pay as expected is regularly monitored by the business operations and the Risk Control function, with yield outcome compared against forecasts. This analysis is also used to assess potential impairment requirements for portfolio values.

The credit risk associated with exposures 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. Restrictions include limits on exposures given counterparty credit rating.

Note 29 Risk management, continued

The table below shows S&P's credit rating for Group exposure to credit institutions at 31 December 2015 as compared with 31 December 2014.

Rating

%	31 Dec 2015	31 Dec 2014
AAA	46,7	39,7
AA+	36,2	35,4
AA	0,0	1,6
AA-	0,4	0,0
A+	3,7	0,9
A	4,8	15,1
A-	2,8	4,2
BBB+	0,8	0,7
BBB	0,0	0,9
BBB-	0,0	0,0
BB+	0,0	0,0
BB	0,0	0,0
BB-	0,5	0,0
B+	0,0	0,0
B	0,0	0,0
B-	0,0	0,0
N/A	4,2	1,5
Total, SEK thousand	**5,155,240**	**5,351,494**
of which, in liquidity portfolio	**4,356,041**	**4,242,351**

As at 31 December 2015, the weighted average maturity for liquidity portfolio assets was 1.57 years (1.65) and the modified duration was 0.30 years (0.38). Maturity and modified duration are important measures for evaluating the Company's credit spread risks and interest rate risks.

Credit risks arising from bond holdings or derivative transactions are treated in the same way as other credit risks – i.e., they are analysed, managed and limited.

Counterparty risk

The Group has counterparty risk towards the institutions with which it conducts derivative transactions, which are done solely for the purpose of reducing FX and interest rate risks in the Group.

Group Treasury manages counterparty risk in accordance with the Treasury Policy, under the terms of which Hoist Finance is required to contact the Risk Control function whenever it wants to conclude a contract with a new counterparty. The team member responsible for this contact ensures that the Risk Control function has access to counterparty details and draft agreements. The Risk Control function examines the documents received from the counterparty and monitors counterparty risk on an ongoing basis in accordance with the Risk Policy and risk instructions.

The Group uses FX and interest rate derivatives to hedge its exchange rate and interest rate exposure (see Note 29). To avoid counterparty risks associated with these derivatives, the Group uses ISDA and CSA agreements for all derivative counterparties. These agreements allow for netting and daily settlement of credit risk and, accordingly, counterparty risk with derivative counterparties corresponds at most to a one-day fluctuation of the derivative's value. The CSA agreement is backed by cash collateral. Derivative transactions are only conducted with stable counterparties with a minimum credit rating of A-, which also serves to limit the counterparty risk.

Information per type of financial instrument

Financial assets and liabilities subject to set-off and covered by legally binding netting or similar agreements.

31 Dec 2015

SEK thousand	Gross amount of financial liabilities	Amount offset in the balance sheet	Related amounts not offset in the balance sheet: Net amount presented in the balance sheet	Cash collateral	Net amount
Assets					
Derivatives	314,680	–	314,680	–250,900	63,780
Liabilities	,	,	,	,	,
Derivatives	1,651	–	1,651	–	1,651
Total	**313,029**	**–**	**313,029**	**–250,900**	**62,129**

See also Note 28, Derivative instruments

31 Dec 2014

SEK thousand	Gross amount of financial liabilities	Amount offset in the balance sheet	Related amounts not offset in the balance sheet: Net amount presented in the balance sheet	Cash collateral	Net amount
Assets					
Derivatives	–	–	–	–	–
Liabilities					
Derivatives	246,724	–	246,724	–276,600	–29,876
Total	**246,724**	**–**	**246,724**	**–276,000**	**–29,876**

See also Note 28, Derivative instruments

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, IT systems or from external events, including legal and compliance risk.

Operational risk that Hoist Kredit is mainly exposed to can be divided into the following categories:

- Unauthorised activities and internal fraud
- External fraud
- Employment practices and workplace safety
- Clients, Products and Business practices
- Damage to physical assets
- Business disruption and system failures
- Execution, Delivery and Process Management

The Group manages operational risk by continuously improving its internal procedures and day-to-day control routines. The Group also applies the dual-control principle, i.e., the principle that a business flow or transaction must always be managed by at least two independent units/persons. Hoist Kredit also applies the segregation of duties to ensure that a transaction is never managed start to finish by one single person.

To identify and mitigate operational risks within the Group, the Risk Control function in each country has established routines, including the following:

1. All employees are required to submit incident reports via an online tool. These reports are monitored by Management and the Risk Control function. Reported incidents are included in the Risk Report submitted to the Board.

Note 29 Risk management, continued

2. Annual Self-Assessments are arranged by the Risk Control function in each country. This is a process to identify, quantify, analyse and mitigate operational risks at Hoist Kredit. The analysis includes an assessment of a given risk's probability of occurrence and what its consequences (impact) would be. Assessments are not made by a single person – they are done in workshops, as discussion and different perspectives are vital to the identification of relevant risks.

3. New Product Approval Process (NPAP) is the process for quality assurance for new and amended products, services, markets, processes, IT systems and major changes in Hoist Kredit's operations and organisation.

4. Business Continuity Management (BCM) provides a framework for planning for and responding to events and business disruptions to ensure the continuation of business operations at an acceptable predefined level. Hoist Kredit's BCM is comprised of Disruption and Crisis Management:
- Disruptions are managed with Business Continuity Plans
- Crises are managed by a predefined Crisis Management Team

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

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

Market risk

Foreign exchange risk

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

- Use of different currencies in the consolidated financial statements and the subsidiary's financial statements (translation risk)
- Certain income and expense items arising in different currencies (transaction risk).

Group Treasury has overall responsibility for continuous management of these risks.

Translation risk:

The Group's presentation currency is SEK, while the majority of its functional currency is EUR, GBP and PLN. The Group's loan portfolios (assets) are mainly denominated in foreign currency, while the Group's deposits from the public (liabilities) are denominated in SEK, which gives rise to a translation risk (balance sheet risk).

Hoist Finance calculates the Group's unhedged exposure to the aggregate value of net assets denominated in currencies other than SEK. The Group's translation exposure is then managed on a regular basis through derivative contracts (mainly forward agreements).

Transaction risk :

In each country, all income and most operating expenses are in local currency. Currency fluctuations therefore have only a limited impact on the Company's operating profit in local currency. Income and expenses in national currency are also hedged in a natural way, which limits the transaction risk exposure.

The tables below show the Group's exposure per currency. The Group has no significant positions in currencies other than EUR, GBP and PLN. The tables also present a sensitivity analysis of a 10 per cent exchange rate fluctuation between SEK and each currency.

Group's FX risk in EUR **EUR**	**31 Dec 2015**	**31 Dec 2014**	**Impact on equity**
Assets on the balance sheet, MEUR	596	533	
Currency forwards, MEUR	–594	–529	
Net exposure, MEUR	2	4	
If the EUR/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1,394	4,203	<1%
If the EUR/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	–1,394	–4,203	–<1%

Group's FX risk in GBP **GBP**	**31 Dec 2015**	**31 Dec 2014**	**Impact on equity**
Assets on the balance sheet, MGBP	279	159	
Currency forwards, MGBP	–279	–152	
Net exposure, MGBP	0	7	
If the GBP/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	–335	8,298	+–<1%
If the GBP/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	335	–8,298	+–<1%

Group's FX risk in PLN **PLN**	**31 Dec 2015**	**31 Dec 2014**	**Impact on equity**
Assets on the balance sheet, MPLN	860	625	
Currency forwards, MPLN	–854	–619	
Net exposure, MPLN	6	6	
If the PLN/SEK rate increases by 10%, this will have an impact on the consolidated profit of SEK thousand	1,263	1,256	<1%
If the PLN/SEK rate decreases by 10%, this will have an impact on the consolidated profit of SEK thousand	–1,263	–1,256	–<1%

Note 29 Risk management, continued

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

Interest rate risk

The Group's interest rate risk arises from two sources: the risk that net interest income is adversely affected by fluctuations in prevailing interest rates, and the risk of losses due to the effect of interest rate changes on the values of assets and liabilities.

The difference between the Group's interest income and cost of funding (net interest income) may result in weaker earnings. A sudden and permanent interest rate increase may adversely impact the Group's profit to the extent interest rates and interest expense for loans and deposits from the public are affected more by the increase than are revenues from loan portfolios.

Other interest rate risk arises from fluctuations in the fair value of balance sheet items, primarily the Group's liquidity portfolio. The objective concerning the liquidity portfolio is to achieve a high level of financial flexibility to satisfy future liquidity requirements, while also limiting interest rate risk. Investments are therefore made in interest-bearing securities with short maturities and high liquidity. See the 'Credit risk' section above.

Group Treasury mitigates both of the interest rate risks described above by continuously hedging the Group's interest rate exposure through interest rate swaps in SEK.

The table below shows the effect on various assets and liabilities of a sudden and permanent parallel shift of 100 basis points in the market rate.

Group interest rate risk, items at fair value

Total items at fair value incl. derivatives (SEK thousand)	Impact on profit/loss 31 Dec 2015		Impact on equity, %	Impact on profit/loss 31 Dec 2014	
	–100,bps	+100,bps		–100,bps	+100,bps
Bond portfolio	13,226	–13,226		16,066	–16,066
Interest rate swaps	–61,245	61,245		–50,000	50,000
Total	**–48,019**	**48,019**	**2,10**	**–33,934**	**33,934**

A discount rate sensitivity analysis for portfolios at fair value is presented in Note 13.

The impact of interest rate change on earnings is presented in the table below.

Total impact on net interest income over 1 year (SEK thousand)	Impact on profit/loss 31 Dec 2015		Impact on equity, %	Impact on profit/loss 31 Dec 2014	
	–100 bps	+100 bps		–100 bps	+100 bps
Impact on net interest income (over 1 year)	63,985	–56,083		48,105	–48,105
Impact on derivatives (instantaneous impact)	–61,245	61,245		–50,000	50,000
Total impact of change in short-term interest rate	**2,740**	**5,162**	**0,23**	**–1,895**	**1,895**

Hoist Kredit has strict limits for maximum allowed interest rate exposure. These regulate the maximum impact on earnings that can be tolerated given a parallel shift of 100 basis points.

Liquidity risk

Liquidity risk is the risk of difficulties in obtaining funding, and thus being unable to meet payment obligations, without a significant increase in the cost of obtaining means of payment.

Because the Group's revenues and costs are relatively stable, liquidity risk is primarily associated with the Group's funding which is based on deposits from the public and the risk of major outflows of deposits on short notice.

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

The Group has a diversified funding base with a diversified maturity structure[1], in the form of both deposits from the public and the issuance of senior unsecured bonds. Although the majority of deposits from the public are payable on demand (flexible), the Group deems that, based on historical customer behaviour, a large portion of deposits can be treated as being of longer duration. Approximately 36 per cent (31) of the Group's deposits from the public are locked into longer maturities ("term deposits") ranging from 12 to 36 months. The risk of large outflows is further reduced through the coverage of 99 per cent of deposits by the deposit guarantee scheme.

1) Maturity analysis tables of the Group's liabilities are not discounted. See Note 11 for assets and liabilities.

Note 29 Risk management, continued

Funding

SEK thousand	Hoist Finance consolidated situation 31 Dec 2015	Hoist Finance consolidated situation 31 Dec 2014	Hoist Kredit AB (publ) 31 Dec 2015	Hoist Kredit AB (publ) 31 Dec 2014
Deposits from the public, flexible	8,226,925	7,559,043	8,226,925	7,559,043
Deposits from the public, fixed	4,564,452	3,428,246	4,564,452	3,428,246
Senior unsecured debt	1,238,469	1,493,122	1,238,469	1,493,122
Convertible debt instruments	93,000	93,000	93,000	93,000
Subordinated liabilities	336,892	332,796	336,892	332,796
Shareholders' equity	2,195,760	1,304,190	2,037,994	1,182,658
Other	795,980	851,432	555,408	503,268
Balance sheet total	**17,451,477**	**15,061,829**	**17,053,139**	**14,592,133**

The Group's Treasury Policy specifies a limit and a target level for the amount of available liquidity. Available liquidity totalled SEK 5,156 million (5,352) at 31 December, exceeding the limit and the target level by a significant margin.

In addition to having a diversified funding structure, the Group has taken a number of measures to minimise liquidity risk:

- **Centralised liquidity management:** Management of liquidity risk is centralised and handled by Group Treasury. Liquidity control results are reported regularly to the Board.
- **Independent analysis:** The Group's Risk Control function serves as a central unit for independent liquidity analysis. Internal Audit is responsible for inspecting the Group's liquidity control tools.
- **Continuous monitoring:** The Group uses short- and long-term liquidity forecasts to monitor liquidity position and reduce liquidity risk. These forecasts are presented to Management and the Board.
- **Stress testing:** The Group conducts stress tests of the liquidity situation. These tests vary in nature to demonstrate the risk from multiple angles and to preclude negative results due to defects in stress test methodology.
- **Interest rate adjustment:** The size of deposits from the public can be managed by adjusting quoted interest rates.
- **Liquidity portfolio:** Liquidity investments are made in low-risk, high-liquidity interest-bearing securities on the overnight market (i.e., a well-functioning second-hand market), which allows for cash conversion if needed.

Hoist Finance's liquidity reserve is comprised mainly of bonds, issued by the Swedish government and Swedish municipalities, and covered bonds; see table below.

Liquidity reserve, SEK thousand	31 Dec 2015	31Dec 2014
Cash and holdings in central banks	281	340
Deposits in other banks available overnight	799,199	1,109,144
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,181,728	670,853
Securities issued or guaranteed by municipalities or other public sector entities	1,896,099	1,645,257
Covered bonds	1,268,214	1,926,241
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	10,000	–
Other	–	–
Total	**5,155,521**	**5,351,834**

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

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

Internal capital and liquidity adequacy assessment processes

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) are ongoing processes carried out by Management, which review, evaluate and quantify risks to which the Group is exposed in carrying out its business operations. The capital and liquidity adequacy assessment processes are developed and reviewed at least once per year. The annual review focuses on ensuring that the processes are always relevant to the current risk profile and the Group's operations. The Board decides on any changes to the processes, and Internal Audit verifies that the processes are carried out pursuant to the Board's instructions.

The processes start with Management's plans for the near future and its views of the market in which the Company operates. This is formalised into a forecast for the forthcoming year. The ICAAP and ILAAP use these forecasts as a starting point and, as a first step, evaluate the risks inherent in the forecasts.

ICAAP

ICAAP is Hoist Finance's internal evaluation to ensure that Hoist has sufficient capital to meet the risks faced by the Company in both normal and stressed scenarios.

Credit and market risks are rigorously stress-tested to determine the amount of losses the Company is capable of incurring under extremely adverse circumstances. This loss figure is compared to the Pillar 1 capital requirement and, if the simulated losses exceed the Pillar 1 amount, the excess is covered with additional Pillar 2 capital.

The evaluation of operational risks is done in a series of workshops led by the Group's Risk Control function. Qualitative and quantitative methods are used in these workshops to evaluate and quantify all significant operational risks in the Group. Once the operational risks are quantified, the next step is calculation of the amount of capital required to cover all unexpected losses arising from the identified risks. Here as well, the calculated capital requirement is compared to the Pillar 1 capital requirement and any excess loss risk is covered with additional Pillar 2 capital.

The above-detailed process is designed to verify that regulatory capital requirements reflect all of the Company's significant risks. In addition to this, Hoist Finance conducts sensitivity analyses of the business plan, under ICAAP and on an ongoing basis in the operations, to ensure that the Group maintains a strong financial position in relation to regulatory capital requirements under extremely adverse internal and external market conditions.

Note 29 Risk management, continued

The aggregate capital requirement produced by ICAAP is used by Management as a decision-making tool when making future plans for the Group. ICAAP thus adds a further dimension to the Group's decision-making, above and beyond strategic and day-to-day planning – before being made, strategic plans, future forecasts and immediate management decisions are always reviewed against the background of capital requirements. Decisions and implementation thereof form the basis for new forecasts and, when these are completed, the process starts again.

The Company's own funds is sufficient to meet the unexpected financial results of the risk exposures to which the Company is exposed.

ILAAP

ILAAP is Hoist Kredit's internal evaluation to ensure that the Group maintains sufficient levels of liquidity buffers and sufficient funding in light of the liquidity risks that exist. The process identifies, verifies, plans and stress-tests Hoist Finance's future funding and liquidity requirements.

Hoist Finance uses ILAAP to define the size of the liquidity buffer the Group needs to maintain to prevent identified liquidity risks from affecting the Group's capacity to meet regulatory requirements (LCR/NSFR) and the limits set by the Board of Directors.

According to ILAAP, the Group's total liquidity reserve during the year was well in excess of the requirement.

Note 30 Capital adequacy assessment

The information in this Note includes information that is required to be disclosed pursuant to FFFS 2008:25 regarding annual reports for credit institutions and FFFS 2014:12 concerning supervisory requirements and capital buffers. The information refers to the Hoist Finance AB (publ) consolidated situation ("Hoist Kredit") and Hoist Kredit AB (publ), the regulated entity. For additional information on the legal entities included in the consolidated situation, see Note 14. 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. The following laws and regulations were applied when establishing the Company's statutory capital requirements: Regulation (EU) No 575/2013 of the European Parliament and Council on prudential requirements for credit institution and investment firms; Swedish law 2014:968, Supervision of credit institutions and securities companies; and Swedish law 2014:966 on capital buffers. These laws are aimed at ensuring that the regulated entity and its consolidated situation manages its risks and protects its customers.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the Company's Pillar 3 report available on the Group's website: www.hoistfinance.com.

Own funds

The table below shows own funds used to cover the capital requirements for Hoist Finance and the regulated entity Hoist Kredit.

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
Own funds, SEK thousand	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Capital instruments and the related share premium accounts	1,286,805	529,971	482,963	482,963
Retained earnings	316,687	194,909	232,259	390,695
Accumulated comprehensive income and other reserves	361,363	399,206	1,062,749	304,267
Independently reviewed interim profits net of any foreseeable charge or dividend[1)]	161,366	175,103	190,866	4,734
Intangible assets (net of related tax liability)	–235,632	–171,048	–42,278	–45,273
Deferred tax assets that rely on future profitability	–62,688	–70,885	–2,224	–1,249
Common Equity Tier 1 capital	**1,827,901**	**1,057,257**	**1,924,335**	**1,136,136**
Capital instruments and related share premium accounts	93,000	93,000	93,000	93,000
Additional Tier 1 capital	**93,000**	**93,000**	**93,000**	**93,000**
Tier 1 capital	**1,920,901**	**1,150,257**	**2,017,335**	**1,229,136**
Capital instruments and related share premium accounts	336,892	332,796	336,892	332,796
Regulatory adjustments	,–	–106,655	,–	–111,815
Tier 2 capital	**336,892**	**226,141**	**336,892**	**220,981**
Total own funds for capital adequacy purposes	**2,257,793**	**1,376,398**	**2,354,227**	**1,450,118**

1) Regulatory dividend deduction is calculated at 30 per cent of net profit for the year, the maximum dividend allowed under the Group's internal Dividend Policy.

Note 30 Capital adequacy assessment, continued

As presented in the above table, issued Tier 1 capital instruments and Tier 2 capital instruments are both used in calculating the Group's own funds. These instruments are described briefly below.

Additional Tier 1 capital

Additional Tier 1 capital is comprised of convertibles with a nominal amount of SEK 100 million. The convertibles were issued to improve Hoist Kredit's Tier 1 capital ratio. The instruments are perpetual non-amortisable loans and can only be repaid in the event of liquidation of Hoist Kredit, and only after all other debts are settled. The convertibles carry a 15 per cent annual interest rate.

Tier 2 capital instruments

A subordinated loan of SEK 350 million was issued during 2013 with a maturity in 2023. The loan is constructed as a Tier 2 capital instrument and has a fixed coupon rate of 12 per cent for the first five years and a variable rate thereafter.

There are no existing or anticipated actual or legal obstacles to the immediate transfer of own resources or debt repayment between companies and their subsidiaries.

Additional information on capital adequacy is available in the Company's Pillar 3 report available on the Group's website: www.hoistfinance.com.

Revaluation reserve

The own funds for Hoist Kredit includes a revaluation reserve of SEK 64 million in other reserves and relates to a revaluation of shares in subsidiary Hoist Finance UK Ltd in 2013.

Risk exposure amounts and own funds requirements

The tables below shows the risk exposure amounts and own funds requirements per risk category for Hoist Finance and the regulated entity Hoist Kredit.

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
Risk exposure amounts, SEK thousand	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	339,617	489,562	195,897	116,172
of which, counterparty credit risk	*89,598*	*21,268*	*89,598*	*21,268*
Exposures to corporates	136,601	146,279	8,789,030	5,316,830
Retail exposures	43,774	102,772	43,774	98,109
Exposures in default	11,244,739	8,837,997	2,646,612	2,925,471
Exposures in the form of covered bonds	126,821	192,624	126,821	192,624
Other items	320,316	233,012	707,979	1,749,196
Credit risk (standardised approach)	**12,211,868**	**10,002,246**	**12,510,113**	**10,398,402**
Market risk (foreign exchange risk – standardised approach)	**26,573**	**137,565**	**26,573**	**137,565**
Operational risk (basic indicator approach)	**2,600,728**	**1,167,241**	**755,709**	**513,107**
Credit valuation adjustment (standardised approach)	**664**	**–**	**664**	**–**
Total risk exposure amount	**14,839,833**	**11,307,052**	**13,293,059**	**11,049,074**

Note 30 Capital adequacy assessment, continued

Own funds requirements, SEK thousand	Hoist Finance consolidated situation 31 Dec 2015	Hoist Finance consolidated situation 31 Dec 2014	Hoist Kredit AB (publ) 31 Dec 2015	Hoist Kredit AB (publ) 31 Dec 2014
Pillar 1				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	27,169	39,165	15,672	9,294
of which, counterparty credit risk	*7,168*	*1,701*	*7,168*	*1,701*
Exposures to corporates	10,928	11,702	703,122	425,346
Retail exposures	3,502	8,222	3,502	7,849
Exposures in default	899,579	707,039	211,729	234,038
Exposures in the form of covered bonds	10,146	15,410	10,146	15,410
Other items	25,626	18,643	56,637	139,935
Credit risk (standardised approach)	**976,950**	**800,181**	**1,000,808**	**831,872**
Market risk (foreign exchange risk – standardised approach)	**2,126**	**11,005**	**2,126**	**11,005**
Operational risk (basic indicator approach)	**208,058**	**93,379**	**60,457**	**41,049**
Credit valuation adjustment (standardised approach)	**53**	**–**	**53**	**–**
Total own funds requirement – Pillar 1	**1,187,187**	904,564	**1,063,445**	**883,926**
Pillar 2				
Concentration risk	82,671	9,360	82,671	9,360
Interest rate risk in the banking book	71,453	37,550	71,453	37,550
Pension risk	5,358	–	–	–
Other Pillar 2 risks	23,656	21,541	24,421	21,541
Total own funds requirement – Pillar 2	**183,138**	**68,451**	**178,546**	**68,451**
Capital buffers, SEK thousand				
Capital conservation buffer	370,996	282,676	332,326	276,227
Countercyclical buffer	2,456	–	5,876	–
Total own funds requirement – Capital buffers	**373,452**	**282,676**	**338,202**	**276,227**
Total own funds requirements	**1,743,777**	**1,255,691**	**1,580,193**	**1,228,604**

The own funds for the Company's consolidated situation totalled SEK 2,258 million (1,376) as at 31 December 2015, exceeding the own funds requirements by a good margin.

Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent, and a total capital ratio (capital in relation to risk exposure amount) of 8 per cent. Credit institutions are also required to maintain specific capital buffers. Hoist Finance is currently required to maintain an institution-specific capital conservation buffer of 2.5 per cent of the total risk exposure amount and a countercyclical buffer of 0.02 percent of the total risk exposure amount. The table below shows CET1, Tier 1 capital and the total capital ratio for Hoist Finance and for the regulated entity Hoist Kredit. The table also shows the institution specific CET1 capital requirements.

All capital ratios exceed the minimum requirements and capital buffer requirements by a good margin of safety.

Note 30 Capital adequacy assessment, continued

Capital ratios and capital buffers, %	Hoist Finance consolidated situation 31 Dec 2015	Hoist Finance consolidated situation 31 Dec 2014	Hoist Kredit AB (publ) 31 Dec 2015	Hoist Kredit AB (publ) 31 Dec 2014
Common Equity Tier 1 capital ratio	12.32	9.35	14.48	10.28
Tier 1 capital ratio	12.94	10.17	15.18	11.12
Total capital ratio	15.21	12.17	17.71	13.12
Institution specific CET1 requirements	7.02	7.00	7.04	7.00
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50
of which, countercyclical buffer requirement	0.02	–	0.04	–
Common Equity Tier 1 capital available to meet buffers[1]	**6.94**	4.17	**9.18**	5.12

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

Internally assessed capital requirement

The internally assessed capital requirement for Hoist Finance consolidated situation totalled SEK 1,370 million at 31 December 2015 (973), of which 183 million (68) is attributable to Pillar 2. The Swedish Financial Supervisory Authority introduced in 2015 new methods for assessing credit-related concentration risk, interest rate risk in the banking book and pension risk. This has entailed an increase in Pillar 2 capital requirements.

Note 31 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 restatements 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.

Currently, a 12% IRR over a period of ten years, which is in line with current and relevant transactions within the industry, is applied on portfolios acquired prior to 1 July 2011.The calculation is based on an established WACC model (Weighted Average Cost of Capital). Portfolios acquired post 1 July 2011 are measured at amortised cost and the IRR is based on the acquisition date for specific portfolios. 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.

Note 32 Related-party transactions

The information below, presented from Hoist Kredit's perspective, shows the way in which Hoist Kredit's financial information has been affected by transactions with related parties.

	GROUP Other related parties	
SEK thousand	31 Dec 2015	31 Dec 2014
Assets		
Intra-Group receivables	253,543	143,635
Other assets	–	–
Liabilities		
Other liabilities	209,519	47,506

	GROUP Other related parties	
SEK thousand	2015	2014
Assets		
Intra-Group receivables	–	–
Other assets	468	–
Liabilities		
Other liabilities	–	58

	GROUP Hoist Kredit AB (publ)	
SEK thousand	31 Dec 2015	31 Dec 2014
Operating income		
Interest income	925	1,262
Other income	7,384	5,837
Operating expenses		
Other expenses	83 125	55,407

	GROUP Other related parties	
SEK thousand	2015	2014
Operating income		
Interest income	11	153
Other income	–	–
Operating expenses		
Other expenses[2)]	1,693	2,519

	PARENT COMPANY Group companies[1)]	
SEK thousand	31 Dec 2015	31 Dec 2014
Assets		
Intra-Group receivables	8,769,553	6,449,675
Other assets	–	–
Liabilities		
Other liabilities	205,649	59,371

	PARENT COMPANY Other related parties	
SEK thousand	2015	2014
Assets		
Intra-Group receivables	–	–
Other assets	468	–
Liabilities		
Other liabilities	–	58

	PARENT COMPANY Group companies[1)]	
SEK thousand	31 Dec 2015	31 Dec 2014
Operating income		
Interest income	423,867	244,364
Interest expense	43	631
Other Interest	73,911	94,954
Operating expenses		
Other extarnal expenses	52,278	63,593

	PARENT COMPANY Other related parties	
SEK thousand	2015	2014
Operating income		
Interest income	11	153
Interest expense	–	–
Other Interest	–	–
Operating expenses		
Other extarnal expenses[2)]	1,492	952

2) Group companies include Hoist Finance AB (publ)

[1)] Specification of other expenses

	GROUP Other related parties	
SEK thousand	2015	2014
Alpha Leon AB	83	86
Co Go Consulting AB	1,492	-
Lindenau, Prior & Partner GbR	117	1,235
European Digital Capital Ltd.	–	1,198

Not 33 Subsequent events

To the best of the Board's knowledge, no significant events have occurred after the balance sheet date that are expected to have a material impact on business operations.

Proposed appropriation of profits

According to the Parent Company's balance sheet, the following unappropriated earnings are at the disposal of the Annual General Meeting:

	SEK
Capital contribution	1,450,919,247
Retained earnings	230,721,138
Other non-restricted reserves	–141,914
Profit for the year	260,023,138
Total	**1,941,521,609**

The Board of Directors proposes that unappropriated earnings be distributed as follows:

	SEK
Carried forward to:	
Capital contribution	1,450,919,247
Retained earnings	490,602,362
Total	**1,941,521,609**

Certification of the Board of Directors

The Board of Directors and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and the consolidated accounts in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and consolidated accounts provide a true and fair presentation of the Parent Company's and the Group's financial position and performance. The Parent Company's and the Group's Administration Reports provide a true and fair account of the development of the respective entities' business, financial position and performance, and accurately describe the significant risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 17 March 2016

Ingrid Bonde
Chair of the Board

Liselotte Hjorth
Board member

Annika Poutiainen
Board member

Per-Eric Skotthag
Board member

Costas Thoupos
Board member

Gunilla Wikman
Board member

Jörgen Olsson
CEO
Board member

Auditor's report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF HOIST KREDIT AB (PUBL), CORPORATE IDENTITY NUMBER 556329-5699

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Hoist Kredit AB (publ) for the year 2015, except for the corporate governance statement on pages 9–19.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 9–19. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Hoist Kredit AB (publ) for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 9–19 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained as above is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 18 March 2016

KPMG AB
Anders Bäckström
Authorized Public Accountant

Guide to reading our financial statements

Hoist Kredit AB (publ) is a credit market company, licensed and supervised by the Swedish Financial Supervisory Authority *(Sw. Finansinspektionen).*

Operating income statement

SEK thousand	2015	2014
Gross collections on acquired loan portfolios	3,631,032	2,541,311
Portfolio amortisation and revaluation	–1,626,508	–1,143,020
Interest income from run-off consumer loan portfolio	10,176	38,180
Net revenue from acquired loan portfolios	**2,014,700**	**1,436,471**
Fee and commission income	166,705	153,222
Profit from shares and participations in joint ventures	54,839	58,662
Other income	17,959	18,057
Total revenue	**2,254,203**	**1,666,412**
Personnel expenses	–642,480	–473,200
Other operating expenses	–845,393	–653,268
Depreciation and amortisation of tangible and intangible assets	–39,697	–23,520
Total operating expenses	**–1,527,570**	**–1,149,988**
EBIT	**726,633**	**516,424**
Funding		
Interest income excl. run-off consumer loan portfolio	–6,581	52,781
Interest expense	–361,370	–344,917
Net income from financial transactions	–16,159	–19,151
Total financial items	**–384,110**	**–311,287**
Profit before tax	**342,523**	**205,137**

Statutory consolidated income statement

SEK thousand	2015	2014
Net revenue from acquired loan portfolios	2,004,524	1,398,291
Interest income	3,595	90,961
Interest expense	–361,370	–344,917
Net interest income	**1,646,749**	**1,144,335**
Fee and commission income	166,705	153,222
Net income/expense from financial transactions	–10,861	–19,151
Other income	17,959	18,057
Total operating income	**1,820,552**	**1,296,463**
General administrative expenses		
Personnel expenses	–642,480	–473,200
Other operating expenses	–845,393	–653,268
Depreciation and amortisation of tangible and intangible assets	–39,697	–23,520
Total operating expenses	**–1,527,570**	**–1,149,988**
Profit before credit losses	**292,982**	**146,475**
Net credit losses	–5,298	–
Profit from shares and participations in joint venture	54,839	58,662
Profit before tax	**342,523**	**205,137**

One effect of Hoist Kredit AB (publ) being a regulated credit company is that we prepare our financial statements in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

We regard acquisition and management of acquired loan portfolios as our core operational activity. Deposit-taking in HoistSpar is thus part of our financing activity. An outline guide is presented to the left in order to assist understanding of our financial development based on the statutory financial statements as presented in this Annual Report.

Operating income statement

In an analysis of Hoist Finance's EBIT we regard income and expenses attributable to the acquisition and management of acquired loan portfolios, run-off consumer loan portfolio, servicing income and profit in joint venture as well as general administration as our operational activity.

Interest expenses for deposit-taking are regarded as financing.

Definitions

Acquired loans
The total of acquired loan portfolios, run-off consumer loan portfolios and shares and participations in joint ventures.

Acquired loan portfolios
An acquired loan portfolio consists of a number of defaulted consumer loans/debts and SME loans that arise from the same originator.

AT1 (Additional Tier 1 capital)
Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the Tier 1 capital.

Average number of employees
Average number of employees during the year converted to full-time posts. The calculation is based on the total average number of employees per month divided by the year's twelve months.

Basic earnings per share
Net profit for the year divided by the weighted average number of outstanding shares.

Own funds
The sum of Tier 1 and Tier 2 capital.

Own funds requirement – Pillar 1
Minimum capital requirements for credit risk, market risk and operational risk.

Own funds requirement – Pillar 2
Capital requirements apart from Pillar 1 requirements.

CET1 (Common Equity Tier 1) capital
Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council, and other equity items that may be included in CET1 capital, less regulatory dividend deduction and deductions for items such as goodwill and deferred tax assets.

CET1 (Common Equity Tier 1) ratio
CET1 capital as a percentage of the total risk-weighted exposure amount

Diluted earnings per share
Net profit for the year divided by the weighted average number of outstanding shares after full dilution.

EBIT
Earnings Before Interest and Tax.

EBIT margin
EBIT (operating earnings) divided by total revenue.

Expenses/Gross collections on acquired loan portfolios
Operating expenses less fee and commission income and other income, divided by the sum of gross collections on acquired loan portfolios and income from the run-off consumer loan portfolios.

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

Gross collections on acquired loan portfolios
Gross cash flow from the Group's customers on loans included in the Group's acquired loan portfolios.

Gross 120-month ERC
"Estimated Remaining Collections" - i.e. the estimated remaining gross collection amount on acquired loan portfolios for the coming 120 months.

Legal collection
Legal collections relate to the cash received following the initiation of Hoist Finance's Litigation process. This process assesses those customers with the means to pay and is followed through a regulatory environment and court enforcement process.

Net revenue from acquired loans
The sum of gross collections on acquired loan portfolios and income from the run-off consumer loan portfolio, less portfolio amortisation and revaluation.

Non-performing loans
An originator's loan is non-performing as at the balance sheet date if it is past due or will be due shortly.

Portfolio amortisation
The share of gross collections that will be used for amortising the carrying value of acquired loan portfolios.

Portfolio revaluation
Changes in the portfolio value based on revised estimated remaining collections for the portfolio.

Return on assets
Net profit for the period divided by average total assets.

Return on shareholders' equity
Net profit for the period divided by average shareholders' equity during the period.

Risk-weighted exposure amount
The risk weight of each exposure multiplied by the exposure amount.

SME
A company that employs fewer than 250 people and has either annual sales of EUR 50 million or less or a balance sheet total of EUR 43 million or less.

Tier 1 capital
The sum of CET1 capital and AT1 capital.

Tier 1 capital ratio
Tier 1 capital as a percentage of the total risk-weighted exposure amount.

Tier 2 capital
Capital instruments and associated share premium reserves that fulfil the requirements of Regulation (EU) 575/2013 of the European Parliament and the Council and that may accordingly be included in the own funds.

Total capital ratio
Own funds as a percentage of the total risk-weighted exposure amount.

Total revenue
Sum of net revenue from acquired loans, fee and commission income, profit from shares and participations in joint ventures and other income.

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Every care has been taken in the translation of this report. In the event of any discrepancy, the Swedish original will supersede the English translation.

Hoist Kredit AB

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