

Year-end Report 2014

Starting from Q4 2014, the Hoist Finance Group (formerly Hoist International AB (publ)) will present financial reports for both, Hoist Finance AB (publ) and the Hoist Kredit AB (publ) sub-group. This year-end report for 2014 refers to Hoist Finance AB (publ). The Hoist Finance Group has previously only presented its financial accounts for Hoist Kredit AB (publ), which is a fully-owned subsidiary, including a sub-group, of Hoist Finance AB (publ).

Fourth quarter 2014

Gross cash collections

SEK 750 M 

Portfolio acquisitions

SEK 1,544 M 

EBIT margin

31%

Total capital ratio

12.17%

- Gross cash collections increased by SEK 231 M to SEK 750 M (SEK 519 M).
- Total revenue increased by 16% to SEK 480 M (SEK 413 M).
- EBIT totalled SEK 150 M, an increase from SEK 126 M. The corresponding EBIT margin was 31% (31%).
- Profit before tax decreased to SEK 48 M (SEK 70 M).
- Portfolio acquisitions totalled SEK 1,544 M (SEK 1,339 M).
- Earnings per share before dilution totalled SEK 2.37 (SEK 3.85). Earnings per share after dilution totalled SEK 2.02 (SEK 2.85).
- Carrying value of acquired loans¹⁾ totalled SEK 8,921 M (SEK 6,400 M).
- Gross 120m ERC (Estimated Remaining Collections) increased to SEK 15,576 M (SEK 10,673 M).
- During the period, a preferential rights issue of approximately SEK 100 M was completed. The issue was fully-subscribed by existing shareholders. Hoist Finance also completed a new share issue against payment in kind by perpetual convertible debentures with subsequent conversion into shares in Hoist Kredit AB (publ), thereby converting SEK 100 M from Tier I capital into CET 1 capital.
- Total capital ratio increased to 12.17% (11.62%).
- CET 1 ratio (Common Equity Tier I Capital) totalled 9.35% (5.69%).
- The Board does not propose any dividend for 2014.

SEK M	Quarter 4 2014	Quarter 4 2013	Change %	Full year 2014	Full year 2013	Change %
Gross cash collections	750	519	+45	2,541	1,641	+55
Net revenue from acquired loans	416	340	+23	1,436	1,077	+33
Total revenue	480	413	+16	1,661	1,275	+30
EBIT	150	126	+19	530	326	+62
EBIT margin	31%	31%	0	32%	26%	+6 pp
Profit before tax	48	70	-32	218	150	+46
Net profit	49	65	-26	180	117	+54
Earnings per share before dilution (SEK)	2.37	3.85	-38	9.21	6.07	+52
Earnings per share after dilution (SEK)	2.02	2.85	-93	7.49	5.29	+42
Portfolio acquisitions	1,544	1,339	+15	3,227	3,266	-1
Return on equity	15%	33%	-18 pp	16%	16%	0

SEK M	Dec 31 2014	Dec 31 2013	Change %
Carrying value of acquired loans ¹⁾	8,921	6,400	+39
Gross 120m ERC ²⁾	15,576	10,673	+46
Total capital ratio	12.17%	11.62%	+1 pp
CET 1 ratio	9.35%	5.69%	+4 pp
Liquidity ratio	51%	54%	-3 pp
Number of employees (FTEs)	1,041	881	+18

1) Including a run-off portfolio of consumer loans and portfolios included in the Polish joint venture.

2) Excluding a run-off portfolio of consumer loans and portfolios included in the Polish joint venture.

The subsidiary Hoist Kredit AB (publ) is a regulated "Credit Market Company". Therefore Hoist Finance produces financial statements in accordance with the guidance and format set forth in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, in order to assess the operational performance of the debt purchasing and collection operations and to facilitate comparison with our competitors. Hoist Finance supplements the statutory financial statements by producing an operating income statement. The operating income statement contains no adjustments or amendments compared to, and has been prepared on the basis of the same accounting and valuation principles as the statutory financial statements. A detailed presentation of principles applied in the preparation of the operating income statement is included on page 12.

Continued strong portfolio acquisitions with increased profitability

2014 was another successful year for Hoist Finance. We have continued to reinforce our position as a leading debt restructuring partner to international banks and financial institutions across Europe. Through consolidated efforts we managed to achieve important strategic milestones. We launched a new internal strategic platform, formalising and executing on a number of key strategic initiatives, both operational and financial. This, together with a continued high rate in portfolio acquisitions, enabled us to deliver significant financial improvements with increased net income and an improved EBIT margin for 2014.

Market development

We operate in a market that offers significant growth opportunities, which ultimately stem from a number of strong underlying factors including;

- The implementation of Basel III, which will over time result in an increase in capital requirements of credit and banking institutions;
- The substantial backlog of non-performing loans still present on the balance sheets of the international banks – a legacy of the financial crisis in 2008;
- The growing trend of institutional outsourcing of non-core business to specialised market participants.

With our wide geographical presence, our focused sales strategy and our proven model for amicable settlements, we acquired a total portfolio transacted value of SEK 3.2 billion during 2014. As a result we positioned us once again, as the largest pan-European buyer of non-performing consumer loans originated by financial institutions, a position we have held for three consecutive years.

Improving our geographical footprint

During the course of 2014 our strategy for growth and geographical diversification has been successful. We had the opportunity to acquire TRC SpA, which was our master servicer in Italy. TRC has a countrywide presence in Italy, and this was clearly of strategic interest. During the fourth quarter we also acquired Navi Lex – a leading Polish debt collection agency with a solid background in collection process. This resulted in that we now have local and more scalable collection platforms in all of our jurisdictions except for Austria.

Change in the Board of Directors

Our Board of Directors has been strengthened during 2014. A new Chair of Board, Ingrid Bonde has been appointed, as well as new board members Gunilla Wikman, Annika Poutiainen and Liselotte Hjorth.

Strengthening of internal processes and new financial targets

We have also continued to strengthen our headquarters in Stockholm, adding new functions and roles in order to build an organisation prepared to take on larger volumes in front of the market trajectory.

As of 2015 we introduce three financial targets:

Profitability:

- By utilising our operating leverage we aim to expand our EBIT margin and achieve an EBIT margin of above 40% in the medium term.

Capitalisation:

- Core primary capital ratio to exceed 12% with potential to temporarily go below as a result of large portfolio or goodwill acquisitions.

Dividend policy:

- As we continue to foresee substantial acquisition opportunities in our markets we will initially aim to distribute around 25-30% of our net profit as dividend over the medium term. Given the historically strong cash flow generation of our business, our long term aim is to distribute around 50% of the annual net profit as dividend.

Significant growth opportunities ahead

Our financial targets and strategic priorities are ambitious. However, our ambition is only tempered by what is realistic according to projected market conditions, and we see significant growth opportunities in the markets where we currently operate.

Going forward Hoist Finance is expecting the portfolio purchase volume to be in line with or higher than the previous years.

In addition, we are continuously reviewing new market entry potential according to their underlying characteristics and strategic fit with Hoist Finance's growth plans. And as always, we will continuously work to deepen our relationships with our partners in existing markets and will follow them into new jurisdictions when opportunities arise.

Jörgen Olsson

CEO

Hoist Finance AB (publ)

Fourth quarter 2014

Unless otherwise stated, all comparisons of market, financial and operational data apply to the fourth quarter of 2013. The analysis below follows the operating income statement.

Revenue and financial items

As a result of the continued high acquisition activity during both, 2013 and 2014, gross cash collections increased by 45 per cent to SEK 750 M (SEK 519 M). The growth in Poland, considerable portfolio acquisitions in the Netherlands in the beginning of the year and the acquisition of the Italian portfolio from TRC SpA in April 2014 have all been important elements contributing to the increase. Interest income from the run-off consumer loan portfolio has decreased during the year in line with the portfolio amortisation and totalled SEK 6 M (SEK 11 M). Net revenue from acquired loans increased thus by 23 per cent to SEK 416 M (SEK 340 M).

Fee and commission income decreased from SEK 54 M in 2013 to SEK 39 M in 2014. The major part of the decrease relates to Hoist Finance's UK operations that, as expected, have been affected by the integration of the Lewis group Ltd. Profit from shares and participations in joint venture in Poland has increased by 117 per cent to SEK 18 M as a result of weak performance in 2013.

Other income totalled SEK 6 M, a decrease compared to the previous year (SEK 11 M). Also, this decrease is attributable primarily to the integration of the Lewis group Ltd in the UK.

Total revenue increased to SEK 480 M compared to SEK 413 M in 2013.

Net interest items, i.e. the net of interest income and interest expense excluding interest income from the run-off portfolio of consumer loans totalled SEK -86 M (SEK -49 M). The decrease is explained by a substantial drop in interest income as a result of lower market rates and an increased investment in assets with lower credit risk and lower return. The increase in interest expense stems from a higher deposit volume as well as the issue of senior unsecured bonds in December 2013 and October 2014.

Net income from financial transactions totalled SEK -16 M (SEK -7 M) and relates to the effects from currency and interest rate hedges using derivatives.

Operating expenses

Operating expenses, excluding depreciation and amortisation of tangible and intangible fixed assets, totalled SEK -320 M, an increase of 14 per cent compared to 2013 (SEK -280 M). The increase is to a large extent a result of the acquisition of the Italian operations from TRC SpA comprising approximately 130 employees in August 2014, as the continued high portfolio acquisition activity during the year well as the strengthening of central functions. Costs of SEK 4 M associated with the acquisition of Navi Lex in Poland are included in the operating expenses. The restructuring programme in France continued during the fourth quarter and an additional allocation of SEK 3 M was charged on the operating expenses.

Depreciation and amortisation of tangible and intangible fixed assets totalled SEK -10 M (SEK -7 M). The increase relates to the acquisition of the assets from TRC, the establishment of an office in Lille as well as higher depreciation of systems.

Profit before tax and Net profit

The profit before tax decreased to SEK 48 M (SEK 70 M). The reported tax cost totalled SEK +1 M (SEK -5 M). The tax expense has been positively affected by losses carry forward that were not included in the balance sheet and which have been utilised, thus affecting the reported tax expense positively with an effect of approximately SEK 7 M. Furthermore, non-taxable income included in the consolidated profit as well as deductible expenses that have not been included in the consolidated profit have had a positive impact upon the tax expense.

The consolidated comprehensive income, including currency translation differences, totalled SEK 56 M, a decrease of SEK 8 M compared to 2013.

Cash flow

SEK M	Quarter 4 2014	Quarter 4 2013	Change %
Cash flow from operating activities	-17	-666	+97
Cash flow from investing activities	337	-107	n/m
Cash flow from financing activities	846	651	+30
Cash flow from the period	1,167	-123	n/m

The cash flow from operating activities improved to SEK -17 M (SEK -666 M) as a result of higher gross cash collections and increased deposits through HoistSpar. Portfolio acquisitions totalled SEK 1,544 M (SEK 1,339 M).

The cash flow from investing activities increased to SEK 337 M (SEK -107 M) as a result of the reallocation of liquidity to assets with lower credit risk (treasury bills), which have been classified as cash.

During 2014, Hoist Finance has successively built up and maintained liquidity to accommodate expected acquisition opportunities. In line with the strategy to diversify its funding structure, Hoist Finance has issued bonds. In the end of 2013 the Group issued SEK 350 M in subordinated bonds and SEK 750 M in senior unsecured bonds. In October 2014, the Group issued another senior unsecured bond of EUR 100 M. This provides a natural currency hedge to the Group's assets that are mostly EUR-denominated.

The total cash flow for the quarter totalled SEK 1,167 M, compared to SEK -123 M for the fourth quarter of 2013.

Full year 2014

Unless otherwise stated, all comparisons of market, financial and operational data apply to the full year 2013. The analysis below follows the operating income statement.

Revenue and financial items

As a result of the high acquisition activity in both 2013 and 2014, gross cash collections increased by 55 per cent to SEK 2,541 M (SEK 1,641 M). Portfolio amortisation and revaluation totalled SEK -1,143 M (SEK -633 M), of which portfolio revaluation accounted for SEK -15 M (SEK -6 M). Interest income from the run-off consumer loan portfolio decreased during the year in line with the portfolio being amortised and totalled SEK 38 M (SEK 69 M). As at 31 December 2014, the carrying value of the run-off portfolio of consumer loans was SEK 119 M (SEK 192 M). Net revenue from acquired loans thus increased by 33 per cent to SEK 1,436 M (SEK 1,077 M).

Fee and commission income has been stable with a slight increase from SEK 149 M in 2013 to SEK 153 M in 2014, primarily as a result of the full-year effect from the lewis group Ltd. Profit from shares and participations in the joint venture in Poland (BEST III) has increased by 61 per cent to SEK 59 M. During 2013 fees to BEST III's external servicing partner were re-negotiated, which had a negative impact upon future cash flows and hence the valuation of the asset. This effect was included in the reported profit for 2013. This asset is reported according to the equity method. The joint venture is affected by changes in discount rates applied by the fund. As a consequence of falling market rates, this has had some positive impact upon the reported profit for 2014. The acquisition activity in Hoist Finance's joint venture was low in 2013 and no additional acquisitions were made in 2014. As at 31 December 2014, the carrying value of Hoist Finance's share in the joint venture was SEK 215 M (SEK 192 M). The realised profit totalled SEK 28 M compared to the reported profit of SEK 59 M.

Other income totalled SEK 12 M (SEK 12 M).

Total revenue increased to SEK 1,661 M compared to SEK 1,275 M in 2013.

Net interest items, i.e. the net of interest income and interest expense excluding interest income from the run-off portfolio of consumer loans totalled SEK -293 M (SEK -171 M). In order to accommodate higher expected acquisition volumes, in 2014 Hoist Finance has continued to build and maintain liquidity through the issuance of corporate bonds and increased deposits through HoistSpar. Furthermore, falling market rates have resulted in lower interest income from investments in treasury bills and treasury bonds. Net income from financial transactions totalled SEK -18 M (SEK -5 M) and relates to the effects from currency and interest rate hedges using derivatives.

Operating expenses

Operating expenses, excluding depreciation and amortisation of tangible and intangible fixed assets totalled SEK -1,101 M, an increase of 19 per cent compared to 2013 (SEK -927 M). The increase in the operating expenses reflects the high portfolio acquisition activity during 2013 and 2014 as well as the acquisition of the two operating platforms in Italy from TRC SpA during the third quarter of 2014. In connection with the acquisition Hoist Finance assumed approximately 130 employees. The operating expenses in 2014 include certain one-off items. The cost for the restructuring and rationalisation of

the French operation of in total SEK 15 M for the full year has been charged on operating expenses. The operating expenses in 2014 also include an acquisition cost of SEK 4 M attributable to the acquisition of Navi Lex in Poland in December 2014. During the year, Hoist Finance has continued to strengthen its central functions and internal systems, which has resulted in a certain increase in expenses. The operating expenses in 2013 included a charge of SEK 69 M relating to the restructuring costs for the integration of the lewis group Ltd. During 2014, Hoist Finance has finalised the integration of the lewis group Ltd and Robinson Way Ltd at previously estimated cost. The restructuring reserve has been fully utilised.

Depreciation and amortisation of tangible and intangible fixed assets totalled SEK -30 M (SEK -21 M). The increase in the depreciation between 2013 and 2014 partly relates to the assets acquired from TRC SpA during 2014. The remainder is mainly explained by depreciation on systems, including the deposit platform and increased depreciation in France as a result of the establishment in Lille.

Profit before tax and Net profit

The profit before tax increased to SEK 218 M (SEK 150 M) due to the continued strong performance of the Group. The tax expense has been positively affected by losses carry forward that were not included in the balance sheet and which have been utilised, thus affecting the reported tax expense positively with an effect of approximately SEK 7 M. Furthermore, non-taxable income included in the consolidated profit as well as deductible expenses that have not been included in the consolidated profit have had a positive impact upon the tax expense.

The comprehensive income, including currency translation differences, totalled SEK 188 M, an increase of SEK 69 M compared to 2013.

Cash flow

SEK M	2014	2013	Change %
Cash flow from operating activities	-750	1,246	n/m
Cash flow from investing activities	-790	-614	-29
Cash flow from financing activities	1,222	1,048	+17
Cash flow for the period	-318	1,681	n/m

The cash flow from operating activities decreased to SEK -750 M (SEK 1,246 M) as a result of higher acquisition volume (incl. currency translation differences) in 2014 and a stronger inflow of deposits in HoistSpar during 2013 compared to 2014.

The cash flow from investing activities decreased to SEK -790 M (SEK -614 M) due to the acquisitions of operations in Poland and investments in bonds.

During 2014, Hoist Finance has successively built up and maintained a liquidity to accommodate expected acquisition opportunities. In line with the strategy to diversify its funding

structure, Hoist Finance has issued bonds. In the end of 2013 the Group issued SEK 350 M in subordinated bonds and SEK 750 M in senior unsecured bonds. In October 2014, the Group issued another senior unsecured bond of EUR 100 M. This provides a natural currency hedge to the Group's assets that are mostly EUR-denominated.

Since January 2014, Hoist Finance has reallocated its liquidity reserve in accordance with changes in regulatory requirements. This has resulted in increase in treasury bills/treasury bills and secured bonds, and a decrease in senior bank debt and corporate bonds with lower rating. During 2014, Hoist Finance has invested approximately SEK 654 M in treasury bills, treasury bonds and other interest-bearing assets. These are classified as cash.

The cash flow from financing activities increased to SEK 1,222 M (SEK 1,048 M) as a result of capital contribution through the private placement to Toscafund in May as well as a new share issue against payment in kind and a new preferential rights issue in December 2014.

The total cash flow for the year totalled SEK -318 M, compared to SEK 1,681 M in 2013.

Funding and capital structure

SEK M	Full year 2014	Full year 2013	Change %
Deposits from the public	10,987	9,702	+13
Subordinated loans	333	329	+1
Senior unsecured loans	1,493	666	+124
Total interest-bearing liabilities	12,813	10,697	+20
Other liabilities	852	525	+73
Shareholders' equity	1,397	815	+67
Total liabilities and shareholders' equity	15,062	12,037	+25
Cash and interest-bearing assets	5,560	5,225	+6
Other assets	9,501	6,812	+39
Total assets	15,062	12,037	+25
Liquidity ratio, %	51	54	-3 pp
CET 1 ratio, %	9.35	5.69	+4 pp
Total capital ratio, %	12.17	11.62	+1 pp

Hoist Finance to a large extent funds its operations through deposits. As at 31 December 2014, deposits to the public totalled SEK 10,987 M (SEK 9,702 M). The Sparkonto Flex (variable) and Sparkonto Fast (term) 36 months accounts together stood for approximately 67 per cent of the increase.

In line with its strategy to diversify the funding structure, during 2014 Hoist Finance issued senior unsecured bonds of EUR 100 M, listed on Nasdaq Stockholm.

As at 31 December 2014, the shareholders' equity of the Group totalled SEK 1,397 M (SEK 815 M). In order to accommodate the opportunities in the market, Hoist Finance has strengthened its

capital base during the year. In May 2014, Hoist Finance completed a private placement of SEK 333 M to the London-based Toscafund. In December 2014, Hoist Finance AB (publ) completed a new share issue of SEK 100 M against payment in kind by way of perpetual convertible debentures issued by its subsidiary Hoist Kredit AB (publ) whereby the holders of the convertible debentures received shares in Hoist Finance AB (publ). Immediately after the receipt of the convertible debentures, the debentures were converted into shares in Hoist Kredit AB (publ) and thereby SEK 100 M of Tier I capital was converted into common equity Tier I capital. In December 2014, a preferential rights issue of SEK 100 M was made to existing shareholders.

Total capital ratio has increased from 11.62 per cent as at 31 December 2013 to 12.17 per cent as at 31 December 2014. The CET 1 (Common Equity Tier I Capital) ratio totalled 9.35 (5.69) per cent as at 31 December 2014.

Cash and interest-bearing assets totalled SEK 5,560 M as at 31 December 2014 (SEK 5,225 M). The liquidity ratio was 51 (54) per cent of deposits to the public.

Portfolio acquisitions

SEK M	Full year 2014	Full year 2013	Change %
Portfolio acquisitions	3,227	3,266	-1
Carrying value acquired loans ¹⁾	8,921	6,400	+39
Gross ERC 120 months ²⁾	15,576	10,673	+46

1) Including run-off portfolio of consumer loans and portfolios contained in the Polish joint venture.
2) Excluding run-off portfolio of consumer loans and portfolios contained in the Polish joint venture.

During 2014, Hoist Finance continued to actively acquire loan portfolios resulting in further geographical diversification and penetration of existing markets. The total acquisition volume in 2014 was SEK 3,227 M (SEK 3,266 M). The carrying value of acquired loans totalled SEK 8,921 M (SEK 6,400 M) as at 31 December 2014, i.e. an increase of 39 per cent. Gross ERC (Estimated Remaining Collections) 120 months (excl. run-off portfolio of consumer loans and portfolios included in the Polish joint venture) totalled SEK 15,576 M (SEK 10,673 M).

In April, Hoist Finance completed another major portfolio acquisition and entered into a forward-flow agreement³⁾ in the Netherlands with Crédit Agricole Consumer Finance Nederland B.V. In April, Hoist Finance acquired the portfolio of its Italian servicing partner TRC SpA. In August, Hoist Finance acquired a portfolio of defaulted loans from Citigroup Financial Products Inc. in Germany. During the third quarter Hoist Finance also acquired a major portfolio from Santander in the UK. In December Hoist Finance strengthened its market position in Italy through the acquisition of a major portfolio from a major international bank.

3) A forward-flow agreement means that an agreement is reached with a bank to acquire its defaulted loans in accordance with certain characteristics at certain prices at certain future points of time. These portfolios contribute with the same credit risks as the other portfolios that Hoist Finance acquires. Every forward-flow transaction to a limited extent involves an additional liquidity risk, yet not in any different way compared to ordinary portfolio acquisitions.

Segment overview

Unless otherwise stated, all comparisons relate to the same period last year.

Germany and Austria

SEK M	Quarter 4 2013	Change %	Full year 2014	Full year 2013	Change %	
Gross cash collections	230	202	+14	724	666	+9
Portfolio amortisation and revaluation	-109	-72	+50	-349	-263	+33
Interest income from run-off portfolio of consumer loans	6	11	-47	38	69	-45
Net revenue from acquired loans	127	140	-9	413	472	-13
Fee and commission income	4	5	-32	18	20	-12
Other income	8	6	27	14	13	+8
Total revenue	139	152	-9	446	506	-12
Operating expenses	-70	-71	-1	-251	-247	+1
EBIT	68	81	-16	195	258	-25
<i>EBIT margin</i>	49%	53%	-4 pp	44%	51%	-7 pp
Cost of collection/Gross cash collections	25%	28%	-3 pp	29%	29%	0
Carrying value of acquired loans ¹⁾				2,350	2,036	+15
Gross ERC 120 months ²⁾				3,817	3,253	+17

1) Including run-off portfolio of consumer loans.

2) Excluding run-off portfolio of consumer loans.

Operating revenue

Gross cash collections in 2014 increased by 9 per cent to SEK 724 M (SEK 666 M). The fourth quarter was positively affected by growth within the secured area. Furthermore, Hoist Finance has reached an agreement concerning divestment of a major secured asset. Portfolio amortisation and revaluation totalled SEK -349 M (SEK -263 M) for the 2014. The proportionally higher increase in portfolio amortisation is attributable to the positive portfolio revaluation effects in 2013. Interest income from the run-off consumer loan portfolio decreased to SEK 6 M (SEK 11 M) in the fourth quarter and from SEK 69 M to SEK 38 M on a full-year basis as a result of the portfolio gradually being amortised. Fee and commission income was lower in 2014 as a result of Hoist Finance acquiring a portfolio that was previously serviced on behalf of a third party by Hoist Finance. Total revenue decreased to SEK 446 M (SEK 506 M).

Operating expenses

Operating expenses have been largely unchanged in 2014 compared to the previous year despite higher volumes. Personnel expenses have decreased by 7 per cent on a full-year basis and by 19 per cent for the fourth quarter compared to the same period last year. This is explained by higher costs in 2013 due to the discontinuation of Hoist Finance's office in Eschborn. Collection cost/gross cash collections has thus decreased by 3 percentage points for the fourth quarter and were in line with 2013 on a full-year basis.

EBIT

The EBIT for the segment totalled SEK 195 M for the 2014 full year (SEK 258 M) with a corresponding EBIT margin of 44 (51) per cent. The fourth quarter was slightly stronger with an EBIT margin of 49 and 53 per cent respectively. The decline in the profitability relates primarily to the lower interest income from the run-off consumer loan portfolio.

Acquisitions

The acquisition activity was higher in 2014 compared to the previous year. During the year, Hoist Finance acquired a portfolio of defaulted consumer loans from Citigroup Financial Products Inc. As at 31 December 2014, the carrying value of acquired loans totalled SEK 2,350 M (SEK 2,036 M). Gross ERC increased to SEK 3,817 M as at 31 December 2014 (SEK 3,253 M).

Other

Austria continuously represents an interesting market for Hoist Finance. During 2014, Hoist Finance continued to strengthen its presence in the Austrian market through a handful of portfolio acquisitions.

France, Belgium and the Netherlands

SEK M	Quarter 4 2014	Quarter 4 2013	Change %	Full year 2014	Full year 2013	Full year
Gross cash collections	206	123	+67	733	338	+117
Portfolio amortisation and revaluation	-151	-107	+41	-485	-228	+113
Net revenue from acquired loans	55	16	+251	248	110	+126
Fee and commission income	2	2	+1	7	7	+4
Other income	0	-1	n/m	0	0	n/m
Total revenue	57	16	254	256	117	+119
Operating expenses	-48	-39	+22	-194	-123	+58
EBIT	9	-23	n/m	61	-6	n/m
<i>EBIT margin</i>	16%	-142%	+158 pp	24%	-5%	+29 pp
Cost of collection/Gross cash collections ¹⁾	21%	31%	-10 pp	23%	34%	-9 pp
Carrying value of acquired loan portfolios				2,194	1,772	+24
Gross ERC 120 months				3,512	2,753	+28

1) Excl. one-off items

Operating revenue

Gross cash collections increased by 117 per cent for the full year 2014 to SEK 733 M (SEK 338 M). The increase was 67 per cent for the fourth quarter. The higher cash collections relate largely to the acquisition of the portfolio from Crédit Agricole in the Netherlands during the second half of 2013 as well as the additional acquisitions made in the first half of 2014. Portfolio amortisation and revaluation totalled SEK -485 M (SEK -228 M) for the full year, of which portfolio revaluation accounted for SEK -33 M (SEK -44 M). The increase is in the first place attributable to the growth in the underlying assets and secondly to the continued review and revaluation of the French portfolios. Fee and commission income in 2014 was in line with the previous year and primarily relates to the operations in France.

Operating expenses

The operating expenses for the fourth quarter totalled SEK -48 M (SEK -39 M) and SEK -194 M for the 2014 full year (SEK -123 M). The increase in the operating expenses reflects the higher portfolio volume as well as the pending restructuring and rationalisation project in France. In spring 2014, a new office was opened in Lille. The operations in the Paris office of Hoist Finance will gradually be transferred to Lille which, among other things, offers better access to workforce. The cost effect for 2014 is SEK -15 M. Hoist Finance expects certain extra costs during the first half of 2015 until the restructuring is completed.

EBIT

The EBIT of the segment totalled SEK 61 M in 2014 (SEK -6 M) with a corresponding EBIT margin of 24 (-5) per cent.

Acquisitions

Adjusted for the effect from the acquisition of the portfolio from Crédit Agricole Consumer Finance Nederland in the end of 2013, the acquisition activity of the segment was higher in 2014 compared to the previous year. The acquisition activity in the Netherlands continued to be high. During the year Hoist Finance acquired another major portfolio and entered into a forward-flow agreement in the Netherlands with Crédit Agricole Consumer Finance Nederland B.V. The acquisition activity in France continued to be weak as the French market is immature. As at 31 December 2014, the carrying value of acquired loan portfolios totalled SEK 2,194 M (SEK 1,772 M). Gross ERC increased to SEK 3,512 M as at 31 December 2014 (SEK 2,753 M).

UK

SEK M	Quarter 4 2014	Quarter 4 2013	Change %	Full year 2014	Full year 2013	Change %
Gross cash collections	143	107	+34	527	250	+111
Portfolio amortisation and revaluation	-34	-42	-20	-201	-40	+396
Net revenue from acquired loans	109	65	+69	327	210	+56
Fee and commission income	34	47	-28	128	122	+5
Other income	2	7	-70	3	6	-54
Total revenue	145	119	+22	458	338	+35
Operating expenses	-77	-72	+8	-277	-290	-5
EBIT	68	47	+45	181	48	+281
<i>EBIT margin</i>	47%	39%	+8 pp	40%	14%	+26 pp
Cost of collection/Gross cash collections ¹⁾	29%	17%	+12 pp	28%	37%	-9 pp
Carrying value of acquired loans				1,798	1,313	+37
Gross ERC 120 months				3,391	2,588	+31

1) Excl. one-off items.

Operating revenue

Gross cash collections for the fourth quarter totalled SEK 143 M (SEK 107 M) and SEK 527 M for the 2014 full year (SEK 250 M). The increase in gross cash collections reflects the acquisition of the lewis group Ltd in August 2013 as well as strong portfolio acquisitions in 2014. Portfolio amortisation and revaluation totalled SEK -201 M for the 2014 full year (SEK -40 M). The considerable increase compared to the previous year is attributable to the acquisition accounting in connection with the acquisition of the lewis group Ltd, whereby the operating expenses were charged with a reservation for the integration and the operating revenue increased by a corresponding amount. During the fourth quarter, fee and commission income decreased to SEK 34 M (SEK 47 M) as a result of the integration of the lewis group Ltd. The development was stable on a full-year basis. A new regulatory framework with higher requirements upon risk and compliance management have resulted in structural changes in the British market with a number of small debt collection companies lacking the required routines and resources going out of business.

Operating expenses

Operating expenses in 2013 were charged with a SEK 69 M allocation to a restructuring reserve for the integration of the lewis group Ltd. During 2014, the integration of the lewis group Ltd and Robinson Way Ltd has been completed at estimated cost that was reserved at acquisition. The restructuring reserve has been fully utilised. Thereafter the focus has been on operational improvements and improved profitability. On a full-year basis, operating expenses decreased by 5 per cent to SEK -277 M (SEK -290 M). Taking into account one-off items in 2013 operating expenses increased by 25 per cent.

EBIT

In 2014, the EBIT of the segment totalled SEK 181 M (SEK 48 M) with a corresponding EBIT margin of 40 (14) per cent.

Acquisitions

The acquisition activity was good in 2014 with an even acquisition pace during the year. In 2014, Hoist Finance acquired, inter alia, a substantial portfolio from Santander in the UK. As at 31 December 2014, the carrying value of acquired loan portfolios totalled SEK 1,798 M (SEK 1,313 M). Gross ERC increased to SEK 3,391 M as at 31 December 2014 (SEK 2,588 M).

Italy

SEK M	Quarter 4 2014	Quarter 4 2013	Change %	Full year 2014	Full year 2013	Change %
Gross cash collections	89	51	+75	261	213	+23
Portfolio amortisation and revaluation	-22	-31	-30	-91	-110	-17
Net revenue from acquired loans	68	20	+239	170	102	+66
Other income	0	0	n/m	0	0	n/m
Total revenue	67	20	+237	170	102	+66
Operating expenses	-53	-10	+483	-106	-22	373
EBIT	14	11	+31	64	80	-20
<i>EBIT margin</i>	<i>21%</i>	<i>55%</i>	<i>-34 pp</i>	<i>37%</i>	<i>78%</i>	<i>-41 pp</i>
Cost of collection/Gross cash collections	59%	18%	+41 pp	41%	11%	+30 pp
Carrying value of acquired loans				1,181	308	+283
Gross ERC 120 months				2,407	486	+395

Operating revenue

In 2014, gross cash collections increased by 23 per cent to SEK 261 M (SEK 213 M). The increase relates to the acquisition of the portfolio from TRC SpA in April. Portfolio amortisation and revaluation totalled SEK -91 M for the 2014 full year (SEK -110 M). The reversed relation between changes in gross cash collections and portfolio amortisation relates to the effect of the integration of the portfolio that was acquired from TRC SpA in April in the accounts of Hoist Finance.

Operating expenses

The considerable increase in operating costs for both, the 2014 full year and the fourth quarter, relates to the acquisition of TRC's two platforms (Rome and Lecce) in August comprising approximately 130 employees. The acquisition is an important element in Hoist Finance's strategy to grow and strengthen its position through own market presence in the Italian market. The acquired capacity has scope for additional volume. The later part of 2014 involved integration of TRC's operations into Hoist Finance.

EBIT

In 2014, the EBIT of the segment totalled SEK 64 M (SEK 80 M) with a corresponding EBIT margin of 37 (78) per cent.

Acquisitions

The acquisition activity was considerably higher in 2014 compared to the previous year. In April, Hoist Finance acquired the portfolio from its Italian service partner TRC SpA. The portfolio contained approximately 800,000 claims with a total face value of EUR 1.9 billion. In December, another substantial portfolio was acquired from a major international bank. The effect from this acquisition upon gross cash collections has been limited and will result in a more optimal utilisation of the existing capacity. As at 31 December 2014, the carrying value of acquired loan portfolios totalled SEK 1,181 M (SEK 308 M). Gross ERC increased to SEK 2,407 M as at 31 December 2014 (SEK 486 M).

Poland

SEK M	Quarter 4 2014	Quarter 4 2013	Change %	Full year 2014	Full year 2013	Change %
Gross cash collections	81	34	+136	296	171	+72
Portfolio amortisation and revaluation	-24	63	n/m	-17	11	n/m
Net revenue from acquired loans	57	98	-41	279	182	+53
Total revenue	57	98	-41	279	182	+53
Operating expenses	-19	-20	-5	-77	-64	+19
EBIT	38	78	-51	202	118	+71
<i>EBIT margin</i>	<i>67%</i>	<i>80%</i>	<i>-13 pp</i>	<i>72%</i>	<i>65%</i>	<i>+7 pp</i>
Cost of collection/Gross cash collections	23%	58%	-35 pp	26%	38%	-12 pp
Carrying value of acquired loans ¹⁾				1,182	779	+52
Gross ERC 120 months				2,449	1,592	+54

1) Excl. portfolios included in the joint venture.

Operating revenue

Gross cash collections increased by 72 per cent in the 2014 full year to SEK 296 M (SEK 171 M) as a result of strong collections on existing portfolios and an underlying increase in volume. Portfolio amortisation and revaluation totalled SEK -17 M (SEK +11 M). The positive portfolio amortisation in the fourth quarter 2013 reflect a period of substantial investments in a major portfolio that was not generating a positive cash flow at that time. This has been normalised during 2014. Hoist Finance has previously reported shares and participations in joint ventures in the Polish segment. In order to better reflect the operations of Hoist Finance, starting from the fourth quarter 2014, these are reported in the segment "Central Functions".

Operating expenses

Operating expenses have increased slightly in 2014 to SEK -77 M (SEK -64 M). The increase is mainly attributable to the establishment of the office in Warsaw with an increased staff. In the end of December, Hoist Finance acquired the Wrocław-based debt collection company Navi Lex with a staff of approximately 130. The acquisition has not yet been reflected in the result of the segment except for acquisition-related costs of approximately SEK 4 M. In 2014, Navi Lex had a turnover of SEK 38 M and an operating income of SEK 9 M.

EBIT

In 2014, the EBIT of the segment totalled SEK 202 M (SEK 118 M) with a corresponding EBIT margin of 72 (65) per cent. The EBIT for the fourth quarter was lower compared to the corresponding period last year as a result of increased portfolio amortisation.

Acquisitions

A major portfolio acquisition was completed in Poland in 2013. Thus the acquisition activity in 2014 was somewhat lower compared to the previous year. As at 31 December 2014, the carrying value of acquired loan portfolios totalled SEK 1,182 M (SEK 779 M). Gross ERC increased to SEK 2,449 M as at 31 December 2014 (SEK 1,592 M).

Subsequent events

No material events have incurred after the end of the quarter.

Important risks and uncertainties

During 2014, Hoist Finance has continued its expansion into new markets and increased the volume of its acquired loan portfolios. In order to fund the expansion during the year and to accommodate continued expansion in the future, Hoist Finance has both, issued bonds, and increased deposits from the public through very attractive terms. In total, the balance sheet has increased significantly during the year, primarily as a result of increased liquidity and an expansion in terms of portfolio acquisitions. Of course, this has affected the development of risk in a number of ways.

Credit risk has increased proportionally with the volume of acquired loans. However, Hoist Finance does not believe that the credit quality of the portfolios has increased considerably and is rather assumed to be relatively constant.

Market risk has increased slightly primarily as a result of a larger liquidity portfolio, leading to increased exposure to interest rate risk and credit spread risk. Credit spread risk is the single largest market risk component. The exposure is however believed to be reasonably weighted and well within the limits stipulated by the board.

Operational risk has been a priority area for the Group's risk management and risk control during the year as a number of initiatives have been taken to further improve and enforce risk mitigating routines and processes on a Group level. Operational risk is believed to be a risk area that has increased as a result of the rapid expansion of the Group. Hoist Finance has managed these risks through efficient project management, strict guidelines for incident reporting, risk identification and handling of unacceptable risks. Despite this, Hoist Finance believes that operational risks have increased and will continue with preventive actions within this area in 2015.

Liquidity risk has decreased during the year, mainly as a result of a larger liquidity portfolio available to alleviate liquidity disturbances as well as an altered funding structure with longer-duration funding solutions decreasing the liquidity gap between assets and liabilities.

None of these exposures and risks is however believed to cause any substantial negative impact upon the Group or its financial situation in a medium term.

Additional information concerning the distribution of risks will be available in the Annual Report for Hoist Finance.

Next report

First quarter 2015

24 April 2015

This year-end report has not been reviewed by the Company's auditors.

This report is also published in Swedish. In the occasion of deviations between the Swedish and the English versions, the Swedish version prevails.

Bridge between statutory and operating income statement

CONSOLIDATED EBIT

SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
Gross cash collections	750,218	519,147	2,541,311	1,641,007
- Portfolio amortisation and revaluation	-339,425	-190,049	-1,143,020	-632,690
+ Interest income from run-off portfolio of consumer loans	5,641	10,680	38,180	69,080
Net revenue from acquired loans	416,434	339,778	1,436,471	1,077,397
Fee and commission income	39,467	54,287	153,222	149,142
Profit from shares and participations in joint venture	17,918	8,269	58,662	36,406
Other income	5,905	10,842	12,219	12,152
Total revenue	479,723	413,176	1,660,574	1,275,097
General administrative expenses				
Personnel expenses	-132,299	-137,635	-473,200	-386,757
Other operating expenses	-188,040	-142,772	-627,467	-540,705
Depreciation and amortisation of tangible and intangible fixed assets	-9,623	-6,550	-30,281	-21,476
Total operating expenses	-329,962	-286,957	-1,130,948	-948,938
EBIT	149,761	126,220	529,626	326,158
Funding				
Interest income from cash and interest-bearing assets (excl. run-off consumer loan portfolio)	7,525	26,193	51,551	86,908
Interest expense (HoistSpar and bonds)	-93,437	-75,596	-344,969	-258,176
Net income from financial transactions (incl. interest rate swaps and hedging instruments)	-16,321	-6,732	-17,719	-4,860
Total financial items	-102,233	-56,135	-311,137	-176,128
Profit before tax	47,528	70,084	218,489	150,031

CONSOLIDATED INCOME STATEMENT

SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
Net revenue from acquired loan portfolios	410,793	329,098	1,398,291	1,008,317
Interest income	13,166	36,873	89,731	155,988
Interest expense	-93,437	-75,596	-344,969	-258,176
Net interest income	330,522	290,375	1,143,053	906,129
Fee and commission income	39,467	54,287	153,222	149,142
Net income from financial transactions	-16,321	-6,732	-17,719	-4,860
Other income	5,904	10,842	12,219	12,152
Total operating income	359,572	348,772	1,290,775	1,062,563
General administrative expenses				
Personnel expenses	-132,299	-137,635	-473,200	-386,757
Other operating expenses	-186,040	-142,772	-627,467	-540,705
Depreciation and amortisation of tangible and intangible fixed assets	-9,623	-6,550	-30,281	-21,476
Total operating expenses	-329,962	-286,957	-1,130,948	-948,938
Profit from shares and participations in joint venture	17,918	8,269	58,662	36,406
Profit before tax	47,528	70,084	218,489	150,031

Financial statements

CONSOLIDATED INCOME STATEMENT

SEK thousand	Note	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
Net revenue from acquired loan portfolios	1	410,793	329,098	1,398,291	1,008,317
Interest income		13,166	36,873	89,731	155,988
Interest expense		-93,437	-75,596	-344,969	-258,176
Net interest income		330,522	290,375	1,143,053	906,129
Fee and commission income		39,467	54,287	153,222	149,142
Net income from financial transactions		-16,321	-6,732	-17,719	-4,860
Other income		5,904	10,842	12,219	12,152
Total operating income		359,572	348,772	1,290,775	1,062,563
General administrative expenses					
Personnel expenses		-132,299	-137,635	-473,200	-386,757
Other operating expenses		-188,040	-142,772	-627,467	-540,705
Depreciation and amortisation of tangible and intangible fixed assets		-9,623	-6,550	-30,281	-21,476
Total operating expenses		-329,962	-286,957	-1,130,948	-948,938
Profit from shares and participations in joint venture		17,918	8,269	58,662	36,406
Profit before tax		47,528	70,084	218,489	150,031
Income tax expense		1,034	-4,751	-38,386	-33,115
Net profit for the period		48,562	65,333	180,103	116,916
Attributable to the					
Shareholders of the Parent Company		48,562	65,333	180,103	116,916
Earnings per share before dilution		2.37	3.85	9.21	6.07
Earnings per share after dilution		2.02	2.85	7.49	5.29

STATEMENT OF NET PROFIT AND OTHER COMPREHENSIVE INCOME, GROUP

SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
Net profit for the period	48,562	65,333	180,103	116,916
Other comprehensive income				
Items that may not be reclassified subsequently to the Income Statement				
Revaluation of defined pension benefit plans	-1,710	-	-1,710	-
Revaluation of remuneration after terminated employment	-1,120	-	-1,120	-
Tax	872	-	872	-
Total items that may not be reclassified subsequently to the Income Statement	-1,958	-	-1,958	-
Items that may be reclassified subsequently to the Income Statement				
Currency translation differences on foreign operations	-48,854	44,394	-23,154	48,013
Hedging of currency risk exposure in foreign operations	58,289	-46,146	32,584	-46,146
Total items that may be reclassified subsequently to the Income Statement	9,435	-1,752	9,430	1,867
Other comprehensive income for the period	7,477	-1,752	7,472	1,867
Total comprehensive income for the period	56,039	63,581	187,575	118,783
Attributable to				
Shareholders of the Parent Company	56,039	63,581	187,575	118,783

CONSOLIDATED BALANCE SHEET

ASSETS SEK thousand	Note	31 Dec 2014	31 Dec 2013
Cash		340	197
Treasury bills and treasury bonds		2,316,110	-
Lending to credit institutions		1,292,711	3,926,686
Lending to the public		157,232	328,951
Acquired loan portfolios	2	8,586,782	5,997,935
Bonds and other securities		1,951,241	1,297,677
Shares and participations in joint venture		215,347	192,230
Intangible assets		171,048	64,282
Tangible fixed assets		32,000	34,780
Other assets		209,941	105,683
Deferred tax assets		70,885	62,254
Prepaid expenses and accrued income		58,192	26,556
Total assets		15,061,829	12,037,231

LIABILITIES AND SHAREHOLDERS' EQUITY SEK thousand		31 Dec 2014	31 Dec 2013
LIABILITIES			
Deposits from the public		10,987,289	9,701,502
Tax liabilities		52,326	71,858
Other liabilities		555,186	235,910
Deferred tax liabilities		50,419	32,720
Accrued expenses and prepaid income		124,797	90,251
Provisions		68,704	94,637
Senior unsecured loans		1,493,122	665,680
Subordinated loans		332,796	329,231
Total liabilities and provisions		13,664,639	11,221,789
SHAREHOLDERS' EQUITY			
Share capital		21,662	15,488
Other contributed equity		1,003,819	590,370
Reserves		-2,812	-12,242
Retained earning incl. profit for the year		374,522	221,826
Total shareholders' equity		1,397,190	815,442
Total liabilities and shareholders' equity		15,061,829	12,037,231
Pledged assets		1,903	5,724
Contingent liabilities		229,944	270,615

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, GROUP

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	15,488	590,370	-12,242	221,826	815,442
Other comprehensive income for the year					
Net profit for the year				180,103	180,103
Other comprehensive income			9,430	-1,958	7,472
Total other comprehensive income for the year			9,430	178,145	187,575
Transactions recorded directly in equity					
New share issue	6,174	508,310 ¹⁾			514,484
Interest paid on capital contribution				-28,750	-28,750
Paid-in premium for warrants		5,138			5,138
Conversion of convertible bond		-100,000			-100,000
Tax effect on items recorded directly in equity				3,301	3,301
Total transactions recorded directly in equity	6,174	413,448		-25,449	394,173
Closing balance 31 Dec. 2014	21,662	1,003,818	-2,812	374,522	1,397,190

1) Nominal amount of SEK 527,160 thousand has been reduced by transaction costs of SEK 18,850 thousand.

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings incl. profit for the year	Total shareholders' equity
Opening balance 1 Jan. 2013	15,488	495,830	-14,109	142,139	639,348
Other other comprehensive income for the year					
Net profit for the year				116,916	116,916
Other comprehensive income			1,867		1,867
Total other comprehensive income for the year			1,867	116,916	118,783
Transactions recorded directly in equity					
Capital contribution		93,000 ¹⁾			93,000
Interest paid on capital contribution				-25,073	-25,073
Dividend				-14,372	-14,372
Tax effect on items recorded directly in equity		1,540		2,216	3,756
Total transactions recorded directly in equity		94,540		-37,229	57,311
Closing balance 31 Dec. 2013	15,488	590,370	-12,242	221,826	815,442

1) Nominal amount of SEK 100,000 thousand has been reduced by SEK 7,000 thousand.

CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
OPERATING ACTIVITIES				
Cash flow from collection income on acquired loan portfolios	750,217	587,653	2,541,310	1,641,007
Interest income	13,166	36,122	89,731	155,237
Fee and commission income	39,467	54,288	153,222	149,143
Other operating income	5,905	10,937	12,220	11,425
Interest expense	-140,048	-177,228	-274,982	-192,350
Operating expenses	-317,145	-378,191	-1,093,078	-898,742
Net cash flow from financial transactions	-16,321	-6,732	-17,719	-4,860
Capital gain on redemption of certificates in joint venture	12,296	11,615	27,941	16,481
Income tax paid	-2,824	-2,256	-52,292	-9,533
Total	344,713	136,208	1,386,353	867,808
Increase/decrease in acquired loan portfolios incl. translation differences	-1,770,398	-1,470,756	-3,731,866	-3,266,718
Increase/decrease in certificates in joint venture	5,478	8,044	13,544	11,697
Increase/decrease in lending to the public	44,124	81,953	171,719	208,662
Increase/decrease in deposits from the public	1,054,678	531,978	1,215,800	3,288,496
Increase/decrease in other assets	-22,140	-9,637	-94,502	-18,253
Increase/decrease in other liabilities	310,454	46,920	307,124	88,119
Increase/decrease in provisions	8,646	12,219	-25,933	62,243
Changes in other balance sheet items	-1,159	-2,904	-310	4,082
Total	-370,317	-802,183	-2,144,424	378,328
Cash flow from operating activities	-25,604	-665,975	-758,071	1,246,136
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-14,569	-2,585	-64,286	-37,920
Investments in tangible fixed assets	-3,951	-4,223	-14,247	-11,397
Investments in subsidiaries	-49,434	-	-49,434	-
Investments/divestments of bonds and other securities	413,834	-100,600	-653,564	-564,254
Cash flow from investing activities	345,880	-107,408	-781,531	-613,571
FINANCING ACTIVITIES				
Capital contribution	-	-	-	93,000
New share issue	99,434	-	414,484	-
Paid-in premium for warrants	3,795	-	5,139	-
Issued loans	757,007	665,680	831,007	665,680
Issued subordinated loans	-	-	-	329,231
Paid interest on capital contribution	-13,750	-15,000	-28,750	-25,073
Dividend	-	-	-	-14,371
Cash flow from financing activities	846,485	650,680	1,221,880	1,048,467
Cash flow for the period	1,166,762	-122,703	-317,722	1,681,032
Cash at the beginning of the period	2,442,399	4,049,586	3,926,883	2,245,851
Cash at the end of the period¹⁾	3,609,161	3,926,883	3,609,161	3,926,883

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

PARENT COMPANY INCOME STATEMENT

SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
Net revenue	51,996	57,344	171,684	144,874
Other external expenses	-41,115	-59,799	-151,509	-152,113
Depreciation and amortisation	-1,733	-2,309	-6,762	-7,163
Total operating expenses	-42,848	-62,108	-158,271	-159,276
Operating profit	9,148	-4,764	13,413	-14,402
Other interest income	1,440	1,334	1,254	2,347
Interest expense	-280	-500	-1,315	-2,957
Total income from financial items	1,160	834	-61	-610
Profit from shares in Group companies	-	10,031	-	10,031
Tax allocation reserve	342	-	-535	-
Profit before tax	10,650	6,101	12,817	-4,981
Income tax expense	226	-2,432	-353	30
Net profit for the period¹⁾	10,876	3,669	12,464	-4,951

1) The net profit for the period equals the total comprehensive income for the period.

PARENT COMPANY BALANCE SHEET

ASSETS SEK thousand	31 Dec 2014	31 Dec 2013
FIXED ASSETS		
Licences and software	31,871	31,133
Total intangible fixed assets	31,871	31,133
Equipment	2,232	2,536
Total tangible fixed assets	2,232	2,536
Shares and participations in subsidiaries	928,986	396,034
Total financial assets	928,986	396,034
Total fixed assets	963,089	429,703
CURRENT ASSETS		
Receivables Group companies	47,506	44,350
Other receivables	4,353	1,727
Prepaid expenses and accrued income	17,174	2,224
Total current receivables	69,033	48,301
Cash and bank	43,519	5,487
Total current assets	112,552	53,788
TOTAL ASSETS	1,075,641	483,491
LIABILITIES AND SHAREHOLDERS' EQUITY SEK thousand	31 Dec 2014	31 Dec 2013
SHAREHOLDERS' EQUITY		
Restricted equity		
Share capital	21,662	15,488
Statutory reserve	3,098	3,098
Total restricted equity	24,760	18,586
Unrestricted equity		
Other contributed equity	909,278	395,830
Retained earnings	-28,062	-23,111
Result for the year	12,464	-4,951
Total unrestricted equity	893,680	367,768
Total shareholders' equity	918,440	386,354
Untaxed reserves	535	-
Provisions		
Pension provisions	49	77
Total provisions	49	77
LIABILITIES		
Long-term liabilities		
Intra-Group loan	40,100	40,100
Total long-term liabilities	40,100	40,100
Current liabilities		
Accounts payable	9,856	5,748
Deferred tax liabilities	353	0
Liabilities Group companies	103,535	45,057
Other current liabilities	0	5,189
Accrued expenses and prepaid income	2,773	966
Total current liabilities	116,517	56,960
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,075,641	483,491
Pledged assets	None	None
Contingent liabilities	None	None

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, PARENT COMPANY

SEK thousands	Restricted equity		Unrestricted equity			Total share- holders' equity
	Share capital	Statutory reserve	Other contributed capital	Retained earnings	Result for the year ²⁾	
Opening balance 1 Jan, 2014	15,488	3,098	395,830	-23,111	-4,951	386,354
Reclassification of result for the previous year				-4,951	4,951	-
Net profit for the year					12,464	12,464
Total other comprehensive income for the year					12,464	12,464
Transactions recorded directly in equity						
New share issue	6,174		508,310 ¹⁾			514,484
Paid-in premium for warrants			5,138			5,138
Total transactions recorded directly in equity	6,174		513,448			519,622
Closing balance 31 Dec. 2014	21,662	3,098	909,278	-28,062	12,464	918,440

1) The nominal amount of SEK 527,160 thousand has been reduced by transaction costs of SEK 18,850 thousand.

2) The net profit for the period equals the total other comprehensive income for the period.

SEK thousands	Restricted equity		Unrestricted equity			Total share- holders' equity
	Share capital	Statutory reserve	Other contributed capital	Retained earnings	Profit for the year ²⁾	
Opening balance 1 Jan, 2013	15,488	3,098	395,830	-14,418	5,678	405,676
Reclassification of result for the previous year				5,678	-5,678	-
Net profit for the year					-4,951	-4,951
Total other comprehensive income for the year					-4,951	-4,951
Transactions recorded directly in equity						
Dividend				-14,371		-14,371
Total transactions recorded directly in equity				-14,371		-14,371
Closing balance 31 Dec. 2013	15,488	3,098	395,830	-23,111	-4,951	386,354

2) The net profit for the period equals the total other comprehensive income for the period.

PARENT COMPANY CASH FLOW STATEMENT

SEK thousands	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
OPERATING ACTIVITIES				
Interest income	11	146	32	1,621
Other operating income	51,995	57,345	171,684	144,874
Interest expense	-279	-501	-1,314	-2,957
Operating expenses	-55,212	-59,333	-164,652	-154,147
Net cash flow from financial transactions	1,428	1,188	1,221	726
Income tax paid	99	93	-5	31
Total	-1,958	-1,062	6,966	-9,852
Increase/decrease in lending to the public	-	6,019	-	6,019
Increase/decrease in intra-Group items	3,591	-2,419	55,322	34,956
Increase/decrease in other assets	-2,765	8,169	-2,621	1,474
Increase/decrease in other liabilities	7,887	-2,400	-1,081	1,679
Changes in other balance sheet items	-10	7	-28	-13
Total	8,703	9,376	51,592	44,115
Cash flow from operating activities	6,745	8,314	58,558	34,263
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-420	-2,690	-6,622	-17,271
Investments in tangible fixed assets	-206	-138	-574	-586
Investments in subsidiaries - net	-99,989	-	-432,952	-
Cash flow from investing activities	-100,615	-2,828	-440,148	-17,857
FINANCING ACTIVITIES				
New share issue	98,090	-	414,483	-
Paid-in premium for warrants	5,138	-	5,138	-
Paid dividend	-	-	-	-14,371
Cash flow from financing activities	103,228	-	419,622	-14,371
Cash flow for the period	9,358	5,486	38,032	2,035
Cash at the beginning of the period	34,161	-	5,487	3,451
Cash at the end of the period	43,519	5,486	43,519	5,486

Accounting Policies

This Interim Report for Hoist Finance AB (publ), renamed from Hoist International AB (publ) are prepared in accordance with IAS 34 Interim Financial Reporting. The Group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the European Commission. The accounting follows the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish Financial Supervisory Authority; Annual Reports in Credit institutions and Securities Companies (FFFS 2008:25). In addition, the Supplementary Accounting Rules for Groups (RFR 1) from the Swedish Financial Reporting Board have been applied. Except the new policies described below, the same accounting policies and basis for assessment as in the 2013 annual report are used in this year-end report.

The Parent company has prepared its accounts in accordance with Swedish Annual Accounts Act (1995:1554), the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on Annual Reports in Credit Institutions and Securities Companies and the Supplementary Accounting Rules for Legal Entities (RFR 2) issued by the Swedish Financial Reporting Board.

From 2014, several new and changed standards are applicable regarding consolidation: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures.

These changes have not had a significant impact on the financial reports of the Group or its capital adequacy and large exposure.

IFRS 11, "Joint Arrangements", have been applied since 1 January 2014. This has resulted in joint arrangements being classified as joint venture or joint operation depending on whether the Group has direct right to the assets and obligation for the liabilities or not. The assessment is based on the structure of the investment, the legal set-up, contractual obligations and other aspects and circumstances. According to previous rules, the assessment was made based solely upon the structure of the investment. The impact of IFRS 11 upon joint ventures has also been that proportionate consolidation is no longer allowed and only equity method may be used. The subsidiary Hoist Kredit AB (publ) has a joint arrangement in the form of a joint venture. This joint venture has previously been accounted for according to the equity method. Therefore, the transition to IFRS 11 has not had any implications.

Notes

Note 1 Segment reporting

Consolidated income statement					Operating income statement based on segment reporting				
SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013	SEK thousand	Quarter 4 2014	Quarter 4 2013	Full year 2014	Full year 2013
Net revenue from acquired loan portfolios	410,793	329,098	1,398,291	1,008,317	Gross cash collections	750,218	519,147	2,541,311	1,641,007
Whereof gross cash collections	750,218	519,147	2,541,311	1,641,007	Portfolio amortisation and revaluation	-339,425	-190,049	-1,143,020	-632,690
Whereof portfolio amortisation and revaluation	-339,425	-190,049	-1,143,020	-632,690	Interest income from run-off consumer loan portfolio	5,641	10,680	38,180	69,080
Interest income	13,166	36,873	89,731	155,988	Net revenue from acquired loans	416,434	339,778	1,436,471	1,077,397
Whereof interest income from run-off portfolio of consumer loans	5,641	10,680	38,180	69,080	Fee and commission income	39,467	54,287	153,222	149,142
Whereof interest income excl. run-off consumer loan portfolio	7,525	26,193	51,551	86,908	Profit from shares and participations in joint venture	17,918	8,269	58,662	36,406
Interest expense	-93,437	-75,596	-344,969	-258,176	Other income	5,904	10,842	12,219	12,152
Net interest income	330,522	290,375	1,143,053	906,129	Total revenue	479,723	413,176	1,660,574	1,275,097
Fee and provision income	39,467	54,287	153,222	149,142	Personnel expenses	-132,299	-137,635	-473,200	-386,757
Net income from financial transactions	-16,321	-6,732	-17,719	-4,860	Other operating expenses	-188,041	-142,772	-627,467	-540,705
Other income	5,904	10,842	12,219	12,152	Depreciation and amortisation of tangible and intangible fixed assets	-9,623	-6,550	-30,281	-21,476
Total operating income	359,572	348,772	1,290,775	1,062,563	Total operating expenses	-329,963	-286,957	-1,130,948	-948,938
General administrative expenses					EBIT	149,760	126,219	529,626	326,158
Personnel expenses	-132,299	-137,635	-473,200	-386,757	Interest income excl. run-off portfolio of consumer loans	7,525	26,193	51,551	86,908
Other operating expenses	-188,041	-142,772	-627,467	-540,705	Interest expense	-93,437	-75,596	-344,969	-258,176
Depreciation and amortisation of tangible and intangible fixed assets	-9,623	-6,550	-30,281	-21,476	Net income from financial transactions	-16,321	-6,732	-17,719	-4,860
Total operating expenses	-329,963	-286,957	-1,130,948	-948,938	Total financial items	-102,233	-56,135	-311,137	-176,128
Profit from shares and participations in joint venture	17,918	8,269	58,662	36,406	Profit before tax	47,527	70,084	218,489	150,031
Profit before tax	47,527	70,084	218,489	150,031					

Segment reporting has been prepared to reflect how the executive management monitors operations, which is different from the statutory accounts. The material differences are as follows:

- Revenue includes income from
 - acquired loan portfolios;
 - run-off portfolio of consumer loans;
 - fee and commission income from third parties;
 - profit from shares and participations in joint venture;
 - certain other income.
- Total financial items include interest income from other sources than acquired loans, interest expense and net income from financial transactions.

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

A financing cost is allocated to the operating segments based on the acquired loan assets. The difference between the actual financing cost and the standardised cost is included in *Central functions* and *Eliminations*.

With respect to the balance sheet, only acquired loan portfolios are monitored, while other assets and liabilities are not monitored on a segment-by-segment basis. These items are of minor importance.

Note 1

Segment reporting, cont.

Quarter 4, 2014

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Gross cash collections	205,795	143,112	89,489	81,460	230,362	-	750,218
Portfolio amortisation and revaluation	-150,907	-33,613	-21,915	-24,070	-108,920	-	-339,425
Interest income from run-off portfolio of consumer loans	-	-	-	-	5,641	-	5,641
Net revenue from acquired loans	54,888	109,499	67,574	57,390	127,083	-	416,434
Fee and commission income	1,860	34,021	-	-	3,586	-	39,467
Profit from shares and participations in joint venture	-	-	-	-	-	17,918	17,918
Other income	145	1,961	-416	-	7,839	-3,625	5,904
Total revenue	56,893	145,481	67,158	57,390	138,508	14,293	479,723
Personnel expenses	-21,626	-39,023	-11,678	-599	-39,510	-19,863	-132,299
Other operating expenses	-24,263	-37,493	-39,164	-18,387	-28,819	-39,914	-188,040
Depreciation and amortisation of tangible and intangible fixed assets	-1,789	-773	-2,033	-	-1,731	-3,297	-9,623
Total operating expenses	-47,678	-77,289	-52,875	-18,986	-70,060	-63,074	-329,962
EBIT	9,215	68,192	14,283	38,404	68,448	-48,781	149,761
Interest income excl. run-off portfolio of consumer loans	113	3	-	-	76	7,333	7,525
Interest expense	-19	-87	-	-	-754	-92,577	-93,437
Net income from financial transactions incl. financing cost	-26,828	-21,426	-8,915	-15,470	-28,574	84,892	-16,321
Total financial items	-26,734	-21,510	-8,915	-15,470	-29,252	-352	-102,233
Result before tax	-17,519	46,682	5,368	22,934	39,196	-49,133	47,528

Total revenue for the Netherlands of SEK 79,279 thousand is included in the revenue for Belgium, Netherlands and France.
Total revenue for Germany of SEK 137,845 thousand is included in the revenue for Germany and Austria.

Quarter 4, 2013

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Gross cash collections	122,952	107,038	51,213	34,474	202,147	1,323	519,147
Portfolio amortisation and revaluation	-107,315	-42,067	-31,280	63,221	-72,426	-182	-190,049
Interest income from run-off portfolio of consumer loans	-	-	-	-	10,651	29	10,680
Net revenue from acquired loans	15,637	64,971	19,933	97,695	140,372	1,170	339,778
Fee and commission income	1,842	47,208	-	-	5,237	-	54,287
Profit from shares and participations in joint venture	-	-	-	-	-	8,269	8,269
Other income	-1,409	6,587	-	-	6,162	-498	10,842
Total revenue	16,070	118,766	19,933	97,695	151,771	8,941	413,176
Personnel expenses	-21,013	-41,248	-	-501	-48,551	-26,322	-137,635
Other operating expenses	-17,141	-30,040	-9,064	-19,511	-20,905	-46,111	-142,772
Depreciation and amortisation of tangible and intangible fixed assets	-783	-591	-	-10	-1,312	-3,854	-6,550
Total operating expenses	-38,937	-71,879	-9,064	-20,022	-70,768	-76,287	-286,957
EBIT	-22,867	46,887	10,869	77,673	81,003	-67,346	126,219
Interest income excl. run-off portfolio of consumer loans	7	156	-	4,613	-	21,417	26,193
Interest expense	-335	12	-	-	-	-75,273	-75,596
Net income from financial transactions incl. financing cost	-18,175	-16,242	-3,786	-14,551	-23,997	70,019	-6,732
Total financial items	-18,503	-16,074	-3,786	-9,938	-23,997	16,163	-56,135
Result before tax	-41,370	30,813	7,083	67,735	57,006	-51,182	70,084

Total revenue for the Netherlands of SEK 36,402 thousand is included in the revenue for Belgium, Netherlands and France.
Total revenue for Germany of SEK 151,446 thousand is included in the revenue for Germany and Austria.

Note 1

Segment reporting, cont.

Full year 2014

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Gross cash collections	733,474	527,346	260,828	295,619	724,044	-	2,541,311
Portfolio amortisation and revaluation	-484,991	-200,802	-91,324	-17,030	-348,873	-	-1,143,020
Interest income from run-off portfolio of consumer loans	-	-	-	-	38,180	-	38,180
Net revenue from acquired loans	248,483	326,544	169,504	278,589	413,351	-	1,436,471
Fee and commission income	6,989	128,344	-	-	17,889	-	153,222
Profit from shares and participations in joint venture	-	-	-	-	-	58,662	58,662
Other income	218	2,686	311	-	14,294	-5,290	12,219
Total revenue	255,690	457,574	169,815	278,589	445,534	53,372	1,660,574
Personnel expenses	-86,886	-134,502	-17,854	-2,035	-149,805	-82,118	-473,200
Other operating expenses	-102,656	-137,601	-86,026	-74,812	-95,259	-131,113	-627,467
Depreciation and amortisation of tangible and intangible fixed assets	-4,679	-4,588	-2,340	-	-5,951	-12,723	-30,281
Total operating expenses	-194,221	-276,691	-106,220	-76,847	-251,015	-225,954	-1,130,948
EBIT	61,469	180,883	63,595	201,742	194,519	-172,582	529,626
Interest income excl. run-off portfolio of consumer loans	170	241	1	1	96	51,042	51,551
Interest expense	-90	-179	-2	-	-754	-343,944	-344,969
Net income from financial transactions incl. financing cost	-100,481	-72,627	-25,292	-52,232	-105,135	338,048	-17,719
Total financial items	-100,401	-72,565	-25,293	-52,231	-105,793	45,146	-311,137
Result before tax	-38,932	108,318	38,302	149,511	88,726	-127,436	218,489

Total revenue for the Netherlands of SEK 199,747 thousand is included in the revenue for Belgium, Netherlands and France.

Total revenue for Germany of SEK 437,105 thousand is included in the revenue for Germany and Austria.

Full year 2013

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Gross cash collections	338,130	250,267	212,537	171,406	666,149	2,518	1,641,007
Portfolio amortisation and revaluation	-228,155	-40,474	-110,411	10,658	-263,025	-1,283	-632,690
Interest income from run-off portfolio of consumer loans	-	-	-	-	69,293	-213	69,080
Net revenue from acquired loans	109,975	209,793	102,126	182,064	472,417	1,022	1,077,397
Fee and commission income	6,724	122,133	-	-	20,285	-	149,142
Profit from shares and participations in joint venture	-	-	-	-	-	36,406	36,406
Other income	296	5,825	-	-	13,185	-7,154	12,152
Total revenue	116,995	337,751	102,126	182,064	505,887	30,274	1,275,097
Personnel expenses	-63,263	-101,005	-	-545	-161,650	-60,294	-386,757
Other operating expenses	-57,478	-185,929	-22,465	-63,799	-81,108	-129,926	-540,705
Depreciation and amortisation of tangible and intangible fixed assets	-2,264	-3,286	-	-10	-4,645	-11,271	-21,476
Total operating expenses	-123,005	-290,220	-22,465	-64,354	-247,403	-201,491	-948,938
EBIT	-6,010	47,531	79,661	117,710	258,484	-171,217	326,159
Interest income excl. run-off portfolio of consumer loans	14	195	-	4,613	7	82,079	86,908
Interest expense	-435	-285	-	-	-	-257,456	-258,176
Net income from financial transactions incl. financing cost	-48,751	-35,289	-16,455	-26,064	-99,753	221,452	-4,860
Total financial items	-49,172	-35,379	-16,455	-21,451	-99,746	46,075	-176,128
Result before tax	-55,182	12,152	63,206	96,259	158,738	-125,142	150,031

Total revenue for the Netherlands of SEK 58,709 thousand is included in the revenue for Belgium, Netherlands and France.

Total revenue for Germany of SEK 496,950 thousand is included in the revenue for Germany and Austria.

Note 1

Segment reporting, cont.

Acquired loans as at 31 December 2014

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

Acquired loans as at 31 December 2013

SEK thousand	Belgium, the Netherlands and France	UK	Italy	Poland	Germany and Austria	Central functions and eliminations	Group
Run-off portfolio of consumer loans	-	-	-	-	209,373	-	209,373
Acquired loan portfolios	1,771,888	1,312,769	308,327	778,646	1,826,305	-	5,997,935
Shares and participations in joint venture	-	-	-	-	-	192,230	192,230
Acquired loans	1,771,888	1,312,769	308,327	778,646	2,035,678	192,230	6,399,538

Note 2

Financial instruments

Acquired loan portfolios

SEK thousand	GROUP	
	Full year 2014	Full year 2013
Opening balance	5,997,935	3,363,907
Acquisitions	3,226,795	3,265,806
Divestments	-	-117,170
Translation differences	505,071	118,082

Changes in carrying value

Based on opening balance forecast (amortisation)	-1,128,103	-627,120
Based on revised estimates (revaluation)	-14,916	-5,570
Carrying value	8,586,782	5,997,935
Changes in carrying value recognised in the income statement	-1,143,019	-632,690

Whereof reported at fair value

SEK thousand	GROUP	
	Full year 2014	Full year 2013
Opening balance	1,607,061	1,768,134
Translation differences	94,594	66,978
Carrying value	1,460,229	1,607,061
Changes in carrying value recognised in the income statement	-241,426	-228,051

Sensitivity analysis

Even though Hoist Finance believes that the assumptions made for the assessment of fair value are reasonable, another fair value can be obtained by applying other methods and other assumptions. For a Level 3 fair value, a reasonable change in one or several assumptions would have the following impact upon the result:

SEK thousand	GROUP	
	31 Dec 2014	31 Dec 2013
Carrying value of acquired loan portfolios	8,586,782	5,997,935
In case the estimated cash flow over the forecast period is increased by 5 per cent, the carrying value would increase by	424,369	297,711
In case the estimated cash flow over the forecast period is decreased by 5 per cent, the carrying value would decrease by	-424,369	-297,711
Carrying value of portfolios acquired prior to 1 July 2011	1,460,229	1,607,061
In case the IRR would decrease by 1 per cent, the carrying value would increase by	46,058	51,104
In case the IRR would increase by 1 per cent, the carrying value would decrease by	-43,483	-48,231

Portfolios valued 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 is evaluated on a fair value basis, in accordance with the Group's risk management policies. Portfolios acquired past that date are valued at amortised cost. The underlying concept for valuation at fair value is to assess the carrying value of an asset by using the best available price for the asset. Loan portfolios are typically not traded publicly and consequently, there are no market prices available. Most players in the industry, however, apply similar pricing methods for portfolio acquisitions and calculate the present value of cash flows that correspond to the market value of a portfolio.

In order to assess fair value, the three main influencing aspects are: (i) the gross collections forecast, (ii) the cost level and (iii) the internal rate of return. The Group monitors the forward ten years' net collection forecasts for all portfolios and discounts the forecasts on a monthly basis. The portfolio forecast curve that is initially used for the purpose of the calculations of the fair value is the acquisition curve of the portfolio. These curves represent the basis for the calculation of the fair value for each portfolio. The result then represents the new fair value of the portfolio.

The discount rate that corresponds to the market rate of return is updated continuously and reflects actual rate of return on relevant

and comparable transactions in the market. The portfolios are valued at a 12 per cent IRR (Internal Rate of Return) over a ten-year period, which is in line with prevailing and relevant market transactions.

Fair value measurements

The Group uses observable data to the greatest possible extent when assessing the fair value of an asset or a liability. Fair values are categorised in different levels in a hierarchy of fair values based on the indata used in the valuation approach according to the following:

Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2) Based on directly or indirectly observable market information not included in Level 1. This category includes instruments valued based on quoted prices on active markets for similar instruments, quoted prices for identical or similar instruments that are traded on markets that are not active or other valuation techniques where all important indata is directly or indirectly observable in the market.

Level 3) Based on indata that is not observable in the market. This category includes all instruments where the valuation technique is based on data that is not observable and has substantial impact upon the valuation.

The following table presents the Group's financial instruments in the balance sheet for information purpose and, therefore, measured at fair value:

GROUP, 31 DECEMBER 2014

SEK thousand	Acquired loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and treasury bonds		2,316,110	2,316,110	2,316,110	2,316,110		
Acquired loan portfolios							
- of which at fair value	1,460,229		1,460,229	1,460,229			1,460,229
- of which at amortised cost	7,126,553		7,126,553	7,311,207			7,311,207
Bonds and other securities ¹⁾		1,926,241	1,926,241	1,926,241	1,926,241		
Total assets	8,586,782	4,242,351	12,829,133	13,013,787	4,242,351		8,771,436
Derivatives		246,724	246,724	246,724		246,724	
Issued senior unsecured loans		1,493,122	1,493,122	1,681,899		1,681,899	
Issued subordinated loans		332,796	332,796	386,750		386,750	
Total liabilities		2,072,642	2,072,642	2,315,373		2,315,373	

1) Bonds and other securities include shares of SEK 25,000 thousand. The shares are reported at acquisition cost as there are no quoted prices. Neither has it been possible to estimate a reliable fair value using accepted valuation methods.

Note 2

Financial instruments, cont.

GROUP, 31 DECEMBER 2013

SEK thousand	Acquired loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Acquired loan portfolios							
- whereof at fair value	1,607,061		1,607,061	1,607,061			1,607,061
- whereof at amortised cost	4,390,874		4,390,874	4,532,981			4,532,981
Bonds and other securities ¹⁾		1,272,677	1,272,677	1,272,677	1,272,677		
Derivatives		25,951	25,951	25,951		25,951	
Total assets	5,997,935	1,298,628	7,296,563	7,438,670	1,272,677	25,951	6,140,042
Derivatives							
		16,329	16,329	16,329		16,329	
Issued senior unsecured loans		665,680	665,680	676,000		676,000	
Issued subordinated loans		329,231	329,231	381,500		381,500	
Total liabilities		1,011,240	1,011,240	1,073,829		1,073,829	

1) Bonds and other securities include shares of SEK 25,000 thousand. The shares are reported at acquisition cost as there are no quoted prices. Neither has it been possible to estimate a reliable fair value using accepted valuation methods.

The valuation approach for acquired loan portfolios, important indata and the sensitivity of the valuation outcome for changes in material indata are described in the same note.

Derivatives used for hedging have been model-valued using indata in the form of market rates for interest and currencies.

Bonds are valued based on quoted rates.

Fair value of financing in terms of issued bonds and other subordinated loans has been determined taking into account

observable market rates quoted by external market players. In cases where more than one market price observation is available, the fair value is determined at the arithmetic mean of the market quotes. .

The carrying value of accounts receivable and accounts payable are assumed as approximations of fair value, estimated at the same value as their book value. The fair value of current loans corresponds to their book value since the impact from discounting is limited.

During the period there have been no transfers among the different levels.

Note 3

Acquisitions of operations

Hoist Italia S.R.L

In July 2014 Hoist Kredit AB (publ) established a wholly-owned subsidiary, Hoist Italia SrL. As at 1 August Hoist Italia SrL acquired the operations of the servicing partner TRC SpA through an asset purchase. Hoist Italia operates and co-ordinates collection activities of Hoist Finance in Italy. Hoist Italia has 129 FTEs with offices in Rome and in Lecce. The acquisition is another important strategic step in expanding Hoist Finance's position in the Italian market.

The consideration paid in connection with the acquisition totalled EUR 1.

The acquired net assets as at the acquisition date

SEK thousand	
Intangible fixed assets	22,451
Tangible fixed assets	876
Accounts receivable and other current receivables	45,873
Accrued expenses	-16,946
Accounts payable and other current liabilities	-50,019
Long-term liabilities	-2,235
Total identifiable net assets	0

The net amount of acquired operations-related assets and liabilities is SEK 0 thousand. No cash and cash equivalents have been taken over in connection with the acquisition. It is anticipated that the acquired loans will be paid in at reported values.

Acquisition-related costs of SEK 1,601 thousand are included in administrative expenses in the consolidated income statement for July - September 2014.

The acquired assets are consolidated starting as from August 2014 and have contributed with SEK 4,422 thousand to the consolidated revenue and with SEK -7,360 thousand to the operating profit.

Since the acquired operations have not previously been disclosed on a stand-alone basis, it is not possible to disclose the effect of the acquisition from 1 January 2014.

The acquisition analysis is preliminary.

Note 3

Acquisitions of operations, cont.

Kancelaria Navi Lex SpZ.O.O.

On 31 December 2014, Hoist Kredit AB (publ) acquired 100% of the shares in Kancelaria Navi Lex SpZ.O.O. Kancelaria Navi Lex SpZ.O.O. is a Polish debt collection company headquartered in Wroclaw. The acquisition will strengthen Hoist Finance's position in the Polish market. The consideration totalled SEK 67,098 thousand, of which SEK 58,549 thousand were paid in cash upon the completion of the transaction.

The net assets of the acquired company as at the acquisition date

SEK thousand	
Intangible fixed assets	10,710
Tangible fixed assets	1,284
Accounts receivable and other receivables	6,550
Cash and cash equivalents	9,115
Accounts payable and other liabilities	-10,916
Total identifiable net assets	16,743

The acquisition balance includes net assets of SEK 16,743 thousand. The difference between the acquisition price and the net assets has resulted in a goodwill of SEK 50,355 thousand. Additional purchase price may be charged for the years 2014-2017 based on actual profit and investment rate for Polish portfolios. Since the acquisition was made on 30 December 2014, the calculation of a potential additional purchase price has not been taken into consideration in the accounts.

Acquisition-related costs of SEK 3,713 thousand are included in administrative expenses for the 2014 financial year.

The acquired company is consolidated starting from 31 December 2014 and has thus not contributed to the revenue nor the operating profit of the Group.

Cash and cash equivalents of SEK 9,115 thousand were included in the purchase price. This means that the acquisition affected the cash flow by SEK -49,434 thousand (-58,549 + 9,115).

The turnover of Kancelaria Navi Lex SpZ.O.O. for the 2014 financial year was 37,926 thousand and the operating profit was SEK 8,533 thousand.

The acquisition analysis is preliminary.

Note 4

Related parties

The information below is presented based on Hoist Finance perspective and reflects how the financial information of Hoist Finance has been affected by transactions with related parties.

SEK thousand	GROUP Other related parties		SEK thousand	GROUP Other related parties	
	31 Dec 2014	31 Dec 2013		Full year 2014	Full year 2013
Assets			Operating income		
Lending to the public	-	9,915	Interest income	153	1,510
Other assets	-	3,278	Other income	-	1,290
Liabilities			Operating expenses		
Other liabilities	58	-	Other expenses (see explanation below)	2,433	32,312

SEK thousand	PARENT COMPANY			
	Subsidiaries		Other related parties	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Current receivables				
Receivables Group companies	47,506	44,350		
Other receivables	-	-	-	600
Long-term liabilities				
Intra-Group loans	40,100	40,100	-	-
Current liabilities				
Liabilities Group companies	103,535	45,057	-	-

SEK thousand	PARENT COMPANY			
	Subsidiaries		Other related parties	
	Full year 2014	Full year 2013	Full year 2014	Full year 2013
Net revenue	171,684	144,873	-	-
Operating expenses				
Other external expenses	121,904	106,135	-	11,286
Income from financial items				
Other interest income	-	1,373	-	222
Interest expense	1,262	2,828	-	-

Note 4**Related parties, cont.**

Explanation to other expenses

SEK thousand	GROUP Other related parties	
	Full year 2014	Full year 2013
Tornado Investments S.A. (previously Hoist Group S.A.)	-	17,416
Lindenau, Prior & Partner GbR (Achim Prior, former member of the Board)	1,235	1,574
Beagle Investments S.A. (Mikael Wirén, former member of the Board)	-	4,129
European Digital Capital Ltd. (Erik Fällström, former member of the Board)	1,198	9,193

Note 5**Capital adequacy**

The information in this Note contains such information as is to be disclosed in accordance with FFFS 2008:25 regarding annual reports for credit institutions. The information to be disclosed is stipulated in chapter 8 in FFFS 2014:12 regarding prudential requirements and capital buffers. The information relates to Hoist Finance AB (publ) on a consolidated basis. The Regulation No 575/2013 of the European Parliament and of the Council, the special supervision of credit institutions and investment firms act (2014:968) and the capital buffers act (2014:966) are primarily used to determine the regulatory capital demand. The purpose of the rules is to ensure that the regulated entity and its consolidated situation are managing their

risks and to protect the Group's depositors.

The regulations state that the capital base is to cover the capital requirement including the minimum capital requirement (the capital requirement for Credit Risk, Market Risk and Operational Risk) and the capital requirement for all other material risks i.e. Pillar II. Since the beginning of the year, the Company also needs to comply with the minimum statutory requirements concerning common equity Tier I capital (4.5%), Tier I capital (6%) and total capital (8%) in relation to the risk exposure amount.

The capital situation can be summarised as follows:

Capital adequacy of Hoist Finance consolidated situation as at 31 December 2014

Capital requirement, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Common equity Tier I capital in capital adequacy	1,304,189	622,440	1,182,658	457,739
Proposed dividend	-	-	0	-
Intangible fixed assets	-171,048	-64,280	-45,273	-21,095
Deferred tax assets	-70,885	-57,306	-1,249	-1,121
Regulatory dividend deduction	-5,000	-	-	-
Core primary capital	1,057,257	500,854	1,136,136	435,523
Additional Tier I capital	93,000	193,000	93,000	193,000
Other eligible Tier I capital	93,000	193,000	93,000	193,000
Tier I capital	1,150,257	693,854	1,229,136	628,523
Tier II capital instruments	332,796	329,231	332,796	329,231
Regulatory adjustments	-106,655	-	-111,814	-14,969
Tier II capital	226,141	329,231	220,982	314,262
Total capital for capital adequacy purpose¹⁾	1,376,398	1,023,085	1,450,118	942,785

1) Total capital equals Total eligible capital. Hoist Finance has chosen not to apply article 494 of the EU regulation No 575/2013.

Note 5

Capital adequacy, cont.

Capital base, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Institutions	682,186	1,034,200	308,796	965,350
Corporate	146,279	214,075	5,316,830	3,552,688
Retail	102,772	164,525	98,109	164,525
Exposures in default	8,837,997	6,205,163	2,925,471	2,614,913
Other items	233,012	161,837	1,749,196	505,962
Credit risk (standardised approach)	10,002,246	7,779,800	10,398,402	7,803,438
Operational risks (basic indicator approach)	1,167,241	972,363	513,107	541,000
Foreign exchange risk	137,565	54,325	137,566	43,337
Credit valuation adjustment (standardised approach)	-	-	-	-
Total risk-weighted amount	11,307,052	8,806,488	11,049,075	8,387,775
Total capital requirement	904,564	704,519	883,926	671,022

Capital requirement and capital buffers	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Common equity Tier I ratio	9.35%	5.69%	10.28%	5.19%
Tier I capital ratio	10.17%	7.88%	11.12%	7.49%
Total capital ratio	12.17%	11.62%	13.12%	11.24%
Institution-specific requirement on common equity Tier I capital	7.00%	-	7.00%	-
whereof: Pillar I common equity Tier I capital requirement	4.50%	-	4.50%	-
whereof: capital conservation buffer requirement	2.50%	-	2.50%	-
whereof: contracyclical capital buffer requirement	-	-	-	-
Pillar II common equity Tier I capital requirement	0.61%	-	0.62%	-
Total common equity Tier I capital requirement	7.61%	-	7.62%	-
Surplus common equity Tier I capital	1.75%	-	2.66%	-
Surplus Tier I capital	1.07%	-	2.00%	-
Surplus total capital	1.07%	-	2.00%	-

Pillar II risks; SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Credit risk	-	-	-	-
Market risk (currency risk)	2,925	1,535	2,925	1,535
Liquidity risk	-	-	-	-
Concentration risk	9,360	-	9,360	-
Reputational risk	15,316	1,089	15,316	1,089
Interest rate risk	37,550	5,463	37,550	5,463
Strategic risk	3,300	332	3,300	332
Operational risks	-	-	-	-
Capital requirement Pillar II	68,451	8,419	68,451	8,419

Assertion

The Board and the Chief Executive Officer hereby assert that the year-end report for 2014 provides a true and fair view of the Parent Company's and the Group's operations, financial situation and result, as well as describes material risks and uncertainties that the Parent Company and the Group companies are subject to.

Stockholm, 2 February 2015

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

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