

# Interim report Q1 2016

## January–March 2016

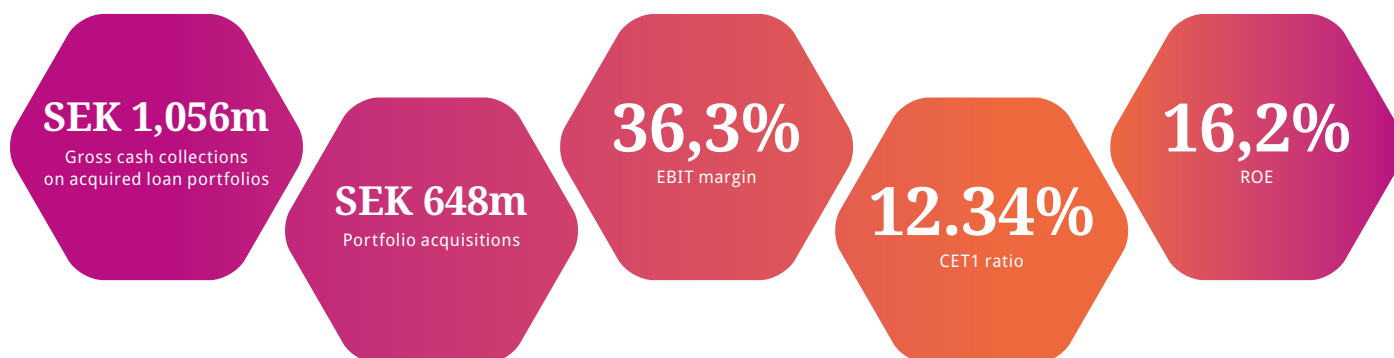
- » Gross cash collections on acquired loan portfolios increased by 34 per cent to SEK 1,056m (791).
- » Total revenue increased by 27 per cent to SEK 636m (499).
- » Reported EBIT was SEK 231m (115) and the EBIT margin was 36 per cent (32).
- » Profit before tax totalled SEK 123m (7).
- » Portfolio acquisitions totalled SEK 648m (273).
- » Basic earnings per share was SEK 1.17 (0.01). Diluted earnings per share was SEK 1.14 (0.01).

The figures in parentheses refer to Q1 2015.

## 31 March 2016

- » Carrying value on acquired loan portfolios increased by 1 per cent to SEK 11,346m (11,279).
- » Gross 120-month ERC (Estimated Remaining Collections) decreased by 1 per cent to SEK 19,221m (19,367).
- » The total capital ratio improved to 15.25 per cent (15.21).
- » The CET1 capital ratio was 12.34 per cent (12.32).

The figures in parentheses refer to 31 December 2015.



SEK million	Quarter 1 2016	Quarter 1 2015	Change, %
Gross cash collections on acquired loan portfolios	1,056	791	34
Net revenue from acquired loan portfolios	576	435	32
Total revenue	636	499	27
EBIT <sup>1)</sup>	231	115	100
EBIT margin, %	36,3	32,3 <sup>2)</sup>	4,0 pe
Profit before tax	123	7	>100
Net profit/loss	95	4	>100
Basic earnings per share, SEK <sup>3)</sup>	1.17	0.01	>100
Diluted earnings per share, SEK <sup>3)</sup>	1.14	0.01	>100
Portfolio acquisitions	648	273	137

SEK million	31 Mar 2016	31 Dec 2015	Change, %
Carrying value on acquired loan portfolios <sup>4)</sup>	11,346	11,279	1
Gross 120-month ERC <sup>5)</sup>	19,221	19,367	-1
Return on equity, %	16,2	12,5	3,7 pe
Total capital ratio, %	15.25	15.21	0 pe
CET1 ratio, %	12.34	12.32	0 pe
Liquidity reserve	5,266	5,156	2
Number of employees (FTEs) <sup>6)</sup>	1,305	1,349	-3

1) Includes listing expenses totalling SEK 46m for the 2015 accounting period, which have a negative impact on EBIT. Adjusted EBIT was SEK 161m.

2) Adjusted for listing expenses.

3) Includes effect of outstanding warrants. Following the share split 1:3 in 2015, each warrant entitles the holder to subscribe for three new shares.

Comparative figures were recalculated as regards the effects of the share split.

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

5) Excluding run-off consumer loan portfolio and portfolios held in joint venture.

6) The number of employees in 2015 was updated based on a modified calculation model.

Hoist Finance AB (publ) (the "Company" or the "Parent") is the parent company of the Hoist Finance group of companies ("Hoist Finance"). The Company's wholly owned subsidiary, Hoist Kredit AB (publ) ("Hoist Kredit") is a regulated credit market company. Hence, Hoist Finance produces financial statements in accordance with 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 its statutory financial statements with an operating income statement. The operating income statement is prepared based on the accounting and valuation principles used in the statutory financial statements, with no amendments or adjustments thereto.

The information in this year-end report has been published pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was submitted for publication on 29 April 2016 at 8:00 AM CET.

# Steadily delivering on our ambitious targets

A little over one year has passed since Hoist Finance was introduced on the Nasdaq Stockholm Mid Cap list and looking at our first quarter in 2016, we are firmly on track regarding both our growth and our profitability targets. Compared with the first quarter of last year, our gross cash collections have increased by 34 per cent and our EBIT margin has increased by 4 percentage points to 36 per cent.

We have also decided to introduce a new financial target, Return on Equity (ROE). Our medium-term goal is to achieve a ROE of 20 per cent – the outcome in the first quarter of 2016 was 16 per cent.

## Solid acquisition volumes in the first quarter

Total acquisition volumes amounted to SEK 648m, an increase of 137 per cent compared with the first quarter of last year.

Effective as from 1 January our operational activities are divided into three regions to improve organisational efficiency and to strengthen our position. During the first quarter we have seen sound acquisition levels in all three regions.

EBIT has developed favourably at the Group level. At the regional level, Region Mid Europe and Region Central East Europe showed a strong quarter with the sound acquisition levels of 2015 generating results in gross cash collections and yielding improved EBIT through better leverage of our platform capacity. Region West Europe is behind our expectations due to delayed investments in last year's acquisition of Compello, which has resulted in lower Gross Cash Collections and thus EBIT. In France, although the activities that we initiated have gradually improved profitability, cash collections in the first quarter fell short of our expectations. Through increased focus and activities which have been initiated during the quarter, the result is expected to increase gradually in the coming quarters, in both countries.

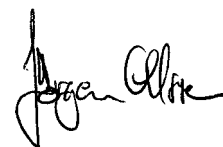
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A leading debt restructuring partner to international banks.

## Strengthening Hoist Finance's position as the leading debt restructuring partner to international banks

Hoist Finance recently announced that the company had entered into an agreement with the Bank of Greece which includes managing assets amounting to EUR 9 billion in 16 greek banks under liquidation. Under this agreement, we are not only assisting the Bank of Greece in restructuring the Greek banking sector but also helping them and ultimately the taxpayers in recovering non-performing assets. Hoist Finance are also entering a new market with the same prudent expansion strategy as before – by first understanding a market and then leveraging that know-how to potentially increase our market presence and activities. Ultimately, the most important point of this agreement is that Hoist Finance is further strengthening its credibility and position as the leading debt restructuring partner to international banks and now also central banks.

## Outlook

The market for non-performing loan portfolios continues to grow steadily as financial institutions seek alternatives to achieve better returns on these assets. The first quarter supports us in our ability to reach our medium term financial targets and to generate acquisition volumes in 2016 that are in line with the previous three years.



Jörgen Olsson  
CEO  
Hoist Finance AB (publ)



# First quarter 2016

Unless otherwise specified, all market, financial and operational comparisons refer to the first quarter of 2015. The analysis below follows the operating income statement.

## Revenue

Total revenue reached SEK 636m (499). Gross cash collections on acquired loan portfolios increased to SEK 1,056m (791), due to the large portfolio acquisitions made in the second half of 2015, including the acquisition of Compello Holding Ltd. Revenue growth remains strong due to the high level of acquisition activity. Portfolio acquisitions totalled SEK 648m (273) during the quarter, mainly attributable to significant portfolio acquisitions in the UK and Poland.

Portfolio amortisation and revaluation increased alongside gross cash collection to SEK 483m (359). Positive portfolio revaluations of SEK 2m (-3) are also included. Net revenue from acquired loan portfolios consequently increased by 32 per cent to SEK 576m (435).

Fee and commission income declined by 37 per cent to SEK 30m (48). The decline was primarily attributable to the UK and was due to a decrease in the scope of collections on behalf of external parties that were part of earlier acquisitions, which is in line with the Company's strategy. Profit from participation in the joint venture in Poland increased by 93 per cent to SEK 29m (15). The joint venture 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 investment has performed favourably and the value of the underlying assets has grown, which was the main reason for the increase. No further investments will be made within the scope of this joint venture.

## Operating expenses

Personnel expenses increased by 16 per cent to SEK 169m (146) and primarily reflect the increase in the number of Group full-time employees (FTEs) due to business combinations. The average number of Group FTEs was 1,305 (1,134). The increase is primarily attributable to the expansion of Hoist Finance's self-run collection platforms in the UK following the acquisition of collection platforms in that region. Collection expenses increased by 10 per cent to SEK 118m (107) due to a higher volume of acquired loan portfolios.

Other operating expenses decreased by 12 per cent during Q1 2016 to SEK 106m (120) despite business combinations during the second half of 2015

and increased business volumes. This is mainly due to Q1 2015 being affected by expenses totalling SEK 46m that were directly attributable to the listing. Depreciation and amortisation of tangible and intangible assets totalled SEK 13m (11). The increase is attributable to production systems included in acquired companies and to continued investments in Group IT systems.

## Financial items

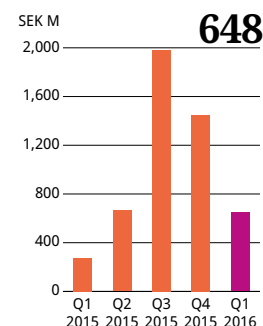
Financial items as per the Company's operating income statement totalled SEK -108m (-108). Interest income excluding run-off consumer loan portfolio totalled SEK -2m (10). The low level of interest income is due to the prevailing interest-rates, which are predominantly affecting the interest on bonds.

Interest expense totalled SEK 70m (93) and is mainly comprised of interest expense related to HoistSpar deposits and interest expenses for issued bonds. Interest expense for HoistSpar deposits decreased year-on-year to SEK 37m (52), due to lower interest rates and a greater share of deposits at floating interest rates (Sparkonto Flex). The interest rates Hoist Finance offers are on a par with the prevailing market situation. Interest expenses for Company-issued bonds decreased to SEK 26m (29), attributable primarily to the repurchase of these bonds. Fees for the deposit guarantee scheme of SEK 4m (3) and a stability fee of SEK 1m (1) are also reported as interest expense.

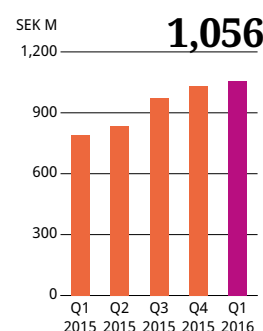
Hoist Finance hedges interest rate and currency risks on a continuous basis using derivatives, currently in the short and medium term. The results of hedging instruments, market-value changes and exchange rate fluctuations are recognised in Net income from financial transactions.

Net income from financial transactions, including financing costs, totalled SEK -36m (-26), which was attributable to changes in market interest rates and currency fluctuations. Net income also includes expenses attributable to the repurchase of Company-issued bonds in the amount of SEK -5m (0), as well as the market valuation of bonds in the liquidity portfolio in the amount of SEK 6m (-6). Market value changes were reclassified from Interest income to Net financial income as from Q1 2016. The comparative figures have been reclassified pursuant to this change.

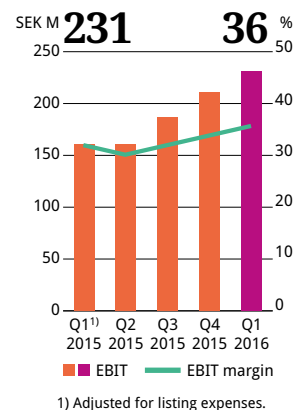
## Portfolio acquisitions



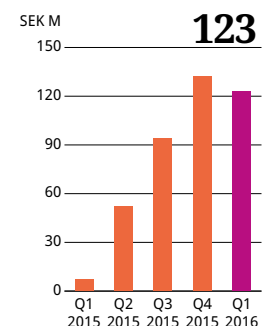
## Gross cash collection



## EBIT and EBIT-margin



## Profit before tax



**Balance sheet**

Unless otherwise specified, comparisons regarding balance sheet items refer to 31 December 2015.

**Assets**

Total assets remained largely unchanged and declined by SEK 46m compared with December 2015 to SEK 17,405m (17,451). Acquired loan portfolios increased by SEK 45m, lending to credit institutions rose SEK 324m and the carrying value of participations in joint ventures increased by SEK 30m. These increases are offset by a SEK –213m reduction in bonds and other securities and a SEK –31m reduction in Treasury bills and treasury bonds, as well as a SEK –205m reduction in other assets. The decline in other assets was primarily due to changes in the market value of currency forwards.

**Liabilities**

Total liabilities amounted to SEK 15,026m (15,163). The change comprises higher deposit volumes from the public, up SEK 175m, which were offset by a SEK –119m decline in other liability items and senior unsecured debts of SEK –252m. The decline in senior unsecured debts was mainly attributable to the repurchase of Company-issued bonds in a nominal amount of SEK 172m and EUR 10m.

**Financing and capital debt**

SEK million	31 Mar 2016	31 Dec 2015	Change, %
Cash and interest bearing securities	5,320	5,240	2
Other assets <sup>1)</sup>	12,085	12,211	–1
<b>Total assets</b>	<b>17,405</b>	<b>17,451</b>	<b>0</b>
Deposits from the public	12,967	12,791	1
Subordinated liabilities	338	337	0
Senior unsecured debt	986	1,238	–20
<b>Total interest-bearing liabilities</b>	<b>14,291</b>	<b>14,366</b>	<b>–1</b>
Other liabilities <sup>1)</sup>	735	796	–8
Shareholders' equity	2,379	2,289	4
<b>Total liabilities and shareholders' equity</b>	<b>17,405</b>	<b>17,451</b>	<b>0</b>
CET1 ratio, %	12.34	12.32	0 pe
Total capital ratio, %	15.25	15.21	0 pe
Liquidity reserve	5,266	5,156	2
<b>Acquired loans</b>			
Carrying value of acquired loans <sup>2)</sup>	11,346	11,279	1
Gross 120-month ERC <sup>3)</sup>	19,221	19,367	–1

1) This item does not correspond to an item of the same designation in the balance sheet, but rather to several corresponding items.

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

3) Excluding run-off consumer loan portfolio and portfolios held in joint venture.

Hoist Finance funds its operations through deposits from the public and through the bond market. Deposits from the public totalled SEK 12,967m (12,791). Of this amount, SEK 4,181m is attributable to fixed term deposits of 12-, 24- and 36-month durations.

As at 31 March 2016, outstanding bond debt totalled SEK 986m (1,238). Group equity was SEK 2,379m (2,289).

The total capital ratio improved to 15.25 per cent (15.21) and the CET1 ratio to 12.34 per cent (12.32). The Company is thus well capitalised for further expansion.

Hoist Finance's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 5,266m (5,156).

Basic earnings per share totalled SEK 1.17 (0.01). Interest on convertible debt instruments is included in the calculation, as depicted in the statement of changes in shareholders' equity.

**Cash flow**

SEK million	Quarter 1, 2016	Quarter 1, 2015
Cash flow from operating activities	371	1,156
Cash flow from investing activities	194	–786
Cash flow from financing activities	–272	738
<b>Cash flow for the period</b>	<b>293</b>	<b>1,108</b>

Cash flow from operating activities totalled SEK 371m (1,156). HoistSpar deposit volumes increased SEK 169m (1,301) during the first quarter, largely attributable to the inflow of floating deposits. The strong inflow to HoistSpar during the first quarter of 2015 was entirely attributable to the inflow of floating deposits, whereby the term of 12-month deposits mature during the first quarter of 2016 and increase floating deposits accordingly. Cash flow from gross cash collections on acquired loan portfolios increased to SEK 1,056m (791) due to the increased volume of loan portfolios, and portfolio acquisitions during the quarter totalled SEK 648m (273), excluding translation differences.

Cash flow from investing activities totalled SEK 194m (–786). The change is primarily due to a reallocation of bonds and other securities in preparation for acquisitions conducted during the quarter. During the first quarter of 2015, the improved cash flow from operating activities was invested in bonds and other securities.

Cash flow from financing activities totalled SEK –272m (738) and is attributable to a repurchase of issued bonds by Hoist Finance. Positive cash flow for the first quarter of 2015 was attributable to the new share issues that were completed during the period.

Total cash flow for the quarter totalled SEK 293m, as compared with SEK 1,108m in the first quarter of 2015.

### Significant risks and uncertainties

The carrying value of Hoist Finance's acquired loan portfolios at 31 March 2016 totalled SEK 11,346m, up SEK 67m since year-end 2015. Loan portfolio credit risk is deemed to have increased proportionally with the volume of loans acquired during the quarter.

There were no major changes in Hoist Finance's operational risks during the quarter. The Group works continuously to improve the quality of its internal procedures to minimise operational risks. During the quarter, the Group procured a new system to further enhance its management of operational risks.

Market risks remain low, as Hoist Finance continuously hedges interest-rate and currency risks

Hoist Finance's CET1 ratio was 12.34 per cent (12.32) during the first quarter, well in excess of the regulatory requirement of 7.8 per cent. The company is thus well capitalised for continued expansion.

Hoist Finance's liquidity reserve totalled SEK 5,266m (5,156), which exceeds the company's target. The Group thus maintains a strong liquidity position.

### Other information

#### Parent Company

The Parent Company Hoist Finance AB (publ) reported a pre-tax loss of SEK -4m (-47) for Q1 2016.

The Company's net sales totalled SEK 38m (32) during the first quarter. Operating expenses amounted to SEK 41m (76). The year-on-year decline was primarily attributable to expenses in conjunction with the listing during the spring of 2015. Income and expenses are related to the holding and purchasing-company function that the company serves under the Hoist Finance Group.

Receivables related to Group contributions in 2015, and to the loan from the subsidiary Hoist Kredit AB (publ) were settled in full during the first quarter.

### Related-party transactions

The nature and scope of related-party transactions are described in the Annual Report. No significant transactions took place between Hoist Finance and its related parties during the first quarter.

### Subsequent events

In partnership with Qualco S.A. ("QC") and PricewaterhouseCoopers Business Solutions S.A. ("PWC"), Hoist Kredit AB (publ) ("Hoist Kredit") has entered into an agreement with the Bank of Greece pertaining (i) to the management of a portfolio of non-performing loans and other assets from 16 Greek banks and financial institutions that have entered liquidation, and (ii) to supervising the restructuring process and optimisation of these banks. Operations in Greece will be conducted through the Greek company PQH SINGLE LIQUIDATION SA, which is owned in equal share by Hoist Kredit, QC and PWC.

### Group structure

Hoist Finance AB (publ), corporate identity number 556012-8489, is the Parent Company in the Hoist Finance Group. The Company is a Swedish publicly traded limited liability company headquartered in Stockholm, Sweden. Hoist Finance has been listed on NASDAQ Stockholm since March 2015. The Parent Company serves as a holding and purchasing company for the operating subsidiary Hoist Kredit AB (publ) and its sub-group. The Hoist Kredit Group acquires and holds the Group's loan portfolios and the loans are managed by its subsidiaries or foreign branch offices. These entities also provide management services on a commission basis to external parties. For a more detailed description of the Group's legal structure, please refer to the Annual Report 2015.

### The share and shareholders

As at 31 December 2015, the number of shares totalled 78,532,684. During the first quarter, 32,910 warrants were redeemed for shares. After registering with the Swedish Companies Registration Office in April 2016, the total number of shares in the company was thus 78,631,414.

On 31 March 2016, the share price closed at SEK 73.00. A breakdown of the ownership structure is presented in the table below. As at 31 March 2016 the Company had 1,880 shareholders, compared to 1,196 as at 31 March 2015.

The ten largest shareholders, 31 March 2016	Share of capital and votes, %
Swedbank Robur Fonder	9.8
Toscafund Asset Management LLP	9.1
Carve Capital AB	9.0
Beagle Investments SA	6.7
Deciso AB	6.1
Olympus Investment S.à r.l.	5.4
Handelsbanken Fonder	5.3
Carnegie Fonder	4.5
Costas Thoupou	2.9
Svenskt Näringsliv	2.4
<b>The ten largest shareholders, total</b>	<b>61.2</b>
Other shareholders	38.8
<b>Total</b>	<b>100.0</b>

Source: Modular Finance, 31 March 2016

Pursuant to issued instructions, the Nominating Committee is to be comprised of the three largest shareholders and the Chairman of the Board. Should a shareholder decline to participate in the committee, the next largest shareholder (not already a committee member) is asked to do so. Accordingly, the Nominating Committee is comprised of the Chair of the Board and representatives appointed by Swedbank Robur Fonder AB, Carve Capital AB and Olympus Investment S.à r.l.

### Review

This year-end report has not been reviewed by Hoist Finance's auditors.



# Quarterly review

## Segment reporting

SEK thousand	Quarter 1 2016	Quarter 4 2015	Quarter 3 2015	Quarter 2 2015	Quarter 1 2015
Gross cash collections on acquired loan portfolios	1,055,794	1,032,221	973,978	834,098	790,735
Portfolio amortisation and revaluation	-482,533	-469,138	-437,968	-360,477	-358,925
Interest income from run-off consumer loan portfolio	2,389	1,550	2,513	2,994	3,119
<b>Net revenue from acquired loan portfolios</b>	<b>575,650</b>	<b>564,633</b>	<b>538,523</b>	<b>476,615</b>	<b>434,929</b>
Fee and commission income	29,870	39,351	37,990	41,747	47,616
Profit from shares and participations in joint ventures	28,705	13,868	10,674	14,946	15,350
Other income	1,869	2,751	2,894	3,439	1,546
<b>Total revenue</b>	<b>636,094</b>	<b>620,603</b>	<b>590,081</b>	<b>536,747</b>	<b>499,441</b>
Personnel expenses	-169,232	-186,713	-165,959	-153,016	-145,666
Collection costs	-117,637	-104,422	-139,872	-146,542	-107,373
Other operating expenses	-105,580	-106,722	-83,493	-65,222	-120,369
Depreciation and amortisation of tangible and intangible assets	-12,971	-11,704	-13,550	-10,859	-10,753
<b>Total operating expenses</b>	<b>-405,420</b>	<b>-409,561</b>	<b>-402,874</b>	<b>-375,639</b>	<b>-384,161</b>
<b>EBIT</b>	<b>230,674</b>	<b>211,042</b>	<b>187,207</b>	<b>161,108</b>	<b>115,280</b>
Interest income excl. run-off consumer loan portfolio <sup>1)</sup>	-1,678	6,223	5,531	5,904	10,445
Interest expense	-70,172	-85,772	-90,101	-92,876	-92,621
Net income from financial transactions <sup>1)</sup>	-35,714	57	-8,542	-21,794	-25,960
<b>Total financial items</b>	<b>-107,564</b>	<b>-79,492</b>	<b>-93,112</b>	<b>-108,766</b>	<b>-108,136</b>
<b>Profit before tax</b>	<b>123,110</b>	<b>131,550</b>	<b>94,095</b>	<b>52,342</b>	<b>7,144</b>

1) The comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

## Key ratios

SEK million	Quarter 1 2016	Quarter 4 2015	Quarter 3 2015	Quarter 2 2015	Quarter 1 2015
EBIT margin, %	36	34	32	30	32 <sup>4)</sup>
Return on book, % <sup>1)</sup>	10.7	11.2	10.3	10.3	10.4
Portfolio acquisitions	648	1 451	1 982	665	273

SEK million	31 March 2016	31 Dec 2015	30 Sept 2015	30 June 2015	31 March 2015
Carrying value of acquired loans <sup>2)</sup>	11,346	11,279	10,639	9,040	8,827
Gross 120-month ERC <sup>3)</sup>	19,221	19,367	18,082	15,316	15,238
Return on equity, %	16	13	9	5	1
Total capital ratio, %	15.25	15.21	15.66	15.28	17.13
CET1 ratio, %	12.34	12.32	12.98	12.58	14.33
Liquidity reserve	5,266	5,156	6,025	7,564	7,333
Number of employees (FTEs)	1,305	1,349	1,352	1,174	1,134

1) Excluding operating expenses in Central functions.

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

3) Excluding run-off consumer loan portfolio and portfolios held in joint venture.

4) Adjusted for listing expenses.

# Segment overview

Hoist Finance purchases and manages receivables in eight European countries, all of which have different traditions for providing financial services, different legislative frameworks and different attitudes with respect to past due receivables and repayment patterns.

As from 1 January 2016, Hoist Finance operates under a new structural organisation. Europe is divided into three new segments – Region West Europe, Region Mid Europe and Region Central East Europe. The comparative figures in the report have been adjusted according to the new segments.

## Quarter 1, 2016

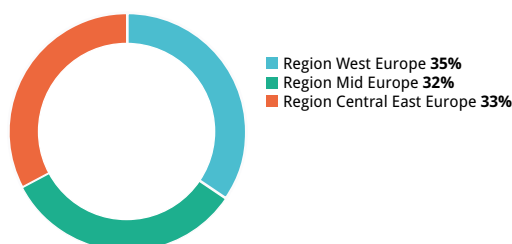
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	172,212	216,734	186,704	–	575,650
Total revenue	191,164	218,325	198,471	28,134	636,094
Total operating expenses	–153,031	–97,579	–82,798	–72,012	–405,420
EBIT	38,133	120,746	115,673	–43,878	230,674
EBIT margin, %	20	55	58	–	36
Carrying value of acquired loan portfolios, SEKm <sup>1)</sup>	3,877	3,606	3,627	235	11,346
Gross 120-day ERC SEKm <sup>2)</sup>	6,899	6,085	6,237	–	19,221

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

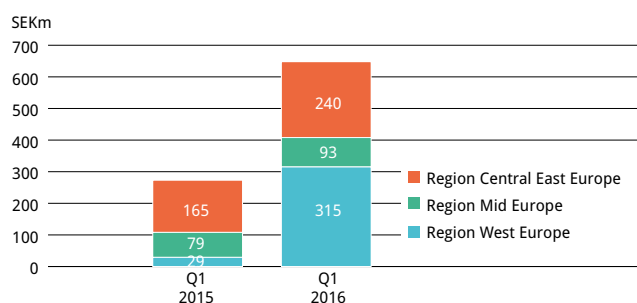
2) Excluding run-off consumer loan portfolio and portfolios held in joint venture.

### Distribution by region

Carrying value, acquired loan portfolios,  
31 March 2016



### Acquisitions by segment



The earnings trend for each operating segment (excluding Central Functions and Eliminations), based on the operating income statement, is set forth below.

## Our markets

## Region West Europe

## France and the UK

## Revenues

Gross cash collections on acquired loan portfolios increased 70 per cent to SEK 302m (178) during the first quarter of 2016. Portfolio amortisation and revaluation totalled SEK 130m (52) during the quarter, with the increase attributable in its entirety to the significant growth in the carrying value of acquired loan portfolios. Positive portfolio revaluations totalling SEK 7m were conducted in Q1 and are included in the portfolio amortisation and revaluation amounts reported for the quarter.

Fee and commission income, which comprises services offered to third-parties, decreased in pace with operations being consolidated to focus on acquisitions and managing an in-house platform.

## Operating expenses

Total operating expenses increased 24 per cent to SEK 153m (123) during the first quarter. The increase was primarily due to higher personnel expenses, with the entire increase attributable to the UK and the acquisition of

Compello Holdings Ltd. in Q3 of last year. The increase also includes personnel expenses of SEK 5m of a nonrecurring nature.

## Profitability

## EBIT

The segment's EBIT totalled SEK 38m (37) for the quarter with a corresponding EBIT margin of 20 per cent (23).

## Return on book

The segment's return on book for the first quarter of 2016 was 3.9 per cent (6.5). There were two primary reasons for the low level and noticeably weak performance: (i) although the activities that we have initiated in France have had a tangible improvement on profitability, gross cash collections in the first quarter fell short of expectations, and (ii) as reported in previous quarters, collection activities related to the Compello portfolio were delayed in relation to the original plan.

Accordingly, gross cash collections from this portfolio fell short of expectations in the first quarter, which had an adverse effect on EBIT and thus also on the portfolio return.

## Acquisitions

Acquisitions during the quarter totalled SEK 315m, due to significantly higher acquisition activity year-on-year.

The carrying value of acquired loan portfolios decreased to SEK 3,877m (3,883) at 31 March 2016. Gross ERC decreased to SEK 6,899m (6,973) compared with year-end.

## Earnings trend\*

SEK thousand	Quarter 1 2016	Quarter 1 2015	Change, %	Full-year 2015
Gross cash collections on acquired loan portfolios	302,429	177,726	70	935,880
Portfolio amortisation and revaluation	-130,217	-52,222	149	-351,476
<b>Net revenue from acquired loan portfolios</b>	<b>172,212</b>	<b>125,504</b>	<b>37</b>	<b>584,404</b>
Fee and commission income	18,952	34,985	-46	114,846
Other income	-	6	-100	1,152
<b>Total revenue</b>	<b>191,164</b>	<b>160,495</b>	<b>19</b>	<b>700,402</b>
Personnel expenses	-66,628	-52,113	28	-237,937
Collection costs	-50,572	-50,350	0	-214,681
Other operating expenses	-32,328	-19,244	68	-102,522
Depreciation and amortisation of tangible and intangible assets	-3,503	-1,458	140	-6,931
<b>Total operating expenses</b>	<b>-153,031</b>	<b>-123,165</b>	<b>24</b>	<b>-562,071</b>
<b>EBIT</b>	<b>38,133</b>	<b>37,330</b>	<b>2</b>	<b>138,331</b>
EBIT margin, %	20	23	-3 pe	20
Return on book, %	3.9	6.5	-2.6 pe	4.5
Expenses/Gross cash collections on acquired loan portfolios, %	44	50	-6 pe	48
Carrying value of acquired loan portfolios, SEKm	3,877	2,316	67	3,883
Gross 120-month ERC, SEKm	6,899	4,237	63	6,973

\* Based on the operating income statement, excluding Central Functions and Eliminations.



# Region Mid Europe

Belgium, Italy and the Netherlands

## Revenues

Gross cash collections on acquired loan portfolios increased 41 per cent to SEK 387m (275) during the first quarter, and portfolio amortisation and revaluation increased to SEK 171m (136). A significant share of the increase in gross cash collections on acquired loan portfolios was attributable to Italy. The increase in portfolio amortisation and revaluation was attributable to last year's strong growth. Negative portfolio revaluations totalling SEK 5m were conducted in Q1 and are included in the portfolio amortisation and revaluation amounts reported for the quarter.

## Operating expenses

Total operating expenses for the first quarter increased 47 per cent to SEK 98m (66), primarily due to an increase in Other operating expenses which amounted to SEK 30m (13) and mainly derive from Italy where there is a significant share of banking fees related to the higher collection level. Collection costs increased by 44 per cent to SEK 41m (29) during the quarter, and mainly pertain to variable

costs in the Netherlands where third-party collection services are included.

## Profitability

### EBIT

The segment's EBIT totalled SEK 121m (74) for the quarter with a corresponding EBIT margin of 55 per cent (53).

### Return on book

The segment's return on book for the first quarter of 2016 was 13.3 per cent (10.4). Contributing to the increase were gross cash collections on certain portfolios in Italy and Belgium that outperformed forecasts for the quarter.

## Acquisitions

The acquisition volume during the quarter totalled SEK 93m, and mainly derive from Belgium where activity was high during the first quarter, yet also to a certain extent from the Netherlands. Overall, acquired volumes for the segment were in line with the year-earlier period. During the first quarter, the carrying value of acquired loan portfolios declined by 1 per cent to SEK 3,606m (3,644) and gross ERC decreased to SEK 6,085m (6,179) compared with year-end.

## Earnings trend\*

SEK thousand	Quarter 1 2016	Quarter 1 2015	Change, %	Full-year 2015
Gross cash collections on acquired loan portfolios	387,374	275,077	41	1,358,389
Portfolio amortisation and revaluation	-170,640	-136,402	25	-650,236
<b>Net revenue from acquired loan portfolios</b>	<b>216,734</b>	<b>138,675</b>	<b>56</b>	<b>708,153</b>
Fee and commission income	1,144	1,207	-5	5,892
Other income	447	345	30	1,385
<b>Total revenue</b>	<b>218,325</b>	<b>140,227</b>	<b>56</b>	<b>715,430</b>
Personnel expenses	-24,833	-22,292	11	-93,021
Collection costs	-41,419	-28,771	44	-149,386
Other operating expenses	-29,812	-13,319	124	-62,403
Depreciation and amortisation of tangible and intangible assets	-1,515	-1,780	-15	-6,786
<b>Total operating expenses</b>	<b>-97,579</b>	<b>-66,162</b>	<b>47</b>	<b>-311,596</b>
<b>EBIT</b>	<b>120,746</b>	<b>74,065</b>	<b>63</b>	<b>403,834</b>
EBIT margin, %	55	53	2 pe	56
Return on book, %	13.3	10.4	2.9 pe	12.3
Expenses/Gross cash collections on acquired loan portfolios, %	25	23	2 pe	22
Carrying value of acquired loan portfolios, SEKm	3,606	2,786	29	3,644
Gross 120-month ERC, SEKm	6,085	4,793	27	6,179

\* Based on the operating income statement, excluding Central Functions and Eliminations.

# Region Central East Europe

## Poland and Germany

### Revenues

Gross cash collections on acquired loan portfolios increased 8 per cent to SEK 366m (338) during the first quarter. The increase in gross cash collections on acquired loan portfolios was mainly attributable to the acquisition that was made in Poland during the fourth quarter of 2015. Portfolio amortisation and revaluation during the quarter amounted to SEK 182m (170), mainly due to the aforementioned acquisition in Poland and to the sale of a number of asset-backed securities in Germany. During the first quarter, no portfolio revaluations were conducted in the segment that affected earnings.

### Operating expenses

Operating expenses increased 4 per cent to SEK 83m (79) year-on-year. The increase was mainly due to the acquisition of Navi Lex in December 2014, where Hoist Finance is centralising its operations to the internal platform in 2015. This has resulted in a redistribution among various types of costs, including increased expenses linked to more

employees in Poland and IT-related costs, as well as lower collection costs to third parties.

### Profitability

#### EBIT

The segment's EBIT totalled SEK 116m (104) for the quarter with a corresponding EBIT margin of 58 per cent (53). The improvement was primarily related to higher gross collections in Poland.

#### Return on book

The segment's return on book for the first quarter of 2016 was 12.9 per cent, which was in line with the preceding year (11.9). This is a reflection of EBIT growing in pace with the carrying value of acquired loans.

### Acquisitions

The acquisition volume during the first quarter totalled SEK 240m and mainly derive from Poland where activity was high during the first quarter. Overall, acquired volumes for the segment was higher compared to the year-earlier period. As at 31 March 2016, the carrying value of acquired loan portfolios totalled SEK 3,627m (3,546) and gross ERC increased to SEK 6,237m (6,215) year-on-year.

### Earnings trend\*

SEK thousand	Quarter 1 2016	Quarter 1 2015	Change, %	Full-year 2015
Gross cash collections on acquired loan portfolios	365,991	337,932	8	1,336,763
Portfolio amortisation and revaluation	-181,676	-170,301	7	-624,796
Interest income from run-off consumer loan portfolio	2,389	3,119	-23	10,176
<b>Net revenue from acquired loan portfolios</b>	<b>186,704</b>	<b>170,750</b>	<b>9</b>	<b>722,143</b>
Fee and commission income	9,774	11,424	-14	45,967
Other income	1,993	1,194	67	12,176
<b>Total revenue</b>	<b>198,471</b>	<b>183,368</b>	<b>8</b>	<b>780,286</b>
Personnel expenses	-43,335	-41,091	5	-172,412
Collection costs	-25,646	-28,252	-9	-134,142
Other operating expenses	-11,927	-8,360	43	-39,760
Depreciation and amortisation of tangible and intangible assets	-1,890	-1,656	14	-7,195
<b>Total operating expenses</b>	<b>-82,798</b>	<b>-79,359</b>	<b>4</b>	<b>-353,509</b>
<b>EBIT</b>	<b>115,673</b>	<b>104,009</b>	<b>11</b>	<b>426,777</b>
EBIT margin, %	58	53	6 pe	55
Portfolio return, %	12.9	11.9	1.0 pe	12.1
Expenses/Gross cash collections on acquired loan portfolios, %	19	22	-3 pe	22
Carrying value of acquired loan portfolios, SEKm <sup>1)</sup>	3,627	3,489	4	3,546
Gross 120-month ERC, SEKm <sup>2)</sup>	6,237	6,208	0	6,215

\* Based on the operating income statement, excluding Central Functions and Eliminations.

1) Including run-off consumer loan portfolio.

2) Excluding run-off consumer loan portfolio.

# Financial statements

## Consolidated income statement

SEK thousand	Quarter 1 2016	Quarter 1 2015	Full-year 2015
Net revenue from acquired loan portfolios	573,261	431,810	2,004,524
Interest income <sup>1)</sup>	711	13,564	38,279
Interest expense	-70,172	-92,621	-361,370
<b>Net interest income</b>	<b>503,800</b>	<b>352,753</b>	<b>1,681,433</b>
Fee and commission income	29,870	47,616	166,705
Net income from financial transactions <sup>1)</sup>	-35,714	-25,960	-50,941
Other income	1,869	1,546	10,629
<b>Total operating income</b>	<b>499,825</b>	<b>375,955</b>	<b>1,807,826</b>
General administrative expenses			
Personnel expenses	-169,232	-145,666	-651,354
Other operating expenses	-223,217	-227,742	-874,016
Depreciation and amortisation of tangible and intangible assets	-12,971	-10,753	-46,866
<b>Total operating expenses</b>	<b>-405,420</b>	<b>-384,161</b>	<b>-1,572,236</b>
<b>Profit before credit losses</b>	<b>94,405</b>	<b>-8,206</b>	<b>235,590</b>
Net credit losses	-	-	-5,298
Earnings from participations in joint ventures	28,705	15,350	54,839
<b>Profit before tax</b>	<b>123,110</b>	<b>7,144</b>	<b>285,131</b>
Income tax expense	-28,351	-3,504	-54,609
<b>Profit for the period</b>	<b>94,759</b>	<b>3,640</b>	<b>230,522</b>
<b>Profit attributable to:</b>			
Owners of Hoist Finance AB (publ)	94,759	3,640	230,522
Basic earnings per share, SEK <sup>2)</sup>	1.17	0.01	2.90
Diluted earnings per share, SEK <sup>2) 3)</sup>	1.14	0.01	2.84

1) Market value changes were reclassified from Interest income to Net financial income as from Q1 2016. The comparative figures have been reclassified pursuant to this change.

2) Following the share split 1:3 in 2015, each warrant entitles the holder to subscribe for three new shares.

3) Includes effect of 913,954 outstanding warrants.

## Consolidated statement of comprehensive income

SEK thousand	Quarter 1 2016	Quarter 1 2015	Full-year 2015
<b>Profit for the period</b>	<b>94,759</b>	<b>3,640</b>	<b>230,522</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of defined benefit pension plan	-	-	1,408
Revaluation of remuneration after terminated employment	-	-	1,606
Tax attributable to items that will not be reclassified to profit or loss	-	-	-781
<b>Total items that will not be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>2,233</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences on foreign operations	-10,243	282	-35,485
Translation difference, joint venture	1,020	6,123	-4,948
Hedging of currency risk in foreign operations	4,405	-6,158	-849
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-4,818</b>	<b>247</b>	<b>-41,282</b>
<b>Other comprehensive income for the period</b>	<b>-4,818</b>	<b>247</b>	<b>-39,049</b>
<b>Total comprehensive income for the period</b>	<b>89,941</b>	<b>3,887</b>	<b>191,473</b>
<b>Profit attributable to:</b>			
Owners of Hoist Finance AB (publ)	89,941	3,887	191,473

## Consolidated balance sheet

SEK thousand	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>ASSETS</b>			
Cash	198	281	367
Treasury bills and treasury bonds	3,046,834	3,077,827	2,809,127
Lending to credit institutions	1,182,369	858,516	1,907,438
Lending to the public	68,474	77,994	136,762
Acquired loan portfolios	11,060,117	11,014,699	8,491,668
Bonds and other securities	1,090,496	1,303,214	2,673,713
Participations in joint ventures	235,282	205,557	236,820
Intangible assets	233,045	235,632	249,524
Tangible assets	42,850	41,623	30,339
Other assets	296,439	501,062	182,148
Deferred tax assets	64,918	62,688	66,045
Prepayments and accrued income	83,874	72,384	64,889
<b>Total assets</b>	<b>17,404,896</b>	<b>17,451,477</b>	<b>16,848,840</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Deposits from the public	12,966,716	12,791,377	12,317,254
Tax liabilities	52,074	21,639	28,519
Other liabilities	238,318	357,284	299,268
Deferred tax liabilities	184,128	183,999	60,771
Accrued expenses and deferred income	205,035	180,941	155,784
Provisions	55,324	52,116	64,000
Senior unsecured debt	986,259	1,238,469	1,463,821
Subordinated liabilities	338,006	336,892	333,768
<b>Total liabilities</b>	<b>15,025,860</b>	<b>15,162,717</b>	<b>14,723,185</b>
<b>Shareholders' equity</b>			
Share capital	27,771	26,178	26,178
Other contributed equity	1,754,418	1,755,676	1,756,464
Reserves	-48,912	-44,094	-2,565
Retained earnings including profit for the period	645,759	551,000	345,578
<b>Total shareholders' equity</b>	<b>2,379,036</b>	<b>2,288,760</b>	<b>2,125,655</b>
<b>Total liabilities and shareholders' equity</b>	<b>17,404,896</b>	<b>17,451,477</b>	<b>16,848,840</b>

## Consolidated statement of changes in shareholders' equity

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings including profit for the period	Total shareholders' equity
<b>Opening balance 1 Jan 2016</b>	<b>26,178</b>	<b>1,755,676</b>	<b>-44,094</b>	<b>551,000</b>	<b>2,288,760</b>
<b>Comprehensive income for the period</b>					
Profit for the period				94,759	94,759
Other comprehensive income			-4,818		-4,818
<b>Total comprehensive income for the period</b>			<b>-4,818</b>	<b>94,759</b>	<b>89,941</b>
<b>Transactions reported directly in equity</b>					
New share issue	1,593				1,593
Warrants, repurchased and cancelled		-1,258			-1,258
<b>Total transactions reported directly in equity</b>	<b>1,593</b>	<b>-1,258</b>			<b>335</b>
<b>Closing balance 31 Mar 2016</b>	<b>27,771</b>	<b>1,754,418</b>	<b>-48,912</b>	<b>645,759</b>	<b>2,379,036</b>

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings including profit for the period	Total shareholders' equity
<b>Opening balance 1 Jan 2015</b>	<b>21,662</b>	<b>1,003,818</b>	<b>-2,812</b>	<b>374,522</b>	<b>1,397,190</b>
<b>Comprehensive income for the period</b>					
Profit for the period				3,640	3,640
Other comprehensive income			247		247
<b>Total comprehensive income for the period</b>			<b>247</b>	<b>3,640</b>	<b>3,887</b>
<b>Transactions reported directly in equity</b>					
New share issue	4,516	745,545 <sup>1)</sup>			750,061
Warrants, repurchased and cancelled		-54			-54
Acquisition of minority shareholding in subsidiary				-32,584	-32,584
Tax effect on items reported directly in equity		7,155			7,155
<b>Total transactions reported directly in equity</b>	<b>4,516</b>	<b>752,646</b>		<b>-32,584</b>	<b>724,578</b>
<b>Closing balance 31 Mar 2015</b>	<b>26,178</b>	<b>1,756,464</b>	<b>-2,565</b>	<b>345,578</b>	<b>2,125,655</b>

1) Nominal amount of SEK 778 million has been reduced by transaction costs of SEK 33 million.

SEK thousand	Share capital	Other contributed capital	Reserves Translation reserve	Retained earnings including profit for the year	Total shareholders' equity
<b>Opening balance 1 Jan 2015</b>	<b>21,662</b>	<b>1,003,818</b>	<b>-2,812</b>	<b>374,522</b>	<b>1,397,190</b>
<b>Comprehensive income for the year</b>					
Profit for the year				230,522	230,522
Other comprehensive income			-41,282	2,233	-39,049
<b>Total comprehensive income for the year</b>			<b>-41,282</b>	<b>232,755</b>	<b>191,473</b>
<b>Transactions reported directly in equity</b>					
New share issue	4,516	745,545 <sup>1)</sup>			750,061
Warrants, repurchased and cancelled		-842		-3,177	-4,019
Interest paid on capital contribution				-15,000	-15,000
Acquisition of minority shareholding in subsidiary				-32,584	-32,584
Tax effect on items reported directly in equity		7,155		-5,516	1,639
<b>Total transactions reported directly in equity</b>	<b>4,516</b>	<b>751,858</b>		<b>-56,277</b>	<b>700,097</b>
<b>Closing balance 31 Dec 2015</b>	<b>26,178</b>	<b>1,755,676</b>	<b>-44,094</b>	<b>551,000</b>	<b>2,288,760</b>

1) Nominal amount of SEK 778 million has been reduced by transactions costs of SEK 33 million.



## Consolidated cash flow statement

SEK thousand	Quarter 1 2016	Quarter 1 2015	Full-year 2015
<b>OPERATING ACTIVITIES</b>			
Gross cash collections	1,055,799	790,735	3,631,031
Paid-in interest	7,466	7,863	35,614
Provisions received	29,870	47,616	166,705
Other operating income	1,869	1,546	10,629
Interest paid	-64,150	-63,844	-338,950
Operating expenses	-375,426	-355,259	-1,479,862
Net cash flow from financial transactions	-35,714	-20,259	-15,341
Capital gain on redemption of joint venture certificates	-	-	44,404
Income tax paid	-9,067	-9,674	-45,453
<b>Total</b>	<b>610,647</b>	<b>398,724</b>	<b>2,008,777</b>
Increase/decrease in acquired loans incl. translation differences	-527,956	-263,811	-4,054,424
Increase/decrease in joint venture certificates	-	-	15,277
Increase/decrease in lending to the public	9,520	20,470	73,940
Increase/decrease in deposits from the public	169,317	1,301,188	1,781,668
Increase/decrease in other assets	213,672	32,502	-290,002
Increase/decrease in other liabilities	-97,520	-328,171	-277,073
Increase/decrease in provisions	3,208	-4,704	-16,588
Change in other balance sheet items	-10,142	-	71,862
<b>Total</b>	<b>-239,901</b>	<b>757,474</b>	<b>-2,695,340</b>
<b>Cash flow from operating activities</b>	<b>370,746</b>	<b>1,156,198</b>	<b>-686,563</b>
<b>INVESTING ACTIVITIES</b>			
Investments in intangible assets	-5,138	-11,933	-31,584
Investments in tangible assets	-6,588	-1,485	-20,123
Acquisition of operations	-	-50,569	-50,569
Investments in/divestments of bonds and other securities	205,963	-722,472	615,093
<b>Cash flow from investing activities</b>	<b>194,237</b>	<b>-786,459</b>	<b>512,817</b>
<b>FINANCING ACTIVITIES</b>			
New share issue	1,594	750,061	750,061
Warrants, repurchased and cancelled	-1,258	-54	-4,019
Issued bonds, repurchased and cancelled	-272,542	-11,975	-229,833
Interest paid on capital contribution	-	-	-15,000
<b>Cash flow from financing activities</b>	<b>-272,206</b>	<b>738,032</b>	<b>501,209</b>
<b>Cash flow for the period</b>	<b>292,777</b>	<b>1,107,771</b>	<b>327,463</b>
Cash at the beginning of the period	3,936,624	3,609,161	3,609,161
<b>Cash at the end of the period<sup>1)</sup></b>	<b>4,229,401</b>	<b>4,716,932</b>	<b>3,936,624</b>

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

## Parent Company income statement

SEK thousand	Quarter 1 2016	Quarter 1 2015	Full-year 2015
<b>Net sales</b>	<b>37,526</b>	<b>32,123</b>	<b>148,458</b>
Other external expenses	-37,975	-73,960	-184,423
Personnel expenses	-1,621	45	-8,873
Depreciation and amortisation	-1,157	-1,736	-7,170
<b>Total operating expenses</b>	<b>-40,753</b>	<b>-75,651</b>	<b>-200,466</b>
<b>Operating profit</b>	<b>-3,227</b>	<b>-43,528</b>	<b>-52,008</b>
Other interest income	-414	-3,252	-4,457
Interest expense and similar costs	-	-260	-927
<b>Total income from financial items</b>	<b>-414</b>	<b>-3,512</b>	<b>-5,384</b>
Earnings from participations in Group companies	-	-	182,890
Appropriations (tax allocation reserve provision)	-	-	-22,977
<b>Profit/loss before tax</b>	<b>-3,641</b>	<b>-47,040</b>	<b>102,521</b>
Income tax expense	777	7,686	-24,829
<b>Profit/loss for the period<sup>1)</sup></b>	<b>-2,864</b>	<b>-39,354</b>	<b>77,692</b>

1) Profit/loss for the period corresponds to Comprehensive income for the period.

## Parent Company balance sheet

SEK thousand	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Licences and software	19,997	19,475	33,145
<b>Total intangible assets</b>	<b>19,997</b>	<b>19,475</b>	<b>33,145</b>
Equipment	2,985	3,142	2,037
<b>Total tangible assets</b>	<b>2,985</b>	<b>3,142</b>	<b>2,037</b>
Shares and participations in subsidiaries	1,687,989	1,687,989	1,687,989
Deferred tax assets	778	–	14,842
<b>Total financial assets</b>	<b>1,688,767</b>	<b>1,687,989</b>	<b>1,702,831</b>
<b>Total non-current assets</b>	<b>1,711,749</b>	<b>1,710,606</b>	<b>1,738,013</b>
<b>Current assets</b>			
Receivables, Group companies	32,002	209,519	55,824
Accounts receivable	–	55	–
Other receivables	2,032	1,015	4,790
Prepaid expenses and deferred income	5,562	7,467	5,213
<b>Total receivables</b>	<b>39,596</b>	<b>218,056</b>	<b>65,827</b>
Cash and bank balances	269,305	125,414	33,567
<b>Total current assets</b>	<b>308,901</b>	<b>343,470</b>	<b>99,394</b>
<b>Total assets</b>	<b>2,020,650</b>	<b>2,054,076</b>	<b>1,837,407</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Restricted equity	30,869	29,276	29,276
Non-restricted equity	1,715,931	1,720,053	1,606,972
<b>Total shareholders' equity</b>	<b>1,746,800</b>	<b>1,749,329</b>	<b>1,636,248</b>
Untaxed reserves	23,512	23,512	535
Provisions	33	35	45
Non-current liabilities	–	40 100	40,100
Current liabilities	250,305	241,100	160,479
<b>Total shareholders' equity, provisions and liabilities</b>	<b>2,020,650</b>	<b>2,054,076</b>	<b>1,837,407</b>

# Accounting principles

The interim financial statements are presented 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 thereof as adopted by the European Union. The accounting follows the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulatory code issued by the Swedish Financial Supervisory Authority, on Annual Reports in Credit institutions and Securities Companies (FFFS 2008:25) including applicable amendments. The Swedish Financial Board's RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The Parent Company Hoist Finance AB's (publ) accounts were prepared in accordance with (1995:1554) the Swedish Annual Accounts Act (ÅRL) and the regulatory code issued by the Swedish Financial Supervisory Authority on Annual Reports in Credit institutions and Securities Companies (FFFS 2008:25) including applicable amendments. The Swedish Financial Board's RFR 2, Accounting for Legal Entities, was also applied.

No IFRS or IFRIC amendments became effective in 2016 that have had any material impact on the Group's financial statements or capital adequacy.

As from 1 January 2016, Hoist Finance operates under a new structural organisation. Europe is divided into three new segments – Region West Europe, Region Mid Europe and Region Central East Europe. The comparative figures in the report have been adjusted according to the new segments.

Market value changes were reclassified from Interest income to Net financial income as from first quarter 2016. The comparative figures have been reclassified pursuant to this change. SEK 5.7 million was reclassified during first quarter 2015 and SEK 35.6 million for the full-year 2015.

The Group's and Parent Company's accounting policies and bases for calculation, as well as presentation remain unchanged compared to the Annual report 2015.

	Quarter 1 2016	Quarter 1 2015	Full year 2015
<b>1 EUR = SEK</b>			
Income statement (average)	9.3231	9.3832	9.3553
Balance sheet (at end of the period)	9.2323	9.2869	9.1350
<b>1 GBP = SEK</b>			
Income statement (average)	12.1042	12.6192	12.8908
Balance sheet (at end of the period)	11.6853	12.7441	12.3785
<b>1 PLN = SEK</b>			
Income statement (average)	2.1353	2.2378	2.2372
Balance sheet (at end of the period)	2.1652	2.2753	2.1545

# Notes

## Note 1 Segment reporting

Consolidated income statement	Quarter 1 2016	Quarter 1 2015	Full year 2015
SEK thousand			
Revenues from acquired loan portfolios	573,261	431,810	2,004,524
<i>of which, gross cash collections</i>	1,055,794	790,735	3,631,032
<i>of which, portfolio amortisation and revaluation</i>	-482,533	-358,925	-1,626,508
Interest income	711	13,564	38,279
<i>of which, interest income from run-off consumer loan portfolio</i>	2,389	3,119	10,176
<i>of which, interest income excl. run-off consumer loan portfolio<sup>1)</sup></i>	-1,678	10,445	28,103
Interest expense	-70,172	-92,621	-361,370
<b>Net interest income</b>	<b>503,800</b>	<b>352,753</b>	<b>1,681,433</b>
Fee and commission income	29,870	47,616	166,705
Net income from financial transactions <sup>1)</sup>	-35,714	-25,960	-50,941
Other income	1,869	1,546	10,629
<b>Total operating income</b>	<b>499,825</b>	<b>375,955</b>	<b>1,807,826</b>
<b>General administrative expenses</b>			
Personnel expenses	-169,232	-145,666	-651,354
Other operating expenses	-223,217	-227,742	-874,016
Depreciation and amortisation of tangible and intangible assets	-12,971	-10,753	-46,866
<b>Total operating expenses</b>	<b>-405,420</b>	<b>-384,161</b>	<b>-1,572,236</b>
<b>Profit before loan losses</b>	<b>94,405</b>	<b>-8,206</b>	<b>235,590</b>
Net loan losses	-	-	-5,298
Profit from shares and participations in joint ventures	28,705	15,350	54,839
<b>Profit before tax</b>	<b>123,110</b>	<b>7,144</b>	<b>285,131</b>

Operating income statement based on segment reporting	Quarter 1 2016	Quarter 1 2015	Full year 2015
SEK thousand			
Gross cash collections on acquired loan portfolios	1,055,794	790,735	3,631,032
Portfolio amortisation and revaluation	-482,533	-358,925	-1,626,508
Interest income from run-off consumer loan portfolio	2,389	3,119	10,176
<b>Net revenue from acquired loan portfolios</b>	<b>575,650</b>	<b>434,929</b>	<b>2,014,700</b>
Fee and commission income	29,870	47,616	166,705
Profit from shares and participations in joint ventures	28,705	15,350	54,839
Other income	1,869	1,546	10,629
<b>Total revenue</b>	<b>636,094</b>	<b>499,441</b>	<b>2,246,873</b>
Personnel expenses	-169,232	-145,666	-651,354
Collection costs	-117,637	-107,373	-498,209
Other operating expenses	-105,580	-120,369	-375,807
Depreciation and amortisation of tangible and intangible assets	-12,971	-10,753	-46,866
<b>Total operating expenses</b>	<b>-405,420</b>	<b>-384,161</b>	<b>-1,572,236</b>
<b>EBIT</b>	<b>230,674</b>	<b>115,280</b>	<b>674,637</b>
Interest income excl. run-off consumer loan portfolio <sup>1)</sup>	-1,678	10,445	28,103
Interest expense	-70,172	-92,621	-361,370
Net income from financial transactions <sup>1) 2)</sup>	-35,714	-25,960	-56,239
<b>Total financial items</b>	<b>-107,564</b>	<b>-108,136</b>	<b>-389,506</b>
<b>Profit/loss before tax</b>	<b>123,110</b>	<b>7,144</b>	<b>285,131</b>

1) The comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

2) Including financing costs.

## Note 1 Segment reporting, cont.

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
  - profit from shares and participations in joint ventures
  - other income
- » Total financial items include interest income from sources other than acquired loan 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.

### Income statement, Quarter 1, 2016

SEK thousand	Region West Europe <sup>1)</sup>	Region Mid Europe <sup>2)</sup>	Region Central East Europe <sup>3)</sup>	Central Functions/ Eliminations	Group
Gross cash collections on acquired loan portfolios	302,429	387,374	365,991	–	1,055,794
Portfolio amortisation and revaluation	–130,217	–170,640	–181,676	–	–482,533
Interest income from run-off consumer loan portfolio	–	–	2,389	–	2,389
<b>Net revenue from acquired loan portfolios</b>	<b>172,212</b>	<b>216,734</b>	<b>186,704</b>	<b>–</b>	<b>575,650</b>
Fee and commission income	18,952	1,144	9,774	–	29,870
Profit from shares and participations in joint ventures	–	–	–	28,705	28,705
Other income	0	447	1,993	–571	1,869
<b>Total revenue</b>	<b>191,164</b>	<b>218,325</b>	<b>198,471</b>	<b>28,134</b>	<b>636,094</b>
Personnel expenses	–66,628	–24,833	–43,335	–34,436	–169,232
Collection costs	–50,572	–41,419	–25,646	–	–117,637
Other operating expenses	–32,328	–29,812	–11,927	–31,513	–105,580
Depreciation and amortisation of tangible and intangible assets	–3,503	–1,515	–1,890	–6,063	–12,971
<b>Total operating expenses</b>	<b>–153,031</b>	<b>–97,579</b>	<b>–82,798</b>	<b>–72,012</b>	<b>–405,420</b>
<b>EBIT</b>	<b>38,133</b>	<b>120,746</b>	<b>115,673</b>	<b>–43,878</b>	<b>230,674</b>
Interest income excl. run-off consumer loan portfolio	–	–	400	–2,078	–1,678
Interest expense	–	–15	–10	–70,147	–70,172
Net income from financial transactions 4)	–49,807	–46,067	–43,615	103,775	–35,714
<b>Total financial items</b>	<b>–49,807</b>	<b>–46,082</b>	<b>–43,225</b>	<b>31,550</b>	<b>–107,564</b>
<b>Profit/loss before tax</b>	<b>–11,674</b>	<b>74,664</b>	<b>72,448</b>	<b>–12,328</b>	<b>123,110</b>

1) Total revenue for Region West Europe of SEK 187m is included in the revenue for the UK.

2) Total revenue for Region Mid Europe of SEK 124m is included in the revenue for Italy.

3) Total revenue for Region Central East Europe of SEK 106m is included in the revenue Germany.

4) Including financing costs.



## Note 1 Segment reporting, cont.

### Income statement, Quarter 1, 2015

SEK thousand	Region West Europe <sup>1)</sup>	Region Mid Europe <sup>2)</sup>	Region Central East Europe <sup>3)</sup>	Central Functions/ Eliminations	Group
Gross cash collections on acquired loan portfolios	177,726	275,077	337,932	–	790,735
Portfolio amortisation and revaluation	–52,222	–136,402	–170,301	–	–358,925
Interest income from run-off consumer loan portfolio	–	–	3,119	–	3,119
<b>Net revenue from acquired loan portfolios</b>	<b>125,504</b>	<b>138,675</b>	<b>170,750</b>	<b>–</b>	<b>434,929</b>
Fee and commission income	34,985	1,207	11,424	–	47,616
Profit from shares and participations in joint ventures	–	–	–	15,350	15,350
Other income	6	345	1,194	1	1,546
<b>Total revenue</b>	<b>160,495</b>	<b>140,227</b>	<b>183,368</b>	<b>15,351</b>	<b>499,441</b>
Personnel expenses	–52,113	–22,292	–41,091	–30,170	–145,666
Collection costs	–50,350	–28,771	–28,252	–	–107,373
Other operating expenses	–19,244	–13,319	–8,360	–79,446	–120,369
Depreciation and amortisation of tangible and intangible assets	–1,458	–1,780	–1,656	–5,859	–10,753
<b>Total operating expenses</b>	<b>–123,165</b>	<b>–66,162</b>	<b>–79,359</b>	<b>–115,475</b>	<b>–384,161</b>
<b>EBIT</b>	<b>37,330</b>	<b>74,065</b>	<b>104,009</b>	<b>–100,124</b>	<b>115,280</b>
Interest income excl. run-off consumer loan portfolio <sup>4)</sup>	6	22	233	10,184	10,445
Interest expense	–	–24	–7	–92,590	–92,621
Net income from financial transactions <sup>4) 5)</sup>	–29,015	–35,409	–43,096	81,560	–25,960
<b>Total financial items</b>	<b>–29,009</b>	<b>–35,411</b>	<b>–42,870</b>	<b>–846</b>	<b>–108,136</b>
<b>Profit/loss before tax</b>	<b>8,321</b>	<b>38,654</b>	<b>61,139</b>	<b>–100,970</b>	<b>7,144</b>

1) Total revenue for Region West Europe of SEK 146m is included in the revenue for the UK.

2) Total revenue for Region Mid Europe of SEK 80m is included in the revenue for Italy.

3) Total revenue for Region Central East Europe of SEK 104m is included in the revenue Germany.

4) The comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

5) Including financing costs.

## Note 1 Segment reporting, cont.

### Income statement, Full-year 2015

SEK thousand	Region West Europe <sup>1)</sup>	Region Mid Europe <sup>2)</sup>	Region Central East Europe <sup>3)</sup>	Central Functions/ Eliminations	Group
Gross cash collections on acquired loan portfolios	935,880	1,358,389	1,336,763	–	3,631,032
Portfolio amortisation and revaluation	–351,476	–650,236	–624,796	–	–1,626,508
Interest income from run-off consumer loan portfolio	–	–	10,176	–	10,176
<b>Net revenue from acquired loan portfolios</b>	<b>584,404</b>	<b>708,153</b>	<b>722,143</b>		<b>2,014,700</b>
Fee and commission income	114,846	5,892	45,967	–	166,705
Profit from shares and participations in joint ventures	–	–	–	54,839	54,839
Other income	1,152	1,385	12,176	–4,084	10,629
<b>Total revenue</b>	<b>700,402</b>	<b>715,430</b>	<b>780,286</b>	<b>50,755</b>	<b>2,246,873</b>
Personnel expenses	–237,937	–93,021	–172,412	–147,984	–651,354
Collection costs	–214,681	–149,386	–134,142	–	–498,209
Other operating expenses	–102,522	–62,403	–39,760	–171,122	–375,807
Depreciation and amortisation of tangible and intangible assets	–6,931	–6,786	–7,195	–25,954	–46,866
<b>Total operating expenses</b>	<b>–562,071</b>	<b>–311,596</b>	<b>–353,509</b>	<b>–345,060</b>	<b>–1,572,236</b>
<b>EBIT</b>	<b>138,331</b>	<b>403,834</b>	<b>426,777</b>	<b>–294,305</b>	<b>674,637</b>
Interest income excl. run-off consumer loan portfolio <sup>4)</sup>	164	38	2,120	25,781	28,103
Interest expense	69	–77	–1,597	–359,765	–361,370
Net income from financial transactions <sup>4) 5)</sup>	–157,672	–147,943	–179,310	428,686	–56,239
<b>Total financial items</b>	<b>–157,439</b>	<b>–147,982</b>	<b>–178,787</b>	<b>94,702</b>	<b>–389,506</b>
<b>Profit/loss before tax</b>	<b>–19,108</b>	<b>255,852</b>	<b>247,990</b>	<b>–199,603</b>	<b>285,131</b>

1) Total revenue for Region West Europe of SEK 718m is included in the revenue for the UK.

2) Total revenue for Region Mid Europe of SEK 374m is included in the revenue for Italy.

3) Total revenue for Region Central East Europe of SEK 453m is included in the revenue Germany.

4) The comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

5) Including financing costs.

### Acquired loans, 31 Mar 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions/ Eliminations	Group
Run-off consumer loan portfolio	–	–	50,482	–	50,482
Acquired loan portfolios	3,877,221	3,605,950	3,576,946	–	11,060,117
Shares and participations in joint ventures	–	–	–	235,282	235,282
<b>Acquired loans</b>	<b>3,877,221</b>	<b>3,605,950</b>	<b>3,627,428</b>	<b>235,282</b>	<b>11,345,881</b>

### Acquired loans, 31 Dec 2015

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions/ Eliminations	Group
Run-off consumer loan portfolio	–	–	58,364	–	58,364
Acquired loan portfolios	3,882,889	3,643,796	3,488,014	–	11,014,699
Shares and participations in joint ventures	–	–	–	205,557	205,557
<b>Acquired loans</b>	<b>3,882,889</b>	<b>3,643,796</b>	<b>3,546,378</b>	<b>205,557</b>	<b>11,278,620</b>

### Acquired loans, 31 Mar 2015

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions/ Eliminations	Group
Run-off consumer loan portfolio	–	–	98,423	–	98,423
Acquired loan portfolios	2,315,640	2,785,674	3,390,354	–	8,491,668
Shares and participations in joint ventures	–	–	–	236,820	236,820
<b>Acquired loans</b>	<b>2,315,640</b>	<b>2,785,674</b>	<b>3,488,777</b>	<b>236,820</b>	<b>8,826,911</b>

## Note 2 Financial instruments

### Fair value measurements

#### Group

The Group uses observable data to the greatest possible extent when assessing the fair value of an asset or a liability. Fair values are 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 upon the valuation.

Group, 31 Mar 2016							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and treasury bonds		3,046,834	3,046,834	3,046,834	3,046,834		
Acquired loan portfolios							
of which, carried at fair value	1,127,328		1,127,328	1,127,328			1,127,328
of which, carried at amortised cost	9,932,789		9,932,789	10,401,750			10,401,750
Bonds and other securities <sup>1)</sup>		1,065,496	1,065,496	1,065,496	1,065,496		
Derivatives		67,706	67,706	67,706		67,706	
<b>Total assets</b>	<b>11,060,117</b>	<b>4,180,036</b>	<b>15,240,153</b>	<b>15,709,114</b>	<b>4,112,330</b>	<b>67,706</b>	<b>11,529,078</b>
Additional purchase price liability		69,966	69,966	69,966			69,966
Derivatives		7,224	7,224	7,224		7,224	
Senior unsecured debt		986,259	986,259	1,006,274		1,006,274	
Subordinated liabilities		338,006	338,006	410,375		410,375	
<b>Total liabilities</b>		<b>1,401,455</b>	<b>1,401,455</b>	<b>1,493,839</b>		<b>1,423,873</b>	<b>69,966</b>

1) Bonds and other securities include SEK 25m in shares. The shares are reported at acquisition cost as there are no quoted market prices, and it has not been possible to estimate a reliable fair value using accepted valuation methods.

Group, 31 Dec 2015							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and treasury bonds		3,077,827	3,077,827	3,077,827	3,077,827		
Acquired loan portfolios							
of which, carried at fair value	1,177,808		1,177,808	1,177,808			1,177,808
of which, carried at amortised cost	9,836,891		9,836,891	10,014,382			10,014,382
Bonds and other securities <sup>1)</sup>		1,278,214	1,278,214	1,278,214	1,278,214		
Derivatives		314,680	314,680	314,680		314,680	
<b>Total assets</b>	<b>11,014,699</b>	<b>4,670,721</b>	<b>15,685,420</b>	<b>15,862,911</b>	<b>4,356,041</b>	<b>314,680</b>	<b>11,192,190</b>
Additional purchase price liability		66,489	66,489	66,489			66,489
Derivatives		1,651	1,651	1,651		1,651	
Senior unsecured debt		1,238,469	1,238,469	1,268,327		1,268,327	
Subordinated liabilities		336,892	336,892	407,558		407,558	
<b>Total liabilities</b>		<b>1,643,501</b>	<b>1,643,501</b>	<b>1,744,025</b>		<b>1,677,536</b>	<b>66,489</b>

1) Bonds and other securities include SEK 25m in shares. The shares are reported at acquisition cost as there are no quoted market prices, and it has not been possible to estimate a reliable fair value using accepted valuation methods.

## Note 2 Financial instruments, cont.

Group, 31 Mar 2015							
SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and treasury bonds		2,809,127	2,809,127	2,809,127	2,809,127		
Acquired loan portfolios							
of which, carried at fair value	1,376,812		1,376,812	1,376,812			1,376,812
of which, carried at amortised cost	7,114,856		7,114,856	7,289,351			7,289,351
Bonds and other securities <sup>1)</sup>		2,648,713	2,648,713	2,648,713	2,648,713		
Derivatives		8,995	8,995	8,995		8,995	
<b>Total assets</b>	<b>8,491,668</b>	<b>5,466,835</b>	<b>13,958,503</b>	<b>14,132,998</b>	<b>5,457,840</b>	<b>8,995</b>	<b>8,666,163</b>
Additional purchase price liability		66,997	66,997	66,997			66,997
Derivatives		53,256	53,256	53,256		53,256	
Senior unsecured debt		1,463,821	1,463,821	1,490,060		1,490,060	
Subordinated liabilities		333,768	333,768	407,983		407,983	
<b>Total liabilities</b>		<b>1,917,842</b>	<b>1,917,842</b>	<b>2,018,296</b>		<b>1,951,299</b>	<b>66,997</b>

1) Bonds and other securities include SEK 25m in shares. The shares are reported at acquisition cost as there are no quoted market prices, and it has not been possible to estimate a reliable fair value using accepted valuation methods.

For acquired loan portfolios, the valuation approach, key input data and valuation sensitivity for material changes thereto are described in the same note.

Derivatives used for hedging have been model-valued using interest and currency market rates as input data.

Treasury bills and Treasury bonds as well as Bonds and other securities are valued based on quoted rates.

Fair value of financing of senior unsecured debt and other subordinated liabilities was determined with reference to amortised cost.

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

Carrying value 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 the limited impact of discounting. No transfers between any of the levels took place during the period.

### Acquired loan portfolios

SEK thousand	Group		
	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>Opening balance</b>	<b>11,014,699</b>	<b>8 586 782</b>	<b>8,586,782</b>
Acquisitions	648,398	4 370 259	272,977
Translation differences	-120,442	-315 835	-9,166
<b>Changes in value</b>			
Based on opening balance forecast (amortisation)	-484,784	-1,587,651	-355,828
Based on revised estimates (revaluation)	2,246	-38,856	-3,097
<b>Carrying value</b>	<b>11,060,117</b>	<b>11 014 699</b>	<b>8,491,668</b>
<b>Changes in carrying value reported in the income statement</b>	<b>-482,538</b>	<b>-1,626,507</b>	<b>-358,925</b>

Of which, designated at fair value	Group		
	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>TSEK</b>	<b>1,177,808</b>	<b>1 460 229</b>	<b>1,460,229</b>
Opening balance	1,177,808	1 460 229	1,460,229
Acquisitions			
Translation differences	13,046	-53 671	-34,769
<b>Changes in value</b>			
Based on opening balance forecast (amortisation)	-63,526	-167,331	-48,648
Based on revised estimates (revaluation)	-	-61,419	-
<b>Carrying value</b>	<b>1,127,328</b>	<b>1,177,808</b>	<b>1,376,812</b>
<b>Changes in carrying value reported in the income statement</b>	<b>-63,526</b>	<b>-228,750</b>	<b>-48,648</b>

## Note 2 Financial instruments, cont.

### Sensitivity analysis

While Hoist Finance 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:

SEK thousand	Group		
	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>Carrying value of loan portfolios</b>	<b>11,060,117</b>	<b>11,014,699</b>	<b>8,491,668</b>
A 5% increase in estimated cash flow over the forecast period (10 years) would increase the carrying value by:	543,347	540,638	408,836
<i>of which, valued at fair value</i>	<i>56,366</i>	<i>58,890</i>	<i>68,841</i>
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-543,347	-540,638	-408,836
<i>of which, valued at fair value</i>	<i>-56,366</i>	<i>-58,890</i>	<i>-68,841</i>
<b>Carrying value of loan portfolios acquired prior to 1 July 2011</b>	<b>1,127,328</b>	<b>1,177,808</b>	<b>1,376,812</b>
A 1% decrease in the market rate of interest would increase the carrying value by;	33,387	34,774	42,927
A 1% increase in the market rate of interest would reduce the carrying value by;	-31,593	-32,880	-40,563
Shortening the forecast period by 1 year would reduce the carrying value by;	-34,386	-33,073	-48,818
Lengthening the forecast period by 1 year would increase the carrying value by;	31,196	21,424	43,587

### Portfolios valued at fair value through profit or loss

The Group has chosen to categorise portfolios acquired prior to 1 July 2011 as designated at fair value through profit or loss, as these financial assets are managed and their performance is evaluated on a fair value basis in accordance with the Group's risk management policies. Information on the portfolios is provided internally to Group Management on this basis. 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 participants 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.

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 Finance, 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.

## Note 3 Capital adequacy

This note provides information required to be disclosed under the provisions of FFFS 2008:25, including applicable amendments, regarding annual accounts for credit institutions and FFFS 2014:12, including applicable amendments, regarding prudential requirements and capital buffers. The information relates to Hoist Finance on a consolidated basis ("Hoist Finance") and Hoist Kredit AB (publ) ("Hoist Kredit"), the regulated entity. The only difference between the consolidated accounts and the consolidated situation for capital adequacy purposes is that

the equity method is applied in the consolidated accounts whereas the proportional method is applied for the joint venture in relation to capital adequacy reporting. When establishing the company's statutory capital requirements the following laws and regulations apply: EU regulation No 575/2013 on prudential requirements for credit institutions and investment firms; Swedish law 2014:968, Special supervision of credit institutions and securities companies; and Swedish law 2014:966 on capital buffers.

### Own funds

The table below shows own funds for Hoist Finance and for the regulated entity Hoist Kredit.

Own funds, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2016	31 Dec 2015	31 Mar 2015	31 Mar 2016	31 Dec 2015	31 Mar 2015
Capital instruments and the related share premium accounts	1,286,805	1,286,805	1,254,221	482,963	482,963	482,963
Retained earnings	486,517	316,687	338,587	429,633	232,259	391,679
Accumulated comprehensive income and other reserves	353,329	361,363	399,490	1,062,877	1,062,749	1,030,480
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1)</sup>	–	161,366	2,548	–	190,866	–27,664
Intangible assets (net of related tax liability)	–233,045	–235,632	–249,524	–40,398	–42,278	–47,895
Deferred tax assets that rely on future profitability	–64,918	–62,688	–66,045	–4,589	–2,224	–3,696
<b>Common Equity Tier 1</b>	<b>1,828,688</b>	<b>1,827,901</b>	<b>1,679,277</b>	<b>1,930,486</b>	<b>1,924,335</b>	<b>1,825,867</b>
Capital instruments and the related share premium accounts	93,000	93,000	93,000	93,000	93,000	93,000
<b>Additional Tier 1 capital</b>	<b>93,000</b>	<b>93,000</b>	<b>93,000</b>	<b>93,000</b>	<b>93,000</b>	<b>93,000</b>
<b>Tier 1 capital</b>	<b>1,921,688</b>	<b>1,920,901</b>	<b>1,772,277</b>	<b>2,023,486</b>	<b>2,017,335</b>	<b>1,918,867</b>
Capital instruments and the related share premium accounts	338,006	336,892	333,768	338,006	336,892	333,768
Regulatory adjustments	–	–	–99,426	–	–	–110,110
<b>Tier 2 capital</b>	<b>338,006</b>	<b>336,892</b>	<b>234,342</b>	<b>338,006</b>	<b>336,892</b>	<b>223,658</b>
<b>Total own funds for capital adequacy purposes</b>	<b>2,259,695</b>	<b>2,257,793</b>	<b>2,006,619</b>	<b>2,361,492</b>	<b>2,354,227</b>	<b>2,142,525</b>

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

### Risk exposure amounts and capital requirements

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

Risk exposure amounts, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2016	31 Dec 2015	31 Mar 2015	31 Mar 2016	31 Dec 2015	31 Mar 2015
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	296,897	339,617	478,384	130,313	195,897	268,781
<i>of which, counterparty credit risk</i>	37,233	89,598	18,528	37,233	89,598	18,528
Exposures to corporates	180,134	136,601	128,843	8,674,315	8,789,030	6,495,145
Retail exposures	37,861	43,774	80,240	37,861	43,774	80,240
Exposures in default	11,416,234	11,244,739	8,742,221	2,710,393	2,646,612	2,822,964
Exposures in the form of covered bonds	106,550	126,821	249,877	106,550	126,821	249,877
Other items	155,583	320,316	247,261	769,498	707,979	631,362
<b>Credit risk (standardised approach)</b>	<b>12,193,259</b>	<b>12,211,868</b>	<b>9,926,826</b>	<b>12,428,930</b>	<b>12,510,113</b>	<b>10,548,371</b>
<b>Market risk (foreign exchange risk – standardised approach)</b>	<b>28,449</b>	<b>26,573</b>	<b>37,521</b>	<b>28,449</b>	<b>26,573</b>	<b>37,521</b>
<b>Operational risk (basic indicator approach)</b>	<b>2,600,728</b>	<b>2,600,728</b>	<b>1,752,745</b>	<b>755,709</b>	<b>755,709</b>	<b>597,007</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>–</b>	<b>664</b>	<b>–</b>	<b>–</b>	<b>664</b>	<b>–</b>
<b>Total risk exposure amount</b>	<b>14,822,436</b>	<b>14,839,833</b>	<b>11,717,092</b>	<b>13,213,088</b>	<b>13,293,059</b>	<b>11,182,898</b>



## Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2016	31 Dec 2015	31 Mar 2015	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>Pillar 1</b>						
Exposures to central governments or central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0	0	0
Exposures to institutions	23,752	27,169	38,271	10,425	15,672	21,503
<i>of which, counterparty credit risk</i>	2,979	7,168	1,482	2,979	7,168	1,482
Exposures to corporates	14,411	10,928	10,307	693,945	703,122	519,612
Retail exposures	3,029	3,502	6,419	3,029	3,502	6,419
Exposures in default	913,299	899,579	699,378	216,831	211,729	225,837
Exposures in the form of covered bonds	8,524	10,146	19,990	8,524	10,146	19,990
Other items	12,446	25,626	19,781	61,560	56,637	50,509
<b>Credit risk (standardised approach)</b>	<b>975,461</b>	<b>976,950</b>	<b>794,146</b>	<b>994,314</b>	<b>1,000,808</b>	<b>843,870</b>
<b>Market risk (foreign exchange risk-standardised approach)</b>	<b>2,276</b>	<b>2,126</b>	<b>3,002</b>	<b>2,276</b>	<b>2,126</b>	<b>3,002</b>
<b>Operational risk (basic indicator approach)</b>	<b>208,058</b>	<b>208,058</b>	<b>140,220</b>	<b>60,457</b>	<b>60,457</b>	<b>47,761</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>-</b>
<b>Total own funds requirement – Pillar 1</b>	<b>1,185,795</b>	<b>1,187,187</b>	<b>937,368</b>	<b>1,057,047</b>	<b>1,063,445</b>	<b>894,632</b>
<b>Pillar 2</b>						
Concentration risk	83,631	82,671	20,880	83,631	82,671	20,880
Interest rate risk in the banking book	61,127	71,453	36,113	61,127	71,453	36,113
Pension risk	4,106	5,358	-	-	-	-
Other Pillar 2 risks	24,110	23,656	19,054	24,876	24,421	19,053
<b>Total own funds requirement – Pillar 2</b>	<b>172,974</b>	<b>183,138</b>	<b>76,047</b>	<b>169,634</b>	<b>178,546</b>	<b>76,047</b>
<b>Capital buffers</b>						
Capital conservation buffer	370,561	370,996	292,927	330,327	332,326	279,572
Countercyclical buffer	2,453	2,456	-	6,607	5,876	-
<b>Total own funds requirement – Capital buffers</b>	<b>373,014</b>	<b>373,452</b>	<b>292,927</b>	<b>336,934</b>	<b>338,202</b>	<b>279,572</b>
<b>Total own funds requirements</b>	<b>1,731,783</b>	<b>1,743,777</b>	<b>1,306,342</b>	<b>1,563,614</b>	<b>1,580,193</b>	<b>1,250,251</b>

The own funds for the Company's consolidated situation totalled SEK 2,260m (2,258) as at 31 March 2016, exceeding the own funds requirements by a good margin.

## Note 3 Capital adequacy, cont.

### Capital requirements 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 a capital conservation buffer of 2.5 per cent of the total risk exposure amount

and an institution-specific countercyclical buffer of 0.02 per cent of the total risk exposure amount. The table below shows CET1 capital, Tier 1 capital and the total capital ratio for Hoist Finance 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.

Capital ratios and capital buffers, %	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2016	31 Dec 2015	31 Mar 2015	31 Mar 2016	31 Dec 2015	31 Mar 2015
Common Equity Tier 1 capital ratio	12.34	12.32	14.33	14.61	14.48	16.33
Tier 1 capital ratio	12.96	12.94	15.13	15.31	15.18	17.16
Total capital ratio	15.25	15.21	17.13	17.87	17.71	19.16
Institution-specific buffer requirements for CET1 capital	7.02	7.02	7.00	7.05	7.04	7.00
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.02	0.02	–	0.05	0.04	–
<b>Common Equity Tier 1 capital available to meet buffers<sup>1)</sup></b>	<b>6.96</b>	<b>6.94</b>	<b>9.13</b>	<b>9.31</b>	<b>9.18</b>	<b>11.16</b>

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 1,359m (1,370) at 31 March 2016 of which 173 million (183) is attributable to Pillar 2. In 2015, the Swedish

Financial Supervisory Authority introduced 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 4 Liquidity risk

This note provides information required to be disclosed under the provisions of FFFS 2010:7, including applicable amendments, regarding the management of liquidity risks in credit institutions and investment firms.

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 divestible assets to ensure timely satisfaction of its payment obligations without incurring significantly higher costs.

Funding primarily takes the form of deposits from the public and the issuance of senior unsecured bonds and own funds instruments, as well as shareholders' equity. The majority of deposits from the public are payable on demand (variable deposits - floating), while about 32 per cent (39) of the Group's deposits from the public are tied to longer maturities ("fixed deposits") ranging from 12 to 36 months. About 99 per cent of deposits are backed by the deposit guarantee scheme.

Funding	Hoist Finance consolidated situation			Hoist Kredit AB (publ)		
	31 Mar 2016	31 Dec 2015	31 Mar 2015	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>SEK thousand</b>						
Deposits from the public, floating	8,786,028	8,226,925	7,454,529	8,786,028	8,226,925	7,454,529
Deposits from the public, fixed	4,180,688	4,564,452	4,862,725	4,180,688	4,564,452	4,862,725
Senior unsecured debt	986,259	1,238,469	1,463,821	986,259	1,238,469	1,463,821
Convertible debt instruments	93,000	93,000	93,000	93,000	93,000	93,000
Subordinated liabilities	338,006	336,892	333,768	338,006	336,892	333,768
Shareholders' equity	2,286,036	2,195,760	2,032,654	2,151,698	2,037,994	1,913,791
Other	734,879	795,979	608,343	261,426	555,407	285,834
<b>Balance sheet total</b>	<b>17,404,896</b>	<b>17,451,477</b>	<b>16,848,840</b>	<b>16,797,105</b>	<b>17,053,139</b>	<b>16,407,468</b>

## Note 4 Liquidity risk, cont.

The Group's treasury policy stipulates limits on how much liquidity is to be available and its nature. As 31 March, available liquidity totalled SEK 5,266m (5,156), which is well in excess of the limit.

Hoist Finance's liquidity reserve, presented below pursuant to the Swedish Bankers' Association's template, primarily comprises bonds issued by the Swedish government and Swedish municipalities, as well as covered bonds.

### Liquidity reserve

SEK thousand	31 Mar 2016	31 Dec 2015	31 Mar 2015
Cash and holdings in central banks	198	281	367
Deposits in other banks available overnight	1,152,972	799,199	1,875,115
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,377,805	1,181,728	339,898
Securities issued or guaranteed by municipalities or other public sector entities	1,669,029	1,896,099	2,469,229
Covered bonds	1,065,496	1,268,214	2,498,773
Securities issued by non-financial corporates	-	-	-
Securities issued by financial corporates	-	10,000	149,940
Other	-	-	-
<b>Total</b>	<b>5,265,500</b>	<b>5,155,521</b>	<b>7,333,322</b>

Hoist Finance 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 unexpected outflow from HoistSpar of over 20% of total deposits over a 30-day period
- » Termination or revocation of funding sources in excess of SEK 50m

## Note 5 Contingent liabilities

SEK million	Group			Parent Company		
	31 Mar 2016	31 Dec 2015	31 Mar 2015	31 Mar 2016	31 Dec 2015	31 Mar 2015
<b>Commitments</b>						
Other contingent liabilities	352,959	483,952	279,420	-	-	-

# Assurance

The Board of Directors and the CEO hereby give their assurance that the interim financial statements provide a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed.

Stockholm, 28 April 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

# A guide to our interim report

## Operating income statement, Group

SEK thousand	Quarter 1 2016	Quarter 1 2015
Gross cash collections on acquired loan portfolios	1,055,794	790,735
Portfolio amortisation and revaluation	-482,533	-358,925
Interest income from run-off consumer loan portfolio	2,389	3,119
<b>Net revenue from acquired loan portfolios</b>	<b>575,650</b>	<b>434,929</b>
Fee and commission income	29,870	47,617
Profit from shares and participations in joint ventures	28,705	15,351
Other income	1,869	1,545
<b>Total revenue</b>	<b>636,094</b>	<b>499,442</b>
Personnel expenses	-169,232	-145,666
Collection costs	-117,637	-107,373
Other operating expenses	-105,580	-120,370
Depreciation and amortisation of tangible and intangible assets	-12,971	-10,753
<b>Total operating expenses</b>	<b>-405,420</b>	<b>-384,162</b>
<b>Operating profit (EBIT)</b>	<b>230,674</b>	<b>115,280</b>
<b>Funding</b>		
Interest income excl. run-off consumer loan portfolio	-1,678	10,445
Interest expense	-70,172	-92,621
Net income from financial transactions	-35,714	-25,960
<b>Total financial items</b>	<b>-107,564</b>	<b>-108,136</b>
<b>Profit before tax</b>	<b>123,110</b>	<b>7,144</b>

## Statutory income statement, Group

SEK thousand	Quarter 1 2016	Quarter 1 2015
Revenue from acquired loan portfolios	573,261	431,810
Interest income	711	13,564
Interest expense	-70,172	-92,621
<b>Net interest income</b>	<b>503,800</b>	<b>352,753</b>
Fee and commission income	29,870	47,616
Net income from financial transactions	-35,714	-25,960
Other income	1,869	1,546
<b>Total operating income</b>	<b>499,825</b>	<b>375,955</b>
General administrative expenses		
Personnel expenses	-169,232	-145,666
Other operating expenses	-223,217	-227,742
Depreciation and amortisation of tangible and intangible assets	-12,971	-10,753
<b>Total operating expenses</b>	<b>-405,420</b>	<b>-384,161</b>
<b>Profit before credit losses</b>	<b>94,405</b>	<b>-8,206</b>
Net credit losses	-	-
Earnings from participations in joint ventures	28,705	15,350
<b>Profit before tax</b>	<b>123,110</b>	<b>7,144</b>

Hoist Finance supplements its statutory presentation of the income statement with an operating income statement in order to assess the operational performance of the debt purchasing and collection operations and to facilitate comparison with our competitors.

The operating income statement does not include any amendments or adjustments compared with the statutory income statement. The same accounting and valuation principles are applied in both versions.

Hoist Finance regards the acquisition and management of acquired loan portfolios as the Group's core operational activity. Deposit-taking in HoistSpar is thus part of the Group's financing activity.

An outline guide is presented to the left in order to assist understanding of our financial performance presented in the statutory income statement as compared with the operating income statement.

The statutory income statement complies with the Swedish Financial Supervisory Authority's general recommendations FFFS 2008:25

### Operating profit, EBIT in the operating income statement

In an analysis of Hoist Finance's EBIT, income and expenses attributable to the acquisition and management of loan portfolios, run-off consumer loan portfolios, fee and commission income, profit from joint ventures as well as general administration are regarded as our operational activity.

Interest expenses for deposit-taking are regarded as financing expenses.

# Definitions

## Acquired loan portfolios

An acquired loan portfolio consists of a number of defaulted consumer loans or debts that arise from the same originator.

## Acquired loans

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

## 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 period divided by the weighted average number of outstanding shares.

## Capital requirements – Pillar 1

Minimum capital requirements for credit risk, market risk and operational risk.

## Capital requirements – Pillar 2

Capital requirements beyond those stipulated in Pillar 1.

## Common Equity Tier 1

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.

## Common Equity Tier 1 ratio

Common Equity Tier 1 in relation to total risk exposure amount.

## Cost/Gross cash collections on acquired loan portfolios

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

## Diluted earnings per share

Net profit for the period 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.

## Fee and commission income

Fees for providing debt management services to third parties.

## Gross ERC 120 months

"Estimated Remaining Collections" assessment of gross amount that can be collected on the loan portfolios that the company currently owns. The assessment is based on estimates for each loan portfolio and ranges in duration from the proceeding month to 120 months ahead. The estimates for each loan portfolio are in turn based on the company's extensive experience of actively working and collecting on the loan portfolios during their economic life.

## Gross cash collections

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

## Legal collections

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 cash collections from acquired loan portfolios and income from the run-off consumer loan portfolio, less portfolio amortisation and revaluation.

## Own funds

Sum of Tier 1 capital and Tier 2 capital.

## Portfolio amortisation

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

## Portfolio return

EBIT (operating profit) for the period in relation to average carrying value.

## Portfolio revaluation

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

## 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.

## Return on shareholders' equity

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

## Return on assets

Net profit for the period divided by average total assets.

## Risk exposure amount

The risk exposure amount is 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 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 exposure amount.

## Total revenue

Total of net revenue from acquired loan, fee and commission income, profit from joint ventures and other income.

# Business concept, business model and strategies

Hoist Finance's business model is designed to ensure continuity and to deliver both growth and long-term strategic initiatives. Our model is hallmarked by solution-oriented settlements with respect, confidence and trust in everything we do.

Hoist Finance is a trusted debt restructuring partner to international banks and financial institutions. We specialise in purchasing portfolios of nonperforming loans.

## Our Mission – Your Trust

### Our Vision

To become the leading debt restructuring partner to international banks and financial institutions.

## Financial targets

### Profitability

Achieve an operating margin of over 40 per cent in the medium-term horizon by leveraging our operational scale advantages.

By ensuring the right balance between growth, profitability and capital efficiency, we aim to achieve a 20-per cent return on equity in the medium-term horizon.

### Capital structure

A CET1 ratio in excess of 12 per cent – though we may temporarily fall short of this level due to major portfolio acquisitions or goodwill effects when acquiring businesses.

### Dividend policy

Pursuant to our dividend policy, we will initially pay a dividend of 25-30 per cent of the Group's net profit in the medium-term horizon. In light of the strong cash flow that our business has generated historically, our long-term goal is to pay a dividend of 50 per cent of our annual net profit.

## Strategic objectives

<b>Preferred by customers</b>	Be customer-centric, with a focus on amicable and fair settlements.
<b>Preferred partner</b>	Be trustworthy with unparalleled funding capacity.
<b>Attractive to investors</b>	Redefine industry standards with our disciplined approach & ambitious targets.
<b>Best place to work</b>	Build an extraordinary company with extraordinary people.
<b>CSR</b>	Integrate CSR into everything we do and continue to build trust with all our stakeholders.

## Financial calendar 2016

Annual General Meeting	29 April 2016
Interim report Q1	29 April 2016
Interim report Q2	28 July 2016
Interim report Q3	28 October 2016

## Contact

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The interim report and investor presentation are available at [www.hoistfinance.com](http://www.hoistfinance.com)