

# Year-end report 2016

## October – December 2016

- » Gross cash collections on acquired loan portfolios increased 7 per cent to SEK 1,105m (1,032).
- » Total revenue increased 8 per cent to SEK 672m (621).
- » Reported EBIT was SEK 242m (211) and the EBIT margin was 36 per cent (34).
- » Profit before tax totalled SEK 155m (132).
- » Portfolio acquisitions totalled SEK 1,568m (1,451).
- » Basic earnings per share were SEK 1.41 (1.32). Diluted earnings per share were SEK 1.38 (1.29).

Figures in parentheses refer to Q4 2015.

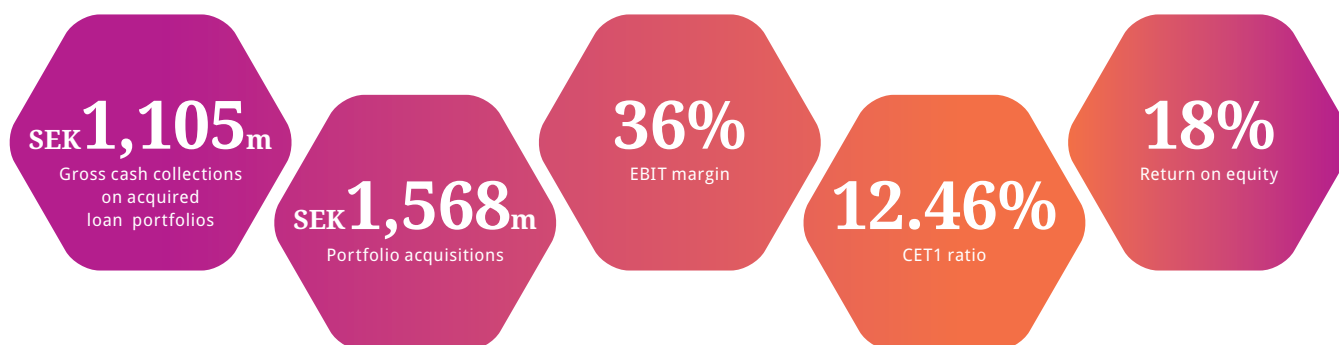
## 31 December 2016

- » Carrying value on acquired loan portfolios totalled SEK 12,658m (11,279).
- » Gross 120-month ERC (Estimated Remaining Collections) totalled SEK 21,375m (19,367).
- » Total capital ratio improved to 16.76 per cent (15.21).
- » CET1 capital ratio was 12.46 per cent (12.32).
- » Proposed dividend per share of SEK 1.30 (0.75).

Figures in parentheses refer to 31 December 2015.

## Events during the quarter

- » Hoist Finance issued EUR 30m of Additional Tier 1 capital to further optimise its capital structure.
- » Launch of the HoistSpar app, making it easier and more convenient for customers to monitor their savings.
- » Larger forward flow agreements entered. The agreements cover a range of predetermined volumes in 2017.



SEK million	Quarter 4 2016	Quarter 4 2015	Change, %	Full year 2016	Full year 2015	Change, %
Gross cash collections on acquired loan portfolios	1,105	1,032	7	4,311	3,631	19
Net revenue from acquired loan portfolios	620	565	10	2,411	2,015	20
Total revenue	672	621	8	2,627	2,247	17
EBIT	242	211	14	935	675	39
EBIT margin, %	36	34	2 pp	36	30	6 pp
Profit before tax	155	132	18	533	285	87
Profit for the period	118	107	10	417	231	81
Basic earnings per share, SEK <sup>1)</sup>	1.41	1.32	7	5.07	2.90	75
Diluted earnings per share, SEK <sup>1)</sup>	1.38	1.29	7	4.97	2.84	75
Portfolio acquisitions	1,568	1,451	8	3,329	4,370	-24

SEK million	31 Dec 2016	31 Dec 2015	Change, %
Carrying value on acquired loan portfolios <sup>2)</sup>	12,658	11,279	12
Gross 120-month ERC <sup>3)</sup>	21,375	19,367	10
Return on equity, %	18	12	6 pp
Total capital ratio, %	16.76	15.21	1.5 pp
CET1 ratio, %	12.46	12.32	0.1 pp
Liquidity reserve	5,789	5,156	12
Number of employees (FTEs) <sup>4)</sup>	1,285	1,349	-5

1) Includes effect of outstanding warrants. Following the 1:3 share split 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.

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

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

4) The definition of Return on equity was revised in conjunction with the AT1 capital issued in December 2016 where accrued unpaid interest on AT1 capital and AT1 capital recorded in equity are excluded from the calculation.

5) 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 interim report is such that Hoist Finance is obligated to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was submitted for publication on 9 February 2017 at 8:00 AM CET.

# Strong fourth quarter marking the end of a successful year

We have now closed 2016 and Hoist Finance can look back on another successful and profitable year, during which we have continued to strive towards our vision – a leading debt restructuring partner to international banks and financial institutions.

During the year we continued to operate in line with our strategy, gradually strengthening our market presence. Several key milestones on our growth journey were achieved during the year, amongst others our entry into the Spanish market, our strategic partnership with the Bank of Greece, and the establishment of our EMTN programme to diversify and broaden our funding base.

Operating profit (EBIT) increased 39 per cent and profit before tax increased 87 per cent compared to full year 2015.

## Major portfolio acquisitions and strong earnings during Q4

The fourth quarter showed strong development. Year-on-year, operating profit (EBIT) increased 14 per cent and profit before tax increased 18 per cent. Portfolio acquisitions totalled SEK 1,568 million during Q4, seasonally the strongest quarter for investments. We acquired portfolios for a total value of SEK 3,329 million during the year, in line with investments made during the three preceding years. We continue to consistently invest in accordance with our profitability requirements, with acquisitions at long-term sustainable levels in terms of both profitability and risk. This also enables the generation of stable, predictable and profitable growth for our shareholders going forward.

## Strengthened positions on a regional level

In Region West Europe, an increased focus on the integration of the 2015 Compello acquisition produced results. The region's EBIT, EBIT margin and return on book improved steadily during the year. The establishment of operations in Spain during the second quarter is already starting to have a positive impact on earnings.

99 A leading debt restructuring partner to international banks and financial institutions



Region Mid ended the year with major portfolio acquisitions, which included a strengthening of our position in small- and medium-sized enterprise (SME) loans through the acquisition of an SME portfolio from Banco Popolare in Italy. A portfolio was also acquired in Italy from one of Europe's largest consumer banks, the third transaction in which the seller chose Hoist Finance as partner. These acquisitions strengthen our position and broaden our expertise and capacity beyond the consumer segment.

In Region Central East, focus during the year was on optimising operations. Several improvement initiatives have resulted in a maintained operating margin as compared with the same period last year, despite lower acquisition activity. A service contract was also terminated during the autumn, with resources reallocated to our core business.

## Outlook for 2017

Looking to next year, we see a continuation of favourable market conditions. Growth is driven by the movement of several markets towards greater market maturity, with NPL sales becoming an increasingly integrated part of the financial ecosystem.

Continued regulatory pressure and profitability problems for banks are also strong drivers for market growth. By selling NPLs, banks can lower their costs, clear their balance sheets and, not least, focus on their core business.

Our partners are to an increasing extent looking for well-known, highly respected purchasers who meet all regulatory requirements and who have a documented track record of treating customers fairly and respectfully. With our status as a regulated financial institution, our high ethical standards for customer relations, our strong financial position and our geographic presence, we are well positioned for future growth opportunities.

We will continue our efforts to strengthen our position as a leading partner to international banks and financial institutions in Europe. This includes actively evaluating opportunities to enter new geographic markets and, in a disciplined way, continuing to increase our presence in other asset classes such as secured loans and SME loans.

In late 2016 a forward flow agreement was signed for portfolio acquisitions in 2017 valued at SEK 800 million. Along with the strong start to 2017 and the healthy market growth we see ahead of us, this reinforces our ambition to reach our targets.

Jörgen Olsson  
CEO  
Hoist Finance AB (publ)

# Fourth quarter 2016

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

## Revenues

Total revenue rose 8 per cent to SEK 672m (621) and gross cash collections on acquired loan portfolios increased 7 per cent to SEK 1,105m (1,032). The increase is mainly due to operations in Italy, the UK and Spain, where significant portfolio acquisitions were made in 2016. Portfolio acquisitions during the quarter totalled SEK 1,568m (1,451) and are mainly attributable to significant acquisitions in Italy, the UK and Spain. Portfolio amortisation and revaluation increased to SEK 486m (469). Adjusted for portfolio revaluations totalling SEK 23m (5) during the quarter, the growth rate is in line with the increase in gross collections. Net revenue from acquired loan portfolios increased 10 per cent to SEK 620m (565) due to volume growth. Fee and commission income declined 25 per cent to SEK 30m (39). The decline is primarily attributable to the UK and is due to a decrease in the scope of collections on behalf of external parties that are part of earlier acquisitions, which is in line with the Company's strategy. Profit from participations in joint ventures, which include the Polish and Greek joint ventures in which Hoist Finance has invested in, totalled SEK 15m (14).

## Operating expenses

Total operating expenses increased to SEK 431m (410), due primarily to more comprehensive collection activities. Hoist Finance continuously adapts its workforce based on efficiency measures and on the amount of NPLs managed by each individual unit. During 2016 this entailed a 5 per cent reduction in the workforce (FTEs) due to changes in the UK, Poland and Germany. Personnel expenses decreased 5 per cent to SEK 178m (189). Collection costs totalled SEK 146m (107), with the comparative figure affected by the previous reporting of the VAT component of collection costs under Other expenses. Reclassification was conducted as of Q4 2016 and adjusted accordingly for historical figures

for the first three quarters of 2016; this also impacted the comparative figure for Other operating expenses, which totalled SEK 93m (104). Depreciation and amortisation of tangible and intangible assets increased to SEK 14m (12) due primarily to investments in IT systems, including improved support for the internal management of operational risks. Hoist Finance established operations in Spain and Greece during 2016. Operating expenses in the two new markets totalled SEK 5m during the fourth quarter, with most of the amount attributable to Spain.

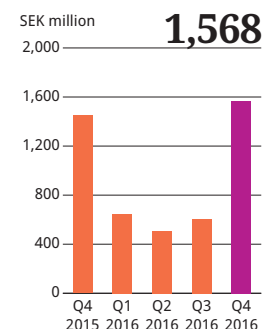
## Financial items

Financial items as per the Company's operating income statement totalled SEK 87m (–79). Interest income (exclusive of run-off consumer loan portfolio) totalled SEK 1m (6). The negative interest on income is due to the prevailing interest rates, under which Treasury bills and similar securities, which comprise the majority of Hoist's liquidity portfolio, no longer offer positive returns.

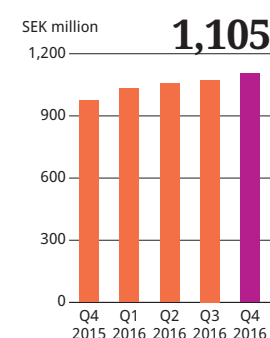
Interest expense totalled SEK –79m (–86) and is mainly comprised of interest expenses for issued bonds and interest expense related to HoistSpar deposits. The portion attributable to HoistSpar decreased due to lower deposits volumes and lower interest rates. In contrast, the portion attributable to interest expense for bonds issued during the Q2 and Q3 increased. Hoist Finance regularly hedges interest-rate and currency risks through derivatives. These items are reported under Net financial income, along with changes in the market value of bonds in the liquidity portfolio.

Net financial income during the fourth quarter totalled SEK –8m (0), a reflection of a negative contribution from currency hedging which was partially offset by a positive interest rate hedge result. Results for the quarter regarding changes in the market value of bonds in the liquidity portfolio were neutral.

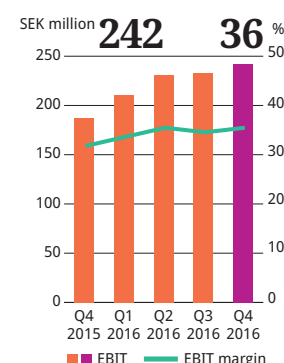
## Portfolio acquisitions



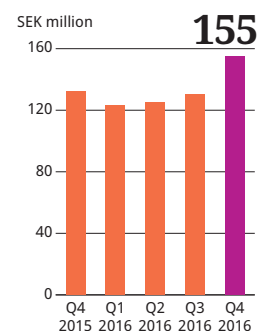
## Gross cash collections



## 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 increased SEK 1,698m to SEK 19,150m (17,451). Bonds and other securities increased SEK 1,235m, due primarily to the contribution from the issue of unsecured bonds. Acquired loan portfolios increased SEK 1,371m, mainly due to acquisitions in Italy, the UK and Spain. Lending to credit institutions rose SEK 203m and the carrying value of participations in joint ventures increased SEK 36m. These increases are offset by a SEK –804m reduction in Treasury bills and Treasury bonds and a SEK –308m reduction in Other assets. The decline in Other assets is primarily due to changes in the market value of currency forwards.

**Liabilities**

Total liabilities amounted to SEK 16,225m (15,163). The change comprises an increase of SEK 1,888m in senior unsecured debts as the result of buybacks and the issue of senior bond loans, as well as a SEK 117m increase in Other liability items. The increase is offset by a SEK –942m decrease in Deposits from the public.

**Funding and capital debt**

SEK million	31 Dec 2016	31 Dec 2015	Change, %
Cash and interest bearing securities	5,877	5,240	12
Other assets <sup>1)</sup>	13,273	12,211	9
<b>Total assets</b>	<b>19,150</b>	<b>17,451</b>	<b>10</b>
Deposits from the public	11,849	12,791	–7
Subordinated liabilities	342	337	1
Senior unsecured debt	3,126	1,238	>100
<b>Total interest-bearing liabilities</b>	<b>15,317</b>	<b>14,366</b>	<b>7</b>
Other liabilities <sup>1)</sup>	908	796	14
Shareholders' equity	2,925	2,289	28
<b>Total liabilities and shareholders' equity</b>	<b>19,150</b>	<b>17,451</b>	<b>10</b>
CET1 ratio, %	12.46	12.32	0.14 pp
Total capital ratio, %	16.76	15.21	1.55 pp
Liquidity reserve	5,789	5,156	12
<b>Acquired loans</b>			
Carrying value of acquired loans <sup>2)</sup>	12,658	11,279	12
Gross 120-month ERC <sup>3)</sup>	21,375	19,367	10

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

<sup>2)</sup> Including run-off consumer loan portfolio and portfolios held in the Polish joint venture.

<sup>3)</sup> Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture.

Hoist Finance funds its operations through deposits from the public and through the bond market. Deposits from the public totalled SEK 11,849m (12,791). Of this amount, SEK 4,266m is attributable to fixed term deposits of 12-, 24- and 36-month durations.

As at 31 December 2016, outstanding bond debt totalled SEK 3,126m (1,238). The change during the year is attribut-

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

Group equity totalled SEK 2,925m (2,289). The increase is attributable to Net profit for the year and Hoist Finance's issuance through Hoist Kredit AB (publ) of EUR 30m in Additional Tier 1 (AT1) capital during the fourth quarter for the purpose of further optimising the capital structure. The instrument, listed on the Dublin stock exchange, has a perpetual maturity with a redemption option after 6.5 years.

The total capital ratio improved to 16.76 per cent (15.21) and the CET1 ratio to 12.46 per cent (12.32). Hoist Finance is thus well capitalised for further expansion.

Hoist Finance's liquidity reserve, presented in accordance with the Swedish Bankers' Association's template, totalled SEK 5,789m (5,156).

Basic earnings per share totalled SEK 1.41 (1.32). Accrued unpaid interest on AT1 capital is included in the calculation.

**Cash flow**

Comparative figures refer to Q4 2015..

SEK million	Quarter 4 2016	Quarter 4 2015	Full year 2016	Full year 2015
Cash flow from operating activities	–986,090	–790,903	–1,247,831	–686,563
Cash flow from investing activities	–489,431	977,720	–1,340,317	512,817
Cash flow from financing activities	250,376	–41,358	1,989,785	501,209
<b>Cash flow for the period</b>	<b>–1,225,145</b>	<b>145,459</b>	<b>–598,363</b>	<b>327,463</b>

Cash flow from operating activities totalled SEK –986m (–791). HoistSpar deposit volumes decreased SEK –404m (47) during the fourth quarter, largely attributable to the outflow of non-fixed deposits. Cash flow from gross cash collections on acquired loan portfolios increased to SEK 1,075m (1,032) due to the increased volume of loan portfolios during the year. Portfolio acquisitions during the quarter, exclusive of translation differences, totalled SEK 1,568m (1,451).

Cash flow from investing activities totalled SEK –489m (978), primarily as a result of divestments of bonds and other interest-bearing securities to finance the portfolio acquisitions conducted during the quarter.

Cash flow from financing activities totalled SEK 250m (–41) and is attributable to the issuance of EUR 30m in AT1 capital and new share issues of SEK 31m. This is somewhat offset by repayment of the SEK denominated senior bond that matured during the quarter.

Total cash flow for the quarter totalled SEK –1,225m as compared with SEK 145m for the fourth quarter of 2015

**Significant risks and uncertainties**

Hoist Finance's loan portfolio credit risk is deemed to have increased proportionally with the volume of loans acquired

during the quarter. Liquidity portfolio credit risk remains low, as investments are in government, municipal and secured bonds of high credit quality.

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.

Market risks remain low, as Hoist Finance continuously hedges interest-rate and currency risks on a short- and medium-term horizon.

Hoist Finance's capitalisation remains strong. The CET1 ratio was 12.46 per cent (12.32) during the fourth quarter, well in excess of the regulatory requirement. Hoist Finance therefore has good prospects for absorbing unanticipated events without risk to its solvency and is well capitalised for continued expansion.

Liquidity risk was low during the quarter. Hoist Finance's liquidity reserve totalled SEK 5,789m (5,156), which exceeds the Company's target. With its strong liquidity position, the Company's is well prepared for future acquisitions and growth.

## Other information

### Parent Company

The Parent Company, Hoist Finance AB (publ), reported a pre-tax profit of SEK 168m (147) for Q4 2016. Income and expenses are related to the holding and purchasing company function that the Company serves under the Hoist Finance Group.

The Company's net sales totalled SEK 62m (39) during the fourth quarter. Operating expenses amounted to SEK 74m (51). The year-on-year increase is attributable to costs associated with projects and adaptations to new regulations as well as costs related to improvements in internal business processes.

Hoist Finance set up a cash pool structure in 2016 to centralise the Group's liquidity. The Parent Company (as cash pool owner) is therefore reporting higher cash and bank balances and higher current liabilities as compared with last year. All subsidiaries are expected to be connected to the cash pool during 2017.

The Parent Company received a Group contribution in 2016 totalling SEK 210m from subsidiary Hoist Kredit AB (publ).

### Related-party transactions

The nature and scope of related-party transactions are described in the annual report. No significant transactions between Hoist Finance and any of its related parties took place during the fourth quarter.

### 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 AB (publ) 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. Loans are managed by the Group's subsidiaries or foreign branches. These entities also provide management services on a commission basis to external parties. A process to merge Hoist Finance AB (publ) and Hoist Kredit AB (publ) has been initiated.

A Spanish subsidiary (Hoist Finance Spain S.L.) has been established. This subsidiary is also the parent company of acquired company Optimus Portfolio Mgmt S.L. and Greek subsidiary Hoist Hellas S.A. For administrative reasons Hoist Finance has transferred ownership of Hoist Portfolio Holding 2 Ltd (former subsidiary of Hoist Finance UK Ltd) to subsidiary Hoist Portfolio Holding Ltd.

A Greek joint venture (PQH Single Special Liquidation S.A.) was added during the second quarter of the year, under which Hoist Kredit AB (publ), in partnership with Qualco S.A. ("QC") and PricewaterhouseCoopers Business Solutions S.A. ("PWC"), entered into an agreement with the Bank of Greece for the management of a portfolio of NPLs and other assets from 16 Greek banks and financial institutions under liquidation and to supervise the restructuring process and optimisation of these banks.

For a more detailed description of the Group's legal structure, please refer to the 2015 annual report.

### The share and shareholders

As at 31 December 2016, the number of shares totalled 80,719,567, as compared with 78,532,684 at 31 December 2015. During 2016, 728,961 warrants were redeemed for shares, with each warrant entitling the holder to subscribe for three new shares. The share price closed at SEK 84.75 on 30 December 2016. A breakdown of the ownership structure is presented in the table below. The company had 3,298 shareholders at 31 December 2016, compared with 1,523 at 31 December 2015.

Ten largest shareholders, 31 december 2016	Share of capital and votes, %
Swedbank Robur Fonder	9.5
Toscafund Asset Management	8.8
Carve Capital AB	8.5
Zeres Capital	7.2
Handelsbanken Fonder	6.0
Carnegie Fonder	4.8
Jörgen Olsson, privately and via companies	4.1
Costas Thoupou	3.0
Danske Invest Fonder	3.0
Svenskt Näringsliv	2.6
<b>Ten largest shareholders, total</b>	<b>57.5</b>
Other shareholders	42.5
<b>Total</b>	<b>100</b>

Source: Modular Finance AB (31 December 2016); ownership statistics from Holdings, Euroclear Sweden AB; and changes confirmed and/or registered by the Company.

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. The Nominating Committee is currently comprised of the Chair

of the Board and representatives appointed by Swedbank Robur Fonder AB, Carve Capital AB and Handelsbanken Fonder. The Nominating Committee's term of office extends through the appointment of a new committee. Ahead of the next AGM, the Nominating Committee's composition will be based on shareholder data as at the last banking day of August 2016.

#### Proposed dividend

The Board of Directors proposes that the 2017 AGM approve the distribution of a dividend of SEK 1.30 (0.75) per share, for a maximum total of SEK 105m (58.9) and a record date for the dividend to 3 May 2017.

The proposed dividend payment date is 8 May 2017.

#### Review

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

#### Annual General Meeting

The AGM will be held on Friday, 28 April 2017, at 11:00 AM at the IVA Conference Centre, Grev Turegatan 16, Stockholm.

# Quarterly review

## Segment reporting

SEK thousand	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015
Gross cash collections on acquired loan portfolios	1,104,772	1,074,719	1,075,877	1,055,794	1,032,221
Portfolio amortisation and revaluation	-485,532	-467,240	-470,902	-482,533	-469,138
Interest income from run-off consumer loan portfolio	1,153	-1,092	3,391	2,389	1,550
<b>Net revenue from acquired loan portfolios</b>	<b>620,393</b>	<b>606,387</b>	<b>608,366</b>	<b>575,650</b>	<b>564,633</b>
Fee and commission income	29,513	28,451	28,983	29,870	39,351
Profit from shares and participations in joint ventures	15,222	27,479	14,636	28,705	13,868
Other income	7,110	2,437	2,235	1,869	2,751
<b>Total revenue</b>	<b>672,238</b>	<b>664,754</b>	<b>654,220</b>	<b>636,094</b>	<b>620,603</b>
Personnel expenses	-177,988	-157,894	-167,241	-169,232	-186,713
Collection costs <sup>1)</sup>	-145,560	-171,319	-149,077	-129,959	-107,284
Other operating expenses <sup>1)</sup>	-93,170	-90,130	-94,224	-93,258	-103,860
Depreciation and amortisation of tangible and intangible assets	-13,891	-12,812	-13,122	-12,971	-11,704
<b>Total operating expenses</b>	<b>-430,609</b>	<b>-432,155</b>	<b>-423,664</b>	<b>-405,420</b>	<b>-409,561</b>
<b>EBIT</b>	<b>241,629</b>	<b>232,599</b>	<b>230,556</b>	<b>230,674</b>	<b>211,042</b>
Interest income excl. run-off consumer loan portfolio <sup>2)</sup>	700	-1,074	-1,231	-1,678	6,223
Interest expense	-79,474	-77,071	-73,571	-70,172	-85,772
Net financial income <sup>2)</sup>	-7,987	-24,183	-30,905	-35,714	57
<b>Total financial items</b>	<b>-86,761</b>	<b>-102,328</b>	<b>-105,707</b>	<b>-107,564</b>	<b>-79,492</b>
<b>Profit before tax</b>	<b>154,868</b>	<b>130,271</b>	<b>124,849</b>	<b>123,110</b>	<b>131,550</b>

1) Comparative figures have been adjusted due to the reclassification of non-deductible VAT related to Collection costs in 2016 and of banking fees from Other operating expenses to Collection costs in 2015 and first quarter 2016 (Region Mid Europe).

2) 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 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015
EBIT margin, %	36	35	35	36	34
Return on book, % <sup>1)</sup>	11.1	10.8	11.1	10.7	11.2
Portfolio acquisitions	1,568	607	507	648	1,451

SEK million	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015
Carrying value of acquired loans <sup>2)</sup>	12,658	11,658	11,359	11,346	11,279
Gross 120-month ERC <sup>3)</sup>	21,375	19,450	19,230	19,221	19,367
Return on equity, % <sup>4)</sup>	18	17	17	17	12
Total capital ratio, %	16.76	15.45	15.73	15.25	15.21
CET1 ratio, %	12.46	12.63	12.87	12.34	12.32
Liquidity reserve	5,789	6,520	6,785	5,266	5,156
Number of employees (FTEs)	1,285	1,341	1,358	1,305	1,349

1) Excluding operating expenses in Central functions. For information on the calculation of key ratios, see Definitions.

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

3) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

4) The definition of Return on equity was revised in conjunction with the AT1 capital issue in December 2016.

# Segment overview

Hoist Finance purchases and manages receivables in ten 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. Comparative figures in the report have been adjusted according to the new segments.

## Quarter 4, 2016

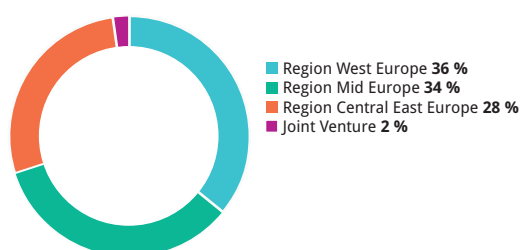
SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Net revenue from acquired loan portfolios	188,430	215,007	216,956	–	620,393
Total revenue	202,513	217,388	237,943	14,394	672,238
Total operating expenses	–129,207	–113,910	–92,912	–94,580	–430,609
EBIT	73,306	103,478	145,031	–80,186	241,629
EBIT margin, %	36	48	61	–	36
Carrying value of acquired loan portfolios, SEKm <sup>1)</sup>	4,522	4,331	3,564	241	12,658
Gross 120-day ERC, SEKm <sup>2)</sup>	7,927	7,117	6,331	–	21,375

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

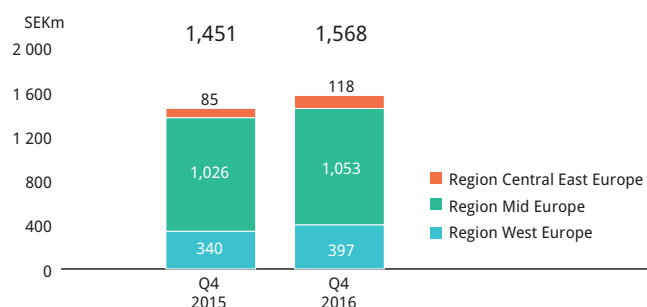
2) Excluding run-off consumer loan portfolio and portfolios held in the Polish joint venture. For information on the calculation of key ratios, see Definitions.

### Distribution by segment

Carrying value, acquired loan portfolios,  
31 December 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 in the following pages.

## Our markets

# Region West Europe

France, Spain and the UK

### Revenues

Gross cash collections on acquired loan portfolios increased 21 per cent to SEK 346m (285). All markets contributed positively, including the Spanish market, which is new in 2016. Portfolio amortisation and revaluation totalled SEK 158m (178) during the quarter, with the decrease primarily attributable to lower revaluations totalling SEK –38m (–73) during the quarter. Fee and commission income, which comprises services offered to third parties, decreased in pace with the strategy to focus on acquisition and management of in-house platforms. The currency trend, with the GBP weakened by 10 per cent since year-end 2015, had a negative effect on Total revenue.

### Operating expenses

Operating expenses increased 11 per cent to SEK 129m (116) during the fourth quarter. The increase is primarily attributable to collection costs in the UK, where portfolio growth was strong during the year. Personnel expenses and collection costs associated with the newly acquired Spanish portfolios also account

for the cost increased during the period. Total operating expenses are also positively affected by the GBP currency trend.

### Profitability

#### EBIT

The segment's EBIT totalled SEK 73m (15) for the quarter with a corresponding EBIT margin of 36 per cent (12). The improvement is primarily due to major negative revaluations during the corresponding period last year and to the Spanish market's contribution during the fourth quarter.

#### Return on book

The segment's return on book for the fourth quarter of 2016 was 6.7 (1.6). The improvement is attributable to lower year-on-year revaluations, increased collections in France and entering the Spanish market.

### Acquisitions

Acquisitions during the quarter totalled SEK 397m, representing an increase as compared with Q4 2015. This is primarily due to portfolio acquisitions in Spain. The carrying value of acquired loan portfolios increased to SEK 4,522m (3,883). Gross ERC increased to SEK 7,928m (6,973) as compared with last year.

### Other

In late 2016 a major forward flow contract for the acquisition of predetermined volumes in 2017 was signed.

### Earnings trend\*

SEK thousand	Quarter 4 2016	Quarter 4 2015	Change, %	Full-year 2016	Full-year 2015	Change, %
Gross cash collections on acquired loan portfolios	346,275	285,111	21	1,296,766	935,880	39
Portfolio amortisation and revaluation	–157,845	–177,992	–11	–487,587	–351,476	39
<b>Net revenue from acquired loan portfolios</b>	<b>188,430</b>	<b>107,119</b>	<b>76</b>	<b>809,179</b>	<b>584,404</b>	<b>38</b>
Fee and commission income	14,083	24,599	–43	65,629	114,846	–43
Other income	–	–81	–100	–	1,152	–100
<b>Total revenue</b>	<b>202,513</b>	<b>131,637</b>	<b>54</b>	<b>874,808</b>	<b>700,402</b>	<b>25</b>
Personnel expenses	–57,771	–64,351	–10	–231,502	–237,937	–3
Collection costs	–45,304	–16,534	>100	–246,005	–214,681	15
Other operating expenses	–23,551	–33,170	–29	–112,356	–102,522	10
Depreciation and amortisation of tangible and intangible assets	–2,581	–2,181	18	–11,977	–6,931	73
<b>Total operating expenses</b>	<b>–129,207</b>	<b>–116,236</b>	<b>11</b>	<b>–601,840</b>	<b>–562,071</b>	<b>7</b>
<b>EBIT</b>	<b>73,306</b>	<b>15,401</b>	<b>&gt;100</b>	<b>272,968</b>	<b>138,331</b>	<b>97</b>
EBIT margin, %	36	12	24 pp	31	20	11 pp
Return on book, %	6.7	1.6	5.1 pp	6.5	4.5	2.0 pp
Expenses/Gross cash collections on acquired loan portfolios, %	33	32	1 pp	41	48	–7 pp
Carrying value of acquired loan portfolios, SEKm	4,522	3,883	16	4,522	3,883	16
Gross 120-month ERC, SEKm	7,927	6,973	14	7,927	6,973	14

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

# Region Mid Europe

Belgium, Greece, Italy and the Netherlands

## Revenues

Gross cash collections on acquired loan portfolios increased 4 per cent to SEK 418m (401) during the fourth quarter. This increase is attributable to Italy, where significant portfolio acquisitions were conducted during the year. Portfolio amortisation and revaluation increased 15 per cent to SEK 203m (176), with the increase attributable to the strong growth seen since Q4 2015. Positive portfolio revaluations totalling SEK 5m (23) was conducted in Q4 and are included in the portfolio amortisation and revaluation amounts reported for the quarter.

## Operating expenses

Total operating expenses for the fourth quarter increased 12 per cent to SEK 114m (101), primarily due to an increase in collection expenses related to the above-mentioned Italian portfolio acquisitions.

Non-deductible VAT related to collection costs was reclassified during the year and transferred from Other operating expenses

to Collection costs, which impacts the comparative figure for Q4 2015.

## Profitability

### EBIT

The segment's EBIT totalled SEK 103m (126) for the quarter with a corresponding EBIT margin of 48 per cent (55). The decrease is primarily due to the 2015 comparative figure includes high positive revaluations and to VAT recoveries in loan portfolios.

### Return on book

The segment's return on book for the fourth quarter of 2016 was 10.6 per cent (15.4). Comparative figures are affected by positive portfolio revaluations during the fourth quarter.

## Acquisitions

The acquisition volume during the quarter totalled SEK 1,053m, on a par year-on-year, and is mostly attributable to Italy. The carrying value of acquired loan portfolios increased 19 per cent to SEK 4,331m (3,643) and gross ERC increased to SEK 7,117m (6,179) since last year.

## Other

Operations in Greece are proceeding as planned, with only a minor impact on quarterly results.

## Earnings trend\*

SEK thousand	Quarter 4 2016	Quarter 4 2015	Change, %	Full-year 2016	Full-year 2015	Change, %
Gross cash collections on acquired loan portfolios	417,702	401,317	4	1,574,731	1,358,389	16
Portfolio amortisation and revaluation	-202,695	-176,263	15	-763,410	-650,236	17
<b>Net revenue from acquired loan portfolios</b>	<b>215,007</b>	<b>225,054</b>	<b>-4</b>	<b>811,321</b>	<b>708,153</b>	<b>15</b>
Fee and commission income	1,400	1,956	-28	5,006	5,892	-15
Profit from shares and participations in joint ventures	389	-	>100	616	-	>100
Other income	592	429	38	1,769	1,385	28
<b>Total revenue</b>	<b>217,388</b>	<b>227,439</b>	<b>-4</b>	<b>818,712</b>	<b>715,430</b>	<b>14</b>
Personnel expenses	-31,920	-26,139	22	-111,301	-93,021	20
Collection costs <sup>1)</sup>	-71,878	-56,189	28	-221,228	-160,775	38
Other operating expenses <sup>1)</sup>	-8,080	-17,731	-54	-53,821	-51,014	6
Depreciation and amortisation of tangible and intangible assets	-2,032	-1,305	56	-7,210	-6,786	6
<b>Total operating expenses</b>	<b>-113,910</b>	<b>-101,364</b>	<b>12</b>	<b>-393,560</b>	<b>-311,596</b>	<b>26</b>
<b>EBIT</b>	<b>103,478</b>	<b>126,075</b>	<b>-18</b>	<b>425,152</b>	<b>403,834</b>	<b>5</b>
EBIT margin, %	48	55	-7 pp	52	56	-4 pp
Return on book, %	10.6	15.4	-5.2 pp	10.7	12.3	-1.7 pp
Expenses/Gross cash collections on acquired loan portfolios, %	27	25	2 pp	25	22	3 pp
Carrying value of acquired loan portfolios, SEKm	4,331	3,644	19	4,331	3,644	19
Gross 120-month ERC, SEKm	7,117	6,179	15	7,117	6,179	15

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

1) Comparative figures have been adjusted, as non-deductible VAT related to Collection costs in 2016 and of bank charges in 2015 and first quarter 2016 are now recorded as Collection costs.

# Region Central East Europe

Austria, Germany and Poland

## Revenues

Gross cash collections on acquired loan portfolios increased 1 per cent to SEK 341m (346) during the fourth quarter, with the decrease attributable to Poland and Germany, which is primarily due to somewhat lower acquisition activity during the year. Portfolio amortisation and revaluation during the quarter amounted to SEK 125m (115), with the increase mainly attributable to Poland. Positive portfolio revaluations totalling SEK 55m (54) were conducted in Poland and Germany during the quarter. Fee and commission income increased 10 per cent to SEK 14m (13) and is primarily attributable to Polish operations.

## Operating expenses

Operating expenses decreased 6 per cent year-on-year to SEK 93m (97), primarily due to lower collection costs in Poland.

## Profitability

### EBIT

The segment's EBIT totalled SEK 145m (151) for the quarter with a corresponding EBIT margin of 61 per cent (61). The fourth quarter's slightly lower EBIT is primarily due to the

somewhat lower acquisition activity during the year. The EBIT margin for the quarter is unchanged, as total operating expenses decreased in relation to the change in EBIT.

### Return on book

The segment's return on book for the fourth quarter of 2016 was 16.1 per cent (16.7), with comparative quarters both affected by positive revaluations to some extent.

## Acquisitions

The acquisition volume during the quarter totalled SEK 118m, with contributions from Poland and Germany. Overall, the acquisition volume for the segment is higher than during the corresponding period last year. The carrying value of acquired loan portfolios totalled SEK 3,564m (3,546) and gross ERC increased to SEK 6,331m (6,215) as compared with last year.

## Other

In accordance with Hoist Finance strategy to focus on in-house collection platform, the Company has mutually agreed with external partner to terminate a collection services contract. The contract, which will terminate during the first quarter of 2017, represents a substantial portion of fee and commission income in the Polish market. While Hoist Finance intends to make staffing adjustments, the short- and long-term impact on earnings is expected to be limited. The German operations launched an initiative to upgrade its current collection system during the autumn. The new system is scheduled to be in service during Q4 2017, and the objective is to have the leading collection platform in the German market when the system is fully operational in Q1 2018.

## Earnings trend\*

SEK thousand	Quarter 4 2016	Quarter 4 2015	Change, %	Full-year 2016	Full-year 2015	Change, %
Gross cash collections on acquired loan portfolios	340,795	345,793	-1	1,439,665	1,336,763	8
Portfolio amortisation and revaluation	-124,992	-114,883	9	-655,210	-624,796	5
Interest income from run-off consumer loan portfolio	1,153	1,550	-26	5,841	10,176	-43
<b>Net revenue from acquired loan portfolios</b>	<b>216,956</b>	<b>232,460</b>	<b>-7</b>	<b>790,296</b>	<b>722,143</b>	<b>9</b>
Fee and commission income	14,030	12,796	10	46,182	45,967	-
Other income	6,957	3,573	95	14,502	12,176	19
<b>Total revenue</b>	<b>237,943</b>	<b>248,829</b>	<b>-4</b>	<b>850,980</b>	<b>780,286</b>	<b>9</b>
Personnel expenses	-48,016	-48,906	-2	-181,875	-172,412	5
Collection costs	-28,378	-34,561	-18	-128,682	-134,142	-4
Other operating expenses	-14,667	-12,052	22	-49,924	-39,760	26
Depreciation and amortisation of tangible and intangible assets	-1,851	-1,894	-2	-7,299	-7,195	1
<b>Total operating expenses</b>	<b>-92,912</b>	<b>-97,413</b>	<b>-5</b>	<b>-367,780</b>	<b>-353,509</b>	<b>4</b>
<b>EBIT</b>	<b>145,031</b>	<b>151,416</b>	<b>-4</b>	<b>483,200</b>	<b>426,777</b>	<b>13</b>
EBIT margin, %	61	61	-	57	55	2 pp
Return on book, %	16.1	16.7	-0,6 pp	13.6	12.1	1.5 pp
Expenses/Gross cash collections on acquired loan portfolios, %	21	23	-2 pp	21	22	-1 pp
Carrying value of acquired loan portfolios, SEK <sup>1)</sup>	3,564	3,546	1	3,564	3,546	1
Gross 120-month ERC, SEK <sup>2)</sup>	6,331	6,215	2	6,331	6,215	2

\*Based on the operating income statement, excluding operating segment 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 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Net revenue from acquired loan portfolios	619,240	563,083	2,404,955	2,004,524
Interest income <sup>1)</sup>	1,853	7,773	2,558	38,279
Interest expense	-79,474	-85,772	-300,288	-361,370
<b>Net interest income</b>	<b>541,619</b>	<b>485,084</b>	<b>2,107,225</b>	<b>1,681,433</b>
Fee and commission income	29,513	39,351	116,817	166,705
Net financial income <sup>1)</sup>	-6,727	57	-97,529	-50,941
Other income	7,110	2,751	13,651	10,629
<b>Total operating income</b>	<b>571,515</b>	<b>527,243</b>	<b>2,140,164</b>	<b>1,807,826</b>
General administrative expenses				
Personnel expenses	-177,988	-186,713	-672,355	-651,354
Other operating expenses	-238,730	-211,144	-966,697	-874,016
Depreciation and amortisation of tangible and intangible assets	-13,891	-11,704	-52,796	-46,866
<b>Total operating expenses</b>	<b>-430,609</b>	<b>-409,561</b>	<b>-1,691,848</b>	<b>-1,572,236</b>
<b>Profit before credit losses</b>	<b>140,906</b>	<b>117,682</b>	<b>448,316</b>	<b>235,590</b>
Net credit losses	-1,260	-	-1,260	-5,298
Profit from shares and participations in joint ventures	15,222	13,868	86,042	54,839
<b>Profit before tax</b>	<b>154,868</b>	<b>131,550</b>	<b>533,098</b>	<b>285,131</b>
Income tax expense	-36,758	-24,600	-115,949	-54,609
<b>Profit for the period</b>	<b>118,110</b>	<b>106,950</b>	<b>417,149</b>	<b>230,522</b>
<b>Profit attributable to:</b>				
Owners of Hoist Finance AB (publ)	118,110	106,950	417,149	230,522
Basic earnings per share, SEK <sup>2)</sup>	1.41	1.32	5.07	2.90
Diluted earnings per share, SEK <sup>2) 3)</sup>	1.38	1.29	4.97	2.84

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

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

3) Includes effect of 164,993 outstanding warrants.

## Consolidated statement of comprehensive income

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
<b>Profit for the period</b>	<b>118,110</b>	<b>106,950</b>	<b>417,149</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	-1,941	1,408	-1,941	1,408
Revaluation of remuneration after terminated employment	-617	1,606	-617	1,606
Tax attributable to items that will not be reclassified to profit or loss	654	-781	654	-781
<b>Total items that will not be reclassified to profit or loss</b>	<b>-1,904</b>	<b>2,233</b>	<b>-1,904</b>	<b>2,233</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation differences on foreign operations	-21,068	-29,788	-21,872	-35,485
Translation difference, joint venture	-5,956	-6,237	1,489	-4,948
Hedging of currency risk in foreign operations	5,075	4,762	-7,421	-849
Tax attributable to items that may be reclassified to profit or loss	-1,116	-	4,803	-
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>-23,065</b>	<b>-31,263</b>	<b>-23,001</b>	<b>-41,282</b>
<b>Other comprehensive income for the period</b>	<b>-24,969</b>	<b>-29,030</b>	<b>-24,905</b>	<b>-39,049</b>
<b>Total comprehensive income for the period</b>	<b>93,141</b>	<b>77,920</b>	<b>392,244</b>	<b>191,473</b>
<b>Profit attributable to:</b>				
Owners of Hoist Finance AB (publ)	93,141	77,920	392,244	191,473

## Consolidated balance sheet

SEK thousand	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>		
Cash	3,073	281
Treasury bills and Treasury bonds	2,273,903	3,077,827
Lending to credit institutions	1,061,285	858,516
Lending to the public	35,789	77,994
Acquired loan portfolios	12,385,547	11,014,699
Bonds and other securities	2,538,566	1,303,214
Participations in joint ventures	241,276	205,557
Intangible assets	243,340	235,632
Tangible assets	40,815	41,623
Other assets	193,470	501,062
Deferred tax assets	47,269	62,688
Prepayments and accrued income	85,593	72,384
<b>Total assets</b>	<b>19,149,926</b>	<b>17,451,477</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Deposits from the public	11,848,956	12,791,377
Tax liabilities	52,887	21,639
Other liabilities	432,865	357,284
Deferred tax liabilities	163,264	183,999
Accrued expenses and deferred income	203,442	180,941
Provisions	55,504	52,116
Senior unsecured debt	3,125,996	1,238,469
Subordinated liabilities	341,715	336,892
<b>Total liabilities</b>	<b>16,224,629</b>	<b>15,162,717</b>
<b>Equity</b>		
Share capital	26,906	26,178
Other contributed equity	2,073,215	1,755,676
Reserves	-67,095	-44,094
Retained earnings including profit for the period	892,271	551,000
<b>Total equity</b>	<b>2,925,297</b>	<b>2,288,760</b>
<b>Total liabilities and equity</b>	<b>19,149,926</b>	<b>17,451,477</b>

## Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Reserves/ Translation reserve	Retained earnings including profit for the year	Total 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				417,149	417,149
Other comprehensive income			-23,001	-1,904	-24,905
<b>Total comprehensive income for the period</b>			<b>-23,001</b>	<b>415,245</b>	<b>392,244</b>
<b>Transactions reported directly in equity</b>					
Dividend				-58,974	-58,974
New share issue	728	34,568			35,296
Additional Tier 1 capital instruments		283,335 <sup>1)</sup>			283,335
Warrants, repurchased and cancelled		-2,066			-2,066
Interest paid on capital contribution				-15,000	-15,000
Tax effect on items reported directly in equity		1,702			1,702
<b>Total transactions reported directly in equity</b>	<b>728</b>	<b>317,539</b>		<b>-73,974</b>	<b>244,293</b>
<b>Closing balance 31 dec 2016</b>	<b>26,906</b>	<b>2,073,215</b>	<b>-67,095</b>	<b>892,271</b>	<b>2,925,297</b>

1) Nominal amount of SEK 291 million has been reduced by transactions costs of SEK 8 million.

SEK thousand	Share capital	Other contributed capital	Reserves/ Translation reserve	Retained earnings including profit for the year	Total 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 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
<b>OPERATING ACTIVITIES</b>				
Gross cash collections on acquired loan portfolios	1,075,237	1,032,220	4,281,632	3,631,031
Paid-in interest	-4,684	4,662	12,619	35,614
Provisions received	29,513	39,351	116,817	166,705
Other operating income	7,110	2,751	13,651	10,629
Interest paid	-124,204	-156,551	-285,001	-338,950
Operating expenses	-415,711	-369,662	-1,627,242	-1,479,862
Net cash flow from financial transactions	-27,837	57	-97,529	-15,341
Capital gain on redemption of joint venture certificates	13,839	14,441	42,526	44,404
Income tax paid	-17,582	-16,572	-49,602	-45,453
<b>Total</b>	<b>535,681</b>	<b>550,697</b>	<b>2,407,871</b>	<b>2,008,777</b>
Increase/decrease in acquired loans incl. translation differences	-1,470,278	-1,133,249	-3,277,061	-4,054,424
Increase/decrease in joint venture certificates	2,808	4,737	9,267	15,277
Increase/decrease in lending to the public	7,132	12,610	41,421	73,940
Increase/decrease in deposits from the public	-403,680	46,759	-957,707	1,781,668
Increase/decrease in other assets	196,374	-270,466	296,511	-290,002
Increase/decrease in other liabilities	166,072	26,570	246,197	-277,073
Increase/decrease in provisions	-3,053	-4,131	3,388	-16,588
Change in other balance sheet items	-17,146	-24,430	-17,718	71,862
<b>Total</b>	<b>-1,521,771</b>	<b>-1,341,600</b>	<b>-3,655,702</b>	<b>-2,695,340</b>
<b>Cash flow from operating activities</b>	<b>-986,090</b>	<b>-790,903</b>	<b>-1,247,831</b>	<b>-686,563</b>
<b>INVESTING ACTIVITIES</b>				
Investments in intangible assets	-9,846	-2,862	-35,756	-31,584
Investments in tangible assets	-7,270	-8,538	-18,360	-20,123
Investments in business acquisitions	-	-	-40,788	-50,569
Investments in/divestments of bonds and other securities	-472,315	989,120	-1,245,413	615,093
<b>Cash flow from investing activities</b>	<b>-489,431</b>	<b>977,720</b>	<b>-1,340,317</b>	<b>512,817</b>
<b>FINANCING ACTIVITIES</b>				
Additional Tier 1 capital instruments issued	285,396	-	285,396	-
New share issue	30,516	-	35,296	750,061
Warrants, repurchased and cancelled	-60	-	-2,066	-4,019
Issued bonds	-7,476	-	2,771,917	-
Issued bonds, repurchased and cancelled	-	-33,858	-976,284	-229,833
Repayment of issued bonds	-58,000	-	-58,000	-
Dividend paid	-	-	-58,974	-
Interest paid on capital contribution	-	-7,500	-7,500	-15,000
<b>Cash flow from financing activities</b>	<b>250,376</b>	<b>-41,358</b>	<b>1,989,785</b>	<b>501,209</b>
<b>Cash flow for the period</b>	<b>-1,225,145</b>	<b>145,459</b>	<b>-598,363</b>	<b>327,463</b>
Cash at the beginning of the period	4,563,406	3,791,165	3,936,624	3,609,161
<b>Cash at the end of the period<sup>1)</sup></b>	<b>3,338,261</b>	<b>3,936,624</b>	<b>3,338,261</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 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
<b>Net sales</b>	<b>62,308</b>	<b>38,647</b>	<b>195,846</b>	<b>148,458</b>
Other external expenses	-71,085	-42,791	-219,855	-184,423
Personnel expenses	-1,192	-5,972	-7,100	-8,873
Depreciation and amortisation	-1,276	-1,750	-4,891	-7,170
<b>Total operating expenses</b>	<b>-73,553</b>	<b>-50,513</b>	<b>-231,846</b>	<b>-200,466</b>
<b>Operating profit</b>	<b>-11,245</b>	<b>-11,866</b>	<b>-36,000</b>	<b>-52,008</b>
Other interest income	7,063	-470	10,555	-4,457
Interest expense and similar costs	-889	-214	-1,602	-927
<b>Total income from financial items</b>	<b>6,174</b>	<b>-684</b>	<b>8,953</b>	<b>-5,384</b>
Earnings from participations in Group companies	210,000	182,890	210,000	182,890
Appropriations (tax allocation reserve provision)	-36,483	-22,977	-36,483	-22,977
<b>Profit/loss before tax</b>	<b>168,446</b>	<b>147,363</b>	<b>146,470</b>	<b>102,521</b>
Income tax expense	-33,118	-34,026	-29,150	-24,829
<b>Profit/loss for the period<sup>1)</sup></b>	<b>135,328</b>	<b>113,337</b>	<b>117,320</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 Dec 2016	31 Dec 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Licences and software	25,169	19,475
<b>Total intangible assets</b>	<b>25,169</b>	<b>19,475</b>
Equipment	2,417	3,142
<b>Total tangible assets</b>	<b>2,417</b>	<b>3,142</b>
Shares and participations in subsidiaries	1,687,989	1,687,989
<b>Total financial assets</b>	<b>1,687,989</b>	<b>1,687,989</b>
<b>Total non-current assets</b>	<b>1,715,575</b>	<b>1,710,606</b>
<b>Current assets</b>		
Receivables, Group companies	257,501	209,519
Accounts receivable	–	55
Other receivables	402	1,015
Prepaid expenses and deferred income	8,506	7,467
<b>Total receivables</b>	<b>266,409</b>	<b>218,056</b>
Cash and bank balances	328,457	125,414
<b>Total current assets</b>	<b>594,866</b>	<b>343,470</b>
<b>Total assets</b>	<b>2,310,441</b>	<b>2,054,076</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Restricted equity	31,219	29,276
Non-restricted equity	1,809,686	1,720,053
<b>Total shareholders' equity</b>	<b>1,840,905</b>	<b>1,749,329</b>
Untaxed reserves	59,995	23,512
Provisions	24	35
Non-current liabilities	65,000	40 100
Current liabilities	344,517	241,100
<b>Total shareholders' equity, provisions and liabilities</b>	<b>2,310,441</b>	<b>2,054,076</b>

# Accounting principles

The interim financial statements are presented in accordance with IAS 34 Interim Financial Reporting. The Group's consolidated accounts were 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 also been applied.

The Parent Company Hoist Finance AB's (publ) accounts were prepared in accordance with the Swedish Annual Accounts Act (1995:1554) 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 that became effective in 2016 have had any material impact on the Group's financial statements or capital adequacy.

Market value changes were reclassified from Interest income to Net financial income as from first quarter 2016. Comparative figures have

been reclassified pursuant to this change. SEK -6m was reclassified during third quarter 2015 and SEK -36 million for full-year 2015.

Italian banking fees have been reclassified from Other operating expenses to Collection costs as of Q2 2016. Comparative figures have been reclassified in accordance with this change. SEK -3m was reclassified during third quarter 2015 and -11m for full-year 2015.

The accounting principle of reporting forward flow contracts as Commitments was changed as of Q2 2016 to include all commitments regarding forward flows. Under the previously applied principle, commitments falling within the previous one-year period were reported. Comparative figures have been adjusted accordingly. SEK 159m was adjusted during third quarter 2015 and SEK 167m for full-year 2015.

Hoist Finance has been operating under a new structural organisation as of 1 January 2016. Europe is divided into three new segments - Region West Europe, Region Mid Europe and Region Central East Europe. Comparative figures in the report have been adjusted according to the new segments.

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

	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
<b>1 EUR = SEK</b>				
Income statement (average)	9.4622	9.3553	9.4622	9.3553
Balance sheet (at end of the period)	9.5669	9.1350	9.5669	9.1350
<b>1 GBP = SEK</b>				
Income statement (average)	11.5849	12.8908	11.5849	12.8908
Balance sheet (at end of the period)	11.1787	12.3785	11.1787	12.3785
<b>1 PLN = SEK</b>				
Income statement (average)	2.1688	2.2372	2.1688	2.2372
Balance sheet (at end of the period)	2.1662	2.1545	2.1662	2.1545

# Notes

## Note 1 Segment reporting

### Consolidated income statement

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Revenues from acquired loan portfolios	619,240	563,083	2,404,955	2,004,524
<i>of which, gross cash collections</i>	1,104,772	1,032,221	4,311,162	3,631,032
<i>of which, portfolio amortisation and revaluation</i>	-485,532	-469,138	-1,906,207	-1,626,508
Interest income	1,853	7,773	2,558	38,279
<i>of which, interest income from run-off consumer loan portfolio</i>	1,153	1,550	5,841	10,176
<i>of which, interest income excl. run-off consumer loan portfolio<sup>1)</sup></i>	700	6,223	-3,283	28,103
Interest expense	-79,474	-85,772	-300,288	-361,370
<b>Net interest income</b>	<b>541,619</b>	<b>485,084</b>	<b>2,107,225</b>	<b>1,681,433</b>
Fee and commission income	29,513	39,351	116,817	166,705
Net financial income <sup>1)</sup>	-6,727	57	-97,529	-50,941
Other income	7,110	2,751	13,651	10,629
<b>Total operating income</b>	<b>571,515</b>	<b>527,243</b>	<b>2,140,164</b>	<b>1,807,826</b>
<b>General administrative expenses</b>				
Personnel expenses	-177,988	-186,713	-672,355	-651,354
Other operating expenses	-238,730	-211,144	-966,697	-874,016
Depreciation and amortisation of tangible and intangible assets	-13,891	-11,704	-52,796	-46,866
<b>Total operating expenses</b>	<b>-430,609</b>	<b>-409,561</b>	<b>-1,691,848</b>	<b>-1,572,236</b>
<b>Profit before loan losses</b>	<b>140,906</b>	<b>117,682</b>	<b>448,316</b>	<b>235,590</b>
Net credit losses	-1,260	-	-1,260	-5,298
Profit from shares and participations in joint ventures	15,222	13,868	86,042	54,839
<b>Profit before tax</b>	<b>154,868</b>	<b>131,550</b>	<b>533,098</b>	<b>285,131</b>

### Operating income statement based on segment reporting

SEK thousand	Quarter 4 2016	Quarter 4 2015	Full-year 2016	Full-year 2015
Gross cash collections on acquired loan portfolios	1,104,772	1,032,221	4,311,162	3,631,032
Portfolio amortisation and revaluation	-485,532	-469,138	-1,906,207	-1,626,508
Interest income from run-off consumer loan portfolio	1,153	1,550	5,841	10,176
<b>Net revenue from acquired loan portfolios</b>	<b>620,393</b>	<b>564,633</b>	<b>2,410,796</b>	<b>2,014,700</b>
Fee and commission income	29,513	39,351	116,817	166,705
Profit from shares and participations in joint ventures	15,222	13,868	86,042	54,839
Other income	7,110	2,751	13,651	10,629
<b>Total revenue</b>	<b>672,238</b>	<b>620,603</b>	<b>2,627,306</b>	<b>2,246,873</b>
Personnel expenses	-177,988	-186,713	-672,355	-651,354
Collection costs <sup>1)</sup>	-145,560	-107,284	-595,915	-509,598
Other operating expenses <sup>1)</sup>	-93,170	-103,860	-370,782	-364,418
Depreciation and amortisation of tangible and intangible assets	-13,891	-11,704	-52,796	-46,866
<b>Total operating expenses</b>	<b>-430,609</b>	<b>-409,561</b>	<b>-1,691,848</b>	<b>-1,572,236</b>
<b>EBIT</b>	<b>241,629</b>	<b>211,042</b>	<b>935,458</b>	<b>674,637</b>
Interest income excl. run-off consumer loan portfolio <sup>2)</sup>	700	6,223	-3,283	28,103
Interest expense	-79,474	-85,772	-300,288	-361,370
Net financial income <sup>2)3)</sup>	-7,987	57	-98,789	-56,239
<b>Total financial items</b>	<b>-86,761</b>	<b>-79,492</b>	<b>-402,360</b>	<b>-389,506</b>
<b>Profit/loss before tax</b>	<b>154,868</b>	<b>131,550</b>	<b>533,098</b>	<b>285,131</b>

1) Comparative figures have been adjusted due to the reclassification of banking fees from Other operating expenses to Collection costs.

2) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

3) 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 financial income.

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 4 2016

SEK thousand	Region West Europe <sup>1)</sup>	Region Mid Europe <sup>2)</sup>	Region Central East Europe <sup>3)</sup>	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	346,275	417,702	340,795	–	1,104,772
Portfolio amortisation and revaluation	–157,845	–202,695	–124,992	–	–485,532
Interest income from run-off consumer loan portfolio	–	–	1,153	–	1,153
<b>Net revenue from acquired loan portfolios</b>	<b>188,430</b>	<b>215,007</b>	<b>216,956</b>	<b>–</b>	<b>620,393</b>
Fee and commission income	14,083	1,400	14,030	–	29,513
Profit from shares and participations in joint ventures	–	389	–	14,833	15,222
Other income	–	592	6,957	–439	7,110
<b>Total revenue</b>	<b>202,513</b>	<b>217,388</b>	<b>237,943</b>	<b>14,394</b>	<b>672,238</b>
Personnel expenses	–57,771	–31,920	–48,016	–40,281	–177,988
Collection costs	–45,304	–71,878	–28,378	–	–145,560
Other operating expenses	–23,551	–8,080	–14,667	–46,872	–93,170
Depreciation and amortisation of tangible and intangible assets	–2,581	–2,032	–1,851	–7,427	–13,891
<b>Total operating expenses</b>	<b>–129,207</b>	<b>–113,910</b>	<b>–92,912</b>	<b>–94,580</b>	<b>–430,609</b>
<b>EBIT</b>	<b>73,306</b>	<b>103,478</b>	<b>145,031</b>	<b>–80,186</b>	<b>241,629</b>
Interest income excl. run-off consumer loan portfolio	–	–	2,260	–1,560	700
Interest expense	–	–46	–1,320	–78,108	–79,474
Net financial income <sup>4)</sup>	–55,023	–49,511	–46,436	142,983	–7,987
<b>Total financial items</b>	<b>–55,023</b>	<b>–49,557</b>	<b>–45,496</b>	<b>63,315</b>	<b>–86,761</b>
<b>Profit/loss before tax</b>	<b>18,283</b>	<b>53,921</b>	<b>99,535</b>	<b>–16,871</b>	<b>154,868</b>

1) A total of SEK 198m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 150m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 152m of Region Central East Europe's revenues is attributable to Germany.

4) Including financing costs.

## Note 1 Segment reporting, cont.

### Income statement, Quarter 4 2015

SEK thousand	Region West Europe <sup>1)</sup>	Region Mid Europe <sup>2)</sup>	Region Central East Europe <sup>3)</sup>	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	285,111	401,317	345,793	–	1,032,221
Portfolio amortisation and revaluation	–177,992	–176,263	–114,883	–	–469,138
Interest income from run-off consumer loan portfolio	–	–	1,550	–	1,550
<b>Net revenue from acquired loan portfolios</b>	<b>107,119</b>	<b>225,054</b>	<b>232,460</b>	<b>–</b>	<b>564,633</b>
Fee and commission income	24,599	1,956	12,796	–	39,351
Profit from shares and participations in joint ventures	–	–	–	13,868	13,868
Other income	–81	429	3,573	–1,170	2,751
<b>Total revenue</b>	<b>131,637</b>	<b>227,439</b>	<b>248,829</b>	<b>12,698</b>	<b>620,603</b>
Personnel expenses	–64,351	–26,139	–48,906	–47,317	–186,713
Collection costs <sup>4)</sup>	–16,534	–56,189	–34,561	–	–107,284
Other operating expenses <sup>4)</sup>	–33,170	–17,731	–12,052	–40,907	–103,860
Depreciation and amortisation of tangible and intangible assets	–2,181	–1,305	–1,894	–6,324	–11,704
<b>Total operating expenses</b>	<b>–116,236</b>	<b>–101,364</b>	<b>–97,413</b>	<b>–94,548</b>	<b>–409,561</b>
<b>EBIT</b>	<b>15,401</b>	<b>126,075</b>	<b>151,416</b>	<b>–81,850</b>	<b>211,042</b>
Interest income excl. run-off consumer loan portfolio <sup>5)</sup>	133	–	506	5,584	6,223
Interest expense	–7	–16	–1,485	–84,264	–85,772
Net financial income <sup>5)6)</sup>	–50,504	–42,054	–45,232	137,847	57
<b>Total financial items</b>	<b>–50,378</b>	<b>–42,070</b>	<b>–46,211</b>	<b>59,167</b>	<b>–79,492</b>
<b>Profit/loss before tax</b>	<b>–34,977</b>	<b>84,005</b>	<b>105,205</b>	<b>–22,683</b>	<b>131,550</b>

1) A total of SEK 179m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 108m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 151m of Region Central East Europe's revenues is attributable to Germany.

4) Comparative figures have been adjusted due to the reclassification of banking fees from Other operating expenses to Collection costs.

5) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

6) Including financing costs.

## Note 1 Segment reporting, cont.

### Income statement, Full-year 2016

SEK thousand	Region West Europe <sup>1)</sup>	Region Mid Europe <sup>2)</sup>	Region Central East Europe <sup>3)</sup>	Central Functions and Eliminations	Group
Gross cash collections on acquired loan portfolios	1,296,766	1,574,731	1,439,665	–	4,311,162
Portfolio amortisation and revaluation	–487,587	–763,410	–655,210	–	–1,906,207
Interest income from run-off consumer loan portfolio	–	–	5,841	–	5,841
<b>Net revenue from acquired loan portfolios</b>	<b>809,179</b>	<b>811,321</b>	<b>790,296</b>	<b>–</b>	<b>2,410,796</b>
Fee and commission income	65,629	5,006	46,182	–	116,817
Profit from shares and participations in joint ventures	–	616	–	85,426	86,042
Other income	–	1,769	14,502	–2,620	13,651
<b>Total revenue</b>	<b>874,808</b>	<b>818,712</b>	<b>850,980</b>	<b>82,806</b>	<b>2,627,306</b>
Personnel expenses	–231,502	–111,301	–181,875	–147,677	–672,355
Collection costs	–246,005	–221,228	–128,682	–	–595,915
Other operating expenses	–112,356	–53,821	–49,924	–154,681	–370,782
Depreciation and amortisation of tangible and intangible assets	–11,977	–7,210	–7,299	–26,310	–52,796
<b>Total operating expenses</b>	<b>–601,840</b>	<b>–393,560</b>	<b>–367,780</b>	<b>–328,668</b>	<b>–1,691,848</b>
<b>EBIT</b>	<b>272,968</b>	<b>425,152</b>	<b>483,200</b>	<b>–245,862</b>	<b>935,458</b>
Interest income excl. run-off consumer loan portfolio	101	–	3,513	–6,897	–3,283
Interest expense	–3	–102	–1,347	–298,836	–300,288
Net financial income <sup>4)</sup>	–207,219	–182,721	–181,453	472,604	–98,789
<b>Total financial items</b>	<b>–207,121</b>	<b>–182,823</b>	<b>–179,287</b>	<b>166,871</b>	<b>–402,360</b>
<b>Profit/loss before tax</b>	<b>65,847</b>	<b>242,329</b>	<b>303,913</b>	<b>–78,991</b>	<b>533,098</b>

1) A total of SEK 789m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 500m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 474m of Region Central East Europe's revenues is attributable to Germany.

4) 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 and 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>–</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 <sup>4)</sup>	–214,681	–160,775	–134,142	–	–509,598
Other operating expenses <sup>4)</sup>	–102,522	–51,014	–39,760	–171,122	–364,418
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>5)</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>5) 6)</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) A total of SEK 718m of Region West Europe's revenues is attributable to the UK.

2) A total of SEK 374m of Region Mid Europe's revenues is attributable to Italy.

3) A total of SEK 453m of Region Central East Europe's revenues is attributable to Germany.

4) Comparative figures have been adjusted due to the reclassification of banking fees from Other operating expenses to Collection costs.

5) Comparative figures have been adjusted due to the reclassification of market value changes from Interest income to Net financial income.

6) Including financing costs.

## Note 1 Segment reporting, cont.

### Acquired loans, 31 Dec 2016

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and Eliminations	Group
Run-off consumer loan portfolio	–	–	32,194	–	32,194
Acquired loan portfolios	4,522,429	4,331,437	3,531,681	–	12,385,547
Shares and participations in joint ventures	–	–	–	240,580	240,580
<b>Acquired loans</b>	<b>4,522,429</b>	<b>4,331,437</b>	<b>3,563,875</b>	<b>240,580</b>	<b>12,658,321</b>

### Acquired loans, 31 Dec 2015

SEK thousand	Region West Europe	Region Mid Europe	Region Central East Europe	Central Functions and 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>

## 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 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)** Based on inputs that are not observable on the market. 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 December 2016

SEK thousand	Loan portfolios	Financing	Carrying value	Fair value	Level 1	Level 2	Level 3
Treasury bills and Treasury bonds		2,273,903	2,273,903	2,273,903	2,273,903		
Acquired loan portfolios							
<i>of which, carried at fair value</i>	1,044,660		1,044,660	1,044,660			1,044,660
<i>of which, carried at amortised cost</i>	11,340,887		11,340,887	11,459,565			11,459,565
Bonds and other securities		2,538,566	2,538,566	2,538,566	2,474,849		63,717
Derivatives		29,167	29,167	29,167		29,167	
<b>Total assets</b>	<b>12,385,547</b>	<b>4,841,636</b>	<b>17,227,183</b>	<b>17,345,861</b>	<b>4,748,752</b>	<b>29,167</b>	<b>12,567,942</b>
Additional purchase price liability		46,808	46,808	46,808			46,808
Derivatives		5,397	5,397	5,397		5,397	
Senior unsecured debt		3,125,996	3,125,996	3,291,549		3,291,549	
Subordinated liabilities		341,715	341,715	398,125		398,125	
<b>Total liabilities</b>		<b>3,519,916</b>	<b>3,519,916</b>	<b>3,741,879</b>		<b>3,695,071</b>	<b>46,808</b>

#### Group, 31 December 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							
<i>of which, carried at fair value</i>	1,177,808		1,177,808	1,177,808			1,177,808
<i>of which, carried at amortised cost</i>	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.

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 debt in the form of issued bonds and other subordinated liabilities was determined with reference to 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 values for accounts receivable and accounts payable are deemed approximations of fair value. The fair value of current loans corresponds to their carrying value due to the limited impact of discounting. No transfers between any of the levels took place during the period.

Acquired loan portfolios	Group	
	31 Dec 2016	31 Dec 2015
SEK thousand		
<b>Opening balance</b>	<b>11,014,699</b>	<b>8,586,782</b>
Acquisitions	3,329,382	4,370,259
Adjustment of acquisition analysis	-29,536	-
Translation differences	-22,785	-315,835
<b>Changes in value</b>		
Based on opening balance forecast (amortisation)	-1,911,916	-1,587,651
Based on revised estimates (revaluation)	5,703	-38,856
<b>Carrying value</b>	<b>12,385,547</b>	<b>11,014,699</b>
<b>Changes in carrying value reported in the income statement</b>	<b>-1,906,213</b>	<b>-1,626,507</b>

Of which, designated at fair value	Group	
	31 Dec 2016	31 Dec 2015
SEK thousand		
<b>Opening balance</b>	<b>1,177,808</b>	<b>1,460,229</b>
Acquisitions	-	-
Translation differences	52,874	-53,671
<b>Changes in value</b>		
Based on opening balance forecast (amortisation)	-186,090	-167,331
Based on revised estimates (revaluation)	68	-61,419
<b>Carrying value</b>	<b>1,044,660</b>	<b>1,177,808</b>
<b>Changes in carrying value reported in the income statement</b>	<b>-186,022</b>	<b>-228,750</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 Dec 2016	31 Dec 2015
<b>Carrying value of loan portfolios</b>	<b>12,385,547</b>	<b>11,014,699</b>
A 5% increase in estimated cash flow over the 10-year forecast period would increase the carrying value by:	558,977	540,638
<i>of which, valued at fair value</i>	<i>51,685</i>	<i>58,890</i>
A 5% decrease in estimated cash flow over the forecast period would reduce the carrying value by:	-558,977	-540,638
<i>of which, valued at fair value</i>	<i>-51,685</i>	<i>-58,890</i>
<b>Carrying value of loan portfolios acquired prior to 1 July 2011</b>	<b>1,044,660</b>	<b>1,177,808</b>
A 1% decrease in the market rate of interest would increase the carrying value by:	31,174	34,774
A 1% increase in the market rate of interest would reduce the carrying value by:	-29,483	-32,880
Shortening the forecast period by 1 year would reduce the carrying value by:	-26,534	-33,073
Lengthening the forecast period by 1 year would increase the carrying value by:	20,938	21,424

### 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 difference in the basis for consolida-

tion between the consolidated accounts and the consolidated situation is that joint ventures are consolidated using the equity method in the consolidated accounts, whereas proportional consolidation is used for the consolidated situation. When establishing the company's statutory capital requirements, EU regulation No 575/2013 and the Swedish law (2014:966) on capital buffers primarily apply.

### 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 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Capital instruments and related share premium accounts	1,286,805	1,286,805	482,963	482,963
Retained earnings	472,965	316,687	307,205	232,259
Accumulated comprehensive income and other reserves	331,293	361,363	1,081,949	1,062,749
Independently reviewed interim profits net of any foreseeable charge or dividend <sup>1)</sup>	292,004	161,366	267,191	190,866
Intangible assets (net of related tax liability)	-243,340	-235,632	-37,647	-42,278
Deferred tax assets that rely on future profitability	-47,268	-62,688	-2,734	-2,224
<b>Common Equity Tier 1</b>	<b>2,092,459</b>	<b>1,827,901</b>	<b>2,098,927</b>	<b>1,924,335</b>
Capital instruments and the related share premium accounts	379,577	93,000	379,577	93,000
<b>Additional Tier 1 capital</b>	<b>379,577</b>	<b>93,000</b>	<b>379,577</b>	<b>93,000</b>
<b>Tier 1 capital</b>	<b>2,472,036</b>	<b>1,920,901</b>	<b>2,478,504</b>	<b>2,017,335</b>
Capital instruments and the related share premium accounts	341,715	336,892	341,715	336,892
Regulatory adjustments	-	-	-	-
<b>Tier 2 capital</b>	<b>341,715</b>	<b>336,892</b>	<b>341,715</b>	<b>336,892</b>
<b>Total own funds for capital adequacy purposes</b>	<b>2,813,751</b>	<b>2,257,793</b>	<b>2,820,219</b>	<b>2,354,227</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-weighted exposure amounts and capital requirements

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

Risk-weighted exposure amounts, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	261,882	339,617	78,060	195,897
<i>of which, counterparty credit risk</i>	29,036	89,598	29,036	89,598
Exposures to corporates	199,920	136,601	10,238,303	8,789,030
Retail exposures	24,146	43,774	24,146	43,774
Exposures in default	13,270,498	11,244,739	2,646,432	2,646,612
Exposures in the form of covered bonds	247,485	126,821	247,485	126,821
Equity exposures	-	-	570,038	581,973
Other items	132,315	320,316	6,116	126,006
<b>Credit risk (standardised approach)</b>	<b>14,136,246</b>	<b>12,211,868</b>	<b>13,810,580</b>	<b>12,510,113</b>
<b>Market risk (foreign exchange risk – standardised approach)</b>	<b>28,858</b>	<b>26,573</b>	<b>28,858</b>	<b>26,573</b>
<b>Operational risk (basic indicator approach)</b>	<b>-</b>	<b>2,600,728</b>	<b>-</b>	<b>755,709</b>
<b>Operational risk (standardised approach)</b>	<b>2,622,373</b>	<b>-</b>	<b>893,024</b>	<b>-</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>0</b>	<b>664</b>	<b>0</b>	<b>664</b>
<b>Total risk-weighted exposure amount</b>	<b>16,787,477</b>	<b>14,839,833</b>	<b>14,732,462</b>	<b>13,293,059</b>

## Note 3 Capital adequacy, cont.

Capital requirements, SEK thousand	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<b>Pillar 1</b>				
Exposures to central governments or central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions	20,951	27,169	6,245	15,672
<i>of which, counterparty credit risk</i>	2,323	7,168	2,323	7,168
Exposures to corporates	15,994	10,928	819,064	703,122
Retail exposures	1,932	3,502	1,932	3,502
Exposures in default	1,061,640	899,579	211,715	211,729
Exposures in the form of covered bonds	19,799	10,146	19,799	10,146
Equity exposures	–	–	45,603	46 558
Other items	10,583	25,626	489	10 079
<b>Credit risk (standardised approach)</b>	<b>1,130,899</b>	<b>976,950</b>	<b>1,104,847</b>	<b>1,000,808</b>
<b>Market risk (foreign exchange risk-standardised approach)</b>	<b>2,309</b>	<b>2,126</b>	<b>2,309</b>	<b>2,126</b>
<b>Operational risk (basic indicator approach)</b>	<b>–</b>	<b>208,058</b>	<b>–</b>	<b>60,457</b>
<b>Operational risk (standardised approach)</b>	<b>209,790</b>	<b>–</b>	<b>71,442</b>	<b>–</b>
<b>Credit valuation adjustment (standardised approach)</b>	<b>0</b>	<b>53</b>	<b>0</b>	<b>53</b>
<b>Total own funds requirement – Pillar 1</b>	<b>1,342,998</b>	<b>1,187,187</b>	<b>1,178,598</b>	<b>1,063,445</b>
<b>Pillar 2</b>				
Concentration risk	101,991	82,671	101,991	82,671
Interest rate risk in the banking book	30,000	71,453	30,000	71,453
Pension risk	4,106	5,358	–	–
Other Pillar 2 risks	794	23,656	794	24,421
<b>Total own funds requirement – Pillar 2</b>	<b>136,891</b>	<b>183,138</b>	<b>132,785</b>	<b>178,546</b>
<b>Capital buffers</b>				
Capital conservation buffer	419,686	370,996	368,312	332,326
Countercyclical buffer	6,370	2,456	10,770	5,876
<b>Total own funds requirement – Capital buffers</b>	<b>426,056</b>	<b>373,452</b>	<b>379,082</b>	<b>338,202</b>
<b>Total own funds requirements</b>	<b>1,905,945</b>	<b>1,743,777</b>	<b>1,690,465</b>	<b>1,580,193</b>

The own funds for the Company's consolidated situation totalled SEK 2,814m (2,258) as at 31 December 2016, exceeding the own funds requirements by a good margin.

### Capital ratios and capital buffers

Regulation (EU) No 575/2013 of the European Parliament and the Council requires credit institutions to maintain Common Equity Tier 1 capital of at least 4.5 per cent, Tier 1 capital of at least 6 per cent, and a total capital ratio (capital in relation to risk-weighted 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-weighted

exposure amount and an institution-specific countercyclical buffer of 0.04 per cent of the total risk-weighted 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 healthy margin.

## Note 3 Capital adequacy, cont.

	Hoist Finance consolidated situation		Hoist Kredit AB (publ)	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<b>Capital ratios and capital buffers, %</b>				
Common Equity Tier 1 capital ratio	12.46	12.32	14.25	14.48
Tier 1 capital ratio	14.73	12.94	16.82	15.18
Total capital ratio	16.76	15.21	19.14	17.71
Institution-specific buffer requirements for CET1 capital	7.04	7.02	7.07	7.04
of which, capital conservation buffer requirement	2.50	2.50	2.50	2.50
of which, countercyclical capital buffer requirement	0.04	0.02	0.07	0.04
<b>Common Equity Tier 1 capital available to meet buffers<sup>1)</sup></b>	<b>7.96</b>	<b>6.94</b>	<b>9.75</b>	<b>9.18</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 1,480m (1,370) at 31 December 2016, of which SEK 137m (183) is attributable to Pillar 2.

## 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 situa-

tion, 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 equity. The majority of deposits from the public are payable on demand (variable deposits – "floating"), while about 36 per cent (36) 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 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
<b>SEK thousand</b>				
Deposits from the public, floating	7,582,909	8,226,925	7,582,909	8,226,925
Deposits from the public, fixed	4,266,047	4,564,452	4,266,047	4,564,452
Senior unsecured debt	3,125,996	1,238,469	3,125,996	1,238,469
Convertible debt instruments	379,577	93,000	379,577	93,000
Subordinated liabilities	341,715	336,892	341,715	336,892
Equity	2,545,719	2,195,760	2,139,996	2,037,994
Other	907,963	795,979	632,535	555,407
<b>Balance sheet total</b>	<b>19,149,926</b>	<b>17,451,477</b>	<b>18,468,775</b>	<b>17,053,139</b>

The Group's treasury policy stipulates limits on how much liquidity is to be available and the nature of such liquidity. As 30 September, available liquidity totalled SEK 5,789m (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.

## Note 4 Liquidity risk, cont.

### Liquidity reserve

SEK thousand	31 Dec 2016	31 Dec 2015
Cash and holdings in central banks	3,073	281
Deposits in other banks available overnight	1,036,749	799,199
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1,528,116	1,181,728
Securities issued or guaranteed by municipalities or other public sector entities	745,786	1,896,099
Covered bonds	2,474,849	1,268,214
Securities issued by non-financial corporates	–	–
Securities issued by financial corporates	–	10,000
Other	–	–
<b>Total</b>	<b>5,788,573</b>	<b>5,155,521</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 per cent of total deposits over a 30-day period.
- » Termination or revocation of funding sources in excess of SEK 50m.

## Note 5 Pledged assets

SEK thousand	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Pledges and comparable collateral for own liabilities and for reported commitments for provisions	478	639	–	–

## Note 6 Contingent liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Commitments <sup>1)</sup>	1,565,944	651,064	–	–

1) Comparative figures have been adjusted due to changed accounting principle for forward flows.

## Note 7 Reconciliation alternative performance measures

Return on book SEK thousand	Quarter 4 2016	Quarter4 2015	Full year 2016	Full year 2015
EBIT	241,629	211,042	935,458	674,637
+ Operating expenses in Central Functions	94,580	94,548	328,668	345,060
EBIT excl operating expenses in Central Functions <sup>1)</sup>	1,344,835	1,222,360	1,264,126	1,019,697
Average carrying value of acquired loans	12,158,301	10,958,586	11,968,471	10,099,774
<b>Return on book, %</b>	<b>11.1</b>	<b>11.2</b>	<b>10.6</b>	<b>10.1</b>

1) Calculated on an annualised basis (quarterly)

2) Calculated as average on previous period

## Not 7 Reconciliation alternative performance measures, cont.

Adjusted EBITDA SEK thousand	Quarter 4 2016	Quarter4 2015	Full year 2016	Full year 2015
<b>Profit for the period</b>	118,110	106,950	417,149	230,522
+ Income tax expense	36,758	24,600	115,949	54,609
+ Portfolio revaluations	-22,662	-5,067	-5,703	38,856
- Interest income (excl. Interest from run-off performing portfolio)	-699	-6,223	3,283	-28,103
+ Interest expense	79,474	85,772	300,288	361,370
+/- Net result from financial transactions, incl. Net credit losses	7,987	-57	98,789	56,239
+ Depreciation and amortisation of tangible and intangible assets	13,891	11,704	52,796	46,866
<b>EBITDA</b>	<b>232,859</b>	<b>217,679</b>	<b>982,551</b>	<b>760,359</b>
+ Amortisation on run-off portfolio	6,735	12,498	26,171	60,434
+ Amortisation on acquired loan portfolios	508,193	474,204	1,911,916	1,587,651
<b>Adjusted EBITDA</b>	<b>747,787</b>	<b>704,381</b>	<b>2,920,638</b>	<b>2,408,444</b>
Book value of run-off consumer loan portfolio	32,194	58,365	32,194	58,365

# 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, 8 February 2017

**Ingrid Bonde**  
Chair of the Board

**Liselotte Hjorth**  
Board member

**Annika Poutiainen**  
Board member

**Costas Thoupou**  
Board member

**Magnus Ugglä**  
Board member

**Gunilla Wikman**  
Board member

**Jörgen Olsson**  
CEO  
Board member

# A guide to our interim report

## Operating income statement, Group

SEK thousand	Quarter 4 2016	Quarter 4 2015
Gross cash collections on acquired loan portfolios	1,104,772	1,032,221
Portfolio amortisation and revaluation	-485,532	-469,138
Interest income from run-off consumer loan portfolio	1,153	1,550
<b>Net revenue from acquired loan portfolios</b>	<b>620,393</b>	<b>564,633</b>
Fee and commission income	29,513	39,351
Profit from shares and participations in joint ventures	15,222	13,868
Other income	7,110	2,751
<b>Total revenue</b>	<b>672,238</b>	<b>620,603</b>
Personnel expenses	-177,988	-186,713
Collection costs	-145,560	-107,284
Other operating expenses	-93,170	-103,860
Depreciation and amortisation of tangible and intangible assets	-13,891	-11,704
<b>Total operating expenses</b>	<b>-430,609</b>	<b>-409,561</b>
<b>Operating profit (EBIT)</b>	<b>241,629</b>	<b>211,042</b>
<b>Funding</b>		
Interest income excl. run-off consumer loan portfolio	700	6,223
Interest expense	-79,474	-85,772
Net financial income	-7,987	57
<b>Total financial items</b>	<b>-86,761</b>	<b>-79,492</b>
<b>Profit before tax</b>	<b>154,868</b>	<b>131,550</b>

## Statutory income statement, Group

SEK thousand	Quarter 4 2016	Quarter 4 2015
Revenue from acquired loan portfolios	619,240	563,083
Interest income	1,853	7,773
Interest expense	-79,474	-85,772
<b>Net interest income</b>	<b>541,619</b>	<b>485,084</b>
Fee and commission income	29,513	39,351
Net financial income	-6,727	57
Other income	7,110	2,751
<b>Total operating income</b>	<b>571,515</b>	<b>527,243</b>
General administrative expenses		
Personnel expenses	-177,988	-186,713
Other operating expenses	-238,730	-211,144
Depreciation and amortisation of tangible and intangible assets	-13,891	-11,704
<b>Total operating expenses</b>	<b>-430,609</b>	<b>-409,561</b>
<b>Profit before credit losses</b>	<b>140,906</b>	<b>117,682</b>
Net credit losses	-1,260	-
Profit from shares and participations in joint ventures	15,222	13,868
<b>Profit before tax</b>	<b>154,868</b>	<b>131,550</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 as 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 operating profit (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

## Alternative performance measures

Alternative performance measures (APMs) are financial measures of past or future earnings trends, financial position or cash flow that are not defined in the applicable accounting regulatory framework (IFRS), in the Capital Requirements Directive (CRD IV), or in the EU's Capital Requirement Regulation number 575/2013 (CRR). APMs are used by Hoist Finance, along with other financial measures, when relevant for monitoring and describing the financial situation and for providing additional useful information to users of the financial reports. These measures are not directly comparable with similar performance measures that are presented by other companies. Estimated remaining collections, Return on book and Adjusted EBITDA are three APMs that are used by Hoist Finance. Alternative performance measures are described below.

## Acquired loans

Total of acquired loan portfolios, run-off consumer loan portfolios and participations in joint ventures.

## Acquired loan portfolios

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

## 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.

## Adjusted EBITDA

Earnings before interest, tax, depreciation and amortisation ("EBITDA"), adjusted by further adding back amortisation on run-off portfolios and amortisation on acquired loan portfolios.

## 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 interest income from the run-off consumer loan portfolios. The expenses related to fee and commission income are calculated with reference to commission income and costs related to other income and actual profit margin.

## 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. Operating profit before financial items 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" is the company's assessment of the 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 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 customers' solvency and follows regulatory and legal requirements.

## 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 amortization 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 revaluation

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

## Non-performing loans (NPLs)

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

## Number of employees

Number of employees at the end of the period converted to full-time posts.

## Return on book

EBIT (operating profit) for the period, exclusive of Central Function operating expenses, calculated on an annualised basis, in relation to the average carrying value of acquired loans. In the company's reports, the average value is calculated based on the opening amount at the beginning of the period and the closing amount at the end of the period.

## Return on equity

Profit for the period adjusted for accrued unpaid interest on Additional Tier 1 capital, calculated on an annualised basis, divided by equity adjusted for AT1 capital reported in equity, calculated on a quarterly basis.

## Risk-weighted exposure amount

The risk weight of each exposure multiplied by the exposure amount.

## SME

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

## Tier 1 capital

The sum of CET1 capital and AT1 capital.

## Tier 1 capital ratio

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

## Tier 2 capital

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

## Weighted average number of diluted shares

Weighted number of outstanding shares plus potential dilutive effect of outstanding warrants.

# 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.



## 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

<b>The annual report will be published on our homepage at the latest</b>	23 March 2017
<b>Annual general meeting</b>	28 March 2017
<b>Interim report Q1 2017</b>	27 April 2017
<b>Interim report Q2 2017</b>	28 July 2017
<b>Interim report Q3 2017</b>	26 October 2017

## Contact

**Investor Relations**  
Michel Jonsson  
Group Head of Investor Relations

Ph: +46 (0) 8-555 177 45  
E-post: [info@hoistfinance.com](mailto:info@hoistfinance.com)

Hoist Finance AB (publ)  
Corp. ID no. 556012-8489  
Box 7848,  
103 99 Stockholm  
Ph: +46 (0) 8-555 177 90  
[www.hoistfinance.com](http://www.hoistfinance.com)

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

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